Planning ahead

The Spokesman-Review file photo/Dan Pelle

Palouse Country Living administrator Helda Fuchs walks the hallways with resident Lorraine Colettei in this September 2019 photo. Beginning next year, workers in Washington state will see a payroll tax for long-term care, part of a statewide benefit that will be available to residents beginning in 2025. Workers have until November to opt out.

With opt-out deadline looming, state's long-term care benefit and tax draws praise, criticism

By Laurel Demkovich
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OLYMPIA — It's almost time for Washington residents to decide between a state long-term health care benefit or a private one.

Beginning in 2022, Washington workers will see a payroll tax for long-term care, part of a statewide benefit that will be available to residents beginning in 2025. Workers have until this November to opt out.

The Legislature passed a bill in 2019 creating the state's Long-Term Services and Supports Trust program, which aims to help residents offset the cost of long-term care. It's the first program of its kind in the country.

Under the program, worker's will pay 0.58% of their wages into the fund. The tax begins Jan. 1, 2022.

"It's definitely a change and a challenge, especially for young people who haven't been saving for (long-term care)," House Speaker Laurie Jinkins, D-Tacoma, said.

Those who need it can then begin collecting the benefit Jan. 1, 2025. Those who are eligible can collect up to $36,500.

In order to access the benefit, a resident has to have been working and contributing to the fund for at least three of the last six years while working at least 500 hours per year. Alternatively, a resident can live in Washington at least 10 years at any point in their life without a break of five or more years.

To qualify, someone must need assistance with at least three activities of daily livings, such as medication management, personal hygiene, eating, bathing or dressing.

The benefit can be used on on a number of services and supports, such as professional care in-home or at a facility, home safety evaluations, equipment, training for family members, home-delivered meals, memory care, wheelchair ramps or transportation.

To opt out of the program and the tax, a worker must prove they have purchased a private long-term care insurance plan.

Jinkins, an original sponsor of the bill, said many people in the state end up "spending themselves into poverty" to pay for long-term care.

The AARP of Washington estimates nearly 70% of Washington residents will need some form of long-term care. Most have no plan or ability to pay for it, Jinkins said.

The amount of the benefit — $36,500 for the rest of their life — was based off of a year's worth of part time home-care, about four hours a day.

Robin Dale, president and CEO of the Washington Health Care Association, said the benefit will mostly help individuals who need access to a smaller amount of long-term care, such as in-home care. Ordinarily, individuals have to pay that themselves, Dale said, but this benefit could help.

It can help people avoid or delay having to access Medicaid, Dale said.

The amount of the benefit — $36,500 for the rest of their life — was based off of a year's worth of part time home-care, about four hours a day.

"Obviously, some people need a lot less, some people need a lot more," Jinkins said.

The benefit can be used in addition to Medicaid or personal funds to help offset the cost of something more expensive, such as a nursing home or assisted living facility.

Because of that, the benefit will also help long-term care facilities, Dale said. When so many people access Medicaid for in-home care, it can deplete the Medicaid funding left for long-term care facilities.

This benefit can help people delay using Medicaid, which could end up leaving more Medicaid funding for other pieces of long-term care, he said.

"The real benefit I see is that it will help people stay at home and age in place for longer," Dale said.

One caveat is the benefit cannot be used out of state. If someone works in Washington but lives in another state, they could not access the benefit but continue to pay into it. If someone works in Washington and moves after retirement, the benefit does not follow them to another state.

Sen. Curtis King, a Yakima Republican who sits on the Long Term Care Services and Supports Trust Commission, said this is something the Legislature should address in the coming years.

Jinkins said she hopes more states adopt a similar fund, so Washington can work with them to ensure the benefit can be used in other states.

"The benefit is not portable," King said. "As soon as you leave the state, you lose the benefit that you may have paid into all your life."

But making the benefit portable could bring up a question of solvency of the account — something King and others are already worry about.

Sustainability concerns of the program

A study by the Office of the State Actuary found the program is fully funded through 2075, assuming the 0.58% tax and investment opportunities stay the same.

In 2076, the report found only 71% of full benefits would be paid out. In 2086, 77% of full benefits could be paid, and in 2096, 85% of full benefits could be paid.

Part of that is due to the tax rate and part of that is due to the investment ability of the fund. Currently, under the state consti-

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Opt out

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tution, the fund is only allowed to be invested in fixed-income investments. These investments are often more conservative and generally lower-interest, Treasurer Mike Pellicciotti said.

A resolution on the 2020 general election ballot asked voters to approve a constitutional amendment that would allow the state to invest the long-term care trust fund in private stocks, expanding the options for where it could be invested. The measure failed with about 53% of voters rejecting it.

The state constitution prohibits investing public money into private companies, unless an amendment passed by voters says otherwise.

Without the ability to invest the fund in private stock, Pellicciotti said it may make it more difficult to achieve the 2.5% return rate that was anticipated when creating the program.

Without that anticipated rate, a report from the consulting firm Milliman found that "investment strategy plays a significant role in the level of funding needed." With the current allowed investments, the program's tax rate would have to be between 0.61% and 0.71% to keep the program fully funded. Had the amendment passed and allowed investing the fund in private companies, the tax rate could be between 0.51% and 0.67% to keep the program fully funded.

The current long-term care tax rate is 0.58%.

Pellicciotti said this is not an immediate issue, but once money starts to be collected, the state will have a better idea of what the return rate is. If it's under the 2.5% rate, it creates a "significant incentive" to revisit the question of allowing the funds to be invested privately, he said.

"We're talking years from now," he said. But if the return rate stays below 2.5% for a long period of time, "something's got to give."

Jinkins said she anticipates putting the question on the ballot again in the future.

King said to keep the fund solvent, even if there is a future ability to invest in private companies, the tax rate would have to go up. King added he anticipates more people than the Legislature originally thought will opt out of the program, meaning there will not be as many paying into the fund.

Opting out of the program

Being able to invest the fund further may help keep the account sustainable, King said, but the real question will be how many people choose to opt out of it by the Nov. 1 deadline.

In order to opt out of the policy, a worker has to purchase a private long-term care insurance plan. The state Office of the Insurance Commissioner has a list of which insurance companies offer long-term care policies, although the office says not all companies listed may be actively selling policies.

To learn more about how to opt out, visit the Washington Cares Fund website and download an application to submit to the Employment Security Department. If the Employment Security Department approves the application, they will send an approval letter, which must be presented to an employer to receive the exemption.

It is a permanent opt out, meaning once a worker does, they cannot re-enroll in the state program and cannot collect the benefit in their lifetime.