Multiple Agency Fiscal Note Summary

Bill Number: 1733 E S HB	Title: Long-term care/exemptions

Estimated Cash Receipts

Agency Name	2021-23			2023-25			2025-27		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Office of State Treasurer	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Office of Attorney General	0	0	83,000	0	0	166,000	0	0	166,000
Office of Administrative Hearings	0	0	0	0	0	257,040	0	0	257,040
Employment Security Department	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total $	0	0	83,000	0	0	423,040	0	0	423,040

Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of the State Actuary	.0	0	0	0	.0	0	0	0	.0	0	0	0
Office of State Treasurer	.0	0	0	0	.0	0	0	0	.0	0	0	0
Office of Attorney General	.3	0	0	83,000	.6	0	0	166,000	.6	0	0	166,000
Washington State Health Care Authority	.0	0	0	0	.0	0	0	0	.0	0	0	0
Office of Administrative Hearings	.0	0	0	0	.9	0	0	257,040	.9	0	0	257,040
Department of Retirement Systems	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Social and Health Services	5.1	0	0	1,415,000	6.0	0	0	1,484,000	6.0	0	0	1,484,000
Employment Security Department	14.7	0	0	5,276,772	17.2	0	0	3,628,575	17.2	0	0	3,543,288
Actuarial Fiscal Note - State Actuary	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total $	20.1	0	0	6,774,772	24.7	0	0	5,535,615	24.7	0	0	5,450,328

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of the State Actuary	.0	0	0	.0	0	0	.0	0	0
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Office of Attorney General	.0	0	0	.0	0	0	.0	0	0
Washington State Health Care Authority	.0	0	0	.0	0	0	.0	0	0
Office of Administrative Hearings	.0	0	0	.0	0	0	.0	0	0
Department of Retirement Systems	.0	0	0	.0	0	0	.0	0	0
Department of Social and Health Services	.0	0	0	.0	0	0	.0	0	0
Employment Security Department	.0	0	0	.0	0	0	.0	0	0
Actuarial Fiscal Note - State Actuary	.0	0	0	.0	0	0	.0	0	0
Total $	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

Prepared by: Anna Minor, OFM	**Phone:** (360) 790-2951	**Date Published:** Final 1/26/2022

Individual State Agency Fiscal Note

Bill Number: 1733 E S HB	Title: Long-term care/exemptions	Agency: 035-Office of the State Actuary

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact . Factors impacting the precision of these estimates , and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Mary Mulholland	Phone: 360-786-7391	Date: 01/20/2022
Agency Preparation:	Melinda Aslakson	Phone: 3607866161	Date: 01/21/2022
Agency Approval:	Luke Masselink	Phone: 360-786-6154	Date: 01/21/2022
OFM Review:	Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/24/2022

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

ES HB 1733 provides new voluntary exemptions from the LTSS program that align with policy options the LTSS Trust Commission considered in 2021.

- Section 1 indicates that unless otherwise exempted by this chapter premium assessments on wages begin January 1, 2022.
- Section 2 amends the LTSS Trust Program as follows:
- Section 2 (1) adds the following voluntary exemptions from premium assessments beginning January 1,2023, that align with policy options considered by the LTSS Trust Commission:

o (a) Veterans with a service-related disability of 70 percent or higher,
o (b) The spouses or registered domestic partners of active-duty service members,
o (c) Persons working in the US under temporary, non-immigrant work visas, and
o (d) Persons with a permanent primary address outside of Washington but working in Washington.

- For individuals who receive an exemption, the bill also includes a mandatory exemption removal if an individual's circumstances change, and according to the specific exemption.
- In all cases, it is incumbent upon the individual to notify the Employment Security Department (ESD) of discontinuing an exemption and notify their employer to begin premium assessments. Failure of the employee to begin paying premiums within 90 days of the occurrence of changes in circumstances will result in the payment of any unpaid premiums, with interest, by the employee to ESD from the date they originally should have begun.
- Exempt employees are not entitled to a refund of any premium deductions made before the effective date of an approved exemption or before they notify their employer.
- An employee who has received an exemption will provide written notification to all current and future employers of an approved exemption. Employers may not deduct premiums after being notified by an employee of an approved exemption.
- The bill provides ESD rulemaking authority for implementation including developing criteria, procedures and rules for submission and processing applications and verifying exemptions.
- Section 3 clarifies that an individual who discontinues an exemption under Section 2 may be eligible to become a qualified individual in the future.

The Office of the State Actuary (OSA) provides actuarial support to the LTSS Trust Council, Commission, the PFC, and the Legislature regarding the WA Cares Fund program. The changes detailed above would result in an updated actuarial projection, also referred to as an updated baseline projection, to be performed by contracted actuaries.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Based on the language in this bill, we expect decision makers will benefit from a comprehensive updated actuarial report (baseline) to inform the LTSS Trust Commission, Trust Council, OSA, PFC and Legislature going forward. Current estimates informing actuarial analysis and WA Cares Fund solvency are all based on the 2020 LTSS Trust Actuarial Study by Milliman and thus will not reflect the key program changes proposed in this bill. The 2020 actuarial study may become less reliable given these key program changes. The 2020 actuarial study also does not reflect recent events such as early experience of the private market exemption which may impact the estimated costs or savings from this bill. We anticipate this one-time updated baseline report to cost approximately $250,000 in FY 2023.

OSA currently contracts for actuarial services from a third party, relying on an interagency agreement and reimbursement from DSHS for the activities. The current contract amount with DSHS does not provide sufficient funding for the activities outlined.

Actual costs to perform these activities may be more or less depending upon the nature of the work and volume of requests.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts		250,000	250,000		
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements		(250,000)	(250,000)		
T-Intra-Agency Reimbursements					
9-					
Total $	0	0	0	0	0

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 1733 E S HB	Title: Long-term care/exemptions	Agency: 090-Office of State Treasurer

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Operating Expenditures from:
NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☒ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Mary Mulholland	Phone: 360-786-7391	Date: 01/20/2022
Agency Preparation:	Dan Mason	Phone: (360) 902-8990	Date: 01/21/2022
Agency Approval:	Dan Mason	Phone: (360) 902-8990	Date: 01/21/2022
OFM Review:	Cheri Keller	Phone: (360) 584-2207	Date: 01/21/2022

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

ESHB 1733 establishes voluntary exemptions to the long-term services and supports trust program.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Projected cash flows are currently unavailable; therefore, estimated earnings from investments are indeterminable.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 1733 E S HB	Title: Long-term care/exemptions	Agency: 100-Office of Attorney General

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
Legal Services Revolving Account-State 405-1		83,000	83,000	166,000	166,000
Total $		83,000	83,000	166,000	166,000

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.0	0.6	0.3	0.6	0.6
Account					
Legal Services Revolving Account-State 405-1	0	83,000	83,000	166,000	166,000
Total $	0	83,000	83,000	166,000	166,000

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact . Factors impacting the precision of these estimates , and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Mary Mulholland	Phone: 360-786-7391	Date: 01/20/2022
Agency Preparation:	Cam Comfort	Phone: (360) 664-9429	Date: 01/21/2022
Agency Approval:	Dianna Wilks	Phone: 360-709-6463	Date: 01/21/2022
OFM Review:	Tyler Lentz	Phone: (360) 790-0055	Date: 01/24/2022

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 1 amends RCW 50B.04.080 to add the qualifier “unless otherwise exempted pursuant to this chapter.”

Section 2 is a new section authorizing the Employment Security Department (ESD) to accept and approve voluntary exemption applications from the premium assessment under RCW 50B.04.080, beginning January 1, 2023, for employees who meet criteria established by ESD based on certain listed statuses. ESD must adopt criteria, procedures, and rules for verifying information submitted in support of exemptions, and rules necessary to implement and administer the activities covered by this act.

Section 3 amends subsection (3) RCW 50B.04.050 to provide an exception when the employee’s exemption was discontinued under Section 2.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Legal services associated with the enactment of this bill will begin on January 1, 2023.

Cash receipts are assumed to equal the Legal Services Revolving Account (LSRA) cost estimates. These will be billed through the revolving account to the client agency.

The client agency is the Employment Security Department. The Attorney General’s Office (AGO) will bill this client for legal services rendered.

These cash receipts represent the AGO’s authority to bill and are not a direct appropriation to the AGO. The direct appropriation is reflected in the client agency’s fiscal note. Appropriation authority is necessary in the AGO budget.

AGO AGENCY ASSUMPTIONS:

ESD will be billed:
FY 2023: $83,000 for 0.33 Assistant Attorney General (AAG) and 0.17 Legal Assistant (LA)
FY 2024: $83,000 for 0.33 AAG and 0.17 LA.
FY 2025: $83,000 for 0.33 AAG and 0.17 LA.
FY 2026: $83,000 for 0.33 AAG and 0.17 LA.
FY 2027: $83,000 for 0.33 AAG and 0.17 LA and in each FY thereafter.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

1. Legal services associated with the enactment of this bill will begin on January 1, 2023.

2. Total workload impact in this request includes standard assumption costs for good & services, travel, and capital outlays for all FTE identified.

3. Location of staffing housed is assumed to be in a non-Seattle office building.

4. Agency administration support FTE are included in the tables, for every one Assistant Attorney General (AAG), the AGO include 0.5 FTE for a Legal Assistant 3 (LA) and 0.25 of a Management Analyst 5 (MA5). The MA 5 is used as a representative classification.

Assumptions for the AGO Licensing and Administrative Law Division's (LAL) Legal Services for the Employment Security Department (ESD):

1. The AGO will bill ESD for legal services based on the enactment of this bill.

2. Greater advice needs will be present in fiscal year (FY) 2023 than in later years, and greater litigation needs will be present in subsequent FYs.

3. Advice, requiring at least 300 AAG hours in FY 2023, includes :
a. Rulemaking assistance for implementing Sec. 2, to include at least defining terms for the new bases for exemption in Sec. 2(1); describing ESD's role in verifying exemption eligibility in Sec. 2 (2), describing responsibilities and processes for discontinuation of exemptions under Sec. 2(4)-(6), and related enforcement remedies; record-keeping obligations under Sec. 2(10). Such advice legal services include participating in meetings, reviewing multiple rule drafts, and advising on processes for rulemaking and reviewing required notices and filings.
b. Process development assistance, for advice on ESD's implementation of the requirement in Sec. 2 (2) to verify information submitted by applicants for exemption. Legal service include participating in meetings and reviewing operational processes and language for determinations.
c. Process development assistance, for advice on enforcement against employees who do not pay premiums upon discontinuation of an exemption, under Sec. 2 (4)(d), (5)(d), and (6)(d), including advice on technology changes needed for implementation and related vendor contracts issues. Legal service include participating in meetings and reviewing operational processes and language for determinations.
d. Advice concerning application of the bill's provisions to particular facts, where warranted—especially in novel and complex cases, before ESD renders its determinations.

4. Litigation, requiring at least 300 AAG hours in FY23 and 600 AAG hours in each FY thereafter on an ongoing basis, includes:
a. Appeals from denials of applications for exemption under Sec. 2 (1), based on failure to verify the information submitted as required by Sec. 2(2). And, appeals from assessments of premiums against employees for nonpayment of premiums upon discontinued exemptions, under Sec. 2 (4)(d), (5)(d), and (6)(d).
b. Because the provisions in Sec. 2 do not go into effect until Jan. 2023, half of the litigation services projected for each FY on an ongoing basis are assumed necessary for FY23.
c. ESD assumes that there will be 206,651 exemption applications under Sec. 2 (1) in FY23-25, with 201,435 of those in FY23. ESD further assumes that in each year it will review 30% of approved exemptions, and 1% of those reviews will result in cancellation of the exemption due to a change in their circumstances. Thus, upward of 600 individuals may be assessed premiums for discontinuation of exemptions yearly. If even 10% of those individuals file administrative appeals, this will result in more than 60 new administrative appeal hearings yearly, attributable to the bill provisions, to be handled by the AGO. Not all such cases will proceed to full administrative hearings, but each that does requires prehearing conferences, briefing, exhibit submission, witness testimony, and oral argument. The AGO will also handle all court appeals from final orders in these adjudicative hearings. The AGO conservatively estimates 600 yearly AAG hours for this litigation work, on an ongoing basis.

Total workload impact:

FY 2023: 0.33 AAG, and 0.17 LA at a cost of $83,000.
FY 2024: 0.33 AAG, and 0.17 LA at a cost of $83,000.
FY 2025: 0.33 AAG, and 0.17 LA at a cost of $83,000.

FY 2026: 0.33 AAG, and 0.17 LA at a cost of $83,000.
FY 2027: 0.33 AAG, and 0.17 LA at a cost of $83,000.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
405-1	Legal Services Revolving Account	State	0	83,000	83,000	166,000	166,000
		Total $	0	83,000	83,000	166,000	166,000

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		0.6	0.3	0.6	0.6
A-Salaries and Wages		53,000	53,000	106,000	106,000
B-Employee Benefits		18,000	18,000	36,000	36,000
C-Professional Service Contracts					
E-Goods and Other Services		10,000	10,000	20,000	20,000
G-Travel		1,000	1,000	2,000	2,000
J-Capital Outlays		1,000	1,000	2,000	2,000
Total $	0	83,000	83,000	166,000	166,000

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Assistant Attorney General	112,200		0.3	0.2	0.3	0.3
Legal Assistant 3	54,108		0.2	0.1	0.2	0.2
Management Analyst 5	88,644		0.1	0.0	0.1	0.1
Total FTEs			0.6	0.3	0.6	0.6

III. D - Expenditures By Program (optional)

Program	FY 2022	FY 2023	2021-23	2023-25	2025-27
Licensing & Administrative Law Division (LAL)		83,000	83,000	166,000	166,000
Total $		83,000	83,000	166,000	166,000

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 1733 E S HB	Title: Long-term care/exemptions	Agency: 107-Washington State Health Care Authority

Part I: Estimates

- [X] **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact . Factors impacting the precision of these estimates , and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- [ ] If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete entire fiscal note form Parts I-V.
- [ ] If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete this page only (Part I).
- [ ] Capital budget impact, complete Part IV.
- [ ] Requires new rule making, complete Part V.

Legislative Contact:	Mary Mulholland	Phone: 360-786-7391	Date: 01/20/2022
Agency Preparation:	Michael Grund	Phone: 360-725-1949	Date: 01/25/2022
Agency Approval:	Carl Yanagida	Phone: 360-725-5755	Date: 01/25/2022
OFM Review:	Jason Brown	Phone: (360) 742-7277	Date: 01/26/2022

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

See attached narrative.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

See attached narrative.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

See attached narrative.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Bill Number: 1733 ESHB HCA Request #: 22-077

Part II: Narrative Explanation

This bill establishes voluntary exemptions to the Long-Term Services and Supports (LTSS) trust program. The substitute bill makes some minor adjustments to the original bill.

This bill has no current fiscal impact to the Health Care Authority (HCA).

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Section 1 – Amends RCW 50B.04.080. Unless otherwise exempted pursuant to this chapter, beginning January 1, 2022, the Employment Security Department (ESD) shall assess a premium for each individual in employment with an employer. The initial premium rate is .58 percent of the individual's wages.

Section 2 – Adds a new section to RCW 50B.04. Beginning January 1, 2023, ESD shall accept and approve applications for voluntary exemptions from the premium assessment for any employee who meets criteria established by ESD for an exemption based on the employee's status.

Section 3 – Amends RCW 50B.04.050 regarding ESD determinations of qualified individuals.

II. B - Cash Receipts Impact
None.

II. C – Expenditures
None. HCA is not responsible for determining LTSS eligibility or exemption requests.

Part IV: Capital Budget Impact
None.

Part V: New Rule Making Required
None.

Individual State Agency Fiscal Note

Bill Number: 1733 E S HB	Title: Long-term care/exemptions	Agency: 110-Office of Administrative Hearings

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
Administrative Hearings Revolving Account-State 484-1				257,040	257,040
Total $				257,040	257,040

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.0	0.0	0.0	0.9	0.9
Account					
Administrative Hearings Revolving Account-State 484-1	0	0	0	257,040	257,040
Total $	0	0	0	257,040	257,040

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact . Factors impacting the precision of these estimates , and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Mary Mulholland	Phone: 360-786-7391	Date: 01/20/2022
Agency Preparation:	Pete Boeckel	Phone: 360-407-2730	Date: 01/24/2022
Agency Approval:	Deborah Feinstein	Phone: 360-407-2717	Date: 01/24/2022
OFM Review:	Tyler Lentz	Phone: (360) 790-0055	Date: 01/24/2022

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 2 sets out several exemptions to employers' collection of premiums from employees under the new Long-term Services and Supports Trust Program. Employees can begin to apply for exemptions in January 2023. The Employment Security Department's (ESD) decisions on these exemptions will be appealable to the Office of Administrative Hearings (OAH) under RCW 50B.04.120(2).

Section 2 also prescribes premium assessments with interest against employers who have been notified that employees' exemption(s) have ended, and who fail to then pay the prescribed premiums.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

As a central service agency, OAH bills referring agencies for its costs and collects the revenue into the Administrative Hearings Revolving Account. Cash receipts are assumed to equal costs. OAH will bill ESD for the costs related to this proposed legislation.

These cash receipts represent the OAH's authority to bill and are not a direct appropriation to OAH. Appropriation authority is necessary in OAH's budget.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

ESD estimates that the proposed legislation will result in 60 new appeals being referred to OAH per fiscal year beginning in FY 2024. On average, each appeal is expected to take approximately 11 hours of line Administrative Law Judge (ALJ) time including prehearing conferences, hearings, order writings, etc.

Office of Administrative Hearings (OAH) Agency Workforce Assumptions:

(1) Ratio of 1.0 FTE line ALJ to 0.15 Senior ALJ (SALJ), to 0.6 Legal Assistant 2 (LA2) (Range 40 step L), to 0.25 administrative support Management Analyst 5 (MA5) (Range 64 Step L).
(2) ALJ salary is based on the ALJ collective bargaining agreement and assumed to be at step L. (Line ALJ-range 70. Senior ALJ-range 74.)
(3) Benefit rates were analyzed by job class and projected using the latest benefit information available.
(4) Goods and services, travel and on-going capital outlays were projected based on historical data for each of the job classifications.

Total workload impact beginning in FY 2024: 0.47 ALJ at a cost of $73,846, 0.07 SALJ at a cost of $11,879, 0.28 LA2 at a cost of $26,030 and 0.12 MA5 at a cost of $16,675. Total cost: $128,520 per FY.

This bill is assumed effective 90 days after the end of the 2020 legislative session.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
484-1	Administrative Hearings Revolving Account	State	0	0	0	257,040	257,040
		Total $	0	0	0	257,040	257,040

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years				0.9	0.9
A-Salaries and Wages				161,248	161,248
B-Employee Benefits				54,240	54,240
C-Professional Service Contracts					
E-Goods and Other Services				37,600	37,600
G-Travel				1,696	1,696
J-Capital Outlays				2,256	2,256
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	0	0	0	257,040	257,040

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Administrative Law Judge					0.5	0.5
Legal Assistant 2					0.3	0.3
Management Analyst 5					0.1	0.1
Senior Administrative Law Judge					0.1	0.1
Total FTEs					0.9	0.9

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 1733 E S HB	Title: Long-term care/exemptions	Agency: 124-Department of Retirement Systems

Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact . Factors impacting the precision of these estimates , and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Mary Mulholland	Phone: 360-786-7391	Date: 01/20/2022
Agency Preparation:	Shawn Merchant	Phone: 360-664-7303	Date: 01/20/2022
Agency Approval:	Tracy Guerin	Phone: 360-664-7312	Date: 01/20/2022
OFM Review:	Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/24/2022

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

The floor amendment that formed ESHB 1733 did not impact Section 1 of the bill.

Section 1 of the bill amends RCW 50B.04.080 concerning the responsibility of the Pension Funding Council (PFC) to set the premium rate for the long-term services and supports trust program beginning January 1, 2024, and biennially thereafter. The amendments do not impact the role of the Department of Retirement Systems on the PFC.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 1733 E S HB	Title: Long-term care/exemptions	Agency: 300-Department of Social and Health Services

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	4.1	6.0	5.1	6.0	6.0
Account					
Long-Term Services & Supports Trust Acct-State 567-1	411,000	1,004,000	1,415,000	1,484,000	1,484,000
Total $	411,000	1,004,000	1,415,000	1,484,000	1,484,000

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact . Factors impacting the precision of these estimates , and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Mary Mulholland	Phone: 360-786-7391	Date: 01/20/2022
Agency Preparation:	Cliff Hicks	Phone: 360-902-8240	Date: 01/24/2022
Agency Approval:	Dan Winkley	Phone: 360-902-8236	Date: 01/24/2022
OFM Review:	Breann Boggs	Phone: (360) 485-5716	Date: 01/24/2022

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 2 (1): Beginning January 1, 2023, the Employment Security Department (ESD) shall accept and approve applications for voluntary exemptions from the premium assessment under RCW 50B.04.080 for any employee who meets criteria established by ESD for an exemption based on the employee's status as :

(a) A veteran of the United States military who has been rated by the United States Department of Veterans affairs as having a service connected disability of 70 percent or greater ;

(b) A spouse or registered domestic partner of an active duty service member in the United States Armed Forces whether or not deployed or stationed within or outside of Washington;

(c) An employee who holds a nonimmigrant visa for temporary workers, as recognized by federal law, and is employed by an employer in Washington; or

(d) An employee who is employed by an employer in Washington, but maintains a permanent address outside of Washington as the employee's primary location of residence.

The public will need to understand these fundamental changes to the program as they plan for their long-term care, requiring outreach and communications by the Department of Social and Health Services (DSHS). Policymakers will need data on actuarial impact of these changes on the program.

DSHS is assigned primary responsibility (50B.040.020) for providing information to the public about program design and updates and customer service including addressing questions, complaints and referring to other agencies.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates . Distinguish between one time and ongoing functions .

Funding for the expenditures created by this bill will come from the Long-Term Services and Support Trust Account.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Actuary Expenses: This bill requires updated baseline actuarial analysis for actuarial outlook due to significant changes proposed in 1733 ESHB.
Fiscal Year 2023: $250,000

Outreach: Targeted outreach for four exemption groups to let them know about the exemptions, how to apply, and what happens if their reason for exemption ends. Estimated cost is based upon a variety of approaches which include, but not limited to, developing and printing materials, purchasing advertising and media, establishing a web and a media presence, providing toolkits, and conducting in person and virtual presentations. Individual targeted campaigns tailored to each of the four exemption groups are spread out throughout the year. Each population (veterans, spouses of active duty military, non-immigrant work visa holders, people who live out of state) needs to have individualized materials and strategies to reach each group.
Fiscal Year 2022: $40,000
Fiscal Year 2023: $240,000
Fiscal Year 2024 and beyond: $240,000

Customer Care Team: 5.0 Customer Service Specialist 2 FTE and 1.0 Customer Service Specialist 4 FTE will be needed to :

* Respond to inquiries from the public (phone calls and emails) regarding changes to the program and how these changes affect their eligibility for participation;
* Help those populations eligible for exemptions to understand their eligibility and how to apply, etc. ;
* Handle complaints;
* Make referrals to other agencies as needed.

Fiscal Year 2022: $371,000
Fiscal Year 2023: $514,000
Fiscal Year 2024 and beyond: $502,000

Please see "Fiscal Note - ESHB1733 attachment" for more detail.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
567-1	Long-Term Services & Supports Trust Acct	State	411,000	1,004,000	1,415,000	1,484,000	1,484,000
		Total $	411,000	1,004,000	1,415,000	1,484,000	1,484,000

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	4.1	6.0	5.1	6.0	6.0
A-Salaries and Wages	199,000	285,000	484,000	570,000	570,000
B-Employee Benefits	87,000	125,000	212,000	250,000	250,000
C-Professional Service Contracts					
E-Goods and Other Services	67,000	532,000	599,000	564,000	564,000
G-Travel	15,000	22,000	37,000	44,000	44,000
J-Capital Outlays	26,000	14,000	40,000	4,000	4,000
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service	1,000	2,000	3,000	4,000	4,000
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	16,000	24,000	40,000	48,000	48,000
9-					
Total $	411,000	1,004,000	1,415,000	1,484,000	1,484,000

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Customer Service Specialist 2	45,504	3.3	5.0	4.2	5.0	5.0
Customer Service Specialist 4	56,876	0.8	1.0	0.9	1.0	1.0
Total FTEs		4.1	6.0	5.1	6.0	6.0

III. D - Expenditures By Program (optional)

Program	FY 2022	FY 2023	2021-23	2023-25	2025-27
Aging Long-Term Support Administration (050)	411,000	1,004,000	1,415,000	1,484,000	1,484,000
Total $	411,000	1,004,000	1,415,000	1,484,000	1,484,000

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Department of Social and Health Services
2022 Legislative Session
Fiscal Note - ESHB1733 attachment

Total Cost

Fiscal Year	FY22	FY23	21-23 Biennium
Comm Staff & Support	371,000	514,000	885,000
Comm & Outreach	40,000	240,000	280,000
Actuary	-	250,000	250,000
Total	**411,000**	**1,004,000**	**1,415,000**

FY24	FY25	23-25 Biennium
502,000	502,000	1,004,000
240,000	240,000	480,000
742,000	**742,000**	**1,484,000**

FY22	FY23 and beyond	21-23 Biennium
4.1	6.0	5.1
4.1	**6.0**	**5.1**

Outreach	FY22	FY23
# Per Year	2	12
Estimated Cost	20,000	20,000
Total	**40,000**	**240,000**

FY24	FY25
12	12
20,000	20,000
240,000	**240,000**

Staffing Costs

FY22	Category	FTE	Object A	Object B	Object C	Object E	Object G	Object J	Object N	Object P	Object T	Total
Customer Service Specialist 2	Comm Staff & Support	3.3	152,000	68,000	-	22,000	12,000	21,000	-	1,000	13,000	289,000
Customer Service Specialist 4	Comm Staff & Support	0.8	47,000	19,000	-	5,000	3,000	5,000	-	-	3,000	82,000
Outreach Costs	Comm & Outreach	-	-	-	-	40,000	-	-	-	-	-	40,000
Actuary	Actuary	-	-	-	-	-	-	-	-	-	-	-
Total		**4.1**	**199,000**	**87,000**	**-**	**67,000**	**15,000**	**26,000**	**-**	**1,000**	**16,000**	**411,000**

FY23	Category	FTE	Object A	Object B	Object C	Object E	Object G	Object J	Object N	Object P	Object T	Total
Customer Service Specialist 2	Comm Staff & Support	5.0	228,000	102,000	-	36,000	18,000	14,000	-	2,000	20,000	420,000
Customer Service Specialist 4	Comm Staff & Support	1.0	57,000	23,000	-	6,000	4,000	-	-	-	4,000	94,000
Outreach Costs	Comm & Outreach	-	-	-	-	240,000	-	-	-	-	-	240,000
Actuary	Actuary	-	-	-	-	250,000	-	-	-	-	-	250,000
Total		**6.0**	**285,000**	**125,000**	**-**	**532,000**	**22,000**	**14,000**	**-**	**2,000**	**24,000**	**1,004,000**

FY24	Category	FTE	Object A	Object B	Object C	Object E	Object G	Object J	Object N	Object P	Object T	Total
Customer Service Specialist 2	Comm Staff & Support	5.0	228,000	102,000	-	36,000	18,000	2,000	-	2,000	20,000	408,000
Customer Service Specialist 4	Comm Staff & Support	1.0	57,000	23,000	-	6,000	4,000	-	-	-	4,000	94,000
Outreach Costs	Comm & Outreach	-	-	-	-	240,000	-	-	-	-	-	240,000
Actuary	Actuary	-	-	-	-	-	-	-	-	-	-	-
Total		**6.0**	**285,000**	**125,000**	**-**	**282,000**	**22,000**	**2,000**	**-**	**2,000**	**24,000**	**742,000**

FY25	Category	FTE	Object A	Object B	Object C	Object E	Object G	Object J	Object N	Object P	Object T	Total
Customer Service Specialist 2	Comm Staff & Support	5.0	228,000	102,000	-	36,000	18,000	2,000	-	2,000	20,000	408,000
Customer Service Specialist 4	Comm Staff & Support	1.0	57,000	23,000	-	6,000	4,000	-	-	-	4,000	94,000
Outreach Costs	Comm & Outreach	-	-	-	-	240,000	-	-	-	-	-	240,000
Actuary	Actuary	-	-	-	-	-	-	-	-	-	-	-
Total		**6.0**	**285,000**	**125,000**	**-**	**282,000**	**22,000**	**2,000**	**-**	**2,000**	**24,000**	**742,000**

Individual State Agency Fiscal Note

Bill Number: 1733 E S HB	Title: Long-term care/exemptions	Agency: 540-Employment Security Department

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.0	29.4	14.7	17.2	17.2
Account					
Long-Term Services & Supports Trust Acct-State 567-1	337,360	4,939,412	5,276,772	3,628,575	3,543,288
Total $	337,360	4,939,412	5,276,772	3,628,575	3,543,288

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

[X] If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

[ ] If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

[ ] Capital budget impact, complete Part IV.

[X] Requires new rule making, complete Part V.

Legislative Contact:	Mary Mulholland	Phone: 360-786-7391	Date: 01/20/2022
Agency Preparation:	Lesley Carpenter	Phone: 360 902-9404	Date: 01/24/2022
Agency Approval:	Danielle Cruver	Phone: 360-810-0901	Date: 01/24/2022
OFM Review:	Anna Minor	Phone: (360) 790-2951	Date: 01/24/2022

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 2 of this bill requires that beginning January 1, 2023 the Employment Security Department (ESD) is to accept applications for voluntary exemptions for any employee who meets the criteria established in this bill that is either :

A veteran who has a service-connected disability of 70% or greater ;
A spouse or registered domestic partner of an active duty service member whether or not deployed or stationed within or outside of Washington;
An employee who holds a nonimmigrant visa and employed in Washington; or
An employee who is employed by a Washington employer, but maintains a permanent address outside of Washington.

The Engrossed Substitute House Bill

The engrossed substitute bill specifies that the payment of premiums is the responsibility of the employee when the conditions for their exemption no longer apply and establishes an interest rate of 1% percent per month; and clarifies that a discontinued exemption under this bill is an exception to the prohibition on exempt employees becoming qualified individua

Once the exemption is discontinued based on the conditions above, the employee must notify ESD and their employer that they are no longer exempt. Failure to begin paying the premiums within 90 days of the exemption cancellation events described above will result in the payment of any unpaid premiums, with interest by the employee to ESD.

Section 2 of the bill will have significant Information Technology (IT), policy and operational impact for Employment Security Department (ESD). Section 2 creates exemption pathways for individuals not previously eligible for exemptions from the Long Term Services and Support (LTSS) program. Additionally, current exemptions are based on an attestation from the employee and are only available until December 31, 2022. This bill creates exemption pathways, with no application end date, requires the applicant to submit documentation showing that they qualify for the exemption, and certain events will cancel the exemption. The bill also requires direct payment of premiums from an employee whose exemption was cancelled more than 90 days previous and owes premiums, with interest. We currently receive premiums from employers, not employees.

This proposal will require major rulemaking with significant outreach and coordination with stakeholders per Section 2 (12) of the bill, which states “ESD shall adopt rules necessary to implement and administer the activities specified to the program, including rules on submission and processing of applications under this section.” Policy and Rules will also require an additional staff person for rulemaking and policy support for the bill’s requirements.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates . Distinguish between one time and ongoing functions .

Providing a larger pool of potential employees eligible for exemptions from the program will likely reduce the amount of premiums collected and may affect the Long Term Services and Support (LTSS) Trust Fund solvency. Solvency of the trust is evaluated by actuarial modeling with DSHS and the Office of the State Actuary. Any additional exemptions to the program will impact cash receipts as ESD will not be receiving premiums to contribute to the program from these individuals. The bill's impact on cash receipts are indeterminate because the Employment Security Department (ESD) does not know the wages that the potential pool of exempted employees would have contributed to the LTSS program had they not received an exemption.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Please see attachment titled ESHB 1733 Expenditures

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
567-1	Long-Term Services & Supports Trust Acct	State	337,360	4,939,412	5,276,772	3,628,575	3,543,288
		Total $	337,360	4,939,412	5,276,772	3,628,575	3,543,288

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		29.4	14.7	17.2	17.2
A-Salaries and Wages		1,273,944	1,273,944	1,557,926	1,557,926
B-Employee Benefits		509,577	509,577	623,170	623,170
C-Professional Service Contracts	337,360	2,024,160	2,361,520		
E-Goods and Other Services		789,932	789,932	1,029,487	944,200
G-Travel					
J-Capital Outlays					
T-Intra-Agency Reimbursements		341,799	341,799	417,992	417,992
Total $	337,360	4,939,412	5,276,772	3,628,575	3,543,288

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
COMMUNICATIONS CONSULTANT 5	72,756		0.2	0.1	0.2	0.2
CUSTOMER SERVICES SPECIALI! 2	39,528		21.6	10.8	10.0	10.0
CUSTOMER SERVICES SPECIALS 4	45,504		1.6	0.8	1.0	1.0
MANAGEMENT ANALYST 3	59,688		0.5	0.3		
OFFICE ASSISTANT 3	36,804		1.6	0.8	2.0	2.0
PFML SPECIALIST 3	59,688		2.9	1.5	3.0	3.0
TAX POLICY SPECIALIST 2	70,956		1.0	0.5	1.0	1.0
Total FTEs			29.4	14.7	17.2	17.2

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules .

The bill will require major rulemaking.

Section two of the bill requires the Employment Security Department (ESD) to adopt rules to implement and administer the activities described in the bill, including rules on the submission and processing of the new exemption applications.

The rulemaking will likely require amendments to chapter 192-905 WAC Exemptions, and will also require new sections of rules in this chapter addressing the documentation necessary to receive an exemption under the categories created by the bill.

Describe Expenditure Impact:

This bill provides voluntary exemption opportunities from the Long-Term Services and Supports (LTSS) Trust Program for veterans with a 70% service-connected disability, spouses or registered domestic partners of an active-duty service member, nonimmigrant visa holders, and employees employed by a Washington employer who maintain addresses outside of Washington. Exemptions will be discontinued under certain conditions requiring the individual to begin paying premiums and participating in the LTSS program.

Employment Security Department (ESD) Information Technology (IT) team must update the LTSS systems, Portal, to allow Washingtonians to apply for exemptions by adding new exemption types. ESD will also expand the Customer Support systems, Portal and Customer Relationship Manager (CRM), to be able to answer questions about exemptions, including approving or denying exception requests. The financial system, Microsoft Dynamics AX, will also need to be updated to collect payments from the employee.

The bill has not effective date, so will take effect 90 days after legislative session ends. The new exemptions created by the bill will be available beginning January 1, 2023.

The following assumptions are being used for the new exemptions laid out in the bill:

80% Initial Uptake

Year	Veterans w/ 70% or more disability	Spouses/domestic partners	Employed in WA, residing out of WA	Non-immigrant visa holders	Total
2025	15,694	43,191	98,840	43,710	201,435
2024	204	561	1,284	568	2,617
2025	203	557	1,276	564	2,600
				Total	206,652

Additional Assumptions on the Annual Estimates:

1. This is not considering any recertification. ESD does not know how often or how many that could be.
2. There is the possibility that some individuals will flow in and out of exemption status, ESD cannot account for that.
3. Because within the eligibility groups, somebody who is a disabled veteran in 2023 is still in the pool in 2024 and so
   on. That is why there is a huge spike in the initial year and then those groups are removed from following years.
4. ESD may not see 80% uptake in that first year, which would impact the expected exemption in the following years.
5. Because ESD may not see 80% uptake in the first year, the spread of when exemptions fall into each year is difficult to predict. ESD should expect an estimated 206,651 exemptions from 2023 through 202. How those flow annual is more difficult to track.
6. All the assumption from the individual exemption groups still applies as well as the general assumptions.

To implement this bill the following needs to occur in fiscal year 2023:

1. Major Rulemaking and policy work
2. Updating LTSS, Customer Support, and Financial systems
3. Updating Employment Security Department (ESD) websites
4. Developing and delivering training for staff

Operating Cost

Rulemaking and Policy Related Costs (one-time cost)
- Major Rulemaking cost = $90,000

Printing and Mailing Costs for 2023 to 2025:

Each person who applies for an exemption will receive a letter indicating a decision regarding their application. Each mailing costs $0.65. for 2023, ESD added a 30% increase for reviews to ensure the person still meets the exemption criteria, and 1% to notify of a cancellation of their exemption due to a change in their statue.

Assuming the initial number of applications for 2023 will be 201,435, with 30% added for review and 1% added for cancellations, the estimated total for mailings for 2023 will be $171,522. For each continuing year, we will review 30% of those with exemptions and send 1% cancellation letters based on life changes. The estimated total for 2024 is $42,284 and the estimated total for 2025 is $43,003.

Estimated Total 2023: 201,435 decision letter + 60,431 reviews + 2,014 cancelations = 263,880 * $0.65 = $171,522
Estimated Total 2024: 2,616 decision letter + 60,422 reviews + 2,014 cancelations = 65,052 * $0.65 = $42,284
Estimated Total 2025: 2,600 decision letter + 61,508 reviews + 2,050 cancelations = 66,158 * $0.65 = 43,003

Information Technology (IT) Related Contract Costs (one-time cost):

Business Analyst Lead to work with business to define requirements and document for development/test to create software

FY 2022 (160 hours * $172 = $27,520)
FY 2023 (960 hours * $172 = $165,120)

IT Application Development to write code for the Leave & Care Financial System, Microsoft Dynamics AX

FY 2022 (160 hours * $125 = $20,000)
FY 2023 (960 hours * $125 = $120,000)

IT Application Development to write code for the Leave & Care Customer Relationship System (CRM)

FY 2022 (160 hours * $117.50 = $18,800)
FY 2023 (960 hours * $117.50 = $112,800)

4 - IT Application Development to write code for the Leave & Care Portal System (Portal interface to our backend data)

FY 2022 (640 hours * $135 = $86,400)
FY 2023 (3840 hours * $135 = $518,400)

4 - Software Development Engineer in Test (SDETs) to test software and validate the code and writes automated tests

FY 2022 (640 hours * $105 = $67,200)
FY 2023 (3840 hours * $105 = $403,200)

Solution Architect to provide oversight and review of the code and guides developers in creating software solutions that are consistent across the entire ecosystem to ensure supportability and sustainability

FY 2022 (160 hours * $147 = $23,520)
FY 2023 (960 hours * $147 = $141,120)

Delivery Architect to act as a senior application developer and team lead at an hourly rate of $181.00

FY 2022 (160 hours * $181 = $28,960)
FY 2023 (960 hours * $181 = $173,760)

Scrum Master to lead the team - facilitate scrum, unblock work, work closely with the product owner to ensure team is able to work and move forward

FY 2022 (160 hours * $181 = $28,960)
FY 2023 (960 hours * $181 = $173,760)

Performance Tester to validate performance (speed, load, etc) of the software

FY 2022 (160 hours * $105 = $16,800)
FY 2023 (960 hours * $105 = $100,800)

DevOps to work with developers, system operators and other IT staff to oversee code releases and deployments.

FY 2022 (160 hours * $120 = $19,200)
FY 2023 (960 hours * $120 = $115,200)

Total IT Related Contract Cost during FY2022:

$27,520.00 + $20,000.00 + $18,800.00 + $86,400.00 + $67,200.00 + $23,520.00 + $28,960.00 + $28,960.00 + $16,800.00 + $19,200.00 = $337,360

Total IT Related Contract Cost during FY2023:

$165,120.00 + $120,000.00 + $112,800.00 + $518,400.00 + $403,200.00 + $141,120.00 + $173,760.00 + $173,760.00 + $100,800.00 + $115,200.00 = $2,024,160

Operations/Customer Service:

Provide customer service online and via phone
Need to collect back premiums from employees
Process appeals
Investigate fraud
ESD used a 30% assumption for the recertifying/review process based on a 3-year cycle was used to calculate staff time
ESD used a 10% assumption for cancellations per year was used to calculate staff time

Timeline:

Process Coordinator (MA3) start 7/1/2022 and Trainer (PFML Specialist 3) start 9/1/2022
Target onboard for all other staff would be 10/1/2022

First year’s volume 1/1/2023 to 6/30/2023 ESD will need staff to assist with the initial volume.

Operations staffing for many activities required under the bill will be permanent, as there is no sunset date to the exemptions available under the bill, with some non-permanent/project staff at the beginning to help with initial volume. Staff will need to be hired three months before go-live.

Work for operations will include customer service offered online and over the phone. Additionally, operations staff will adjudicate exemption applications, the recertification and cancellation of exemptions, communicate decisions to applicants, collect back premiums from employees, process appeals and investigate instances of possible fraud. Onboarding for staff most customer service staff will begin October 2022. These staff are needed three months before going live for 6 weeks of training, then they are needed for customer service (phones and emails) prior to the launch. A training specialist will be onboarded September of 2022 and a process coordinator starting July of 2022.

Process Coordinator (MA3) to draft, review and implement new changes regarding the changes to the exemptions processing. This would be a 6-month project position starting July 1, 2022 costing $57,364

Trainer (PFML Specialist 3) to provide training to staff on how to process the new exemptions and overview of the documents received per exemption. This would be a 6-month project position starting September 1, 2022 costing $57,364

Customer Service Specialist 2 (CSS2) to provide customer service online and via phone and process and review Exemptions and communicate decisions. Needed for the initial application volume in the first year. These would be non-perm positions for 9 months starting October 1, 2022.
Cost for FY2023: 13.60 FTE * $81,095 = $1,102,885

Customer Service Specialist 4 (CSS4) to provide support and supervise CSS2s. Needed for the initial application volume in the first year. This would be a non-perm position for 9 months starting October 1, 2022
Cost for FY2023: 0.80 FTE * $91,065 = $72,852

Total Operations/Customer Service (One-Time Cost) for FY2023: $57,364 + $57,364 + $1,102,885 + $72,852 = $1,290,465

Total One-Time Cost during FY2022: $337,360
Total One-Time Cost during FY2023: $90,000 + $171,522 + $2,024,160 + $1,290,465 = $3,576,147
Total One-Time Cost during FY2024: $42,284
Total One-Time Cost during FT2025: $43,003

Policy and Rulemaking
Ongoing policy analysis, updates and support will require 1.0 FTE of a Tax Policy Specialist 2. Anticipated start date is July 1, 2022 and ongoing.

Policy Cost for FY2023 and ongoing: 1.00 FTE * $133,525 = $133,525

Communications Planning
ESD Communications would need to clearly communicate to employers about upcoming changes to exemption standards and continue employer communications to support compliance on an ongoing basis. Outreach for these exemptions will be a part of the standard outreach for the program unless specific outreach/education requirements are added to the proposal. This work will begin following the effective date of the bill and be ongoing.

Lead Communications Consultant (CC5) = 344 hours (annual estimate of activities)

- Gathering information and participation in project team meetings and internal communications activities
- Drafting, gathering feedback from subject matter experts, leaders, communications manager and getting approval of communications plan and verbiage
- Updating the website and/or working with contractors if needed
- Developing key messages
- Coordinating and ordering printing
- Anticipated start date is July 1, 2022 and ongoing

Communications Cost for FY2023 and ongoing: 0.20 FTE * $136,528 = $27,306

Operations/Customer Service

PFML Specialist 3 to review and process appeals submitted from both Employees and employers and investigate possible fraud exemptions. Anticipated start date October 1, 2022 and ongoing.

Cost for FY2023: 2.40 FTE * $114,727 = $275,346
Cost for FY2024 and ongoing: 3.00 FTE * $114,727 = $344,183

Customer Service Specialist 2 (CSS2) to provide customer service online and via phone and process and review Exemptions and communicate decisions. Anticipated start date October 1, 2022 and ongoing.

Cost for FY2023: 8.00 FTE * $81,094 = $648,756
Cost for FY2024 and ongoing: 10.00 FTE * $81,094 = $810,945

Customer Service Specialist 4 (CSS4) to provide support and supervise CSS2s. Anticipated start date October 1, 2022 and ongoing.

Cost for FY2023: 0.80 FTE * $91,065 = $72,852
Cost for FY2024 and ongoing: 1.00 FTE * $91,065 = $91,065

Office Assistant 3 to assist with indexing mail and fax items received by exemption customers. Anticipated start date October 1, 2022 and ongoing.

Cost for FY2023: 1.60 FTE * $76,550 = $122,480
Cost for FY2024 and ongoing: 2.00 FTE * $76,550 = $153,100

Operations/Customer Services Ongoing Cost for FY2023: $275,346 + $648,756 + $72,852 + $122,480 = $1,119,434
Operations/Customer Services Ongoing Cost for FY2024: $344,183 + $810,945 + $91,065 + $153,100 = $1,399,293

Attorney General Office (AGO)
AGO will need to bill ESD for legal services related to ESD accepting and approving voluntary exemption applications from the premium assessment under RCW 50B.04.080, beginning January 1, 2023, for employees who meet criteria established by ESD based on certain listed statuses. ESD must adopt criteria, procedure, and rules for verifying information submitted in support of exemptions, and rules necessary to implement and administer the activities covered by this act. Anticipated start date July 1, 2023 and ongoing

Cost for FY2023 and ongoing: $83,000 per year

Office of Administrative Hearings (OAH)
The potential cancellation of exemptions will increase appeal activity for the division. Appeals from denials of applications for exemption under Sec. 2 (1), based on failure to verify the information submitted as required by Sec. 2(2). and appeals from assessments of premiums against employees for nonpayment of premiums upon discontinued exemptions, under Sec. 2 (4)(d), (5)(d), and (6)(d). ESD estimates that the new exemption categories and the periodic checking to ensure that people still meet exemption criteria will generate around 60 LTSS appeals per fiscal year costing $128,520. Anticipated start date July 1, 2024 and ongoing.

Cost for FY2024 and ongoing: $128,520 per year

Total Ongoing Cost for FY2023: $133,525 + $27,306 + $1,119,434 + $83,000 = $1,363,365
Total Ongoing Cost for FY204 and beyond: $133,525 + $27,306 + $1,399,293 + $83,000 + $128,520 = $1,771,644

Total Cost for FY2022: $337,360
Total Cost for FY2023: $3,576,147 + $1,363,365 = $4,939,412
Total Cost for FY2024: $42,284 + $1,771,644 = $1,813,928
Total Cost for FY2025: $43,003 + $1,771,644 = $1,814,647
Total Cost for FY2026 and ongoing: $1,771,644

Individual State Agency Fiscal Note

Bill Number: 1733 E S HB	Title: Long-term care/exemptions	Agency: AFN-Actuarial Fiscal Note - State Actuary

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact . Factors impacting the precision of these estimates , and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- [X] If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete entire fiscal note form Parts I-V.
- [ ] If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete this page only (Part I).
- [ ] Capital budget impact, complete Part IV.
- [ ] Requires new rule making, complete Part V.

Legislative Contact:	Mary Mulholland	Phone: 360-786-7391	Date: 01/20/2022
Agency Preparation:	Melinda Aslakson	Phone: 360-786-6161	Date: 01/21/2022
Agency Approval:	Luke Masselink	Phone: 360-786-6154	Date: 01/21/2022
OFM Review:	Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/24/2022

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

January 21, 2022

SUBJECT: ACTUARIAL ANALYSIS ON ENGROSSED SUBSTITUTE HOUSE BILL (ESHB) 1733 – 2022 SESSION

The Office of the State Actuary (OSA) currently contracts with an outside consultant to provide most actuarial analysis for the Long-Term Services and Supports (LTSS) Trust program, also referred to as the WA Cares Fund. We prepared this cover memo to introduce and summarize the outside consultant's (Milliman's) actuarial analysis on this bill.

Background on Current Law Program

The WA Cares Fund is a self-funded program through a premium rate of 0.58 percent – applied to covered wages of covered wage earners. The benefits provided by the program under current law are defined in the Revised Code of Washington 50B.04.

Milliman's *2020 Long-Term Services and Supports Trust Actuarial Study* (Milliman 2020 Study) analyzed the estimated premium rate needed to pay full program benefits and expenses under various scenarios. See the Milliman 2020 Study for a summary of the scenarios tested and a description of benefits assumed to be provided under current law as of December 2020.

For background and summary information on the actuarial status of the LTSS Trust Program, see the *Actuarial Status of the LTSS Trust Program Report* on OSA's website.

How ESHB 1733 Differs from House Bill 1733

The engrossed substitute bill version clarifies that an individual who discontinues an exemption under Section 2 may be eligible to become a qualified individual in the future. The engrossed substitute bill also made a technical correction to the bill text. Neither of these changes impacts the actuarial analysis that was prepared on the original bill.

Summary of ESHB 1733

This bill amends the LTSS Trust Program as follows:

Section 2 (1) adds the following voluntary exemptions from premium assessments beginning January 1,2023, that align with policy options considered by the LTSS Trust Commission:

(a) Veterans with a service-related disability of 70 percent or higher,

(b) The spouses or registered domestic partners of active-duty service members,

(c) Persons working in the US under temporary, non-immigrant work visas, and

(d) Persons with a permanent primary address outside of Washington but working in Washington.

For those that receive an exemption, the bill also includes a mandatory exemption removal if an individual's circumstances change.

For example, with regard to (b) above, this bill creates a 90-day required exemption removal period for spouses or domestic partners if the active-duty service member is discharged or separates from military service; or the dissolution of the marriage or registered domestic partnership with the active-duty service member.

With regard to (c) above, this bill creates a 90-day exemption removal period for persons working in the US under temporary, non-immigrant work visas should they become a citizen.

With regard to (d) above, this bill creates a 90-day required exemption removal period for individuals with a permanent primary address outside of Washington but working in Washington who later become a permanent resident of Washington.

In all cases, it is incumbent upon the individual to notify the Employment Security Department (ESD) of discontinuing an exemption and notify their employer to begin premium assessments. Failure of the employee to begin paying premiums within 90 days of the occurrence of changes in circumstances will result in the payment of any unpaid premiums, with interest, by the employee to ESD from the date they originally should have begun.

Exempt employees are not entitled to a refund of any premium deductions made before the effective date of an approved exemption or before they notify their employer.

An employee who has received an exemption will provide written notification to all current and future employers of an approved exemption. Employers may not deduct premiums after being notified by an employee of an approved exemption.

The substitute bill clarifies that an individual who discontinues an exemption under Section 2 may be eligible to become a qualified individual in the future.

The bill provides ESD rulemaking authority for implementation including developing criteria, procedures and rules for submission and processing applications and verifying exemptions.

Summary of Actuarial Analysis

Background

ESHB 1733 provides choice for employees to opt-out of the WA Cares Fund program. Whenever choice is involved, it creates the potential for adverse selection and uncertainty in pricing estimated impacts. The larger/smaller the impacted population relative to the total working population, the larger/smaller the potential for adverse selection to impact the underlying premium rate, all else equal. The presentation or format of Milliman's analysis varies depending on the size of the impacted population. For relatively smaller populations, Milliman provides a single, point estimate to display the change in expected cost or premium rate for a specific benefit provision. For larger populations, they prepare various scenarios to show how the premium rate impact can change under different levels of modeled adverse selection.

In the following discussion, we summarize the analysis Milliman provides for the expected change to the level premium assessment required to pay all expected benefits over the next 75 years if all assumptions are realized. The actual impact to the required premium rate could be more or less than what's shown. If this bill passes, it would lead to increased program costs. Please note, however, that the passage of this bill, by itself, will not change the premium rate collected, which is currently 0.58 percent of covered wages. The examples simply show how it might impact expected program costs.

Please note what is presented here are estimates of the actuarial impact of discrete provisions of ESHB 1733 relative to the "baseline" in the Milliman 2020 Study. To more precisely estimate the full impact of this bill, Milliman would need to analyze its provisions relative to an updated "baseline." Such an analysis would reflect, among other updated data, actual experience from the private market exemptions as well as interaction effects between private market exemptions and the policies of ESHB 1733. After an updated baseline analysis is performed, the impacts from this bill could be more or less than the information shown below.

Analysis of Changes Proposed in ESHB 1733

We have attached two letters from Milliman which, except as noted below, include the estimated impacts from the policy changes detailed in ESHB 1733, as well as other policy changes that have been considered by the LTSS Trust Commission.

The estimates for items (a) and (b) in the Summary of ESHB 1733 section are included in the December 3, 2021, letter, Voluntary Military Opt-Outs. The estimates for items (c) and (d) are included in the September 2, 2021, letter, Additional Modeling for Benefit Eligibility Workgroup (modeling requests #2 and #4).

The table below summarizes the aggregated impact of the four policy options included in ESHB 1733. Since Milliman priced each policy change separately, the summation of all impacts may be more or less than shown.

As noted in the Milliman 2020 Study, the estimated required premium rate required to pay for all program benefits and expenses over the next 75 years is 0.66 percent of covered wages. This "baseline" analysis reflects an assumed investment policy of U.S. Treasuries, roughly 105,000 individuals choosing the private market exemption, and other assumptions. That baseline, however, relied on economic data and program parameters that have since changed. To improve estimated impacts of this bill, its provisions would need to be analyzed within the context of an updated baseline analysis. Please note, further, that the passage of this bill, by itself, will not change the statutory premium rate collected, which is currently 0.58 percent of covered wages.

Estimated Increase to Required Premium Rate from ESHB 1733	
A. Veterans with Service-Related Disability 70% or Higher	< 0.01%
B. Spouse or Domestic Partner of Active-Duty Service Members	< 0.01%
C. Temporary, Non-Immigrant Visa Workers	0.01%
D. Employees Who Work in WA but Have a Permanent Address outside of WA	0.03% - 0.06%
Total Estimated Premium Rate Increase to Cover Additional Costs from ESHB 1733	**0.05% - 0.08%**

Another way to consider the impact of this bill is in terms of the projected solvency year. If all assumptions occur as expected, Milliman's 2020 Study estimates the program will have sufficient assets to pay full benefits and expenses through 2075. If ESHB 1733 were to pass, and the premium rate remains at 0.58 percent, OSA estimates this could move the solvency year from 2075 to somewhere between 2055 and 2065.[1] This estimated window reflects the range of higher costs from this bill.

Please note the following:

- ESHB 1733 allows for exemption applications to be accepted starting January 1, 2023, however current law premium collection began on January 1, 2022. That means employees could pay premiums for a year before they are eligible for exemption under this bill. The bill does not allow for refunds of premiums. The pricing above does not assume a year of premium revenue from the employees that become exempt. If it did, the estimated premium impacts would be less than what is shown in the table above.
- The bill requires employees to alert ESD and their employer when their circumstances change. Not requiring employees to revalidate their exemption may lead to individuals choosing not to follow this protocol when their circumstances change as a way to avoid the WA Cares Fund program. This could lead to adverse selection with those that choose to self-report an exemption removal. If ESD implements and administers a revalidation process through their rulemaking process, this could limit adverse selection from those that self-report a change.
- Milliman priced the estimated impact of a mandatory exemption for temporary, non-immigrant visa holders. The bill allows for a voluntary exemption. Based on the estimated visa holder population assumed by Milliman relative to all workers, the estimated premium rate impact in the table above is likely still reasonable for a voluntary exemption.
- Milliman estimated the impact to a voluntary exemption of employees who work in Washington but have permanent residence in a border state. ESHB 1733 expands this definition to working in Washington but

[1] *The actual solvency year could be earlier or later than these estimates. OSA relied on Milliman's 2020 Study to calculate the impact on the program's solvency year. Based on that study, for every 0.02 percent increase/decrease to the premium rate, we estimate that will shift the program's solvency year to be approximately one year earlier/later.*

having a permanent residence anywhere else, not just a border state. Since the program requires the employee to physically work in Washington, it is unlikely this expansion will significantly alter the estimated headcount from Milliman's attached analysis.

Attachments:

A. Voluntary Military Opt-Outs.
B. Additional Modeling for Benefit Eligibility Workgroup (modeling requests #2 and #4).

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December 3, 2021

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: Voluntary Military Opt-Outs

Dear Luke:

Per your request, we analyzed the impact of exempting two cohorts from the WA Cares Fund through voluntary opt-outs: (1) active military spouses, and (2) veterans rated 70% disabled or above.

The starting Base Plan for this letter relies upon the base plan included in our 2020 LTSS Trust Actuarial Study[1] dated December 12, 2020 (2020 Actuarial Study). All plan features, methodology, and assumptions are consistent with the modeling of the base plan in our 2020 Actuarial Study using the “Invest Treasuries” scenario unless indicated otherwise. The results in this letter should be considered in their entirety in combination with our 2020 Actuarial Study.

Various alternatives in this letter allow choice for individuals to opt out of the WA Cares Fund on an ongoing, voluntary basis. **Program parameters that introduce choice and that are not mandatory create potential for adverse selection and uncertainty in pricing and projection estimates.**

Per our discussion with the Washington State Office of the State Actuary (OSA) and Washington State Department of Social and Health Services (DSHS), we provide point estimates for the potential impact of the program alternatives under one adverse selection scenario in this letter. Only one adverse selection scenario was modeled because of the relatively smaller count of individuals affected compared to the entire working population. The adverse selection scenario considered in this letter assumes 100% of wages are excluded and 100% of benefits are retained for the exempted groups. Although we provide point estimates under one scenario in this letter, the needed premium assessment could be different depending on the actual level of adverse selection. It is worth noting that modeling participation scenarios other than 100% wages excluded / 100% benefits retained is likely to produce a result somewhere in between the estimated premium assessments in this letter and the estimated Base Plan premium assessment of 0.66%.

ACTIVE MILITARY SPOUSE EXEMPTION

We analyzed the impact of allowing military spouses to opt out of the WA Cares Fund by carving out 100% of the premium we assume would have been collected from this cohort under the Base Plan. Per discussions with OSA and DSHS, we assumed this exemption would only apply to spouses of *active* military and operate on an annual basis (i.e., individuals with military spouses would be able to opt out of paying the premium assessment for that year and would not necessarily be opted out of the program for life).

[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

Table 1 Washington Office of the State Actuary Active Military Spouse Exemption Exclude 100% of Premium, Retain 100% of Claims[1] Level Premium Assessment Required		
Test	**Premium Assessment**	**% Change from Base Plan**
Base Plan	0.664%	N/A
Exempt Military Spouses	0.666%	0.002%

[1] To test the impact on the premium assessment of exempting military spouses, we excluded 100% of the premiums assessed to military spouses. Given military spouses will have the choice to participate or opt out, we retained 100% of the modeled claims due to the uncertainty of adverse selection as one possible scenario. The estimated premium assessment could be different depending on the actual level of adverse selection.

We used the following assumptions to model the estimated impact to the premium assessment for exempting military spouses:

- We estimated that there were approximately 12,600 employed spouses of active military in Washington in 2022. This is based on the following assumptions:
  - Per data provided by DSHS, there are approximately 61,000 active-duty military personnel in Washington.
  - Per data provided by DSHS, approximately 52% of military personnel are married.
  - Approximately 40% of military spouses are employed.[2]
- We estimated military spouses have average annual wages of approximately $47,800, based on the assumption that these individuals have incomes 26% lower than the average wage nationwide.[3]
- We used the 2022 counts and wages to calculate a “revenue adjustment,” which we use to carve out the payroll premium assessments that would have been collected from military spouses. We apply the same adjustment to revenue in every year of the projection.
- We did not make an adjustment to Base Plan claims as a result of this exemption. It is reasonable to expect that there may be a reduction in claims as a result of this exemption, which would decrease the premium assessment.
- As a sensitivity test, we looked at if all active military spouses (31,400) worked and received average wages ($64,600). The premium assessment would rise to 0.671% under this test.

VETERANS RATED 70% DISABLED OR ABOVE

We analyzed the impact of allowing veterans with a 70% or higher disability rating to opt out of the WA Cares Fund by carving out 100% of the premium we assume would have been collected from this cohort under the Base Plan. Disability rating is the rating assigned to veterans with service-connected disabilities, and determines the level of disability compensation a veteran is eligible for through the U.S. Department of Veteran Affairs (VA), where a higher disability rate corresponds to being eligible for more benefits[4].

[2] *Military spouses fact sheet.* Department of Labor. Retrieved October 7, 2021 from https://www.dol.gov/sites/dolgov/files/WB/mib/WB-MilSpouse-factsheet.pdf
[3] *DOD to induct new partners into Military Spouse Employment Partnership.* U.S. Department of Defense. Retrieved October 7, 2021, from https://www.defense.gov/News/Releases/Release/Article/2438540/dod-to-induct-new-partners-into-military-spouse-employment-partnership/.
[4] *About VA disability ratings*. Veterans Affairs. Retrieved October 29, 2021, from https://www.va.gov/disability/about-disability-ratings/.

Table 2
Washington Office of the State Actuary
70% Disabled Veteran Exemption
Exclude 100% of Premium, Retain 100% of Claims [1]
Level Premium Assessment Required

Test	Premium Assessment	% Change from Base Plan
Base Plan	0.664%	N/A
Exempt 70%+ Disabled Veterans	0.669%	0.005%

[1] To test the impact on the premium assessment of exempting veterans with a 70%+ disability rating, we excluded 100% of the premiums assessed to these veterans. Given these veterans will have the choice to participate or opt out, we retained 100% of the modeled claims due to the uncertainty of adverse selection as one possible scenario. The estimated premium assessment could be different depending on the actual level of adverse selection.

We used the following assumptions to model the estimated impact to the premium assessment for exempting 70%+ disabled veterans:

- We estimated that there were approximately 22,600 employed veterans with a 60% of higher disability rating living in Washington.[5] Due to the data that was available, we used a 60% or higher disability rating threshold instead of the requested 70% threshold.
- We assumed this population had average wages that are comparable to average Washington wages.
- We used the 2022 counts and wages to calculate a "revenue adjustment," which we use to carve out the payroll taxes that would have been collected from disabled veterans. We apply the same adjustment to revenue in every year of the projection.
- We did not make an adjustment to Base Plan claims as a result of this exemption. It is reasonable to expect that there may be a reduction in claims as a result of this exemption, which would decrease the premium assessment.

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 alternatives to the 2020 Baseline 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.

[5] U.S. Bureau of Labor Statistics. (2021, March 18). *Table 7. employment status of veterans 18 years and over by presence of service-connected disability, reported disability rating, period of service, and sex, August 2020, not seasonally adjusted.* U.S. Bureau of Labor Statistics. Retrieved October 27, 2021, from https://www.bls.gov/news.release/vet.t07.htm.

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 February 26, 2020, apply to this information.

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

Sincerely,

Christopher J. Giese

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September 2, 2021

Luke Masselink, ASA, EA, MAAA
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Olympia, WA 98504

[Sent via email: luke.masselink@leg.wa.gov]

Re: Additional Modeling for Benefit Eligibility Workgroup

Dear Luke:

Per your request, we performed preliminary analysis of alternative program features for the WA Cares Fund being considered by the Long-Term Services and Supports (LTSS) Trust Commission Benefit Eligibility Workgroup.

The starting Base Plan for this letter relies upon the base plan included in our 2020 LTSS Trust Actuarial Study[1] dated December 12, 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.

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., 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 projection estimates.** When an alternative includes a choice to participate in the WA Cares Fund, we illustrate results under varying impacts to premiums and claims, including scenarios where premiums and claims are impacted differently due to potential adverse selection.

It is important to note that the plan alternatives described in this letter may not affect the WA Cares Fund cash flows equally in each calendar year. In particular, proposals that target certain age groups or that include one-time optional choices will have varying impacts across the 75-year horizon modeled. Throughout this letter, the impact of the plan alternatives requested by the Benefit Eligibility Workgroup is illustrated by comparing the estimated premium assessment over the 75-year horizon of each plan alternative to the 2020 Actuarial Study Base Plan. It will be critical for the Benefit Eligibility Workgroup to also consider the cash flow impact to the WA Cares Fund by year, among other factors, if a different funding approach is used.

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 differs from the assumptions included in the 2020 Actuarial Study.**

MODELING REQUEST #1: NEAR-RETIREES

We analyzed two proposals from the Benefit Eligibility Workgroup for addressing “near-retirees” (i.e., those within 10 years of retirement who may not have the opportunity to fully vest into the program). The first proposal 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. Figure 1 below shows the payroll premium assessments required to fund the program over a 75-year window for the program alternatives.

[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

Figure 1
Washington Office of the State Actuary
Cost Illustrations to Cover Near-Retirees Through Additional Premiums
Level Premium Assessment Required
Assumed Retirement Age 65

Test	Premium Assessment	% Change from Base Plan
Base Plan	0.66%	N/A
Scenario 1: Add 50% premium / add 50% claims for near-retirees	0.69%	0.03%
Scenario 2: Add 100% premium / add 100% claims for near-retirees	0.72%	0.05%
Scenario 3: Add 0% premium / add 100% claims for near-retirees	0.72%	0.06%

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 Figure 1 contemplate adding premiums, so that individuals who would not be able to vest under the Base Plan, due to their impending retirement age, could vest and become eligible for benefits. When personal choice or voluntary participation is introduced into a program, setting rates presents a greater challenge given the unpredictability related to 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.

The second proposal we examined 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). See Figure 2 below.

Figure 2
Washington Office of the State Actuary
Options to Exempt Near-Retirees
Voluntary Opt-out for Individuals Born in 1966 or Earlier
Level Premium Assessment Required

Test	Premium Assessment	% Change from Base Plan
Base Plan	0.66%	N/A
Scenario 1: Remove 100% premium / remove 100% claims for near-retirees	0.63%	-0.03%
Scenario 2: Remove 100% premium / remove 0% claims for near-retirees	0.68%	0.01%
Scenario 3: Remove 50% premium / remove 0% claims for near-retirees	0.67%	0.01%

Under the Base Plan, premium assessments are charged on all wages from wage earners (with the exception of several cohorts exempt through opt-in or opt-out) regardless of the wage earners age or proximity to retirement. This would mean that some near-retirement individuals will contribute to the program via the premium assessment, but never be eligible for benefits, as they will retire before attaining vested status. The alternatives in Figure 2 contemplate allowing near-retirees (defined here as anyone born in 1966 or earlier) the option to opt out of the WA Cares Fund. When personal choice or voluntary participation is introduced into a program, setting rates presents a greater challenge given the unpredictability related to 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.

MODELING REQUEST #2: BORDER STATE RESIDENTS COMMUTING TO WORK IN WASHINGTON

We analyzed two proposals from the Benefit Eligibility Workgroup for addressing border-state residents who do not reside in Washington, but have earned wages in Washington. The first proposal would remove the benefit-eligibility exclusion for vested individuals residing in border states (i.e., Idaho and Oregon). See Figure 3 below.

Figure 3
Washington Office of the State Actuary
Options to Cover Border-State Residents Earning Wages in Washington
Level Premium Assessment Required

Test	Premium Assessment	% Change from Base Plan
Base Plan	0.66%	N/A
Remove benefit-eligibility exclusion for vested individuals residing in Idaho or Oregon	0.73%	0.07%

The second proposal examines structures where border-state residents could be exempted from paying into the program. We modeled both a voluntary opt-out and a mandatory, automatic exemption for border-state residents. We assumed that 150,000 workers commute into Washington from bordering states based on data from the Washington Employment Security Department. We also assumed their average wages were the same as those individuals modeled under the Base Plan. Figure 4 summarizes the modeling results.

Figure 4
Washington Office of the State Actuary
Options to Exempt Border-State Residents Earning Wages in Washington
Level Premium Assessment Required

Test	Premium Assessment	% Change from Base Plan
Base Plan	0.66%	N/A
Scenario 1: Automatic exemption – remove 100% premium / add 0% claims of border-state residents	0.69%	0.03%
Scenario 2: Voluntary – remove 0% premium / add 100% claims of border-state residents	0.69%	0.03%
Scenario 3: Voluntary – remove 100% premium / add 100% claims of border-state residents	0.72%	0.06%
Scenario 4: Voluntary – remove 50% premium / add 50% claims of border-state residents	0.69%	0.03%

Under the Base Plan, premium assessments are charged on all wages including wage earners living in other states. This would mean that individuals living out of state will contribute to the program, but may not be eligible for benefits unless they move into Washington when they need services. The automatic exemption scenario (Scenario 1) removes the premium contributed from these individuals, but there no claims to remove, since those individuals do not live in Washington.

When personal choice or voluntary participation is introduced into a program, setting rates presents a greater challenge given the unpredictability related to participation rates and adverse selection. Given this, we model scenarios 2 through 4 where we remove premiums and add claims from individuals in border states. Should individuals living in border states that pay premium assessments move into Washington at the time they need care (and therefore, would then be eligible for benefits from the WA Cares Fund), the additional claims in these scenarios represent potential additional benefits payable by the WA Cares Fund. For example, Scenario 4 assumes 50% of individuals decide to opt out, so we remove 50% of the modeled premiums from the Base Plan. However, since 50% chose to opt in, we assume they would move into Washington at the time services are needed. We then need to correspondingly add 50% of claims to the Base Plan from individuals living in border states that pay premium assessments and vest.

MODELING REQUEST #3: PEOPLE WHO LEAVE THE STATE

We analyzed proposals from the Benefit Eligibility Workgroup in which individuals who leave the state could use benefits outside the state (either 100% of full benefits or 50% of full benefits). See Figure 5 below. These tests are similar to those modeled under the divesting / portability alternatives shown in the 2020 Actuarial Study.

Figure 5
Washington Office of the State Actuary
Options to Cover People Who Leave the State
Level Premium Assessment Required

Test	Premium Assessment	% Change from Base Plan
Base Plan	0.66%	N/A
100% of Full Benefits Portable	1.03%	0.36%
50% of Full Benefits Portable	0.85%	0.18%

MODELING REQUEST #4: NON-IMMIGRANT VISAS

We analyzed a proposal from the Benefit Eligibility Workgroup where individuals with a non-immigrant visa are automatically exempt from the WA Cares Fund. Under the Base Plan, premium assessments are collected on wages from all non-exempt wage earners, including individuals, such as non-immigrant visa holders. Benefits are only assumed to be paid to individuals who are permanent residents of the state of Washington, which would not include non-immigrant visa holders.

We assumed there were nearly 23,000 individuals holding H2A visas[2] and 30,000 individuals holding H1B visas[3] in Washington in 2020. Additional assumptions related to these individuals are summarized below. Because H2A and H1B visa holders make up a small proportion of total wage earners in Washington, this alternative has a minor impact to the premium assessment compared to the Base Plan, requiring an increase to the premium assessment percentage of roughly 0.01% (i.e., to 0.678% from 0.664%).

Other assumptions we used to model the estimated impact to the premium assessment for individuals with a non-immigrant visa include:

- Individuals with a H2A visa have average annual wages of $32,926. This is based on an assumed hourly rate of $15.83 and working 40 hours per week.
- Individuals with a H1B visa have average annual wages of $122,000.
- Wages are assumed to increase annually at the same rate underlying the Base Plan modeling.
- The proportion of individuals with a non-immigrant visa compared to the total population of Washington workers remains constant across the 75-year horizon modeled.

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[2] *Yearbook of Immigration Statistics 2019. (April 30, 2021).* Department of Homeland Security. Retrieved August 31, 2021 from https://www.dhs.gov/immigration-statistics/yearbook/2019.
[3] "Top H1B Visa Sponsor by Work State : 2020 H1B Visa Reports." Myvisajobs.com. Retrieved August 23, 2021, from, www.myvisajobs.com/Reports/2020-H1B-Visa-Category.aspx?T=WS#LCA.

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

Sincerely,

Christopher J. Giese

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Principal and Consulting Actuary

CJG/mmd