



Office of the State Actuary

“Supporting financial security for generations.”

OSA REPORT ON WA CARES FUND SOLVENCY

December 2023

Per [Chapter 50B.04.030](#) of the Revised Code of Washington (RCW), 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 report may not be appropriate, and is not intended to be used, for other purposes.

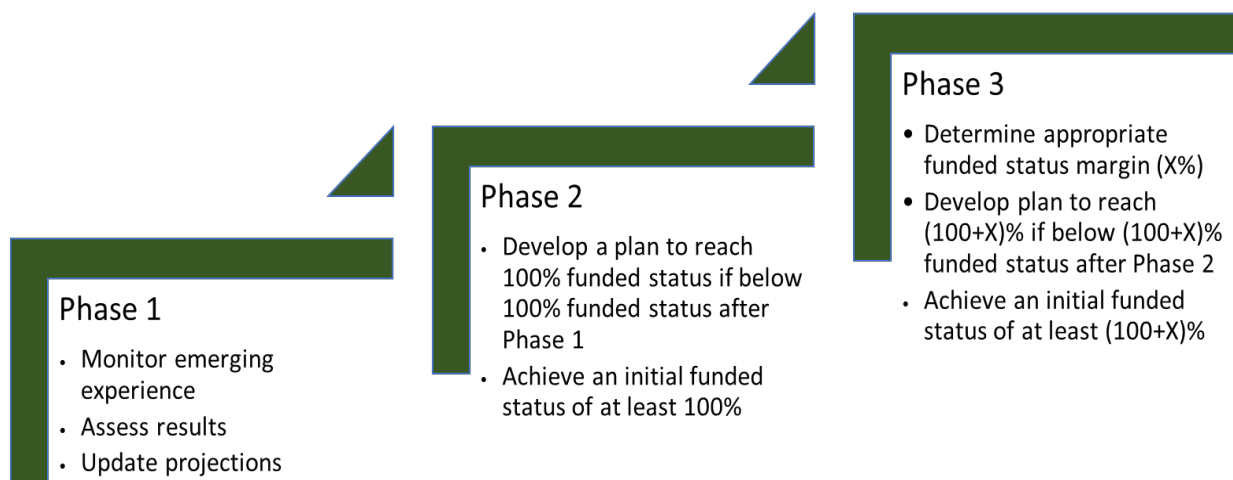
This is OSA’s fourth solvency report and replaces the preliminary report we provided to the LTSS Trust Commission earlier this year. Prior solvency reports, including last year’s [2022 Report on WA Cares Fund Solvency](#), can be found on our WA Cares Fund [webpage](#).

Risks to the WA Cares Fund and the financial status of the program will change over time. Future recommendations on actions necessary to achieve and maintain trust solvency may vary significantly from the recommendations in this report. Please replace this solvency report with a future solvency report when available.

OSA contracts with Milliman to perform most actuarial services for the WA Cares Fund, however OSA has a statutory role to report on and support the financial solvency of the WA Cares Fund. In fulfilling that role, we rely on our experience providing actuarial services to other state financial programs, various actuarial consultants who are experts in the long-term care space, and the actuarial community at large.

Risk Management Framework and Future Actuarial Reporting

Premium assessments began July 1, 2023, and the program is in Phase 1 of the [WA Cares Fund Risk Management Framework](#) (RMF), which the LTSS Trust Commission adopted in 2021.





This initial phase is focused on collecting data and comparing actual experience against what is assumed. Gathering actual experience will inform future actuarial projections and increase the credibility of assumptions. We believe Phase 1 should end no sooner than 2028.

Beyond reflecting actual experience and other relevant updates, future actuarial studies and reports will prepare the program for the transition to Phases 2 and 3 of the RMF. With that in mind, future solvency reports will have a greater focus on risk management, including any refinements to the risk management framework, reporting on the program's financial health, highlighting potential or emerging risks, and sensitivity and stress testing.

Solvency Recommendations

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.** This is a continuation of a prior recommendation as work continues to solidify the benefit eligibility threshold, i.e., what type of daily living activities an individual will need assistance with, in order to be eligible to receive a program benefit.
 - 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.
 - Ensuring the actuarial modeling is in line with expected program administration will better define projected program costs.
 - Even with the alignment of actuarial modeling with expected program administration, actual claims experience may differ from projections. OSA, in consultation with DSHS, plans to explore this future risk and the need for any additional risk management practices in this area.
- ❖ **Re-assess the program's financial outlook after the 2024 Legislative Session and initial program experience.**
 - Updating actuarial analysis to reflect any significant program changes and early program experience will provide a more current outlook than Milliman's 2022 Study. This updated analysis would also be consistent with Phase 1 of the RMF.
- ❖ **Ensure data systems collect and report information necessary for ongoing evaluation of trust solvency.**
 - Continued coordination on data collection to inform future actuarial modeling will improve the quality of projections.
 - There is also an opportunity to coordinate with broader program data needs beyond what will inform future actuarial modeling.



OSA prepared the above report and recommendations, however, please refer to Milliman's 2022 Study for supporting actuarial analysis on the program. For additional resources, including a Frequently Asked Questions document related to Milliman's analysis, we refer you to our website.

The undersigned, with actuarial credentials, meet the Qualification Standards of the American Academy of Actuaries to render the recommendations contained herein. We encourage you to submit any questions you have on this report to our e-mail address at state.actuary@leg.wa.gov.

Sincerely,

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

Luke Masselink, ASA, EA, MAAA
Senior Actuary

O:\LTSS\2023\CommissionMtgMaterials\December.12\OSA.Report.WACares.Fund.Solvency.docx