

Washington
Paid Family & Medical Leave



Employment Security Department
WASHINGTON STATE

Advisory Committee Meeting

August 18, 2022

Agenda Introductions & approve minutes

Program & fiscal update

Current priorities

Workgroup updates

Agenda items for September 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 & July

Program update

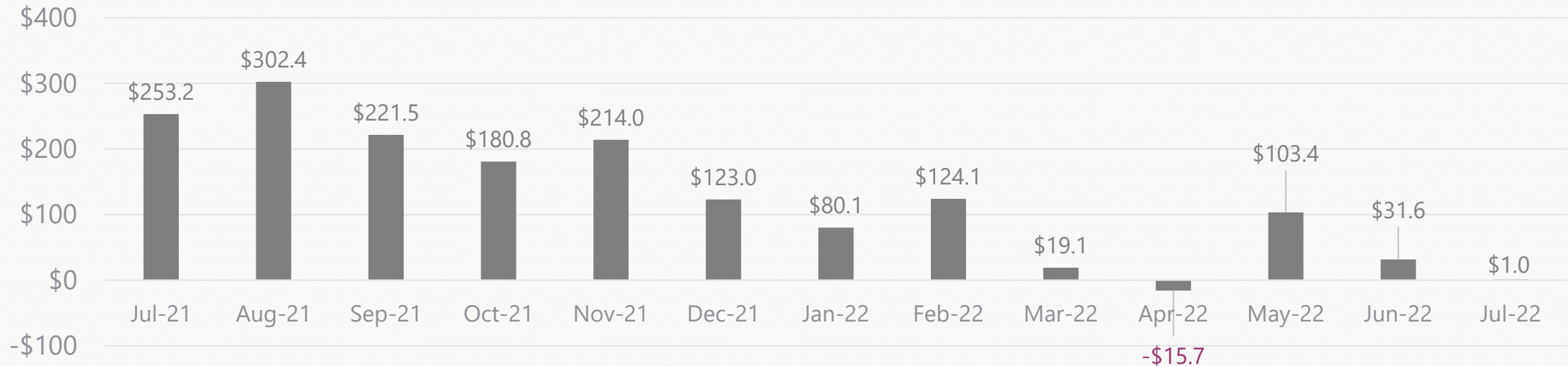
Kim Green, Deputy Chief Financial Officer

Brian Kennedy, Forecasting & Economic Analyst

John Mattes, Operations Manager

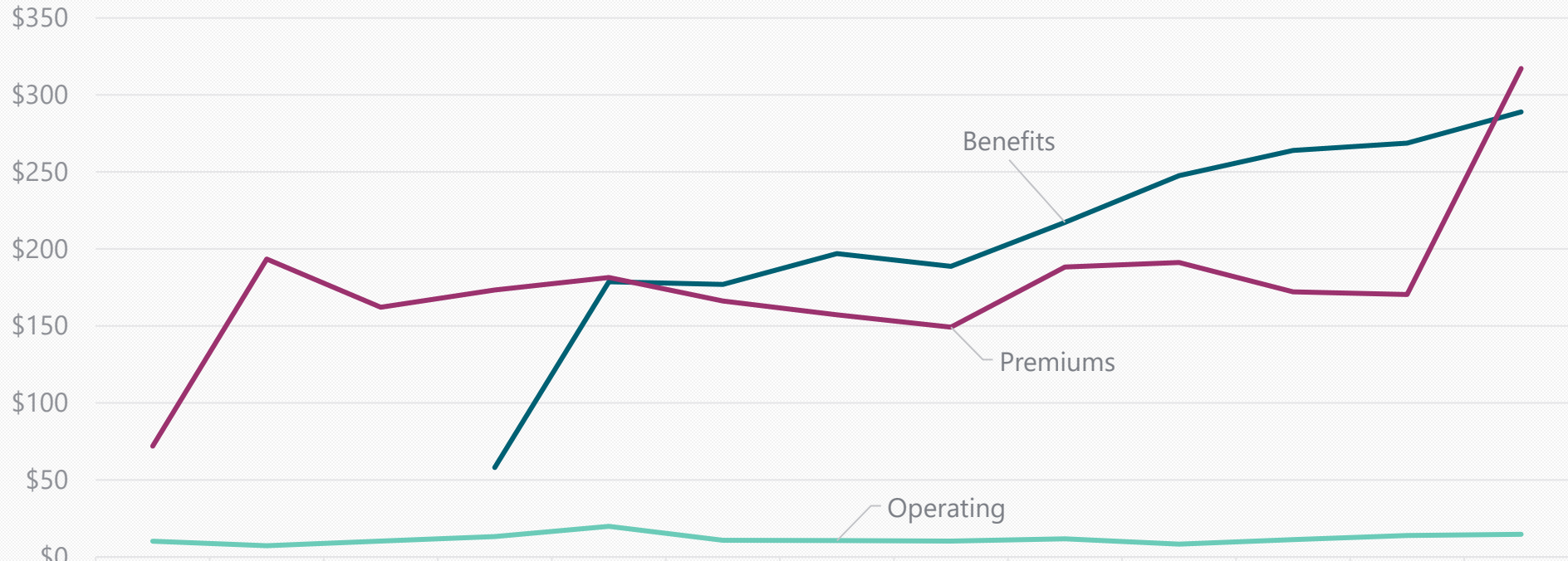
Rebecca Grady, Research & Data Manager

Monthly ending account balance (millions)



- Fell into a negative balance July 13.
 - 15 days of negative balance
 - Positive balance achieved on the 29th
 - Maximum negative balance -\$7.5 million
- ESSB 5693 provides up to \$350 million coverage for an account deficit on June 30, 2023
 - Have yet to draw from these funds → premiums are offsetting negative balance

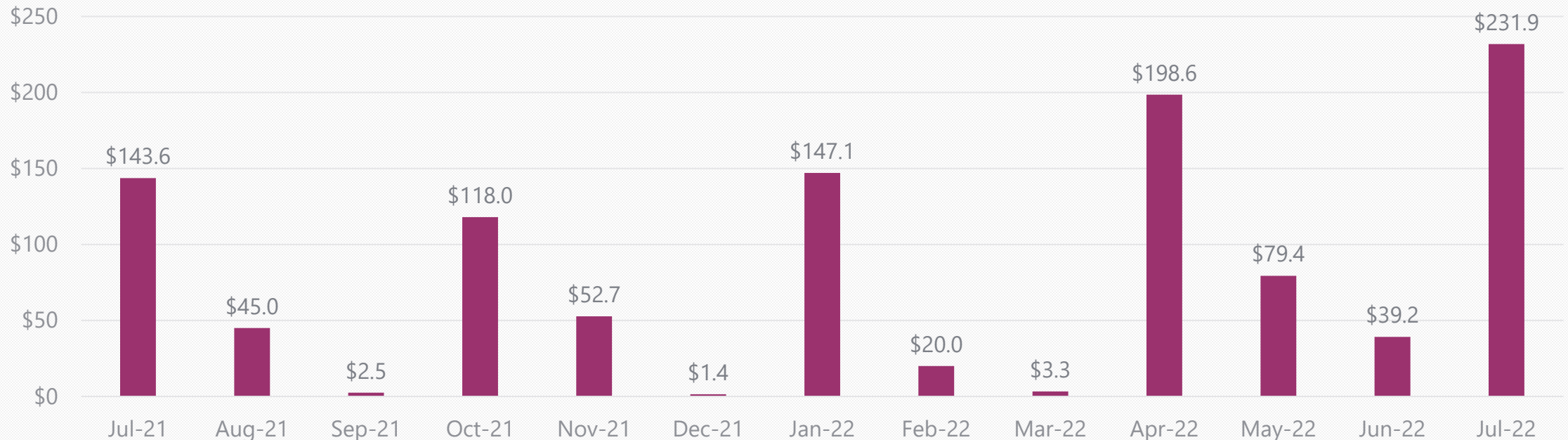
Premiums, benefits, operating expenses, and account balance by quarter (millions)



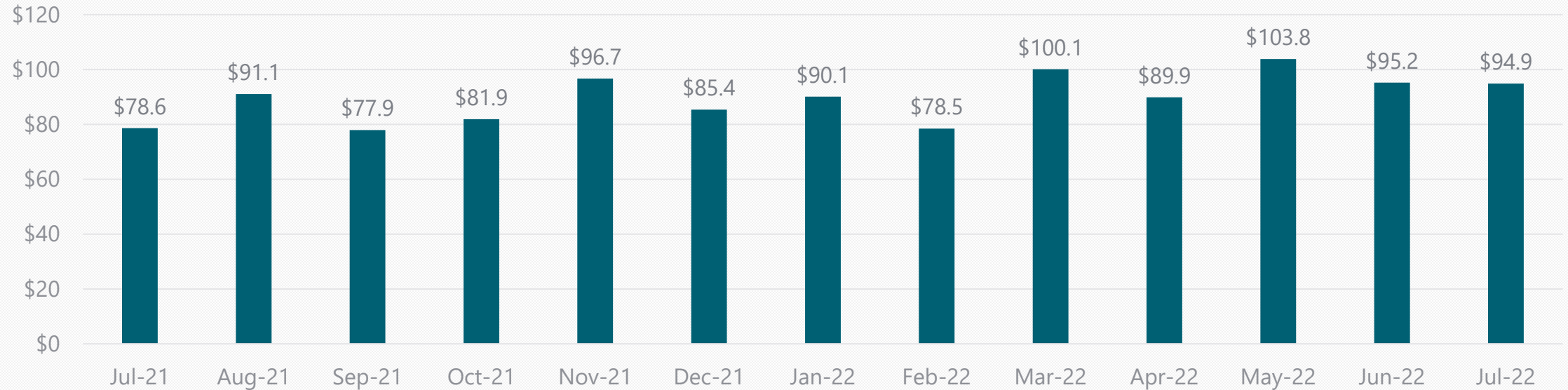
	2019-2	2019-3	2019-4	2020-1	2020-2	2020-3	2020-4	2021-1	2021-2	2021-3	2021-4	2022-1	2022-2
Benefits				\$58.1	\$178.7	\$177.0	\$196.9	\$188.7	\$217.2	\$247.6	\$264.0	\$268.7	\$289.0
Premiums	\$72.0	\$193.4	\$162.2	\$173.3	\$181.4	\$166.2	\$157.2	\$149.2	\$188.3	\$191.2	\$172.1	\$170.4	\$317.2
Operating	\$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
Fund 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.
 - July was the highest monthly collections to date.
- Cyclical pattern through year of lower quarterly assessments as more wages fall over taxable cap.
- \$231.9 million premiums remitted in July 2022, 61% or \$88.2 million more than last July



Monthly benefits paid

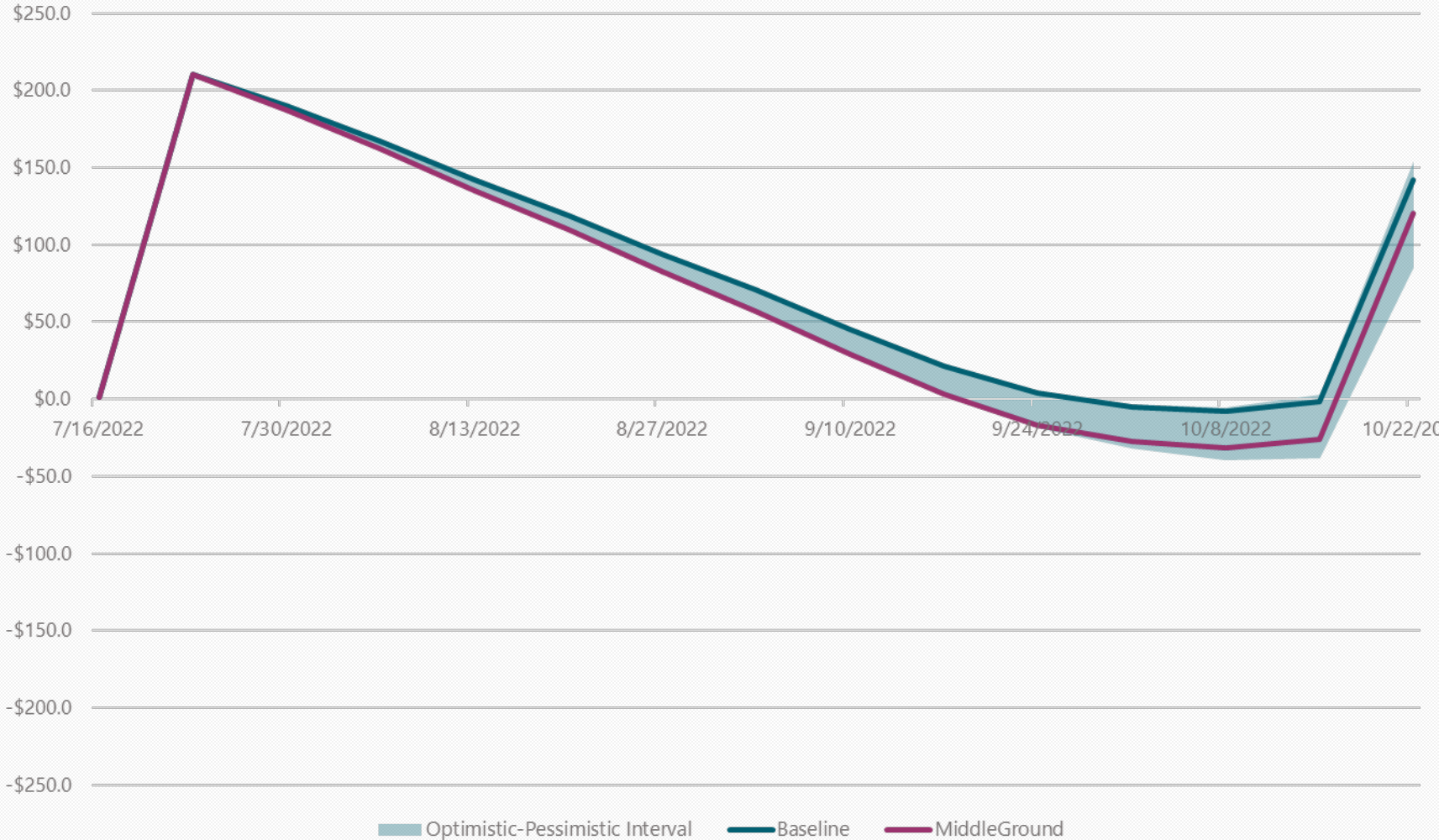


- July 2022, \$94.9 million – 5th highest monthly payments to date.
 - About the same as last month
 - 21% higher than July of last year
- \$652.6 million benefits paid thus far in 2022
 - 35% higher than Jan-July 2021
- Expected 2022 annual benefits ~ \$1.2 billion

Fiscal projections

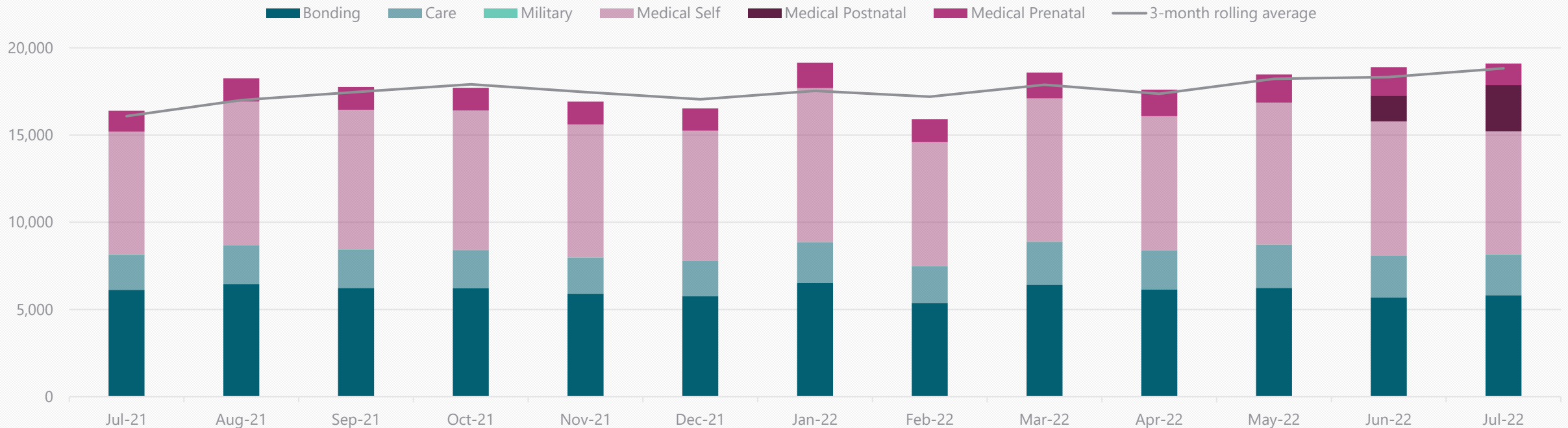
Rates	2021	2022	Projected 2023
Premium Rate	0.4%	0.6%	0.9% - 1.0%
Calculated Rate	0.4%	0.6%	0.6%
Solvency Surcharge	-	-	0.3% - 0.4%
Family-Medical Split			
Family	33%	52%	~50%
Medical	66%	48%	~50%

Paid Leave Account Balance: Cash Flow Projections
Historical data through week ending 8-06-22



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.

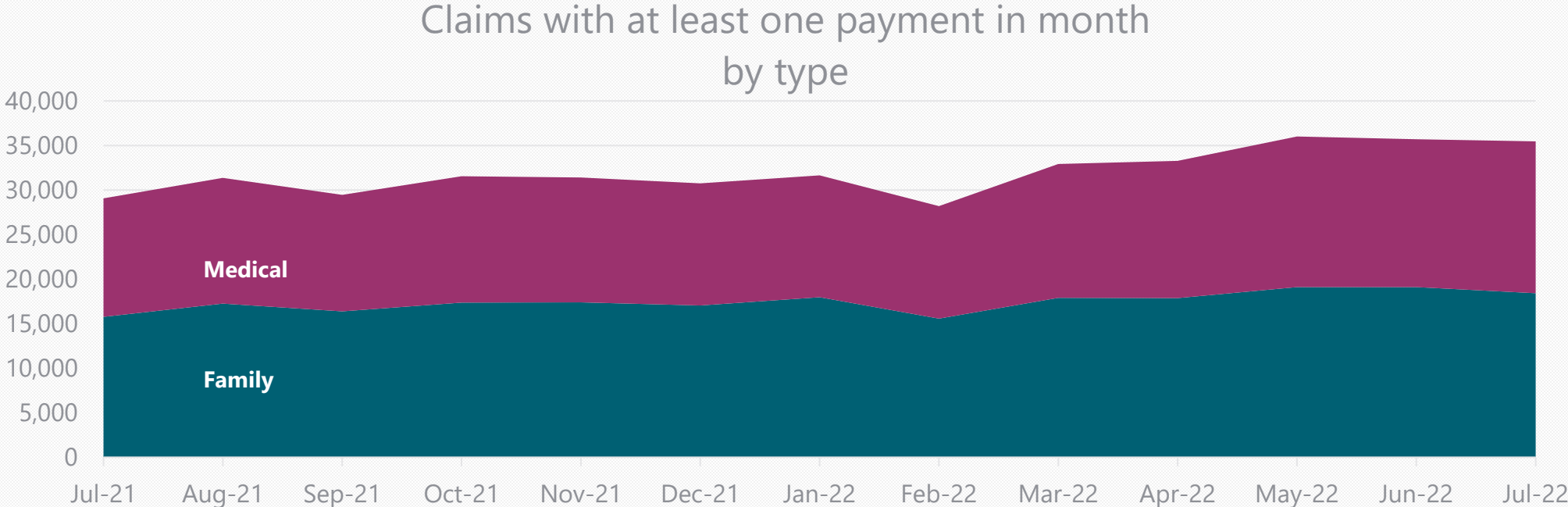
Claim applications submitted by type



- July 2022, we received 19,098 applications – 3rd highest on record
 - 1% more than last month
 - 17% more than May of last year
- First full month with pre- and post-natal subtypes
- Three-month rolling average at about 18K claim applications

Approval rate and monthly claims with payment(s)

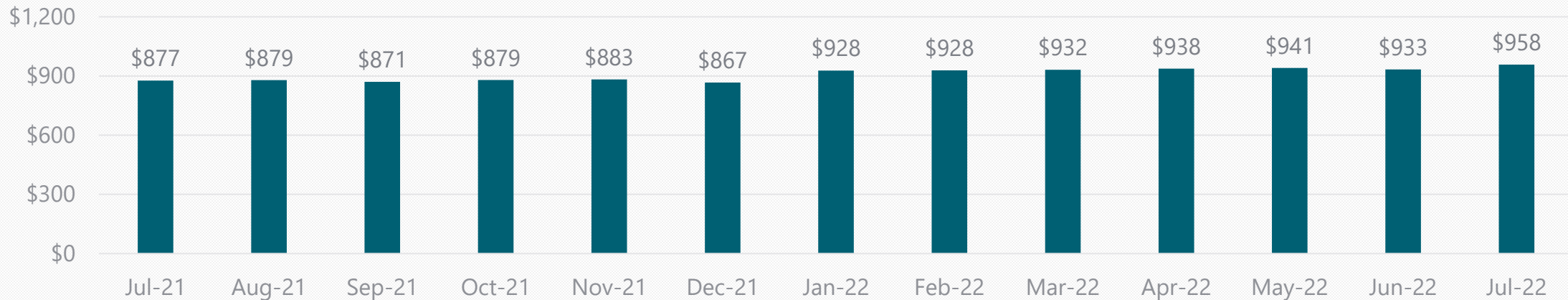
- Percentage of claims approved continues to be relatively stable in past year
 - About 84% approved overall
- Unique leave claims in the last 12 months – 95,150 family and 93,341 medical
- July 2022 total unique leave claims: 35,461.
 - 22% more than June of last year



Benefit levels and lengths

- Jan-July 2022 average: \$937
 - 7% higher than same period last year, \$877
- 2022 AWB 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 drop slightly 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
July 2022	4.2	2.6

Month	Average weeks	Median weeks
July 2021	4.8	3.4
July 2022	4.2	2.6

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
July 2022	82%	67%	12:23

Since July 2021:

- 24% decrease in calls into queue.
- 120% increase in calls answered.
- 51:49 decrease in queue time.

* includes calls for WA Cares Fund

Upcoming reports - September

Volumes-related operational needs and resources for the coming year

- Expect we may need two more teams by the end of FY23 to keep up with volumes

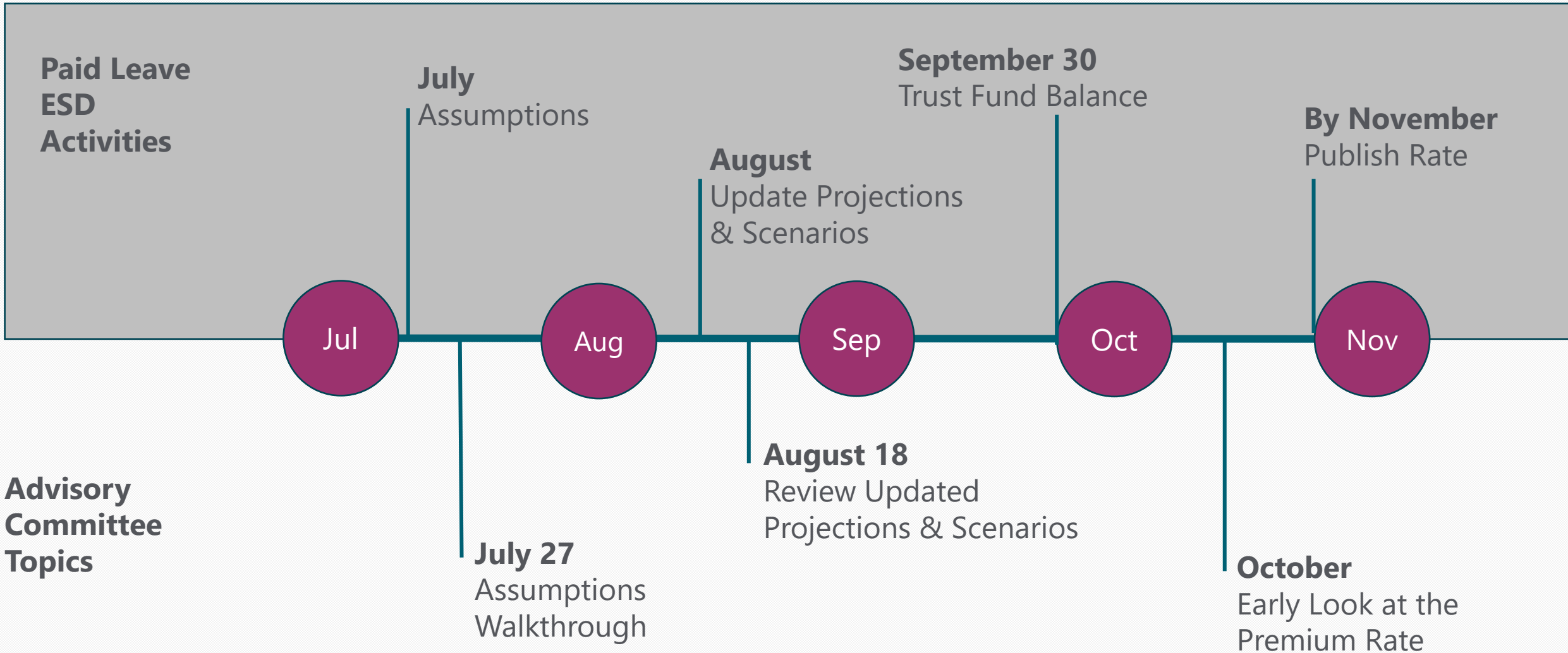
Voluntary Plan costs and fees

- Costs to date have far exceeded fees collected
- Current structure poses some challenge to creating a fee structure that would fully cover costs

Projections Scenarios

Rebecca Grady, Research & Data Manager

Premium Rate/Projections Timeline



Premium rate: Calculation

(RCW 50A.10.030)

$$\text{Account Balance Ratio} = \frac{\text{Account balance as of Sep 30}}{\text{Prior fiscal year total wages}}$$

Account Balance:	\$221,549,805
Total Gross Wages:	\$238,265,112,074
Account Balance Ratio:	0.09%



Account Balance Ratio	Premium Rate
0.00% to 0.09%	0.6%
0.10% to 0.19%	0.5%
0.20% to 0.29%	0.4%
0.30% to 0.39%	0.3%
0.40% to 0.49%	0.2%
0.50% or Greater	0.1%

- Total maximum possible is 1.2% (regular rate + solvency surcharge)
- If account balance ratio is less than .05% and insolvency is projected in the coming year, a solvency surcharge must be added at lowest rate to achieve solvency.
- Surcharge maximum is .6% and functionally the same as standard rate
- Assessed on wages/salaries up to Social Security Cap (\$147,000 in 2022)

Account projections

- Current Projections
 - Based on the assumptions we discussed last month
- Optimistic Economic Growth Scenario
 - ERFC Optimistic Wage Growth Projections
- Pessimistic Economic Growth Scenario
 - ERFC Pessimistic Wage Growth Projections
 - 10% Higher Benefits with adjustment for lower weekly benefit growth

Current projections

	FY23	FY24	FY25	FY26	FY27
Revenue					
Premium Revenue	\$1,374.8	\$1,752.9	\$1,247.9	\$1,685.6	\$2,352.1
Expenditures					
Administrative and Implementation	-\$68.5	-\$71.9	-\$74.1	-\$75.6	-\$77.1
Benefits Payments	-\$1,309.0	-\$1,431.8	-\$1,568.8	-\$1,687.4	-\$1,778.0
Small Business Grants	-\$0.2	-\$0.2	-\$0.2	-\$0.2	-\$0.2
Projected Balance Estimate	\$29.4	\$278.4	-\$116.9	-\$194.4	\$302.4

Millions of dollars

Rate year	2023	2024	2025	2026	2027	Avg.
Premium Rate	1.0%	0.6%	0.6%	1.2%	0.6%	0.8%
<i>Account Balance Ratio</i>	0.00%	0.05%	0.06%	-0.07%	0.01%	

**Account balance ratio from the rate setting year (prior year).*

Current projections (0.9% rate for 2023)

	FY23	FY24	FY25	FY26	FY27
Revenue					
Premium Revenue	\$1,320.5	\$1,669.0	\$1,575.4	\$1,836.1	\$1,735.5
Expenditures					
Administrative and Implementation	-\$68.5	-\$71.9	-\$74.1	-\$75.6	-\$77.1
Benefits Payments	-\$1,309.0	-\$1,431.8	-\$1,568.8	-\$1,687.4	-\$1,778.0
Small Business Grants	-\$0.2	-\$0.2	-\$0.2	-\$0.2	-\$0.2
Projected Balance Estimate	-\$25.0	\$140.0	\$72.3	\$145.2	\$22.5

Millions of dollars

Rate year	2023	2024	2025	2026	2027	Avg.
Premium Rate	0.9%	0.7%	0.9%	0.7%	.09%	0.8%
<i>Account Balance Ratio</i>	0.00%	0.02%	0.03%	0.04%	0.03%	

**Account balance ratio from the rate setting year (prior year).*

Optimistic economic growth projections

	FY23	FY24	FY25	FY26	FY27
Revenue					
Premium Revenue	\$1,353.5	\$1,679.1	\$1,511.0	\$1,964.0	\$1,664.2
Expenditures					
Administrative and Implementation	-\$68.5	-\$71.9	-\$74.1	-\$75.6	-\$77.1
Benefits Payments	-\$1,309.0	-\$1,431.8	-\$1,568.8	-\$1,687.4	-\$1,778.0
Small Business Grants	-\$0.2	-\$0.2	-\$0.2	-\$0.2	-\$0.2
Projected Balance Estimate	\$8.1	\$183.3	\$51.1	\$251.9	\$60.9

Millions of dollars

Rate year	2023	2024	2025	2026	2027	Avg.
Premium Rate	0.9%	0.6%	0.9%	0.7%	.06%	0.7%
<i>Account Balance Ratio</i>	0.00%	0.03%	0.03%	0.04%	0.06%	

**Account balance ratio from the rate setting year (prior year).*

Pessimistic economic growth projections

	FY23	FY24	FY25	FY26	FY27
Revenue					
Premium Revenue	\$1,349.9	\$1,773.1	\$1,583.3	\$1,764.3	\$1,817.6
Expenditures					
Administrative and Implementation	-\$68.5	-\$71.9	-\$74.1	-\$75.6	-\$77.1
Benefits Payments	-\$1,404.6	-\$1,438.8	-\$1,585.4	-\$1,670.1	-\$1,743.4
Small Business Grants	-\$0.2	-\$0.2	-\$0.2	-\$0.2	-\$0.2
Projected Balance Estimate	-\$91.1	\$124.0	\$47.6	\$66.0	\$62.9

Millions of dollars

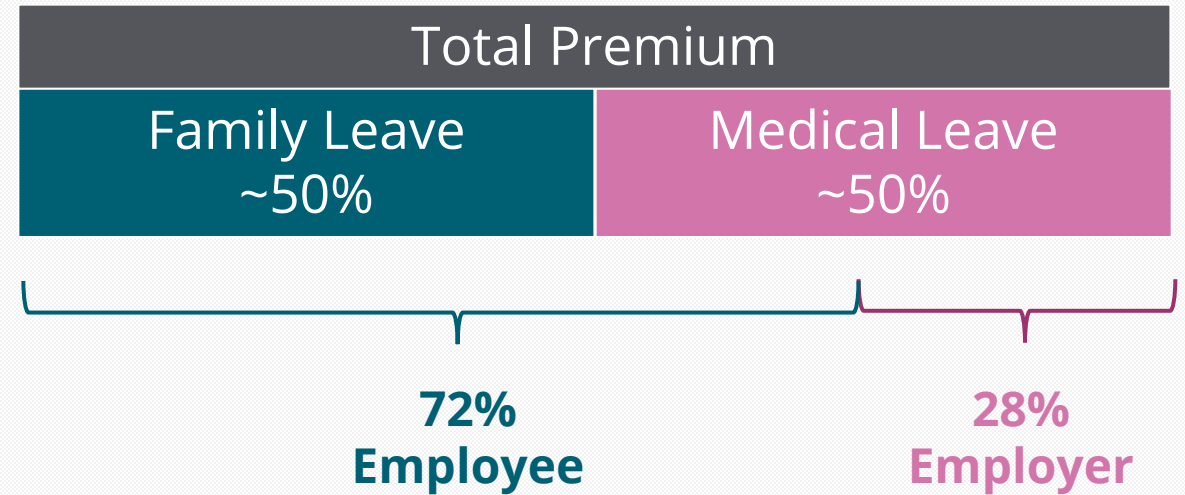
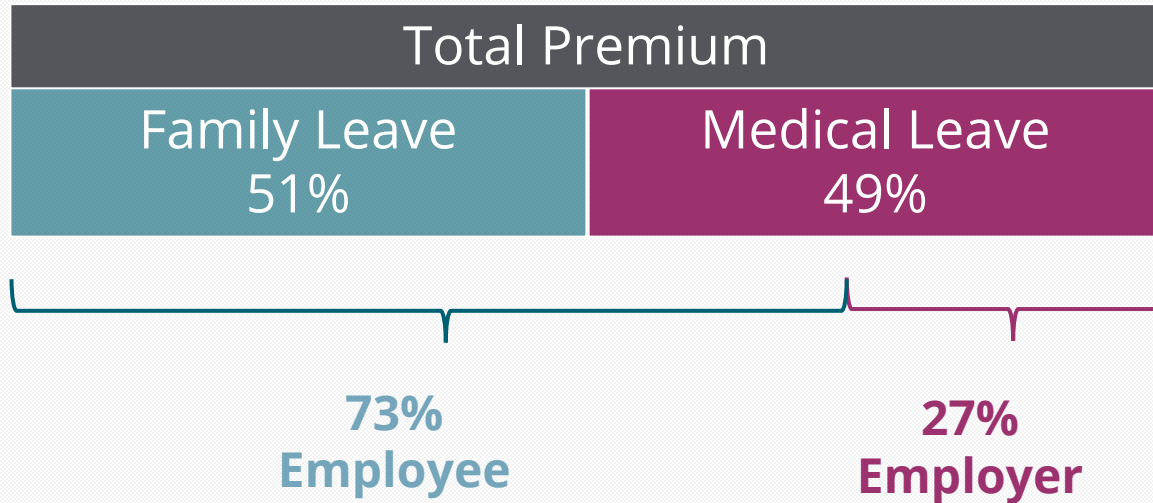
Rate year	2023	2024	2025	2026	2027	Avg.
Premium Rate	1.0%	0.8%	0.9%	0.9%	0.9%	0.9%
<i>Account Balance Ratio</i>	-0.01%	0.00%	0.04%	0.02%	0.02%	

**Account balance ratio from the rate setting year (prior year).*

Variable family-medical split

- Premium split is proportional to family vs medical claims volumes
- Employee / Employer share varies based on Family / Medical split
 - Employer's fund 55% of medical and employees fund 45% of medical and 100% of family

Examples:



Projected change to weekly premiums

2022

0.6% rate with 51% Family and 49% Medical

Minimum Wage (14.49/hr or \$30,139/yr)

Average Wage (\$82,508/yr)

Maximum Taxable (\$147,000/yr)

Total Premium



\$3.48

\$9.52

\$16.96

Employee Portion



\$2.55

\$6.97

\$12.42

Employer Portion



\$0.93

\$2.55

\$4.54

2023 projections

1% rate with 50% Family and 50% Medical

Minimum Wage (14.49/hr or \$30,139/yr)

Average Wage (\$82,508/yr)

Maximum Taxable (\$147,000/yr)

\$5.80

\$15.87

\$28.27

\$4.22

\$11.55

\$20.57




\$1.58

\$4.32

\$7.70



Projected change to weekly premiums

	Total Premium 	Employee Portion 	Employer Portion 
2022 <i>0.6% rate with 51% Family and 49% Medical</i>			
Minimum Wage (14.49/hr or \$30,139/yr)	\$3.48	\$2.55	\$0.93
Average Wage (\$82,508/yr)	\$9.52	\$6.97	\$2.55
Maximum Taxable (\$147,000/yr)	\$16.96	\$12.42	\$4.54
2023 projections <i>0.9% rate with 50% Family and 50% Medical</i>			
Minimum Wage (14.49/hr or \$30,139/yr)	\$5.22	\$3.80	\$1.42
Average Wage (\$82,508/yr)	\$14.28	\$10.39	\$3.89
Maximum Taxable (\$147,000/yr)	\$25.44	\$18.51	\$6.93



Projected change to annual employer portion

Employer Portion



2022

0.6% rate with 51% Family and 49% Medical

- Small <50 (est. taxable wages \$111,019)
- Medium 50-150 (est. taxable wages \$3,469,196)
- Large >150 (est. taxable wages \$15,276,563)

- \$178
- \$5,574**
- \$24,546

2023 projections

1% rate with 50% Family and 50% Medical

- Small <50 (est. taxable wages \$111,019)
- Medium 50-150 (est. taxable wages \$3,469,196)
- Large >150 (est. taxable wages \$15,276,563)

- \$302
- \$9,449**
- \$41,607



Projected change to annual employer portion

Employer Portion



2022

0.6% rate with 51% Family and 49% Medical

- Small <50 (est. taxable wages \$111,019)
- Medium 50-150 (est. taxable wages \$3,469,196)
- Large >150 (est. taxable wages \$15,276,563)

- \$178
- \$5,574**
- \$24,546

2023 projections

0.9% rate with 50% Family and 50% Medical

- Small <50 (est. taxable wages \$111,019)
- Medium 50-150 (est. taxable wages \$3,469,196)
- Large >150 (est. taxable wages \$15,276,563)

- \$272
- \$8,504**
- \$37,447



Current program priorities

Alison Eldridge, Interim Transformation Manager

Active division portfolio

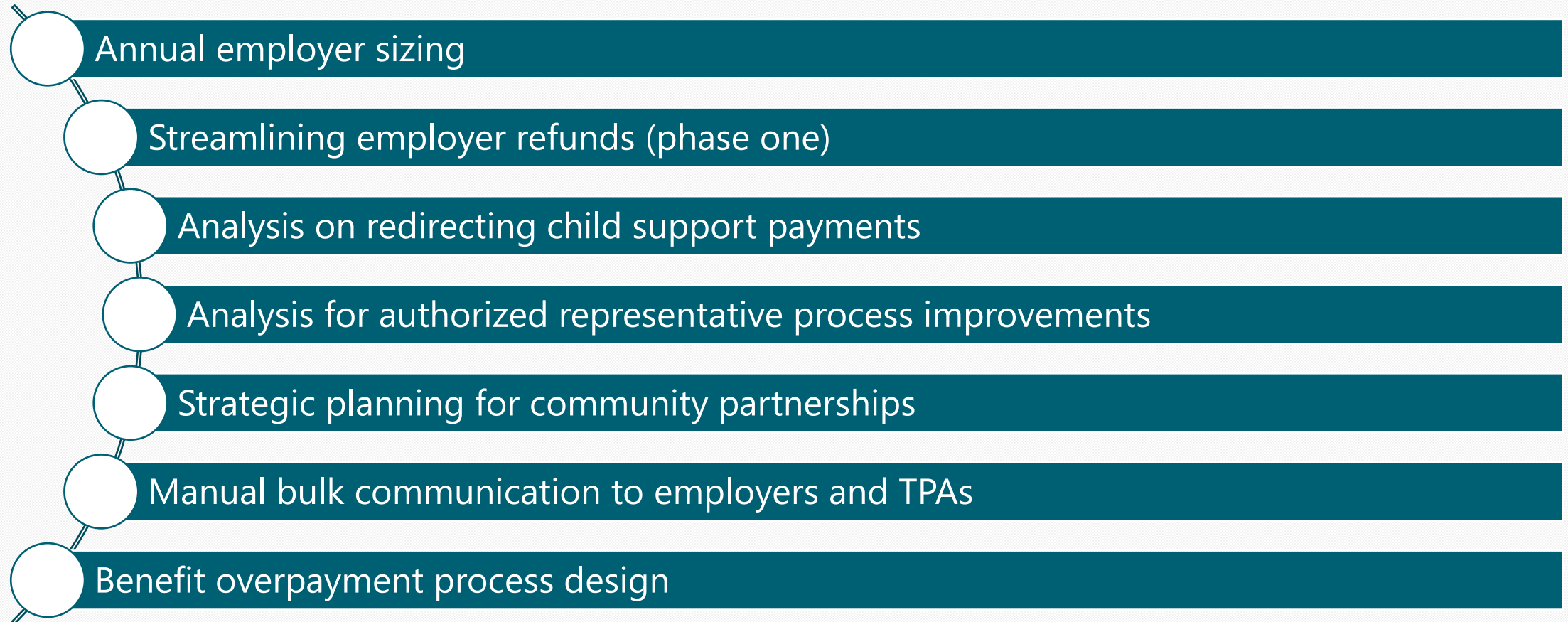
Projects

- 2022 1099s
- 2022 weekly benefit amount increase
- 2022 premium rate and Social Security cap changes
- Cloud migration (case management system)

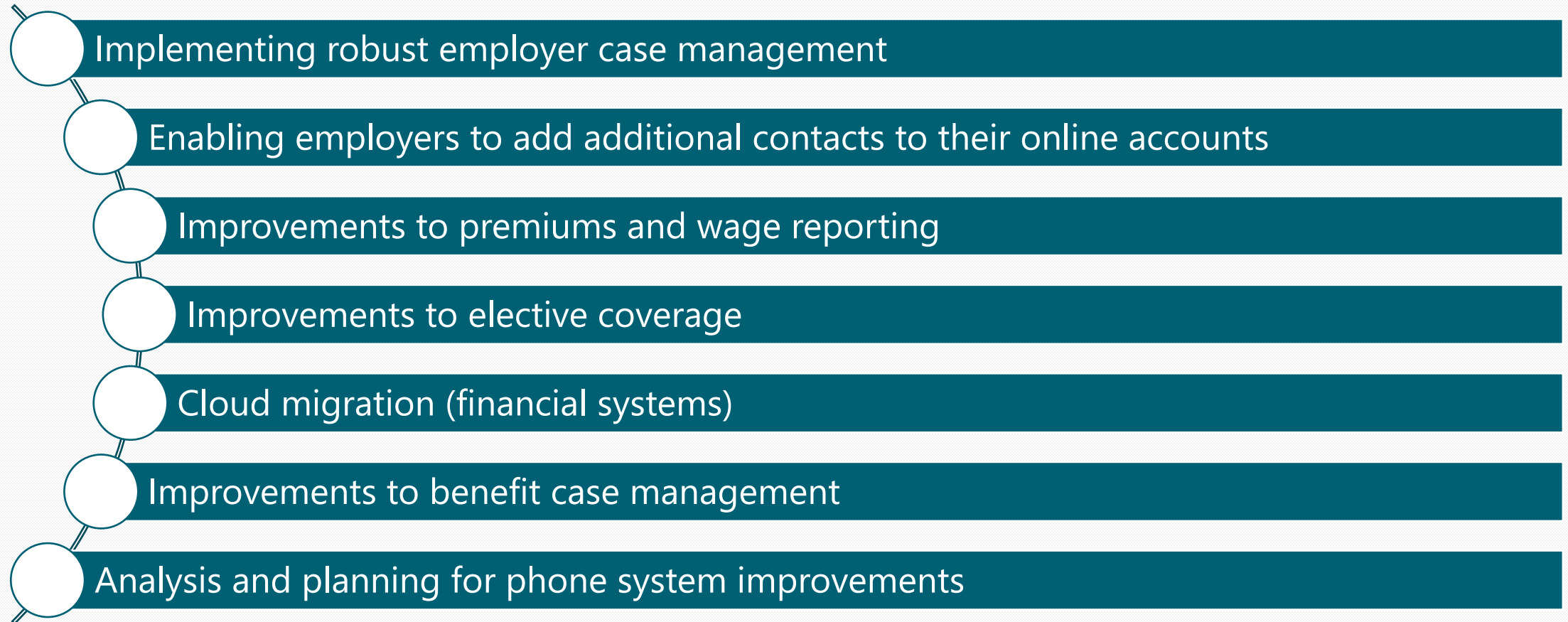
Analysis

- Enabling employers without UBIs to report online
- Employer contact types and case management
- Implementing division language access plan

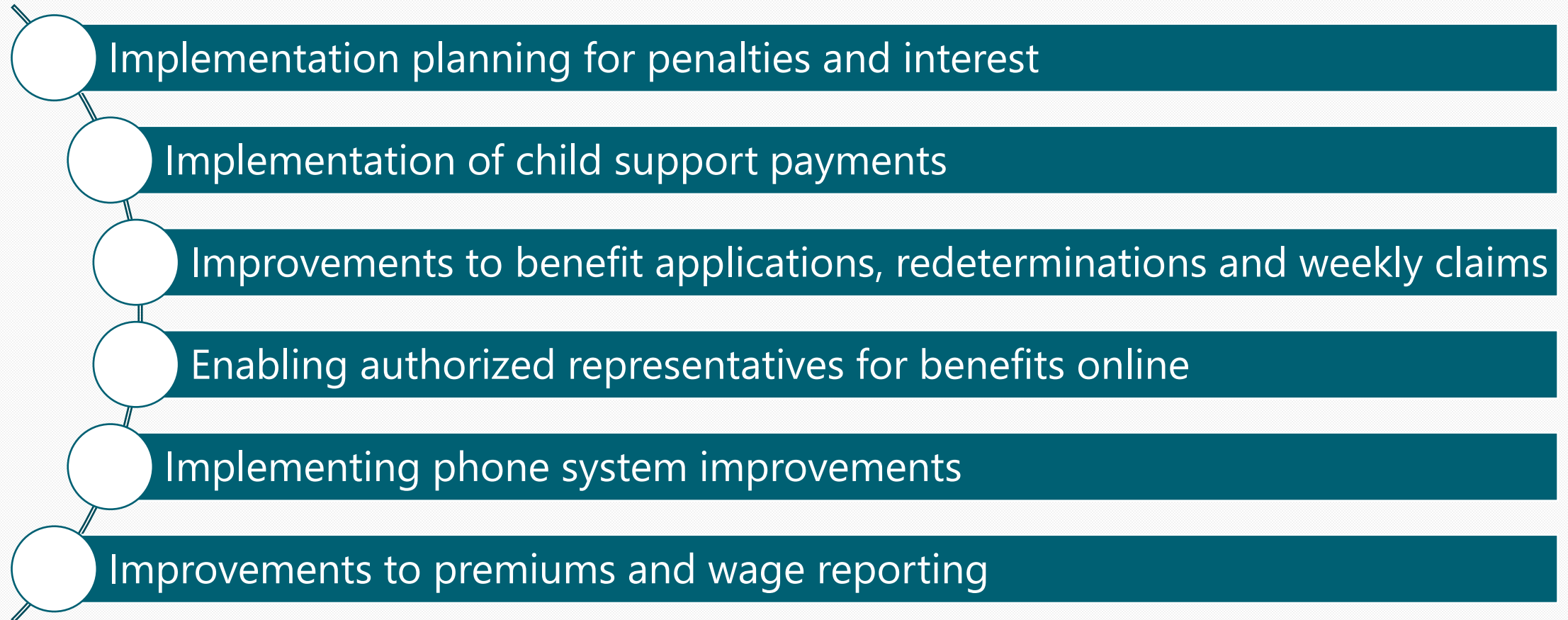
Now



Next

- 
- Implementing robust employer case management
 - Enabling employers to add additional contacts to their online accounts
 - Improvements to premiums and wage reporting
 - Improvements to elective coverage
 - Cloud migration (financial systems)
 - Improvements to benefit case management
 - Analysis and planning for phone system improvements

Later

- 
- Implementation planning for penalties and interest
 - Implementation of child support payments
 - Improvements to benefit applications, redeterminations and weekly claims
 - Enabling authorized representatives for benefits online
 - Implementing phone system improvements
 - Improvements to premiums and wage reporting

Small employer premium opt-in

Discussion
points

Period of opt-in

Premium assessment

Third-party administrators

Compliance impacts

Workgroup updates

Alison Eldridge, Interim Transformation Manager

Conditional approval workgroup

- Met August 10
- Reviewed proposed process flow and potential customer impacts.
- Identified additional data and analysis needs to review at next meeting.

September meeting

Details

- 9 – 11 a.m., Thursday, September 15, 2022

Agenda

- Topics?

Open comment

Continue the conversation

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