



17335 Golf Parkway
 Suite 100
 Brookfield, WI 53045
 USA
 Tel +1 262 784 2250

milliman.com

Christopher J. Giese, FSA, MAAA
 Principal and Consulting Actuary

chris.giese@milliman.com

November 8, 2022

Luke Masselink, ASA, EA, MAAA
 Senior Actuary
 Washington Office of the State Actuary
 PO Box 40914
 Olympia, WA 98504
 Sent via email: luke.masselink@leg.wa.gov

Re: Additional Modeling of Potential WA Cares Fund Program Changes

Dear Luke:

Per your request, we analyzed four alternative program features for WA Cares Fund being considered by the Long-Term Services and Supports (LTSS) Trust Commission. Our work analyzes estimated changes to the premium assessment to help assess the feasibility of adjusting WA Cares Fund program features.

The starting Base Plan for this letter relies upon the 2022 Base Plan described in our [2022 WA Cares Fund Actuarial Study¹](#) dated October 20, 2022 (2022 Actuarial Study). All plan features, methodology, and assumptions are consistent with the modeling of the base plan in our 2022 Actuarial Study unless indicated otherwise. The results in this letter should be considered in their entirety in combination with our 2022 Actuarial Study.

The estimates provided in this letter are prepared to assist in evaluating the viability of selecting benefit features for WA Cares Fund. Any estimates around required program revenue are for feasibility purposes only and not intended, and should not be used, for setting the program premium assessment.

RESULTS SUMMARY

Table 1 summarizes the four alternative program features requested for analysis by the LTSS Trust Commission compared to the program structure underlying the 2022 Base Plan.

| Table 1 Washington Office of the State Actuary Summary of Modeled Program Changes Compared to 2022 Base Plan | | | |
|--|--|---|---|
| Modeling Request # | Program Feature Impacted | 2022 Base Plan Description | Alternative Program Feature Modeled |
| 1 | Benefit Eligibility | No forward-looking certification of functional disability | Forward certification that functional disability will last 90 days or more |
| 2 | "Vesting" Requirements for Full Benefits | 3 of last 6 years, or 10 years total, with 500+ annual hours requirement | Eliminates "3 of last 6 years" vesting pathway |
| 3 | Waiting / Claim Adjudication Period | First 30 days of costs (if any) will be paid by the beneficiary as claims are adjudicated | First 90 days of costs (if any) will be paid by the beneficiary as claims are adjudicated |
| 4 | Benefit Eligibility | Washington State Medicaid definition proxy | Health Insurance Portability and Accountability Act (HIPAA) definition |

¹ Giese, C. et al. (October 20, 2022). 2022 WA Cares Fund Actuarial Study. Milliman Report. Retrieved November 1, 2022, from <https://leg.wa.gov/osa/additionalservices/Documents/Report01-2022WACaresFundActuarialStudy.pdf>

Table 2 contains the impact on the modeled premium assessment for the four alternative program features compared to the 2022 Base Plan. All tests were performed “one at a time.” The incremental changes shown in Table 2 may not be appropriate to add together when considering implementing two or more of the requests. Additional background on the steps performed to model each request are included in the Methodology and Assumptions section.

| Table 2 Washington Office of the State Actuary Impact to Premium Assessment | | | |
|---|---|-----------------------------------|--------------------------------|
| # | Modeling Request | Level Premium Assessment Required | Difference from 2022 Base Plan |
| | 2022 Base Plan | 0.57% | |
| 1 | Add 90-day forward certification of functional disability | 0.55% | -0.02% |
| 2 | Eliminate 3 of last 6 years vesting pathway | 0.53% | -0.04% |
| 3 | 90-day assumed adjudication period | 0.54% | -0.03% |
| 4 | Adoption of HIPAA benefit eligibility trigger | 0.48% | -0.09% |

METHODOLOGY AND ASSUMPTIONS

For each modeling request, we started with all plan features, methodology, and assumptions consistent with the 2022 Base Plan in our 2022 Actuarial Study. We then modified plan features, methodology, and assumptions for each request as outlined below.

Modeling Request #1: Add 90-day forward certification of functional disability

We applied adjustments to reduce claim incidence and termination rates to reflect the introduction of a 90-day forward certification of functional disability. A reduction to claim incidence is assumed because a forward certification would reduce the number of claims covering short-term facility or home care needs expected to last less than 90 days. Claim termination rates for the first 90 days following the beginning of a claim are also assumed to decrease as short-term claims are removed.

We primarily relied on Milliman’s 2020 *Long-Term Care Guidelines* to develop the adjustments by examining relative differences in historical claims experience from private market insurance plans with and without a 90-day forward certification of functional disability. We estimate this change would lower the premium assessment 0.02% relative to the 2022 Base Plan as shown in Table 2.

Modeling Request #2: Eliminate 3 of last 6 years vesting pathway

Eliminating the “3 of last 6 years” vesting pathway leaves two available pathways to become a qualified individual (i.e., “vested”) under WA Cares Fund:

1. Work more than 500 hours per year for a minimum of 10 years over an individual’s lifetime.
2. Individuals born before January 1, 1968 (or “near retirees”) are eligible to receive prorated benefits, or 10% of the full benefit amount for each year of premium payments up to 100%.

Aside from claims for near retirees, which are still preserved under this modeling request, the first year claims would be paid out in 2033. Therefore, claims incurred between 2026 and 2033 under the 2022 Base Plan are removed in this alternative (except for near-retirees). Additionally, removing the “3 of last 6 years” pathway continues to have an impact throughout the remainder of the 75-year analysis horizon, primarily for individuals aged 40 and under where those individuals will have less opportunity to work 10 years to become a qualified individual. We estimate this change would lower the premium assessment 0.04% relative to the 2022 Base Plan as shown in Table 2.

Modeling Request #3: 90-day assumed adjudication period

WA Cares Fund states DSHS must make an initial benefit determination (i.e., determine whether an individual satisfies the program's benefit eligibility criteria) within 45 days from receipt of a request by an individual to use program benefits. Per OSA and DSHS, under the 2022 Base Plan we assume an average waiting / claim adjudication period of 30 days. LTC costs incurred (if any) during the first 30 days following an individual's request would be paid by the individual (and not WA Cares Fund) while the claim is adjudicated.

For this modeling request, we extended the average waiting / claim adjudication period to 90 days, which increases the costs assumed to be paid by individuals. We estimate this change would lower the premium assessment 0.03% relative to the 2022 Base Plan as shown in Table 2.

Modeling Request #4: Adoption of HIPAA benefit eligibility trigger

Under the 2022 Base Plan, we relied upon DSHS' guidance to assume the type and minimum number of activities of daily living (ADLs) considered by care setting will be consistent with the current definitions used under the State of Washington Medicaid program. The HIPAA trigger is defined as needing assistance with two or more ADLs out of six, where the individual is expected to meet the definition for at least the next 90 days, or severe cognitive impairment. Given the State of Washington Medicaid program has different pathways (i.e., assistance needed for one ADL in some cases to qualify), different level of functional assistance required by ADL (i.e., lower threshold than HIPAA in some cases), and a larger number of qualifying conditions (i.e., ten ADLs considered under some pathways), we estimate WA Cares Fund program costs will be lower under the HIPAA definition.

For this modeling request, we applied adjustments to claim incidence to reflect the stricter HIPAA benefit eligibility trigger. We primarily relied on Milliman's 2020 *Long-Term Care Guidelines* to develop the adjustments by examining relative differences in historical claims experience from private market insurance plans using the HIPAA trigger versus a medical necessity trigger (where we estimate claim incidence experience to be closer to the State of Washington Medicaid program). We estimate this change would lower the premium assessment 0.09% relative to the 2022 Base Plan as shown in Table 2.

CAVEATS AND LIMITATIONS

This information is intended for the internal use of the Washington State Office of the State Actuary (OSA) and Washington State Department of Social and Health Services (DSHS) and it should not be distributed, in whole or in part, to any external party without the prior written permission of Milliman, subject to the following exception:

- This letter shall be a public record that shall be subject to disclosure to the State Legislature and its committees, persons participating in legislative reviews and deliberations, and parties making a request pursuant to the Washington Public Records Act

We do not intend this information to benefit any third party even if we permit the distribution of our work product to such third party.

This information provides estimated premium assessment impacts for alternative program features compared to the 2022 Base Plan presented in the 2022 WA Cares Fund Actuarial Study provided on October 20, 2022, which should be read in its entirety with this letter. In completing this analysis, we relied on information provided by OSA, DSHS, SIB, ESD, and publicly available data. We accepted without audit, but reviewed the information for general reasonableness. Our summary may not be appropriate if this information is not accurate.

Many assumptions were used to construct the estimates in this letter. Actual results will differ from the projections in this letter. Experience should be monitored as it emerges, and corrective actions should be taken when necessary.

Milliman has developed certain models to estimate the values included in this letter. The intent of the models is to estimate required revenue for alternative program features of the WA Cares Fund. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice.



Luke Masselink, ASA, EA, MAAA
Washington Office of the State Actuary
November 8, 2022
Page 4 of 4

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. Chris Giese, Annie Gunnlaugsson, and Evan Pollock are members of the American Academy of Actuaries, and meet the qualification standards for performing the analyses in this letter.

The terms of the Personal Services Contract with Washington State OSA effective December 2, 2021, apply to this information.



Luke, please let us know if you would like to discuss further or have any other questions.

Sincerely,

A handwritten signature in black ink that reads "Christopher J. Giese". The signature is written in a cursive style.

Christopher J. Giese, FSA, MAAA
Principal and Consulting Actuary

CJG/db