

## Additional Recommendation Options for Consideration

The following are policy issues being proposed for consideration by the LTSS Trust Commission based on feedback from the public and stakeholders over the last two months.

1. Exemptions for Veterans with a 70%+ Service-Connected Disability
2. Exemptions for Military Spouses
3. Exemption Recertifications

### 1. Veterans with 70% - 100% Service-Connected Disability:

**Policy issue:** Veterans rated by the VA as 70% to 100% service-connected disabled have access to nursing home care. Care is provided in a VA Community Living Center, a Community Nursing Home, or State Veteran's Home. Veterans who do not have a service-connected disability rating may still qualify for long-term care through the Veterans Administration, however, eligibility is managed by Federal VA offices located in regions and eligibility for care can vary based on income and assets, provider availability and regional budgets. Co-pays may also be required.

1. **Potential solution:** In the current law, only individuals who have purchased private long-term care insurance before November 1, 2021 are eligible to apply for an exemption. The Employment Security Department has determined that individuals who are rated by the VA as 70% to 100% service-connected disabled can qualify for an exemption under the current law. This exemption is only available temporarily, so veterans who are rated 70%-100% service-connected disabled November 1, 2021 or later are currently not eligible for this exemption. This option could be extended to allow veterans to be eligible for a permanent exemption whenever they are rated between 70%-100% service-connected disabled by the VA, whether before November 1, 2021 or in the future.
  - a. **Administrative impact** is low to moderate, functionality to process exemptions is in place, more staff needed to administer such exemptions beyond December 31, 2022
  - b. **Pros**
    - i. Addresses the problem of those veterans who have access to long-term care through the VA being required to pay into WA Cares Fund
  - c. **Cons**
    - i. Introduces some adverse selection
    - ii. Increases scope of exemptions and complexity of who qualifies for an exemption

- d. **Actuarial impact:** The potential cost is less than 1 basis point, estimated at + .005% (1/2 of one cent per \$100 earned).

## 2. Military Spouses

**Policy issue:** In order to remain with their active-duty military spouse, military spouses are essentially obliged to leave the state after three years. This would leave many military spouses unable to use benefits or vest permanently on the ten-year path. According to data on Active-Duty Military by State published by the [DMDC online](#), there were 61,001 active duty military personnel in WA State as of June 30, 2021. As of 2018, national data shows 51.5% of active-duty members are married. Active-duty military are employed by the Federal government, so they are not included in WA Cares Fund. They won't pay premiums and they will not be able to use coverage. Military spouses may be able to remain in the state while their spouse is in active-duty status outside of Washington. A typical tour of duty is 3 years. Although people who pay in for at least three years can vest temporarily in WA Cares Fund, they have to be in the state when they need care.

- 1. **Potential solution:** A voluntary exemption for military spouses. Military spouses could apply to be permanently exempt on the basis of being married to an active-duty military member and living in WA.
  - a. **Administrative impact** is low to moderate, functionality to process exemptions is in place, more staff needed beyond December 31, 2022
  - b. **Pros**
    - i. Addresses problem of military spouses being required to pay for something they may be unable to use
    - ii. Because voluntary, retains option for those military spouses who stay in Washington (while their spouse is on a tour of duty) to participate.
  - c. **Cons**
    - i. Introduces some modest adverse selection within small population of military spouses
    - ii. Increases scope of exemptions and complexity of who qualifies for an exemption
  - d. **Actuarial impact:** The potential cost is less than 1 basis point, estimated at + .002% (1/5 of one cent per \$100 earned).

## 3. Exemption Recertifications

**Policy issue:** Several themes regarding WA Cares exemptions have emerged based on interactions with, and questions from, stakeholders over the last year. RCW 50B.04.085 outlines requirements for exemptions to the WA Cares program and doesn't address

several concerns raised by stakeholders. These concerns include 1) Applicants are only required to attest to having long-term care (LTC) insurance purchased prior to November 1, 2021 to receive approval for an exemption from WA Cares participation. Individuals may not be truthful on their application for exemption; and 2) Individuals can cancel or fail to maintain their LTC insurance policy at any time after receiving approval for their exemption.

1. **Potential solution:** The Employment Security Department recommends the following changes to mitigate the above concerns:

- Require individuals with approved exemptions to re-attest they have maintained their LTC policy when requested by the department, at an interval of no more frequently than annually and no less frequently than every 3 years.
- Require individuals to provide a copy of their LTC policy at the time of re-certification.
- Establish criteria for what a private LTC insurance policy must include to qualify the individual for exemption.
- Explicitly grant ESD authority to withdraw approval of an exemption if an individual fails to re-attest or provide adequate proof of LTC insurance when requested. The withdrawal of an exemption approval should require an individual to participate in the program as required for any other employee in Washington.
- Explicitly grant ESD authority to disclose exemption status to an individual's employer.

a. **Administrative impact:** Increased administrative complexity and cost

- i. ESD staff would require extensive training or an established source of truth to effectively review insurance policies to ensure they are legitimate LTC policies and meet requirements of Washington law (chapter 48.83 RCW);
- ii. Training staff for this review may be costly and require a lengthy review process; and
- iii. There would be administrative costs for reviewing and revoking exemptions and re-enrolling individuals in the program that would exist for the life of the program.

b. **Pros**

- i. The above changes would provide reasonable levels of assurance that individuals with or seeking exemptions intend to maintain their LTC policy and therefore would not create an additional financial burden for the state long-term should they need support.
- ii. Adds consumer protection for individuals who may have exempted assuming their LTC product was adequate to support them but may not be.

- iii. Enables the department to address individuals who change their mind about their exemption status or could not maintain their coverage.
- iv. Changes may help to normalize the LTC insurance market in Washington State.
- v. Increased participation in the program would likely have a positive impact on fund solvency.

**c. Cons**

- i. Increased administrative complexity and cost
- ii. If individuals are allowed or required to re-enroll in the program because of a failure to maintain private LTC insurance, they may not be able to contribute long enough to vest.
- iii. Allowing individuals to re-enroll voluntarily may result in adverse selection.