

Washington
Paid Family & Medical Leave



Employment Security Department
WASHINGTON STATE

Advisory Committee Meeting

July 27, 2022

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

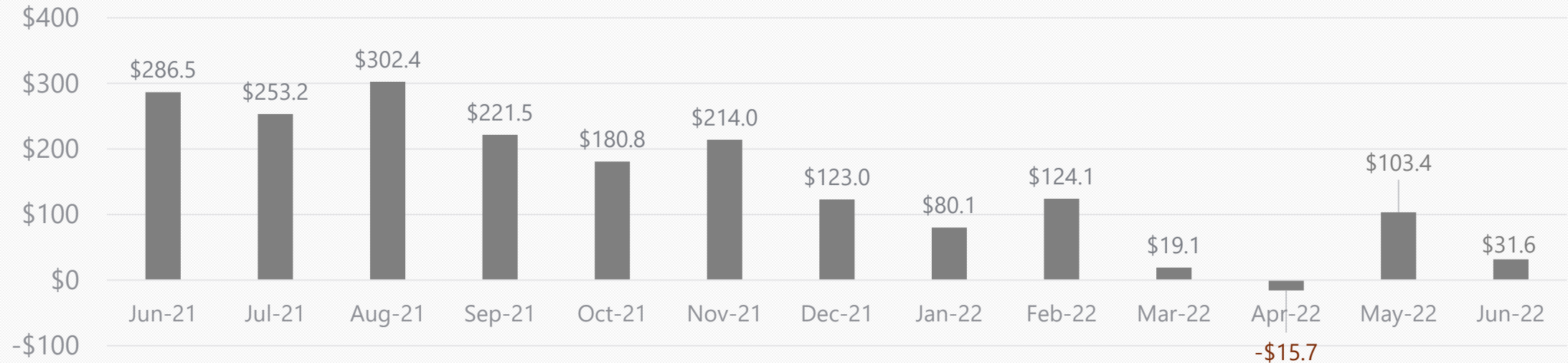
- June

Program update

Steve Zawoysky, Leave & Care Treasury Manager

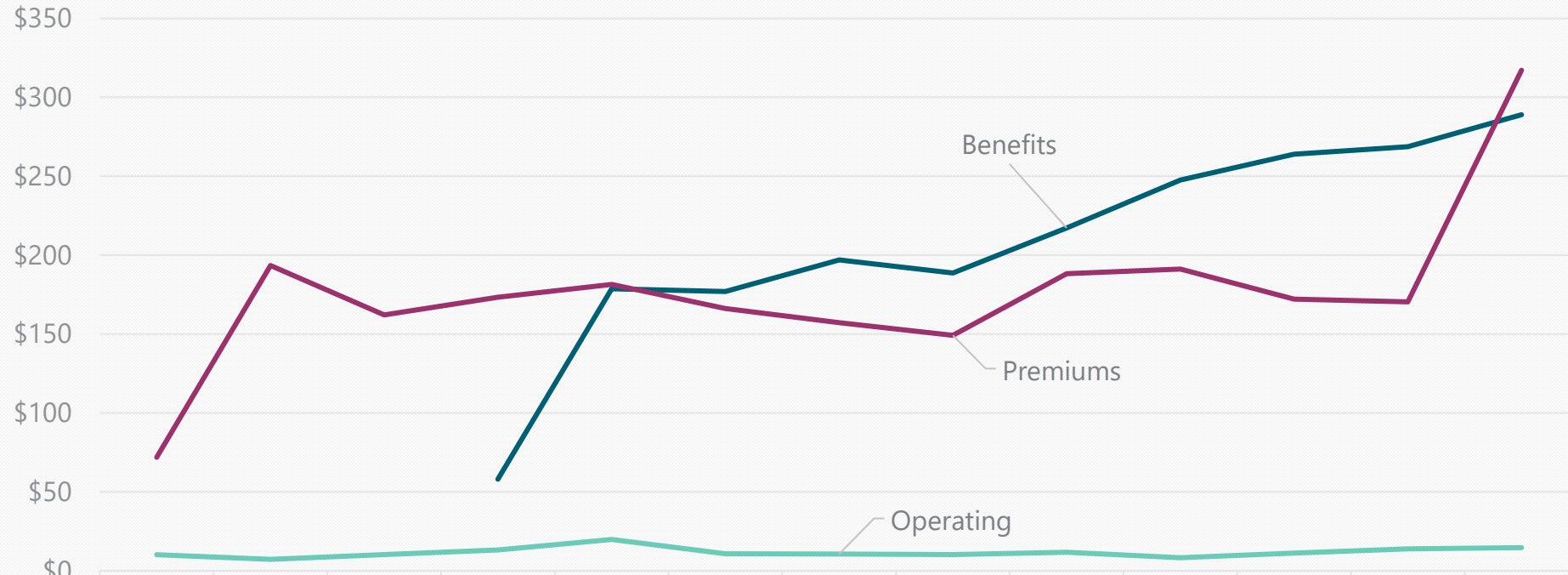
Brian Kennedy, Forecasting & Economic Analyst

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

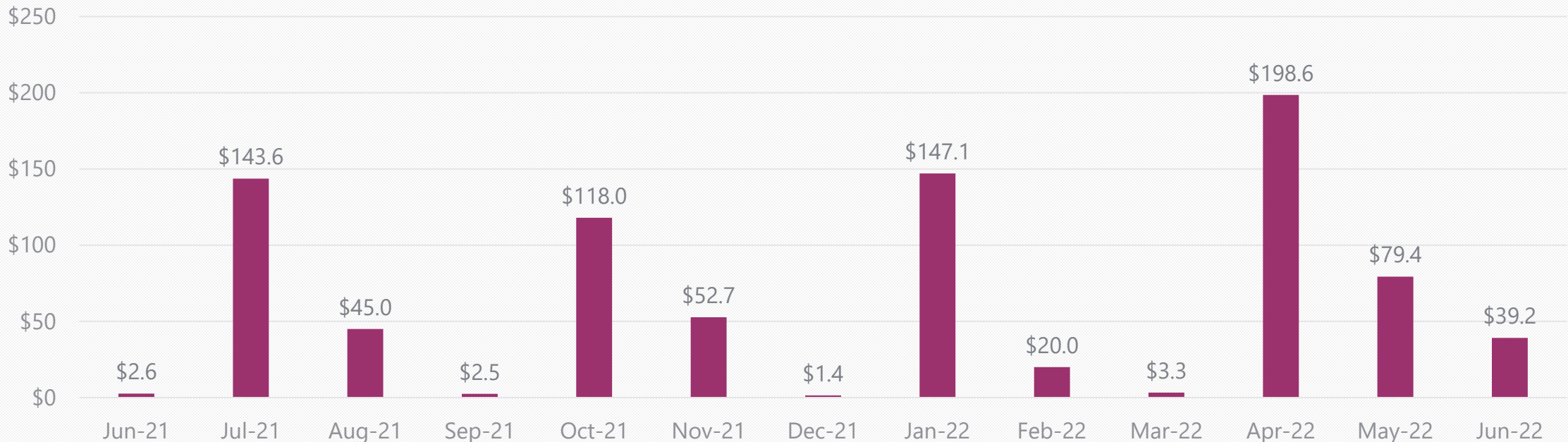
Premiums, benefits, operating expenses, and account balance by quarter (millions)



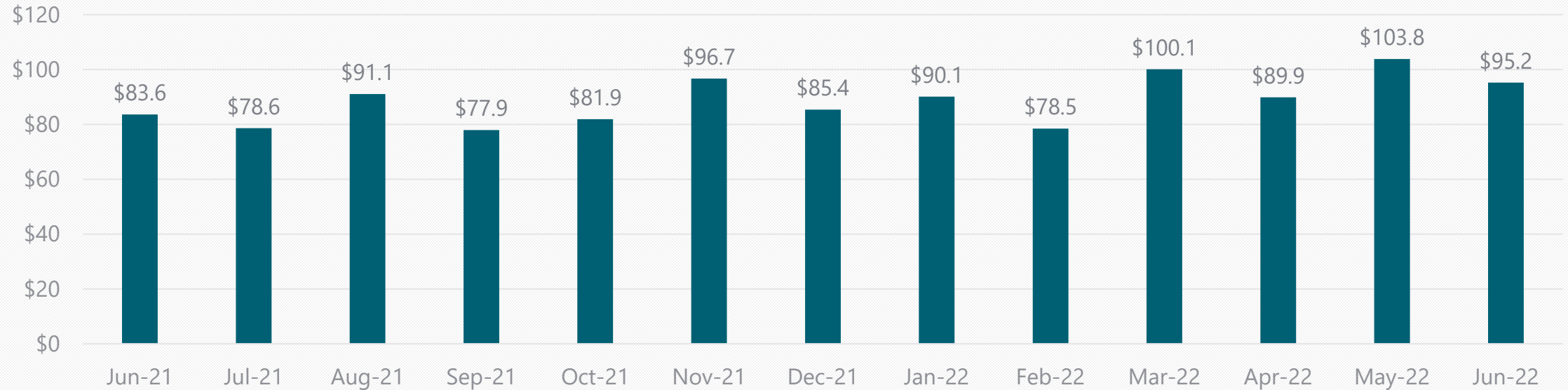
	2019-2	2019-3	2019-4	2020-1	2020-2	2020-3	2020-4	2021-1	2021-2	2021-3	2021-4	2022-1	2022-2
Benefits				\$58.1	\$178.7	\$177.0	\$196.9	\$188.7	\$217.2	\$247.6	\$264.0	\$268.7	\$289.0
Premiums	\$72.0	\$193.4	\$162.2	\$173.3	\$181.4	\$166.2	\$157.2	\$149.2	\$188.3	\$191.2	\$172.1	\$170.4	\$317.2
Operating	\$10.2	\$7.3	\$10.3	\$13.2	\$19.9	\$10.8	\$10.6	\$10.3	\$11.8	\$8.3	\$11.2	\$13.9	\$14.7
Account Balance	\$26.8	\$209.8	\$372.1	\$467.2	\$454.2	\$426.8	\$376.4	\$326.6	\$286.5	\$221.5	\$123.0	\$19.1	\$19.1

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



Monthly benefits paid

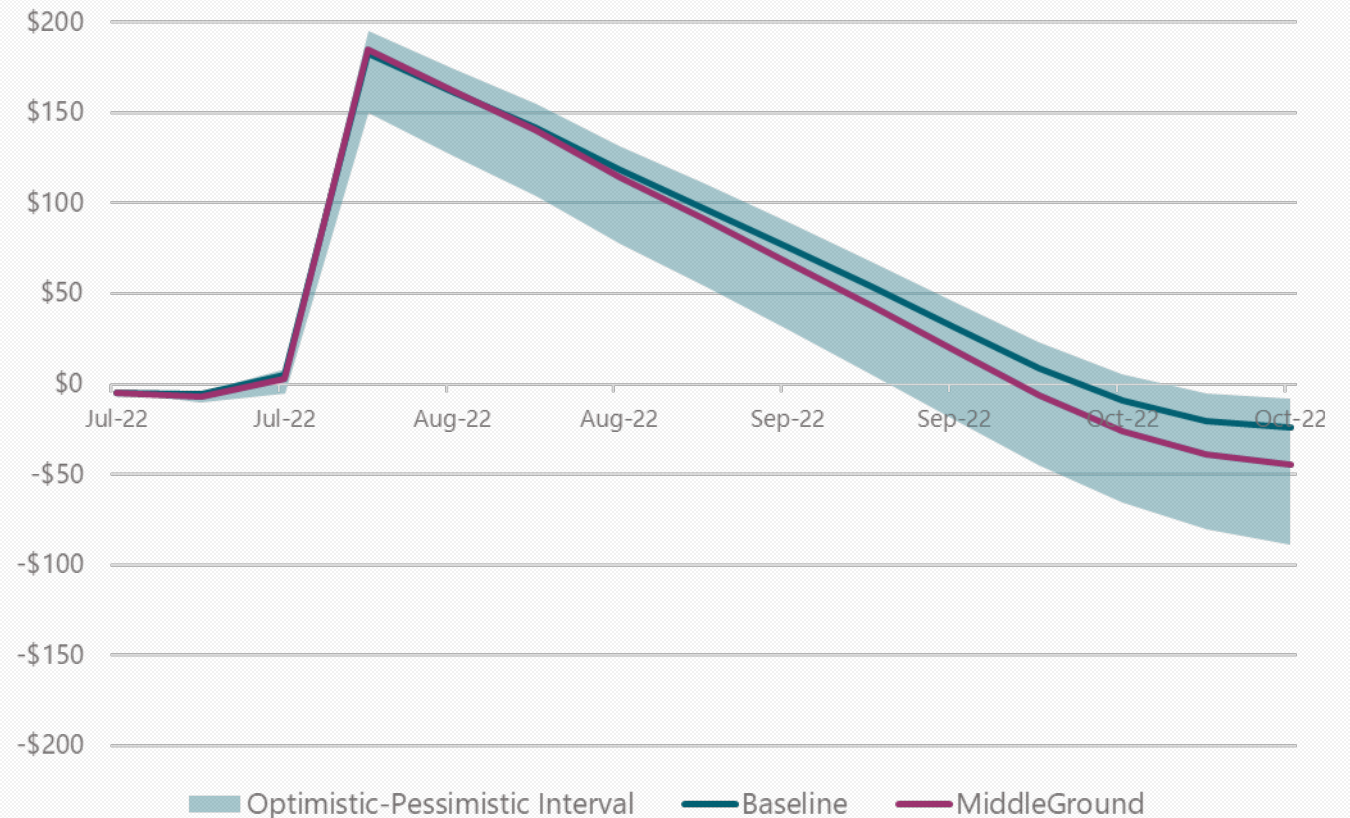


- June 2022, \$95.2 million – 4th highest monthly payments to date.
 - 8% lower than last month
 - 14% higher than June of last year
- \$557.2 million benefits paid thus far in 2022
 - 37% higher than Jan-June 2021
- Expected 2022 annual benefits ~ \$1.2 billion

Fiscal projections

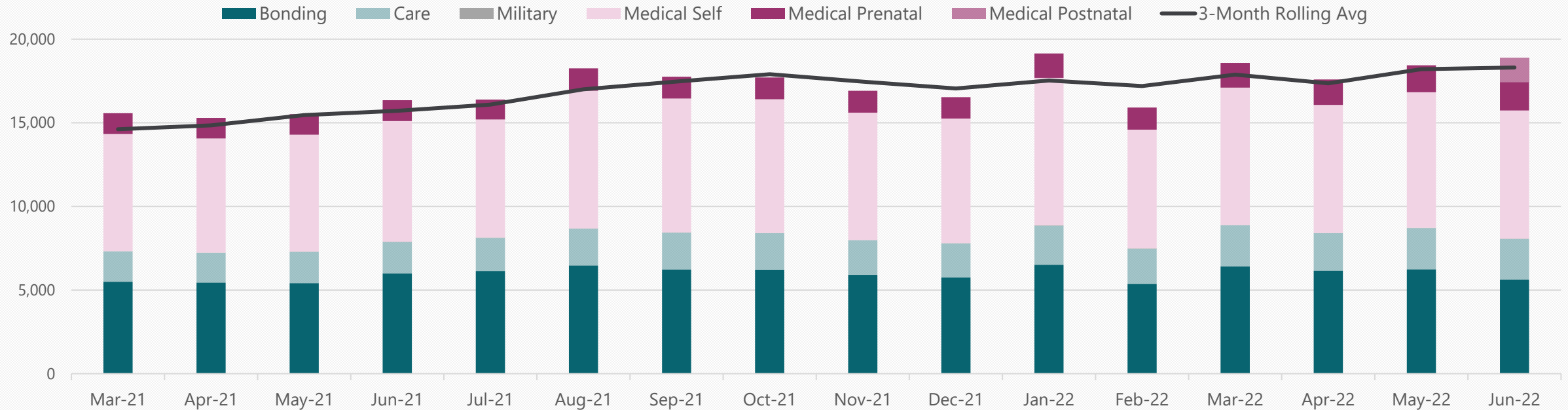
Rates	2021	2022	Projected 2023
Premium Rate	0.4%	0.6%	0.8% - 0.9%
Calculated Rate	0.4%	0.6%	0.6%
Solvency Surcharge	-	-	0.2% - 0.3%
Family-Medical Split			
Family	33%	52%	~50%
Medical	66%	48%	~50%

Paid Leave Account Balance: Cash Flow Projections
Historical data through week ending 7-16-22



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.

Claim applications submitted by type

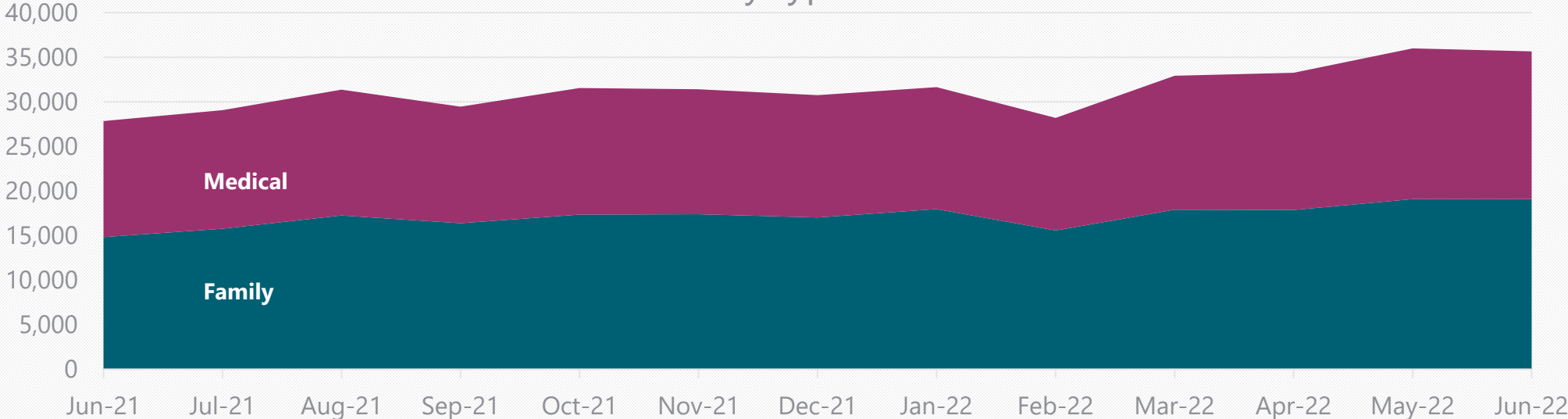


- June 2022, we received 18,893 applications – 3rd highest on record
 - 2% more than last month
 - 16% more than May of last year
- First month with pre- and post-natal subtypes
- Three-month rolling average at about 18K claim applications
 - Had been stable at about 17K since August 2021

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

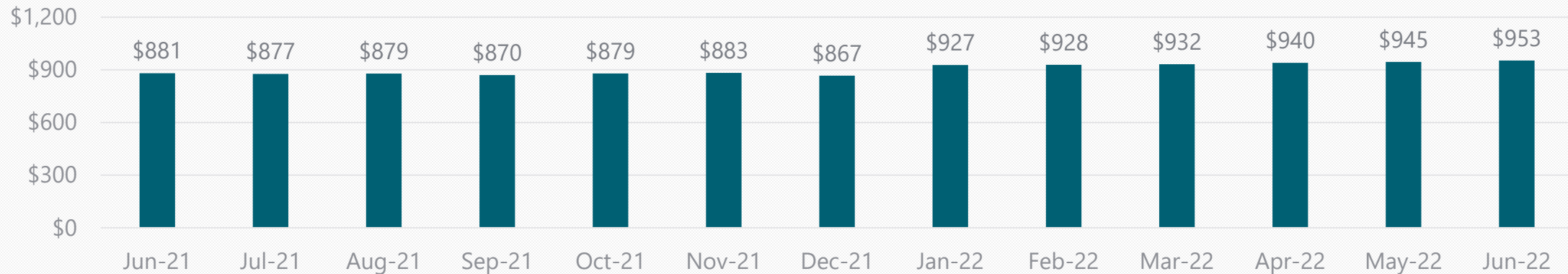
Claims with at least one payment in month
by type



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.



- 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

Month	Average weeks	Median weeks
Dec. 2021	4.9	3.6
Jan. 2022	5.2	3.6
Feb. 2022	4.9	3.6
March 2022	4.5	3.4
April 2022	4.0	2.7
May 2022	3.6	2.4
June 2022	4.2	2.6

Month	Average weeks	Median weeks
June 2021	4.7	3.7
June 2022	4.2	2.4

Phones

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

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

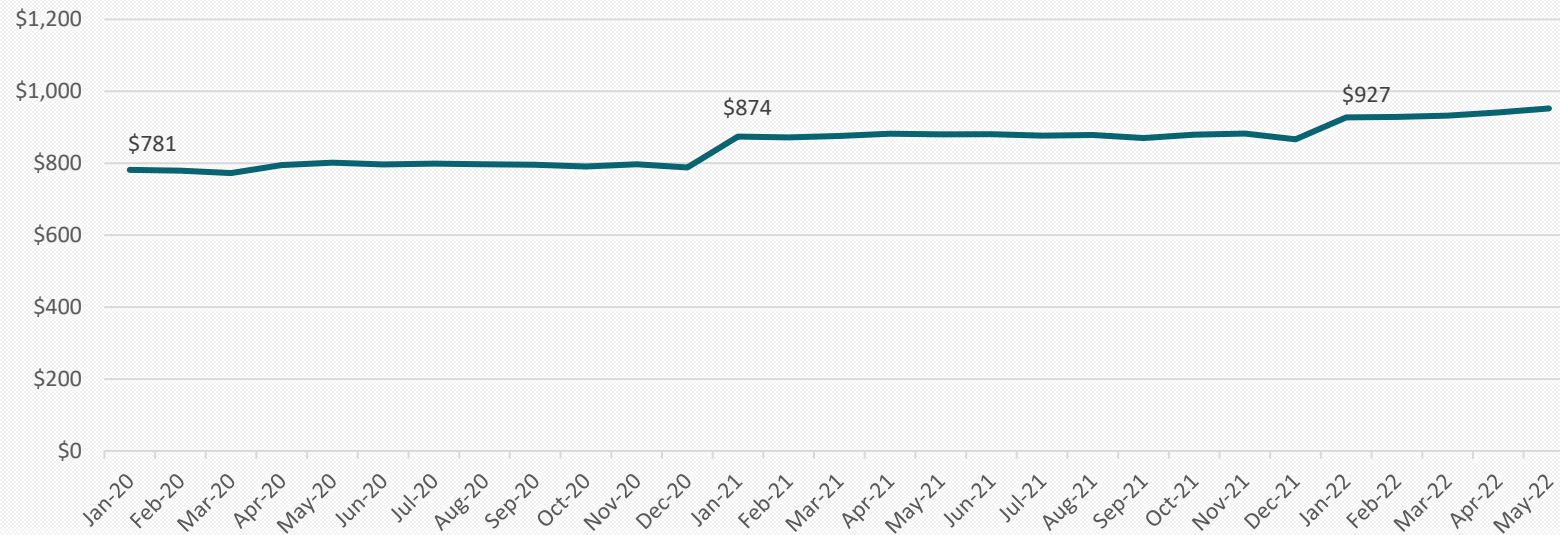
New Methodology

- 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

Early Model Predictions Through June	\$568 million
Actual Values Through June	\$561 million

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



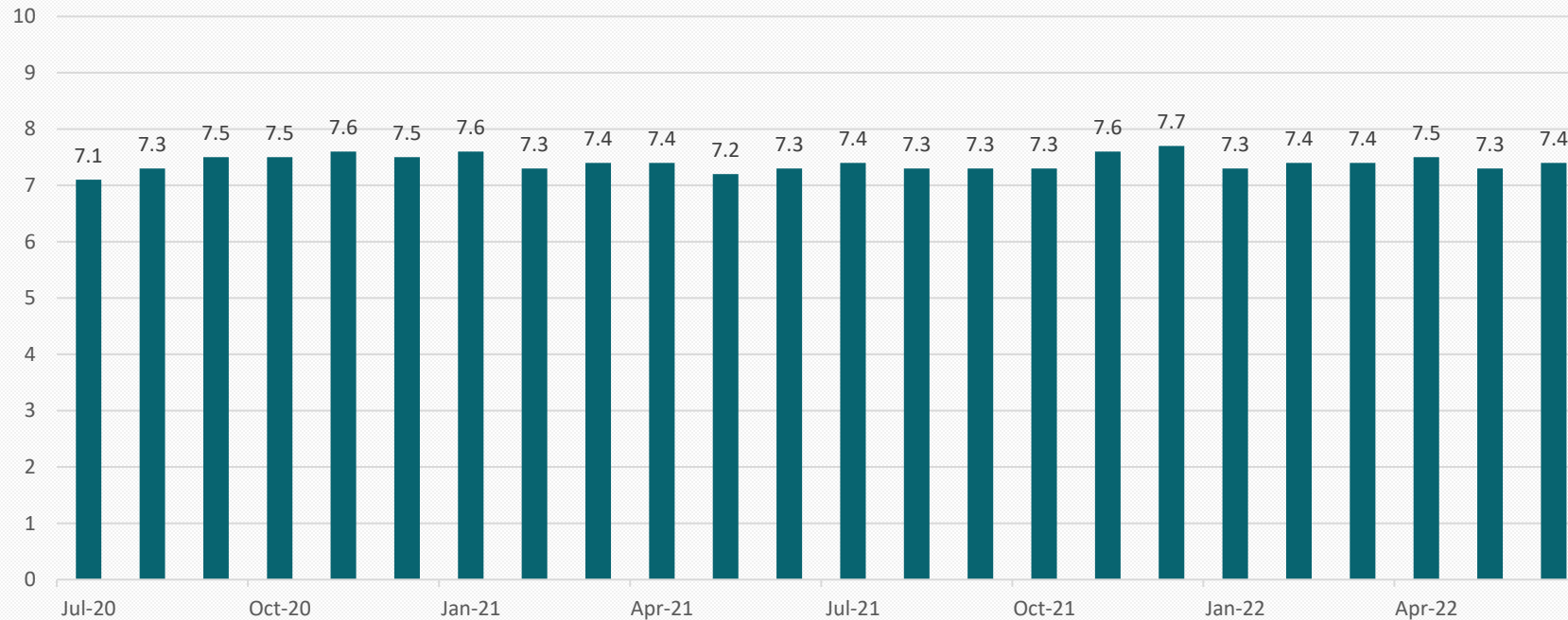
	Statewide Wage Growth	Avg. Weekly Benefit Growth
For 2022 benefits	10.3%	7.0%
For 2023 benefits	7.4%	5.0%

Benefits payments: lengths of leave

- Average claim length of leave: 7.5 weeks



- Still use historical data
- Update to 7.4 weeks



	Weeks of Leave
2-Year Avg.	7.4
1-Year Avg.	7.4
6-Month Avg.	7.4
3-Month Avg.	7.4

Benefits payments – claims growth

Growth in # of new paid claims

- First five years ramp-up period



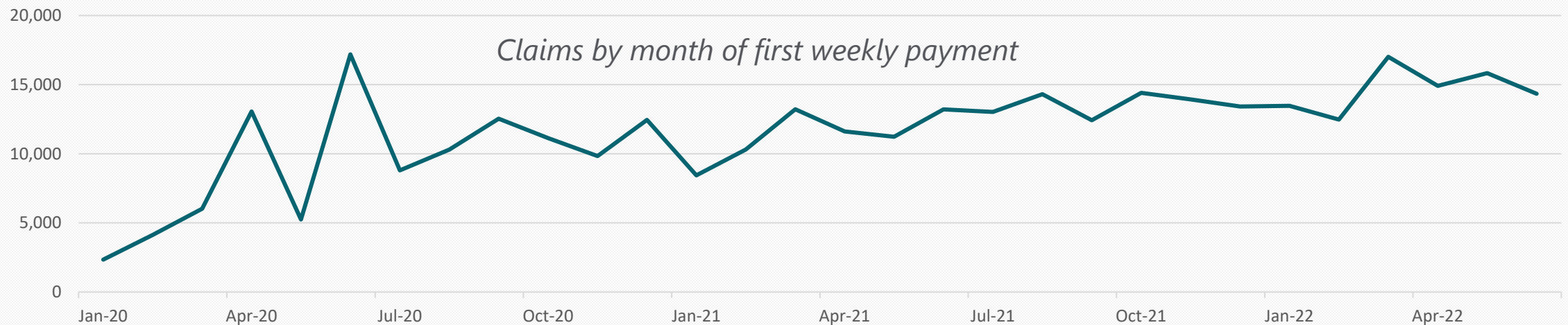
- Current 2022 trend about a year ahead ~15% increase
- Push forward ramp-up period one year

- Long term growth - employment



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

	Prior	Proposed
2022	10%	15% (current trend)
2023	5%	10%
2024	5%	5%
2025	1.42%	5%
2026	1.42%	1.42%



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%

	FY2019	FY2020	FY2021	FY2022	FY2023*	FY2024*
Operating Costs (millions)	\$40.7	\$50.7	\$43.4	\$48.1	\$68.5	\$71.9

	FY2021	FY2022
Operating Costs as Share of Expenditures	5.3%	4.3%

- Transfer to Unemployment
 - \$2,000,000 per year



- No transfer payments have occurred
- Propose removing component from projections

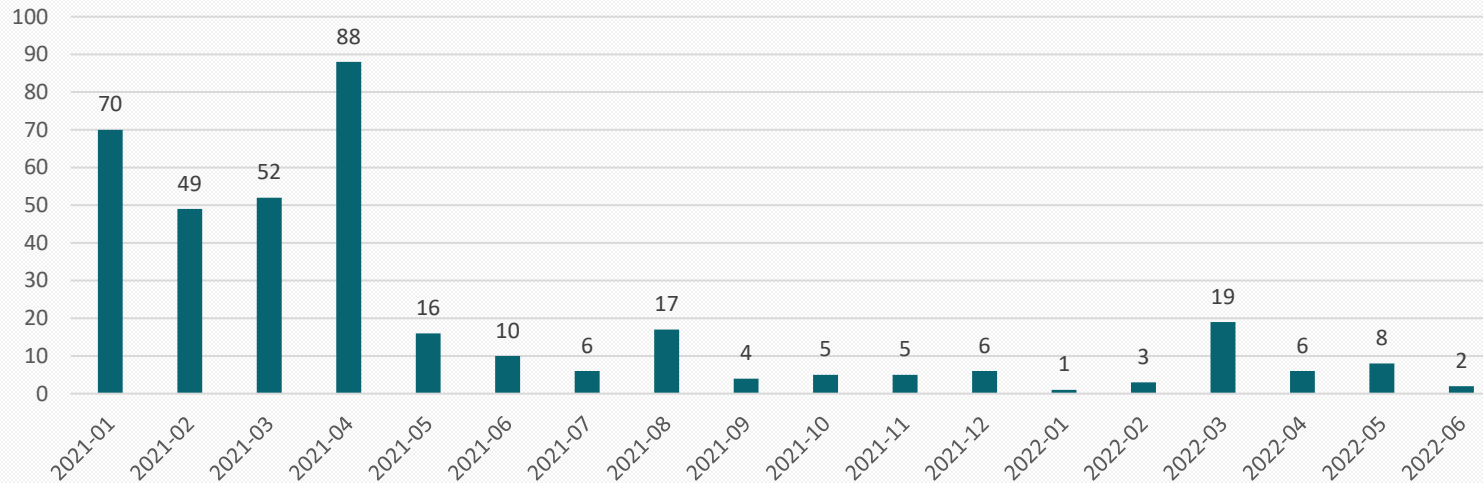
Other expenditures

- 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



	2021*	2022 (thus far)
Total SBA Grants	328	39
Total SBA Grant Payments	\$807,735	\$90,627

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

ERFC Wage Growth Rate Revisions (Feb vs June)	Q1	Q2	Q3	Q3
2022	N/A	-2.6%	-1.4%	-1.4%
2023	-1.6%	0%	0.2%	0.1%
2024	-0.1%	0.2%	0.2%	0.2%

- 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

Share of Gross Wages Subject to Premiums	Q1	Q2	Q3	Q3
2019	95%	94%	80%	73%
2020	93%	89%	76%	68%
2021	92%	86%	75%	67%
2022+	93%	89%	77%	69%

Premiums revenue: voluntary plans and wages from small employers.

- Share of Wages Covered by Voluntary Plans: 13%
- Adjusted mid-year from 5%



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

	Wages in Billions
2021 VP Wages	\$32.05
2021 Overall Wages	\$292.01
VP Share of Wages	11%

- Adjustment for Small Employers' Share: 30% of wages



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

	2019	2020	2021	2022 (to date)
Small Employer Share of Gross Wages	24%	22%	23%	25%




Premiums revenue: Family-Medical Split

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

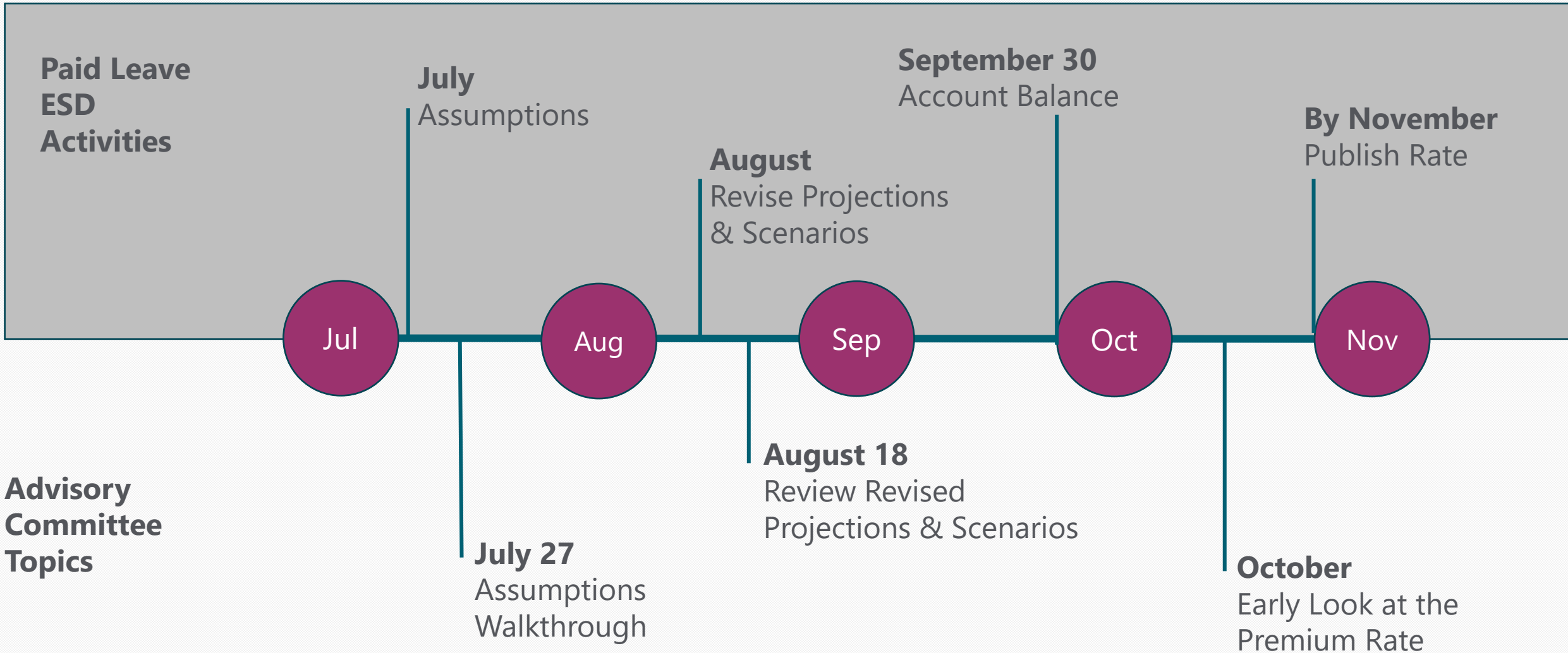


- 2023 ~ likely to be similar to 2022
- 2024+ based on fiscal note for SB5649
 - Family: 48%
 - Medical: 52%
 - Will adjust as data starts to actualize

Other revenue: Negligible amounts

- Voluntary Plan application fees  • Not included in projections
- Account Interest: 1%  • Actuals even lower
• Remove from projections
- Conditional waivers  • Not included in projections

Premium Rate/Projections Timeline



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.)

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

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

Continue the conversation

Justin DeFour

Director, Paid Family & Medical Leave
Employment Security Department

Justin.defour@esd.wa.gov



Visit us online at
www.paidleave.wa.gov



Join our listserv at
bit.ly/PaidLeaveList