



Testimony of LeadingAge  
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The Implementation and Sustainability of the New, Government-Administered Community Living Assistance Services and Supports (CLASS) Program

As President and CEO of LeadingAge and the chair of Advance CLASS, I thank the subcommittee for the opportunity to discuss the implementation of the CLASS program. This is one of the most important measures ever enacted because it addresses a need that most families at some point will encounter, coverage for long-term services and supports.

LeadingAge is an association of 5,500 not-for-profit organizations dedicated to expanding the world of possibilities for aging. We advance policies, promote practices and conduct research that supports, enables and empowers people to live fully as they age.

Advance CLASS is the premier national advocacy organization dedicated to the implementation of a strong and vital long-term services and supports program. The group is an independent not-for-profit corporation comprised of prominent national organizations which specialize in serving the most vulnerable in both the aging and disability communities.

Long-term care is something most families will face, and no one wants to talk about. It is potentially the biggest financial risk of family life and yet none of us wants to think that someday we may need help with the simplest activities of daily life – eating, bathing or moving around.

The Community Living Assistance Services and Supports (CLASS) program creates a consumer-financed, premium-based, voluntary insurance plan to help people finance whatever long-term services and supports they come to need.

After decades of debating how the nation might better address appropriate financing for these critical services and after more than five years of legislative development, debate, and hearings, the CLASS Act was signed into law in 2010 as part of the Affordable Care Act. It received bipartisan support during its development by House and Senate committees and was endorsed by over 270 consumer, provider, and faith-based organizations from AARP and the Alzheimer's Association to Easter Seals and the Paralyzed Veterans of America.

Who needs the CLASS plan?

We all do. Disabling conditions are no respecter of age, socio-economic status, living venue, background or genetics. Examples include the 21 year old who took that dangerous dive during beach week and is now a paraplegic. The returning war veteran who is now a double amputee. The successful lawyer born with muscular dystrophy and working full-time who faces future problems in bathing and dressing for work. The 80 year old with Alzheimer's disease who lives with her daughter and family. We know these people. They are us.

In a speech delivered at the Kaiser Family Foundation on February 7, Health and Human Services Secretary Kathleen Sebelius told the story of Michael:

“Fourteen months ago, when he was 42, Michael was diagnosed with multiple sclerosis. Since then, he has lost movement in his legs and left arm. His neck muscles have weakened...He has lost ability to control his bladder... Michael can live independently, as he strongly prefers to do, because he has part-time personal care assistance to help with daily tasks...He pays for these assistants with long-term care insurance...But his policy runs out soon, forcing him to rely on Medicaid...If it can't cover the services he needs, his worst fears will come true and he will be forced out of his home.”

We all have fire insurance for our homes. Car insurance against accidents. Many have health and life insurance, even burial insurance and pet insurance. Insurance is an accepted way of hedging against risk. With CLASS, we will have the chance to insure ourselves against perhaps the biggest blank check risk any of us will face: the need for substantial help to live, work and function in a place called home. CLASS goes a long way to mitigate those risks.

Ten million Americans today need long term services and supports—including 4 million under age 65. As the baby boomers age into retirement, these numbers will more than double.

The CLASS plan promotes personal responsibility, puts choice in the hands of consumers, and doesn't rely on taxpayer funds. CLASS is totally voluntary. Its cash benefit approach allows consumers to choose the type of help they want. It is not a government entitlement program and stands on its own financial feet. By law, “No taxpayer funds shall be used for payment of benefits under... CLASS...”

The importance of CLASS and the fiscal responsibility of the approach were aptly described by Senator Gregg (NH), who strengthened the program with an amendment requiring that “Beginning with the first year of the CLASS program, and for each year thereafter... the Secretary shall establish all premiums to be paid by enrollees for the year based on an actuarial analysis of the 75-year costs of the program that insures solvency throughout such 75-year period.”

“Our nation needs to address the growing problem of providing health care services for ... older individuals who have trouble with activities and tasks of daily life...My amendment ensures that instead of promising more than we can deliver, the [CLASS] program will be fiscally solvent, and we won't be handing the bill to future generations.”<sup>1</sup>

### What's the potential impact of CLASS?

For consumers, it can allow someone with practical deficits to continue work and be more self-sufficient. Because cash is the benefit, affected consumers can buy what they need to stay as independent as possible: an attendant to help with morning bathing and dressing, a driver to take them to work, and that modified bathroom or ramp. For the working daughter whose cognitively impaired mom lives with her, it is the direct care person who visits half a day to assure medication management or lunch so daughter doesn't have to leave work. For the family, it can mean money back in the family pocketbook for other necessities.

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<sup>1</sup> Senator Gregg, press release, July 7, 2009.

CLASS helps taxpayers. The law says there can be no tax dollars paid out for benefits. It is a financially self-sufficient program. CLASS helps break the dependency on federal and state programs such as welfare and Medicaid. Often people need some resources to afford long-term services and supports to maintain the possibility of working. But if their incomes increase, they lose eligibility for Medicaid or other assistance. CLASS allows them to purchase—with cash—just the services they need to stay independent and continue working. And were a person to need Medicaid and become eligible, 95 percent of the CLASS benefits would go to repay the Medicaid program for institutional care or 50 percent for home- and community-based services.

The CLASS plan also is important to employers, including small businesses. MetLife estimated the cost of lost productivity for employees who must take time off for family caregiving to be \$17 billion annually.<sup>2</sup> In a John Hancock survey, 50 percent of small business employers reported a negative impact on business because employees had to deal with long-term care issues and 60 percent believe their employees are concerned about the ability to afford long-term care.<sup>3</sup> A newly-released study found that employees who are caring for an older relative are more likely to report health problems like depression, diabetes, hypertension or heart disease, costing employers an estimated average additional health care cost of 8 percent per year, or \$13.4 billion annually.<sup>4</sup>

CLASS can help these employed family caregivers hire needed help for those for whom they are responsible, easing stress and reducing the caregivers' own health problems, reducing the cost of their employer-sponsored health care.

#### How did CLASS come to be?

Political veterans of health policy remember that the bipartisan Pepper Commission a generation ago concluded that long-term care was an insurable set of circumstances and that addressing it should be a priority.

Groups representing younger people with disabilities worked for years with legislators of both parties on legislation to provide an alternative to Medicaid coverage of long-term services and supports. The first version of CLASS was introduced in 2005 with bipartisan sponsorship.

LeadingAge's work on a new way of financing long-term services and supports beyond the current "give us more Medicaid money" began back in 2003 at a visit with Senator Max Baucus. He asked, "So, how do we pay for long-term care?"

We embarked on a two-year process of finding an effective answer to Senator Baucus' question. We convened a blue-ribbon panel of the best financial thinkers among our membership. After intensive study of an array of long-term care financing models, they issued a report recommending a voluntary, accessible

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<sup>2</sup> MetLife and The National Alliance for Caregiving, Cost Study on Productivity Losses to U.S. Businesses (July 2006), Impact of Unpaid Caregiving on Businesses.

<sup>3</sup> See: [http://www.johnhancock.com/about/news\\_details.php?fn=july2109-text&yr=2009](http://www.johnhancock.com/about/news_details.php?fn=july2109-text&yr=2009)

<sup>4</sup> MetLife, the University of Pittsburg, and the National Alliance for Caregiving (February 2010), *MetLife Study of Working Caregivers and Employer Health Care Costs*.

and affordable insurance program substantially along the lines of the CLASS program. With our board's approval, we joined forces with organizations which had already begun work on the CLASS legislation. Together with them, we made the case that health care reform would not be complete unless it addressed long-term care needs.

Ultimately CLASS was included in the Affordable Care Act. I thank the Energy and Commerce Committee for being the champions of CLASS and including it in the House version of the Affordable Care Act. I want to especially recognize the leadership of Congressman Dingell, who has demonstrated a longstanding passion on this issue and of Congressman Pallone for his strong belief in and commitment to CLASS.

#### What are the unknowns about CLASS?

The biggest question is that no one can be sure how many people will sign up the day it is offered and how rapidly the pool will grow based on how popular it will become based on public perception of benefit and protection.

There seems to be a tipping point of the percentage of the population that has faced these issues personally that makes a program like CLASS acceptable. America may be there, if polls and focus groups are reflective indication. A Kaiser Family Foundation poll released February 24, 2011, indicates, "If the public could pick and choose, 83 percent would institute the new voluntary long-term care insurance program known as the CLASS Act..."

So, plan design, communication and public education now are critical to encourage working people— young and old—to sign up for the program. We fully support the flexibility the ACA gives the Secretary of Health and Human Services to work with the public and stakeholders to initiate the CLASS program in a manner that allows it to both serve the purpose and be sustainable, without federal tax dollars.

#### What protections does the Affordable Care Act provide for CLASS?

We fully support the numerous mechanisms included in CLASS to ensure the program's integrity, including:

- The CMS Actuary, who is required annually to certify "that the techniques and methodologies used [in developing premiums that will maintain required 75 year solvency] are generally accepted within the actuarial profession and that the assumptions and cost estimates used are reasonable,"
- The Secretary of HHS, who is required to ensure "that enrollees' premiums are adequate to ensure the financial solvency of the CLASS program, both with respect to fiscal years occurring in the near-term and fiscal years occurring over 20- and 75-year periods," and has both the authority and duty to adjust benefits and premiums to do so,
- The Secretary of the Treasury, who is responsible for managing the trust fund and authorizing payments,

- The Board of Trustees, including two public members (one of each party), which is charged with annually reporting to the Congress on the operation and status of the CLASS Independence Fund during the preceding fiscal year and on its expected operation and status during the current fiscal year and the next 2 fiscal years; reporting immediately to the Congress whenever it believes that the amount of the CLASS Independence Fund is not actuarially sound; and reviewing the management of the CLASS Independence Fund and recommending changes in such policies, including necessary changes in the provisions of law.
- The Secretary of HHS, the Advisory Council, the CMS Actuary, and the CLASS Fund Trustees all have an on-going duty to assure that premiums are set to maintain long-range solvency, to maintain sufficient reserves to pay claims, and to make program adjustments as needed.
- The law requires extensive close monitoring and public reporting, and actions to correct problems before a crisis. The Board of Trustees has authority under the law to recommend congressional action that could include adjustments in monthly premiums or a temporary moratorium on new enrollments if the Board determines that enrollment trends and expected future benefit claims on the CLASS Independence Fund are not actuarially sound, if the Secretary has not already effectively responded.

#### Will the CLASS plan benefits be generous enough to provide meaningful help?

The CLASS plan is intended to pay a foundational level of benefits. It's important to understand that CLASS benefits continue as long as a plan participant's need continues—this could be for just six months or for a lifetime.

That is critically important for the younger working person who incurs a lifelong disabling condition and for the twenty percent of people turning age 65 who researchers find will need long term services and supports for five or more years.

Second, not everyone who needs long-term services and supports requires nursing home care, the most expensive kind of care setting. CLASS does not have the institutional bias in favor of nursing home care that Medicaid and many private insurance plans have. With the CLASS cash benefit, individuals and their families could choose lower-cost services such as personal care assistants, adult day services, or coverage under a PACE program. We have seen this approach succeed in the Cash and Counseling program.

CLASS fills a critical need and also creates a framework for a public/private partnership, with private long-term care insurance (for those for whom it is appropriate) supplementing a broad-based floor of protection.

#### Conclusion

The CLASS plan fills a serious and growing gap in the resources available to individuals and families to protect against the substantial cost of long-term services and supports. The need for this program has been forecast for over a generation. CLASS developed on a bipartisan basis with the support and cooperation of a multitude of stakeholders over a period of years that pre-dated the Affordable Care Act.

Numerous surveys and focus groups have found that many Americans do realize that total long-term supports and services are not fully covered. The discussions around the implementation of CLASS, including this hearing, will further increase public awareness of the need for effective planning and personal responsibility.

So, those of us passionate about it believe that our next great step and responsibility is to educate the American public on a need that many already know they have. Those of us who worked to bring about the CLASS program's enactment remain committed to the public education and other efforts that will be essential to the program's success.

Certainly there are risks to any change or new initiative. In the case of the CLASS program, we believe the risks are small relative to the great good that can be achieved. And the risk of the status quo is predictable, unacceptable, and catastrophic.

We thank the subcommittee for your interest in CLASS and we urge your support for its continued implementation.