

The Honorable Frank Pallone, Jr.

House Energy and Commerce Subcommittee on Health and Subcommittee on Oversight and Investigations Joint Hearing

“CLASS Cancelled: An Unsustainable Program and Its Consequences for the Nation’s Deficit”

Opening Statement - October 26, 2011

Thank you Mr. Chairman. On March 23, 2010, our government made a promise to the American people to improve health care in this country by enacting the Affordable Care Act, landmark legislation that expanded and strengthened health coverage in this country. This promise included the CLASS Act, which gives HHS the authority to develop a voluntary long term care insurance option for working families.

The goal of CLASS is to provide Americans with an affordable method of obtaining long term care benefits. Unfortunately, Secretary Sebelius has announced that HHS will not move forward with implementing CLASS. But I am here to tell you that if we do not move forward with the implementation of the CLASS Act, we will be turning our backs on the millions of Americans that are in need of a solution for finding long term care support.

An estimated 15 million people are expected to need some form of long term care supports by 2020. Today, more than 200 million Americans lack long term care insurance. Currently, Medicaid pays 50 percent of the costs of long-term services and that price tag is quickly rising every year. Persons that develop functional impairment are often forced to quit their jobs or spend down their income in order to qualify for the long term care supports and services that they need. The CLASS program is designed to allow people to plan in advance – to take personal responsibility for their own care – and obtain the support that they need in order to potentially remain in their communities and even remain active in their jobs.

Instead of allowing this population an opportunity to remain self-sufficient, we are sentencing them to unnecessary poverty to receive the care that they need. If we, as a country, do not invest in fixing long term care, people with functional impairments will keep returning to costly acute care settings to address potentially preventable conditions. We cannot sit back and do nothing.

I do not agree that HHS has completed their work on trying to implement CLASS. Mr. Bob Yee, whose dismissal last month as the CLASS actuary first signaled that HHS was abandoning the program, gave the Department a path forward to implement CLASS. His report to HHS states that the “CLASS Benefit Plan can be designed to be a value proposition to the American workers as the CLASS Act prescribed it.” Mr. Yee has developed options that address potential adverse selection and premium support. One of Mr. Yee’s options is “phased enrollment,” in which large employers offer the plan first before individuals can sign up.

Another option is “temporary exclusion:” no benefits for 15 years if the need for help arises from a serious medical condition that already existed when someone enrolled. Mr. Yee is an optimist. He explains how HHS should move forward. So why does the Department take such a negative approach and close the door on implementation when the work has not been completed?

The Affordable Care Act requires that CLASS Act implementation proposals be reviewed by the CLASS Independence Advisory Council, which HHS has yet to establish. This Council should be convened immediately in order to better inform the efforts of HHS and to represent the interests of stakeholders that have been invested in CLASS for over a decade. HHS is not supposed to unilaterally abandon CLASS without convening the Advisory Council. The Council may reveal other workable options for long term care that the Department has not considered.

The CLASS Act is the first step towards improving our nation’s long term care problem. It provides an infrastructure that can be implemented. This was an important part of health care reform. I refuse to give up on CLASS just as I refuse to give up on health care reform. I’m tired of the Republican rhetoric that says Congress and government in general can’t do anything. And, I certainly don’t think that HHS should play into that same theme.

Americans are a “can do” people. We can have universal, affordable health insurance. And we can provide long term care insurance. I suggest that the Department go back to the drawing board, be optimistic and come up with a plan that implements CLASS.

Thank you.