



Office of the State Actuary

“Supporting financial security for generations.”

OSA REPORT ON WA CARES FUND SOLVENCY

December 2024

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

This solvency report replaces the prior solvency reports, including last year’s [2023 Report on WA Cares Fund Solvency](#). Prior solvency reports, as well as other WA Cares Fund actuarial information, 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 valuations 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.



Please note, Milliman's next actuarial valuation of the WA Cares Program will be published in December 2024. Once completed, their report, along with OSA's supporting commentary of that report, will be available on our WA Cares Fund webpage.

Solvency Recommendations

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

- ❖ **Continue to monitor emerging experience and update projections as part of Phase 1 of the RMF.**
 - Phase 1 is primarily a learning phase. Collecting credible data from a new program and seeking to understand why it differs from what was assumed will improve the quality of financial projections.
 - Regular updates of WA Cares Fund financial projections will improve program communications and identify emerging program risks.
- ❖ **Clarify key program parameters to ensure actuarial modeling is in line with expected program administration.** Two areas of focus are the benefit eligibility threshold and portability. The benefit eligibility threshold establishes what type of daily living activities an individual will need assistance with to be eligible for program benefits. Recently added portability provisions expanded benefit eligibility to vested members who live outside the state when services are needed.
 - We recommend an actuarial review of the benefit eligibility and portability 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 Department of Social and Health Services, plans to explore this future risk and the need for any additional risk management practices in this area.
- ❖ **Ensure data systems collect and report information necessary for ongoing evaluation of trust solvency.** This is a continuation of a prior recommendation. OSA is working closely with the Employment Security Department to clarify actuarial data needs with regards to premium collection and vesting.
 - 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](#), and their 2024 Valuation Report when available, for supporting actuarial analysis on the program.

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,

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