15800 W. Bluemound Road
Suite 100
Brookfield, WI 53005
USA
Tel +1 262 784 2250
Fax +1 262 923 3680

milliman.com

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

chris.giese@milliman.com

January 18, 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: Feasibility of Adjusting Coverage for Near Retirees

Dear Luke:

Per your request, we performed various modeling scenarios related to current near retirees. Our work analyzes estimated changes to the premium assessment to help assess the feasibility of adjusting the WA Cares Fund program rules for individuals starting in 2022 who are expected to contribute to the payroll premium but not expected to work for a full ten years due to retirement, and therefore may not become vested under the current statute.

The starting Base Plan for this letter relies upon the base plan included in our 2020 LTSS Trust Actuarial Study[1] dated December 14, 2020 (2020 Actuarial Study). All plan features, methodology, and assumptions are consistent with the modeling of the base plan in our 2020 Actuarial Study unless indicated otherwise. The results in this letter should be considered in their entirety in combination with our 2020 Actuarial Study.

The results in this letter rely on the assumed opt-out structure for private long-term care (LTC) insurance as included in the 2020 Actuarial Study. Subsequent to that study, the WA Cares Fund opt-out offering was clarified to include the purchase of private LTC insurance through November 1, 2021. **The changes to the premium assessments in this letter could be lower or higher to the extent the number and characteristics of individuals opting out through the purchase of private of LTC insurance differ from the assumptions included in the 2020 Actuarial Study.**

The estimates provided in this letter are prepared to assist in evaluating the viability of selecting benefit features for the 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.

NUMBER OF NEAR RETIREES POTENTIALLY IMPACTED BY PROGRAM CHANGES

The Washington State Department of Social and Health Services (DSHS) requested to understand the size of the population born in 1966 or earlier, and how they are potentially impacted by provisions related to near retirees who may otherwise not be able to get to 10 years of vesting under the current statute for the WA Cares Fund. Figure 1 shows the 2022 projected workforce and total population of individuals born in 1966 or earlier.

Figure 1
Washington Office of the State Actuary
Projected Population and Workforce as of 2022
Individuals Born in 1966 or Earlier

	2022 Projected Workforce	2022 Projected Population
Individuals born in 1966 or earlier	900,000	2,300,000

[1] Giese, C. et al. (December 14, 2020). 2020 Long-Term Services and Supports Trust Actuarial Study. Milliman Report. Retrieved August 25, 2021, from https://leg.wa.gov/osa/additionalservices/Documents/Milliman2020WALTSSTrustActuarial%20Study.pdf

We discuss below how the counts from Figure 1 may be impacted by program alternatives for near retirees.

- Alternatives that impact near retirees that are already working

  From our Base Plan modeling, we estimate approximately 900,000 individuals born in 1966 or earlier will work at least one year under the program (and may not become fully vested). If historical working patterns hold, these individuals, who may not vest under the current statute, would be impacted if the program rules were changed to make them eligible to receive full or partial benefits regardless if they work a full 10 years.

- Alternatives that impact all individuals born in 1966 or earlier

  Alternatives that provide coverage to near retirees who otherwise may not vest could potentially affect up to 2.3 million of all those born in 1966 or earlier, including the 1.4 million currently not working. We estimate up to 2.3 million individuals could be impacted by program alternatives if guardrails are not in place to limit benefits to individuals who have worked at least one year.

The counts described above are developed using projections from the Base Plan in our 2020 Actuarial Study. To the extent the starting near-retiree population differs from that projected under the Base Plan, we would also expect the counts to differ. For example, the counts above would change if a higher-than-modeled number of individuals opt out of the program.

RESULTS SUMMARY – NEAR-RETIREE MODELING ALTERNATIVES

DSHS requested we model six alternative program changes for the WA Cares Fund related to near retirees. The six alternatives attempt to address coverage for near-retirees in different ways. Figure 2 illustrates how the six alternatives differ across the following key program features.

- *Level of Benefits for Near Retirees:* While most of the alternatives provide full benefits for eligible near retirees under the program, consistent with all other participants, two alternatives tested the impact of offering near retirees some form of partial benefits.

- *Near-Retiree Participation:* Various alternatives in this letter allow choice for individuals to opt in or opt out of the WA Cares Fund at the start of the program (i.e., during the first year of the program, or by the end of 2022). Program parameters that introduce choice and that are not mandatory create potential for adverse selection and uncertainty in pricing and projecting estimates. When an alternative includes a voluntary choice to participate in the WA Cares Fund, we illustrate results applying varying impacts to premiums and claims, including scenarios where premiums and claims are impacted differently due to potential adverse selection.

  – Regardless of whether program features are mandatory or voluntary, some of the alternatives could incentivize individuals born in 1966 or earlier who are non-working to enter (or re-enter) the workforce to be eligible for benefits. As such, for some of the alternatives outlined below, we performed our modeling under both a “historical work pattern” scenario (which assumed work histories consistent with the Base Plan) and an “increased work pattern” scenario (which assumed more individuals would enter the workforce to become vested).

- *Near-Retiree Revenue:* The alternatives modeled vary based on the revenue collected from near-retirees, including some alternatives where additional premiums were collected from near retirees to complete their vesting into the program.

Figure 2
Washington Office of the State Actuary
High-level Summary of Near-Retiree Modeling Requests by Key Program Feature

#	Modeling Alternative	Level of Benefits for Near Retirees	Near-Retiree Participation	Near-Retiree Revenue	Required Premium Assessment	Difference from Base Plan
1	Partial, prorated benefits for individuals born in 1966 or earlier	Partial (prorated)	Mandatory	Increase premium assessment	0.677%	0.013%
2	Full benefits for individuals born in 1966 or earlier through voluntary additional premiums after retirement	Full	Voluntary	Voluntary additional premiums	0.676% to 1.443%	0.012% to 0.779%
3	Voluntary opt-out for individuals born in 1966 or earlier	Full	Voluntary	Can opt out of paying premium	0.631% to 0.676%	-0.033% to 0.012%
4	Full benefits for individuals born in 1966 or earlier with no additional premiums	Full	Mandatory	Increase premium assessment	0.703% to 1.860%	0.039% to 1.196%
5	Partial benefits for individuals born in 1966 or earlier up to amount contributed	Partial (limited to premium contributed)	Mandatory	Increase premium assessment	0.676%	0.012%
6	For individuals born in 1966 or earlier, option of voluntary additional premiums after retirement or voluntary opt-out	Full	Voluntary	Voluntary additional premiums	0.631% to 1.456%	-0.033% to 0.792%

DETAILED RESULTS BY NEAR-RETIREE MODELING ALTERNATIVE

Modeling Alternative #1: Partial, prorated benefits for individuals born in 1966 or earlier

We analyzed the cost of providing partial benefits to near retirees on a prorated basis. For purposes of this analysis, near retirees are defined to include individuals born in 1966 or earlier who we expect to pay in at least one year to the program but are closer to retirement age and may not have the opportunity to fully vest. We assumed participation for these individuals would be mandatory and would not require any additional payment or action from these individuals to become vested. We assumed work patterns would be consistent with the Base Plan and no additional individuals would be incentivized to work or work more to earn a partial prorated benefit. We assumed prorated benefits would be proportional to the 10-year vesting requirement for full benefits. For example, an individual with four years of vesting credits would receive 40% (= 4 / 10) of full benefits.

As seen in Figure 3, we expect that providing partial, prorated benefits to near retirees would require an increase to the premium assessment rate of roughly 0.013% compared to the Base Plan (the change of increasing from 0.664% to 0.677%).

Figure 3
Washington Office of the State Actuary
Modeling Alternative #1 – Partial, Prorated Benefits for Near Retirees

Modeling Alternative	Required Premium Assessment	Difference from Base Plan
Base Plan	0.664%	-
Near retirees may access partial, prorated benefits	0.677%	0.013%

We include below assumptions and methodology related to modifying the Base Plan for an alternative where individuals born in 1966 or earlier would be allowed to access partial benefits when they need care on a prorated basis. The information in this letter should be considered along with the sources and methodology used to develop the Base Plan, described starting on page 31 of the 2020 Actuarial Study.

Vesting Assumptions

Consistent with the Base Plan methodology, we used the 2006 Social Security Earnings Public Use Microdata File and American Time Use Survey to estimate the percentage of Washingtonians that would become vested by age, sex, and projection year.

For each age, except for the near-retiree cohort, the percentage of individuals who had recorded wages for three of the previous six years or eight years total is tabulated, consistent with the Base Plan. We used eight instead of 10 years in this tabulation because becoming insured under this program provides an added incentive to continue working for those who are almost insured. For the near-retiree cohort, we also separately tabulate the percentage of individuals by number of years of recorded wages, since the years of wages will determine the prorated benefit amount.

Consistent with the Base Plan methodology, we apply adjustments to arrive at the ultimate vesting schedules including adjustments to determine the percentage of workers who work more than 500 hours and to align male and female vesting percentages.

Prorated Benefit Assumptions

After segmenting near-retirees by years vested, we apply a prorating adjustment to the assumed benefit for each cohort, as shown in Figure 4. For example, for individuals we project will have four years of vesting credits, we multiply their projected benefits by 40% (= 4 / 10). Additionally, we apply a utilization adjustment to the projected benefits to account for individuals exhausting their partial benefits more quickly than they would exhaust their full benefits. This is because we assume the partial benefit, like the full benefit, would not be subject to a daily benefit maximum and individuals would likely still use a similar benefit amount per day as individuals with full benefits, they would just use it more quickly.

Figure 4
Washington Office of the State Actuary
Allow Near Retirees to Access Prorated Benefits
Percentage of Benefit Modeled

	Near-Retirees[1]		All Other Individuals	
Years Vested into Program[2]	Base Plan	Prorated Benefit Alternative	Base Plan	Prorated Benefit Alternative
3 of the last 6	100%	100%	100%	100%
0	0%	0%	0%	0%
1	0%	10%	0%	0%
2	0%	20%	0%	0%
3	0%	30%	0%	0%
4	0%	40%	0%	0%
5	0%	50%	0%	0%
6	0%	60%	0%	0%
7	0%	70%	0%	0%
8	0%	80%	0%	0%
9	0%	90%	0%	0%
10+	100%	100%	100%	100%

[1] Near retirees refer to individuals born in 1966 or earlier.
[2] Given there may be some incentives to work more than observed historical patterns, as described above, we assume all workers will earn at least three years of vesting credits.

Modeling Alternative #2: Provide full benefits for individuals born in 1966 or earlier through voluntary additional premiums

This alternative would allow people to continue contributing after retirement by paying an annual premium equal to their average annual premium during their previous vesting years (adjusted for wage inflation) until they hit the ten-year mark, at which point they become permanently vested and owe no further premiums. Figures 5A and 5B below show the payroll premium assessments under various scenarios of modeled adverse selection. Figure 5A evaluates the premium assessments assuming a historical work pattern consistent with the Base Plan, whereas Figure 5B looks at an increased work pattern. Under the increased work pattern scenario, we assume all near retirees will be incentivized to work at least an additional year to access benefits, except for those who we estimate to currently be receiving LTSS and would not expect to be capable of working 500 hours.

Under the Base Plan, there is no premium paid by individuals beyond the premium assessment on wages. Additionally, there is no benefit included for anyone who is not able to vest. The alternatives in Figures 5A and 5B contemplate adding premiums, so that individuals who would not be able to vest under the Base Plan, due to their impending retirement, could vest and become eligible for benefits. When personal choice or voluntary participation is introduced into a program, setting rates presents greater uncertainty given the challenge of estimating participation rates and adverse selection. Given this, we model different scenarios related to the additional premiums and claims that could be added to the program by this near-retiree cohort under this alternative.

- *Scenario 1: Add 50% premium / add 50% claims for near retirees:* This scenario assumes that 50% of near retirees participate and there is no adverse selection, such that the participating premiums and claims are aligned with the average of the total near-retiree cohort.

- *Scenario 2: Add 100% premium / add 100% claims for near retirees:* This scenario is consistent with a mandatory structure, where all eligible near retirees would contribute to the program through additional premiums and be eligible for benefits.

- *Scenario 3: Add 0% premium / add 100% claims for near retirees:* This scenario is intended to illustrate adverse selection, where high earning near retirees do not elect to participate and near retirees with high LTC needs do elect to participate. Under this modeled bound, we assume no additional premium is collected from near-retirees, but the entire near-retiree cohort is eligible to receive benefits.

Figure 5A
Washington Office of the State Actuary
Modeling Alternative #2 – Full Benefits for Near Retirees Through Voluntary Premiums
Historical Work Pattern

Modeling Alternative	Required Premium Assessment	Difference from Base Plan
Base Plan	0.664%	-
Provide full benefits to near retirees through voluntary additional premiums		
Scenario 1: Add 50% premium / add 50% claims for near retirees	0.676%	0.012%
Scenario 2: Add 100% premium / add 100% claims for near retirees	0.687%	0.023%
Scenario 3: Add 0% premium / add 100% claims for near retirees	0.703%	0.039%

Exhibit 5B below shows the required premium assessments increase sharply assuming an increased work pattern scenario. **It is important to note that the impact of covering near retirees does not affect the cash flows equally in each calendar year.** Since the proposal presented in Figure 5B targets a specific age group (namely, individuals born in 1966 or earlier) and is a one-time offering, we project a large increase to benefit payments in the early years of the program that gradually trends back to Base Plan levels over time as near retirees leave the projection. As a result, compared to the Base Plan, a higher premium assessment would be required for the early years of the program, after which point, a lower rate could be assessed (all else equal). For illustration, we show separately the required premium rate for the first four years and the remaining 71 years of the projection.

Figure 5B
Washington Office of the State Actuary
Modeling Alternative #2 – Full Benefits for Near Retirees Through Voluntary Premiums
Increased Work Pattern

Modeling Alternative	Required Premium Assessment	Difference from Base Plan
Base Plan	0.664%	-
Provide full benefits to near retirees through voluntary additional premiums		
Scenario 1: Add 50% premium / add 50% claims for near retirees	0.750%	0.086%
Scenario 2: Add 100% premium / add 100% claims for near retirees	1.256% / 0.855%[1]	0.592% / 0.191%[1]
Scenario 3: Add 0% premium / add 100% claims for near retirees	1.443% / 0.913%%[2]	0.779% / 0.249%[2]

[1] *For this alternative, we calculate a separate premium assessment for the first four years of the projection (1.256%) and a separate premium assessment for the remaining years of the projection (0.855%).*
[2] *For this alternative, we calculate a separate premium assessment for the first four years of the projection (1.443%) and a separate premium assessment for the remaining years of the projection (0.913%).*

Modeling Request #3: Voluntary opt-out for individuals born in 1966 or earlier (full benefits)

This alternative uses a structure where anyone born in 1966 or earlier would be allowed to opt out (without needing to purchase a private long-term care insurance plan). Figure 6 below shows the payroll premium assessments under various scenarios of modeled adverse selection.

Under the Base Plan, premium assessments are charged on all wages from wage earners (with the exception of exempt individuals approved by the Employment Security Department) regardless of the wage earners age or proximity to retirement. The alternatives in Figure 6 contemplate allowing near retirees the option to opt out of the WA Cares Fund. When personal choice or voluntary participation is introduced into a program, setting rates presents greater uncertainty given the challenge of estimating participation rates and adverse selection. Given this, we model different scenarios related to the premiums and claims for this near-retiree cohort that might be removed from the program under such an opt-out.

- *Scenario 1: Remove 100% premium / remove 100% claims for near retirees*: This scenario is consistent with a mandatory structure, where all near retirees would be automatically excluded from the program.

- *Scenario 2: Remove 100% premium / remove 0% claims for near retirees*: This scenario is intended to illustrate adverse selection, where high earning near retirees opt out of participating and near retirees with high LTC needs do not opt out. Under this modeled bound, we assume no premium is collected from the near-retiree cohort, but the entire near-retiree cohort is eligible to receive benefits.

- *Scenario 3: Remove 50% premium / remove 0% claims for near retirees*: This scenario is similar to Scenario 2, but is intended to illustrate lower modeled adverse selection. Under Scenario 3, we remove 50% of premium instead of removing 100% premium under Scenario 2.

Figure 6
Washington Office of the State Actuary
Modeling Alternative #3 – Voluntary Opt Out for Near Retirees

Modeling Alternative	Required Premium Assessment	Difference from Base Plan
Base Plan	0.664%	-
Voluntary opt-out		
Scenario 1: Remove 100% premium / remove 100% claims for near retirees	0.631%	-0.033%
Scenario 2: Remove 100% premium / remove 0% claims for near retirees	0.676%	0.012%
Scenario 3: Remove 50% premium / remove 0% claims for near retirees	0.670%	0.006%

We do not evaluate this modeling alternative under an increased work pattern scenario as there is no incentive to work an additional year for an "opt out" policy structure.

Modeling Alternative #4: Full Benefits for individuals born in 1966 and earlier with no additional premiums

We analyzed the cost of providing full benefits to near retirees on a mandatory basis, without requiring any additional payment or action from these individuals to become vested. For this modeling alternative, we examine two scenarios:

- *Scenario 1: Conditioned on one year of premium:* Individuals born in 1966 or earlier will only be eligible for WA Cares benefits if they work and contribute at least one year of premium.

- *Scenario 2: Not conditioned on one year of premium:* All individuals born before in 1966 or earlier are eligible for benefits for WA Cares regardless of work history.

Figures 7A and 7B below show our estimates for the required increase to the premium assessment for providing full benefits to near retirees under Scenarios 1 and 2, respectively. Figure 7A presents the premium assessments assuming individuals born in 1966 or earlier will only be eligible for WA Cares benefits if they work and contribute at least one year of premium. As seen in Figure 7A, we modeled this scenario using two separate assumptions for work patterns and vesting:

- *Base Plan Work Pattern* - Under the Base Plan work pattern scenario in Figure 7A, we assumed the vesting rates would approximate the percentage of the near retiree population (or individuals born in 1966 or earlier) who we project to be working in 2022, since we assume these individuals will only need one year of work history to be considered "vested."

- *Increased Work Pattern* - Under the increased work pattern scenario, we assume all near retirees will be incentivized to work at least an additional year to access benefits, except for those who we estimate to currently be receiving LTSS and would not expect to be capable of working 500 hours.

Figure 7A
Washington Office of the State Actuary
Modeling Alternative #4 – Full Benefits for Individuals Born in 1966 or Earlier With No Additional Premiums
Scenario 1: Conditioned on One Year of Premium

Modeling Alternative	Required Premium Assessment	Difference from Base Plan
Base Plan	0.664%	-
Full benefits for individuals born in 1966 with no additional premiums, conditioned on one year of premium		
Base Plan work pattern	0.703%	0.039%
Increased work pattern	1.443% / 0.913%[1]	0.779% / 0.249%[1]

[1] *For this alternative, we calculate a separate premium assessment for the first four years of the projection (1.443%) and a separate premium assessment for the remaining years of the projection (0.913%).*

Figure 7B presents the premium assessments assuming all individuals born before in 1966 or earlier are eligible for benefits for WA Cares regardless of work history. For this scenario, we assumed 100% vesting for all individuals born in 1966 or earlier.

Figure 7B
Washington Office of the State Actuary
Modeling Alternative #4 – Full Benefits for All Individuals Born in 1966 or Earlier With No Additional Premiums
Scenario 2: Not Conditioned on One Year of Premium

Modeling Alternative	Required Premium Assessment	Difference from Base Plan
Base Plan	0.664%	-
Full benefits with no additional premiums for all individuals born in 1966 or earlier, regardless of work history	1.860% / 0.967%[1]	1.196% / 0.303%[1]

[1] *For this alternative, we calculate a separate premium assessment for the first four years of the projection (1.860%) and a separate premium assessment for the remaining years of the projection (0.967%).*

It is important to note that the impact of covering near retirees does not affect the cash flows equally in each calendar year. Since this proposal targets a specific age group (namely, individuals born in 1966 or earlier) and is a one-time offering, we project a large increase to benefit payments in the early years of the programs that gradually trends back to Base Plan levels over time as near retirees leave the projection. As a result, compared to the Base Plan, a higher premium assessment would be required for the early years of the program, after which point, a lower rate could be assessed (all else equal). For illustration, we show separately the required premium rate for the first four years and the remaining 71 years of the projection.

Modeling Alternative #5: Partial benefits for individuals born in 1966 or earlier up to amount contributed

This alternative would allow near retirees to access partial benefits when they need care up to the amount of lifetime premium they have contributed but not exceeding the lifetime maximum benefit.

The results from a former test, Scenario 2 from Figure 6, which removes 100% of the premiums we assume will be collected from near retirees under the Base Plan, provides an approximation for the impact we might expect the requested provision to have on the required premium assessment. We expect Figure 6, Scenario 2 would require a 0.676% premium assessment, or approximately a 0.012% increase compared to the Base Plan's rate of 0.664%. We might expect the impact for the requested provision to be less than the 0.01% upward impact of Figure 6, Scenario 2 for the following reasons:

- Figure 6, Scenario 2 effectively assumes individuals would earn interest on their premiums similar to interest earned on general program funds. If premiums are collected and then later returned through benefits without any inflation adjustment, the impact to the program would be lower.

- For Figure 6, Scenario 2, premium for all near retirees is removed. For the requested provision, only individuals who do not fully vest and who go on claim will have their premium returned through benefits.

- For Figure 6, Scenario 2, all premium for each near retiree is removed. Under the requested provision, the benefit is capped at the lifetime maximum benefit, so individuals whose premium contributions exceed this amount will not have all their premiums returned through benefits.

We do not model an increased work pattern scenario for Modeling Alternative #5, as we do not anticipate adverse selection having a material impact on needed premiums when allowing program participants to access partial benefits based on what they already contributed.

Figure 8
Washington Office of the State Actuary
Modeling Alternative #5 – Partial Benefits Up to Amount Contributed for Near Retirees

Modeling Alternative	Required Premium Assessment	Difference from Base Plan
Base Plan	0.664%	-
Partial benefits up to amount contributed	0.676%	0.012%

Modeling Alternative #6: For individuals born in 1966 or earlier, give option of opting in through additional premiums or voluntary opt-out (full benefits)

This alternative would allow near retirees a choice of whether to opt out or to opt in and continue to pay additional premiums after retirement until vested. The results from two former tests provide an approximation for the impact we might expect the requested provision to have on the required premium assessment.

Specifically, we expect that the potential impact to the premium assessment (compared to the 0.664% Base Plan premium presented in the 2020 Actuarial Study) could range from -0.033% to +0.052%.

- If all near retirees elect to opt out of the program, the provision could potentially have a positive financial impact. We might expect this scenario to mirror Figure 6, Scenario 1, where we remove 100% of premium and remove 100% of claims from the projections for near-retirees.

- Alternatively, if there is higher adverse selection, the provision could potentially have a negative financial impact, where claims for near retirees increase as near retirees with higher LTC needs opt in and premiums decrease as wealthy near retirees opt out. We might expect this scenario to combine the impacts of Figure 5, Scenario 3 and Figure 6, Scenario 2.

Figure 9A
Washington Office of the State Actuary
Modeling Alternative #6 – Option of Opt In or Opt Out for Near Retirees
Historical Work Pattern

Modeling Alternative	Required Premium Assessment	Difference from Base Plan
Base Plan	0.664%	n/a
Option of opting in through additional premiums or voluntary opt-out		
Low	0.631%	-0.033%
High	0.716%	0.052%

Figure 9B
Washington Office of the State Actuary
Modeling Alternative #6 – Option of Opt In or Opt Out for Near Retirees
Increased Work Pattern

Modeling Alternative	Required Premium Assessment	Difference from Base Plan
Base Plan	0.664%	n/a
Option of opting in through additional premiums or voluntary opt-out		
Low	n/a	n/a
High	1.456%	0.792%

OTHER CONSIDERATIONS

All alternatives tested continue to assume administrative expenses to be 3.5% of premiums and 3.5% of benefits, consistent with the assumptions used to project our Base Plan in our 2020 Actuarial Study. To the extent an alternative would increase or decrease the assumed administrative expense percentages of the program, the premium assessment for the program would also need to be changed.

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 additional program alternatives focused on near retirees to the 2020 Base Plan presented in the 2020 LTSS Trust Actuarial Study provided on December 14, 2020, which should be read in its entirety with this letter. 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.

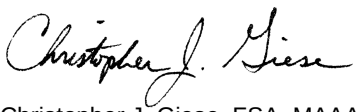
Milliman has developed certain models to estimate the values included in this letter. The intent of the models is to estimate required revenue for alternative program features of the Washington Cares Fund. We have reviewed the models, including their inputs, calculations, and outputs for consistency,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

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. Chris Giese and Annie Gunnlaugsson 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.

❖ ❖ ❖ ❖ ❖

Sincerely,



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

CJG/bl