Agenda

- Introductions & approve minutes
- Program & fiscal update
- Ombuds update
- Current priorities
- Workgroup updates
- Agenda items for August meeting
- Open comment & adjourn
Meeting structure

• Only Advisory Committee and the presenters will be unmuted during the meeting, until open comment.
• Public to hold all feedback until the open comment period.
• Comments and questions in the chat will not be reviewed as part of the meeting structure, rather:
  • Open comments will be taken at the end of the meeting.
  • Please frame your questions as a comment.
  • “Raise your hand” if you have a comment.
  • The meeting host will unmute individual line to allow for the open comment.
Introductions

• Advisory Committee

(Note: We will use the Zoom feature to identify who is on the phone rather than announcing during meeting)
Approve minutes

• June
Program update

Steve Zawoysky, Leave & Care Treasury Manager
Brian Kennedy, Forecasting & Economic Analyst
Monthly ending account balance (millions)

- Decreasing quarterly balance cycle continues due to quarterly premium remittance
  - Quarter 2 (June, 2022) ending balance higher than Quarter 1 (March, 2022) ending balance
- Trust fund balance negative on July 13
  - Additional premiums received in June contribute to a smaller deficit projection for July
  - Employer letters sent in May and June contributed to some degree to these additional premiums
- ESSB 5693 provides up to $350 million coverage for an account deficit on June 30, 2023
  - Have NOT drawn on these funds

Technical note: Fund book balance in the Treasury Management System. This is equivalent to the balance shown when logging into a personal bank account.
Premiums, benefits, operating expenses, and account balance by quarter (millions)
Monthly premiums remitted (millions)

- Premiums assessed for each quarter are remitted in the following quarter.
- Cyclical pattern within quarters – most premium transactions occur at end of reporting months.
- Cyclical pattern through year of lower quarterly assessments as more wages fall over taxable cap.
- $317.2 million premiums in second quarter is significantly higher than $170.4 million received in first quarter
  - Higher premiums in second quarter primarily due to increased premium rates
  - Other factors for increase include multiple employer mailings and a single $30 million TPA submission in June

Technical note: Data grouped by date financial transaction occurred in accounting database
Monthly benefits paid

- June 2022, $95.2 million – 4th highest monthly payments to date.
  - 8% lower than last month
  - 14% higher than June of last year
- $557.2 million benefits paid thus far in 2022
  - 37% higher than Jan-June 2021
- Expected 2022 annual benefits ~ $1.2 billion

Technical note: Data grouped by date financial transaction occurred in accounting database. If comparing to monthly approved benefit payments data published elsewhere, there will be slight variation.
Fiscal projections

<table>
<thead>
<tr>
<th>Rates</th>
<th>2021</th>
<th>2022</th>
<th>Projected 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Premium Rate</strong></td>
<td>0.4%</td>
<td>0.6%</td>
<td>0.8% - 0.9%</td>
</tr>
<tr>
<td><strong>Calculated Rate</strong></td>
<td>0.4%</td>
<td>0.6%</td>
<td>0.6%</td>
</tr>
<tr>
<td><strong>Solvency Surcharge</strong></td>
<td>-</td>
<td>-</td>
<td>0.2% - 0.3%</td>
</tr>
</tbody>
</table>

**Family-Medical Split**

- Family: 33% 52% ~50%
- Medical: 66% 48% ~50%

Technical notes: This projection does not adjust for unreconciled premiums (graph presented at January 2022 Ways & Means did), nor does it assume a required minimum balance of one average week’s worth of benefit payments when assessing cash deficit.
June 2022, we received 18,893 applications – 3rd highest on record
  • 2% more than last month
  • 16% more than May of last year

First month with pre- and post-natal subtypes

Three-month rolling average at about 18K claim applications
  • Had been stable at about 17K since August 2021

Technical note: Data grouped by Submitted Status Date
Approval rate and monthly claims with payment(s)

- Percentage of claims approved continues to be relatively stable in past year
  - About 83% approved overall
- Unique leave claims in the last 12 months – 93,802 family and 92,153 medical
- June 2022 total unique leave claims: 35,669.
  - 28% more than June of last year

![Claims with at least one payment in month by type](chart.png)
## Benefit levels and lengths

- **Jan-June 2022 average:** $938
  - 7% higher than same period last year, $877
- **2022 average weekly benefit is expected to stabilize throughout rest of year.**
  - Statewide average annual wage grew 7.3% from 2020 to 2021

Technical note: Average weekly benefit amount for approved claims grouped by claim year start month, most recent months typically decrease as data matures.

<table>
<thead>
<tr>
<th>Month</th>
<th>Weekly Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun-21</td>
<td>$881</td>
</tr>
<tr>
<td>Jul-21</td>
<td>$877</td>
</tr>
<tr>
<td>Aug-21</td>
<td>$879</td>
</tr>
<tr>
<td>Sep-21</td>
<td>$870</td>
</tr>
<tr>
<td>Oct-21</td>
<td>$879</td>
</tr>
<tr>
<td>Nov-21</td>
<td>$883</td>
</tr>
<tr>
<td>Dec-21</td>
<td>$867</td>
</tr>
<tr>
<td>Jan-22</td>
<td>$927</td>
</tr>
<tr>
<td>Feb-22</td>
<td>$928</td>
</tr>
<tr>
<td>Mar-22</td>
<td>$932</td>
</tr>
<tr>
<td>Apr-22</td>
<td>$940</td>
</tr>
<tr>
<td>May-22</td>
<td>$945</td>
</tr>
<tr>
<td>Jun-22</td>
<td>$953</td>
</tr>
</tbody>
</table>

- **Length of leave relatively stable month-over-month**
  - 7.4 weeks avg per claim for claims ending in recent months
  - 9-10 weeks avg per claim year for claim years ending in recent months
### Time from application submission to first payment

<table>
<thead>
<tr>
<th>Month</th>
<th>Average weeks</th>
<th>Median weeks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec. 2021</td>
<td>4.9</td>
<td>3.6</td>
</tr>
<tr>
<td>Jan. 2022</td>
<td>5.2</td>
<td>3.6</td>
</tr>
<tr>
<td>Feb. 2022</td>
<td>4.9</td>
<td>3.6</td>
</tr>
<tr>
<td>March 2022</td>
<td>4.5</td>
<td>3.4</td>
</tr>
<tr>
<td>April 2022</td>
<td>4.0</td>
<td>2.7</td>
</tr>
<tr>
<td>May 2022</td>
<td>3.6</td>
<td>2.4</td>
</tr>
<tr>
<td>June 2022</td>
<td>4.2</td>
<td>2.6</td>
</tr>
</tbody>
</table>
# Phones

<table>
<thead>
<tr>
<th>Month</th>
<th>Percentage of calls into queue*</th>
<th>Percentage of calls answered from Paid Leave queue</th>
<th>Queue time for Paid Leave*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 2022</td>
<td>83%</td>
<td>54%</td>
<td>10:30</td>
</tr>
<tr>
<td>Feb. 2022</td>
<td>84%</td>
<td>77%</td>
<td>08:34</td>
</tr>
<tr>
<td>March 2022</td>
<td>78%</td>
<td>85%</td>
<td>04:56</td>
</tr>
<tr>
<td>April 2022</td>
<td>80%</td>
<td>85%</td>
<td>04:01</td>
</tr>
<tr>
<td>May 2022</td>
<td>85%</td>
<td>91%</td>
<td>02:47</td>
</tr>
<tr>
<td>June 2022**</td>
<td>64%</td>
<td>78%</td>
<td>07:27</td>
</tr>
</tbody>
</table>

Since April 2021:
- 16% increase in calls into queue.
- 26% increase in calls answered.
- 38:00 decrease in queue time.

* includes calls for WA Cares Fund
**Technical Issue in June that was impacting ability of some customer to get in queue. Now resolved.
Projections assumptions

Rebecca Grady, Research Manager
Projections assumptions revisions

• Inform projections with historical data where we can, and update quarterly

• Components
  • Benefit Payments
  • Operating & Implementation Costs
  • UI fund transfer
  • Small business grants
  • Premium Revenue
  • Account Interest
Benefits payments

Old Methodology
• Number of claims * Avg. Lengths of Leave * Avg. Weekly Benefit = Total Benefits

New Methodology
• Uses forecasting statistical model based on historical weekly benefit payments
• Have been using similar model for weekly cash flow projections
• Incorporate into long-term fiscal projections quarterly

<table>
<thead>
<tr>
<th>Early Model Predictions Through June</th>
<th>$568 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual Values Through June</td>
<td>$561 million</td>
</tr>
</tbody>
</table>
Benefits payments: average weekly benefits

- Avg Weekly Benefit Growth Rate
- Historical median wage growth 3.5%
- 2023: 5%
- 2024+: use ERFC average wage growth projection

<table>
<thead>
<tr>
<th></th>
<th>Statewide Wage Growth</th>
<th>Avg. Weekly Benefit Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>For 2022 benefits</td>
<td>10.3%</td>
<td>7.0%</td>
</tr>
<tr>
<td>For 2023 benefits</td>
<td>7.4%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>
Benefits payments: lengths of leave

- Average claim length of leave: 7.5 weeks
- Still use historical data
- Update to 7.4 weeks
Benefits payments – claims growth

Growth in # of new paid claims

- First five years ramp-up period
  - Current 2022 trend about a year ahead ~15% increase
  - Push forward ramp-up period one year

- Long term growth - employment
  - Post-2025 keep ERFC employment growth rate projections (1.42%)

Prior Proposed

<table>
<thead>
<tr>
<th>Year</th>
<th>Prior</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>10%</td>
<td>15% (current trend)</td>
</tr>
<tr>
<td>2023</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>2024</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>2025</td>
<td>1.42%</td>
<td>5%</td>
</tr>
<tr>
<td>2026</td>
<td>1.42%</td>
<td>1.42%</td>
</tr>
</tbody>
</table>
Other expenditures

• Operating Costs
  • Based on budget allocation for next couple years
  • Beyond that, expected growth in claim volume until “maturity” long term of 2% annually
  • Operating Costs are a small share of expenditures ~ 5%

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
<th>FY2023*</th>
<th>FY2024*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Costs (millions)</td>
<td>$40.7</td>
<td>$50.7</td>
<td>$43.4</td>
<td>$48.1</td>
<td>$68.5</td>
<td>$71.9</td>
</tr>
</tbody>
</table>

• Transfer to Unemployment
  • $2,000,000 per year
  • No transfer payments have occurred
  • Propose removing component from projections

<table>
<thead>
<tr>
<th></th>
<th>FY2021</th>
<th>FY2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Costs as Share of Expenditures</td>
<td>5.3%</td>
<td>4.3%</td>
</tr>
</tbody>
</table>
Other expenditures

- Small Business Assistance grants
  - ~ $7m for 2022
  - ~ $40.7m 2023+

- 2021 an over representation – included 2020 leaves
- Significantly lower uptake in 2022
  - 2022: $200,000
  - 2023+: Grow based on claim growth rate

<table>
<thead>
<tr>
<th></th>
<th>2021*</th>
<th>2022 (thus far)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total SBA Grants</td>
<td>328</td>
<td>39</td>
</tr>
<tr>
<td>Total SBA Grant Payments</td>
<td>$807,735</td>
<td>$90,627</td>
</tr>
</tbody>
</table>
Premiums revenue: total wages

Total wages -> Premium wages -> Premiums

- Economic & Revenue Forecast Council (ERFC)
- Total Wage Growth Forecasts
- Keep including most recent forecast in each quarterly update
- Wage growth forecasts typically have small variations, but can be consequential

Example: February vs June 2022 forecast

<table>
<thead>
<tr>
<th>ERFC Wage Growth Rate Revisions (Feb vs June)</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>N/A</td>
<td>-2.6%</td>
<td>-1.4%</td>
<td>-1.4%</td>
</tr>
<tr>
<td>2023</td>
<td>-1.6%</td>
<td>0%</td>
<td>0.2%</td>
<td>0.1%</td>
</tr>
<tr>
<td>2024</td>
<td>-0.1%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

- Premium calculation at end of Q3
- About $20 million lower premiums this year
Premiums revenue: taxable wage base

- Derived from Paid Leave wage reports
- We set 2021 to mimic 2020
- 2022 on to be a rolling average of prior years

- 2021 actuals relatively similar to 2020 – supporting our adjustment last year
- Keep rolling average approach

<table>
<thead>
<tr>
<th>Share of Gross Wages Subject to Premiums</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>95%</td>
<td>94%</td>
<td>80%</td>
<td>73%</td>
</tr>
<tr>
<td>2020</td>
<td>93%</td>
<td>89%</td>
<td>76%</td>
<td>68%</td>
</tr>
<tr>
<td>2021</td>
<td>92%</td>
<td>86%</td>
<td>75%</td>
<td>67%</td>
</tr>
<tr>
<td>2022+</td>
<td>93%</td>
<td>89%</td>
<td>77%</td>
<td>69%</td>
</tr>
</tbody>
</table>
Premiums revenue: voluntary plans and wages from small employers.

- Share of Wages Covered by Voluntary Plans: 13%
- Adjusted mid-year from 5%
- Adjustment for Small Employers’ Share: 30% of wages

- Update to 11%
- Voluntary plans stable, no major changes

<table>
<thead>
<tr>
<th>Wages in Billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021 VP Wages</td>
</tr>
<tr>
<td>2021 Overall Wages</td>
</tr>
<tr>
<td>VP Share of Wages</td>
</tr>
</tbody>
</table>

- Revise to 25%
- Long term: rolling past 5 years avg.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022 (to date)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Employer Share of Gross Wages</td>
<td>24%</td>
<td>22%</td>
<td>23%</td>
<td>25%</td>
</tr>
</tbody>
</table>
Premiums revenue: Family-Medical Split

• 2022+ Based on variable split
  • Family: 51.31%
  • Medical: 48.69%

• 2023 ~ likely to be similar to 2022

• 2024+ based on fiscal note for SB5649
  • Family: 48%
  • Medical: 52%
  • Will adjust as data starts to actualize
Other revenue: Negligible amounts

- Voluntary Plan application fees
- Account Interest: 1%
- Conditional waivers
- Not included in projections
- Not included in projections
- Actuals even lower
- Remove from projections
Premium Rate/Projections Timeline

**Paid Leave ESD Activities**
- **July**: Assumptions
- **August**: Revise Projections & Scenarios
- **September 30**: Account Balance
- **By November**: Publish Rate

**Advisory Committee Topics**
- **July 27**: Assumptions Walkthrough
- **August 18**: Review Revised Projections & Scenarios
- **October**: Early Look at the Premium Rate
Ombuds update

Edsonya Charles
2021 Ombuds call data

2,144 calls total
- 1,807 from employees
- 137 from employers
- 200 other (including medical providers, self-employed, human resources, etc.)

<table>
<thead>
<tr>
<th>Topic</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educate and inform (both EE and ER)</td>
<td>505</td>
</tr>
<tr>
<td>Application assistance or status</td>
<td>420</td>
</tr>
<tr>
<td>Weekly claims</td>
<td>348</td>
</tr>
<tr>
<td>Account access</td>
<td>79</td>
</tr>
<tr>
<td>FMLA, job protection, short-term disability, supplemental benefits</td>
<td>77</td>
</tr>
<tr>
<td>Redeterminations and appeals</td>
<td>71</td>
</tr>
<tr>
<td>Unlawful acts by employer</td>
<td>70</td>
</tr>
<tr>
<td>Quarterly reporting</td>
<td>44</td>
</tr>
<tr>
<td>COVID</td>
<td>19</td>
</tr>
<tr>
<td>1099s</td>
<td>17</td>
</tr>
<tr>
<td>Other, including 12+ topics, unknown, left message, and self-served before contact</td>
<td>457</td>
</tr>
</tbody>
</table>
Current program priorities

Matt Buelow, Interim Deputy Director
Division priorities

• Organizational health and stability
• Portfolio projects
Portfolio

New projects
• 2022 1099s
• 2022 weekly benefit amount increase
• 2022 premium rate and Social Security cap changes

Continuing analysis
• Enabling employers without UBIs to report online
• Employer contact types and case management
• Implementing division language access plan
Workgroup updates

Alison Eldridge, Interim Transformation Manager
Pre-application workgroup

• Next meeting scheduled for August 10
August meeting

Details

• 9 – 11 a.m., Thursday, August 18, 2022

Agenda

• Topics?
Open comment