

TO: All Faculty, Staff, and Student Staff
FROM: Human Resources
DATE: May 10, 2021
SUBJECT: Washington's Long Term Care Act: Information and Resources

What are Activities of Daily Living (ADLs)?

- Bathing
- Hygiene
- Toileting
- Dressing
- Eating
- Taking Medication
- Cognitive Impairment
- Speaking
- Walking
- Body Care
- Transfer Assistance

Starting January 1, 2022, a new payroll tax will be deducted from your paycheck to fund the Washington State Long Term Care Trust (the "Trust". The Trust was established by the legislature and signed into law in 2019. This information sheet is designed to inform you of this new tax and the time-sensitive opt out option so you have an opportunity to talk to a financial planner and make the best decision for you. The university will continue to keep faculty, staff and student staff informed of this new law and any developments, but cannot give legal or financial advice to individual employees.

How much will I have to pay?

The tax is **\$.58/\$100** of earnings, so every \$1,000 you make in 2022 and beyond will have \$5.80 deducted to pay for this new benefit.

Is every employee subject to the Long Term Care tax?

Yes, everyone who is on a Washington payroll is subject to the tax, including temporary staff and student staff, unless you utilize the "opt out" exception explained below.

What benefits will I get through the Long Term Care Trust?

In order to be eligible to receive a benefit, you must meet three important criteria:

- ✓ You must reside in Washington when you need to use the benefit.
- ✓ You must be unable to do 3 of the 10 Activities of Daily Living (ADLs).
- ✓ You must work & pay into the fund for 10 years, or 3 of the last 6 years.

If you meet these criteria, you will be eligible to access \$100 per day, to a **lifetime maximum of \$36,500**, to pay for the expenses associated with needing long term care assistance.

How can I opt out?

Your ability to opt out is limited, but there is a **one-time option** for people who have other long term care insurance, that is equal to or better than the state plan, to **opt out**. In order to opt out and not pay this tax indefinitely going forward, **you must have a qualified long term care plan in place by November 1, 2021** and you must notify Human Resources of your decision to opt out during Open Enrollment in November 2021.

There is only a one-time opt out window, so if that is your intent we highly recommend making this a priority at least eight weeks prior to the November 1st deadline as it typically takes several weeks to acquire long term care insurance.

Do I have to opt out?

No. If you would like to participate in the State plan, there is nothing you need to do. Payroll deductions will start automatically January 1, 2022.

What other considerations should I consider for opting out & securing individual coverage?

This really is an individual decision and will depend on each employee's personal circumstances, but here are some key points to keep in mind:

- The state long term care plan requires you to live in Washington to receive benefits. If you pay into the plan for a number of years and then retire outside of Washington, you won't be eligible for benefits. With your own individual plan, you may be eligible to receive benefits in all states.
- The state long term care plan requires that you pay into the plan for a certain number of years before you can qualify for benefits. With the individual plan you may qualify for benefits any time after the policy issue date.
- The state long term care plan has limited benefits and a lifetime maximum of \$36,500. With individual plans you can design the coverage to best meet your needs. i.e. longer benefit duration and higher daily benefits.
- Private plans vary greatly. Talk with a qualified agent.

Why would I need long term care insurance?

As our life expectancy grows, there is a greater concern for a gap between our health expectancy and our life expectancy. Current data show that **7 in 10** Washington residents who are 65 will need long term services and support in their lifetime. Long term care can be expensive, so long term care insurance is intended to help pay for the care and services many need later in life.

Can you tell me more about what the sample payroll tax projections for **state long term care coverage** will look like?

Beginning January 1, 2022, faculty, staff and student staff will be required to pay a tax through payroll, equal to **\$0.58 per \$100 of earnings**. There is no cap on income or wages and it's an employee-funded benefit. Below is a sample of what this tax might look like over time:

| Age Today | Working Years to Age 65 | Est. Cumulative Tax for \$36,500 State Benefit Based on Annual Income & Working to Age 65 | | | LTC Benefit |
|-----------|-------------------------|--|-----------------|-----------------|--------------------------------|
| | | \$50,000/yr. | \$100,000/yr. | \$150,000 | |
| 40 | 25 | \$7,250 | \$14,500 | \$36,250 | \$100/day or \$36,500/lifetime |
| 50 | 15 | \$4,350 | \$8,700 | \$21,750 | |
| 60 | 5 | \$1,450 | \$2,900 | \$7,250 | |

How much are premiums for **individual long term care coverage policies**?

We cannot provide you with specific financial advice. The individual plan costs below represent sample premium costs for an individual long term care policy with these benefit specifications: 90 day elimination period, \$3,000/month benefit, \$75,000 starting maximum benefit (~2.08 years) with a 3% inflation protection. **These are not firm rates and are sample estimates.** Individual policies are individually underwritten and subject to a medical questionnaire.

| Gender | Age Today | Premium/Year | Premium to Age 65* | LTC Benefit* |
|--------|-----------|--------------|--------------------|--------------------------------------|
| Male | 40 | \$645 | \$16,125 | \$3,000/month \$75,000/2.08 years |
| | 50 | \$754 | \$11,310 | |
| | 60 | \$960 | \$4,800 | |
| Female | 40 | \$935 | \$23,375 | |
| | 50 | \$1,149 | \$17,235 | |
| | 60 | \$1,508 | \$7,540 | |

*The individual long term care policies are not tied to your employment. They may be used before turning age 65 and are portable and can be used outside of Washington State.

If you are interested in purchasing an individual long term care policy before the November 1, 2021 opt out deadline, you should research your options well in advance. There will be an individual medical underwriting process where you will be required to provide health and medical treatment information that can take several weeks to complete.

Resources:

<https://www.pugetsound.edu/about/offices-services/human-resources/benefits/washington-long-term-care-act/>

Washington State’s Department of Social and Health Services:

<https://www.dshs.wa.gov/altsa/stakeholders/long-term-services-and-supports-ltss>

<http://www.wacaresfund.wa.gov/>

You may also contact us at benefits@pugetsound.edu