Navigating the Washington Cares Fund

By Dave Gregory

The Washington Cares Fund, formally known as the Washington Long-Term Services & Supports Trust Act, requires employers to start collecting premiums from employee's wages on Jan 1, 2022. The fee is .58 per $100 in wages ($580 per year for an employee making $100,000). There is no cap on the amount collected.

For this premium, an employee receives a max of $100 a day up to $36,500 lifetime for qualifying long term care (LTC) expenses beginning Jan 1, 2025 if they meet the requirements and are vested.

The employee has an option of opting out of the program. To qualify for the exemption, they have to attest that they have a LTC policy <u>in-force</u> prior to Nov 1, 2021 that meets the State's definition of a qualifying LTC policy. They then have to get approval with the Employment Security Department between Oct 1, 2021 and Dec 31, 2022 and give the approval letter to their employer.

This legislation has the phone ringing in every insurance broker's office. Many people want to opt out so they don't have to pay the premium/tax. Brokers care about their clients and want to help them save money and be better protected. The problem, however, is that the market solutions are few and far between and no one is set up to handle the crush of calls that are coming. Combine that with the fact that the rules can change at any moment as the State makes its decisions.

There are very limited GROUP long term care products and the ones there are usually require the employer to pay all or a large portion of the employee premium. There is no time for insurance companies to file and get more products approved before the opt out deadline.

One solution is to have a true individual LTC policy. These products are usually much better than the State's benefit, but they can be expensive, especially for older people, and can be tough to qualify for medically. Due to the volume of calls, many carriers have already changed their eligibility rules and may stop taking applications at any time.

Another solution is a life insurance contract with a qualifying LTC rider. <u>Beware!</u> Most LTC riders will NOT qualify under the State's definition which requires the rider to meet the IRS's 7702b definition. These are rare and most people are not being told this and think their "Living Benefits" riders will allow them to opt out of the new tax. They will not in most cases! One problem with this option is that the qualifying riders are usually only attached to Whole life or Universal type life insurance which are more expensive than a term life policy. This is usually not what people are looking for.

So, what should you and your customers do? How can Brokers help them? You should refer your customers to a reputable broker or agency specializing in LTC benefits and do it immediately. If an interested employee can qualify for an individual LTC policy, an expert can advise them properly and see if there is anything available. It usually takes a month or two to get approved so it will be too late fairly soon.

You should be honest with your customers about this dilemma. Customers are not going to like that most of them will need to pay the tax because of the way the law was written and is being implemented by the state.

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