Multiple Agency Fiscal Note Summary

Bill Number: 2124 XIL	Title: State long term care insurance

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 State Treasurer	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Office of Attorney General	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Office of Administrative Hearings	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Employment Security Department	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total $	0	0	0	0	0	0	0	0	0

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 the State Actuary	.0	0	0	0	.0	0	0	0	.0	0	0	0
Office of State Treasurer	.0	0	0	0	.0	0	0	0	.0	0	0	0
Office of Attorney General	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Office of Financial Management	.0	0	0	0	.0	0	0	0	.0	0	0	0
Washington State Health Care Authority	.0	0	0	0	.0	0	0	0	.0	0	0	0
Office of Administrative Hearings	Non-zero but indeterminate cost and/or savings. Please see discussion.											
State Investment Board	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Social and Health Services	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Employment Security Department	6.0	0	0	4,642,621	2.3	0	0	1,145,689	2.0	0	0	1,078,107
Employment Security Department	In addition to the estimate above,there are additional indeterminate costs and/or savings. Please see individual fiscal note.											
Actuarial Fiscal Note - State Actuary	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Total $	6.0	0	0	4,642,621	2.3	0	0	1,145,689	2.0	0	0	1,078,107

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of the State Actuary	.0	0	0	.0	0	0	.0	0	0
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Office of Attorney General	.0	0	0	.0	0	0	.0	0	0
Office of Financial Management	.0	0	0	.0	0	0	.0	0	0
Washington State Health Care Authority	.0	0	0	.0	0	0	.0	0	0
Office of Administrative Hearings	.0	0	0	.0	0	0	.0	0	0
State Investment Board	.0	0	0	.0	0	0	.0	0	0
Department of Social and Health Services	.0	0	0	.0	0	0	.0	0	0
Employment Security Department	.0	0	0	.0	0	0	.0	0	0
Actuarial Fiscal Note - State Actuary	.0	0	0	.0	0	0	.0	0	0
Total $	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

NONE

Prepared by: Anna Minor, OFM	**Phone:** (360) 790-2951	**Date Published:** Final 2/19/2024

Individual State Agency Fiscal Note

Bill Number: 2124 XIL	Title: State long term care insurance	Agency: 035-Office of the State Actuary

Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

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

Check applicable boxes and follow corresponding instructions:

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

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

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Chris Blake	Phone: 360-786-7392	Date: 01/09/2024
Agency Preparation:	Melinda Aslakson	Phone: 3607866161	Date: 02/12/2024
Agency Approval:	Matthew M. Smith	Phone: 360-786-6140	Date: 02/12/2024
OFM Review:	Marcus Ehrlander	Phone: (360) 489-4327	Date: 02/16/2024

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.

Initiative 2124 if enacted would require an employee or self-employed person in Washington to elect to keep coverage under the long-term services and supports program (referred to as WA Cares Fund) created in the Revised Code of Washington (RCW) 50b.04. It permits an employee or self-employed person who has elected coverage the ability to opt out at any time, and if enacted, the Employment Security Department is required to adopt rules to implement the change. RCW 50b.04.085 allowed individuals to request an exemption to opt out of the program permanently if they purchased a private long-term care insurance policy prior to November 1, 2021, and this section is repealed. The initiative also includes an intent section and severability clause.

The Office of the State Actuary (OSA) provides actuarial support to the LTSS Trust Council, Commission, the Pension Funding Council, and the Legislature regarding the WA Cares Fund. The changes detailed above would result in actuarial analysis and consulting to be largely performed by contracted actuaries.

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.

If Initiative 2124 is enacted, we expect decision makers including the LTSS Trust Commission, Trust Council, and the Legislature will benefit from ongoing actuarial analysis and consulting, similar to what is being provided to support the current law WA Cares Fund. Services that may be needed if the Initiative 2124 is enacted include, but are not limited to, actuarial studies and or financial projections of a newly voluntary program, ongoing consulting on plan design, risk management assessments, and ad hoc analysis to support the Commission and their workgroups. The Office of the State Actuary currently contracts for most actuarial services from a third party, relying on an interagency agreement and reimbursement from the Department of Social and Health Services (DSHS) for the activities. Our interagency agreement with DSHS currently provides enough funding for expected services if Initiative 2124 is passed. Actual costs to perform these activities may be more or less depending upon the nature of the work and volume of independent requests beyond the initiative.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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.

Individual State Agency Fiscal Note

Bill Number: 2124 XIL	Title: State long term care insurance	Agency: 090-Office of State Treasurer

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

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

Estimated Operating Expenditures from:
NONE

Estimated Capital Budget Impact:

NONE

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

Check applicable boxes and follow corresponding instructions:

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

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

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Chris Blake	Phone: 360-786-7392	Date: 01/09/2024
Agency Preparation:	Dan Mason	Phone: (360) 902-8990	Date: 02/16/2024
Agency Approval:	Dan Mason	Phone: (360) 902-8990	Date: 02/16/2024
OFM Review:	Amy Hatfield	Phone: (360) 280-7584	Date: 02/16/2024

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.

Initiative 2124 would allow all Washington workers the choice to opt out of the long-term services and supports trust program established in chapter 50B.04 RCW.

Under section 1, an employee or self-employed person in Washington must elect to keep coverage under the long-term services trust program, and must have the option to opt out at any time. This section also directs the employment security department to adopt rules to implement this section.

Section 2 repeals RCW 50B.04.085. This would eliminate a current long-term services trust program exemption for employees who attested to purchasing a long-term care insurance plan prior to November 1, 2021.

Section 3 states that the provisions of the act are to be liberally construed to effectuate the policies, purposes, and intent of the act.

Section 4 states that if any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

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.

Under RCW 50B.04.100 [chapter 363, laws of 2019, section 11 (2SHB 1087)], the long-term services and supports trust account is created in the custody of the state treasurer. The office of the state treasurer's role related to the account will remain the same if the initiative were to pass.

Under RCW 43.79A.040(4)(b), the earnings from investments for the long-term services and supports trust account are credited to itself. Interest earnings are based on average daily cash balances and there may be a cash flow impact related to the account. Projected cash flows are currently unavailable; therefore, estimated earnings from investment are indeterminable. To assist, the earnings from investments projected interest rates are provided (attached).

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

NONE

III. B - Expenditures by Object Or Purpose

NONE

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.

February 2024 Revenue Forecast	
Fiscal Year	Earnings from Investments: Projected Net Interest Rate
2024	3.60%
2025	3.52%
2026	3.20%
2027	2.93%
2028	2.68%
2029	2.68%

Individual State Agency Fiscal Note

Revised

Bill Number: 2124 XIL	Title: State long term care insurance	Agency: 100-Office of Attorney General

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:

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:

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

Legislative Contact:	Chris Blake	Phone: 360-786-7392	Date: 01/09/2024
Agency Preparation:	Dave Merchant	Phone: 360-753-1620	Date: 02/19/2024
Agency Approval:	Edd Giger	Phone: 360-586-2104	Date: 02/19/2024
OFM Review:	Val Terre	Phone: (360) 280-3973	Date: 02/19/2024

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.

Initiative 2124 would allow all Washington State workers the choice to opt out of the Long-Term Services and Supports Trust program established in RCW 50B.04.

Section 1 - States an employee or self-employed person in Washington State must elect to keep coverage under the Long-Term Services Trust program, and must have the option to opt out at any time. This section also authorizes the Employment Security Department (ESD) to adopt rules to implement this section.

Section 2 - Repeals RCW 50B.04.085. This would eliminate a current Long-Term Services Trust program exemption for employees who attested to purchasing a long-term care insurance plan prior to November 1, 2021.

Section 3 - States the provisions of the act are to be liberally construed to effectuate the policies, purposes, and intent of the act.

Section 4 - States if any provision of this act or it's application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

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.

1. The Attorney General's Office (AGO) Licensing & Administrative Law Division (LAL) has reviewed this bill and determined it will have an indeterminate impact to the Employment Securities Department (ESD). The legal services fiscal impact is indeterminate because options-based advice will be needed on interpreting initiative intent, processes for opt-out and opt-in, assistance with potential rulemaking, multi-agency coordination, and review of communications. The extent of legal services needed will depend on agencies' choices regarding the means used to implement the assumptions for the initiative, and the magnitude of impact to the program based on the number of opt-outs.

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) or the Heath Care Authority (HCA). New legal services are nominal and costs are not included in this request.

3. 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.

4. The AGO Revenue and Finance Division (REV) has reviewed this bill and determined it will not increase or decrease the division's workload in representing Office of the State Treasurer (OST), the Office of Financial Management (OFM), the Office of Administrative Hearings (OAH) or the State Investment Board (SIB). Therefore, no costs are included in this request.

5. 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.

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.

Individual State Agency Fiscal Note

Bill Number: 2124 XIL	Title: State long term care insurance	Agency: 105-Office of Financial Management

Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

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

Check applicable boxes and follow corresponding instructions:

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

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

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Chris Blake	Phone: 360-786-7392	Date: 01/09/2024
Agency Preparation:	Keith Thunstedt	Phone: 360-810-1271	Date: 02/19/2024
Agency Approval:	Kathy Cody	Phone: (360) 480-7237	Date: 02/19/2024
OFM Review:	Val Terre	Phone: (360) 280-3973	Date: 02/19/2024

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.

Initiative 2124 would allow all Washington workers the choice to opt out of the Long-Term Services and Supports Trust program established in chapter 50B.04 RCW.

Sec. 1 states that an employee or self-employed person in Washington must elect to keep coverage under the Long-Term Services Trust program and must have the option to opt out at any time. This section also authorizes the Employment Security Department to adopt rules to implement this section.

Sec. 2 repeals RCW 50B.04.085. This would eliminate a current Long-Term Services Trust program exemption for employees who attested to purchasing a long-term care insurance plan prior to November 1, 2021.

Sec. 3 states that the provisions of the act are to be liberally construed to effectuate the policies, purposes, and intent of the act.

Sec. 4 states that if any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

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.

These changes do not alter OFM's involvement in the program, which includes chairing the Long-term Services and Supports Council. Therefore, there is no fiscal impact to OFM.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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.

Individual State Agency Fiscal Note

Bill Number: 2124 XIL	Title: State long term care insurance	Agency: 107-Washington State Health Care Authority

Part I: Estimates

[X] **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

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

Check applicable boxes and follow corresponding instructions:

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

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

[ ] Capital budget impact, complete Part IV.

[ ] Requires new rule making, complete Part V.

Legislative Contact:	Chris Blake	Phone: 360-786-7392	Date: 01/09/2024
Agency Preparation:	Eric Fiedler	Phone: 360-725-0490	Date: 01/25/2024
Agency Approval:	Cliff Hicks	Phone: 360-725-0875	Date: 01/25/2024
OFM Review:	Jason Brown	Phone: (360) 742-7277	Date: 02/05/2024

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.

See attached.

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.

See attached.

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.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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.

HCA Fiscal Note

Bill Number: **2124 XIL** HCA Request #: 24-039 Title: **State Long Term Care Insurance**

Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:
NONE

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

Check applicable boxes and follow corresponding instructions:

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

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

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

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.

An act relating to all Washington workers having a choice to opt out of the government-operated long-term insurance (WA Cares).

Sec. 1 (8) – an employee or self-employed person in Washington must elect to keep coverage.

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. Distinguish between one time and ongoing functions.

NONE

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. Distinguish between one time and ongoing functions.

For the Health Care Authority (HCA)

This initiative creates no fiscal impact to the HCA. At this time HCA does not currently receive funding for WA Cares.

Sec. 1 (8) – an employee or self-employed person in Washington must elect to keep coverage. HCA assumes that there will be Washingtonians that will elect to keep coverage under this section and therefore HCA will still need to support the process of payments, track benefit usage, and coordinate benefits for the WA Cares Act. Therefore, HCA will still need to submit a decision package later this year to assist in the implementation of WA Cares.

For the Health Benefit Exchange (HBE)

No fiscal impact, HBE does not anticipate any additional costs to comply with this version of XIL 2124.

Part III: Expenditure Detail

III. A - Operating Budget Expenditure

NONE

III. B - Expenditures by Object Or Purpose

NONE

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.

NONE

Individual State Agency Fiscal Note

Revised

Bill Number: 2124 XIL	Title: State long term care insurance	Agency: 110-Office of Administrative Hearings

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:

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:

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

Legislative Contact:	Chris Blake	Phone: 360-786-7392	Date: 01/09/2024
Agency Preparation:	Pete Boeckel	Phone: 360-407-2730	Date: 02/16/2024
Agency Approval:	Rob Cotton	Phone: 360-407-2708	Date: 02/16/2024
OFM Review:	Val Terre	Phone: (360) 280-3973	Date: 02/19/2024

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.

Costs identified in this fiscal note include indeterminate costs that are middle-range projections of plausible needs.

Initiative 2124 would allow all Washington workers the choice to opt out of the Long-Term Services and Supports Trust program established in chapter 50B.04 RCW.

Sec. 1 states that an employee or self-employed person in Washington must elect to keep coverage under the Long-Term Services Trust program, and must have the option to opt out at any time. This section also authorizes the Employment Security Department to adopt rules to implement this section.

Sec. 2 repeals RCW 50B.04.085. This would eliminate a current Long-Term Services Trust program exemption for employees who attested to purchasing a long-term care insurance plan prior to November 1, 2021.

Sec. 3 states that the provisions of the act are to be liberally construed to effectuate the policies, purposes, and intent of the act.

Sec. 4 states that if any provision of this act or it's application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

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 cash receipts.

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

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

II. C - Expenditures

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.

Indeterminate expenditure impact.

Based on this Initiative Measure's language, the Office of Administrative Hearings assumes an indeterminate reduction in referred hearings in the range of 25% to 75%. With the new opting out of appeals option, the removal of statutory exemptions and the indeterminate rules implementing the opt-out process, OAH assumes up to 75% of current workers will choose to opt out resulting in a reduction of appeals.

OAH was funded $221,000 in the 2023-25 biennium for the Washington Care Program. Therefore, OAH assumes a surplus of between $55,000 and $165,000 exists.

This Initiative Measure is assumed effective July 1, 2024.

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.

Individual State Agency Fiscal Note

Bill Number: 2124 XIL	Title: State long term care insurance	Agency: 126-State Investment Board

Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:
NONE

Estimated Capital Budget Impact:

NONE

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

Check applicable boxes and follow corresponding instructions:

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

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

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Chris Blake	Phone: 360-786-7392	Date: 01/09/2024
Agency Preparation:	Celina Verme	Phone: (360) 956-4740	Date: 02/16/2024
Agency Approval:	Allyson Tucker	Phone: 360-956-4710	Date: 02/16/2024
OFM Review:	Marcus Ehrlander	Phone: (360) 489-4327	Date: 02/16/2024

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.

Initiative 2124 would allow all Washington workers the choice to opt out of the Long-Term Services and Supports Trust program established in chapter 50B.04 RCW.

Sec. 1 states that an employee or self-employed person in Washington must elect to keep coverage under the Long-Term Services Trust program, and must have the option to opt out at any time. This section also authorizes the Employment Security Department to adopt rules to implement this section.

Sec. 2 repeals RCW 50B.04.085. This would eliminate a current Long-Term Services Trust program exemption for employees who attested to purchasing a long-term care insurance plan prior to November 1, 2021.

Sec. 3 states that the provisions of the act are to be liberally construed to effectuate the policies, purposes, and intent of the act.

Sec. 4 states that if any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

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.

The Washington State Investment Board (WSIB) does not anticipate a fiscal impact from the Initiative.

The WSIB has an asset allocation policy in place and investment and operational processes developed for the Long-Term Services and Supports Trust (LTSS) funds. The WSIB does not anticipate the Initiative to require a change in asset allocation or investment and operational processes for the LTSS. Additionally, the WSIB does not anticipate a change in resource needs to carry out current investment and operational processes associated with the LTSS due to a potential change in fund size or cash flows to and from the fund resulting from the Initiative.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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.

Individual State Agency Fiscal Note

Bill Number: 2124 XIL	Title: State long term care insurance	Agency: 300-Department of Social and Health Services

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:	Chris Blake	Phone: 360-786-7392	Date: 01/09/2024
Agency Preparation:	Mitchell Close	Phone: 3600000000	Date: 02/19/2024
Agency Approval:	Dan Winkley	Phone: 360-902-8236	Date: 02/19/2024
OFM Review:	Breann Boggs	Phone: (360) 485-5716	Date: 02/19/2024

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.

Initiative 2124 would allow all Washington workers the choice to opt out of the Long-Term Services and Supports Trust program established in chapter 50B.04 RCW.

Sec. 1 states that an employee or self-employed person in Washington must elect to keep coverage under the Long-Term Services Trust program, and must have the option to opt out at any time. This section also authorizes the Employment Security Department to adopt rules to implement this section.

Sec. 2 repeals RCW 50B.04.085. This would eliminate a current Long-Term Services Trust program exemption for employees who attested to purchasing a long-term care insurance plan prior to November 1, 2021.

Sec. 3 states that the provisions of the act are to be liberally construed to effectuate the policies, purposes, and intent of the act.

Sec. 4 states that if any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

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.

There are no cash receipts for this measure.

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.

This measure allows individuals in Washington to elect to participate in or opt out of the Long-Term Services and Supports Trust Program (WA Cares), with an assumed start date of June 6, 2024. This change will have an indeterminate impact on the Department of Social and Health Services (DSHS) Aging and Long-Term Support Administration (ALTSA).

Under RCW 50B.040.020 (g) DSHS is required to provide customer service and address questions and complaints, including referring individuals to other appropriate agencies. DSHS currently operates a customer care center with 9.0 FTE employees. DSHS assumes that calls and emails from the public will increase as a result of this measure and additional staff will be necessary to handle the increased workload. Below are estimates of costs (using Fund 567) to DSHS using 25 percent, 50 percent, and 75 percent of workers electing to opt out of the program. In all scenarios, DSHS assumes a staff start date of April 2024.

The positions necessary for the customer care center include:
- Customer Service Specialist 3 (CSS3): to answer calls and emails from Washingtonians and the public, assuming five minutes per contact.
- Customer Service Specialist 4 (CSS4): to supervise CSS3 staff at a ratio of nine to one.
- Customer Service Manager: to manage and train CSS4 staff and provide work direction. Only one ongoing Customer Service Manager would be needed in each scenario.
- Administrative Assistant 3: to provide support for recruitment efforts, human resource activities, onboarding, and ongoing support for the customer care team. Only one ongoing Administrative Assistant 3 would be needed in each scenario.

- IT Customer Support – Journey: to provide ongoing IT support staff at a ratio of 33 to one.

In addition, all scenarios include a $1,000,000 cost in FY24 to purchase software services and technical consulting services required to implement call center technology changes by June 2024. This work is necessary to ensure the Customer Relationship Management (CRM) system to manage customer and call data and workflow processes is implemented in June 2024 as a result of this measure rather than in the current implementation scheduled for FY25.

These estimates do not include any assumptions or estimates related to wait times for phone calls or emails.

25 Percent Opt Out:
In this scenario, DSHS estimates 1,045,449 people will opt out of the program (25 percent of 4,181,797 Washington workers). Of that total, three percent of people opting out may call or email the customer care center in FY 2024, 10 percent in FY 2025, five percent in FY 2026, and three percent in subsequent years. Each call or email is assumed to take five minutes staff time per contact and generate the following workload:
- FY24: 26,136 contacts (2,178 hours)
- FY25: 104,545 contacts (8,712 hours)
- FY26: 52,272 contacts (4,356 hours)
- FY27 and beyond: 26,136 contacts (2,178 hours)

Using 1,332 hours per CSS3, the below staff by year would be needed.

FY24 - 2.5 FTEs for a total of $1,263,000
- Customer Service Specialist 3: 1.6 FTEs
- Customer Service Specialist 4: 0.2 FTE
- Customer Service Manager: 0.3 FTE
- Administrative Assistant 3: 0.3 FTE
- IT Customer Support – Journey: 0.1 FTE
- Software and Technical Consulting Services: $1,000,000

FY25 - 9.5 FTEs for a total of $977,000
- Customer Service Specialist 3: 6.5 FTEs
- Customer Service Specialist 4: 0.7 FTE
- Customer Service Manager: 1.0 FTE
- Administrative Assistant 3: 1.0 FTE
- IT Customer Support – Journey: 0.3 FTE

FY26 - 5.9 FTEs for a total of $600,000
- Customer Service Specialist 3: 3.3 FTEs
- Customer Service Specialist 4: 0.4 FTE
- Customer Service Manager: 1.0 FTE
- Administrative Assistant 3: 1.0 FTE
- IT Customer Support – Journey: 0.2 FTE

FY27 and beyond - 3.9 FTEs for a total of $407,000
- Customer Service Specialist 3: 1.6 FTEs
- Customer Service Specialist 4: 0.2 FTE
- Customer Service Manager: 1.0 FTE
- Administrative Assistant 3: 1.0 FTE
- IT Customer Support – Journey: 0.1 FTE

50 Percent Opt Out:

In this scenario, DSHS estimates 2,090,899 people will opt out of the program (50 percent of 4,181,797 Washington workers). Of that total, three percent of people opting out may call or email the customer service center in FY 2024, 10 percent in FY 2025, five percent in FY 2026, and three percent in subsequent years. Each call or email is assumed to take five minutes staff time per contact and generate the following workload:
- FY24: 52,272 contacts (4,356 hours)
- FY25: 209,090 contacts (17,424 hours)
- FY26: 104,545 contacts (8,712 hours)
- FY27 and beyond: 52,272 contacts (4,356 hours)

Using 1,332 hours per CSS3, the below staff by year would be needed.

FY24 - 4.4 FTEs for a total of $1,451,000
- Customer Service Specialist 3: 3.3 FTEs
- Customer Service Specialist 4: 0.4 FTE
- Customer Service Manager: 0.3 FTE
- Administrative Assistant 3: 0.3 FTE
- IT Customer Support – Journey: 0.1 FTE
- Software and Technical Consulting Services: $1,000,000

FY25 - 17.1 FTEs for a total of $1,748,000
- Customer Service Specialist 3: 13.1 FTEs
- Customer Service Specialist 4: 1.5 FTEs
- Customer Service Manager: 1.0 FTE
- Administrative Assistant 3: 1.0 FTE
- IT Customer Support – Journey: 0.5 FTE

FY26 - 9.5 FTEs for a total of $947,000
- Customer Service Specialist 3: 6.5 FTEs
- Customer Service Specialist 4: 0.7 FTE
- Customer Service Manager: 1.0 FTE
- Administrative Assistant 3: 1.0 FTE
- IT Customer Support – Journey: 0.3 FTE

FY27 and beyond - 5.9 FTEs for a total of $600,000
- Customer Service Specialist 3: 3.3 FTEs
- Customer Service Specialist 4: 0.4 FTE
- Customer Service Manager: 1.0 FTE
- Administrative Assistant 3: 1.0 FTE
- IT Customer Support – Journey: 0.2 FTE

75 Percent Opt Out:
In this scenario, DSHS estimates 3,136,348 people will opt out of the program (75 percent of 4,181,797 Washington workers). Of that total, three percent of people opting out may call or email the customer service center in FY 2024, 10 percent in FY 2025, five percent in FY 2026, and three percent in subsequent years. Each call or email is assumed to take five minutes staff time per contact and generate the following workload:
- FY24: 78,409 contacts (6,534 hours)
- FY25: 313,635 contacts (26,136 hours)
- FY26: 156,817 contacts (13,068 hours)
- FY27 and beyond: 78,409 contacts (6,534 hours)

Using 1,332 hours per CSS3, the below staff by year would be needed.

FY24 - 6.2 FTEs for a total of $1,630,000
- Customer Service Specialist 3: 4.9 FTEs
- Customer Service Specialist 4: 0.5 FTE
- Customer Service Manager: 0.3 FTE
- Administrative Assistant 3: 0.3 FTE
- IT Customer Support – Journey: 0.2 FTE
- Software and Technical Consulting Services: $1,000,000

FY25 - 24.5 FTEs for a total of $2,498,000
- Customer Service Specialist 3: 19.6 FTEs
- Customer Service Specialist 4: 2.2 FTEs
- Customer Service Manager: 1.0 FTE
- Administrative Assistant 3: 1.0 FTE
- IT Customer Support – Journey: 0.7 FTE

FY26 - 13.3 FTEs for a total of $1,317,000
- Customer Service Specialist 3: 9.8 FTEs
- Customer Service Specialist 4: 1.1 FTEs
- Customer Service Manager: 1.0 FTE
- Administrative Assistant 3: 1.0 FTE
- IT Customer Support – Journey: 0.4 FTE

FY27 and beyond - 7.6 FTEs for a total of $762,000
- Customer Service Specialist 3: 4.9 FTEs
- Customer Service Specialist 4: 0.5 FTE
- Customer Service Manager: 1.0 FTE
- Administrative Assistant 3: 1.0 FTE
- IT Customer Support – Journey: 0.2 FTE

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.

Individual State Agency Fiscal Note

Bill Number: 2124 XIL	Title: State long term care insurance	Agency: 540-Employment Security Department

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

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

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	2.0	10.0	6.0	2.3	2.0
Account					
Long-Term Services & Supports Trust Acct-State 567-1	745,930	3,896,691	4,642,621	1,145,689	1,078,107
Total $	745,930	3,896,691	4,642,621	1,145,689	1,078,107

In addition to the estimates above, there are additional indeterminate costs 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:	Chris Blake	Phone: 360-786-7392	Date: 01/09/2024
Agency Preparation:	Lisa Henderson	Phone: 360-902-9291	Date: 02/19/2024
Agency Approval:	Danielle Cruver	Phone: 360-810-0901	Date: 02/19/2024
OFM Review:	Anna Minor	Phone: (360) 790-2951	Date: 02/19/2024

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.

Please see attached.

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.

Please see attached.

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.

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	745,930	3,896,691	4,642,621	1,145,689	1,078,107
		Total $	745,930	3,896,691	4,642,621	1,145,689	1,078,107

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	2.0	10.0	6.0	2.3	2.0
A-Salaries and Wages	151,139	815,610	966,749	291,404	246,444
B-Employee Benefits	60,456	326,244	386,700	116,562	98,578
C-Professional Service Contracts	374,000	1,935,267	2,309,267	233,699	250,345
E-Goods and Other Services	119,330	597,500	716,830	425,690	416,600
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	41,005	222,070	263,075	78,334	66,140
9-					
Total $	745,930	3,896,691	4,642,621	1,145,689	1,078,107

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

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
ADMINISTRATIVE ASSISTANT 3	45,552	0.3	1.0	0.6	1.0	1.0
COMMUNICATIONS CONSULTANT 4	67,380	0.2	1.0	0.6	0.3	
ES BENEFITS SPECIALIST 3	64,092	0.3	1.0	0.6	1.0	1.0
IT BUSINESS ANALYST - JOURNI	89,724	0.3	2.0	1.2		
MANAGEMENT ANALYST 3	64,092	0.3	1.0	0.6		
MANAGEMENT ANALYST 4	74,376	0.3	2.0	1.2		
TECHNICAL TRAINING CONSULTANT	70,800	0.3	1.0	0.6		
WASHINGTON MANAGEMENT SERVICES BAND 2	102,012	0.2	1.0	0.6		
Total FTEs		2.0	10.0	6.0	2.3	2.0

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.

See attached.

Part II: Narrative Explanation

Initiative Measure No. 2124 restructures participation in the Long-Term Services and Supports Trust (LTSS) program to provide both currently enrolled employees and self-employed individuals who elected to participate with the ability to opt out of the program.

The department's roles and responsibilities for the LTSS program include:

- Accepting reports from self-employed individuals who have elected coverage and from employers on employee's wages, collecting premiums, and depositing collected premiums in a trust for the program. The money collected is specifically for administering the program and the payment of benefit services.
- Investigating wage report and premium collection compliance issues.
- Processing applications for exemptions to the program.
- As benefits become available, determining qualified individual status for applicants and verifying that individuals have met vesting criteria to be eligible beneficiaries.

II.A – Brief Description of What the Measure Does That Has Fiscal Impact

Sec. 1 states that an employee or self-employed person in Washington must elect to keep coverage under the Long-Term Services Trust program and must have the option to opt out at any time. This section also authorizes the Employment Security Department to adopt rules to implement this section.

Sec. 2 repeals RCW 50B.04.085. This would eliminate a current Long-Term Services Trust program exemption for employees who attested to purchasing a long-term care insurance plan prior to November 1, 2021.

Sec. 3 states that the provisions of the act are to be liberally construed to effectuate the policies, purposes, and intent of the act.

Sec. 4 states that if any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

II.B – Cash receipts Impact

Indeterminate. With the ability for workers to opt out at their discretion it is assumed that this will cause a reduction in cash receipts when there is no longer a requirement for all employees without an exemption to participate. However, as there are no existing programs to draw on as an analogous comparison of participation rates nor income of participants, the impact on cash receipts is indeterminate. ESD has provided the assumed reduction in premiums based on a

25%, 50%, and 75% reduction of premium revenue. These assumptions do not include the impact of adverse selection of employees with lower income and poorer health status that would be more likely to remain in the program. Baseline revenue estimates utilize Milliman's report, 2022 WA Cares Fund Actuarial Study[1].

Fiscal Year	Milliman Baseline Revenue (millions)	Resulting Revenue After 25% Reduction(millions)	Resulting Revenue After 50% Reduction (millions)	Resulting Revenue After 75% Reduction (millions)
2025	$952	$714	$476	$238
2026	$975	$731	$488	$244
2027	$998	$749	$499	$250
2028	$1,021	$766	$511	$255
2029	$1,044	$783	$522	$261
2030	$1,070	$803	$535	$268

An actuarial letter was provided by Milliman to the Washington Office of the State Actuary modeling the potential relative impact to the LTSS program assuming it was fully voluntary[2].

II.C – Expenditures

Indeterminate. The Employment Security Department (ESD) has not identified existing programs with elective participation of this nature from which to draw an analogous comparison of participation rates. With no reliable data to provide insight into the number of individuals maintaining or opting out of coverage, the impacts are indeterminate.

The following estimates are hypothetical ranges for uptake of individuals electing to opt out of the program. The department based the following estimates on an assumption of 25%, 50%, and 75% of individual workers opting out of coverage. These ranges demonstrate estimated operational impacts should a certain percentage of workers maintain coverage, though these individuals may elect to opt out of coverage at any time.

Workers who are not currently exempt from the LTSS program will continue to pay premiums unless and until a worker affirmatively opts out. Future workers in Washington will also be provided the opportunity to affirmatively opt out of the program.

[1] https://leg.wa.gov/osa/additionalservices/Documents/Report01-2022WACaresFundActuarialStudy.pdf
[2] https://leg.wa.gov/osa/additionalservices/Documents/Masselink19%20-%20Fully%20Voluntary%20Modeling.pdf

Operations.

The initiative will require Employment Security Benefit Technicians (ESBTs) to:

- Provide customer service to individuals with questions regarding maintaining and opting out of coverage.
- Upon request, mail documentation to employees that they may provide employers concerning maintaining coverage in the program. ESD will provide ongoing support for documentation requests to assist individuals with locating letters and remailing as needed.
- Support employers with reporting and premium payments. The new process of only including employees who maintain coverage would be a partial change in current practice for employers. ESD will provide ongoing customer support for employers on reporting, premium withholding, and premium payments. ESD will also monitor and act on missing wage reports and premium payments. ESD will process refunds to employers who withheld incorrectly from their employees.
- Support elective coverage from self-employed individuals. The department will provide continued support to self-employed individuals who wish to elect coverage or cancel coverage. This includes answering questions regarding wage reporting and premium payments.

ESD assumes that in the first year, 15% of customers who opt out of the program will contact the department with questions or to request technical assistance. In subsequent years, ESD assumes the rate of individuals requiring assistance will drop to 10%. Based on recent call resolution statistics, each contact will require 15 minutes on average to resolve, resulting in 10 minutes of talk time and 5 minutes for staff to complete follow-up tasks. There will be permanent and ongoing customer service needs for the opt out process as new employees enter the workforce and existing employees adjust their program participation. This includes:

- Assisting customers finding copies of their letters for subsequent employers.
- Aiding customers who wish to change their status, which includes people opting back in who previously opted out, and vice versa.
- Answering questions about the program or process and account creation and navigation assistance.

ESD's exemption team is comprised of 8 ES Benefit Technicians who process exemptions. That work will no longer be required, and that team will be repurposed. The numbers in the table below assume those positions are repurposed from exemption processing to the new work customer service work below.

ESBT required = (inquiries per year) * (.25 hours per inquiry) / (1325 working hours per FTE) – (8 current ESBT positions being repurposed)

The positions listed in the following tables begin May 1, 2024, and are ongoing.

For the first year, the department anticipates:

% opting out	Individuals opting out	Inquiries per year (15% in year 1)	Total ESBTs required
25	1,045,449	156,817	22
50	2,090,898	313,635	51
75	3,136,347	470,452	81

For subsequent years:

% opting out	Individuals opting out	Inquiries per year (10% in subsequent years)	Total ESBTs required
25	1,045,449	104,545	12
50	2,090,898	209,090	31
75	3,136,347	313,635	51

At this time, ESD is unable to project call wait time to manage these calls. Calculations are based on the Department's existing customer service staffing model.

A customer service team is an average of 10 customer service staff (ESBTs), an Employment Security Benefit Specialist (ESBS) 3 to serve as a team lead, and an ESBS 4 to serve as a team supervisor. A pod is composed of 3-5 teams and is managed by a Washington Management Service (WMS) 1. The department anticipates the need for 1 Office Assistant (OA) 3 for every two teams of ESBT to assist with ongoing letter management.

For Fiscal Year 24-25, the department anticipates:

% opting out	Customer Care (ESBT)	Team Lead (ESBS 3)	Supervisor (ESBS 4)	Office Support (OA3)	Manager (WMS 1)	Total FY24	Total FY25
25	22	3	2	1	1	$521,867	$3,273,281
50	51	5	5	3	1	$1,149,414	$7,213,604
75	81	8	8	4	2	$1,828,935	$11,474,927

For subsequent years (Fiscal Year 26 and beyond):

% opting out	Customer Care (ESBT)	Team Lead (ESBS 3)	Supervisor (ESBS 4)	Office Support (OA3)	Manager (WMS 1)	Total Ongoing starting FY26
25	12	2	1	1	1	$1,940,348
50	31	3	3	2	1	$4,457,128
75	51	5	5	3	1	$7,213,604

To support the customer care teams, the department estimates the need for:

- 1 FTE – Technical Training Consultant will create and deliver ongoing training to the operations unit. (beginning April 1, 2024, and ending June 30, 2025)
- 1 FTE – Management Analyst 3 will design and create standard operating procedures for customer service staff in support of both the customer service and technology implementation. (beginning April 1, 2024, and ending June 30, 2025)
- 1 FTE – Administrative Assistant 3 will provide administrative assistance to the team and management. The position will support hiring and onboarding. (beginning April 1, 2024, and ongoing)
- 1 FTE – ES Benefits Specialist 3 will act as Customer Support Lead to provide escalated customer service support to customer who need additional assistance or expert customer service intervention. (beginning April 1, 2024, and ongoing)

FY24 Cost: $122,948
FY25 Cost: $516,877

FY26 & Ongoing Cost: $235,881

<u>IT Systems</u>.

System updates

IT system updates will be supported by three teams: design, performance, and security. Additional support provides oversight of the design and execution of the system changes. The design team will design, build, test and implement updates to allow individuals to opt in or out of the LTSS program. The performance team designs and executes tests on new and updated systems and analyzes system and infrastructure performance. The security team designs and executes tests and analyzes system and infrastructure security to ensure the system meets security requirements and standards.

Design Team - $1,320,700:

- IT Project Management Journey is the team lead, and will coordinate, manage, and track development team activities. The individual is responsible for ensuring all necessary planning, task management, communication, and definition of work occur to ensure effective and continuous delivery of software.
  - 1124 hours beginning May 1, 2024, and ending June 30, 2025; IT Project Management Journey at $110 per hour = $123,640
- Application Developer/Architect-Senior/Specialist will lead the technical work of the development team, define the work to be carried out, and ensure software delivery meets business needs.

- 1124 Hours beginning May 1, 2024, and ending June 30, 2025; IT Application Senior / Specialist at $150 per hour = $168,600

- IT Application Developer will conduct software development tasks on multiple technologies, including writing code, configuring software platforms and off-the-shelf products, testing, and upgrading software and platforms.
    - 1124 Hours beginning May 1, 2024, and ending June 30, 2025; IT Application Development Senior / Specialist at $135 per hour = $151,740
    - 2248 Hours beginning May 1, 2024, and ending June 30, 2025; IT Application Development Journey at $120 per hour = $269,760
- IT Quality Assurance will develop test scripts and automation to ensure the software meets business and technical requirements. The positions define test scripts and conduct manual testing to ensure software meets business and technical.
    - 1124 Hours beginning May 1, 2024, and ending June 30, 2025; IT Quality Assurance Senior / Specialist at $120 per hour = $134,880
    - 1124 Hours beginning May 1, 2024, and ending June 30, 2025; IT Quality Assurance Journey at $105 per hour = $118,020
    - 1124 Hours beginning May 1, 2024, and ending June 30, 2025; IT Quality Assurance Entry at $85 per hour = $95,540
- IT Systems Administration implements processes and tools to manage code libraries and promote and deploy software in multiple complex environments.
    - 1124 Hours beginning May 1, 2024, and ending June 30, 2025; IT Systems Administration Senior / Specialist at $125 per hour = $140,500
    - 1124 Hours beginning May 1, 2024, and ending June 30, 2025; IT Systems Administration Junior at $105 per hour = $118,020

Performance Team- $373,937:

- IT Quality Assurance develops test scripts and automation to ensure software meets business and technical requirements as it is built and on a recurring basis as changes are made to the software. The positions define test scripts and conduct manual testing to assure software meets business and technical requirements as it is built and on a recurring basis as changes are made to the software.
    - 964 Hours beginning May 1, 2024, and ending June 30, 2025; IT Quality Assurance Senior / Specialist at $198 per hour = $190,872
    - 1927 Hours beginning May 1, 2024, and ending June 30, 2025; IT Quality Assurance Journey at $95 per hour = $183,065

Security Team - $192,800:

- IT Security develop and execute test scripts and automation to ensure software meets business and technical requirements specifically related to safeguarding systems,

including data confidentiality, integrity, and system availability as it is built and on a recurring basis as changes are made to the software.
    - 964 Hours beginning August 1, 2024, and ending June 30, 2025; IT Quality Assurance Senior / Specialist at $200 per hour = $192,800

Management Team - $352,830:

- IT Project Manager Senior/Specialist is the Senior Project Manager to manage the project, teams, stakeholders, communication and quality assurance throughout the project.
    - 1124 Hours beginning May 1, 2024, and ending June 30, 2025; IT Project Management Senior / Specialist at $185 per hour = $207,940
- IT Architecture Expert is the Principal Architect to assist in planning and approval of the overall technical framework, design and solution.
    - 281 Hours beginning May 1, 2024, and ending June 30, 2025; IT Architect Expert at $165 per hour = $46,365
- IT Data Management analyzes the data needs of the team and designs the data model. This role will also help guide the reporting requirements.
    - 563 Hours beginning May 1, 2024, and ending June 30, 2025; IT Data Management Senior / Specialist at $175 per hour = $98,525. This position will act as the Data Architect.

IT Infrastructure - $91,500:

ESD will procure a testing environment required for development. The environment will be required 25% of the way through FY25 and cost $67,500. For FY26 and ongoing it will continue at $90,000 per year and include a 3.5% escalation factor.

ESD will also procure additional database capacity. ESD estimates that this initiative will drive a need to store +1 million records in its data warehouse. For FY25 and ongoing this is expected to cost $24,000 per year and include a 3.5% escalation factor.

<u>Product Management</u>.

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.

- 1 FTE - WMS 2 will work with stakeholders to meet legislative requirements with consistent and effective design. This includes identifying potential problems, developing strategy, and supporting operation teams. (beginning May 1, 2024, and ending June 30, 2025)

- 2 FTE - Management Analyst 4 will analyze business, management, and technology needs. (beginning May 1, 2024, and ending June 30, 2025)
- 2 FTE - IT Business Analyst – Journey will ensure business requirements are identified, defined, and documented in sufficient detail to support system development and testing. (beginning May 1, 2024, and ending June 30, 2025)

Communications.

The department will need to develop and implement two communications plans to prepare employers and employer agents for these changes.

- The first plan will communicate the requirements for employers and employer agents when filing wage reports immediately following implementation prior to the department's systems being updated.
- The second plan will communicate the requirements for employers and employer agents for filing wage reports once the department's systems are updated.

These changes will impact quarterly reporting, premium collection, and department rulemaking. A communications plan will create and disseminate content to employers and the public at regular intervals during and after the implementation date to ensure compliance with changes resulting from the initiative. To communicate program changes, ESD will mail letters to employers and customers.

- The department sent self-mailers to 183,000 employers in 2023.
- Costs are approximately $89,000 for each mailer. This assumption is based on actual costs incurred from previous LTSS program mailer campaigns.
- The department anticipates that 1 mailer will need to be sent out in Fiscal Year 2024 and 4 mailers will need to be sent out in Fiscal Year 2025 to communicate to employers that employees can maintain or opt out of the LTSS program ($89,000 FY 24 and $356,000 FY 25).
- For Fiscal Year 2026 and ongoing years the department will send two additional mailers each year to reinform employers ($89,000 x 2 = $178,000).

Communication staffing

- 1 FTE - CC4 will engage in communication activities designed for the initiative's main changes, including communicating to workers through employers about the ability to maintain, opt out, and opt back in the program, to employers about how to manage their employees' LTSS program coverage, and to employers regarding the changes to reporting requirements. This work will contribute to content creation, both web and external mailers. It will require one new FTE project position for a total duration of 18 months. (beginning May 1, 2024, and ending January 31, 2026)

Inter-Agency.

The Office of Administrative Hearings (OAH) assumes an indeterminate reduction in referred hearings in the range of 25% to 75%. With the new opting out of appeals option, the removal of statutory exemptions, and the indeterminate rules implementing the opt-out process, OAH assumes up to 75% of current workers will choose to opt out resulting in a reduction of appeals. OAH was funded $221,000 in the 2023-25 biennium for the LTSS program. Therefore, OAH assumes a surplus of between $55,000 and $165,000 exists.

The Office of Attorney General allocated costs to ESD are indeterminate due to the unknown amount of representation the department will require to implement this initiative.

Part V: New Rule Making Required

The initiative will require updates to multiple rules, including:

- Updates to the definitions in Chapter 192-900 WAC.
- Amending employer reporting requirements and responsibilities in Chapter 192-910 WAC.
- Updates to Chapter 192-915 WAC regarding election of coverage for self-employed persons.
- Adding new Chapters to Title 192 WAC to address how employees will maintain or end coverage.
- Adopting, amending, and repealing rules regarding exemptions, including:
    - Amending or repealing eligibility requirements for an employee to receive a permanent exemption from the LTSS program in WAC 192-905-005, and
    - Amending or repealing how and when an employee may apply for an exemption from the LTSS program.

Individual State Agency Fiscal Note

Bill Number: 2124 XIL	Title: State long term care insurance	Agency: AFN-Actuarial Fiscal Note - State Actuary

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:	Chris Blake	Phone: 360-786-7392	Date: 01/09/2024
Agency Preparation:	Melinda Aslakson	Phone: 360-786-6161	Date: 02/14/2024
Agency Approval:	Matt Smith	Phone: 360-786-6147	Date: 02/14/2024
OFM Review:	Marcus Ehrlander	Phone: (360) 489-4327	Date: 02/16/2024

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.

February 13, 2024

SUBJECT: ACTUARIAL ANALYSIS ON INITIATIVE-2124 – 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 Actuarial Fiscal Note (AFN) to summarize and provide context related to this initiative relying on our consultant's (Milliman's) actuarial analysis and other resources.

Background on Current Law Program

The WA Cares Fund is self-funded 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 (RCW) 50B.04. Outside of past, one-time, and ongoing limited exemptions provided under current law, the program is mandatory for W-2 workers and provides guaranteed coverage (e.g., near-universal coverage with no underwriting or denials for pre-existing health conditions).

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.

Per Chapter 50B.04.030 RCW, OSA is responsible for providing recommendations to the LTSS Trust Commission and the Legislature on actions necessary to achieve and maintain trust solvency. We interpret this statutory requirement to include providing such recommendations on proposed changes to the program including this initiative.

Summary of I-2124

This initiative would change the LTSS Trust Program from a near-universal coverage to a fully voluntary program while retaining the guaranteed coverage provided under current law. In this summary that follows below, we only include changes to current law pertinent to our AFN, focusing on the components that could impact actuarial modeling and program fund solvency. See the legislative report for a complete summary of the initiative.

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- ❖ Requires employees and self-employed persons to elect to keep coverage in the WA Cares Fund program. Additionally, it allows all employees and self-employed persons the option to opt out at any time.
- ❖ It repeals the limited, program exemption for individuals who had purchased a private Long-Term Care (LTC) insurance policy prior to November 1, 2021.

Actuarial Analysis

Summary of Actuarial Analysis

- ❖ If this initiative is approved, we recommend conducting additional assessments to integrate risk-management best practices from voluntary programs. This would help mitigate potential unintended consequences related to program sustainability or affordability, to the extent possible.
- ❖ Changing the WA Cares Fund from near-universal coverage to a fully voluntary program while retaining guaranteed coverage may have unintended consequences on the fund's solvency.
- ❖ Those unintended consequences include scenarios where the program may have insufficient assets to pay full program benefits or where premium rates become unaffordable over time.
- ❖ If premium rates become unaffordable, the ongoing voluntary nature of the program and who participates could further lead to increased premium rates that could ultimately lead to an unsustainable program.

Background

In the following discussion, we summarize how the initiative may impact fund solvency. Subsequent analysis following enactment of this initiative would be required to quantify the expected impacts. Given the ongoing voluntary nature of this proposal, the ultimate impact of this initiative may take years to materialize.

We anticipate Milliman would publish an updated actuarial study ("updated baseline") in the fall of 2024, which would include any program changes made via legislation since the last study as well as other relevant updates. If this initiative passes, or if other legislation is contingent upon the outcome of this initiative, we would reflect those impacts in a subsequent actuarial report after the outcome of this initiative is known.

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

The analysis of this initiative does not consider any other proposed changes to the WA Cares Fund program. The combined effect of changes to the program from this initiative and other legislative proposals could exceed the sum of each proposed change considered individually.

Analysis of Changes Proposed in I-2124

As noted in the American Academy of Actuaries 2016 Issue Brief, *Essential Criteria for Long-Term Care Financing Reform Proposals*, establishing or revising an existing LTC program requires careful consideration of many issues. One of those issues is the defined coverage of the program. As noted in the Academy's issue brief, the total number of people covered and the attributes of those covered will be affected by whether the program is mandatory (near-universal coverage) or voluntary. According to this issue brief, voluntary programs also require additional risk-management considerations in their program designs that are not typically required under a mandatory program.

This initiative changes the WA Cares Fund from a mandatory to a voluntary program. Under this proposed change, the program would retain guaranteed coverage for those who elect to join but without additional risk-management or cost controls that typically are coordinated with a voluntary program. As noted by Milliman in their attached letter, such a change introduces additional uncertainty in the evaluation of the program's required premium rate, projected fund balance, and solvency.

Two key factors that will drive the impacts of this proposed program design change include (1) participation rate and (2) the level of "adverse selection" that results for those that elect to participate in the program.

> **Note**: Adverse selection in the WA Cares Fund involves the possibility of individuals with greater LTC needs and lower wage levels disproportionately participating in a fully voluntary program, leading to increased per capita program expenditures and higher required premium rates compared to the current law program. See below for further information.

Participation Rate

We do not know who will ultimately elect to remain in the WA Cares Fund if the program were fully voluntary. The demographic makeup (i.e., age, health status, income level) of those that remain may vary from the current makeup and lead to different expected program expenditures and required premium rates than what is permitted under current law.

Adverse Selection

As noted in Milliman's attached letter, individuals with current or future anticipated LTSS needs may be more likely to participate in a fully voluntary program with guaranteed coverage, as they have a greater likelihood of receiving benefits. This outcome, by itself, could lead to adverse selection by health status and increase expected per capita program expenditures relative to the current law program.

In addition to adverse selection by health status, higher wage earners may be less likely to participate in a fully voluntary program because premiums, under current law, are assessed on all wages (with no cap) while program benefits are the same regardless of wage level. This outcome, by itself, could lead to adverse selection by wage level and increase the required premium rate for the program relative to current law.

These two individual factors are typically correlated and could have combined impacts on the program. For example, those with the lowest expected likelihood of receiving LTSS benefits can be correlated with higher wage levels and have the highest likelihood of opting out of a voluntary program. In that scenario, if this cohort leaves the program, the remaining cohort will have higher expected benefits and lower wage levels per capita than under the current law program.

Scenario-Based Analysis

To illustrate the fund's sensitivity to the combination of these sources of potential adverse selection (health status and wage level), we performed scenario-based analysis to determine what minimum level of lost premium revenue, combined with an assumed retained level of short-term expenditures, could lead to program insolvency in Fiscal Year (FY) 2027 (the first year the program provides benefits) if there were no corrective actions taken. We summarize the results of that analysis in the table below.

Percent Retained Premiums*	Percent Retained Short-Term Expenditures	FY of Insolvency
35%	100%	2027
29%	90%	2027
22%	80%	2027
15%	70%	2027
9%	60%	2027

**After June 30, 2024; 100% prior.*

The first year of expected eligible beneficiaries is mostly comprised of individuals currently working who have qualifying LTSS needs under current law. Considering adverse selection based on health status, this group has a higher likelihood of electing to remain in the program because they would immediately qualify for benefits after having already made three years of premium payments by FY 2027. Near retirees (born before January 1, 1968) would also be included in this initial cohort of beneficiaries because they too could become immediately eligible for benefits (partial benefits) after making at least one year of premium payments prior to FY 2027. We would expect the level of retained benefits to decrease each year you move past this initial cohort before approaching an ultimate, retained level.

> **Note**: This scenario-based analysis does not represent best estimate analysis. It is based on data from Exhibit 2 from Milliman's 2022 Study where we modified the expected premium revenue, benefits, and expenses only, and re-calculated the associated expected investment income and fund balance based on the lower assumed premium revenue and program expenditures in each scenario. While this proposal if enacted by the Legislature would take effect on June 6, 2024, actuarial analysis has been performed on a fiscal year basis and therefore is used for these scenarios.

Each scenario noted above is one of many potential scenarios that may emerge in response to the changes proposed in this initiative. Not all scenarios would result in program insolvency in the first year the program provides benefit payments. Some scenarios, with different assumed levels of retained premiums and expenditures, would result in program insolvency later. Other scenarios would not result in short-term program insolvency.

> **Note:** We expect the model used for this scenario-based analysis to become less reliable the longer you extend the modeling period. We did not review long-term scenarios. The actual results of changing the WA Cares Fund to a fully voluntary program would be based on actual program experience, could vary from any given scenario, and may take years to materialize.

Potential Affordability and Sustainability Issues

This initiative provides program participants an ongoing opportunity to leave the currently defined program and retains guaranteed coverage without additional risk-management or cost-control measures. As noted by Milliman, this structure could lead to an "insurance rate [premium rate] spiral" if the cap on the program's premium rate under current law (0.58 percent) were increased. Increasing the required premium rate above 0.58 percent would be one option to attempt to mitigate the potential solvency risks noted above.

In this circumstance, the impacts of participation and adverse selection noted above could compound over time. For example, after the initial cohort opts out of the program, the program's expected obligations and required premium rate would be re-assessed for the remaining covered population. If it leads to a higher required and assessed premium rate, additional individuals may opt out if premiums become unaffordable. After those individuals leave, a subsequent program re-assessment would take place for the remaining covered population at that time. If that leads to a higher required and assessed premium rate, additional individuals may decide to leave the program. The cycle repeats.

If the cycle repeats without intervention, the program could utlimately become financially unsustainable (the inability to collect premiums high enough per person to cover benefit payments). Potential intervention in this circumstance could include modifying the ongoing, voluntary nature of the program, modifying or removing guaranteed coverage, or potentially replealing the program. This does not represent an exhaustive list of potenetial future program modifcaitons, if needed.

Providing program participants an ongoing opportunity to leave the program could also provide an incentive for individuals to leave the program after making ten years of premium payments (if they become permanently vested) or after receiving the lifetime maximum amount of benefits from the program if they continue to work or return to covered employment. Under the current law program, covered individuals are required to make premium payments while they remain in covered employment. This includes individuals permanently vested in the program as well as individuals who receive benefits and continue to work or return to covered employment. The loss of assessed premiums in these circumstances, by itself, would lead to a higher required premium rate for the program.

Recommendation

If this initiative is approved, we recommend conducting additional assessments to integrate risk-management best practices from voluntary programs. This would help mitigate potential unintended consequences related to program sustainability or affordability, to the extent possible.

The undersigned, with actuarial credentials, meet the Qualification Standards of the American Academy of Actuaries to render the recommendations contained herein. We encourage you to submit any questions you have on this actuarial analysis to our e-mail address at state.actuary@leg.wa.gov.

Sincerely,

Matthew M. Smith, FCA, EA, MAAA
State Actuary

Luke Masselink, ASA, EA, MAAA
Senior Actuary

Attachment: Milliman's *WA Cares Fund Program Fully Voluntary Modeling*

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December 21, 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: WA Cares Fund Program Fully Voluntary Modeling

Dear Luke:

Per your request, we modeled the potential relative impact to the WA Cares Fund required premium assessment assuming the program was fully voluntary.

The estimates provided in this deliverable are prepared to assist in evaluating the impact of adjusting WA Cares Fund to be fully voluntary. 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.

Any reader of this letter should possess a certain level of expertise and background in actuarial projections related to financing long-term services and supports (LTSS) benefits to assist in understanding the significance of the assumptions used and the impact of these assumptions on the illustrated results. The reader should be advised by, among other experts, actuaries or other professionals competent in the area of actuarial projections of the type in this letter, so as to properly interpret the estimates. The information included in this letter should only be considered in its entirety.

BACKGROUND ON MODELING APPROACH

We understand you wish to perform initial, high-level conceptual modeling of a structure where participation in WA Cares Fund becomes fully voluntary while all other program rules remain unchanged. Under this alternative conceptual structure, participation (i.e., payment of the premium assessment) in WA Cares Fund would be completely voluntary, but program coverage would continue to be "guaranteed" as long as an individual met requirements to become a qualified individual (i.e., vested).

For purposes of completing the illustrative modeling in this letter, we performed calculations relative to the 2022 Base Plan included in our 2022 LTSS Trust Actuarial Study[1] dated October 20, 2022 (2022 Actuarial Study). Given program details regarding how WA Cares Fund would be modified to make it fully voluntary are unknown, we performed modeling where we continued to assume individuals will pay into the program over a work history similar to the 2022 Base Plan, but examined different participation scenarios where the average health status or average wage level differs from the 2022 Base Plan. If the program structure using a voluntary design differed from the conceptual design modeled (e.g., where individuals can be eligible for benefits after paying into the program for less than their full work history), the results in this letter would likewise be different.

Evaluation of a program's rates and fund balance can be challenging when individual choice or a voluntary aspect to participation is combined with guaranteed coverage (e.g., no underwriting), since there is unpredictability related to participation rates and adverse selection. In our modeling herein, we analyzed two potential sources of adverse selection if WA Cares Fund were to transition to a voluntary structure:

- **Health status.** Individuals with current or future anticipated LTSS needs may be more likely to participate, as they have a greater likelihood of receiving benefits. Adverse selection by health status would influence the claims risk for the pool of covered individuals, and consequently, program expenditures.

[1] Giese, C. et al. (October 20, 2022). *2022 WA Cares Fund Actuarial Study*. Milliman Report. Retrieved December 20, 2023, from https://leg.wa.gov/osa/additionalservices/Documents/Report01-2022WACaresFundActuarialStudy.pdf

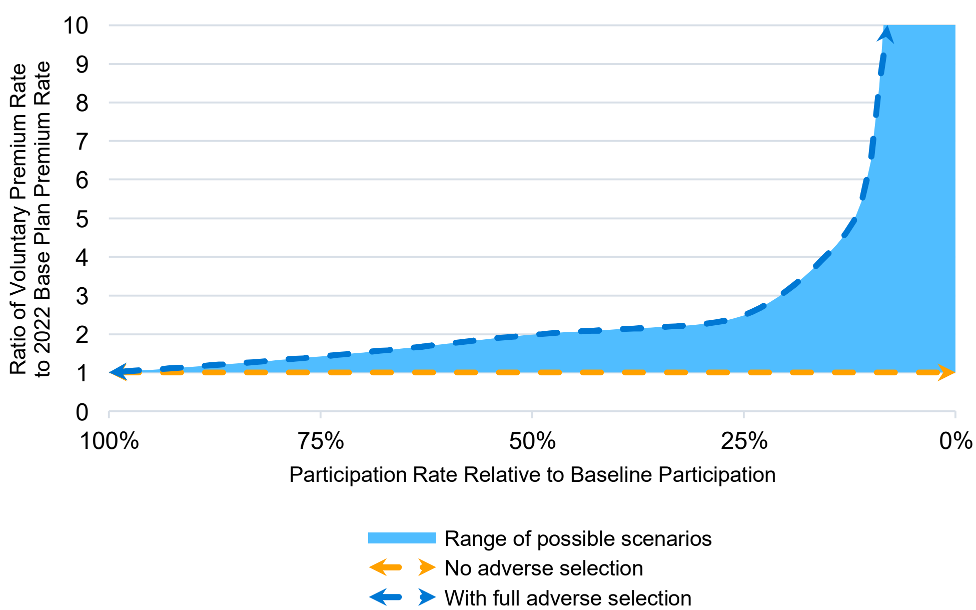
- **Wage level.** Higher wage earners may be less likely to participate because premiums are assessed to wages (with no cap) while program benefits are the same regardless of wage level. Adverse selection by wage level would impact the program revenue collected.

RESULTS

Figure 1 summarizes our modeling of the potential premium rate impact under various participation levels for a voluntary structure with guardrails requiring premium payments through an individual's full work history compared to a baseline with WA Cares Fund's current participation rules. The ratios in Figure 1 are not intended to be bounds, but rather represent a range of results under different levels of modeled adverse selection. **Depending on the participation rate and level of adverse selection, Figure 1 shows the premium rate could be similar or exceed 20 times the 2022 Base Plan estimate. In other words, if WA Cares Fund is structured to have voluntary participation and guaranteed coverage for all individuals, the premium rate will likely need to be raised significantly from current law and the interaction of the premium rate, participation, and adverse selection could lead to an insurance premium rate spiral (as discussed in the Important Considerations section).**

Please note, the results in Figure 1 assume that individuals who elected to participate would still be required to pay premiums throughout their full work history after program start (i.e., there would not be a pathway where they could pay for only 10 years, become vested, and then stop paying premiums, but remain in the program). **If a voluntary structure was created whereby individuals would only need to pay premiums for 10 years instead of over their full work histories, we would expect the required premium assessment could be more than double the premium assessments illustrated in Figure 1 (i.e., premium rates could exceed 40 times the 2022 Base Plan estimate at the lowest participation levels).**

Figure 1: Potential premium rate ratio relative to 2022 Base Plan for a fully voluntary program – individuals pay premiums over full work history



Note: Figure 1 does not provide bounds on the impact to the required premium assessment; rather, it provides a potential range of results based on modeled levels of adverse selection.

As shown in Figure 1, if *little to no adverse selection* were to occur, the required premium assessment rate may be similar to the baseline rate (0.57% in the 2022 Actuarial Study) regardless of participation rate, as represented by the orange line. In other words, the average expected expenditures and average wage base (and associated required premium assessment) are the same for both the groups of participating and non-participating individuals. However, *with full adverse selection*, the required premium assessment may increase exponentially as the participation rate decreases (as represented by the dark blue line).

The light blue shaded area in Figure 1 represents the potential range of required premium assessments, which grows larger as participation decreases. For example, at 75% participation, the required premium assessment with adverse selection is estimated to be potentially up to 1.5x the baseline premium rate (as shown on the y-axis) – meaning the premium rate could be as high as 0.86% (calculated as 1.5 x 0.57% = 0.86%). At 25% participation, the required premium assessment with adverse selection is estimated to be potentially up to 2 to 3 times higher than the baseline premium rate (i.e., the premium rate could be as high as 1.14% to 1.71%, calculated as 2 x 0.57% = 1.14% and 3 x 0.57% = 1.71%), increasing significantly thereafter as participation decreases.

Note, “100% participation” in Figure 1 refers to 100% of the 2022 Baseline participation, which reflects projected opt-outs and exemptions.

IMPORTANT CONSIDERATIONS

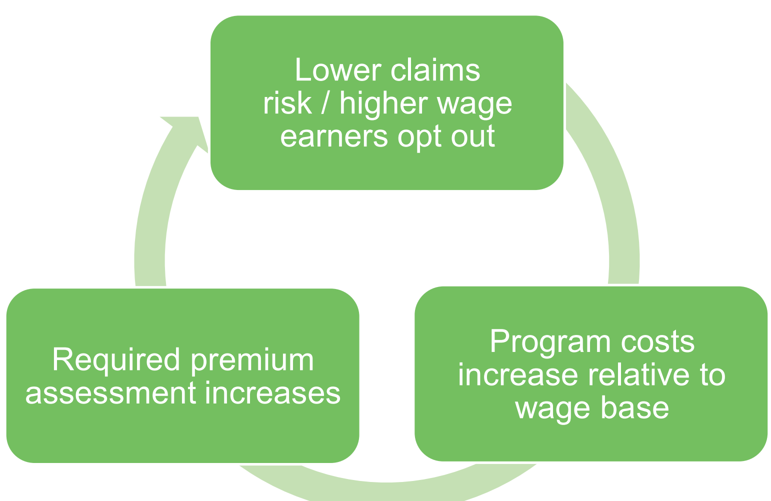
Insurance Rate Spiral

Under a voluntary structure, individuals with lower claims risk or higher wages may choose to not participate in WA Cares Fund as they evaluate their personal circumstances. If this “selection” occurs, the remaining covered individuals in the program would have higher claims risk and / or lower wages, therefore, requiring a higher premium assessment for the program. If a higher premium assessment is used, the remaining individuals would reevaluate their personal circumstances, where the next “layer” of individuals with lower claims risk or higher wages may choose to not participate.

The circular pattern of reduced participation increasing adverse selection (and required premium rates), which in turn can reduce participation starting the pattern over again, is referred to as an insurance rate spiral. An insurance rate spiral is illustrated in Figure 2 below.

Figure 2: Insurance rate spiral

In the case of an extreme rate spiral, a situation could arise where the program could not charge a sufficient rate to cover expenditures. For example, if all individuals remaining in the program are estimated to use full program lifetime benefits and their average wages are very low, the required premium assessment rate could be a large percentage of wages or even exceed wages.



Lessons Learned from Other Proposed Voluntary Programs

Voluntary programs without underwriting or other tools available to mitigate adverse selection may lack actuarial soundness (i.e., the program is more likely to become insolvent). The Community Living Assistance Services and Supports (CLASS) Act, which was introduced as part of the Patient Protection and Affordable Care Act (ACA) before ultimately being repealed, proposed the creation of a guaranteed issue and fully voluntary federal long-term care insurance program. Discussion surrounding the CLASS Act and its ultimate repeal underscores many of the challenges associated with these types of programs.

In particular, the American Academy of Actuaries (AAA) and Society of Actuaries (SOA) chairpersons jointly issued a letter to the U.S. Senate Committee on Health, Education, Labor, and Pensions summarizing critical issues related to the CLASS Act titled Actuarial Issues and Policy Implications of a Federal Long-Term Care Insurance Program.[2] Below we summarize several of the conclusions about the CLASS Act's voluntary design from the AAA and SOA's joint letter.

- A fully voluntary program with no underwriting at enrollment would likely result in significant adverse selection
- The ability to opt in or out at any time with limited guardrails would likely compound adverse selection
- The use of a short waiting period before enrollees can access benefits would likely compound adverse selection
- There would be an additional administrative burden to support education and marketing efforts to promote enrollment

While the structure of the CLASS Act and WA Cares Fund differ in many meaningful ways, the aforementioned cautions from the AAA and SOA are relevant and important to consider, should WA Cares Fund incorporate additional voluntary components in its program design.

METHODOLOGY AND ASSUMPTIONS

The underlying program design for the analysis presented in this letter is consistent with the Base Plan included in our 2022 Actuarial Study. All plan features, methodology, and assumptions are consistent with the modeling of the Base Plan in our 2022 Actuarial Study unless indicated otherwise. The results in this letter should be considered in their entirety in combination with our 2022 Actuarial Study.

To estimate the required premium assessment under various voluntary participation scenarios, we applied claim cost selection factors to different slices of the modeled population based on individuals' wages and morbidity. Selection factors were based on information from the Milliman *Long-Term Care Guidelines* and other industry general population prevalence studies.

For the *no adverse selection* scenario presented in Figure 1 (as shown by the orange line), we assumed the 2022 Base Plan premium assessment of 0.57% (as described in the 2022 Actuarial Study) would hold steady and did not model any additional adverse selection at any participation rate.

For the *with full adverse selection* scenario presented in Figure 1 (as shown by the dark blue line), we assumed the most adverse slice of the population under each participation rate scenario would be enrolled. To provide a specific example, take a 25% participation rate scenario. Under a 25% participation rate, for the high end of our results range, we assumed the individuals with both the 25% lowest wages, as well as the 25% poorest health status would be the only individuals to participate. By doing so, the 2022 Base Plan premium assessment of 0.57% (as described in the 2022 Actuarial Study) is recalibrated using the selection factors to the morbidity and wages for that 25% slice of the population.

[2] https://www.actuary.org/sites/default/files/files/publications/class_july09_0.pdf, accessed November 28, 2023.

CAVEATS AND LIMITATIONS

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

- This 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 potential impacts to the required premium assessment for WA Cares Fund assuming the program were to become fully voluntary. Scenarios are created based on variations from the 2022 Base Plan which is described in the 2022 WA Cares Fund Actuarial Study provided on October 20, 2022, which should be read in its entirety with this letter.

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.

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

Sincerely,

Christopher J. Giese

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

CJG/bl