

April 15, 2011

The Honorable John Thune
SR- 493 Russell Senate Office Building
Washington, DC 20510

The Honorable Lindsey Graham
SR-290 Russell Senate Office Building
Washington, DC 20510

Re: S. 720, "Repeal the CLASS Entitlement Act"

Dear Senator Thune and Senator Graham:

On behalf of our organizations which represent the interests of American business, thank you for introducing the "Repeal the CLASS Entitlement Act," S. 720, a bill which would repeal the Community Living Assistance Services and Supports Act (CLASS Act). While the business community recognizes the need for viable long-term care coverage, it opposes the CLASS Act, in general as an actuarially unsound program, as well as its automatic enrollment provision.

Many administration officials have also acknowledged the flaws of the CLASS Act, which ostensibly was designed to create a federal long term care insurance program:

- The administration's own Secretary of Health and Human Services Kathleen Sebelius at two different congressional hearings admitted that the CLASS Act is "totally unsustainable absent massive taxpayer infusions of fund(s)," once before the House Ways and Means Committee and once before the Senate Finance Committee.
- Further the chief actuary of the Centers for Medicare and Medicaid Services declared that "there is a "very serious risk that the problem of adverse selection would make the CLASS program unsustainable," because people with health problems will be more likely to sign up. To accommodate that risk, the program will have to charge premiums that will make healthy people less likely to sign up, something he called an "insurance death spiral."
- The nonpartisan Congressional Budget Office warned of the long-term risks for taxpayers: "The CLASS program would inevitably add to future deficits (on a cash basis) by more than it reduces deficits in the near term, even though the premiums would be set to ensure solvency of the program."
- Alice Rivlin, a former Congressional Budget Office director whom President Obama placed on the Federal Deficit Commission, wrote: "Since the CLASS program is a new unfunded entitlement, it should be repealed because it will increase the deficit over the long term."

Perhaps even more concerning than these above admonitions is the pivot that the Secretary of Health and Human Services has made asserting that she has the authority to exclude individuals who meet the minimum earnings requirement for CLASS Eligibility and to deny the requirement of automatic enrollment via regulations. It is worrisome to consider how this provision will be altered in the regulatory process in order to make it sustainable. We also have serious concerns that those who are defaulted into this program are unable to leave the program for one year until

their annual disenrollment period. We think this will displace other high priority employee benefits. We applaud your efforts to repeal the entire provision in order to protect employees and Americans from losing their wages to fund an entitlement program which will never benefit them. Therefore, we strongly support the “Repeal the CLASS Entitlement Act,” S. 720, and advocate for its swift passage into law.

Thank you for your prompt consideration of this critically important issue.

Sincerely,

Business Roundtable
National Association of Health Underwriters
National Association of Manufacturers
National Business Group on Health
National Retail Federation
U.S. Chamber of Commerce