LTSS Trust Commission Meeting

December 10, 2021

MEETING GUIDELINES

Commission Members

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

Observers

- Opportunity to provide public comment later in the meeting

WELCOME & CALL TO ORDER

MEETING GOALS

- Receive update on ESD readiness for employer premium collections, self-employed opt-in, and wage reporting
- Receive update on exemption applications
- Receive update on early exemption information and review actuarial projections
- Receive overview of OSA Report on WA Cares Fund Solvency
- Provide feedback on Commission Recommendations Report and approve

CONSENT AGENDA

- 11/10/2021 Commission meeting minutes

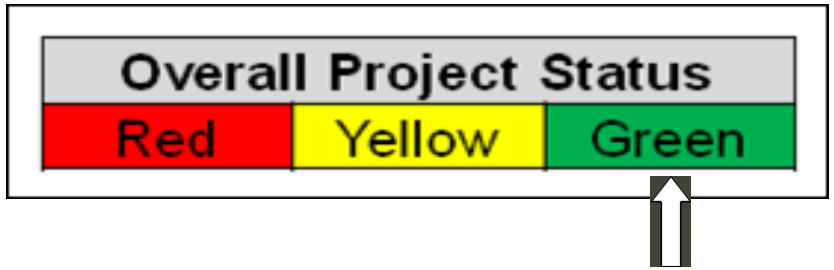
NEW BUSINESS

ESD readiness for employer premium collections, self-employed opt-in, and wage reporting

ESD WA CARES FUND PROJECT STATUS

- Employee Exemptions: Go-Live October 1, 2021 – Completed
- Self-Employed Elective Coverage
  - Phase 1 on track to Go-Live January 1, 2022
  - Phase 2 on track to Go-Live April 1, 2022
- Wage Reporting and Premium Collection
  - On track to Go-Live April 1, 2022

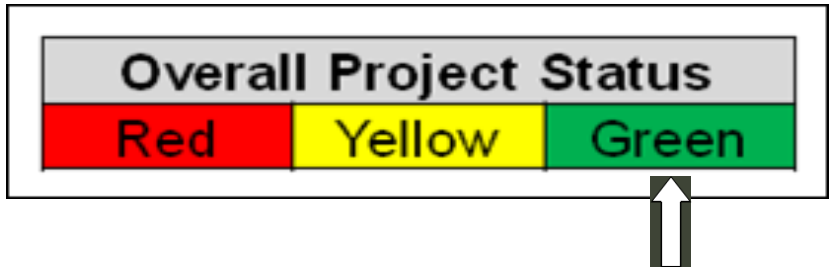
SELF-EMPLOYED ELECTIVE COVERAGE



Readiness Summary

- Phase 1 is on track to Go-Live January 1, 2022
  - Technology Readiness
    - Development workstream has been completed for Phase 1
    - All final testing and security planning is in process and the target to release code to production is now set at December 14th
  - Operations Readiness
    - All operations hiring and onboarding is completed and in place
    - Operating procedures and operations training is on track to complete per the plan of record
    - Change management is planned, being measured and being monitored with very positive results seen
    - Operations Go-Live and Post Go-Live plans are defined, being monitored and on track
    - All associated Rules are in place and were effective on September 18th and all remaining Key Business Artifacts will be final on December 3rd
  - Communication Readiness
    - External Cross Agency and Internal Communications activities are in full swing and are being tightly coordinated with participating entities
- Phase 2 is on track to Go-Live on April 1, 2022

WAGE REPORTING AND PREMIUM COLLECTION



Readiness Summary

- On Track to Go-Live April 1, 2022
  - Technology Readiness
    - Development workstream has completed more than 25% of the coding
    - Testing and security planning is defined pending the completion of code development now targeted to be complete the end of February
  - Operations Readiness
    - All Operations hiring and onboarding is completed and in place
    - Operating procedures and operations training is on track to complete per the plan of record
    - Change management is planned, being measured and being monitored with very positive results seen
    - Operations Post Go Live plans are drafted and on track
    - Rules are in place and were effective on Sept 18 and all remaining Key Business Artifacts will be final on November 30th
  - Communication Readiness
    - External Cross Agency and Internal Communications activities are in full swing and are being tightly coordinated with participating entities

OLD BUSINESS

Exemption Applications

Impact of private LTC policy opt-outs on actuarial projections

EXEMPTION APPLICATIONS

As of December 9th, 11:59 pm

Total exemption applications received	443,649
Applications approved	397,217
Incomplete applications	4,269
Total applications processed	401,486
Percentage of Applications Processed	90.5%

Impact of Private LTC Policy Opt-Outs on Actuarial Projections

Presentation to: LTSS Trust Commission

Matthew M. Smith, State Actuary, FCA, EA, MAAA

Office of the State Actuary
"Supporting financial security for generations."

December 10, 2021

Background

- One-time application period for an exemption from the WA Cares Fund runs October 1, 2021, through December 31, 2022
- Shortly after that period, and after all applications have been processed, we will know the total number of exemptions, or “opt-outs” granted
- In addition, we will know the age (self-reported) and wage characteristics of those individuals
- Milliman’s baseline analysis of the originally enacted program considered private insurance opt-out scenarios ranging from roughly 100,000 workers to 1.5 million workers opting out in 2022

Background (Continued)

- The projected Base Plan in the baseline analysis estimated approximately 3.3 million working paying into the fund and $205 billion in total covered wages using modeled opt-outs of 103,000 workers
- Covered wages include earnings as defined in the 2020 Old-Age, Survivors, and Disability Insurance (OASDI) Trustees Report
  - Which include covered wages and covered self-employment net earnings
  - Without any limits

Important Context

- A program design with voluntary options introduces uncertainty in projection estimates
- The voluntary opt-out removes both future program revenue and expenditures
- The impact on required premium rates, among other items, will depend on the relationship between the two
  - For example, if the reduction in projected revenue is equal to the reduction in projected expenditures, the premium rate would be unaffected (just the overall level of cash flow would drop)
- Under current law, the impacts of the opt-out will “wear off” over time as future wage earners who can’t opt-out replace those that did opt-out

Summary of Milliman's Opt-Out Analysis

- Base Plan in baseline analysis assumed **103,000 higher-than-average paid wage earners opt-out**
  - About $19 billion in 2022 wages with average annual covered wages of $185,000
  - Represents approximately 10% of total assumed covered wages in 2022
- Also modeled a "High Scenario" where **1.5 million workers opt-out**
  - About $173 billion in 2022 wages with average annual covered wages of $114,000
  - Represents approximately 75% of total assumed covered wages in 2022
  - As illustrated in Figure 3 of Milliman's report, program projected to have sufficient funds to pay full expected benefits and program expenses through 2068 under this scenario (through 2075 under Base Plan)
  - This assumes the fund collects a 0.58% premium rate and invests 100% of funds in treasuries consistent with current law

Actual Opt-Out Data as of December 7, 2021

Opt-Out Data	
Total Exemption Applications Received	442,002
Total OSA Estimated Wages	$81.3 billion
Estimated Average Annual Wage	$184,000

- Total exemption applications from ESD as of December 7, 2021
- Total OSA estimated wages = 442,002 × $184,000 (estimated average annual wage of an individual opt-out)
  - Estimated by the Office of the State Actuary (OSA)
- Estimated average annual wage based on ESD data for actual opt-outs with available wage data as of November 17, 2021 (350,423 records)

Concluding Remarks

- Number of actual opt-outs through December 7, 2021, is about 4 times more than assumed under the Base Plan
  - Average annual wage similar may be similar to what was assumed
- The percentage of total covered wages lost will depend on the actual total covered wages in 2022 which may also vary from baseline analysis
  - Actual opt-outs through December 7, 2021, represent about 36% of total assumed covered wages in 2022
  - Lost wages would decrease to 33% of total if covered wages in 2022 are 10% more than assumed
- Actual opt-outs through December 7, 2021, fall within the scenarios Milliman modeled and look closer to the Base Plan than the High Scenario

Concluding Remarks and Next Steps

- Additional actuarial analysis needed to inform the potential anticipated impacts of actual opt-outs
- It's important to view actual opt-out data in the appropriate context of the broader program
  - Several items will require updates before we re-assess the program's solvency
  - Consistent updates to related information will provide a more complete assessment
- Subject to available funding, OSA recommends updating the baseline analysis no earlier than late 2022
  - Consistent with the fund's risk management framework

Questions? Please Contact: The Office of the State Actuary

leg.wa.gov/OSA; state.actuary@leg.wa.gov

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

Matt Smith

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Thank You

OLD BUSINESS

OSA Report on WA Cares Fund Solvency

OSA Solvency Report and Recommendations

Presentation to: LTSS Trust Commission

Matthew M. Smith, State Actuary, FCA, EA, MAAA

December 10, 2021

Today's Agenda

- OSA's recommendations to support fund solvency
- Final solvency report included in meeting materials

OSA's Recommendations to Support Fund Solvency

- Clarify key program parameters to ensure program administration aligns with actuarial modeling
  - Benefit eligibility trigger and elimination period
- Perform an updated baseline analysis no earlier than late 2022
  - Important to include consistent updates to projected revenue and costs
  - Incorporate investment plan, early premium collection, and private plan opt-out experience

Questions? Please Contact: The Office of the State Actuary

leg.wa.gov/OSA; state.actuary@leg.wa.gov

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

Matt Smith

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Thank You

OLD BUSINESS

Commission Recommendations Report

POLICY AREAS FOR LEGISLATIVE CONSIDERATION

I. **People near retirement**: People nearing full retirement are unlikely to meet the minimum contribution requirements to qualify for benefits. Those who retire before 2025 will have paid in for nearly three years and will not qualify to receive benefits at all. Those who retire between 2025 and 2031 will have paid in 3-9 years and will only temporarily qualify.

II. **Residents of border states or Canada commuting to work in WA**: Under current statute, people who live in Idaho, Oregon or Canada but work for a Washington employer will have to pay premiums but cannot receive benefits unless they move to ("reside in") Washington when they have a long-term care need. This impacts approximately 150,000 people who will begin paying premiums in 2022 and will affect more in the decades to come.

III. **People working in the U.S. under a temporary, non-immigrant visa**: Temporary workers who have to return to their respective countries when their work visas expire will be required to pay in, but they cannot receive benefits because they cannot remain in Washington long-term. This would include people who are allowed to work in the U.S. only temporarily under a variety of non-immigrant visas, including H2A seasonal agricultural workers and other specialized workers with visas issued by the federal government.

POLICY AREAS FOR LEGISLATIVE CONSIDERATION

V. **Veterans with a 70%+ service-connected disability:** Veterans rated by the VA as 70% to 100% service-connected disabled have access to nursing home care through the VA. 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.

VI. **Spouses of active-duty military:** In order to remain with their active-duty military spouse, spouses are essentially obliged to leave the state when their spouse does (typically after three years). This would leave many spouses of people in the military unable to use benefits or qualify for life for the benefit on the ten-year path.

POLICY AREAS FOR LEGISLATIVE CONSIDERATION

V. **Constitutional amendment:** WA Cares Fund has a long-term investment horizon. In the early decades, it will accumulate more premiums than it pays out in benefits, and in later decades it will pay benefits out of accumulated premiums and their investment returns. The greater the investment returns, the lower the premium rate required, all else being equal.

VI. **Exemption recertifications:** 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. Individuals can cancel or fail to maintain their LTC insurance policy at any time after receiving approval for their exemption.

VII. **People who qualify and leave the state**: Some workers leave the state either during their working years or after retirement. Some may have paid in less than 10 years and left before they could permanently qualify, others will have qualified and will be unable to claim benefits when they need LTC. Per the current statute, only people who reside in Washington when they need care can utilize WA Cares Fund benefits.

COMMISSION RECOMMENDATIONS REPORT

- Approve report

PUBLIC COMMENT

Questions about WA Cares Fund?

- Visit wacaresfund.wa.gov
- Submit questions to: wacaresfund@dshs.wa.gov

SET AGENDA FOR NEXT MEETING APRIL 18, 2021

- Commission recommendation topics for 2022
- Update on any 2022 WA Cares Fund legislation
- Update on ESD implementations – premium collections, self-employed opt-in, and wage reporting
- Risk Management update
- Update on exemption applications
- WA Cares Fund IT solutions update
- Update from Supplemental Private LTC Insurance Workgroup
- Investment Plan update from WSIB

WRAP UP

- Action items review
- Adjourn

THANK YOU

WA CARES FUND