WA CARES FUND

LTSS Trust Commission Recommendations Report

RCW 50B.04.030 (4)

DRAFT as of October 15, 2026

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Authored by:
Long-Term Services and Supports Trust Commission

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Executive Summary

Enacted in 2019, the Long-Term Services and Supports (LTSS) Trust Program (chapter 50B.04 RCW), now called WA Cares Fund, is a contributory long-term service and supports insurance program that provides a maximum lifetime benefit of $36,500 (adjusted annually up to inflation) for all qualified, eligible Washingtonians.

It is financed by an employee premium of 0.58% of wages, the maximum rate which can be assessed according to the statute. Individuals who have met work and contribution requirements of 10 years (or 3 out of the last 6 years at the time of application) and who need assistance with three activities of daily living and their need for assistance is expected to last for at least 90 days may claim full WA Cares Fund benefits from approved providers. Individuals born before 1968 also have the opportunity to earn pro-rated WA Cares Fund benefits, namely 10 percent of the maximum lifetime benefit for each year they meet minimum contribution requirements.

WA Cares Fund is a multi-agency program administered collaboratively by the Department of Social and Health Services (DSHS), the Employment Security Department (ESD), and the Health Care Authority (HCA). The Office of the State Actuary (OSA) performs actuarial valuations and makes recommendations to maintain trust solvency. The WA Cares Fund is overseen by the 21-member LTSS Trust Commission (see Appendix A for a list of Commission Members).

On July 1, 2023, premium assessments began for covered workers and self-employed individuals began electing coverage. On January 1, 2026, WA Cares began a pilot to test and fine tune business processes and IT systems. On July 1, 2026, DSHS began authorizing payment of benefits statewide for qualified, eligible beneficiaries.

Based on latest actuarial analysis (from December 2024), under most scenarios evaluated, including the base scenario, the program's premium assessment of 0.58% ($0.58 per $100 of wages, or about $24/month for the median covered earner making $50,100/year) is projected to keep the WA Cares Fund solvent over the entire 75-year projection period (through June 30, 2099). There were scenarios identified that, without corrective action, could lead the program to have insufficient revenue to provide for full program benefits over the entire projection period. The program is currently on track with Phase 1 of the Risk Management Framework. (For more information on program solvency, see Appendix B; for the Commission's "WA Cares Fund Risk Management Framework," see Appendix C).

Per RCW 50B.04.030, the LTSS Trust Commission is charged with making recommendations to the Legislature or the appropriate Executive Agency on the WA Cares Fund program. The Commission's recommendations and decisions are guided by the joint goals of maintaining benefit adequacy and long-term solvency.

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The Commission considered three main policy issues this year and two technical updates:

1. Program Integrity – Exploring investigative authority and response options for fraud or misuse of funds
2. Late Career Workers Moving to Washington – Addressing individuals who begin working in Washington within 10 years of retirement
3. Portability for Washington Workers Living out of State – Addressing individuals who reside out of state, but whose work is considered localized in Washington
4. Benefit Unit Language – Simplifying statute language on the WA Cares benefit amount (Technical Update to RCW 50.B.04)
5. Exemption Issue – Clarifying exemption status for individuals who have used their WA Cares benefit (Technical Update to RCW 50.B.04)

For the three main policy issues, the LTSS Trust Commission researched policy options, impacts, and administrative feasibility and developed policy recommendations.

January 1, 2027 Commission Recommendations

1. Program Integrity

LEGISLATIVE REQUIREMENT

In the WA Cares Fund Statute (RCW 50B.04.020) the duties assigned to DSHS for implementation and administration of the program include making determinations regarding an individual's status as an eligible beneficiary and approving long-term services and supports eligible for payment as approved services under the program. To ensure accuracy and fairness in these determinations and approvals, DSHS must understand and address any intentional misrepresentations or false information being provided to WA Cares.

POLICY ISSUE

Under current statute in RCW 50B.04.020 and associated WAC, HCA performs service verifications and compliance audits and DSHS monitors contracts and ensures providers adhere to the "operational standards of the program." However, there is currently no statutory authority for DSHS to investigate beneficiary fraud in WA Cares.

COMMISSION RECOMMENDATIONS[1]

The Program Integrity Review Workgroup reviewed viable options for the Long-Term Services and Supports Trust Commission's recommendations on investigative authority for fraud or misuse of funds and response strategies on findings of fraud or misuse of funds. Their scope was limited to the responses when there is either a reasonable suspicion of fraud or after there is a fraud conviction.

[1] Workgroup recommendation is pending a full vote of the LTSS Trust Commission and may be revised.

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The Commission recommends a change to the WA Cares statue in RCW 50B.04.020 to provide authority to the DSHS Office of Fraud and Accountability (OFA) to investigate fraud in WA Cares. OFA has the statutory authority to investigate fraud in certain DSHS-administered public assistance programs including Basic Food, TANF, and cash grants. This authority would align with and leverage existing processes for other DSHS programs.

The Commission also recommends DSHS be provided with authority to use a variety of response options as tools to address fraud as appropriate based on the severity of the incident. Recommended response options include repayment of a fraudulent claim, charges of proportional interest or penalties, redetermining eligibility in cases where false information was provided to receive benefits, termination of benefits in escalating cases of repeat offenses and criminal prosecution.

2. Late Career Workers Moving to Washington

POLICY ISSUE

Individuals who begin working in Washington at age 55 or older, within 10 years of retirement, are only eligible for the temporary (3 of the last 6 years) benefit pathway if the individual is not born before 1968. These individuals will be paying premium assessments but do not have a pathway to earning permanent access to benefits.

As part of the Baseline analysis in the 2024 Actuarial Valuation Report (see Appendix D), the independent actuarial firm, Milliman, projected the number of individuals migrating into Washington in each year. In 2026, they estimate that approximately 1% of the total Washington workforce is made up of individuals age 55 or older who moved into the state in the last year. This is equal to approximately 3.5% of the Washington workforce age 55 or older.

A portion of these individuals may also become vested and benefit-eligible under current law through the temporary pathway if they work for at least 3 years and require benefits within 6 years or ultimately work for 10+ years and become permanently vested under the 10-year pathway. Because additional workers are projected to move into the state each year, this population is expected to accumulate over time and grow as a share of the worker population. Additionally, any policy that applies to this group may also apply to individuals who have historically lived in the state but begin working for the first time at age 55 or older. Based on a review of longitudinal work history data from the Social Security Administration, the share of workers age 55 or older with no prior work history is under 0.25%.

COMMISSION RECOMMENDATIONS[2]

The Late Career Workers Moving to Washington Workgroup considered actuarial analysis and briefings on the administrative feasibility of viable options for the Long-Term Services and Supports Trust Commission's recommendations on the development of a potential pathway for individuals that move to or start working in Washington at age 55 or older.

[2] Workgroup recommendation is pending a full vote of the LTSS Trust Commission and may be revised.

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The Commission recommends extending the partial benefit rule (established under current law, RCW 50B.04.050, for workers born before 1968) to anyone who moves to or starts working in Washington at age 55 or older. Under this structure, this population would accrue 10 percent of the maximum lifetime benefit ($36,500) for each year they contribute premiums. The Commission recommends statute changes be made in the 2027 Legislative Session with implementation in coordination with ESD as soon as administratively feasible.

Actuarial analysis: According to analysis prepared by Milliman, this recommendation would have an estimated total impact to the required premium assessment of approximately 0.005%. See Appendix E for supporting information.

3. Portability for Washington Workers Living out of State

LEGISLATIVE REQUIREMENT

The WA Cares Fund Statute (RCW 50B.04.180) establishes the process individuals must follow to become out-of-state participants in WA Cares including that they be an employee "who relocates outside of Washington." However, the statute does not address or include individuals who currently reside out of state and are already contributing premiums to WA Cares due to the localization of their work in Washington.

POLICY ISSUE

Individuals who reside out-of-state, but whose work is considered localized in Washington, are required to pay premium assessments, unless they apply for an out-of-state exemption. Individuals that do not apply for an exemption and continue contributing to WA Cares currently do not have a pathway to receive benefits out-of-state. Under current law, the only way for this population to become eligible for benefits is relocating to Washington.

An estimated 110,000 non-Washington residents working in-state are impacted by this issue and expected to remain at a relatively consistent number over time.

The new Portability Program in WA Cares, expected to be available in 2030, will allow people who have contributed premiums and move out-of-state to elect coverage and continue paying premiums while they remain in the workforce out-of-state to earn benefits. Individuals who reside out-of-state, but whose work is considered localized in Washington cannot elect portable coverage because they have not relocated outside of the state. These individuals are already living outside of the state and contribute automatically. A legislative change could allow benefits to be provided out-of-state in 2030 for this group in addition to the rest of the current portability-eligible population.

COMMISSION RECOMMENDATIONS[3]

[3] Workgroup recommendation is pending a full vote of the LTSS Trust Commission and may be revised.

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The Late Career Workers Moving to Washington Workgroup considered actuarial analysis and briefings on the administrative feasibility of viable options for the Long-Term Services and Supports Trust Commission's recommendations on the development of a potential pathway for individuals who reside out-of-state, but whose work is considered localized in Washington.

The Commission recommends making this population, workers living out of state whose work is localized in Washington, eligible for WA Cares benefits while maintaining their option to apply for an exemption. This requires a change in RCW 50B.04.010 to the definition of "eligible beneficiary" and in RCW 50B.04.180 regarding out-of-state participation requirements to allow this group that resides out of state, but has not relocated, to elect portable coverage and receive benefits out of state when they become available in 2030. The Commission recommends statute changes be made in the 2027 Legislative Session with implementation in coordination with ESD as soon as administratively feasible.

Actuarial analysis: According to analysis prepared by the independent actuarial firm Milliman, this recommendation would have an estimated total impact to the required premium assessment of approximately 0.005%. See Appendix E for supporting information.

4. Benefit Unit Definition

LEGISLATIVE REQUIREMENT

Under the WA Cares Fund statute (RCW 50B.04.020), the duties assigned to HCA for implementation and administration of the program include tracking the use of lifetime benefit units to verify an individual's status as an eligible beneficiary. In RCW 50B.04.010(3) "benefit unit" means up to $100 paid by DSHS to a long-term services and supports provider as reimbursement for approved services provided to an eligible beneficiary on a specific date, and RCW 50B.04.060(3)(b) establishes that an eligible beneficiary may not receive more than the dollar equivalent of 365 benefit units over the course of the eligible beneficiary's lifetime, and eligible beneficiaries may combine benefit units long as the total number of lifetime benefit units has not been exceeded.

POLICY ISSUE

The WA Cares Fund benefit is referred to as a $36,500 benefit to the public, in the technical systems used to administer the program, and among state agency staff. However, the cash value of $36,500 does not appear in the WA Cares Fund statute. This amount is calculated by the "benefit unit," defined in RCW 50B.04.010(3) as up to $100, multiplied by 365, which is established as the number of benefit units a beneficiary may use over their lifetime referenced separately in RCW 50B.04.060(3)(b).

Aligning the statute with the current cash value of the WA Cares benefit, as opposed to a calculation made through multiple references of statute, would increase transparency and understanding in the law for the public, better reflect how the WA Cares team is currently operationalizing the benefit, and eliminate confusion.

COMMISSION RECOMMENDATIONS[4]

[4] Recommendation is pending a full vote of the LTSS Trust Commission and may be revised.

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The Commission recommends the definition of "benefit unit" be changed from "up to $100" to the full cash value of the benefit, $36,500, beginning in 2026 subject to inflation. There are no actuarial impacts to changing this definition to align with the cash value of the benefit.

5. Exemption Update

LEGISLATIVE REQUIREMENT

In the WA Cares statute, RCW 50B.04.055, requires ESD to accept and approve applications for voluntary exemptions from the premium assessment for Washington workers who belong to any of the categories listed.

POLICY ISSUE

DSHS and ESD identified a gap in exemption language for individuals receiving benefits who are also included in a population subject to one of the listed voluntary exemption categories. Currently, individuals who use any part or all of their WA Cares Fund benefit may then apply for an exemption. This allows individuals to stop contributing premium assessments for the remainder of their working careers, potentially reducing future contributions to the WA Cares Fund.

COMMISSION RECOMMENDATIONS[5]

The Commission recommends updating the statute to bar individuals from applying for an exemption after they have used any portion of their WA Cares benefit by adding additional language following the exemption categories in RCW 50B.04.055 indicating an individual who has used any of the benefit is not eligible for an exemption.

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[5] Recommendation is pending a full vote of the LTSS Trust Commission and may be revised.

Appendix A: Long-Term Services and Supports Trust Commission Members

Representative David Stuebe (R)
Representative Joe Schmick (R)
Representative Steve Tharinger (D)
Representative Nicole Macri (D)
Senator Curtis King (R)
Senator Judy Warnick (R)
Senator Rebecca Saldaña (D)
Senator Steve Conway (D)
Assistant Secretary Bea Rector Department of Social and Health Services
Commissioner Cami Feek Employment Security Department
Taylor Linke Health Care Authority
Madeleine Foutch Representative of a union representing long-term care workers
Ruth Egger Individual receiving LTSS (or designee or representative of consumers receiving LTSS)
Silvia Gonzalez Worker who is paying the premium (or will likely be paying the premium)
Rachel Smith Representative of an organization of employers whose members collect the premium (or will likely be collecting)
Vacant Adult Family Home providers representative
Laura Cepoi Area Agencies on Aging representative
Peter Nazzal Home Care Association representative
Cathleen MacCaul Representative of an organization representing retired persons
Alyssa Odegaard Representative of an association representing skilled nursing facilities and assisted living providers
Mark Stensager Recipient of LTSS (or designee or representative of consumers under the program)

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Appendix B: Office of the State Actuary Report on WA Cares Fund Solvency

See The Office of the State Actuary Biennial Actuarial Report and Recommendations for the WA Cares Fund

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Appendix C: WA Cares Fund Risk Management Framework

See: WA Cares Fund Risk Management Framework

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Appendix D: WA Cares Fund Actuarial Valuation

See: WA Cares Fund Actuarial Valuation as of June 30, 2024

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Appendix E: Milliman Actuarial Analysis

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Re: Actuarial Analysis of Policy Options for Late-Career Workers Moving to Washington and Washington Workers Living Out of State

Dear Luke:

We were engaged by the Washington Office of the State Actuary (OSA) to model several policy options designed by the Washington Department of Social and Health Services (DSHS) and a WA Cares Fund Commission Workgroup (the workgroup) aimed at addressing two populations: (1) late-career workers moving into Washington, and (2) Washington workers living out of state.

We prepared the estimates in this letter to assist in evaluating the feasibility of potential benefit design changes for WA Cares Fund. Any estimates around required program revenue are for feasibility purposes only and are not intended, and should not be used, for setting the program premium assessment.

The estimates in this letter are derived based on the modeling conducted for the WA Cares Fund Actuarial Valuation as of June 30, 2024[1] (2024 Actuarial Valuation Report) provided on December 10, 2024. The 2024 Actuarial Valuation Report should be read in its entirety alongside this letter.

BACKGROUND AND SUMMARY OF RESULTS

We were asked to evaluate the impact on the required premium assessment of potential policy options for two populations:

- **Late-Career Workers Moving to Washington**

  Under current law[2], people who begin working in Washington later in their careers must pay premium assessments while earning wages and, because they have not otherwise lived in Washington as long, will be less likely to accrue 10 years of vesting credit before retirement. The workgroup primarily focused on addressing workers moving to Washington at age 55 or older, but the policies options modeled would also apply to existing Washington residents who begin working in the state for the first time at age 55 or older.

- **Washington Workers Living Out of State**

  Under current law, individuals who reside out of state but whose work is considered to be localized in Washington must pay premium assessments unless they apply for an out-of-state exemption. This population is excluded from portable benefits, which are scheduled to begin in 2030. These individuals currently can only receive benefits if they relocate to Washington (and did not file for an out-of-state exemption).

For each population, we modeled policy options proposed by DSHS and the workgroup. In general, the options either add benefits for the population or remove requirements to pay premiums.

We were asked to evaluate changes to the required premium assessment to help the workgroup assess the financial impact of each policy option. The required premium assessment is the premium level needed to maintain WA Cares

[1] https://leg.wa.gov/media/rllorl2zb/report01-wa-cares-actuarial-valuation-as-of-june-30-2024.pdf
[2] Washington Legislature (2024). Revised Code of Washington 50B.04. Retrieved on November 15, 2024 from https://app.leg.wa.gov/RCW/default.aspx?cite=50B.04

Fund solvency over a 75-year projection period with no margin or provision for adverse deviation. This analysis did not consider or evaluate changes to the current law premium rate of 0.58%.

For context, the 2024 Actuarial Valuation Report estimated a 2024 Baseline required premium assessment ranging from 0.48% to 0.65%. The 2024 Base Scenario estimate was 0.57%. Our forthcoming 2027 Actuarial Valuation Report (to be released in 2027) will update various modeling assumptions to reflect newer industry data, emerging WA Cares Fund experience, relevant changes in law, and the new investment policy for the program, among other updates and refinements. The updates for the 2027 Actuarial Valuation Report were not considered in developing the estimates in this letter.

The modeled policy options in this letter increase the required premium assessment ranging from less than +0.005% to as much as +0.02% (i.e., ranging from less than 0.5 basis points up to two basis points). The estimated impact reflects a wide range of factors, including the size and characteristics of the affected population, how the policy changes premium revenue and benefit claims, when those cash flows occur, and the potential for changes in participation or adverse selection. Options that give individuals more choice create greater potential for adverse selection and typically result in higher program costs. We discuss and quantify each option below, and the Additional Actuarial Considerations section discusses adverse selection and other considerations.

LATE-CAREER WORKERS MOVING TO WASHINGTON

The Baseline analysis in the 2024 Actuarial Valuation Report projected that, in 2026, people age 55 or older who moved into the state in the prior year make up approximately 1% of the total Washington workforce (or 3.5% of the workforce age 55 or older). Because additional workers are projected to move into the state each year, this population is expected to accumulate over time and grow as a share of the worker population.

The modeled options would also apply to Washington residents who first begin working in the state at age 55 or older. Based on a review of Social Security Administration longitudinal work-history data, fewer than 0.25% of all workers age 55 or older have no prior work history.

Table 1 summarizes the impact to the required premium assessment under the policy options DSHS and the workgroup asked us to model.

TABLE 1
WASHINGTON OFFICE OF THE STATE ACTUARY
IMPACT TO REQUIRED PREMIUM ASSESSMENT BY POLICY OPTION

POLICY OPTION	IMPACT TO REQUIRED PREMIUM ASSESSMENT
Option 1: No change	No impact
Option 2: Expanded prorated benefits	Less than +0.01%
Option 3a: Automatic mandatory exemption	+0.01%
Option 3b: Automatic exemption with voluntary opt-in	+0.01% to +0.02%
Option 3c: Automatic enrollment with voluntary opt-out	+0.01% to +0.02%
Option 4: Voluntary participation with prorated, partial benefits	+0.01% to +0.02%

Option 1: No change

Option 1 makes no changes to WA Cares Fund's core vesting or benefits. The workgroup also considered giving late-career workers access to the Benefits and Customer Cares center for care navigation support, regardless of vesting status, under Option 1; however, we did not model the impact for this additional access.

Option 2: Expanded prorated benefits

Option 2 extends the partial benefit rule (established under current law, RCW 50B.04.050, for workers born before 1968) to anyone who moves to or starts working in Washington at age 55 or older. Under this structure, this population would accrue 10 percent of the maximum lifetime benefit for each year they contribute premiums.

As shown in Table 1, this option would increase the required premium assessment by less than one basis point. In follow-up discussions, the workgroup asked whether the impact for this policy option was closer to half a basis point or

one basis point. Our additional modeling estimated an impact of approximately half a basis point (+0.005%), as shown in Table 2.

TABLE 2
WASHINGTON OFFICE OF THE STATE ACTUARY
LATE-CAREER WORKERS MOVING TO WASHINGTON

POLICY OPTION	IMPACT TO REQUIRED PREMIUM ASSESSMENT
Option 2: Expanded prorated benefits	+0.005%

Option 3a: Automatic mandatory exemption

Under Option 3a, anyone who moves to or starts working in Washington at age 55 or older would be automatically exempt from WA Cares Fund with no option to participate. The automatic mandatory exemption would reduce premium revenue from workers who otherwise would contribute and claims from individuals who otherwise would have become vested.

TABLE 3
WASHINGTON OFFICE OF THE STATE ACTUARY
LATE-CAREER WORKERS MOVING TO WASHINGTON

POLICY OPTION	IMPACT TO REQUIRED PREMIUM ASSESSMENT
Option 3a: Automatic mandatory exemption	+0.01%

Option 3b: Automatic exemption with voluntary opt-in

Under Option 3b, individuals who move to Washington or start working in the state at age 55 or older would be automatically exempt from WA Cares Fund, but have the option to opt in. Compared with current law, this option would reduce both premium revenue and benefit claims from this population. The required premium assessment impact depends on how many people opt in and the characteristics of those individuals.

Because participation is voluntary, individuals who expect to utilize greater benefits relative to their premium payments may be more likely to opt in, increasing program costs. To reflect this adverse selection, we assume the share of claims added to program cash flows is 25 percentage points higher than the share of premiums. For example, if 25% of the population contributes premiums, we assume claims are added for 50% of the population. This approach was used to estimate the potential influence of adverse selection: those who choose to participate are assumed to have higher-than-average claims, lower-than-average premium contributions, or both.

Table 4 shows the estimated impact on the required premium assessment under a low, medium, and high participation scenario. As shown in Table 4, the impact to required premium assessment is higher when participation is lower. Adverse selection is generally greater when participation is lower since people who opt in may be more heavily concentrated among those expecting to use the benefit. As participation approaches 100%, the risk pool more closely resembles a mandatory pool, which reflects less adverse selection.

TABLE 4
WASHINGTON OFFICE OF THE STATE ACTUARY
LATE-CAREER WORKERS MOVING TO WASHINGTON

POLICY OPTION	IMPACT TO REQUIRED PREMIUM ASSESSMENT
Option 3b: Automatic exemption with voluntary opt-in	
Low participation	+0.02%
Medium participation	+0.01%
High participation	+0.01%

Option 3c: Automatic enrollment with voluntary opt-out

Under Option 3c, individuals who move to Washington or begin working in the state at age 55 or older would be automatically enrolled in WA Cares Fund but could opt out.

We apply the same participation scenarios and modeling approach to Options 3b and 3c, so the estimated impact is similar for the corresponding scenarios. Actual participation may differ as a result of the differing enrollment approaches in practice. All else equal, we expect participation to be higher under Option 3c than under Option 3b because Option 3c enrolls eligible individuals by default, requiring them to act only if they want to opt out. Under Option 3b, individuals must take action to opt in.

TABLE 5
WASHINGTON OFFICE OF THE STATE ACTUARY
LATE-CAREER WORKERS MOVING TO WASHINGTON

POLICY OPTION	IMPACT TO REQUIRED PREMIUM ASSESSMENT
Option 3c: Automatic enrollment with voluntary opt-out	
Low participation	+0.02%
Medium participation	+0.01%
High participation	+0.01%

Option 4: Voluntary participation with prorated, partial benefits

Option 4 allows late-career workers who move to or begin working in Washington at age 55 or older to participate in WA Cares Fund on a voluntary basis via an opt-in or opt-out (consistent with Options 3b and 3c above). Additionally, participants would accrue a prorated partial benefit equal to 10 percent of the maximum lifetime benefit for each year they contribute premiums, consistent with Option 2.

The impact on the required premium assessment would depend on the enrollment design, participation rate, and characteristics of those who participate. We combined our assumptions from Option 2 and Options 3b / 3c to model the impact of policy Option 4. Table 6 shows the estimated impact under each modeled participation scenario.

TABLE 6
WASHINGTON OFFICE OF THE STATE ACTUARY
LATE-CAREER WORKERS MOVING To WASHINGTON

POLICY OPTION	IMPACT TO REQUIRED PREMIUM ASSESSMENT
Option 4: Voluntary participation with prorated, partial benefits	
Low participation	+0.02%
Medium participation	+0.01%
High participation	+0.01%

WASHINGTON WORKERS LIVING OUT OF STATE

Under current law, Washington workers living out of state are eligible for an out-of-state exemption. If they do not apply for an exemption, they will contribute premiums to the program and only be eligible for benefits if they move into Washington. An estimated 110,000 Washington workers are currently living out of state as of 2023[3], which we project to remain relatively consistent over time relative to the total Washington workforce.

Table 7 summarizes the impact to the required premium assessment under the policy options DSHS and the workgroup asked us to model.

[3] Estimate comes from: https://onthemap.ces.census.gov/; See Methodology and Assumptions section for additional information.

TABLE 7
WASHINGTON OFFICE OF THE STATE ACTUARY
WASHINGTON WORKERS LIVING OUT OF STATE

POLICY OPTION	IMPACT TO REQUIRED PREMIUM ASSESSMENT
Option 1: Voluntary benefits for out-of-state workers	Less than +0.01%
Option 2: Mandatory exemption for out-of-state workers except for current contributors	Less than +0.01%
Option 3: Adds benefits for out-of-state workers and eliminates opt-out	Less than +0.01%

Option 1: Voluntary Benefits for Out-of-State Workers

Option 1 would make current Washington workers who live out of state (and do not apply for an out-of-state exemption) eligible to receive WA Cares Fund benefits outside Washington. Extending benefits to beneficiaries who would have otherwise been ineligible adds costs to the program. We also expect fewer workers will apply for an exemption under Option 1, which would increase premium revenue. Because participation continues to be voluntary, we expect some adverse selection would persist and increase claims relative to the average participant. The impact to the required premium assessment reflects estimated changes to both premium revenue and benefit claims.

As shown in Table 7, this option would increase the required premium assessment by less than one basis point. In follow-up discussions, the workgroup asked whether the impact for Option 1 was closer to half a basis point or one basis point. Our additional modeling estimated an impact of approximately half a basis point (+0.005%) for Option 1, as shown in Table 8.

TABLE 8
WASHINGTON OFFICE OF THE STATE ACTUARY
WASHINGTON WORKERS LIVING OUT OF STATE

POLICY OPTION	IMPACT TO REQUIRED PREMIUM ASSESSMENT
Option 1: Voluntary benefits for out-of-state workers	+0.005%

Option 2: Mandatory Exemption for Out-of-State Workers Except for Current Contributors

Under Option 2, Washington workers living out of state would be exempt from and could not participate in WA Cares Fund, except for current out-of-state contributors, who would remain in the program. The exempt cohort would not pay premiums or qualify for benefits.

Because current contributors have chosen to participate, their experience may reflect adverse selection. We therefore expect this option to have a nonzero impact on the required premium assessment, but a lower impact than Option 1 (as shown in Table 9), which allows a broader group of out-of-state workers to participate. The Table 9 results reflect follow-up discussions where the workgroup asked whether the impact for Option 2 was less than a quarter of a basis point.

TABLE 9
WASHINGTON OFFICE OF THE STATE ACTUARY
WASHINGTON WORKERS LIVING OUT OF STATE

POLICY OPTION	IMPACT TO REQUIRED PREMIUM ASSESSMENT
Option 2: Mandatory exemption for out-of-state workers except for current contributors	Less than +0.0025%

Option 3: Adds Benefits for Out-of-State Workers and Eliminates Opt-Out

Under Option 3, current Washington workers who live out of state would be required to pay WA Cares Fund premiums and would be eligible to receive benefits outside Washington. Individuals could no longer apply for an out-of-state exemption going forward. Option 3 would add both premium revenue and benefit claims for this population.

Because participation would be mandatory, we do not assume any adverse selection (in contrast to Option 1 where we assumed adverse selection given the structure is voluntary). We estimate this option would increase the required premium assessment but have a smaller impact than Option 1. The Table 10 results reflect follow-up discussions where the workgroup asked whether the impact for Option 3 was less than a quarter of a basis point.

TABLE 10
WASHINGTON OFFICE OF THE STATE ACTUARY
WASHINGTON WORKERS LIVING OUT OF STATE

POLICY OPTION	IMPACT TO REQUIRED PREMIUM ASSESSMENT
Option 3: Adds benefits for out-of-state workers and eliminates opt-out	Less than +0.0025%

ADDITIONAL ACTUARIAL CONSIDERATIONS

Beyond the required premium assessment estimates included above, we highlighted two broader considerations for the workgroup to consider when evaluating the requested policy options:

- **Voluntary Features and Adverse Selection**

  When individual choice or a voluntary aspect to participation is introduced into a program, unpredictability related to participation rates and adverse selection can make the evaluation of a program's required premium rates and fund balance challenging. We recommend considering the precedent set by policy changes that could have an impact actuarial soundness (i.e., whether the projected fund balance will be sufficient to pay projected benefits and expenses over time). For example, converting mandatory program features to voluntary ones or giving more choice to certain groups is likely to increase costs and create additional uncertainty around the program's actuarial soundness.

- **Administrative Expenses**

  For the purposes of this analysis, we did not change our baseline expense assumptions, which are 3.5% of premiums and 3.5% of claims. We recommend considering the administrative impact of the policy options, especially if a given option's administrative complexity will incur expenses beyond the model assumptions.

METHODOLOGY AND ASSUMPTIONS

We started with all plan features, methodology, and assumptions consistent with the 2024 Base Scenario in our 2024 Actuarial Valuation Report.

We used different data sources to identify and estimate the two populations:

- **Late-career workers moving to Washington.** The work supporting our 2024 Actuarial Valuation Report already projected annual migration into Washington. We compared our projection to data provided by the Washington State Employment Security Department (ESD), which showed counts of individuals by age in Washington who had employment history in 2025 but not in 2019 through 2024. We assumed these individuals' average wages are consistent with average Washington wages.
- **Washington workers living out of state.** We utilized the Longitudinal Employer-Household Dynamics (LEHD) Origin-Destination Employment Statistics (LODES) database "OnTheMap" web tool produced by the US Census Bureau in order to estimate the count of workers residing outside of Washington but who work in Washington. We used the same tool to estimate the wage differential between Washington workers residing outside of Washington and those residing in Washington.

For each policy option, we adjusted modeled premium contributions and benefit claims to reflect whether the affected population would pay premiums and qualify for benefits under that option. We then recalculated the required premium assessment and compared it with the 2024 Base Scenario to estimate the option's impact.

All other plan features, methodology, and assumptions are consistent with the modeling of the Base Plan in our 2024 Actuarial Valuation Report unless indicated otherwise. The results in this letter should be considered in their entirety in combination with our 2024 Actuarial Valuation Report.

CAVEATS AND LIMITATIONS

This letter was prepared for the internal use of the Washington Office of the State Actuary (OSA) and the Washington Department of Social and Health Services (DSHS) and it should not be distributed, in whole or in part, to any external parties without the prior 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 or create a legal liability to any third party. This communication must be read in its entirety.

The information in this letter contains actuarial modeling and analysis regarding premiums, claims, and expenses projected for WA Cares Fund. The projections are intended to provide premium assessment estimates to determine the feasibility of various policy options as requested by DSHS. Analysis should be revised as needed considering final language included in statute; to the extent the final law varies from the policy option descriptions provided, our analysis may likewise vary. The information in this letter may not be appropriate, and should not be used, for other purposes.

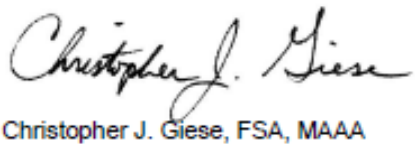
Milliman has developed certain models to estimate the values included in this letter. The intent of the models was to evaluate revenues, expenditures, and headcounts for the WA Cares Fund program. We reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOPs).

In preparing this information, we relied on information provided by OSA, DSHS, ESD, the Washington State Investment Board (SIB), and publicly available data, which we accepted without audit. However, we did review this information for general reasonableness. Our results and conclusions 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 estimates in this letter. Experience should be monitored as it emerges, and corrective actions should be taken when necessary.

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.

Sincerely,



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CJG/AHG/zk