

Answers to your questions on the new Washington Cares Fund and the long-term care payroll tax

Oct. 26, 2021 at 3:46 pm Updated Oct. 26, 2021 at 3:46 pm

By

[Amanda Zhou](#)

Seattle Times staff reporter

There's a new Washington state long-term care insurance program and people have questions.

Starting January, most workers in Washington will see a 0.58% payroll deduction on their paychecks that will go toward funding the state's first-in-nation public insurance program, called WA Cares, aimed at helping older residents age in their own homes without having to spend down their savings.

The plan was signed into law in 2019 and eligible beneficiaries will be able to begin collecting benefits (up to \$35,600) starting in 2025.

While people will be able to apply for an exemption through next year, you must have purchased a qualifying insurance plan before Monday, Nov. 1, 2021 to do so. However, purchasing a policy before the deadline might prove difficult. Readers and insurance salespeople have said that most private insurance companies are no longer offering long-term care plans to Washington residents until after Nov. 1.

Dozens of readers responded to a recent Seattle Times call-out for questions about the program.

Inquiries ranged from what happens if people are close to retiring, to how to check enrollment status, to why the plan exists in the first place. We spoke with WA Cares Fund Director Ben Veghte to get answers to some of these questions.

Here are answers to the most common ones.

RELATED

[Washington's new long-term-care tax begins in January. Here's what to know about the program](#)

Why is there a limited time to opt out? What about private long-term care insurance?

In order for Washington's long-term care insurance plan to remain both affordable and sustainable, as many people as possible must pay into the fund, hence the mandatory payroll deduction, Veghte said.

"There is no such thing as social insurance that is voluntary," he said.

When designing public insurance programs, policymakers are trying to avoid people waiting to seek insurance until they think they will soon need it, he said.

This largely occurs in the private long-term insurance market, Veghte said, where most people only seek coverage when they are in their 60s, which has led to [annual premiums as high as \\$2,700](#).

"Long-term care insurance has been around for four decades and they've never managed to cover more than 7% of the population," Veghte said. "That's never proved to be an affordable product for the middle class."

If the WA Cares Fund were to allow for repeated exemption periods, either the payroll tax would increase dramatically or the fund would become depleted, paying out more money than would be coming in, Veghte said.

Between paying off student loans and raising children, most families aren't able to save for retirement, he said. A 2016 report by the Economic Policy Institute found the median retirement savings for a household was around \$5,000 in 2013.

Part of the impetus behind the long-term care legislation was a nationwide trend of increased long-term care premiums each year, according to the Washington State Insurance Commissioner's Office. In Washington, premiums fluctuate between 20% and 79% each year, [according to the commissioner's office](#).

For families who can't afford long-term care or insurance, [women often give up their careers](#) to care for aging loved ones, Veghte said. Currently 80% of long-term care is provided by unpaid family caregivers, making up about 830,000 people in the state, according to a Washington legislative report.

However, that current approach will become less realistic as aging baby boomers will outnumber caregivers at a 3-1 ratio, nationally, by 2050, according to [a Washington legislative report](#). The [Washington Office of Financial Management estimates](#) the number of people 75 and older is expected to double in the next 20 years.

I am retiring in less than ten years. Does that mean I will never be eligible for the benefit?

According to current eligibility requirements, an individual must have worked and contributed to the fund for at least 10 years, without a break of five or more years, or three years in the past six years at the time they apply for benefits with at least 500 hours worked annually during those years.

Once someone works and pays into the fund for ten years, they maintain access to the fund for life. However, if someone is close to retirement and completely stops working in the next ten years, they can seek the benefit within three years of when they stopped working.

For example, if someone works the next three years and retires in 2024, they will be eligible to claim benefits starting in 2025, but only for the next three years if they stop working entirely.

Veghte said the commission that oversees the WA Cares Fund intends to recommend a legislative change to allow people to continue paying into the fund after retirement to reach the ten-year eligibility mark.

Will there be any other changes to the program in the future?

The WA Cares Fund Commission is considering three allowances to the program, according to Veghte.

One would allow people who have temporary work visas to opt-out of the program. The other allow Idaho or Oregon residents who work for Washington-based companies to opt out. Currently, these people will pay into the fund but be unable to seek benefits.

The last issue, which Veghte said will take more time to figure out, will focus on Washington residents who

pay into the fund but end up retiring elsewhere. With states like California and Minnesota considering their own publicly funded long-term care insurance programs, it may be possible in the future to provide long-term care benefits to people who move, Veghte said.

Who needs long-term care? Who will claim benefits in the future?

The benefit is intended to cover a broad-ranging list of services including in-home care, transportation, home-delivered meals and nursing home services. Seeking benefits isn't limited to older residents. Veghte said the benefit would also be available to people who are seriously injured and need assistance before returning to work and people who need end-of-life assistance for various reasons.

Cases when people are in nursing homes for extended periods of time are rare and most people die within three years of requiring care, he said. [Research on long-term care use](#) shows around 17% of people 65 and older die without ever requiring any care, with the rest needing some form of help.

Around one third of Washington residents who will need care for less than a year could be fully covered by the WA Cares Fund, Veghte said. Another third that will need care for one to three years could be partially covered if they get care at home, while the remaining third that may need care for more than three years may need to seek Medicaid, he said.

Medicare does not cover long-term care.

Where does the money go? Who is responsible for taking money out of my paycheck? Do I need to enroll into the fund?

Washington employers will automatically deduct the money out of employee paychecks, regardless of age or the number of hours worked.

From there, the money goes to the Employment Security Department and then deposited into the Washington Cares Trust Fund, which is invested by the Washington State Investment Board.

Unlike the state pension fund, the Washington Cares Fund can't be invested in a diversified portfolio. It can only be invested in fixed-income securities like government bonds, Veghte said.

A state ballot measure which included a constitutional amendment allowing the fund to do so failed in 2020 and was stuck in committee in 2021, he said. The current payroll tax of 0.58% has been set with the assumption that a ballot measure will pass eventually. Otherwise, the premium would have to be higher and closer to 0.66% for the fund to be sustainable, according to actuarial analysis. The premium cannot be increased beyond 0.58% without legislative action.

A website to claim benefits is still in progress, said Veghte, who anticipates most people in the future will apply for benefits online. Then, within 45 days, the application will be processed and if deemed eligible, someone will come to their home to verify long-term care assistance is needed.

Providers will then be able to bill the fund and submit claims. Family members who are caretakers may be able to bill their hours, Veghte said.

Got questions about the WA Cares Fund, aging or long-term care? Contact reporter Amanda Zhou at azhou@seattletimes.com.

Amanda Zhou: 206-464-2508 or azhou@seattletimes.com; on Twitter: [@AmondoZhou](https://twitter.com/AmondoZhou). Amanda Zhou covers afternoon breaking news and enterprise for The Seattle Times.