



October 23, 2023

Matthew M. Smith, MAAA, FCA, EA, State Actuary
Office of the State Actuary
Washington State Legislature

Via email: state.actuary@leg.wa.gov

Re: WA Cares Fund Solvency

Dear Mr. Smith,

On behalf of the Long-Term Care (LTC) Reform Committee (committee) of the Health Practice Council of the American Academy of Actuaries (Academy),¹ we are reaching out to share information on key issues related to LTC financing and risk management. We are providing this information to raise awareness of key LTC information as you consider recommendations to the Long-Term Services and Supports (LTSS) Trust Commission and the Washington State Legislature on actions necessary to achieve and maintain LTSS trust solvency.

The Academy in 2016 published an issue brief, [Essential Criteria for Evaluating Long-Term Care Financing Reform Proposals](#); said criteria include level of coverage, comprehensiveness of benefits, quality of care benchmarking and monitoring, understandability and choice, affordability, risk management and cost control, and financial soundness and sustainability. We refer you to an additional Academy issue brief, [Long-Term Care Financing Reform Proposals Involving Public Programs](#), which provides a side-by side assessment using the criteria for various federal and state reform programs and proposals, including WA Cares Fund as contemplated at that time.

The essential criteria of risk management and cost control may be of particular interest, especially during Phase 1 of the risk management framework, where there will be monitoring of premiums and claims experience until at least 2028 to update projections. A few relevant points include:

- A specific risk evaluation system should be developed, including defining known and emerging risks (changing economy, political environment, climate changes and relevant issues, medical advances, interaction with other programs, changing demographics of those covered by and contributing to the program).

¹ The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

- A risk evaluation system may depend on projection models, sensitivity testing, stress testing, and evaluation of emerging risks used to identify, assess, measure, mitigate, and manage various risks faced by the program.
- A risk management framework should establish cost control measures to limit unintended utilization.

We also suggest the Academy's 2019 practice note [Model Risk Management](#), which covers managing and mitigating model risk. Finally, we suggest the Academy's Climate Change Joint Committee report [Climate Risks Pose Broad Impacts on Financial Security Systems](#), which provides actuaries with a practical guide for considering a broad range of impacts (property/casualty, health outcomes, and economic) that climate change may have on their work.

We would welcome the opportunity to speak with you to provide support as you develop a specific plan for phases 2 and 3 of your risk management framework for LTSS trust solvency. If you have any questions or would like to discuss further, please contact Matthew Williams, the Academy's senior health policy analyst, at williams@actuary.org.

Sincerely,

Jamala M. Arland, MAAA, FSA
Chairperson, LTC Reform Committee
American Academy of Actuaries

Andrew H. Dalton, MAAA, FSA
Vice Chairperson, LTC Reform Committee
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