



Office of the State Actuary

“Supporting financial security for generations.”

OSA REPORT ON WA CARES FUND SOLVENCY

December 2021

Per [Chapter 50B.04.030](#) Revised Code of Washington, the Office of the State Actuary (OSA) is responsible for providing recommendations to the Long-Term Services and Supports (LTSS) Trust Commission and the Legislature on actions necessary to achieve and maintain trust solvency.

This is OSA’s second solvency report. For a list of key roles and responsibilities as it relates to trust solvency, as well as a more detailed list of our initial recommendations, please refer to our first report, [2020 Report on LTSS Trust Solvency](#).

Related to our initial recommendations, two key accomplishments this past year were the creation of a WA Cares Fund funding policy and [risk management framework](#). We also anticipate clarification of the fund’s investment policy early in 2022.

Recommendations

Most of the recommendations below are a continuation of OSA’s prior recommendations as work is ongoing towards accomplishing these items.

OSA recommends the following actions to support the projected solvency of the WA Cares Fund Program:

- ❖ **Clarify key program parameters to ensure actuarial modeling is in line with expected program administration.** The primary provisions requiring clarification that will have the greatest impact on program solvency are the benefit eligibility trigger and the elimination period.
 - **Benefit Eligibility Trigger** – Milliman, who performs the WA Cares Fund actuarial modeling, assumed the type and number of assisted daily living activities needed to be eligible for a WA Cares Fund benefit will be consistent with current definitions used under the state’s Medicaid program.
 - **Elimination Period (EP)** – Milliman was asked to model a 45-day EP based on the assumption that the Department of Social and Health Services and will need 45 days to determine eligibility. The EP Milliman modeled serves as a one-time “deductible” period of 45 consecutive days during which the individual has a qualifying level of disability meeting the benefit eligibility trigger. Milliman assumed benefit payments will commence following satisfaction of the EP.



- Ensuring the actuarial modeling is in line with expected program administration will better define projected program costs.
- ❖ **Perform an updated baseline analysis no earlier than late 2022.**
 - An updated baseline analysis from Milliman would benefit from the following information:
 - ◇ Clarifying the key program parameters mentioned previously.
 - ◇ Incorporating the investment plan adopted by the Washington State Investment Board.
 - ◇ Reflecting early investment returns, premium collection and substantially complete private plan opt-out experience.
 - Incorporating updated projected costs and revenue will likely change the projected premium rate required to cover expected future program benefits and expenses so it is important to re-assess the fund's solvency once updated information exists in these key areas. The WA Cares Fund risk management framework provides additional context for consistent and ongoing program evaluation.
 - The timing of the updated baseline analysis will also be a key consideration. In addition to including the most up-to-date information and emerging program experience, we are also mindful of the consistency of any updated information. For example, any updates to reflect emerging private plan opt-out experience, should be applied in concert with updates to reflect emerging covered wage and premium collection for the entire fund. For these reasons, we believe the earliest Milliman should perform an updated baseline analysis is late 2022.

OSA recommendations do not contemplate benefit policy changes considered or recommended to the Legislature by the LTSS Trust Commission. Any proposed changes and their expected impact on trust solvency will be evaluated as part of the legislative process.

OSA prepared the above report and recommendations, however, please refer to Milliman's [2020 LTSS Trust Actuarial Study](#) for more complete actuarial analysis. For summary analysis and commentary from OSA on the latest actuarial measurements on the WA Cares Fund, we refer you to our [website](#). We encourage you to submit any questions you might have concerning this report to our e-mail address at state.actuary@leg.wa.gov.

Sincerely,

Matthew M. Smith, State Actuary

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