LTSS Trust Commission Recommendation Options from September 23 Commission Meeting

Background: The LTSS Trust Commission Benefit Eligibility Workgroup was established by the Commission in May 2021 to explore benefit eligibility options that would address WA Cares coverage gaps for near retirees, people who live in border states, temporary workers with non-immigrant visas, and people who leave the state. The workgroup met three times over the course of August and September to explore policy options that could address each of these four coverage gaps. The workgroup ultimately decided to make recommendations on three of these four issues: near retirees, people who live in border states or Canada, and non-immigrant visa holders. It determined that measures to address the fourth issue, people who leave the state, would be logistically complex and actuarially costly, and that it would be premature to make recommendations on this issue at this time.

For each of the three coverage gaps on which the workgroup made a recommendation, it vetted a number of policy options in light of their efficacy, cost, and administrative feasibility and recommended one option for consideration by the full Commission. Each of these policy options would require statute change.

A. For Near Retirees who retire before they can reach permanent vesting status in 2032, the workgroup proposes an option to allow these individuals to elect continuing coverage. This option would allow workers to continue contributing after retirement by paying an annual premium equal to their average annual premium during their previous vesting years (adjusted for wage inflation) – until they hit the ten-year mark, at which point they would become permanently vested and owe no further premiums.

- Pros
  - Addresses problem of near retirees being required to pay for something that they can't claim
  - Covers individuals who are often unable to get private insurance due to age, health status, or affordability
  - Covers a larger population of people who would otherwise rely on Medicaid LTSS, which could result in additional Medicaid savings
  - Predictable cost for retirees
- Cons
  - Introduces some adverse selection. Lower risk, higher income individuals are more likely to stop contributing.
  - Allows older generations to pay in less than future generations
  - Adds administrative complexity to vesting determinations
  - The potential cost to fund this measure is equivalent to +.03% (or three cents for every $100 earned, if there is no adverse selection) to +.06% (or six cents for every $100 earned, an impossible boundary case of maximum adverse selection)
  - Administrative impact is high, no existing process or functionality to accept payment from individuals who are not employers or self-employed. With lead time for implementation, this option is possible.

B. For border-state and Canadian residents commuting to work in WA, the workgroup proposes to automatically exclude individuals from owing WA Cares Fund premiums if their permanent home address is in another state. This is not a lifetime exemption. If they were to move to WA in the future, they would be included (owing premiums and earning vesting years). This impacts approximately 150,000 people who will begin paying premiums in 2022 and will affect many more in the decades to come.

- Pros

    - Addresses problem of border state residents being required to pay for something that they can't claim
    - Addresses concerns of employers in border regions regarding ability to retain and recruit workers who live across the border.
- Cons
    - Adds administrative complexity for employers in border regions who have to identify employee address to determine whether or premiums are owed
    - May add administrative complexity for ESD by introducing additional differences in administration of premiums for WA Cares Fund and PFML
    - The potential cost of this measure is equivalent to .03% (three cents for every $100 earned).
    - Administrative impact is moderate, rules about who pays in would vary from PFML (in addition to existing variance due to exemptions).

C. For temporary workers with non-immigrant visas, allow a voluntary opt-out on the basis of having a non-immigrant work visa (without needing to purchase private long-term care insurance). This would include people who are allowed to work in the U.S. temporarily under a variety of non-immigrant visas, including H2A agricultural workers and other specialized workers with visas issued by the federal government.

- Pros
    - Addresses problem of people who leave the state and will not return for care having been required to pay for something that they can't claim
- Cons
    - Vulnerable workers are not likely to become aware of the opportunity to opt out
    - Introduces some adverse selection
    - Increases scope of exemptions
    - Administrative impact is low, functionality to process exemptions is in place, more staff needed beyond December 31, 2022, when the current exemption timeframe expires.

D. For people who leave the state, five options were explored to provide coverage or exemption. No options are determined feasible to recommend at this time.

- The cost to provide fully portable benefits is high (+.36%, or 36 cents per $100 earned)
- Washington has only three years to expand the provider network sufficiently to serve Washingtonians.
- Nationalizing Washington's benefit before it's made available to Washingtonians poses significant risk to staff's ability to implement the program successfully in-state.
- This issue can be addressed in the future once benefits are available for Washingtonians.
- Other states are exploring similar programs, which if implemented, could increase the feasibility of a multi-state benefit.

Potential solution: The Commission could recommend that DSHS conduct additional research on the issue of portability of benefits to develop options for a policy recommendation in the future.