



Office of the State Actuary

“Supporting financial security for generations.”

OSA REPORT ON WA CARES FUND SOLVENCY

December 2022

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 is OSA’s third solvency report. Prior solvency reports, including last year’s [2021 Report on WA Cares Fund Solvency](#), can be found on our WA Cares Fund [webpage](#).

One key accomplishment since our last solvency report was the completion of Milliman’s updated actuarial study in October of 2022.

What Does Milliman’s Updated Actuarial Analysis Say?

Milliman’s [2022 WA Cares Fund Actuarial Study](#) (Milliman’s 2022 Study) reflects relevant updates to data, program provisions, and assumptions since their last study, performed in 2020.

Based on Milliman’s analysis, the program is projected to have sufficient assets to pay full benefits and expenses during the entire 75-year projection period under most scenarios, including the Base Plan scenario. Milliman identified scenarios that, without corrective action, could lead to the program having insufficient revenue to provide for full program benefits over the entire projection period.

Milliman’s Base Plan scenario calculated a required premium rate of 0.57 percent of covered wages. The Base Plan is not intended to be a “most likely” scenario, however. Instead, it serves as an anchor point for sensitivity testing as well as pricing incremental impacts from program changes. OSA also relies on the Base Plan scenario to measure program funded status.

Based on OSA calculations, we estimate a preliminary Base Plan funded status of 104 percent, assuming a premium assessment of 0.58 percent. OSA’s funded status calculations represent the ratio of projected revenue to projected program benefits and expenses, in today’s dollars, using projections from Milliman’s Base Plan scenario. OSA will publish their final calculation on their WA Cares Fund webpage. For more information on the intended use of the funded status measurement, see the **Risk Management Framework** section below.

Milliman acknowledges key uncertainties in their Baseline analysis, which estimates the required premium rate could range from 0.52 percent to 0.63 percent of covered wages. They view each outcome in this Baseline range to be equally likely with the range informed by different assumed lengths of the claim adjudication period and various levels of



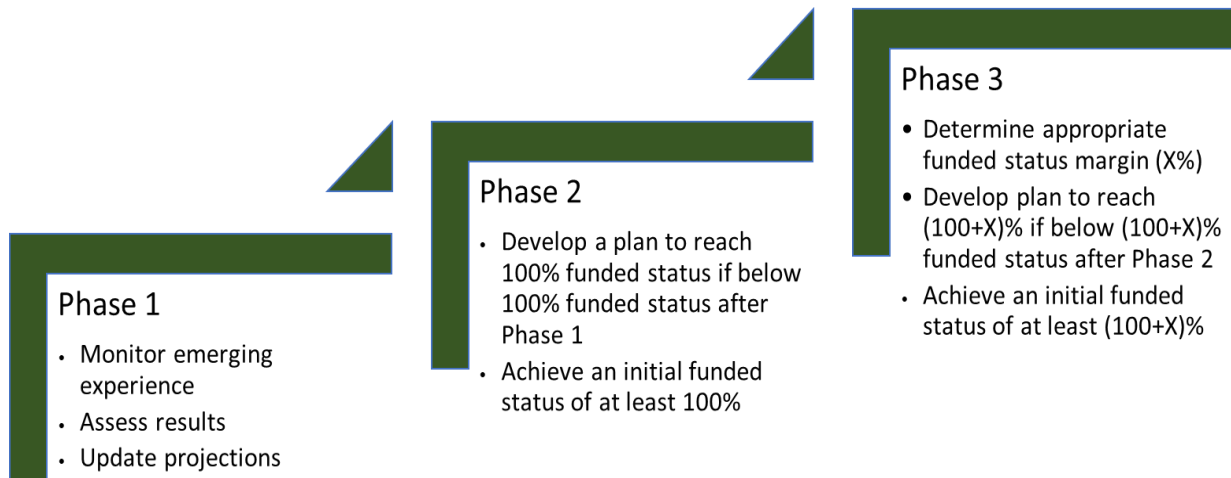
participation from the population subject to voluntary exemptions granted in [RCW 50B.04.055](#). The actual premium rate required could fall outside the range.

For comparison, as noted in Figure 1 in Milliman’s 2022 Study, Milliman’s prior study resulted in a Baseline range of 0.51 percent to 0.71 percent and a Base Plan premium rate of 0.66 percent. See [Milliman’s 2020 Study](#) for more information on their prior study.

Milliman’s analysis is not meant to be relied on to set the statutory premium rate, currently 0.58 percent of covered wages. Instead, it reviews the financial projections of the program under various scenarios to estimate the required revenue needed to pay full benefits and expenses if all assumptions are fully realized during the projection period.

Risk Management Framework

In November 2021, the LTSS Trust Commission adopted the [WA Cares Fund Risk Management Framework](#) (RMF) that provides guiding principles during the early years of the program. The adopted funding goal is to “provide secure and meaningful benefits at the lowest expected cost for beneficiaries now and in the future.” To support that funding goal, the RMF documents a risk management approach that is separated into three phases.



The WA Cares Fund is currently in Phase 1, with a focus 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. The RMF suggests Phase 1 end no sooner than 2026, however this language was created prior to the 18-month program delay adopted in the 2022 Legislative Session. Given the delay, we believe Phase 1 should end no sooner than 2028.

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 recommendation from last year’s solvency report as work continues to solidify the benefit eligibility trigger, i.e., what type of



daily living activities an individual will need assistance with, in order to be eligible to receive a program benefit.

- Discussions to this point reinforce Milliman’s methodology, however, future rulemaking will solidify the definition. 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.
- ❖ **Re-assess the program’s financial outlook after 2023 Legislative Session and initial program experience.**
- LTSS Trust Commission, and potentially the Legislature, are considering program changes that could significantly change program projections.
 - 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.
- ❖ **If the program’s funded status falls below 100 percent based on the updated analysis, develop response strategies during Phase 1 to return program to at least 100 percent funded.**
- When developing the RMF, OSA assumed no significant program or policy changes during Phase 1 that would weaken solvency. If significant changes are made and result in the funded status falling below 100 percent, identifying response strategies quickly to return the program to at least 100 percent funded will strengthen the program’s financial position during Phase 1.
 - In the absence of significant program or policy changes that weaken solvency during Phase 1 of the RMF, identifying response strategies to reach a funded status of at least 100 percent would be anticipated as part of Phase 2 of the RMF, if necessary.

OSA prepared the above report and recommendations, however, please refer to Milliman’s 2020 Study for more complete actuarial analysis. For additional resources, including a Frequently Asked Questions document related to Milliman’s analysis, we refer you to our website. 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, State Actuary

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