

Multiple Agency Fiscal Note Summary

Bill Number: 6072 SB	Title: LTSS commission recs.
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Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Office of Attorney General	0	0	67,000	0	0	78,000	0	0	78,000
Employment Security Department	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total \$	0	0	67,000	0	0	78,000	0	0	78,000

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of Attorney General	.3	0	0	67,000	.4	0	0	78,000	.4	0	0	78,000
Washington State Health Care Authority	Fiscal note not available											
Office of Insurance Commissioner	1.1	0	0	315,806	1.7	0	0	585,494	1.4	0	0	488,312
Department of Social and Health Services	Fiscal note not available											
Employment Security Department	33.9	0	0	11,053,975	68.7	0	0	20,407,823	45.9	0	0	11,969,969
Actuarial Fiscal Note - State Actuary	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Total \$	35.3	0	0	11,436,781	70.8	0	0	21,071,317	47.7	0	0	12,536,281

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Attorney General	.0	0	0	.0	0	0	.0	0	0
Washington State Health Care Authority	Fiscal note not available								
Office of Insurance Commissioner	.0	0	0	.0	0	0	.0	0	0
Department of Social and Health Services	Fiscal note not available								
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: Preliminary 1/30/2024
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Individual State Agency Fiscal Note

Bill Number: 6072 SB	Title: LTSS commission recs.	Agency: 100-Office of Attorney General
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
Legal Services Revolving Account-State 405-1		67,000	67,000	78,000	78,000
Total \$		67,000	67,000	78,000	78,000

Estimated Operating Expenditures from:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	0.6	0.3	0.4	0.4
Legal Services Revolving Account-State 405-1	0	67,000	67,000	78,000	78,000
Total \$	0	67,000	67,000	78,000	78,000

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: Susan Jones	Phone: 360-786-7404	Date: 01/12/2024
Agency Preparation: Dave Merchant	Phone: 360-753-1620	Date: 01/19/2024
Agency Approval: Edd Giger	Phone: 360-586-2104	Date: 01/19/2024
OFM Review: Val Terre	Phone: (360) 280-3973	Date: 01/19/2024

Part II: Narrative Explanation

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

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

Section 1 - New section. Adds to Chapter 50B.04 RCW. Expands eligibility for participation in the Long Term Services and Support Program (Program) for out-of-state persons. Requires Employment Security Department (ESD) to adopt standards by rule related to out-of-state participants and to collect premiums from out-of-state participants.

Section 2 - Amends RCW 50B.04.010. Definitions.

Section 3 - Amends RCW 50B.04.020. Requires Health Care Authority (HCA) to assist Department of Social and Health Services (DSHS) regarding payment systems, and to account for Program changes contained in this bill.

Section 4 - Amends RCW 50B.04.030. Deletes references to ongoing work by the Long Term Service and Support Commission (the work is complete).

Section 5 - Amends RCW 50.04.050. Account for Program changes contained in this bill.

Section 6 - New section. Adds to Chapter 50B.04 RCW. Employees with non-immigrant visas not covered by the Program. ESD authorized to adopt rules regarding such employees.

Section 7 - Amends RCW 50B.04.055. Regarding non-immigrant visa holders, members of the armed forces.

Section 8 - Amends RCW 50B.04.060. Account for Program changes contained in this bill related to out-of-state residents.

Section 9 - Amends RCW 50B.04.070. Clarifies role of DSHS in providing payment to providers, includes requirement that DSHS shall establish payment methods and procedures.

Section 10 - Amends RCW 50B.04.080. Removes reference to collective bargaining agreements.

Section 11 - Amends RCW 50B.04.085. Modifies eligibility standards for exempt employees. Requires ESD to adopt rules related to the rescission of an exemption for exempt employees.

Section 12 - Amends RCW 50B.04.100. Account for Program changes contained in this bill related to out-of-state participants.

Section 13 - New section added to chapter 50B.04 RCW. Require and regulate employer record-keeping. Includes penalties for non-compliance and directs payment into account.

Section 14 - New Section added to chapter 50B.04 RCW. Regarding payments and delinquencies. Provides ESD with authority to seize, hold, and dispose of assets, including equipment and goods yet to be delivered. Includes judicial enforcement procedural requirements. Provides lien authority and lien enforcement processes. Allows for settlement and for abandonment of uncollectable claims.

Section 15 - New Section added to chapter 50B.04 RCW. Facilitate coordination with long term care insurance coverage.

Section 16 - DSHS, ESD, and HCA may design and conduct a pilot program regarding eligibility determinations and payment distribution to run between January 1, 2026 and June 30, 2026 with no more than 500 participants. Agencies must provide report and recommendations regarding pilot program to the long-term services and supports commission. Section expires July 1, 2027.

Section 17 - Intent.

Section 18 - Applies to all supplemental long-term care insurance policies after January 1, 2026.

Section 19 - Definitions.

Section 20 - New section. Cannot substitute out-of-state long-term care policies unless Washington State or state with requirements substantially similar to Washington State determine that policy meets statutory requirements.

Section 21 - New section. No restrictive definitions of or requirements related to “preexisting conditions.”

Section 22 - New section. Non-renewal and cancellation restrictions.

Section 23 - New section. 30-day cancellation requirement. Notice of same.

Section 24 - New section. Information required to be provided to applicant/participant.

Section 25 - New section. Continuity of coverage provisions.

Section 26 - New section. Limits sharing of information with DSHS.

Section 27 - New section. Requires reports of payments to policy-holder.

Section 28 - New section. Issuer has 30 days to deny coverage and must provide written reasons for denial.

Section 29 - New section. Allowable reasons for rescinding a policy.

Section 30 - New section. HCA Commissioner must establish inflation protection measures. Issuers must follow measures. Issuer required to offer policy holder a purchase option, with all policies including a three percent inflation protection.

Section 31 - New section. Issuers must provide purchase option with non-forfeiture provision. HCA Commissioner must adopt rules regarding non-forfeiture benefits.

Section 32 - New section. License, education (initial and continuing) requirements to sell. Records retention and availability requirements.

Section 33 - New section. Must design and implement suitability standards for sales.

Section 34 - New Section. Persons issuing or soliciting of supplemental long-term care coverage may not engage in unfair methods of competition or unfair or deceptive acts or practices as defined in chapter 48.30 RCW, or as defined by the HCA Commissioner.

Section 35 - New section. Violators subject to treble penalty or \$10,000, whichever greater.

Section 36 - New section. HCA Commissioner must adopt rules. Detailed requirements/contents.

Section 37 - New section. HCA Commissioner must develop and provide educational materials and counseling.

Section 38 - New section added to chapter 48.83 RCW. Chapter does not apply to insurance covered by Section 19 of this act.

Section 39 - New section. Repeals RCW 50.04.040.

Section 40 - New section. Sections 17-37 are new chapter in Title 48 RCW.

Section 41 - Savings clause.

Section 42 - Effective date January 1, 2025.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

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 Employment Security Department (ESD). The Attorney General's Office (AGO) will bill all clients 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 for King County rates:

FY 2025: \$67,000 for 0.3 Assistant Attorney General FTE (AAG) and 0.2 Paralegal 1 FTE (PL1)
FY 2026 and in each FY thereafter: \$39,000 for 0.2 AAG and 0.1 PL1

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Attorney General's Office (AGO) Agency Assumptions:

Legal services associated with the enactment of this bill will begin on January 1, 2025 (FY 2025).

Location of staffing is assumed to be in a King County office building.

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

Agency administration support FTE are included in the tables. The Management Analyst 5 FTE (MA), is used as a representative classification. An example ratio is for every 1.0 Assistant Attorney General FTE (AAG), the AGO includes 0.5 Paralegal 1 FTE (PL1) and 0.4 MA.

1. Assumptions for the AGO Licensing & Administrative Law Division (LAL) Legal Services for the Employment Security Department (ESD):

FY 2025: LAL will provide advice relating to major new and amended rulemaking to implement Sections 1, 3, 5, 6, 7, 10, 11, 12, 13, 14, and 16. LAL will also assist with developing processes for out of state participation and enforcing such premium

collection from out of state persons. Advice on rulemaking and process development will require 200 AAG hours. Premium and interest assessment authority will generate five additional employer appeals in which LAL will provide representation in administrative hearings. Each appeal will take approximately 40 AAG hours (5 appeals x 40 hours = 200 litigation hours) 400 Total AAG hours.

FY 2026 and in each FY thereafter. LAL will provide 40 AAG hours for ongoing advice relating to rules and processes. Premium and interest assessment authority will generate five additional employer appeals yearly in which LAL will provide representation in administrative hearings Each appeal will take approximately 40 AAG hours (5 appeals x 40 hours = 200 litigation hours) 240 AAG hours.

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

LAL: Total King County workload impact:

FY 2025: \$67,000 for 0.3 AAG and 0.1 PL1

FY 2026 and in each FY thereafter: \$39,000 for 0.2 AAG and 0.1 PL1

2. The AGO Social & Health Services Division (SHO) has reviewed this bill and determined it will not significantly increase or decrease the division’s workload in representing the Department of Social and Health Services (DSHS) WA Cares. New legal services are nominal and costs are not included in this request.

3. The AGO Government Compliance & Enforcement Division (GCE) has reviewed this bill and determined it will not significantly increase or decrease the division’s workload in representing the Office of the Insurance Commissioner (OIC). This bill would authorize a new insurance product for supplemental long term care and would place certain requirements on insurers, and on agents and brokers that would sell this product. The OIC regulates these entities and would regulate this new product. This bill would authorize OIC to engage in rulemaking to implement the new law. New legal services are nominal and costs are not included in this request.

4. The AGO Administrative Division (ADM) has reviewed this bill and determined it will not increase or decrease the division’s workload. Therefore, no costs are included in this request.

5. The AGO Solicitor General’s Office (SGO) has reviewed this bill and determined it will not increase or decrease the division’s workload. Therefore, no costs are included in this request.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
405-1	Legal Services	State	0	67,000	67,000	78,000	78,000
	Revolving Account						
Total \$			0	67,000	67,000	78,000	78,000

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		0.6	0.3	0.4	0.4
A-Salaries and Wages		46,000	46,000	54,000	54,000
B-Employee Benefits		14,000	14,000	16,000	16,000
E-Goods and Other Services		7,000	7,000	8,000	8,000
Total \$		0	67,000	67,000	78,000

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 2024	FY 2025	2023-25	2025-27	2027-29
Assistant Attorney General-Seattle	135,555		0.3	0.2	0.2	0.2
Management Analyst 5	95,184		0.1	0.1	0.1	0.1
Paralegal 1-Seattle	72,528		0.2	0.1	0.1	0.1
Total FTEs			0.6	0.3	0.4	0.4

III. D - Expenditures By Program (optional)

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Licensing & Administrative Law Division (LAL)		67,000	67,000	78,000	78,000
Total \$		67,000	67,000	78,000	78,000

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

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

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 6072 SB	Title: LTSS commission recs.	Agency: 160-Office of Insurance Commissioner
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	2.1	1.1	1.7	1.4
Account					
Insurance Commissioners Regulatory Account-State 138-1	0	315,806	315,806	585,494	488,312
Total \$	0	315,806	315,806	585,494	488,312

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: Susan Jones	Phone: 360-786-7404	Date: 01/12/2024
Agency Preparation: Michael Walker	Phone: 360-725-7036	Date: 01/17/2024
Agency Approval: Michael Wood	Phone: 360-725-7007	Date: 01/17/2024
OFM Review: Jason Brown	Phone: (360) 742-7277	Date: 01/26/2024

Part II: Narrative Explanation

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

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

Sections 17 through 37, effective January 1, 2025, create a new chapter in Title 48 RCW for “supplemental long-term care insurance” (LTCi) policies designed for purchase by those who participate with the WA Cares Fund program. The supplemental LTCi policies will provide coverage for the insureds after they exhaust all benefits available through the WA Cares Fund.

Section 24(2)(b) requires the Office of Insurance Commissioner (OIC) to adopt rules regarding the incorporation of the provisions of the policy summary into a basic illustration required under chapter 48.23A RCW.

Section 30 requires the OIC to establish minimum standards for inflation protection features.

Section 31(3) requires the OIC to adopt rules specifying the type or type of nonforfeiture benefit to be offered a part of supplemental long-term care insurance policies and certificates, the standards for nonforfeiture benefits, and the rules regarding contingent benefit upon lapse, including a determination of the specified period of time during which a contingent benefit upon lapse will be available and the substantial premium rate increase that triggers a contingent benefit upon lapse.

Section 33(5)(a) requires the OIC to adopt rules on forms of consumer-friendly personal worksheets that issuers and their agents would be required to use for applications for supplemental long-term care coverage.

Section 36 requires the OIC to adopt rules that:

- (1) include standards for full and fair disclosure setting forth the manner, content, and required disclosures for the sale of supplemental long-term care insurance policies, terms of renewability, initial and subsequent conditions of eligibility, nonduplication of coverage provisions, coverage of dependents, preexisting conditions, termination of insurance, continuation or conversion, probationary periods, limitations, exceptions, reductions, elimination periods, requirements for replacement, recurrent conditions, and definitions of terms.
- (2) establish standards protecting patient privacy rights, rights to receive confidential health care services, and standards for an issuer’s timely review of a claim denial upon request of a covered person.
- (3) adopt prompt payment requirements for supplemental long-term care insurance.
- (4) adopt reasonable rules to carry out the chapter.

Section 37 requires the OIC to develop a consumer education guide designed to educate consumers and help them make informed decision as to the purchase of supplemental long-term care insurance policies. It also requires the OIC to expand programs to educate consumers as to the supplemental long-term care insurance policies provided, with a focus on the middle-income market.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Sections 17 through 37, effective January 1, 2025, create a new chapter in Title 48 RCW for “supplemental long-term care insurance” (LTCi) policies designed for purchase by those who participate with the WA Cares Fund program. The supplemental LTCi policies will provide coverage for the insureds after they exhaust all benefits available through the WA

Cares Fund. The new sections are very similar to existing LTCi statutes found in Chapter 48.83 RCW. Insurers and producers will need to meet all the requirements of the new statutes for supplemental LTCi including licensing, education, product form and rate filings, reporting, prohibitions, marketing, advertising, disclosures, and recordkeeping.

SB6072 will require the Office of Insurance Commissioner (OIC) to conduct 'complex' rulemaking, in FY2025 and FY22026 due to the significant level of regulations required and potential contention with industry and consumers.

RATES, FORMS AND PROVIDER NETWORKS:

The creation of a new chapter in Title 48 RCW for supplemental long-term care insurance will result in OIC receiving additional rate and form filings each year. The OIC will require one-time costs, in FY2025, of 33 hours of a Functional Program Analyst 4 to create filing review standards, create checklist documents and filing instructions, train staff, and educate insurers. In 2023 there were 26 insurers actively selling LTCi in WA. Since WA will be the only state with this product type and given the costs involved in product development, the OIC assumes 10 insurers will offer new supplemental LTCi in FY2025 and an additional 4 insurers will offer new supplemental LTCi in FY2026 and each year thereafter. Additionally, it is assumed that 10 amended rate filings will be submitted each year beginning in FY2026. Each new form filing is assumed to take 6 hours of review time, each new rate filing is assumed to take 20 hours of review time, and each rate update filing is assumed to take 15 hours of review time requiring a total of 60 hours (10 new form filings x 6 hours) of a Functional Program Analyst 3 and 200 hours (10 new rate filings x 20 hours) of an Actuary 3 in FY2025 and 24 hours (4 new form filings x 6 hours) of an Functional Program Analyst 3 and 230 hours (4 new rate filings x 20 hours + 10 updated rate filings x 15 hours) of an Actuary 3 in FY2026 and thereafter.

CONSUMER ADVOCACY:

Sections 17 through 37 will generate additional consumer inquiries, calls, and complaints from consumers experience difficulties with the care coordination between the WA Care Fund program and the supplemental LTCi. In 2023, the OIC received 178 complaints regarding LTCi. As a result of this bill, consumer complaints related to LTCi are expected to increase by 20%. Additionally, using a comparative analysis of call and inquiry volume during the implementation of the WA Cares Fund, the OIC estimates an additional 120 calls and 60 written inquiries each year beginning in FY2025. For purposes of this fiscal note, it is assumed that informational cases will take 10 minutes per case and complaint cases will take 3.25 hours per case requiring a total of 147 hours (180 info cases x 10 minutes + 36 complaint cases x 3.25 hours) of a Functional Program Analyst 3 each year beginning in FY2025.

MARKET CONDUCT OVERSIGHT:

Based on 2022 Long-Term Care Market Conduct Annual Statement filing, there were 8 carriers that sold 3,862 individual stand-alone policies. The report does not track new group LTCi issuance. From the same report, 21 carriers reported selling 10,220 LTCi riders for life insurance plans. Additionally, only 2 carriers reported selling 24 riders to annuities. To clearly understand which carriers are marketing and selling supplemental LTC plans, an additional data call will need to be constructed and a subsequent Level 1 and Level 2 market analysis will be required for each insurer to verify that insurers are in compliance with the new supplemental LTCi law requiring a total of 522 hours in FY2025 (261 hours) and FY2026 (261 hours) of a Functional Program Analyst 4.

LEGAL AFFAIRS:

The OIC investigates violations of the insurance code, Title 48 RCW, and brings enforcement actions against entities and individuals who violate said code. The bill is expected to lead to an increase in enforcement actions, including the potential for enforcement in situations in which an insurer does not comply with the requirements, coverage limitations, and definitions within the bill. The OIC anticipates three additional enforcement actions in FY2025, reduced to an average of one additional enforcement action each year beginning in FY2026 to address insurer violations. Enforcement actions require the equivalent of approximately 40 hours per case requiring 120 hours (3 cases x 40 hours) in FY2025 and 40 hours (1 case x 40 hours) in FY2026 and thereafter of an Insurance Attorney. In addition, OIC anticipates one-time costs, in FY2025, of 65 hours of an Insurance Attorney to provide advice related to this statutory change and its interpretation, implementation and enforcement.

STATEWIDE HEALTH INSURANCE BENEFIT ADVISORS:

Section 37 requires the OIC to develop a consumer education guide designed to educate consumers and help them make informed decision as to the purchase of supplemental long-term care insurance policies. It also requires the OIC to expand programs to educate consumers as to the supplemental long-term care insurance policies provided, with a focus on the middle-income market.

The OIC will develop an outreach and education program, and a consumer education guide, to market the WA Cares Supplemental LTCi program. The OIC will develop publications, web pages and outreach events to educate consumers requiring one-time costs of 72 hours in FY2025 for development and 20 hours in FY2026 and beyond of a Functional Program Analyst 4 to update the materials, web pages and outreach events.

The OIC’s SHIBA program is authorized by the federal government to provide LTCi education and this new program will be incorporated into our Medicare education program. The Supplemental LTCi product is new and will require additional capacity to market this program to middle-income wage earners requiring \$45,000 per year, beginning in FY2026, for two contracts with community sponsors to train and coordinate certified LTCi advisors and 1.0 FTE Health Insurance Advisor 1, beginning in FY2025, to work closely with the Employment Security Department, DSHS, and contractors on marketing and promotional activities with clear and consistent messaging about eligibility, enrollment, covered benefits, and administrative rights.

The implementation of the supplemental LTCi outreach and education program will generate additional consumer inquiries and calls. Based on a comparative analysis of call and inquiry volume during the implementation of the WA Cares Fund, the OIC estimates an additional 3,600 calls and 1,200 written inquiries per year requiring routing or resolution in support of the new outreach and education program. For purposes of this fiscal note, it is assumed that the routing of informational cases will take 2 minutes per call/inquiry requiring 160 hours (4,800 calls/inquiries x 2 minutes) of an Insurance Technician 3 each year beginning in FY2025.

Ongoing Costs:

Salary, benefits and associated costs for 1.0 FTE Health Insurance Advisor 2, .14 FTE Actuary 3, .11 FTE Functional Program Analyst 3, .10 FTE Insurance Technician 3, .03 FTE Insurance Attorney, and .01 FTE Functional Program Analyst 4.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
138-1	Insurance Commissioners Regulatory Account	State	0	315,806	315,806	585,494	488,312
Total \$			0	315,806	315,806	585,494	488,312

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		2.1	1.1	1.7	1.4
A-Salaries and Wages		189,050	189,050	295,912	236,772
B-Employee Benefits		63,595	63,595	100,483	81,878
C-Professional Service Contracts				90,000	90,000
E-Goods and Other Services		63,161	63,161	99,099	79,662
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	315,806	315,806	585,494	488,312

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 2024	FY 2025	2023-25	2025-27	2027-29
Actuary 3	176,496		0.1	0.1	0.1	0.1
Functional Program Analyst 3	78,468		0.1	0.1	0.1	0.1
Functional Program Analyst 4	86,712		0.3	0.2	0.1	0.0
Health Insurance Advisor 1	76,188		1.0	0.5	1.0	1.0
Insurance Attorney	103,500		0.1	0.1	0.0	0.0
Insurance Technician 3	48,864		0.1	0.1	0.1	0.1
Senior Policy Analyst	116,148		0.3	0.2	0.2	
Total FTEs			2.1	1.1	1.7	1.4

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

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

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

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

SB6072 will require the Office of Insurance Commissioner to conduct 'complex' rulemaking, in FY2025 and FY2026 due to the significant level of regulations required and potential contention with industry and consumers. Rulemaking will address the following sections:

Section 24(2)(b) requires the OIC to adopt rules regarding the incorporation of the provisions of the policy summary into a basic illustration required under chapter 48.23A RCW.

Section 30 requires the OIC to establish minimum standards for inflation protection features.

Section 31(3) requires the OIC to adopt rules specifying the type or type of nonforfeiture benefit to be offered a part of supplemental long-term care insurance policies and certificates, the standards for nonforfeiture benefits, and the rules regarding contingent benefit upon lapse, including a determination of the specified period of time during which a contingent benefit upon lapse will be available and the substantial premium rate increase that triggers a contingent benefit upon lapse.

Section 33(5)(a) requires the OIC to adopt rules on forms of consumer-friendly personal worksheets that issuers and their agents would be required to use for applications for supplemental long-term care coverage.

Section 36 requires the OIC to adopt rules that:

- (1) include standards for full and fair disclosure setting forth the manner, content, and required disclosures for the sale of supplemental long-term care insurance policies, terms of renewability, initial and subsequent conditions of eligibility, nonduplication of coverage provisions, coverage of dependents, preexisting conditions, termination of insurance, continuation or conversion, probationary periods, limitations, exceptions, reductions, elimination periods, requirements for replacement, recurrent conditions, and definitions of terms.
- (2) establish standards protecting patient privacy rights, rights to receive confidential health care services, and standards for an issuer's timely review of a claim denial upon request of a covered person.
- (3) adopt prompt payment requirements for supplemental long-term care insurance.
- (4) adopt reasonable rules to carry out the chapter.

Individual State Agency Fiscal Note

Bill Number: 6072 SB	Title: LTSS commission recs.	Agency: 540-Employment Security Department
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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 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	67.8	33.9	68.7	45.9
Account					
Long-Term Services & Supports Trust Acct-State 567-1	0	11,053,975	11,053,975	20,407,823	11,969,969
Total \$	0	11,053,975	11,053,975	20,407,823	11,969,969

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: Susan Jones	Phone: 360-786-7404	Date: 01/12/2024
Agency Preparation: Dan Phillips	Phone: 360 902-9448	Date: 01/30/2024
Agency Approval: Danielle Cruver	Phone: 360-810-0901	Date: 01/30/2024
OFM Review: Anna Minor	Phone: (360) 790-2951	Date: 01/30/2024

Part II: Narrative Explanation

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

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

This bill adopts recommendations from the Long-Term Services and Supports (LTSS) Trust Commission, which:

- Provide an option for people to continue in the program after they move out of state, beginning July 1, 2026.
- Establish a voluntary exemption for active-duty service members who have Washington-based civilian employment.
- Establish an automatic exemption for nonimmigrant visa holders.
- Remove the interruption of 5 or more consecutive years language in the 10-year qualified individual (vesting) status option.
- Rescind the exclusion for individuals who were party to a collective bargaining agreement.
- Increase the annual hours threshold for qualified individual benefit determinations from 500 to 1,000.
- Provide an option for those who previously received an exemption due to having a long-term care insurance policy to opt back in between January 1, 2025, and June 30, 2028.
- Set penalties and interest for noncompliance.
- Create a six-month pilot program prior to benefit launch.

Section 1 adds a new chapter to allow individuals who relocate outside of Washington to elect to continue participating in the LTSS program beginning July 1, 2026. To qualify, individuals must have worked at least 1,000 hours and paid premiums in each of three years prior to relocating, and elect coverage within one year of relocating outside of Washington.

The bill establishes that Employment Security Department (ESD) would assess and collect premiums for individuals who elect portable coverage. Participants are required to submit documentation to ESD verifying their wages or self-employment earnings, or if they have no earnings. A participant is no longer required to submit reports at the age of sixty-seven, unless they are still working and earning wages or have self-employment income.

Portable coverage is permanent, and participants may not withdraw from coverage. ESD may cancel coverage if reports and payments are not made, effective no later than 30 days from the date a written notice is provided to the participant. ESD will adopt rules to implement standards for reporting, documentation requirements, and collection of premiums as established in this section.

Section 3 amends RCW 50B.04.020 to include ESD's responsibility for assessing and collecting premiums for self-employed individuals and those who have elected portable coverage. ESD will include individuals who have elected portable coverage in audits and compliance activities.

Section 5 amends RCW 50B.04.050 to remove the prohibition on any interruption of 5 or more consecutive years in the 10-year qualified individual (vesting) status option and changes the number of hours worked in a year to make that year count toward qualified individual status from 500 hours to 1,000 hours. The section sets a date of July 1, 2030, for benefits to be available to qualified individuals who elect portable coverage and references rescinding a private long-term care insurance exemption (addressed later in Section 11).

ESD will modify any associated rules, policies, communications, website references, etc. to reflect the language regarding qualified individual criteria related to the "5 consecutive years language". ESD will build a system to verify that an individual has worked the required number of 500 hours per year for the implementation of benefits, and this change will have minimal impact on that work.

Section 6 adds a new section to chapter 50B.04 RCW to automatically exempt employees who are working in Washington under nonimmigrant work visas rather than requiring them to affirmatively apply for an exemption. Employees working under nonimmigrant visas can choose to participate by notifying their employer, and the employer will then collect premiums from the employee and report and remit to ESD. The worker will then earn eligibility toward the benefit.

ESD assumes that there will be a communications impact to inform workers and employers of the change in law. ESD assumes the estimated population of temporary workers in 2025 will be about 119,000.

Section 7 amends RCW 50B.04.055 to remove individuals working on nonimmigrant work visas as a voluntary exemption category. A voluntary conditional exemption is added for active-duty service members in the U.S. Armed Forces who have off-duty civilian employment. ESD will accept these applications beginning January 1, 2025.

ESD assumes that about 1,960 active-duty service members will pursue this exemption based on a population of about 3,270 service members who have other civilian Washington based employment and, of that population, 60% of service members will pursue the exemption. ESD will conduct system modifications to add an additional voluntary exemption and conduct rulemaking to implement this section.

Section 10 amends RCW 50B.04.080 to remove an exemption applying to certain individuals subject to collective bargaining agreements (CBA) as of January 1, 2025. ESD will repeal or sunset rules to align with the CBA language in the law.

Section 11 amends RCW 50B.04.085 to allow individuals with an approved private long-term care insurance exemption to rescind that exemption during a rescission window between January 1, 2025, and June 30, 2028. ESD will modify the existing system to allow an exemption provided under this criterion to be rescinded during the rescission window. ESD will adopt rules to clarify processes and requirements for the rescission of an exemption based on long-term care insurance.

About 480,000 employees have received this exemption. ESD assumes around 10% of people who received this exemption will contact the agency with questions or for support.

Section 12 amends RCW 50B.04.100 to add out-of-state participant premiums and delinquent premiums, penalties, and interest received to the long-term services and supports trust account. ESD will oversee collecting delinquent premiums, penalties, and interest received and ensure funds are deposited in the LTSS trust account.

Section 13 adds a new section to chapter 50B.04 RCW that is modeled after language in the Paid Family and Medical Leave statute regarding employer responsibilities and ESD's authority to assess penalties and interest. The section establishes that ESD will enforce the collection of penalties through conference and conciliation. ESD will align implementation of this section with processes and procedures being developed for Paid Family and Medical Leave.

Section 14 adds a new section to chapter 50B.04 RCW that is modeled after language in the Paid Family and Medical Leave statute regarding procedures the department will use to address delinquent premiums, interest, or penalties. ESD will align implementation of this section with processes and procedures being developed for Paid Family and Medical Leave.

ESD does not anticipate collecting benefit overpayments for this program as Department of Social and Health Services (DSHS) and the Health Care Authority (HCA) manages benefit eligibility and payment.

Section 16 adds a new section establishing that between January 1, 2026, and June 20, 2026, ESD, DSHS, and HCA will conduct a benefits pilot project with no more than 500 participants. The agencies involved in the pilot will provide regular updates to, and consider recommendations from, the Commission. When the pilot project is complete, the agencies must provide a summary of the project, including key operational challenges, to the Commission.

Implementing agencies expect the pilot to include 400 participants. DSHS will lead communications efforts to inform the public and recruit participants with support from ESD and HCA. ESD will adopt rules to implement portions of the pilot. Section 42 establishes an effective date of the act of January 1, 2025. The agencies named in the act will be expected to have their work implemented by this date.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

Indeterminate. For reference, penalties and interest collected as a share of total Unemployment Insurance (UI) taxes for 2019, 2022, and 2023 (penalties and interest were not assessed during the Covid pandemic) were about 0.9%. LTSS has assessed one full quarter of data to date, 2023Q3, and this was roughly \$335.7 million. Applying the share of penalties and interest to assess premiums from LTSS results in about \$3 million a quarter, or about \$12 million a year. It could be expected that the share of penalties and interest for LTSS may be higher than of the UI program due to LTSS being a less established program comparatively resulting in more late wage reports or payments. Given this assumption, the share of penalties and interest may be higher. If it were to reach 1.25% the amount of cash receipts due to penalties and could reach about \$4 million a quarter, or \$16 million a year. As the LTSS program is a newer program and there are variations between LTSS and UI, such as WA Cares has a requirement to do conference and conciliations that is not present in the UI program the true estimates behind penalties and interest are unclear, and this amount is indeterminate.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

See attached expenditure narrative.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
567-1	Long-Term Services & Supports Trust Acct	State	0	11,053,975	11,053,975	20,407,823	11,969,969
Total \$			0	11,053,975	11,053,975	20,407,823	11,969,969

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29	
FTE Staff Years		67.8	33.9	68.7	45.9	
A-Salaries and Wages		5,289,420	5,289,420	9,981,921	5,896,838	
B-Employee Benefits		2,115,768	2,115,768	3,992,768	2,358,735	
C-Professional Service Contracts		617,492	617,492	823,728		
E-Goods and Other Services		1,573,918	1,573,918	2,865,609	2,100,771	
G-Travel						
J-Capital Outlays						
M-Inter Agency/Fund Transfers						
N-Grants, Benefits & Client Services						
P-Debt Service						
S-Interagency Reimbursements						
T-Intra-Agency Reimbursements		1,457,377	1,457,377	2,743,797	1,613,625	
9-						
Total \$		0	11,053,975	11,053,975	20,407,823	11,969,969

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 2024	FY 2025	2023-25	2025-27	2027-29
Communications Consultant 3	61,404				0.2	0.2
Communications Consultant 4	69,401		0.5	0.3	0.9	0.9
Communications Consultant 5	80,464				0.2	0.2
Employment Security Program Coordinator 2	59,847		7.7	3.8	9.0	9.0
Employment Security Program Coordinator 3	66,015		0.8	0.4	1.0	1.0
ES Benefits Specialist 2	59,847		19.7	9.9	25.9	21.3
ES Benefits Specialist 3	666,015		3.3	1.6	6.1	6.3
ES Benefits Specialist 4	72,924		1.8	0.9	2.0	1.1
Fiscal Analyst 3	59,847		1.0	0.5	1.0	1.0
IT App Development - Journey	92,416		3.0	1.5	2.0	
IT App Development - Senior/Specialist	106,976		1.6	0.8	1.0	
IT Architecture - Expert	123,835		0.2	0.1	0.2	
IT Architecture - Senior /Specialist	112,340		2.2	1.1	1.4	
IT Business Analyst - Journey	92,416		2.0	1.0	1.0	
IT Data Management - Senior/Specialist	106,976		0.8	0.4	0.5	
IT Project Management - Journey	97,038		3.3	1.7	2.0	
IT Project Management - Senior/Specialist	106,976		0.8	0.4	0.5	
IT Quality Assurance - Entry	79,994		1.6	0.8	1.0	
IT Quality Assurance - Journey	92,416		1.6	0.8	1.0	
IT Quality Assurance - Senior/Specialist	101,871		1.6	0.8	1.0	
IT Security - Senior Specialist	106,976		0.8	0.4	0.5	
IT System Administration - Journey	97,038		2.2	1.1	1.5	
IT System Administration - Senior/Specialist	101,871		0.8	0.4	0.5	
Management Analyst 3	66,015		2.0	1.0	1.6	1.0
Management Analyst 4	76,607		2.8	1.4	1.5	
Office Assistant 3	40,714		1.6	0.8	2.0	2.0
Operations Research Specialist	93,343		0.8	0.4	0.8	0.8
Technical Training Consultant	72,924		2.0	1.0	1.6	1.0
WMS Band 2	105,072		1.4	0.7	0.9	0.1
Total FTEs			67.8	33.9	68.7	45.9

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

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

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

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

SB 6072 will require major rulemaking to update current rules in chapters WAC 192-900 through WAC 192-930 to:

- Define “wages” as remuneration for services performed in and outside of Washington.
- Remove nonimmigrant visas for temporary workers as an option for applying for an exemption.
- Establish that employees who hold nonimmigrant visas for temporary workers will be automatically exempt, unless the employee notifies their employer that they would like to participate.
- Add a voluntary conditional exemption for active-duty service members in the U.S. Armed Forces who have off -duty civilian employment.
- Clarify processes and requirements for the rescission of an exemption based on long-term care insurance.
- Repeal the sunset of rules to align with the Collective Bargaining Agreement (CBA) language.
- Modify associated rules regarding qualified individual criteria related to the “5 consecutive years language.”
- Implement standards for reporting and collection of premiums and documentation requirements.

II.C – Expenditures

Operations Staffing:

Portable Coverage

ESD assumes the total number of individuals who elect portable coverage could range between 5,000 and 18,000 per year, based on the [Milliman Migration Supporting Analysis, May 2023](#), available through the Washington Office of the State Actuary. To support customers on the high end of the estimate in electing portable coverage when it begins on July 1, 2026, ESD will require a total of 5.6 FTE, including:

- 3.4 FTE ongoing, Employment Security Benefit Specialist (ESBS) 2 to assist with incoming customer calls and emails regarding the portable coverage election process and to process requests. (18,000 inquiries x 0.25 hours per inquiry = 4,500 Hours; 4,500 hours / 1,325 working time per FTE = 3.4 FTE)
- 2.2 FTE ongoing ESBS 3
 - One ESBS 3 to process portable elective coverage requests, conduct fact-finding and make final determinations on elections. There is no historical or comparable process to measure against, but the department estimates that 25% of elections will require 0.35 hours of additional support (25% x 18,000 = 4,500 individuals requiring additional support; 4,500 x 0.35 hours = 1,575 of hours; 1,575 hours / 1,325 working time per FTE = 1.2FTE).
 - One ESBS 3 Hearing Specialist is assumed based on a 1% rate of appeals. This assumption is based on exemption related appeal rates in 2023, and using the range between 5,000-18,000 a year, that could result in an additional 50-180 appeals.

Vesting

The number of staff needed to make qualified individual determinations, process redeterminations, and resolve appeals is undetermined. ESD assumes staffing models under development will result in a subsequent requests.

Non-Immigration Work Visa Change

Ongoing operations of section can be absorbed within current staffing.

Active-Duty Exemptions

Ongoing operations of this section can be absorbed within current staffing.

CBA Changes

Ongoing operations of this section can be absorbed within current staffing.

Rescinding Exemptions

The department anticipates the need to provide service to customers who have questions on rescinding exemptions, need help submitting requests, and present general customer service needs, including requests for documentation. Assuming 10% of customers with an active private long term care exemptions request assistance, ESD projects 50,000 calls and emails to process during the window to rescind exemptions). Subsequent exemption requests are anticipated to fall to 10,000 inquiries per year ongoing.). To support the assumed exemption request rate, ESD will require a total of 13.2 FTE, including:

- 9.2 FTE non-permanent beginning July 1, 2024 and ending September 2028, ESBS 2 to assist with incoming inquiries. Each inquiry requires approximately 0.25 hours to resolve (50,000 inquiries*0.25 hours per inquiry = 12,500 hours; 12,500 hours / 1,325 working time per FTE = 9.24 FTE)
- 2 FTE on going beginning September 2028, ESBS 2 to assist with incoming inquiries. Each inquiry requires approximately 0.25 hours to resolve (10,000 inquiries*0.25 hours per inquiry = 2,500 hours; 2,500 hours / 1,325 working time per FTE = 1.89 FTE)
- 1 FTE non-permanent beginning July 1, 2024 and ending September 2028, ESBS 3 to serve as a team lead. Pursuant to the caseload staffing model, for every 6 or more ESBS2 there must be 1 ESBS3 lead and 1 ESBS4 supervisor.
- 1 FTE non-permanent beginning July 1, 2024 and ending September 2028, ESBS 4 to serve as a team supervisor.

The department expects to absorb the costs of appeals associated with rescinding exemptions within existing resources.

Penalties and Interest

Beginning January, 1, 2025 the ability to apply penalties and interest (P&I) relating to the LTSS program employers will require customer support for employers who have questions regarding P&I, make determinations on whether to apply P&I through conference and conciliation, and perform additional account reconciliation activities. Many of these activities would happen in concert with the PFML program as employers submit a single report for both programs. ESD has not implemented this functionality currently for the Paid Leave system. Ongoing staffing needs are difficult to project for the WA Cares program as this is the first combined reporting. Our

assumption, based on Paid Leave reporting, ESD will require a total of 6 FTE, including:

- 3 FTE beginning January 2025 and ongoing, ESBS2 to support ongoing customer service needs to answer phone calls, emails, and other questions from employers on P&I for the LTSS program and support conference and conciliation efforts with employers.
- 3 FTE beginning January 2025 ongoing, ESBS3 responsible for ongoing account reconciliation efforts.

Pilot Launch

The pilot established in this bill requires ESD to onboard a portion of total staffing needed for qualified individual status determinations earlier to have staff onboard and trained prior to the pilot. The long-term staffing levels for LTSS program staffing have not been identified yet and ESD continues to partner with DSHS and HCA on how the benefit process will work, which will inform future staffing models.

Given the initial projections for application the department expects for the program, what is known at this time surrounding the work that will be needed, and ESD's experience with Paid Leave adjudications, the department estimates that, at a minimum, the need for a customer care team, which would match the same team structure used in Leave and Care Operations.

That team consists of 15 FTE, including 12 ESBS 2, an ESBS 3 serving as a team lead, an ESBS 4 serving as a supervisor, and an OA3 administrative support.

These staff will support the pilot launch and the full program launch the following July. To support the pilot launch, ESD will require a total of 15 FTE, including:

- 12 FTE beginning October 2025 and ongoing, ESBS 2 to issue qualified individual's determinations for LTSS program applications. This work will include reviewing application details, adjudicating decisions, conducting fact finding with applications, representatives, and employers to determine eligibility, processing redetermination requests and providing customer service to customer and coordinating with Department of Social and Health Services (DSHS) when needed.
- 1 FTE beginning October 2025 and ongoing, ESBS 3 as a team lead, providing lead support to the team. Pursuant to the caseload staffing model, for every 6+ ESBS2s there must be one ESBS3 lead and one ESBS4 supervisor.
- 1 FTE beginning October 2025 and ongoing, ESBS 4 to supervise the team.
- 1 FTE beginning October 2025 and ongoing, OA 3 to support document management,

mailing, and correspondence for customers in the pilot and at full program launch.

Operations Implementation:

Leave and Care Operations will need to create and modify standard operating procedures, frequently asked questions, and other resources for operations staff to perform the functions of this bill. To support this work, ESD will require a total of 2 FTE, including:

- 1 FTE non-permanent beginning July 1, 2024 and ending October 1, 2026, MA 3 as an operations process coordinator.
- 1 FTE non-permanent beginning July 1, 2024 ending October 1, 2026, Technical Training Consultant (TTC) to create and deliver training to operations staff on the sections of this bill.

Information Technology (IT) Build

ESD assumes a one-time cost to build functionality to support the changes outlined in this bill. This includes those staff and contracts to define, build, test, and deliver the related technologies. These changes in addition to ongoing work related to PFML and LTSS results in the need to create a project team and software delivery and promotion path to ensure these changes do not disrupt other ongoing responsibilities.

IT Related Cloud Costs

ESD uses common cloud-based technology platforms to support PFML and LTSS. In order to deliver these changes in parallel with other PFML and LTSS commitments, the ESD team would create another set of software development and testing environments using cloud-based hosting. No additional hardware would be required to support the build for this bill.

Software cost for FY25 and FY26:	\$390,000
Software cost for FY27 and ongoing:	\$316,800

IT Related Build Staffing Costs

The Information Technology (IT) Build estimated below includes the resources required to define, design, build, test, and deliver the changes included in this bill. This team will be supplemented by contract FTEs in specialized and hard to fill roles to ensure timely delivery. This analysis is speculative based on estimates of similar work to be completed in PFML as well as based on the completion of work of similar size and complexity, including work that established LTSS exemptions and premium collection. As this work is defined in more detail and as funding and changes for PFML become clearer and more detailed, the team will refine this

analysis further which will likely result in adjustments to cost or duration estimates. The additional high-level functionality that will be required as it is currently understood includes:

- Case management and workflows: Includes support for all related interactions with employers, employer representatives and voluntary participants (various kinds of elective coverage, e.g., self-employed, out of state portability, etc.) related to wage reporting and premium assessment, particularly for non-compliant participants.
- Adjustments and Error Corrections: Includes analysis, corrections, changes, adjudication, redeterminations, appeals, etc., related to wage reporting and premium payments.
- Ability for employers and other program participants to be assessed and pay back premiums due per non-compliance (includes employers, employer reps and all forms of elective coverage, including portability).
- Penalties & Interest: Includes appropriate assessment of P&I for non-compliant participants. (includes employers and all forms of elective coverage, including portability).
- Collections/recovery: Includes ability to engage in collections and other recovery activities for non-compliant participants (includes employers and all forms of elective coverage, including portability).

The LTSS and PFML technology team is organized into a core technical and leadership team, a product management team, and a number of development teams.

- The product management team ensures legislation is implemented successfully by balancing value, usability, feasibility, and sustainability risks. They work with stakeholders to understand the scope of the work and document and prioritize it in the product backlog and portfolio so that the cross functional team working to implement it are prepared for the work.
- Development teams build and test system functionality.
- The leadership team and centralized testing teams support high levels of assurance in system quality overall. That includes global system architecture, build and release management, contract and personnel management, security assurance and environment management.

This structure allows the team to expand and contract to support new bodies of work in parallel with already established commitments. Software is delivered in a series of short time- boxes, referred to as sprints. The team estimated below assumes this functionality will be delivered as it is completed over number of sprints. Since its inception, this team has used an industry standard delivery methodology known as Scrum.

<p>Product management team</p>	<p>A team of product managers, product analysts, and business analysts work with internal and external stakeholders and customers to understand their needs and requirements, create and document the product vision for this implementation, partner with technical teams to identify and document technical solutions for business requirements, and manage and execute the development of work items and backlog to deliver this scope.</p>
<p>Development Team</p>	<p>The Development team will design, build, test and deploy new features and functionality to meet business requirements. A development team includes: IT Project Management Journey Delivery Architect (Application Developer/Architect-Senior/Specialist), Senior Application Developer (IT Application Development – Senior/Specialist), Application Developers (IT Application Development – Journey), Lead SDET-Integrated Test Engineer (IT Quality Assurance – Senior/Specialist), QA Testers (IT Quality Assurance - Journey) DevOps lead (IT Systems Administration – Senior/Specialist), DevOps Specialist (DevOPs) (IT Systems Administration – Journey)</p>
<p>Performance Testing Team</p>	<p>The Performance testing team designs, executes tests and analyzes system and infrastructure performance to ensure the solution performs within established service levels for performance. The Performance testing team includes: Senior/Lead Performance Tester (SDET) (IT Quality Assurance – Senior/Specialist), Performance Testers (SDET) (IT Quality Assurance - Journey).</p>
<p>Security Testing Team</p>	<p>The Security testing team designs, executes tests and analyzes system and infrastructure security to ensure the solution meets requirements and standards. The Security testing team includes: Senior Security Tester (SDET) (IT Security – Senior/Specialist) Security Testers (IT Security – Journey).</p>

Contracts Manager	The Contracts Manager (WMS2) will support procurements, contracts, contract management and invoicing for needed software, infrastructure, services and service providers.
Operations Support	The Operations Support (MA4) will support division and project management including position establishment, recruitment and hiring; project planning and coordination, organizational change management, project metrics and reporting and other duties as needed
Senior Project Manager	The Senior Project Manager (IT Project Manager Senior/Specialist) will manage the project, teams, stakeholders, communication, and quality assurance throughout the project
Principal Architect	The Principal Architect (IT Architecture Expert) will assist in planning and approve the overall technical framework, design and solution.
Cloud Architect	The Cloud Architect (Application Development Senior/Specialist) will assist in planning and approve the cloud architecture and ensure the selected solution aligns with the divisions cloud framework and architecture.
Test Automation Architect	The Test Automation Architect (Application Development Senior/Specialist) will assist in planning and developing automated tests and testing framework to ensure the solution aligns with the divisions test automation framework and architecture.
Cloud Security Architect	The Cloud Architect (Application Development Senior/Specialist) will assist in planning and approve the cloud security architecture and ensure the selected solution aligns with the division's security framework and architecture.
Senior Development Operations Specialist (DevOPs)	The DevOPs Specialist (IT Systems Administration Senior/Specialist) will lead the work to establish and/or prepare the infrastructure and environment necessary to develop and test the solution.
Development Operations Specialist (DevOPs)	The DevOPs Specialist (IT Systems Administration Journey) will assist in and support the work to establish and/or prepare the infrastructure and environment necessary to develop and test the solution.

<p>LCD Tech Leadership Team</p>	<p>The LCD Technology Leadership team will provide management and oversight of all aspects of the work from resource allocation and assignment to staff supervision, risk management, decision making, sponsorship and support. The LCD Technology Leadership team is comprised of: LCD Tech Manger (IT Senior Manager), LCD AppDev Manger (IT Manager), LCD Operations Manager (IT Manager), SysOPs Manager (IT Manager), Testing Supervisor (IT Project Management - Senior/Specialist) and Agile Coach (IT Project Management - Senior/Specialist)</p>
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	Project/One Time	
IT STAFF	FY 25	FY 26
IT Project Management – Journey	2.3	3
IT Architecture - Senior/Specialist	2.2	2.8
IT APP Development - Senior/Specialist	1.6	2
IT APP Development – Journey	3	4
IT Quality Assurance - Senior/Specialist	1.6	2
IT Quality Assurance – Journey	1.6	2
IT Quality Assurance – Entry	1.6	2
IT System Administration - Senior/Specialist	0.8	1
IT System Administration – Journey	2.2	3
IT DATA Management - Senior/Specialist	0.8	1
IT Security - Senior/Specialist	0.8	1

IT Project Management - Senior/Specialist	0.8	1
Management Analyst 4	0.8	1
IT Architecture – Expert	0.2	0.3
WMS2	0.4	0.5
Total	20.7	26.6
	Project/One Time	
Transformation Staff	FY 25	FY 26
IT Project Management – Journey	1.0	1.0
Product Manager (WMS2)	1.0	1.0
Product Analyst (MA4)	2.0	2.0
IT Business Analyst - Journey	2.0	2.0
Total	6.0	6.0

Contracts:

IT Related Contract Costs:

In addition to the staffing costs included above, ESD will require contracted development teams. The contractors included in the technical estimate represent roles that are necessary for some or all technical work. There are two groups of contractors: key roles (e.g., principal architect) and specialty services (e.g., performance testing, security testing). Based on the timelines in the bill, it is unlikely the program would be able to recruit, hire and train FTEs in the “key roles” and due to the specialized and intermittent nature of the work for the specialty services it is more cost effective to utilize contract services.

Role	Year	Hours	Cost
IT Security/IT Systems Administration – Senior/Specialist	2025	188 hours x \$135/hr	\$ 25,380
	2026	252 hours x \$135/hr	\$ 34,020
IT Quality Assurance – Senior/Specialist	2025	377 hours x \$95/hr	\$ 35,815
	2026	503 hours x \$95/hr	\$ 47,785
IT Quality Assurance – Journey	2025	754 hours x \$198/hr	\$ 149,292
	2026	1006 hours x \$198/hr	\$ 199,188
IT Quality Assurance – Senior/Specialist	2025	377 hours x \$125 hours	\$ 47,125
	2026	503 hours x \$125/hr	\$ 62,875
IT Quality Assurance – Journey	2025	377 hours x \$135 hours	\$ 50,895
	2026	503 hours x \$135/hr	\$ 67,905
IT Data Management – Journey	2025	754 hours x \$140/hr	\$ 105,560
	2026	1006 hours x \$140/hr	\$ 140,840
IT Project Management Senior/Specialist	2025	377 hours x \$175/hr	\$ 65,975
	2026	503 hours x \$175/hr	\$ 88,025
IT Architecture Senior Specialist	2025	377 x \$200/hr	\$ 75,400
	2026	503 x \$200/hr	\$ 100,600
IT Architect Expert	2025	170 hours x \$165/hr	\$ 28,050
	2026	226 hours x \$165/hr	\$ 37,290
IT Security Senior/Specialist	2025	170 hours x \$200/hr	\$ 34,000
	2026	226 hours x \$200/hr	\$ 45,200
Contract Cost	2025		\$ 617,492
Contract Cost	2026		\$ 823,728
Total Cost			\$ 1,441,220

Communications Related Costs:

The department anticipates the need to communicate both internally among staff and externally with customers, stakeholders, and the media. This work will require a total of 1.4 FTE, including:

- 0.2 FTE beginning July 2025 and ongoing, Communications Consultant (CC) 3 to distribute updated information to staff throughout the division, assess needs with managers, meet with project team members, and write internal communications

resources. This position's work also includes possible graphic design needs including custom graphics, branded informational materials, video/sound editing, mailer template support, etc. 300 hours/1500 hours = 0.2 FTE

- 0.5 FTE ending June 2025, CC4 is needed to develop and carry out an in-depth communications plan that utilizes most available communications tools. This position will meet with project team members to discuss project needs and communications plan progress. The CC 4 will also be involved in copywriting, flyer creation, toolkit revisions, other documents, and form updates, etc. They will provide across-the-board content creation and publishing, including initiation, multiple rounds of project team review, and publishing, email campaigns, postal mailers, social media, webinars, etc. The CC 4 will modify, create, and update content throughout the website and run updates and new content through review and approval workflows. 750/1500 total hours = 0.5 FTE
- 0.85 FTE beginning July 2025 and ongoing, CC4 to perform duties described above beginning in FY26 and ongoing. 1275 hours/1500 total hours = 0.85 FTE
- 0.2 FTE beginning July 2025 and ongoing, CC5 is needed to coordinate with the Leave and Care Division managers and web manager, review plans, and provide general oversight. 300 hours/1500 total hours = .2 FTE
- 0.1 FTE beginning July 2025 and ongoing, WMS is needed to lead content strategy and planning. 150 hours/1500 total hours = 0.1 FTE

Data and Research Related Cost:

Implementation will require research and data analysis support. This work will require a total of 0.8 FTE, including:

- 0.8 FTE ongoing, Operations Research Specialist (ORS) to support system and process implementation development, along with the related ongoing user experience research, program reporting, supporting continuous improvement activities, data analysis, evaluation, and operational and quality assurance data support. 1200 hours/1500 = 0.8 FTE.

Finance Related Cost:

The bill creates additional finance workload required for implementing LTSS program premium collections. This work will require a total of 1 FTE, including:

- 1 FTE ongoing, Fiscal Analyst (FA) 3 to provide support to the Leave and Care Division

Research and Analysis team to perform employer account research and write off penalties and interest based off of decisions derived from the Compliance teams' audit. 1,500 hours/
1,500 total hours = 1.0 FTE

Compliance Related Cost

Implementing the bill introduces additional collections and financial recovery workload. The estimated staffing level is based on the current unemployment insurance (UI) staffing that supports financial recovery and collections. The UI staffing level for this work is 28 FTEs. The department assumes that approximately 1/3 of the UI staff will be required to perform this work for the LTSS program. The FTE estimates below also assume a 30% workload increase beginning in January 2026 with the introduction of portability. Estimates assume similar rates of non-compliance and collections activities required for the LTSS program as UI. Due to the need to build a new capability in this area in the agency, the staffing plan below includes whole FTEs in several cases as this work cannot be assumed to use a shared resource with an existing team or body of work.

The timeline for the staffing assumes a 3-month on-boarding and training period prior to work beginning. The estimates below assume a minimum staffing level to establish a team to activate this work. As the processes and tools that support this work are developed in greater detail, ESD will pursue a future decision package to address additional staffing levels if necessary. This work will require 13 FTE, including:

- 8.0 FTE beginning September 2024, Employment Security Program Coordinator (ESPC) 2 to implement LTSS program unremitted premium compliance activities and collections. The ESPC 2s will perform intermediate and advanced collection actions to ensure compliance with wage reporting and premium remittance responsibilities for employers.
- FTE beginning September 2024 and ongoing, lead ESPC2 will provide coaching, mentoring, and quality review of the team's work on a day-to-day basis and handling more complex and unprecedented cases.
- 1.0 FTE beginning July 2024, ESPC 3 will supervise the team created to support collections and financial recovery activities. This position will oversee hiring and on-boarding for the newly created financial recovery and collections team.
- 1.0 FTE beginning September 2024, OA 3 will provide basic and routine administrative functions including documenting filing, imaging, and indexing.
- 1.0 FTE beginning July 2024, TTC to create training materials and provide initial and

ongoing training for the financial recovery teams. This position will oversee the creation of training in advance of staff on-boarding beginning September of 2024.

- 1.0 FTE beginning July 2024 and ongoing, MA 3 to produce, and update on an on-going basis, process documentation, detailed procedures, and perform workload related analysis related to collections and financial recovery activities.

Attorney General's Office (AGO):

The AGO will provide advice to ESD relating to major new and amended rulemaking to implement Sections 1, 3, 5, 6, 7, 10, 11, 12, 13, 14, and 16 of the bill. The AGO will also assist with developing processes for out of state participation and enforcing premium collection from out of state individuals.

Premium and interest assessment authority will generate 5 additional employer appeals yearly in which the AGO will provide representation in administrative hearings.

- FY25 - \$67,000
- FY26 and ongoing -\$39,000

Rulemaking

SB 6072 will require major rulemaking for a one time cost of \$90,000.

Individual State Agency Fiscal Note

Bill Number: 6072 SB	Title: LTSS commission recs.	Agency: AFN-Actuarial Fiscal Note - State Actuary
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

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

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: Susan Jones	Phone: 360-786-7404	Date: 01/12/2024
Agency Preparation: Melinda Aslakson	Phone: 360-786-6161	Date: 01/25/2024
Agency Approval: Luke Masselink	Phone: 360-786-6154	Date: 01/25/2024
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/26/2024

Part II: Narrative Explanation

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

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

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

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

III. B - Expenditures by Object Or Purpose

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

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals 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

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

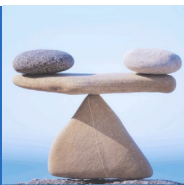
NONE

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

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.



Office of the State Actuary

“Supporting financial security for generations.”

January 24, 2024

SUBJECT: ACTUARIAL ANALYSIS ON SB 6072 – 2024 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.

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 [2022 WA Cares Fund Actuarial Study](#) (Milliman 2022 Study) analyzed the estimated premium rate needed to pay full program benefits and expenses under various scenarios. See the Milliman 2022 Study for a summary of the scenarios tested and a description of benefits assumed to be provided under current law as of October 2022.

For background and summary information on the actuarial status of the WA Cares Fund, see the [Executive Summary of 2022 Actuarial Analysis](#) on OSA’s website.

Summary of [Senate Bill \(SB\) 6072](#)

This bill amends the LTSS Trust Program. In this summary, we only include changes pertinent to our actuarial fiscal note, focusing on the components that could impact actuarial modeling and program fund solvency. See the legislative bill report for a complete summary of the bill.

1. Adds portability of benefits for individuals who have paid in for at least three years with benefits accessible beginning July 1, 2030. The bill introduces rules for out of state participants requiring them to self-report wages for purposes of premium collection.
2. Adds “expected to last for at least 90 days” as a condition for becoming an eligible beneficiary.
3. Modifies the definition of a qualified individual by requiring at least 1,000 hours in each year, an increase from at least 500 hours under current law.
4. Makes workers who hold a non-immigrant visa automatically exempt unless they opt-in to the program.



5. Creates an automatic annual increase to the maximum WA Cares benefit based on the Seattle, Washington, area CPI-W each January. Abolishes the LTSS Trust Council whose responsibility under current law is to approve annual increases to the maximum WA Cares benefit, subject to revision by the Legislature.
6. Modifies the definition of a qualified individual within the ten-year pathway by eliminating the requirement that there can be no interruption of five or more consecutive years within that pathway.
7. Allows active-duty service members who are concurrently engaged in off duty civilian employment to request a program exemption from the Employment Security Department (ESD).
8. Creates a pilot program that allows for up to 500 participants to apply for benefits up to six months early, from January 1, 2026 – June 30, 2026.
9. Provides individuals who opted out of the program because they had purchased long-term care insurance prior to November 1, 2021, an opportunity to rescind their exemption before July 1, 2028.
10. Requires any savings derived through a Centers for Medicare & Medicaid Services (CMS) waiver to be deposited into the WA Cares Fund.

Summary of Actuarial Analysis

Background

In the following discussion, we summarize the expected impact from the various program changes outlined in this bill. The impact is measured as the expected change in the level premium assessment required to pay all expected WA Cares Fund benefits and expenses associated with this legislation.

We anticipate Milliman will publish an updated actuarial study in the fall of 2024, which will include any program changes made via legislation since the last study as well as other relevant updates. The impacts from this legislation, if passed into law, when incorporated into the updated study could be more or less than the results summarized below.

Neither the analysis below, nor the proposed legislation, changes the premium rate in statute which is set at 0.58 percent of covered wages.

The analysis of this bill does not consider any other proposed changes to the WA Cares Fund program. The combined effect of several changes to the program could exceed the sum of each proposed change considered individually.

Please note, item 10 above was excluded from this analysis due to the uncertainty of the savings derived from the waiver. Any savings derived from a CMS waiver would offset program costs. For more information, please see the **Additional Considerations** section.



Analysis of Changes Proposed in SB 6072

We have attached a letter from Milliman which provides estimated impacts from some of the program changes detailed in SB 6072.

Provisions similar but not identical to items 1, 2, and 3 above were modeled together as part of a package D2 in the attached letter.

1. Expanding the program to allow for portable benefits, i.e., a beneficiary does not need to reside in Washington State at the time of LTSS need, is expected to increase costs as current law does not allow for a non-resident to claim a benefit, regardless of the number of years they had paid into the program.
2. Requiring in-state claims to include a 90-day forward certification will reduce expected costs. This is not a waiting period, instead it requires that a claimant's LTSS need is expected to last for at least 90 days. Per Milliman's letter, requiring a 90-day forward certification will therefore "reduce the number of claims covering short-term facility or home care needs expected to last less than 90 days."
3. Increasing the vesting threshold from 500 to 1,000 hours is also expected to decrease costs, however Milliman's letter characterizes it as "a minimal impact to the premium assessment."

For item 4, current law allows non-immigrant visa holders to opt-out of the program. Milliman's Base Plan in their 2022 Study therefore already assumes some non-immigrant visa holders will participate in the WA Cares program, and some will opt-out. Milliman's 2022 Study also provides a scenario that considers if no non-immigrant visa holders opt to join the program. Figure 11 in their 2022 Study shows this outcome could reduce the required premium rate by less than 0.01 percent (less than 1 basis point).

Items 5 – 8 have not been independently modeled. For the summary below, we confirmed our interpretation of previous modeling work with Milliman to develop our anticipated combined impact from Items 5-8 on the required premium rate. For more information, please see below.

5. Automatic, annual increases to the maximum WA Cares benefit based on CPI-W.
 - a. Milliman already assumes annual increases equal to assumed CPI-W growth. For more information about this provision, please see the **Additional Considerations** section.
6. Eliminating the requirement that there can be no interruption of five or more consecutive years within the ten-year pathway.
 - a. This change would not alter Milliman's modeling.
7. Allowing active-duty service members with concurrent civilian jobs to exempt themselves.



- a. ESD estimates around 3,200 active-duty personnel had Washington civilian employment during Fiscal Year 2023. To put that in context, [Table 1](#), from Milliman’s prior modeling on exempting military spouses, shows a 0.002 percent (0.2 basis point) increase to the required premium rate if all premium revenue was removed from 12,600 employed military spouses. The impacted population from this provision is approximately 25 percent of the number of employed military spouses.
8. The pilot program will lead to benefits being paid up to 6 months early up to 500 participants.

Item 9 allows individuals who had previously opted-out of the program to rescind their exemption. Milliman’s prior modeling on [Private Market Opt-Out Recertification](#) identifies the size of wages and relative health status of the group that rejoins are key as the impact could lead to a savings or a cost. This bill does not require recertification but allows anyone the option to rescind their exemption. Since the original exemption election occurred, the program now allows for near-retiree partial vesting of benefits. We expect this to be the group most likely to rejoin the program. Based on the self-attested ages of the private market exemption population, approximately 62,000, or 14 percent of the total private market exemptions, would be eligible for prorated benefits if they rejoined. Depending on how many rejoin, their average wages, and relative health status, this provision could lead to a small cost or savings.

As noted in the **Background** section, item 10 was excluded from the modeling, but any savings derived from a waiver would offset the costs summarized below.

Our estimated net impact to Milliman’s Base Plan premium rate from their 2022 Study is summarized in the table below. We relied on Milliman to confirm the reasonableness of this estimate drawing from previous modeling work.

Estimated Impact to Required Premium Rate from SB 6072	
Items 1 - 3 (Package D2)	+0.04%
Items 4 - 9	-0.01% to +0.01%
Total Estimated Premium Rate Impact from SB 6072*	+0.03% to +0.05%

*Note: Please see **Additional Considerations** section.
Excludes savings from CMS waiver.

Additional Considerations

This section addresses potential WA Cares impacts not included in the table above but may be relevant when considering the overall impact of this legislation.

Indeterminate Savings – CMS Waiver

This legislation requires any savings due to a CMS waiver to be deposited into the WA Cares Fund. These savings would offset future program costs. We did not include this provision in the table above due to the uncertainty regarding the amount of realized savings, timing, and



approval of the CMS waiver, and how long a CMS waiver would apply. CMS waivers do not exist forever, and states must re-apply for approval.

To provide context on the amount of potential savings, Milliman’s 2021 report, [WA Cares Fund Savings for the Medicaid Program](#), estimated approximately \$70 million in Medicaid savings (state and federal) would occur in 2025. Figure 1 shows increasing savings in future years. Federal savings, which would be the focus of a CMS waiver, account for about 55 percent of the figures in Figure 1, or \$38.5 million in 2025. By contrast, Milliman’s 2022 Study assumes approximately \$1 billion in premium revenue in 2025. Depending on the size of the waiver, and how long it exists, it could offset future costs. Milliman has been asked to update their 2021 Medicaid analysis in 2024 to support the CMS waiver process.

Clarification of Current Law – Timing of Increases to WA Cares Fund Maximum Benefit

This legislation clarifies future increases to the WA Cares Fund maximum benefit would occur automatically each year on January 1. Milliman’s 2022 Study assumed these increases would occur 6 months later, on July 1 of each year. Increasing benefits 6 months earlier than assumed will lead to increased costs from what Milliman modeled in their 2022 Study. Based on Figure 14 in Milliman’s 2022 Study, this change will lead to less than a 0.01 percent (1 basis point) increase to the Base Plan premium assessment.

Anticipated Administration – Benefit Eligibility Threshold

Appendix A of the attached letter identifies a modeling change we anticipate will be included in Milliman’s next actuarial study. It is based on the Department of Social and Health Services’ anticipated administration of WA Cares Fund benefits. The clarification of administrative practice will lead to a reduction in anticipated costs as the new, “NFLOC pathway only,” is more restrictive than what Milliman modeled in the Base Plan from their 2022 Study. Milliman estimated shifting to the NFLOC definition would reduce the Base Plan premium assessment by 0.03 percent (3 basis points).

Milliman believes further discussion and analysis is required to better model anticipated plan administration. As noted in Appendix A, they “expect the ultimate benefit eligibility threshold may yield a different required premium assessment rate than what” they estimate using the “NFLOC pathway only.”

Attachment: *Milliman’s Modeling of Potential WA Cares Fund Program Changes with Portability*



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Principal and Consulting Actuary

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October 13, 2023

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: Modeling of Potential WA Cares Fund Program Changes with Portability

Dear Luke:

Per your request, we analyzed several alternative program packages for WA Cares Fund being considered by the Long-Term Services and Supports (LTSS) Trust Commission. Our work estimates the premium assessment to help assess the feasibility of adjusting WA Cares Fund program features with a portability benefit.

The estimates provided in this deliverable are prepared to assist in evaluating the viability of selecting benefit features for WA Cares Fund. Any estimates around required program revenue are for feasibility purposes only and are not intended, and should not be used, for setting the program premium assessment.

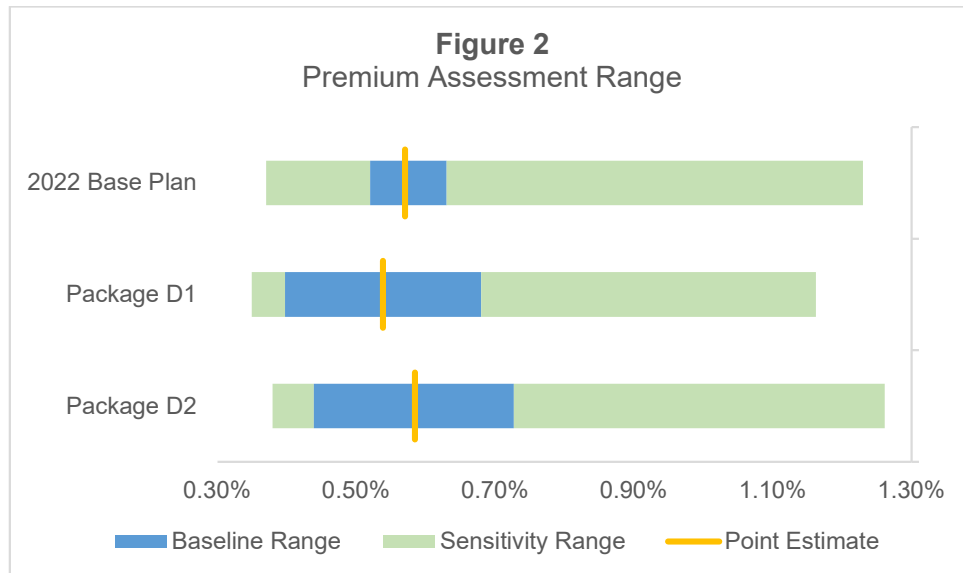
RESULTS SUMMARY

Per the direction of the Washington Department of Social and Health Services (DSHS), our analysis in this deliverable builds off of the 2022 Base Plan from our [2022 Actuarial Study](#), adjusted to reflect a benefit eligibility threshold definition using only the “Nursing Facility Level of Care (NFLOC) Medicaid Eligibility Requirements.” Appendix A documents the methodology and assumptions used to develop the adjusted 2022 Base Plan. The 2022 Actuarial Study along with Appendix A should be read in their entirety to understand the starting plan used for the analysis in this letter before modifying program features.

To help assess the feasibility of changing WA Cares Fund program features when adding a portability benefit, we calculated premium assessment estimates for various combinations of plan feature alternatives as requested by the DSHS and discussed by the LTSS Trust Commission. Figure 1 displays the point estimate premium assessment associated with the alternative packages modeled.

Figure 1 Washington Office of the State Actuary Plan Alternative Premium Results						
Package	Portable benefits subject to HIPAA benefit eligibility threshold	90-day forward certification	1,000 annual hours vesting requirement	Portable benefits buy-in eligibility: 3 years in-state premiums	Investment strategy with 30% equities	Estimated Premium Assessment
A1	X	X			X	0.56%
A2	X	X				0.60%
B1	X	X	X		X	0.55%
B2	X	X	X			0.59%
C1	X	X		X	X	0.55%
C2	X	X		X		0.59%
D1	X	X	X	X	X	0.54%
D2	X	X	X	X		0.58%

While we present point estimates in Figure 1 to illustrate the relative expected differences between plan packages, we calculate the estimated cost for each of these packages as a range. The “baseline range” of results can be especially relevant when considering benefit features with a voluntary component where participation and adverse selection will affect the financial outcomes (such as the portability benefit considered in this letter). Furthermore, we found results to be highly sensitive to small changes to some modeling assumptions. Figure 2 illustrates potential ranges of premium estimates produced as a result of varying participation and adverse selection (“baseline range”) and varying other model assumptions (“sensitivity range”) for Packages D1 and D2 from Figure 1, as well as the Base Plan (unadjusted) from the 2022 Actuarial Study for comparison. Please note, we only include the “D” Packages combining all alternative features tested in this letter for ease of illustration in Figure 2; packages A through C would look similar to the “D” Packages presented.



METHODOLOGY AND ASSUMPTIONS

For each modeling request, we started with all plan features, methodology, and assumptions consistent with the adjusted 2022 Base Plan described in Appendix A. We then modified plan features, methodology, and assumptions for each request as outlined below.

All packages include a portable benefit for individuals who have moved out of Washington after contributing to the program for one year, except the alternate test changing the minimum number of years to three. We assumed portable benefits would be structured consistently with the specifications outlined in Figure 3 below. Adding portable benefits increases the required premium assessment compared to the Base Plan, since Washington residents that move out of state may contribute to the program but will not be eligible to receive benefits under current statute. Portability allows for these individuals to receive benefits at an equivalent dollar amount to in-state benefits if they “buy in” to the program.

It is especially worth noting, the participation (25%) and adverse selection (25% higher claim levels than premium levels) assumed for the presented results. The level of participation and adverse selection have a large influence on the cost of a portable benefit and different assumptions would yield different premium assessment rates. The participation and adverse selection assumptions are chosen for illustrative purposes and are not intended to represent a “best estimate” of these unknown parameters.

Figure 3 Washington Office of the State Actuary Modeling Specifications for Base Portable Benefit	
Specification	Portability Structure Assumption
Qualified Individuals / “Vesting”	Anyone with at least one year of premiums paid in-state will be eligible to “buy-in” portability coverage (or alternate test of three years).
Out-of-State Premium Amount	Last “in-state” premium assessed, adjusted for wage inflation (assumed to be 3.5% per year); to be paid until normal retirement age (age 67).
Benefit Structure	Reimbursement (same as in-state).
Benefit Amount	\$36,500, indexed to CPI (same as in-state).
Benefit Eligibility Threshold	Health Insurance Portability and Accountability Act (HIPAA) definition.
Premium Participation Scenario	25%
Adverse Selection	We assume 25% higher claims are added relative to premium participation. This would imply that claims are higher than average for those who elect to participate and / or premiums are lower than average for those who elect to participate. For example, if 25% of individuals in this population contribute to premiums, we assume 50% of claims are added to the program’s cash flows.

Portable benefits subject to HIPAA benefit eligibility threshold

Since it may be more feasible for the program to administer an out-of-state benefit using a more universally understood threshold, we were requested to assume individuals out-of-state would need to meet the Health Insurance Portability and Accountability Act (HIPAA) eligibility threshold, regardless of the benefit eligibility threshold for individuals living in-state. The HIPAA threshold is defined as needing assistance with two or more activities of daily living (ADLs), where the individual is expected to meet the definition for at least 90 days, or severe cognitive impairment. We estimate portability costs will be lower under a HIPAA definition than if out-of-state individuals were subject to the same benefit eligibility threshold as in-state individuals. This determination is based on the following key criteria, which are defined differently under the unadjusted 2022 Base Plan and the HIPAA definition (additional discussion on the benefit eligibility threshold to develop the adjusted 2022 Base Plan can be found in Appendix A):

- Different pathways (e.g., assistance needed for one ADL in some cases to qualify under Medicaid compared to two ADLs for HIPAA)
- Different level of functional assistance required by ADL (e.g., lower threshold under Medicaid than HIPAA in some cases)
- A larger number of qualifying conditions (e.g., 10 ADLs considered under some pathways for Medicaid compared to six ADLs considered under HIPAA)
- No requirement that the disability is expected to last for a minimum number of days (compared to HIPAA with a 90-day forward certification)

In-State Benefit Eligibility Threshold: 90-day forward certification

All packages include the addition of a 90-day forward certification of functional disability. The 90-day forward certification is a concept borrowed from the HIPAA benefit eligibility threshold and requires that claimants’ LTSS need is *expected* to last for at least 90 days. The 90-day forward certification is not a waiting period.

We applied adjustments to reduce claim incidence and termination rates to reflect the introduction of a 90-day forward certification of functional disability. A reduction to claim incidence is assumed because a forward certification would reduce the number of claims covering short-term facility or home care needs expected to last less than 90 days. Claim termination rates for the first 90 days following the beginning of a claim are also assumed to decrease as short-term claims are removed.

We primarily relied on Milliman’s 2020 *Long-Term Care Guidelines* to develop the adjustments by examining relative differences in historical claims experience from private market insurance plans with and without a 90-day forward certification of functional disability. We estimate this change alone would lower the premium assessment by approximately two basis points relative to the 2022 Base Plan.

1,000 annual hours vesting requirement

For the B and D packages, we assumed the program would require individuals to work 1,000 hours per year to earn a vesting credit (rather than the 500 hours assumed under the 2022 Base Plan consistent with current statute). We use data from the American Time Use Survey (ATUS) to estimate the percentage of the working population that fulfills the hours worked requirement each year. We observe that increasing the vesting requirement from 500 to 1,000 hours would have a minimal impact to the premium assessment (i.e., less than one basis point reduction relative to the 2022 Base Plan), since the data suggests a small percentage of the population works between 25% and 50% of full-time hours.

Portable benefits buy-in eligibility: 3 years in-state premiums

For the C and D packages, we used the base portable benefit specifications outlined in Figure 3, but changed the eligibility requirements for individuals to “buy-in” portable coverage from one year of in-state premiums paid to three years of in-state premiums paid. We estimate changing the minimum years to three would lower the premium assessment by approximately one basis point relative to a portability benefit with a minimum of one year of in-state premiums.

Investment strategy with 30% equities

For the packages ending in “1,” we assumed the program’s investment strategy would utilize equities. For these packages, we modeled a 70% / 30% blend between the 2022 Base Plan investment approach and equities, respectively. This is modeled by blending the Base Plan vector with an assumed constant 8% equity return using 70% and 30% weights, respectively. We understand a state constitutional amendment would be needed to allow investing in equities. The packages ending in “2” assumed the program’s investment strategy would utilize the 2022 Base Plan investment approach (i.e., no equities).

Although higher returns are expected on average over the long-term, there is more inherent risk and volatility of returns from year to year as the proportion of investments in equities increases in a portfolio. This volatility may also be more impactful in different years depending on the shape of the cash flows and the level of pre-funding inherent in financing program benefits. If the program intends to invest in equities, the program may want to consider targeting a higher level of margin than it would if utilizing a less volatile investment strategy as part of cash flow testing.

UPCOMING UPDATES TO METHODOLOGY AND ASSUMPTIONS

As discussed with DSHS and OSA, we anticipate updating our baseline analysis in 2024. This will include updating some of the assumptions and methodology in our 2022 Actuarial Study to the latest available data. Examples of updated data and information that we anticipate incorporating into our 2024 analysis (but are not incorporated in this letter) include the following:

- The latest investment projections as provided by the Washington State Investment Board
- The latest OASDI Trustees Report projections
- Emerging program data (such as exemption and revenue data)
- Updated economic assumptions, such as wage and worker projections
- Updated census and demographic data for Washington

CAVEATS AND LIMITATIONS

This information is intended for the use of Washington Office of the State Actuary (OSA) and the Washington Department of Social and Health Services (DSHS) and it should not be distributed, in whole or in part, to any external party without the prior written permission of Milliman, subject to the following exception:

- This report shall be a public record that shall be subject to disclosure to the State Legislature and its committees, persons participating in legislative reviews and deliberations, and parties making a request pursuant to the Washington Public Records Act

We do not intend this information to benefit any third party even if we permit the distribution of our work product to such third party.



This information provides estimated premium assessment impacts for alternative program features starting from the 2022 Base Plan presented in the 2022 WA Cares Fund Actuarial Study provided on October 20, 2022, which should be read in its entirety with this letter. In completing this analysis, we relied on information provided by Washington State OSA, DSHS, SIB, and ESD, and publicly available data. We accepted without audit but reviewed the information for general reasonableness. Our summary may not be appropriate if this information is not accurate.

Many assumptions were used to construct the estimates in this letter. Actual results will differ from the projections in this letter. Experience should be monitored as it emerges, and corrective actions should be taken when necessary.

Milliman has developed certain models to estimate the values included in this letter. The intent of the models is to estimate required revenue for alternative program features of the WA 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, Annie Gunnlaugsson, and Evan Pollock are members of the American Academy of Actuaries and meet the qualification standards for performing the analyses in this letter.



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

Sincerely,

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

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

CJG/zk



APPENDIX A

Methodology and Assumptions to Develop Adjusted 2022 Base Plan

APPENDIX A

Methodology and Assumptions to Develop Adjusted 2022 Base Plan

BACKGROUND

The 2022 Base Plan from our [2022 Actuarial Study](#) assumes benefit eligibility criteria consistent with two potential pathways under the State of Washington Medicaid program: 1) nursing facility level of care (NFLOC) pathway.¹ and 2) Medicaid personal care (MPC) pathway.² DSHS requested we model an adjusted 2022 Base Plan as the starting point for analysis in this letter, where the benefit eligibility threshold only includes the NFLOC pathway and removes the MPC pathway.

RESULTS AND METHODOLOGY

Removing the MPC pathway and only determining benefit eligibility via the NFLOC pathway makes the benefit eligibility threshold more restrictive relative to the 2022 Base Plan structure, resulting in a decrease to the premium assessment. Specifically, we estimate the NFLOC only pathway definition would lower the premium assessment 3 basis points relative to the 2022 Base Plan, as presented in Figure A1.

Figure A1 Washington Office of the State Actuary Impact of Adjusting Benefit Eligibility Threshold		
Alternative	Premium Assessment	Impact
2022 Base Plan (NFLOC and MPC pathways)	0.57%	
Adjusted 2022 Base Plan (NFLOC pathway only)	0.53%	-0.03%

To help estimate the cost of the NFLOC pathway only, we also compared the NFLOC threshold to the HIPAA eligibility threshold. There are multiple differences between the NFLOC threshold and the HIPAA eligibility threshold, but we estimate the NFLOC threshold to be generally less restrictive relative to the HIPAA threshold for three main reasons:

- The NFLOC threshold includes medication management as one of the applicable ADLs. This not one of the six ADLs included in the HIPAA eligibility criteria.
- The NFLOC threshold includes “cognitive impairment” in its requirements, while the HIPAA threshold requires “severe cognitive impairment.”
- Under the HIPAA threshold there is requirement that the LTSS need is expected to last for at least 90 days. There is no such requirement under the NFLOC threshold.

Ultimately, we determined that the NFLOC threshold would result in a premium assessment in between the premium assessments for the 2022 Base Plan (which assumed the NFLOC + MPC Medicaid threshold) and a plan design with the HIPAA eligibility threshold.

CONSIDERATIONS

Our Medicaid benefit eligibility threshold modeling results represent a high-level estimate of the potential premium assessment impact, but additional analysis (such as a clinical review of the differences relative to HIPAA requirements, or an analysis of Medicaid data) may be warranted if the eligibility threshold is to be officially incorporated into the program. Our current methodology for a NFLOC only threshold assumes incidence loads will fall in between the HIPAA threshold and the Medicaid threshold with both NFLOC and MPC pathways, which would lower the premium assessment by approximately three basis points relative to the 2022 Base Plan.

While the NFLOC threshold may serve as a proxy for the benefit eligibility threshold under WA Cares Fund, it is our understanding that the ultimate benefit eligibility threshold for WA Cares Fund must abide by the three ADL format dictated by statute. As such, we expect the ultimate benefit eligibility threshold may yield a different required premium assessment rate than what we estimate using this proxy.

¹ <https://apps.leg.wa.gov/wac/default.aspx?cite=388-106-0355>

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