FREQUENTLY ASKED QUESTIONS ON WA CARES FUND SOLVENCY

October 2023

The Office of the State Actuary (OSA) prepares this educational resource to provide key background on the WA Cares Fund[1] program actuarial projections ("WA Cares projections"). This document contains a list of questions and answers, with some answers linking to an Appendix with additional information. We also hope it will help readers navigate the various publications on OSA's WA Cares Fund webpage. The information contained herein may become outdated so OSA will modify the questions and answers as necessary. Should you wish to discuss any of the information contained herein, please reach out to the office at state.actuary@leg.wa.gov.

WA Cares Fund Background

Under current law, the WA Cares Fund program began assessing premiums on covered workers on July 1, 2023. Eligible beneficiaries can begin receiving benefits starting July 1, 2026, and current law requires Washington State residency to become an eligible beneficiary[2]. For more information on the WA Cares Fund program, we encourage you to visit the WA Cares Fund website.

The program is currently funded entirely through a premium rate assessed on covered wages, paid by covered employees as well as any self-employed individuals and employees of federally recognized tribes who opt in. The premium rate is currently 0.58 percent of covered wages, which is the maximum premium rate allowed under current law. Covered employees include all workers in Washington State except those who have an approved exemption from the Employment Security Department (ESD). There are several ways an individual may receive an approved exemption from ESD, as noted below.

- Workers may attest they purchased a qualifying, private long-term care insurance policy prior to November 1, 2021. This exemption request was only accepted by ESD between October 1, 2021, and December 31, 2022, according to statute.
- Beginning January 1, 2023, workers who fall into one of four eligible categories may apply for a voluntary exemption.

[1] *WA Cares Fund is also known as the Long Term Supports and Services (LTSS) Trust Program as established under Chapter 50B.04 Revised Code of Washington (RCW).*
[2] *The LTSS Trust Commission is reviewing the residency requirement and may recommend legislation to eliminate it. For more information on actuarial impacts of removing the residency requirement, also referred to as portability, please see Milliman's Actuarial Studies/Reports on OSA's WA Cares Fund webpage.*

OSA contracts with consultants at Milliman to prepare actuarial analysis regarding the WA Cares Fund program. OSA also publishes reports informed by this analysis. We post all published material to OSA's WA Cares Fund webpage, including Milliman's *2022 WA Cares Fund Actuarial Study* (Milliman's 2022 Study), which represents their most recent "Baseline" and "Base Plan" analysis reflecting the enacted law of the program. Please refer to Milliman's 2022 Study for their complete analysis, assumptions, and methods.

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Clicking on a question below will bring you to the portion of the document that answers the question.

We have added new questions addressing early premium revenue and considerations regarding early program experience.

New questions are noted with **NEW!**

Many of the answers refer to the relevant Fiscal Year (FY). Washington State's FY runs from July 1 through June 30. For example, if an answer refers to "FY 2024," that covers the 12-month period from July 1, 2023, through June 30, 2024.

15. **What changes in Milliman's 2022 Study had the biggest impact on projected solvency?**
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FREQUENTLY ASKED QUESTIONS

1. How does OSA define solvency?

OSA defines solvency as the ability for the program to pay full benefits and expenses. This includes evaluating solvency with a focus on the program's ability to pay full benefits and expenses during an entire projection period.

2. What is the projection period?

Milliman prepares WA Cares Fund projections over a 75-year period, beginning on July 1, 2023, the day premiums are first collected, through June 30, 2098. Other projection periods could be reasonable. However, for a new program like WA Cares, a long projection period is necessary to estimate how program solvency evolves once the covered population matures and there is a steady stream of beneficiaries. The projection period may change in the future.

3. How many Washington residents are expected to earn a benefit?

During FY 2027, Milliman projects 25,000 to 50,000 residents will use their WA Cares Fund benefit. After FY 2027, the projected number of new beneficiaries varies by year with about 100,000 projected new beneficiaries each year near the end of the 75-year projection period. For more information, please see Exhibit 3 in Milliman's 2022 Study.

4. When the program starts collecting premiums, how many workers are expected to pay into the program and how much premium revenue is expected to be collected?

During FY 2024, Milliman estimates approximately 3.0 million workers will begin paying premiums and the program is projected to collect approximately $935 million in premium revenue. For more information on estimated premium revenue, please see Exhibit 2 in Milliman's 2022 Study.

5. When will we know the number of workers paying premiums and how much premium revenue was collected? NEW!

Employers began withholding WA Cares premiums from eligible employees July 1, 2023. In October of 2023, employers began submitting quarterly wage reports for WA Cares, from which ESD calculates and invoices WA Cares premiums. Employers will remit the premiums they collected between July 1 and September 30 by October 31, 2023. Starting in December, quarterly financial updates will be provided at the LTSS Trust Commission meetings. For more information on when the LTSS Trust Commission meets, please see the WA Cares Fund LTSS Trust Commission webpage.

6. What if the actual number of workers paying into the program is more/less than assumed and/or premium revenue is more/less than assumed? NEW!

Milliman makes assumptions for the population, revenue, and costs over a 75-year period. Differences between actual data versus assumed, over short time periods, are not a cause for concern or require immediate action.

Please note, premium revenue is one of many variables in a 75-year projection. Higher/lower premium revenue than assumed does not automatically mean financial projections will improve/worsen. It is important to understand why it is different. For example, if the difference is due to late employer reporting, that would impact the timing of incoming revenue, but not necessarily the number of covered workers. If the number workers contributing is lower than assumed, that could also mean lower long-term costs as there are less workers to claim benefits in the future.

During the early years of the program, a primary focus will be gathering experience data, monitoring that data relative to assumptions, and updating the actuarial analysis, when appropriate. This is consistent with Phase 1 of the Risk Management Approach included in the *WA Cares Fund Risk Management Framework*, adopted by the LTSS Trust Commission in the fall of 2021.

7. When will Milliman's analysis reflect early program experience? NEW!

We anticipate Milliman publishing their next baseline analysis in late 2024. This update will include actual program experience, any program changes enacted by the Legislature since their last study in 2022, as well as other relevant updates.

Milliman will also be preparing interim status reports during 2024 and beyond to help interpret early program experience and draw attention to any implications on the long-term financial status of the program.

8. How does OSA measure solvency?

Relying on Milliman's WA Cares projections, OSA produces visuals and metrics to identify if the program is projected to pay full program expenditures during the 75-year projection period. OSA also calculates a "funded status" for the program – a present value comparison of the projected fund to future expenditures over 75 years as of a given measurement date. OSA anticipates having these financial metrics updated to reflect Milliman's 2022 Study by January 2023. For more information, please see the **Appendix**.

9. Milliman's analysis includes many different premium rate calculations, what do they represent?

When Milliman calculates a premium rate, it represents an estimate of the minimum and level premium rate required to collect sufficient revenue to pay full program benefits and expenses over the 75-year projection period.

Milliman's premium rate estimates are not recommendations to change the premium rate in law, which is currently 0.58 percent of covered wages.

10. What is the difference between the Baseline and Base Plan analysis?

Both the Baseline and Base Plan analysis estimate the premium rate necessary to fund all program benefits and expenses over the projection period. The fundamental difference between the two is how that information is communicated.

The Baseline analysis communicates a range of premium rates reflecting key uncertainties. In Milliman's 2022 Study, the Baseline analysis estimates a required premium rate of 0.52 percent to 0.63 percent. The range is most notably based on various participation scenarios related to voluntary exemptions noted in RCW 50B.04.055.

The Base Plan analysis is a specific scenario within the Baseline. The Base Plan analysis represents a single premium rate calculation relying on a consistent set of assumptions applied to the current law plan design. In Milliman's 2022 Study, the Base Plan analysis estimates a required premium rate of 0.57 percent.

The actual premium rate needed to fund all program benefits and expenses over the projection period could fall outside the Baseline range. For a more detailed description of Baseline versus Base Plan, please see the section titled, Use of Terms "Baseline" Versus "Base Plan", on page one of Milliman's 2022 Study.

11. What should we pay more attention to, the Baseline or Base Plan analysis and why are both provided?

Both the Baseline and Base Plan provide important program takeaways and should be considered to gain a deeper understanding of the analysis.

Milliman's 2022 Study states any premium rate within the Baseline range "should be viewed as equally likely" in terms of program outcomes. The Base Plan is one scenario reflecting a "middle point" estimate within that range and is the "anchor point" for sensitivity testing as well as incremental impacts from program changes. Milliman clearly states, however, that the Base Plan scenario "is not intended to be a most likely scenario."

The Baseline analysis, as well accompanying sensitivities of the Base Plan premium rate, reminds us not to be overly focused on one specific outcome. As noted in the *WA Cares Fund Risk Management Framework*, consistent remeasurement of the program, tracking actual experience, and making changes when appropriate are key tenets of maintaining a solvent program.

12. Based on the most recent WA Cares projections, is the program projected to be solvent?

Based on the data, assumptions, and methods used in Milliman's 2022 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 full program benefits over the entire projection period.

For more information, please see the **Appendix**.

13. Has the program always been projected to be solvent?

Milliman's previous 2020 Study resulted in a Base Plan premium rate of 0.66 percent, projecting the program could provide full benefits and expenses through 2075. After 2075, the fund was expected to collect revenue that would provide for approximately 70 to 80 percent of full benefits and expenses for the remainder of the projection period.

Milliman's Baseline analysis from the 2020 Study produced a required premium rate range from 0.51 percent to 0.71 percent. This range was primarily derived from uncertainty around the yet-to-be defined investment plan and various scenarios reflecting potential private market opt-out experience.

14. What changed from Milliman's 2020 to the 2022 Study?

Milliman made numerous updates to their 2020 Study. Changes from the prior study were the result of enacted law changes, modeling assumption updates, and an investment plan adopted by the Washington State Investment Board (WSIB). Some changes improved the program's financial outlook, others did not, but the net impact was a 0.09 percent decrease to the Base Plan premium rate from the 2020 Study. For a summary of changes, as well as their estimated impact to the Base Plan analysis, please see Figure 1 in Milliman's 2022 Study as well as the subsequent commentary which explains the changes in greater detail.

15. What changes in Milliman's 2022 Study had the biggest impact on projected solvency?

Updating covered wage modeling and reflecting the adopted investment plan resulted in the largest impacts to the estimated premium rate. Both changes reduced the Base Plan premium rate.

The covered wage definition has not changed, however, in consultation with the ESD, Milliman updated their wage modeling to better reflect planned administration. The biggest modeling change was due to including wages exempt from the Medicare tax that will be subject to the WA Cares premium assessment, e.g., certain health care premiums are deducted from wages subject to the Medicare tax, but covered wages for WA Cares do not include a deduction for health care premiums. This increased total covered wages by approximately 10 percent in the first projection year. The resulting increase to projected premium revenue reduced the Base Plan premium rate by approximately 0.08 percent.

In June 2022, WSIB adopted an investment policy detailing their plan to invest WA Cares Fund premium revenue in a diversified fixed income portfolio. WSIB's policy adoption allowed Milliman to increase the investment return assumption from their previous assumption based on investment in treasuries only. The higher assumed rate of investment return reduced the Base Plan premium rate by 0.05 percent.

Reflecting actual instead of assumed program exemptions led to the largest increase in the Base Plan premium rate from the prior study. Milliman incorporated actual private market exemptions as well as assumed voluntary exemptions. Reflecting the combined impact from both changes increased the Base Plan premium rate by approximately 0.07 percent.

For more information about specific changes and their estimated impact, please see please see Figure 1 in Milliman's 2022 Study as well as the subsequent commentary.

16. If the Base Plan premium rate is lower than 0.58 percent, should the premium rate be reduced or benefits increased to bring projected costs back in line with projected revenue?

Consistent with the *WA Cares Fund Risk Management Framework*, we would not expect (nor desire) a perfect balance between expected revenue and expected program disbursements.

Part of the framework is building up a reasonable and appropriate margin, which is when projected revenue exceeds expected disbursements, to offset potential future adverse experience. Maintaining a premium rate above what's required for the Base Plan is one of several options to build a margin. An adequate margin or reserve reduces the need for premium rate increases or benefit reductions in the future to improve program solvency.

17. What happens if the program is not projected to be solvent?

If the program is not projected to be solvent it means the program may require changes. For example, it may require changes to benefits or revenue in order to pay full benefits and expenses. Changes to revenue include, but is not limited to, increasing the premium rate. Any benefit changes or increases to future revenue would require Legislative action.

The most recent WA Cares Base Plan projection estimates the program can pay full benefits and expenses through the 75-year period, however not every Baseline scenario leads to this same outcome. For example, the costliest Baseline analysis scenario projects the WA Cares Fund to have sufficient assets to pay full benefits and expenses until 2074. Based on Milliman's report, there is time to monitor the accuracy of program projections and time before modifications would occur if necessary. The LTSS Trust Commission's *WA Cares Fund Risk Management Framework* identifies a process to manage projected program solvency. For more information, please see the **Appendix**.

18. What can be done to improve projected solvency?

Milliman's 2022 Study projects a solvent program under most, but not all scenarios. This may not always be the case in future studies. Building up an appropriate and reasonable margin will offset potential future adverse experience. This not only reduces the need for premium rate increases or benefit reductions in the future to improve program solvency, but it can also help limit the program falling in and out of being solvent with each updated study.

If in future studies, we see the program have a significant decline in projected solvency or a persistent downward trend in projected solvency, we can look to the LTSS Trust Commission's *WA Cares Fund Risk Management Framework*, which provides potential response strategies to improve projected solvency. Strategies range from reducing future benefit expenditures to increasing program revenue, including amending the state constitution to permit WSIB to invest the fund's assets in full range of investments. For more information, please see the **Appendix**.

19. What key assumptions impact projected solvency?

Some key assumptions that have a significant impact on projected solvency are:

- Investment returns,
- Benefit payment costs (includes likelihood of needing long-term care and using the WA Cares benefit),
- Initial covered wages and future wage growth,

- Regional inflation (which is connected to the growth of WA Cares maximum benefit and covered wages), and
- "Vesting" (includes earning service credits and the likelihood of residing in Washington State when long-term care is needed). By vesting, here and throughout the document, we mean becoming a qualified individual per RCW 50B.04.050. That qualification could be temporary or permanent depending on an individual's work/premium history and future state residency.

Many of the following questions address these key assumptions, including Milliman's current assumptions and how the WA Cares projections change under different assumptions.

20. What is Milliman assuming for future investment returns?

Milliman's Baseline analysis reflects WSIB's investment policy adopted in June 2022. The WA Cares Fund will be invested in a diversified fixed income portfolio. Based on this investment policy, Milliman assumes program fund investment returns will be 3.5 percent over the first 15 years, increasing to 4.0 percent per year by 2038. The assumed investment return remains at 4.0 percent per year for the remainder of the projection period.

For more information on WA Cares Fund investments as well as how Milliman's analysis changes under different investment assumptions, please see the **Appendix**.

21. What did Milliman assume for the benefit payment costs?

Benefit payment cost refers to the amount of WA Cares benefits used by the covered population. This cost includes the likelihood someone will start needing care (incidence rate), how long someone will need care (length of stay), the level and type of care needed (utilization rate), and the likelihood someone survives to a given age (mortality rate). Additionally, payments from the program cannot exceed the maximum lifetime benefit amount adjusted for inflation annually (inflation assumption) consistent with current law.

Milliman's benefit payment cost assumptions are based on a proprietary model that relies on private market actual experience which is then calibrated to a general population.

Given no public program like this exists, there is a fair amount of judgment involved in estimating rates at which a statewide population will use the WA Cares benefit. For more information on how changes in benefit payment costs impact projected solvency, please see the **Appendix**.

22. What did Milliman assume for future wage growth?

During the first 35 years of the projection, wages are assumed to grow anywhere from 2.9 percent to 5.0 percent per year. After that, assumed wage growth is consistent with the Social Security's intermediate wage growth assumption from their 2022 Old-Age, Survivors, and Disability Insurance (OASDI) Trustees report. The long-term intermediate wage growth assumption from that report is 3.55 percent per year.

The reason for wage growth rates different than Social Security's intermediate assumption during the first 35 years of the projection is due to differences between the Washington State average wage and the national average wage. Currently, the Washington State average wage is about 16 percent higher than the national average wage. Milliman maintains the 16 percent differential for the first 10 years of the projection and then grades off the Washington specific adjustment over the subsequent 25 years. The cumulative effect being that in year 35, Washington State average wages are assumed to equal national average wages.

Taking the short- and long-term wage growth into account, the average wage growth assumption is approximately 3.4 percent per year over 75 years. For more information, please see the **Appendix**.

23. What did Milliman assume for future WA Cares maximum benefit growth?

The WA Cares Fund maximum lifetime benefit is assumed to grow each year by a regional Consumer Price Index (CPI). Similar to the wage assumption, Milliman's CPI assumption recognizes current differences between Washington specific and national CPI. In their Baseline analysis, Milliman assumes annual growth of 2.75 percent through 2029. Beginning in 2030, the CPI assumption grades down from 2.75 percent to 2.40 percent such that in 2055 and beyond, the CPI assumption in 2.40 percent per year. For more information, please see the **Appendix**.

24. What is Milliman's vesting assumption?

To qualify for a WA Cares benefit on either a temporary or permanent basis, an individual must first pay into the program a certain number of years[3] during which they work at least 500 hours per year (which is the minimum threshold to earn a year of vesting service). This includes special rules for people born before January 1, 1968. All individuals must also reside in Washington State when they meet the long-term care benefit eligibility threshold.

Milliman estimates the likelihood individuals earn a year of vesting service by starting with historical employment data. Milliman adjusted the data to reflect expected differences between historical and projected future working patterns.

[3] RCW 50B.04.050.

The adjustments included setting female vesting percentage assumptions to male vesting percentage assumptions and increasing vesting rates due to the potential to work additional years to achieve full benefits under WA Cares.

Milliman also uses historical patterns to estimate the portion of Washingtonians that will leave the state and no longer be eligible for WA Cares benefits. Moving into/out of the state is referred to as the migration assumption and it plays a role in the likelihood an individual not only qualifies for coverage under the program benefit but remains in the state until a long-term care need arises. For more information, please see the **Appendix**.

25. What key program parameters still need to be clarified?

A key program parameter that requires clarification in order to ensure actuarial modeling is in line with expected program administration is the benefit eligibility trigger, i.e., what type of daily living activities an individual will need assistance with in order to be eligible to receive a program benefit. For more information, please see the **Appendix**.

26. How many exemptions did Milliman assume will occur and what impact did that have on projected solvency?

Regarding the private market exemptions, Milliman relied on data supplied by ESD to carve out the exempted population. For Milliman's Base Plan analysis in their 2022 Study, Milliman removed approximately 473,000 workers (representing approximately 13 percent of the working population and 33 percent of total wages). As noted in the Changes to Key Assumptions section on page five of Milliman's 2022 Study, reflecting actual exemption data increased the Base Plan premium rate by 0.03 percent when compared to the 2020 Base Plan.

There is no actual experience yet on the voluntary exemptions granted under RCW 50B.04.055, as applications for these exemptions do not begin until January 2023. As noted on page five of Milliman's 2022 Study, Milliman's Base Plan premium rate increased by 0.04 percent after estimating the impact from these new exemptions. The range of outcomes in Milliman's Baseline analysis, which estimates a premium range of 0.52 percent to 0.63 percent, is largely based on different participation scenarios from the voluntary exemptions, including impacts from potential adverse selection. For more information on how Milliman modeled the voluntary exemptions, please see the Baseline Sensitivities section in Milliman's 2022 Study.

APPENDIX

The Appendix contains more detailed answers to some of the questions contained earlier. The numbering below matches the numbering of the original question in the prior section.

8. How does OSA measure solvency?

Additional financial metrics are in the process of being updated to reflect Milliman's 2022 Study. One key financial metric calculates a ratio of the present value of all future premium revenue divided by the present value of future program expenditures (WA Cares "Funded Ratio"). A funded ratio of at least 100 percent means the program is expected to collect sufficient premiums such that, when added to assumed investment returns, would be enough to pay full benefits and expenses over the 75-year projection period. Put another way, if the program were currently projected to remain solvent, the current law premium rate of 0.58 percent would be expected to be sufficient to pay full benefits and expenses over the 75-year projection period.

A funded ratio less than 100 percent means, assuming all assumptions are realized, the program is not projected to pay full benefits and expenses through the entire 75-year period. In other words, a funded ratio less than 100 percent means the current law premium rate of 0.58 percent is not expected to be sufficient to pay full benefits and expenses over the projection period.

12. Based on the most recent WA Cares projections, is the program projected to be solvent?

Please see Figure 2 in Milliman's 2022 Study for a graph summarizing their most recent Base Plan projection. If all assumptions are realized, and current law remains unchanged, Milliman projects the program to have sufficient funds to cover full benefits and expenses through the entire 75-year projection (FY 2023 to FY 2098). Per the report, at the end of the projection period, the fund balance is estimated to be approximately 270 percent of annual expenditures. Put another way, the program is projected to have a reserve equal to approximately three years of program benefits and expenses in the final year of the projection.

Not all outcomes in the Baseline analysis project the program to have sufficient assets to pay full benefits and expenses. The high-end of the Baseline analysis range requires a premium of 0.63 percent. That outcome estimates the program can pay full benefits and expenses through year 2074. If no adjustments are made, after that, program benefits and expenses will be limited to the money being collected in premium revenue each year.

The actual premium rate required could fall outside the range in the Baseline analysis.

17. What happens if the program is not projected to be solvent?

Actuarial projections over 75 years are sensitive to small changes in program policies, program experience and the assumptions which estimate future experience. The LTSS Trust Commission adopted the *WA Cares Fund Risk Management Framework* in November 2021 which details the program's risk management strategy. It identifies a strategic path, divided into three phases, to target a funded ratio somewhere above 100 percent. Phase 1 focuses on gathering early program experience to refine and improve the accuracy of actuarial projections. That phase was expected to last until at least 2026. Given the program was delayed by 18 months, we believe Phase 1 would now last until at least 2028. The timing of moving into the later phases will depend on the funded ratio calculated from updated analysis and what, if any, response strategies are relied upon to improve program solvency. Phase 2 and Phase 3 focus on using additional response strategies, if necessary, in order to improve the program's funded ratio. One of the goals of Phase 3 is to initially achieve a funded ratio above 100 percent so that it will include a margin for potential future adverse experience.

18. What can be done to improve projected solvency?

Most response strategies identified in the LTSS Trust Commission's *WA Cares Fund Risk Management Framework* are recommended to be implemented in Phase 2 or Phase 3, if needed, not at the present time. One response strategy that could be implemented in any phase is running a constitutional amendment which, if passed by a vote of the people, would allow for the fund to invest in higher earning asset classes, such as equities. A higher assumed investment return would further improve the WA Cares funded ratio. See Figure 15 in Milliman's 2022 Study, which compares the required premium rate under current law investments and an alternative investment of 70 percent fixed income and 30 percent equities. Under the alternative scenario, the required premium rate to pay full benefits and expenses over the entire projection period drops by 0.03 percent. Please note, this scenario does not necessarily represent how WSIB would invest WA Cares Fund premium revenue if a constitutional amendment passed.

20. What is Milliman assuming for future investment returns?

WSIB adopted the WA Cares Fund investment plan in June 2022. WSIB intends to invest the WA Cares Fund premium revenue in a diversified fixed income portfolio.

In setting the investment return assumption, Milliman relied on WSIB's latest Capital Market Assumptions, as well as Milliman's professional judgement.

Future investment experience may be different than assumed. Please see Figure 26, from Milliman's 2022 Study to see how the required premium rate changes if actual investment returns are more/less than assumed.

Alternatively, if a constitutional amendment were to pass, similar to the one proposed under Senate Joint Resolution 8212, WSIB would have greater flexibility in their asset allocation, and would have the option to invest in equities as part of the investment plan.

Please see Figure 15 in Milliman's 2022 Study to see how the required premium rate changes under an alternate investment assumption including equities. Please note, this scenario does not necessarily represent how WSIB would invest WA Cares Fund premium revenue if a constitutional amendment passed.

21. What did Milliman assume for the benefit payment costs?

One of the primary assumptions used to model benefit payment costs is the likelihood of a resident needing care as defined under WA Cares (i.e., the incidence rate). Higher incidence rates mean a higher likelihood of using a program benefit at a given age.

See Figure 28 in Milliman's 2022 Study to see how the estimated premium rate increases/decreases when Milliman assumes higher/lower incidence rates.

It is not clearly defined in statute when the $36,500 lifetime benefit will first be increased. Milliman's Base Plan assumes the lifetime benefit will first be increased by inflation on July 1, 2027, one year after benefit payments begin, and every year thereafter. If instead the lifetime benefit is first increased on January 1, 2027/January 1, 2028, it leads to a small cost/savings. Please see Figure 14 in Milliman's 2022 Study to see how the required premium rate changes under the different dates.

22. What did Milliman assume for future wage growth?

See Figure 23 in Milliman's 2022 Study to see how the estimated premium rate increases/decreases when Milliman assumes lower/higher future wage growth. Higher/lower wage growth leads to higher/lower projected revenue, which lowers/raises the required premium rate over the projection period.

See Figure 27 to see how the estimated premium rate decreases if Milliman assumes no grade-off of Washington to nationwide average wages. In this scenario, Milliman assumes Washington average wages remain 16 percent higher than the national average wage throughout the projection.

If there is no assumed grade-off to the wages, then it is reasonable to assume there would be no grade-off to the inflation assumption either. As noted in Figure 27, a scenario that assumes no grade-off to either assumption results in a premium rate of 0.55 percent, which is similar to Milliman's Base Plan rate of 0.57 percent.

23. What did Milliman assume for future WA Cares maximum benefit growth?

Milliman's initial CPI assumption of 2.75 percent relies on OSA's *2021 Report on Financial Condition and Economic Experience Study*. Milliman's ultimate assumption of 2.40 percent per year is based on the 2022 OASDI Trustees Report.

See Figure 25 in Milliman's 2022 Study to see how the estimated premium rate increases/decreases when Milliman assumes higher/lower CPI growth. If actual regional inflation is higher/lower than assumed, the maximum benefit would likely grow at a higher/lower rate of inflation, which all else being equal would lead to higher/lower expected costs.

There is a likely correlation between CPI growth and wage growth since CPI is generally considered to be a building block component of wage growth. For example, if actual CPI is higher than assumed, it is likely that wage growth will also be higher than assumed. In that case, the assumption changes tend to offset and produce a smaller impact. Please see Figure 31 in Milliman's 2022 Study to see how the required premium rate changes when both wage growth and inflation are higher/lower than assumed.

Additionally, please see Figure 27 to see how the estimated premium rate changes when no grade-off is assumed to the CPI assumption. In this scenario, Milliman assumes the maximum WA Cares benefit increases by 2.75 percent each year.

Given the correlation between wages and inflation, if one did not ultimately grade-off to national levels, it is likely neither would. See Figure 27 to see how the estimated premium rate changes when no grade-off is assumed to either the CPI or wage growth assumption. It results in a premium rate of 0.55 percent, which is similar to Milliman's Base Plan rate of 0.57 percent.

It is not clearly defined in statute when the $36,500 lifetime benefit will first be increased. Milliman's Base Plan assumes the lifetime benefit will first be increased by inflation on July 1, 2027, one year after benefit payments begin, and every year thereafter. If instead the lifetime benefit is first increased on January 1, 2027/January 1, 2028, it leads to a small cost/savings. Please see Figure 14 in Milliman's 2022 Study to see how the required premium rate changes under the different dates.

24. What is Milliman's vesting assumption?

Milliman's report does not include an explicit table listing their year-by-year and age specific vesting assumption.

Please see Figure 21 in Milliman's 2022 Study to see how the required premium rate changes when Milliman assumed vesting rates are roughly 10 percent lower or 10 percent higher than their Base Plan assumption.

In terms of migration, Milliman's starting in and out migration percentage assumptions by age and gender are based on data from the US Census Bureau's American Community Survey. Milliman then calibrated the resulting net migration to follow the 2021 Population Forecast prepared by the state of Washington's Office of Financial Management. Initially, Milliman's approach resulted in about 100,000 people annually leaving the state and about 150,000 people annually entering the state (for a net migration of plus 50,000 per year). Please see Exhibit 3 in Milliman's 2022 Study for year-by-year estimates of FY migration totals.

25. What key program parameters still need to be clarified?

Washington State's Department of Social and Health Services asked Milliman to assume benefit eligibility criteria consistent with the current definitions used under the state of Washington's Medicaid program. A benefit eligibility workgroup continues their work to clarify the benefit eligibility trigger within the WA Cares Fund. These discussions suggest Milliman's approach of using the state's Medicaid definitions will align with WA Cares Fund eligibility, however future rulemaking will solidify the definition. We recommend an actuarial review of the benefit eligibility rules throughout the rulemaking process to assess how these decisions may affect the financial outlook of the program.