



THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

October 14, 2011

The Honorable John A. Boehner
Speaker of the House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

Last year, the U.S. Department of Health & Human Services (HHS) initiated a comprehensive analysis of the Community Living Assistance Services and Supports (CLASS) program. The CLASS initiative – championed by the late Senator Edward M. Kennedy – was added as a separate program to health reform legislation with the goal of creating better long-term care insurance options for Americans. The Congressional Budget Office carefully analyzed this legislation and provided public estimates of how it would work and its effects on the Federal budget. And, the Administration worked with Congress to strengthen the program during Congressional consideration of the Affordable Care Act.

For 19 months, experts inside and outside of government have examined how HHS might implement a financially sustainable, voluntary, and self-financed long-term care insurance program under the law that meets the needs of those seeking protection for the near term and those planning for the future. The work has been groundbreaking in many ways and has taught us a great deal, much of which is captured in the attached report. But despite our best analytical efforts, I do not see a viable path forward for CLASS implementation at this time.

In 2009, the actuary at the Centers for Medicare and Medicaid Services released a report to Congress during the consideration of the legislation that raised concerns about the program's viability. Because of such concerns, the law passed by Congress required me to design a plan that would be actuarially sound and financially solvent for at least 75 years. The provision protected both taxpayers and beneficiaries. After all, if CLASS failed, no one would be hurt more than those who would pay into it and would be counting on it the most.

With this in mind, experts across HHS – including the CLASS Office, the Office of the Assistant Secretary for Planning & Evaluation and the Office of the General Counsel – have worked steadily to find a path forward on CLASS. We have undertaken a methodical and comprehensive analysis of the statute and plan design options. We have broadly considered how to design potential benefit structures and reviewed those designs carefully to determine if they meet the twin tests of solvency and consistency with the law. We hired a chief actuary for the CLASS Office, engaged with other government actuaries, and worked with two outside actuarial firms in order to maximize the reliability of solvency estimates. I am proud of the careful and thorough approach that we have taken, engaging talented professionals across the Department and in the private sector.

Our work is detailed in the comprehensive report being transmitted to Congressional leadership with this letter. In the report, you will find the results of our actuarial and policy analyses of the CLASS Act along with our legal analysis of multiple plan design options. While the report does not identify a benefit plan that I can certify as both actuarially sound for the next 75 years and consistent with the statutory requirements, it reflects the development of information that will ultimately advance the cause of finding affordable and sustainable long-term care options.

The challenge that CLASS was created to address is not going away. By 2020, we know that an estimated 15 million Americans will need some kind of long-term care and fewer than three percent have a long-term care policy. These Americans are our family, our friends and our neighbors. If they are to live productive and independent lives, we need to make sure that they have access to the long-term care supports that make that possible.

We also know that left unaddressed, long-term care costs to taxpayers will only increase. Without insurance coverage or the personal wealth to pay large sums in their later years, more Americans with disabilities will rely on Medicaid services once their assets are depleted, putting further strain on State and Federal budgets.

The CLASS program seeks to address the critical need that Americans have for affordable long-term care services. The current market does not offer viable options for those unable to access private long-term care insurance. We look forward to continuing our work with you and your colleagues in Congress, consumer advocates, health care providers, insurers and other stakeholders to find solutions that ensure all Americans have the choices that best meet their needs.

Sincerely,

A handwritten signature in black ink, reading "Kathleen Sebelius". The signature is fluid and cursive, with the first name "Kathleen" and last name "Sebelius" clearly distinguishable.

Kathleen Sebelius

cc. The Honorable Fred Upton
Chairman, Committee on Energy and Commerce

The Honorable Henry A. Waxman
Ranking Member, Committee on Energy and Commerce