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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: HIPAA Benefit Eligibility Threshold Analysis

Dear Luke:

Per your request, we performed preliminary analysis comparing the probability Washingtonians will utilize WA Cares Fund benefits under different benefit eligibility definitions. The underlying program design for this letter relies upon the Base Plan included in our [2022 LTSS Trust Actuarial Study](#)¹ 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.

RESULTS

Impact to Premium Assessment

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 generally consistent with (but not identical to) the current definitions used under the State of Washington Medicaid program.² Please note, the WA Cares Fund benefit eligibility criteria is not finalized. To the extent the final WA Cares Fund definition varies from the State of Washington Medicaid program criteria assumed in our modeling, we would expect the estimates under the 2022 Base Plan to vary as well. The Health Insurance Portability and Accountability Act (HIPAA) benefit eligibility requirements are defined as needing assistance with two or more ADLs out of six (bathing, dressing, transferring, toileting, continence, and eating), where the individual is expected to meet the definition for at least the next 90 days, or severe cognitive impairment.

We estimate WA Cares Fund program costs will be lower under the HIPAA definition given the current State of Washington Medicaid program definition defines the following key criteria that differ from the HIPAA definition:

- Different pathways (e.g., assistance needed for one ADL in some cases to qualify)
- Different level of functional assistance required by ADL (e.g., lower threshold than HIPAA in some cases)
- A larger number of qualifying conditions (e.g., 10 ADLs considered under some pathways)
- No requirement that the disability is expected to last for a minimum number of days³

For this modeling request, we applied adjustments to claim incidence varying by age and site of care to reflect the estimated impact of a scenario where the State of Washington adopts HIPAA benefit eligibility requirements for the WA Cares Fund. **We estimate adopting the HIPAA benefit eligibility requirements would decrease the premium assessment by nine basis points (or approximately 15% = 0.48% / 0.57% - 1) relative to the 2022 Base Plan as shown in Table 1.**

¹ Giese, C. et al. (October 20, 2022). *2022 WA Cares Fund Actuarial Study*. Milliman Report. Retrieved December 14, 2022, from <https://leg.wa.gov/osa/additionalservices/Documents/Report01-2022WACaresFundActuarialStudy.pdf>

² <http://apps.leg.wa.gov/wac/default.aspx?cite=388-106-0210> and <http://apps.leg.wa.gov/wac/default.aspx?cite=388-106-0355>

³ We estimate that adding a 90-day forward certification of functional disability to the 2022 Base Plan would decrease the premium assessment by approximately two basis points (i.e., would move the premium assessment from 0.57% to 0.55%). We applied adjustments to reduce claim incidence and termination rates to reflect the introduction of a 90-day forward certification of functional disability.

Table 1 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%	
Adoption of HIPAA benefit eligibility requirements	0.48%	-0.09%

Factors Driving Premium Impact

DSHS and OSA requested further background on the factors driving the premium assessment lower in Table 1. Moving to more “restrictive” benefit eligibility requirements (as estimated moving from the WA Medicaid threshold to the HIPAA threshold) primarily impacts the program’s required revenue in the following ways (with estimated premium impact shown in parentheses):

Factor 1: Delay in claiming benefits (reduces premium assessment 8% to 9%)

Some individuals would be eligible for benefits under both benefit eligibility definitions during their lifetime. However, of these individuals, some could access WA Cares Fund benefits later in life under the HIPAA requirements compared to the WA Medicaid threshold, given we estimate overall the HIPAA benefit eligibility requirements are more restrictive and require a higher level of assistance.

- Claim payments occurring later in life rather than earlier in life, all else equal, will generate cost savings for the program due to the additional amount of time available to earn investment income on the program’s trust fund before having to pay out benefits.
- If individuals have a higher level of need after becoming eligible for benefits and have a higher age at the start of their “claim,” their expected length of stay on claim will be reduced. This factor has a smaller impact on the premium assessment for the WA Cares Fund compared to private market insurance plans due to the limited nature of the WA Cares fund lifetime benefit.

Factor 2: Fewer individuals claiming benefits (reduces premium assessment 6% to 7%)

Fewer individuals will qualify for benefits over their lifetime, as some of the individuals who are able to access benefits under the WA Medicaid benefit eligibility requirements will pass away before ever meeting the HIPAA benefit eligibility requirements.

We developed the impact for the factors above by first calculating the estimated lifetime probability of incurring benefits by various starting ages under the WA Medicaid and HIPAA benefit eligibility requirements. We estimate that moving from the WA Medicaid benefit eligibility requirements to the HIPAA benefit eligibility requirements would decrease the number of individuals claiming WA Cares Fund benefits by approximately 6% to 7% (varying by age). This indicates that slightly less than half of the 15% impact to the premium assessment shown in Table 1 is the result of fewer individuals using the benefits (Factor 2). We then assumed the remainder of the premium impact can be attributed to claims occurring later (Factor 1).

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 report 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 for WA Cares Fund illustrative premium impacts and probabilities of incurring program benefits under two benefit eligibility definitions. In completing this analysis, we relied on information provided by OSA, DSHS, 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 program revenue and probabilities of incurring program benefits. 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 (ASOP).

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I am a member of the American Academy of Actuaries and meet the qualification standards for performing the analyses in this information.

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



Luke, please reach out with any feedback or questions on this draft analysis.

Sincerely,

A handwritten signature in black ink that reads 'Christopher J. Giese'.

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

CJG/crl