



## LTSS Trust Commission Meeting



# Meeting Guidelines

## Commission Members

- Please turn on video
- Stay muted unless talking
- Encourage active participation
- Raise hand to speak if necessary

## Audience Members

- Opportunity to provide public comment later in the meeting

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# **WELCOME & CALL TO ORDER**

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# Meeting Goals

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- Listen to understand
- Approve Consent Agenda
- Approve Agency Administrative Expenses Report
- Receive final Milliman report on new baseline
- Receive OSA Solvency Report
- Receive final proposed recommendations from Portability, Benefits Eligibility, and Recertification and Rescinding Private LTC Insurance Workgroups
- Get alignment on Commission Report recommendations
- Provide input on agenda for next Commission meeting on December 9

# Consent Agenda

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- 09/13/2022 Commission meeting minutes

# WA Cares Fund Program Overview

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## Key program details per current statute (RCW 50B.04):

- **Premium** – \$0.58 cents for every \$100 earned
- **Benefits** – lifetime total of \$36,500 paid by DSHS to LTSS providers
  - Adjusted annually up to inflation
- **Qualified individuals** – meet requirements for one of three pathways:
  - Lifetime access: Contributed for at least 10 years without a gap of 5+ consecutive years (full benefit)
  - Early access: Contributed for at least 3 of the past 6 years at the time they apply for benefits (full benefit)
  - Nearing retirement: Born before January 1, 1968 and contributed for at least one year (10% of full benefit amount for each year worked)
    - A person must work 500 hours during a year to receive credit for a qualifying year
- **Eligibility to use benefits**
  - Qualified individual who requires assistance with at least 3 activities of daily living (i.e., bathing, dressing, eating, moving from one place to another, medication management, toilet use, transfer, etc.)
- **Premiums begin July 1, 2023; benefits will be available July 1, 2026**



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# Meeting Presentations

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Agency Administrative Expenses Report, Final Milliman Report, OSA Solvency Report, Updates and proposed recommendations from Commission workgroups, Commission Report Recommendations

# Agency Administrative Expenses Report

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- Approve report
- Identify volunteer to submit report

## 2022 Fiscal Year WA Cares Fund Budget Appropriations and Expenditures

Agency	Appropriations	Expenditures
DSHS	\$3,802,042	\$3,141,517
OSA	\$677,000	\$676,999
ESD	\$20,653,000	\$14,550,921
HCA	0	0
<b>Total</b>	<b>\$25,132,042</b>	<b>\$18,369,437</b>



# 2022 WA Cares Fund Actuarial Study

Update for LTSS Trust Commission

Chris Giese, FSA, MAAA

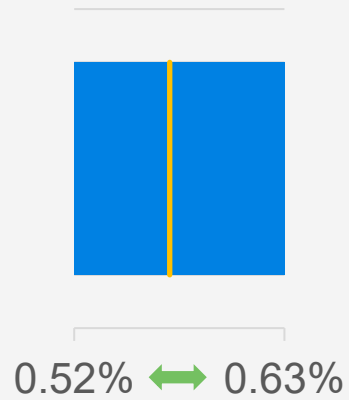
Annie Gunnlaugsson, ASA, MAAA

NOVEMBER 10, 2022

# Premium Rate Results – 2022 Actuarial Study

Base Plan = 0.57% (Vertical line)

Baseline  
Range



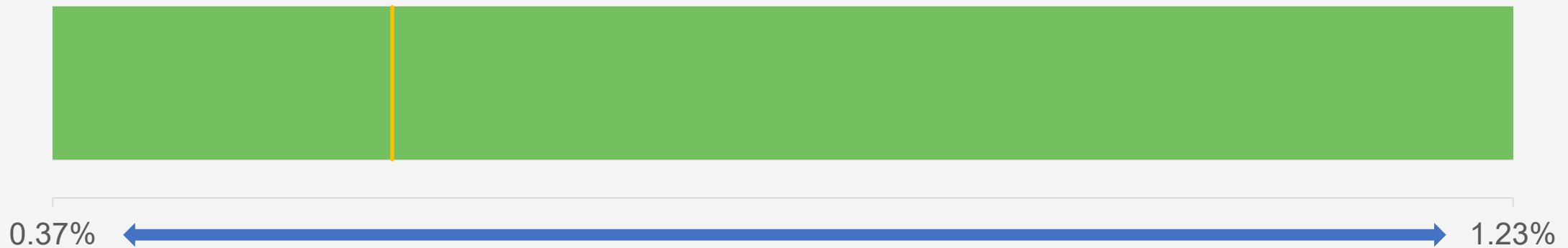
## ***Baseline***

Range of equally likely scenarios given uncertainty of voluntary participation and undefined program features

## ***Base Plan***

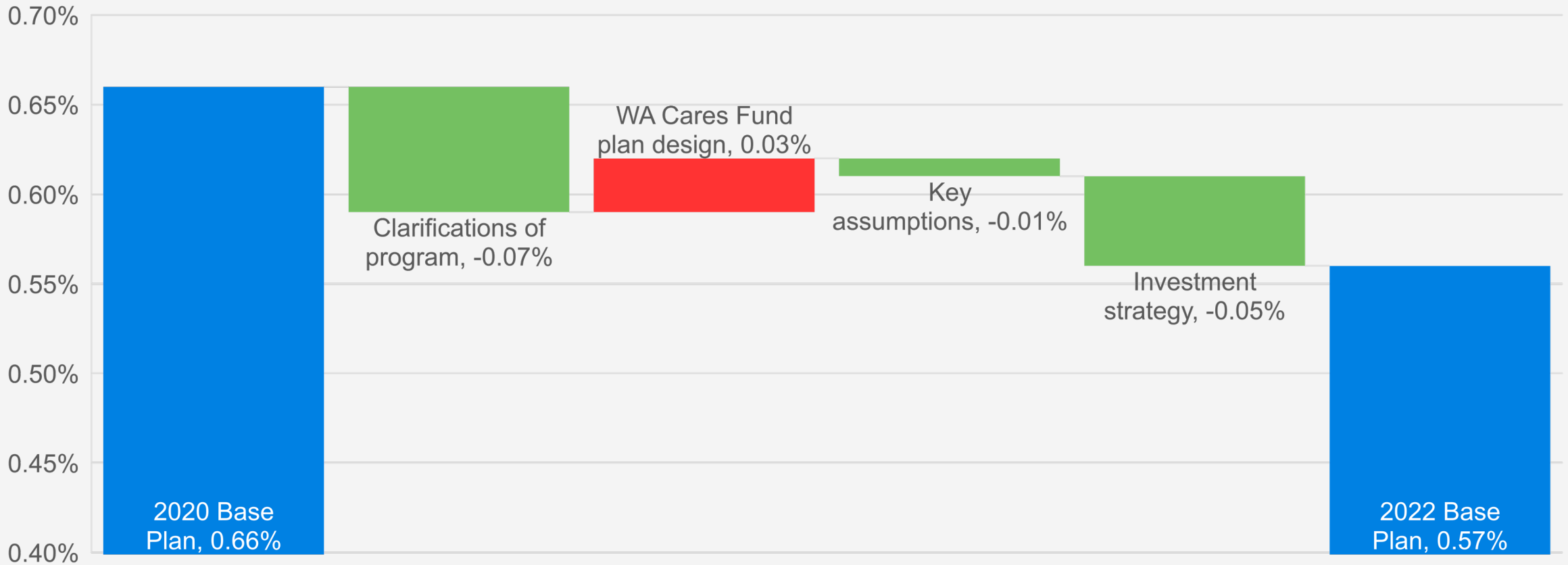
Specific illustrative scenario from Baseline, not intended to be a most likely scenario

Sensitivity  
Range



# Premium Rate Calculation

Walkthrough from 2020 Actuarial Study to 2022 Actuarial Study



# Changes due to clarifications of the program, **-0.07%** impact

Walkthrough from 2020 Actuarial Study to 2022 Actuarial Study

**Update wage base definition based on ESD clarification**

*Decreases premium 0.08%*



**Change assumed adjudication period from 45 to 30 days**

*Increases premium 0.01%*



# Changes due to WA Cares Fund plan design, **+0.03%** impact

Walkthrough from 2020 Actuarial Study to 2022 Actuarial Study

## Self-employed “ground rules”

*Decreases premium  
0.02%*



## New exempted populations

*Increases  
premium 0.04%*



## 18-month program delay

*Decreases  
premium 0.02%*



## Remove exclusion for those disabled before age 18

*Increases  
premium 0.02%*



## Add partial benefits for near retirees

*Increases  
premium 0.01%*



# Changes to key assumptions, **-0.01%** impact

Walkthrough from 2020 Actuarial Study to 2022 Actuarial Study

## Utilize actual private market opt-out data

*Increases premium 0.03%*



## Update Washington-specific wage adjustment and grade-off

*Decreases premium 0.01%*



## Update assumptions for 2022 OASDI Trustees Report

*Decreases premium 0.04%*



## Other assumption updates

*Increases premium 0.01%*



# Changes to key assumptions, **-0.05%** impact

Walkthrough from 2020 Actuarial Study to 2022 Actuarial Study

**Update investment strategy:  
Target Bloomberg US Aggregate Bond Index**

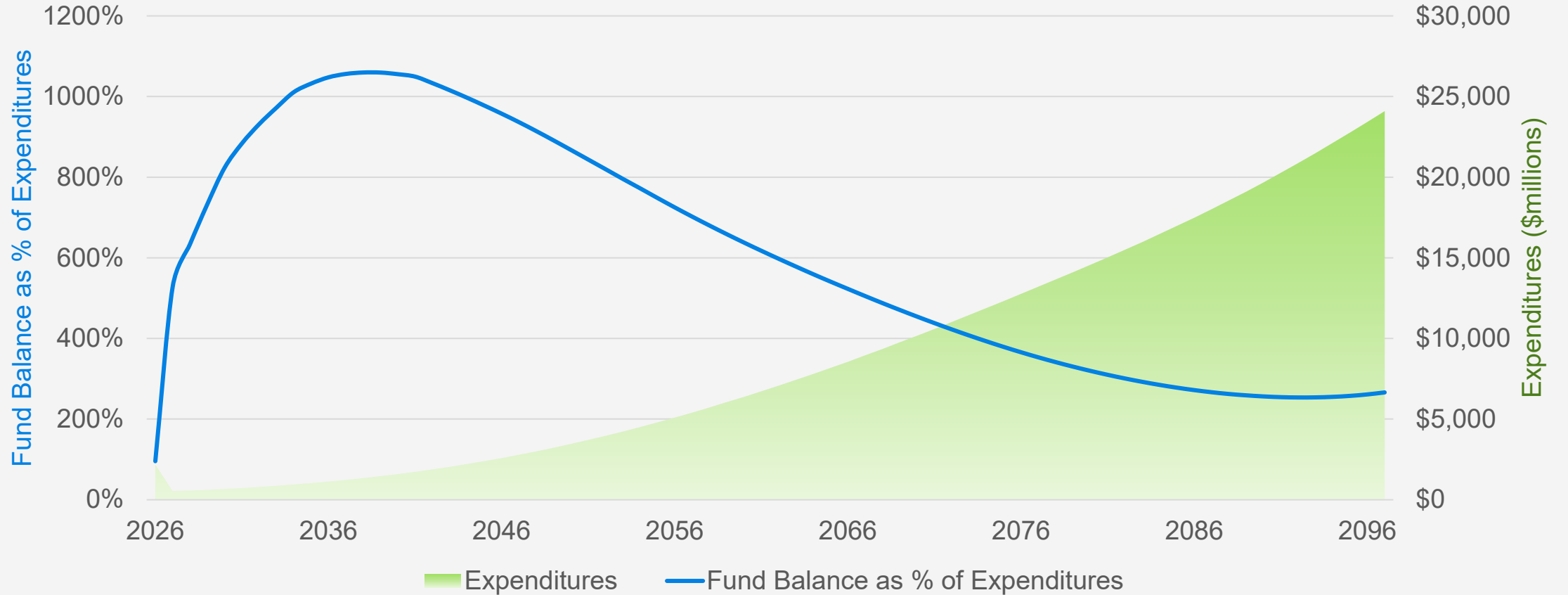
*Decreases premium 0.05%*





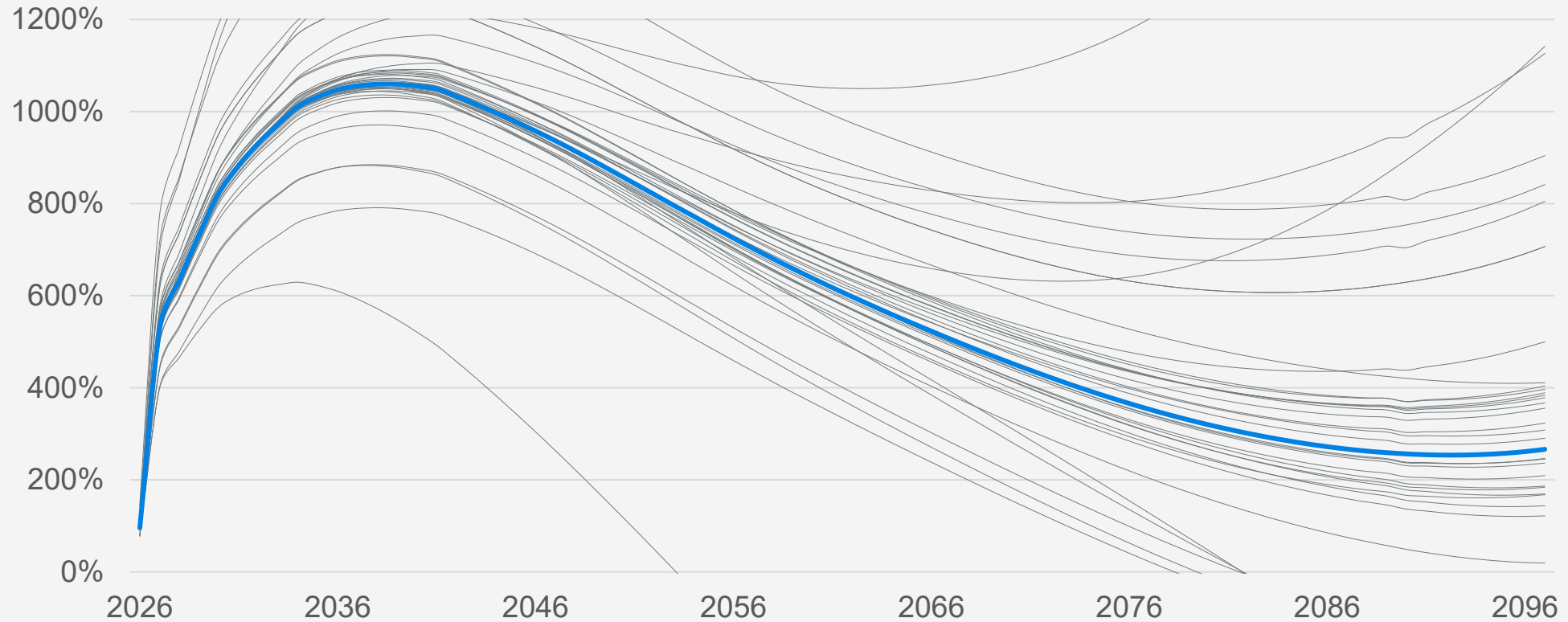
# Fund Balance as a % of Program Expenditures

Base Plan with 0.58% Premium Assessment



# Fund Balance as a % of Program Expenditures

For Base Plan and Assumption Sensitivities



# Caveats and Limitations

The information provided in this presentation has been prepared for the internal use of the Washington State Office of the State Actuary (OSA) and Washington State Department of Social and Health Services (DSHS), and it should not be distributed, in whole or in part, to any external parties without the prior permission of Milliman, subject to the following exception:

- This presentation shall be a public record that shall be subject to disclosure to the State Legislature and its committees, persons participating in legislative reviews and deliberations, and parties making a request pursuant to the Washington Public Records Act

We do not intend this information to benefit or create a legal liability to any third party. This communication must be read in its entirety.

This information provides a summary of key findings presented in our 2022 WA Cares Fund Actuarial Study provided dated October 20, 2022, which should be read in its entirety with this presentation. In completing this analysis, we relied on information provided by Washington State OSA, DSHS, SIB, and ESD and publicly available data, which we accepted without audit. We accepted without audit but reviewed the information for general reasonableness. Our summary may not be appropriate if this information is not accurate.

Many assumptions were used to construct the estimates in this presentation. Actual results will differ from the projections. Experience should be monitored as it emerges and corrective actions taken when necessary.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. Chris Giese and Annie Gunnlaugsson are members of the American Academy of Actuaries and meet the qualification standards for performing the analyses in this presentation.

The terms of the Personal Services Contract with Washington State OSA effective December 2, 2021 apply to this information.

# OSA Solvency Report and Recommendations

*Presentation to: LTSS Trust Commission*

*Matthew M. Smith, State Actuary*



# Today's Presentation Topics

- Takeaways from Milliman's 2022 Actuarial Study
- Review of [Risk Management Framework \(RMF\)](#)
- OSA's preliminary recommendations to support fund solvency
- Final solvency report to be provided in December meeting materials



# Takeaways from Milliman's 2022 Actuarial Study

- Evaluation of projected fund solvency
- Lower expected premium rate required from last study
- Improved funded status from last study
- Based on current law benefits as of September 2022
- See [Milliman's 2022 Study](#) for supporting information

# Evaluation of Projected Fund Solvency

- A solvent fund will have sufficient expected revenue, based on the current law premium rate, to pay all expected future program benefits and expenses over the projection period
  - Current program projections extend through June 30, 2098
- Based on the data, assumptions and methods used in Milliman's 2022 Actuarial Study, and current law as of that study, the program is projected to be solvent for most scenarios evaluated including the base plan scenario
- There were scenarios identified that, without corrective action, could lead the program to have insufficient revenue to provide for full program benefits over the entire projection period



# Lower Expected Premium Rate Required From Last Study

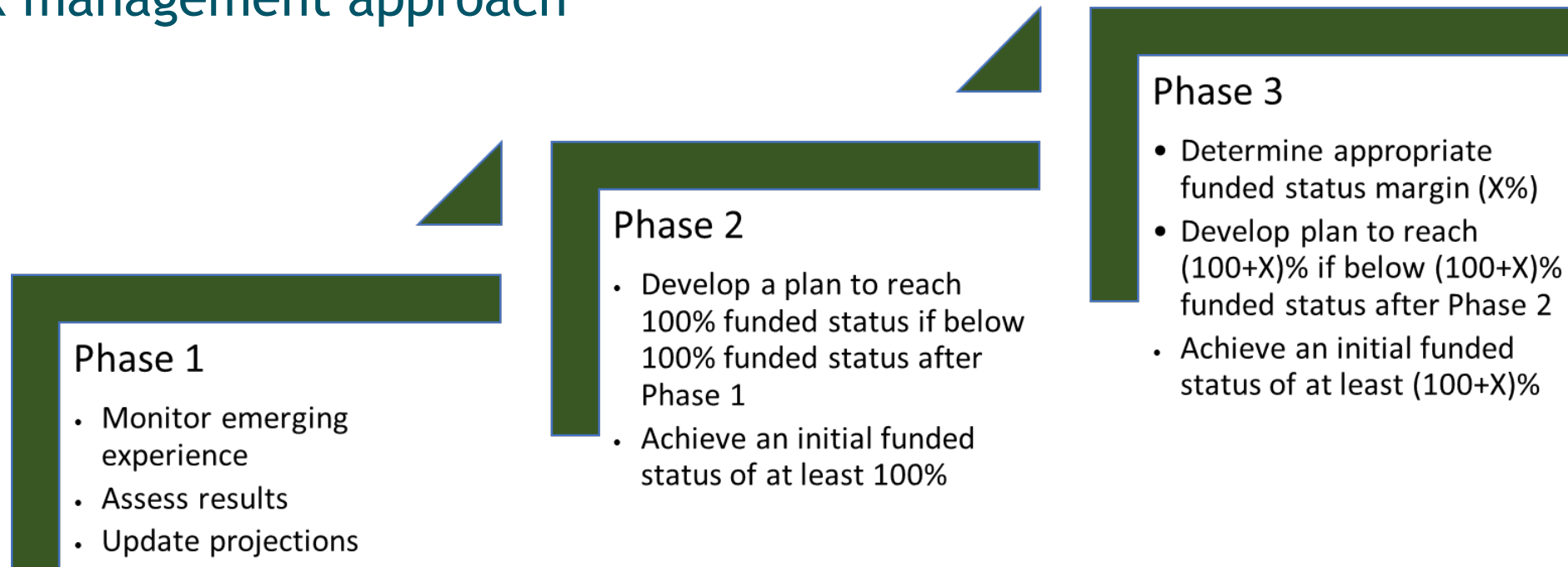
- The required premium rate for the base plan scenario decreased from 0.66% to 0.57%
  - Before any margin from RMF
- Milliman noted in their 2022 study that uncertain outcomes concerning voluntary exemptions and the length of the claim adjudication period could decrease that rate to 0.52% or increase it to 0.63% depending on the outcomes
- As with most actuarial projections, actual results will vary, and the actual required premium could fall outside this range
- Milliman also performed sensitivity analysis to inform how the required premium could change under different assumptions

## Improved Funded Status From Last Study

- OSA estimates a base plan funded status of 104% versus 91% from the 2020 study, assuming assessment of 0.58% premium rate
- Funded status represents the ratio of projected revenue to projected program benefits and expenses, in today's dollars
- OSA plans to finalize this measurement later this year

# Risk Management Framework

- Adopted by LTSS Commission November 2021
- Funding Goal: Provide secure and meaningful benefits at the lowest expected cost for beneficiaries now and in the future
- Risk management approach



# Phase 1 Focuses on Collecting Credible Data

- Monitor emerging experience, assess results, update projections
- RMF suggests Phase 1 end no sooner than end of 2026
  - Language prepared before 18-month program delay
- Gathering actual experience will inform future actuarial analysis and increase credibility of assumptions
  - Updated projections would reflect known experience that could trend better or worse than assumed
- When developing RMF, OSA assumed no significant program or policy changes during Phase 1 that would weaken solvency

# Is the Program in Phase 2 Now?

- Short answer, no
- Program has yet to start collecting premiums or begin validating assumptions with emerging experience
- Commission is considering program changes that could significantly change program projections
- Program funded status may fall below 100% after reflecting any changes from the 2023 Legislative Session or after reflecting emerging experience
- Given the 18-month program delay, we expect that Phase 1 will end no sooner than 2028



# OSA's Preliminary Recommendations to Support Fund Solvency

- Clarify key program parameters to ensure program administration aligns with actuarial modeling
  - Benefit eligibility trigger
- Re-assess program's financial outlook after 2023 Legislative Session and initial program experience
  - May not require a full actuarial study like Milliman's 2022 Study
- If program's funded status falls below 100% based on updated analysis, develop response strategies during Phase 1 to return program to at least 100% funded

*Questions? Please Contact: The Office of the State Actuary*

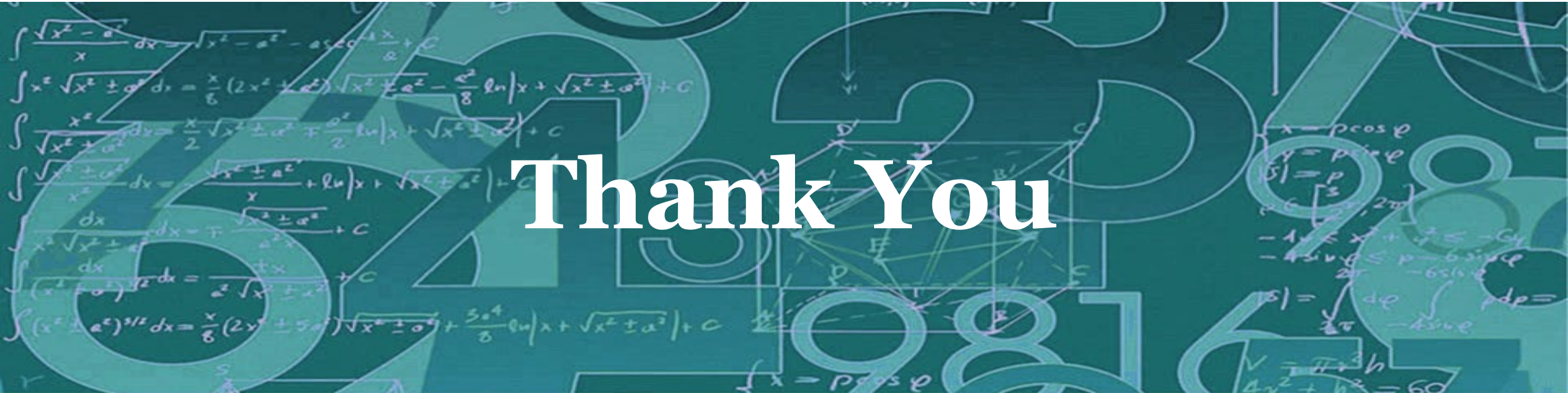
*[leg.wa.gov/OSA](http://leg.wa.gov/OSA); [state.actuary@leg.wa.gov](mailto:state.actuary@leg.wa.gov)*

*360-786-6140, PO Box 40914, Olympia, WA 98504*

*Matt Smith*

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**Thank You**





# Legislative Requirement on Portability

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- According to the 2022 operating budget bill ESSB 5693, Section 204 (58): The long-term services and supports trust commission established in RCW 50B.04.030 must submit the results of the following activities, including any legislative recommendations, to the governor and appropriate legislative committees no later than January 1, 2023.
- (a) The commission shall develop options for allowing persons who become qualified individuals and subsequently move outside of Washington to access benefits in another state if they meet the minimum assistance requirements to become an eligible beneficiary. The commission must include consideration of options for conducting eligibility determinations for qualified individuals who subsequently move outside of Washington, alternative forms of benefits for out-of-state eligible beneficiaries, methods of cross-state coordination on long-term services and supports providers, and timing implications of extending benefits to out-of-state eligible beneficiaries with respect to short-term program implementation and long-term collaboration with other states establishing similar programs.

# Portability Recommendations

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- Challenge I: Managing the cost of expanding benefits to people who leave the state
- Challenge II: Timing implications of extending benefits to out-of-state eligible beneficiaries with respect to short-term program implementation and long-term collaboration with other states establishing similar programs
- Challenge III: Alternative forms of benefits for out-of-state eligible beneficiaries and methods of cross-state coordination on LTSS providers
- Challenge IV: Options for conducting eligibility determinations for qualified individuals who subsequently move outside of Washington

# Portability Recommendations

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## **Portability Challenge I: Managing the cost of expanding benefits to people who leave the state**

**Workgroup recommendation:** Allow anyone with at least one year of qualifying coverage who leaves the state to elect portable benefits coverage by choosing to continue contributing premiums to WA Cares until the Normal Retirement Age under Social Security (currently age 67 for those born in 1960 or later). The premium would be equal to the last “in-state” premium assessed, adjusted for wage inflation. Workers who leave the state at age 67 or later would not be required to pay in further. This recommendation is contingent on finding ways to offset the cost of making benefits portable. The workgroup acknowledges that more research may be necessary to identify appropriate offsets.

# Portability Recommendations

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**Portability Challenge II: Timing implications of extending benefits to out-of-state eligible beneficiaries with respect to short-term program implementation and long-term collaboration with other states establishing similar programs**

**Workgroup recommendation:** WCF develops system to facilitate out-of-state eligible beneficiaries claiming WCF benefits starting in 2030

# Portability Recommendations

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## **Portability Challenge III: Alternative forms of benefits for out-of-state eligible beneficiaries and methods of cross-state coordination on LTSS providers**

**Workgroup recommendation:** Allow DSHS and HCA flexibility to assess the most cost-effective option for paying benefits nationwide once a specific policy design has been enacted. Once a policy design has been decided, DSHS may issue an RFI to conduct a cost-benefit analysis of paying benefits in cash vs. utilizing a reimbursement model. If benefits are pro-rated or reduced for people outside of Washington, it may not be cost effective to pay for a vendor to manage long-term care provider payments. Understanding the volume of people who will receive benefits out of state and their expected average level of benefits is critical to understanding costs and feasibility of alternative forms of benefit administration.

# Portability Recommendations

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## **Portability Challenge IV: Options for conducting eligibility determinations for qualified individuals who subsequently move outside of Washington (continued)**

**Workgroup recommendation:** Allow DSHS to determine the method if and when portability has been enacted. DSHS could use WA Cares Fund staff to conduct virtual assessments or could contract with a private vendor to conduct assessments nationwide. The cost of these options will depend on a number of factors that could change between now and implementation of portable benefits. If portability is enacted, DSHS will then vet these options to determine most cost-effective approach at that time.



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# Legislative Requirement on Recertification and Rescinding

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- According to the 2022 operating budget bill ESSB 5693, Section 204 (58) The long-term services and supports trust commission established in RCW 50B.04.030 must submit the results of the following activities, including any legislative recommendations, to the governor and appropriate legislative committees no later than January 1, 2023:
- (58)(b) The commission shall develop options for requiring the ongoing verification of the maintenance of long-term care insurance coverage by persons who have received an exemption under RCW 50B.04.085, including consideration of procedures that minimize administrative burden, minimize negative impact on long-term services and supports trust account solvency, and incentivize maintenance of coverage
- (58)(c) The commission shall develop options for providing workers who have received exemptions based on having private long-term care insurance pursuant to RCW 50B.04.085 an opportunity to rescind their exemption and permanently reenter the long-term services and supports trust program.



# Recertification of Private LTC Insurance Exemption

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**Policy Issue:** Approximately 475,000 people have been approved for an exemption based on purchasing private long-term care insurance. The window to purchase private LTC insurance in order to be exempt from WA Cares Fund has closed.

**Workgroup Recommendation:** Require all individuals with approved exemptions to provide proof that they had purchased a qualifying LTC policy prior to 11/2021 and that they have maintained their policy through the present day. To maintain an exemption, recertification is required to occur at an interval of no more frequently than annually and no less frequently than every three years beginning in December 2024. Recertification is no longer required or possible after ten years.

# Rescinding of WA Cares Lifetime Exemption

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**Allow workers to rescind their lifetime exemption**

**Workgroup Recommendation:** Provide everyone who has a lifetime exemption a one-time limited opportunity to permanently join WCF until June 30, 2028, five years after the start of premium collection.

# Legislative Requirement on Benefit Eligibility

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- The WA Cares Fund Statute (Chapter 50B.04 RCW) requires the LTSS Trust Commission to propose recommendations to the appropriate executive agency or the legislature regarding the establishment of criteria for determining that an individual has met the requirements to be an eligible beneficiary as established in RCW 50B.04.060.
- According to RCW 50B.04.010(6), "Eligible beneficiary" means a qualified individual who is age eighteen or older, residing in the state of Washington, has been determined to meet the minimum level of assistance with activities of daily living necessary to receive benefits through WA Cares Fund program, as established in this chapter, and who has not exhausted the lifetime limit of benefit units.

# Benefit Eligibility Recommendations

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**The Workgroup developed recommendations to DSHS on the following five topics:**

1. Developing eligibility standards that promote ease of access to earned benefits, including support for unpaid family caregivers
2. Promoting seamless transitions to Medicaid
3. Preparing people for transitions to a private LTSS policy
4. Developing ways to address cognitive impairment
5. Considering impacts to program solvency and administrative costs

# Benefit Eligibility Recommendations

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## **Draft Commission Recommendations to DSHS:**

### **1. Develop eligibility standards that promote ease of access to earned benefits, including support for unpaid family caregivers**

- a. Develop a triage model for face-to-face assessments, virtual face-to-face assessments, and telephonic assessments to expedite eligibility; when feasible, assessments should be face-to-face or virtual face-to-face for people who are not yet accessing care to adequately evaluate living environment and daily living functioning
- b. Consider existing health records to expedite eligibility, such as diagnosis of dementia or paralysis, care provided by existing licensed LTC provider or care provided by a family member. Do not require diagnosis or existing health records to qualify for WA Cares benefits. Even when existing records may be used to determine eligibility, conduct an independent interview of the applicant or their authorized representative to confirm activity of daily living assistance needs, which are not always accurately identified by health professionals, and mitigate risk of fraud.
- c. Create eligibility standards that are easy to understand and can be used to quickly ramp up outside assessors to increase capacity when needed

# Benefit Eligibility Recommendations

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## **Draft Commission Recommendations to DSHS:**

### **2. Promote seamless transitions to Medicaid**

- a. Use an eligibility standard similar to Medicaid LTSS
- b. Provide access to information and continued planning through referrals when benefit balances are low

### **3. Prepare people for transitions to a private LTSS policy**

- a. When an individual indicates they have private long-term care insurance upon application for WA Cares benefits, encourage them to check their policy's benefit trigger and covered care settings so that they are able to make choices that promote continuity of care

### **4. Develop ways to address cognitive impairment**

- a. Consider a diagnosis of dementia or cognitive impairment that will progress as an indicator that ADL will be impacted; use screening tools to evaluate cognition for individuals who do not have a documented diagnosis such as AD8, mini-cog, SLUMS, MOCA or MMSE
- b. The assessment should include understanding a person's natural supports, or lack thereof, and evaluate what would happen if that person was not there, even for a short time. Supervision in order to complete tasks of daily living should be considered.

# Benefit Eligibility Recommendations

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## **Draft Commission Recommendations to DSHS:**

### **5. Consider impacts to program solvency and administrative costs**

- a. Develop eligibility standards that mirror what was projected in the actuarial modeling, which aligns with Medicaid LTSS
- b. Allow individuals to remain eligible until their benefit balance is spent in full if they have a chronic long-term care need. Do not require re-assessment for individuals with chronic long-term care needs; instead provide access to continued care planning through referrals when benefit balances are low

# Potential Benefit Eligibility Recommendation to the Legislature

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**Preserving WA Cares benefits for longer term care needs**

**Workgroup recommendation:** Adopt the HIPAA benefit eligibility trigger, the same trigger used in private long-term care insurance



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# Reviewing Commission Recommendations Report

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**The Commission recommendations report will include all of the recommendations approved at the September Commission meeting as well as those that have been approved today.**

**In the following slides, we will review the recommendations that were approved in the September Commission meeting.**

# Reviewing Commission Recommendations Report

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## Employer reporting consistency and premium reporting accountability

- **Policy issue 1:** To support consistency in combined employer reporting for Paid Family and Medicaid Leave and WA Cares Fund, the Commission recommends a statute change to add WA Cares Fund in the collective bargaining agreement exception that expires December 31, 2023. The clause to sunset for WA Cares is found in RCW 50B.04.080 (3).
  - 3) Nothing in this chapter requires any party to a collective bargaining agreement in existence on October 19, 2017, to reopen negotiations of the agreement or to apply any of the responsibilities under this chapter unless and until the existing agreement is reopened or renegotiated by the parties or expires.
- **Policy issue 2:** Adopt for WA Cares Fund the premium accountability measures contained in the PFML statute, namely PFML authority 50A.45. This would allow ESD to collect penalties from employers that do not report wages for WA Cares Fund and to apply interest to unpaid premium from employers.

## Self-employment income reporting

- As the Employment Security Department (ESD) does for PFML, ESD will require quarterly wage reports from individuals who are self-employed and elect coverage for WA Cares. The department will assess premiums each quarter based on reported wage. It is recommended that at the end of each taxable year, elected covered participants verify income that was reported to appropriately apply accurate premium assessment and “true up” any misreported income and to amend WAC 192-915-015 to require this. The workgroup recommends accomplishing this is by aligning annual net profit, to which WA Cares premium is applied, with Line 2 of an individual's federal Schedule SE and requiring annual uploading of [Schedule SE](#).



# Reviewing Commission Recommendations Report

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## **Pilot project for benefit implementation**

- Recommend to legislature providing the WA Cares' administering agencies with statutory authority to pay WA Cares benefits earlier than July 1, 2026 (but no earlier than January 1, 2026) for a small group of eligible individuals. This would allow the agencies to test their systems and processes in production with a smaller group of beneficiaries and fix any problems that are uncovered prior to going fully live in July 2026.

## **Supplemental Private Long-Term Care Insurance**

- See final report for list of recommendations

# Reviewing Commission Recommendations Report

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## **Simplifying the ten-year contribution requirement**

- Replacing existing RCW 50B.04.050(1)(a) pathway language with the simpler formulation: “A total of ten years.”

## **Crediting savings from Medicaid and Medicare cost avoidance to WA Cares Fund**

- Any savings achieved through a potential shared savings waiver with the federal government should be credited to the WA Cares Fund since these savings result directly from WA Cares Fund expenditures.

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# PUBLIC COMMENT

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Submit comments or questions to [wacaresfund@dshs.wa.gov](mailto:wacaresfund@dshs.wa.gov).

For more information about the program, visit [wacaresfund.wa.gov](http://wacaresfund.wa.gov).

# Sign up for Public Comment

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**Attendees:** click on the Raise Hand icon to sign up for public comment



**Phone callers:** press \*9 to raise your electronic hand.

Then, when recognized, press \*6 to unmute yourself

# Review Agenda for December 9 Meeting

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- Approve Final Commission Annual Report
- Final OSA Solvency Report
- Commission recommendation topics for 2023
- Agency WA Cares budget requests for 2023-2025 Biennium
- Communications Update



# Wrap Up

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- Action items review
- Adjourn

THANK YOU



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