Washington
Paid Family & Medical Leave

Advisory Committee Meeting Minutes
July 27, 2022, 9:00 a.m. – 12:00 p.m.

Location	Zoom
Advisory Committee Members	Director, Leave and Care: Justin DeFour Paid Family & Medical Leave Act Ombuds: Edsonya Charles Employer's Interests Representative: Bob Battles Employer's Interests Representative: Christine Brewer Employer's Interests Representative: Julia Gorton Employee's Interests Representative: Samantha Grad Employer's Interests Representative: Tammie Hetrick Employee's Interests Representative: Maggie Humphreys Employee's Interests Representative: Joe Kendo Employee's Interests Representative: Marilyn Watkins
Employment Security Department Staff	ESD Commissioner: Cami Feek Interim Deputy Director, Leave and Care: Matt Buelow Chief Financial Officer, ESD: Danielle Cruver Government Relations Director, ESD: Caitlyn Jekel Public Affairs Director, ESD: Nick Demerice Leave and Care Treasury Manager: Steve Zawojsky Operations Manager, Leave and Care: John Mattes Research & Data Manager, Leave and Care: Rebecca Grady
Guests	Brian Kennedy, ESD Leave & Care Forecast & Economics Analyst
Notes by	Alison J. Sosa, CCR (formatted by: Laura Hagensick)

Agenda	Introductions Approval of June Minutes Program and Trust Fund Update Projections and Assumptions Ombuds Update Current Program Priorities August Meeting Topics Open Comment Adjourn

June Minutes were approved with one change – Change recorded by Matt Buelow

Program & Trust Fund Updates – Steve Zawojsky

Current Unofficial Trust Fund Balance is negative $4.2 million
Q2 assessed total $317.2 million, 68% higher than Q1 premiums

In June of this year our ending trust fund balance was 31.6 million dollars. And I want to highlight the fact that on a quarter-to-quarter basis, that's an increase of 12.5 million over March of 2022, which is the end of the first quarter. I believe that trend is going to continue with the premium rates in 2022 and hopefully we'll see that occur again at the end of July 2022.

I attribute this upward trend to a combination of the success that the Paid Family Medical Leave staff has had working with employers since I've been the treasury manager. And we've gotten a lot of good cooperation and invoicing done in that process. So, I certainly think that contributes to it as well.

Before we received the premiums for the second quarter, we had expected to go negative again. And that did, in fact, occur on July 13th. However, because of additional efforts working with employers, the trust fund actually went back to a positive balance on July 19th for a day due to increased premium collections. It did go back negative. And as of today, the unofficial balance is negative 4.2 million. Because of the July 31st due date for these, we'd expect to go positive again by the end of the week or on Monday, depending on when employers pay those premiums. So, again, I think that's another positive trend.

So, looking at it on a quarterly basis, again, the main thing I'd like to highlight here is quarter two premiums of $317.2 million was a significant increase over both quarter two 2021 premiums and the previous quarter. And, again, I think the majority of this is due to the premium rate, but we do have the additional efforts as well. We saw quarter two 2022 premiums that were 68 percent higher than quarter two 2021 premiums. And so, I think that's the primary reason for the premium increase we're seeing there.

Here, we have the monthly premiums. Again, we can see the cycle within quarters that the months in which premiums are due or the month thereafter, the business day falls on the next month are the highest, then it decreases.

I will point out that for April 2022 to June 2022, again, our premiums were 317.2 million. In the first quarter in which we actually collected the premiums for the fourth quarter of 2021, those were still at the previous premium rates. And we collected 170.4 million between January 2022 and March 2022. And so, again, I think the vast majority of that increase can be attributed to the premiums, in addition to these other efforts that we have going on.

The 30 million-dollar TPA submission actually just moved revenue or premiums from May to June. It delayed those premiums by a month while we got that problem fixed. So, that still would have been reported in the second quarter. It just would have been in May instead of June.

And the increase - the percentage increase between collection in the second quarter of 2022 and the first quarter of 2022 - is 86 percent. So, again, 50 percent of that could be attributed to premium increase, along with the variability in employees, and then we have these other factors as well. So, certainly positive I would say.

And then this, of course, is our benefits paid. We're still seeing a slow, uneven increase in benefits. June to June year-over-year it's 14 percent higher. However, we can pair the first six months of this year with the first six months of 2021 and we're actually 37 percent higher. And so, this is leading to us increasing our projections for annual benefits to 1.2 billion.

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Discussion:

Marilyn Watkins - -- Just to confirm what appears to be the numbers there for that last column of the second quarter 2022. The total cost to the program for benefits and operating, which includes all program costs that includes small business grants and all of the costs of the programs? For at least that one quarter we brought in more money than we spent; is that correct?
Steve Zawojsky – That’s correct. Yes, in the chronology of this as well. Again, that's another really positive indicator that we're moving towards a break even or better point with the program.
Bob Battles - We talk about premium increase. But is that because you've got more employees, so that's the increase of employees because people are off work and weren't paying premiums

during that time? Or is it that we're not talking about just the increase in what they had to pay, but we're talking about that they have more employees to be paying on, correct, or am I wrong on that?

Steve Zawojsky - I'm not sure about the employee aspect of that, but I can certainly tell you on the premium side, simply because the premium increased essentially by 50 percent, that's what we would be attributing the majority of the increase to. Just the premium rate. I can't speak to the labor numbers. Brian might be able to speak to that in some of his slides.

Rebecca Grady – I would concur. It's primarily the premium rate increase. There is some variation and shift in growth of the labor market as well. But this is primarily about going .4 percent to a .6 percent. So, that 50 percent increase in the premium rate has a pretty substantial impact.

Steve Zawojsky - And certainly as a new program, there's still a lot of moving pieces, so it's hard to certainly differentiate and define what factors and to what extent those factors cause these changes. But, again, I think the primary factor here is the change in premium rates for 2022.

Marilyn Watkins – If I understand correctly, the increase in benefits is both due to the issue that Bob raised about the increasing workforce, but it's also due to the fact that the benefit level also kicked up a notch in 2022. So, it's a combination of both?

Rebecca Grady - It's a combination of both, but I'd add that at this point we're still in that initial program growth period. And so still our main driver of benefits growth. We're still not to a point of mature program volumes yet.

Fiscal Projections – Brian Kennedy

I'm going to jump into the fiscal projections and we have updated this to include data for midway through July. And as you can see, we're kind of in that negative deficit period of July as we anticipated earlier. We're actually in this period where depending on the timing of the day, our account balance is fluctuating between positive and negative. So, it's right on that border. If we paid out all of our benefits, then we're dipping back into negative.

But if we've collected our premiums, we're almost back in the black. So, it's kind of a weird situation we're in right now, just bouncing back and forth between the two. But it is slightly better if you compare this to last month's look at this deficit period. And that's largely a result of all of the effort of getting additional funding in in the last bit of June. That was a little bit unexpected.

So, we haven't actually dipped below 10 million in the negative, which is substantially better than what we saw when we went negative in April, which was at the most about negative 25 million. We are trending a bit more positive than we had expected. And, again, largely because of some of those earlier efforts of getting some more funding in June.

We projected this out through our next reporting period and our margins do start to get a little slide in that area. But given that we will be expecting to fall into that deficit period again leading up to the next reporting period and right around when we're calculating our premium rates, we're expecting in the solvency charts that they'll be around .2 or .3 next year. And we're seeing that

Family Medical split hovering around 50/50. So not unlike what we're seeing currently in this year's rate split.

And here we have a look at application. As you can see, in June we're just shy of about 19,000 new applications coming in, which was a on par with what we saw last month. And it's about 16 percent higher than we saw June of the prior year. So, we're still seeing that kind of steady increase that we've been monitoring. And that brings our three-month rolling average to about 18,000 claim applications coming in.

I want to point out in this slide it looks a bit different than what we've normally done. It's our first glimpse of looking at all the new claim subtext that we've brought in starting midway through June. So now we have an ability to look at prenatal and postnatal types of claim applications. And both of these do include those claims that trigger the extra two weeks as a result of some sort of complication and just a standard medical claim relating to a prenatal or a postnatal claim.

For example, in the postnatal claim section, that will include both the standard typical childbirth recovery, as well as any of those childbirth issues that resulted in some sort of complication that triggered the extra two weeks. So, they're both captured in that situation.

It is a little difficult comparing to some of our historical data, but we did want to highlight that we can now look at these in a finer detail. But, again, take this with a grain of salt because June we started midway through. So, as we start to progress more, we can see how this data starts to really get fleshed out and which categories we'll see higher uptakes in.

And here we have a look at our approval rates and any of those claims that have been approved with payments on them. We're still sitting at about 83 percent approval rates for our claims. You can see here with our unique claims in the last twelve months that we're still in that 50/50 split like I mentioned earlier, edging in favor of family claims in the situation, but just ever so slightly.

If you look at June, we saw unique claims approved at about 35,669, which is about 28 percent more than we saw in June of last year. So, we're still seeing that steady increase. That was right on par with what we saw in May, so not much change from month-over-month.

And I just want to point out something here. We did last year see some leveling off in our growth leading in from late summer to early fall. So, if that trend were to continue, we're right in that peak period. But, again, seasonality in our data, it's really early to check. It's just something we're keeping an eye on.

If we're looking at benefit levels and length of leave here, we can see in the first half of this year, our average weekly benefit is about 938, which is about 7 percent higher over the same period last year. And, again, we're still seeing that same trend where we see a slight uptick from when the new claim year starts and the new benefit payouts get a little bit higher in January. So that first bump from December to January, and then it stabilizes throughout the rest of the year. That's still trending as we've seen, and we'll dig into it a little more when Rebecca goes over the assumptions of that pattern expected to happen through 2023. It's some of our more stable trend data that we can see.

And to give some perspective, we saw our statewide average annual wage grow by 7.3 percent in our most recent data. That's still pretty high, but it is a little bit lower than it was last year at that record breaking 10 percent growth. And as you'll see in the coming slides, we're really monitoring that and taking that into consideration in our future projections.

The other thing we want to point out here is our length of leave, again, are staying very, very stable. And we'll go into more detail about this later. But 7.4 weeks of leave on the average claim, and about nine to ten weeks on any claim here. So, those are some of our more stable data that we can rely on being accurate moving forward.

Discussion:

Marilyn Watkins - How much of additional funding is back payment, versus it's going to be ongoing now employers are going to start paying going forward on a timely basis -- how much of that is going to be a permanent increase, versus a one-time infusion of some back and then a much smaller amount additional going forward?
Brian Kennedy – From my understanding, it was a back payment issue. So, it's not something that's going to continue. It was something that was switched in the system earlier on and now we've got it and have caught back up. So, that's roughly the difference of that negative balance from what we projected last month, looking into our deficit period to what we're seeing this month.
Bob Battles – So, I just want to be clear. Because it's being characterized as somehow employers aren't paying timely. Sounds to me like it was a bug in the system and/or there were corrections needed on the letters that went out. So, it's really an ESD issue if something was delayed. It's because the ESD hadn't gotten what they needed or their system wasn't working.
Rebecca Grady – The recent efforts from June have to be referenced and there's a couple of things going on. One was a bug in our system for this particular quarter that delayed third-party administrator payments. It was fixed within the same month. Second was letters where we've seen what appeared to be potential needs for amendments or corrections to wage reports. We've been communicating with employers about these.

Processing – John Mattes

What you'll see on the slide here is our updated processing time. As a reminder, this is the time from when a customer applies for benefits to when the first payment is issued.

You'll notice there was an increase in June over the previous month. That was pretty expected with the June release due to that fact that we included a bunch of new functionalities from the previous legislative session, as well as just continued improvement. It was a large number of changes. And so, we had to dedicate a substantial amount of time in May and end of June and some of it is even continuing now on some training.

One of the things we've noticed is that with just the number of changes that happened, it is taking our staff a little bit to get back up to the speed they were at before. So that is what is really contributing to the slight increase in processing for June. This is really continuing into July so far. But, again, nothing is indicating that we won't be able to get back down towards May as we get a little bit more time between all those changes and now.

And this is our telephony data that we present on monthly. I did really want to highlight that the numbers for June do look a little different than what I think we've been used to in recent months. The largest factor in that is we did have a technical issue that I think I spoke on in the last meeting that was really impacting the ability for some customers to get into queue. So, some customers once they called in to our number were not able to make a selection to actually get into queue. We have resolved that so that is resolved now. And the July numbers look in line with the previous month's for that number of percentage of calls into queue. So that's why that percentage looks very different than it has in previous months.

You'll notice that the percentage of calls being answered and the queue time is up a bit. This is largely just because of volume increases. Call volume in June was up. It has continued to be up in July. And a lot of that is just due to the processing slowdown that I mentioned previously as we take a little bit longer to work claims and look at emails and some of those things we do see an increased call volume. And also, applications, as mentioned previously, were really high in June. So, it's the third highest month that we've seen. That's largely just driving the kind of volume increase in there which has impacted the queue time a bit and the percentage of calls that we're answering.

Discussion:

Marilyn Watkins – So, with those revisions that were made on that on-line application, which part of the intention was to really make it a smoother and easier more intuitive process for the applicant, in addition to the policy changes that got incorporated, have you been able to tell that that has actually made people's experience easier in any way? Has it added to confusion or is it just too early to evaluate how those changes are actually succeeding in making it a smoother process for people?
John Mattes - I could talk on that a little bit. I think some of the changes we're still a little early to really evaluate what impact that's having on customer experience. But there's some things that we've noticed a pretty substantial increase in the customer experience.

Weekly claims, we had to revise how the weekly claims process worked, what questions we're asking customers in that July release or the June release. And we're seeing a pretty substantial increase in how that's working with automation. So, how many of those claims were being automatic, without having to have a staff person work them. We are seeing some early results of some of that work. And we'll continue to monitor, especially with the medical certs and some of those things to see how that has been improving the customer experience.

Edsonya Charles - I'm going to just echo what John said. There have been many fewer calls to the Ombuds Office about correcting weekly claim mistakes. So, I think that's probably the result of the improvement in the weekly claim reporting.

Projections Assumptions – Rebecca Grady

If we go to the next slide, I think in the go-back machine of five to seven years ago we started with the pre-program projections that were developed based on some simulation models from a Department of Labor grant combined with other States' experience and everybody's best thinking at the time when the program bill was originally going through legislature. Then, over the past few years, our approach has been to switch to historical data where we can. So, once we have enough true historical data, considering what experience has been, all that good stuff, we switched to historical data and are putting on quarterly update cycles for the long term, like, fiscal projections where we're projecting our premium rates for the coming years.

The components of these original projections included for money going out the door, benefit payments, operating and implementation costs, UI fund transfer, small business grants. And then for money coming in, primarily premiums and revenue and some account interest accruing on the account. So, we'll go through each one of these. Talk about what we've seen in the data to date and our recommendations to either stay the course with last year's assumptions or make a change.

And I'll note that we'll be talking about single numbers here rather than ranges, per se, the assumptions for our baseline projections, but then we will be putting together some high and low projection estimates to give you a sense of what might happen if, say, benefit payments are higher or premium revenue is higher or lower, that sort of stuff.

But it gets really complex already to talk about really in the detailed weeds. So, we're just sticking with talking with one number today and then we'll put some ranges around those.

Let's start with the big one in the next slide, benefit payments. Our original methodology was kind of an additive approach taking the number of claims, average length of leave, average weekly benefits, multiplying all of those, and that gets us to the dollar amount. And we're not completely scrapping that, as I'll get to in a minute. But we have been now that we have historical data, it's still a little early to be full on putting everything into a statistical model. Testing this past year some different forecasting functions using historical information about total benefits paid out weekly, and then projecting forward using these kind of basic forecasting functions.

And this is what we've actually been using in the weekly cashflow projections. We're proposing that we incorporate that into our long-term fiscal projections on a quarterly basis. So, there gives you a sense of what our early model predictions were. From last year, what we were predicting would be the amount of benefit payments for 2022 January through June and the actual values through June. And that's pretty close. It's about 1 percent variance, which for projections is really close.

So, it's solidly producing. It's improving our historical accuracy, so we're proposing we make that switch and incorporate it into the longer-term fiscal projections.

That said, it's great for the short term. For the longer term, we'd use a combination of this, but then from there we still need to agree on some assumptions about these components that affect the total benefit amounts. So, if we leave the forecasting function as it is, the only thing it has to go on is historical experience from our initial couple years of new program growth.

If we forecasted out ten years, it would assume we just continued to grow forever into the future. And we know that's not realistic. We'll eventually transition from this early growth period into more of a mature program with variation year over year that might go up and down.

The most uncertain of these assumptions is about claims volume. In particular, how quickly we'll move from this initial period of program growth into leveling off into program maturity.

The bottom there are the claims to date since 2020, or through the end of June of this year. And they're counted once for each leave by the month, the first weekly payment that went out. So that gives you a sense of the best sense of kind of growth in new claims.

On the top right in the prior column were our assumptions of what growth would be from last year, or last July, and talked about our assumptions. So, we had been expecting kind of a step-down approach of growth for the initial program period. It's the initial what we've called our "ramp-up period." And then thereafter, we had decided to use the Economic and Revenue Forecast Council Employment Growth Projections under the assumption that as more people are employed in Washington state, more people will be eligible for paid leave.

What we're seeing right now is about 5 percent more claims we're now estimating for 2022 than we were when we got together last July. So, we're a year ahead in our ramp-up period. We're suggesting we push a year ahead in our ramp-up period. For 2022, we're suggesting we do 15 percent, and then 10 percent, 5 percent, 5 percent step down a year ahead.

And then we'll keep the long-term growth projections as well. But just pushing forward what we had expected as the step-down approach. Mostly because we don't think it's necessarily likely that we drop all of way from 15 percent to 5 percent in a year.

Discussion:

Joe Kendo – What kinds of assumptions are you making about the distribution of employment either -- well, I guess both by industry and by income?
Rebecca Grady – That's a good question. For this we are not making plans. Where at least the income part comes in is mostly in the average weekly benefit, although we have seen different uptake levels at low and high parts of the income distribution.

So, for now, we're assuming that evens out, because getting that detailed when we're already in this place that's fairly uncertain. These are kind of best guesses based on current without necessarily producing more accurate projections, if that makes sense.

Joe Kendo – Well, let me ask this then, just to clarify. You're plugging some figure into the model, right, to generate the data? Are you assuming average wage for the income and just raw employment numbers?

Rebecca Grady – So, we're triangulating for the most part with whatever available data we have. Our claims volume as a current growth and the growth we expect in the next few years is going to go a whole lot faster still than any growth in the number of employed people in Washington or the wage growth at least in reference to the claims volumes, it's definitely going to be more growth than any sort of employment growth. So that's why we're taking our current year and then looking at the decay in growth thus far to try to estimate how that's going to step down in the next few years.

Joe Kendo – So, I guess the follow up question is, or I guess it's a statement and then there's probably a question somebody could suss out. But it seems to me like it wouldn't matter given the premium cap as a function of a Social Security base, coupled with the benefit cap and then, the impact that increased hiring in certain industries like the hospitality, as that industry is recovering from the pandemic versus maybe slower growth in some of the higher wage sectors. That's going to have an impact, right, that isn't necessarily being told in the averages, right, if you're just plugging averages in? And so, I guess that's just a thing I'm thinking about. I don't know if there's anything to add or say or maybe in your opinion that is just a wash given other variables that aren't on the screen. But that's just where my head is. If there's a response to that, I'm sure it will answer whatever question I thought I might have but couldn't articulate.

Rebecca Grady – I appreciate that. Definitely important factors to think about because of all of these things going on. I think the nugget in here is that because like the first bit of claims, that experience that we had was in that initial period of kind of deluge and trying to deal with it. And that's where you see those big spikes. And then right on the heels was the Covid unemployment effects and all those industries and how much the statewide average wage was affected by employment composition. Then, necessarily everyone's typical wages increasing. And now we're seeing growth in those industries that had really been hit hard by the pandemic. So, I guess what I'm getting at is the nugget of the difficulty in teasing out exactly how much of our claims pattern to date is exactly related to Covid effects or the counter facts of what would have happened with our growth were it not for Covid.

We have seen those service industries have lower uptake, but it's possible that's partly a function of having been hit harder by Covid pandemic employment effects. So, I don't really have a firm answer there other than, I think, we don't have a solid way to tease out what of our experience to date in terms of claims growth is about initial program growth, Covid impacts, and changes in labor market that may or may not have related to Covid.

Christine Brewer – Thank you for all of the projection data. It's really helpful and something we've been, asking for for a while with different scenarios. I'm just curious because included in the legislation that passed along with the legislative task force was the hiring of the actuaries. And so, I'm just curious, one, have those been hired and, two, if so, are they involved in developing these projections?

Rebecca Grady – For those, I believe we have the position descriptions written. I don't believe they have been posted for recruitment yet. We're still working through the process.

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Let's go to the next slide next component of benefits, the average weekly benefit amount. Average weekly benefits are a calculation that are partly based on the statewide average wage from the prior year, as you're all familiar with. And so, that's part of why we see that sort of stepwise function. In the graph on the bottom, that's been our historical average weekly benefits for claim years starting in a given month. And you can pretty clearly see it. It's kind of mostly flat through the year, steps up, mostly flat through the year, steps up.

We are proposing a change in how we estimate the average weekly benefit amounts this year. Last year when we all came together, we had some rich discussion about using historical median wage growth versus historical average wage growth, and settled on the median, which was about 3.5 percent.

And for this year, we've learned that the Economic Revenue Forecast Council not only projects total statewide wages, but also an average wage. And that growth pretty closely historically matches the growth in the kind of official statewide average wage that is used in our benefit calculations.

So, long term, we're proposing switching to that. And part of why that makes a lot of sense is when the Economic and Revenue Forecast Council is doing statewide wage growth projections, they'll be considering a lot of the same factors for the total wage estimate and for the average wage estimate, of course, taking into account differences expected. But it makes a lot of sense to me to use the same basic source for both sides of the equation.

But that said, for the coming year because we had such high wage growth again this past year, we're proposing adjusting a little bit. Last year we saw a 10.3 percent increase in statewide average wage growth and that translated to 7.5 percent increase in average weekly benefit growth. That's partly because when we have such a big jump in wages, especially in this particular case, it was -- as we were just talking about with Covid and the different industries, it was at least in part labor market composition. Not so much typical wages going up.

This past year, we had a similar, but not quite as big, increase. But we're proposing that for the coming year estimate we don't estimate fully at that level. But knock that down a bit to 5 percent. And then from thereafter use the more standard wage growth projection because theoretically when we don't have these big jumps, our average weekly benefit should increase pretty comparably to average wages.

Discussion:

Bob Battles – So if I understand this correctly, you have flexibility on your average weekly wage to make this change? My first question. And I think, again, it's not just that there's higher wages being paid, but lower-wage jobs went away and created an artificial increase. Some of those positions have not been filled or are gone. I guess you can do this without legislation is what you're telling me? That the formula that you guys used that gave us the 10.3 last year -- this last year could have been different?
Rebecca Grady – No. I'm not suggesting that the statewide wage that ESD produces per statute be changed, nor am I suggesting that our benefit calculation be changed. I'm only suggesting that for the purposes of long-term fiscal projections, we use the projected average wage growth that EF -- EFRC produces, rather than just a flat estimate of 3.5 percent every single year from here into the future.
Bob Battles – Okay, so ESD is still going to operate in putting out whatever number it is every year, and that's done through a formula that and that sets our minimum payment? Or I should say maximum benefit?
Rebecca Grady – Right. So that's how that is calculated as described in a separate statute.
Marilyn Watkins – So, I’m fine with making the change for now. I'm assuming that every year and as we get more refined actuarial projections as well, that this will be revisited to re-tally. So, basically this is for this year using that projection, but it may be adjusted down the road given actual experience.
Rebecca Grady – Yes, definitely. For all of these things, and I apologize if I didn't make that very clear at the front, for everything as we get more information quarterly, we'll be making updates. And even if we get to the first quarter of 2023 and it seems like 5 percent isn't right, we'll make an adjustment based on historical experience and then revisit with you all what changed and why it was changing.

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Then the last component of benefits is the length of leave. This, I think, is going to be a pretty easy one, hopefully because the graph on the bottom shows our average length of leave for leaves ending in the given month. And there is this little slight variation month over month, but this table and the graph on the side are the kinds of things that I wouldn't even normally show because it's the same thing over and over. But I think it very clearly makes the point, same thing over and over.

Our past two-year average is 7.4 weeks. Our past one-year average also was 7.4 weeks. Past 6-month average was 7.4 weeks, and so on. So, I think we're pretty solid at saying 7.4 weeks. That's only a teeny update from last year. Last year, we had collectively decided to make the change to 7.5 weeks. I think the original preprogram projections had been 7. And at the point, when we did it, it seemed like things might rebound, and so we decided with your all input to set it at 7.5 weeks.

Now that we're pretty solid on having a couple of years of data, I think we're good to knock that down just a teeny bit. And, of course, update as well as we see different data come in. Any concerns with 7.4? All right. So, then on to smaller expenditures.

This includes implementation costs as well for early periods. It is based on our budget allocation for the next couple of years. And then long-term, post-fiscal year '24, we're basing on expected growth in claim volume, that ramp-up period we talked about with claim volumes, and then long-term 2 percent annually thereafter.

You'll see here the table of the operating costs historically and the estimated budget for fiscal year '23 and '24, as well as below that for the past couple of fiscal years, the percentage of total expenditures that went towards operating costs. So, you can see we're still quite low for a program. We will jump up a bit in fiscal year '23, and that's partly because of all the hiring we did this past year. Many of those staff came in mid-year and so you don't see a full year's worth of those staffing costs in fiscal year '22, but they will be in '23.

Our transfer to unemployment that we had back in the day had been guessing 2 million per year. This was from if an employee is on leave, and an employer hires someone to replace them to do that work while the employee is on paid leave but, then the employee comes back from paid leave and there's a layoff, if requested, the paid leave program will cover those the costs so that the employer's unemployment does not go up. And so thus far, we've received no requests for these. None of these transfers have occurred. So, we propose for the moment that it's just adding noise to the projection. It's a small amount just adding noise. We're proposing removing this component from the projections until or unless we see these happening. Because otherwise, as I said, they're just adding noise. Any concerns with those?

All right. So then on to other expenditure, small business grants. So, this is the final on the expenditures category and then we'll get to money coming in.

Back in that 2015 to 2017 period, there were some best guesses when this was put together. And, you know, best guesses employers might add some temporary help while an employee is out on paid leave. And it also split the difference between the $1,000 grant and the $3,000 grant by instead assuming 100 percent uptake in the lower amount. Last year we all collectively decided to carry that assumption forward since we had so little historical data with the intention of revisiting that this year.

So, the bottom graph there shows the number of small business grants by month, and then there's the yearly summary. 2021 is asterisked because it's not really 20 -- only 2021 in a way. Through April of that year included grants from eligible leaves back through 2020 as well. And you can see that the number of grants dropped off pretty significantly after that.

Thus far in 2022, we've paid out about $90,000 in grants. So, we're proposing a little more than double that as our estimate for the current year. Future years we propose assuming growth proportional to the claim growth rate, because as we have more leave claims, we theoretically will have more grants. And then like everything else, that's now informed -- switched over to inform by historical data.

We'll take a look quarterly and update based on most recent quarter's data. To get to premiums, we start with total wages, and then make some adjustments to get to an estimate of the amount of total wages subject to premiums. And then we calculate how much the premiums are estimated to be.

So, for this, we start with our historical wage data and then look at future growth using the Economic and Revenue Forecast Council growth forecasted for total statewide wages. And we've been including the most recent forecast in our quarterly updates of these projections. And wage growth, we're not proposing any change with that. It's all good. I want to share that those wage growth forecasts typically have small variations, but they can be consequential. And so just as an example, on the bottom there is the percentage point difference in wage growth projections between the February 2022 forecast and the June 2022 forecast.

And in particular the 2022, you can see generally there's pretty small differences. The 2022 has some larger differences that in particular the lower start over. Lower growth in statewide wages in quarter 2 and quarter 3 of this year is part of why we talked about last month being pretty sure that it was going to be going more towards the .3 percent solvency surcharge versus the .2 solvency surcharge. And that's partly a function of now expecting less in total wages than we were pre-June.

Net, that changed between June and -- or February and June in the projected total statewide wages. It resulted in about 20 million lower projected in premiums coming in for this year. A consequential amount, but also keep in mind that that's less than one week's worth recently.

Discussion:

Marilyn Watkins – So, Rebecca, is there any look in these averages, especially at the quarters for the third and fourth quarters for the year given that a not insignificant portion of the Washington workforce ends up hitting that Social Security wage gap? But average wages, as we know, are impacted both by low -- how much lower-wage workers are being paid -- and many lower-wage workers are being paid, but also by how much those top workers are being paid. Do you do any looking at that, or do you just go with the average?

Rebecca Grady – For this, the total, which should take that into account – the growth in total statewide wages. And then we're making adjustments based on exactly that Social Security cap and others. So, the growth in the total is a function of both how many people are in the state, of the typical wages that they're making and whatnot. So, it doesn't have the same kinds of average would in terms of how the distribution is kind of skewed in different ways depending on the industry.

Brian Kennedy – I would like to add to that looking into how they calculate that, they do take in industry mix when they look at overall total wages so they can see if a particular sector is growing.

That's captured in these total wage growth forecasts as well, so it does capture that in some regard.

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Rebecca Grady – That's a great segue to the next slide as we take total wages, total statewide wages, and then adjust down to how much of that we expect to be taxable wages. And for this we look at historically at what percentage of wages each quarter were under that Social Security cap, and thus taxable wages for the purposes of paid leave. The chart on the bottom shows for each year thus far, and then an estimate for 2022, because we won't now know until we get to the end of 2022. And for each quarter what amount of the total wages were under the Social Security cap.

So, generally, there's a stepdown trend quarter one to quarter four. That's pretty clear. But there has been definitely some variation year over year in that. Especially possibly 2020 and 2021 affected by some of these Covid-related unemployment and hitting lower wage workers more that we've been expecting.

That's part of why when we all came together last year, we proposed using 2020 to estimate 2021 before we then move to a rolling average approach. And it seems like that was a pretty solid decision there. 2021 was closer to 2020 -- or far closer to 2020 than it was to 2019. And so, we're suggesting that we at least start using the rolling average approach, and eventually as we get more years of data or if we see it jump up, we can revisit next year. Or revisit whatever quarter it seems like it jumps up if the trends seem to change drastically that we shouldn't use the rolling average approach.

Then we have the taxable wage base. We need a couple more adjustments to get to really truly how many wages are subject to premiums. We add an adjustment for the share of wages covered by voluntary plans. This we had started last year with 5 percent. We adjusted mid-year to 13 percent, based on updated data and one large plan that had been medical leave going to both types of leave plan. And our most recent data is 11 percent of statewide wages covered by voluntary plans. So, we suggest using that, and then updating if and when we see changes in that.

So, no major change methodologically still basing on historical data. But this is what we're seeing right now. And then our final for taxability of wage is the adjustments for the wages paid by small employers because they're exempt from paying the employer portion of the premium.

We had carried forward a general ballpark 30 percent of wages that had existed since before the program began. And what we've seen in the data thus far suggests that we should snap a little bit down to 25 percent. And in the long term, put that on our rolling past-five-year average.

We don't want to just yet put that on the rolling past-five-year average, because looking at the data there, 2019 was 24 percent and then it dipped a little bit and then it came back up in 2022. And we suspect that that's partly because of how small businesses were particularly affected by a lot of the post-unemployment effects and whatnot. So, we suggest for the moment sticking with 25 percent, and then moving thereafter to rolling past-few-years average in the long term.

Discussion:

Bob Battles – This may or may not be a question for you, but it is about the statement of the small employers don't pay into it but they just have the wages? Have we solved that problem that allows small businesses to opt in?
Has that been solved, or is it still a difficulty for them to opt in, hence limiting what might actually be coming in?
Matt Buelow – We haven't made any changes since the last time we talked about that, Bob. It's still something that we want to do and we know we need to do. It's just not something we've been able to do yet.
Bob Battles – Okay. Matt, I appreciate that has to be figured out. This is three years in. It is not an option to wait any longer. Employers, we set up a system to allow folks to opt in, and what we're doing is preventing them from opting in. And I'm shocked that we're still talking about it. And so, I guess anything we can do to figure that out, I'd appreciate. Thank you.
Matt Buelow – Thanks, Bob.
Edsonya Charles – I'm wondering if We've done any projections or have any thought about what would happen if there was a substantial increase in voluntary plans. I've just heard some rumors of some large companies considering voluntary plans, and I don't know what sort of effect that would have.
Rebecca Grady – We can look at it and do some estimates. In general, it definitely affects the premiums coming in, but it also potentially affects the benefits going out. And so, I can't say for sure off the top of my head that would be a wash, but it would at least affect both sides of the equation. We'll come back in August, if you all would like to see some projections. We could include some scenarios with a variety of different adjustments to voluntary plan percentage.

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For the split, 2023 we're expecting likely to be like 2022, as we've been talking about those projection slides each month. And then for 2024 on, we're proposing that we base on the fiscal note for the estimates that were developed for that for 5649, which changed to having that first six weeks post-birth be medical. Otherwise, we expect we'll have a small, but meaningful shift on this. So, we're proposing that we use that estimate for now, and then once we get there and data starts to actualize, we'll adjust based on the historical actuals.

So, top and bottom, voluntary plan application fees and conditional waivers, these are small amounts that affect premiums. They are not included in the projections. The voluntary plan fees are also money in. Conditional waivers also affect things, both premiums and benefits. Neither have been included in projections. Both are very small amounts.

The account interest, we've carried over an estimate of 1 percent interest accrued on the account. The actuals have been even lower. And they're kind of difficult to get in the form that we need them for a cash-basis projections. So, for right now, they're really just adding a little bit of noise to the projections, so we're proposing removing them from the projections as well. It's a teeny amount, adding noise, not really adding value, so let's take them out.

So, that's it for actual assumptions. I appreciate y'all staying with us for the deep dive into the technical aspects. Hopefully, it's been helpful to understand more about what's going on with each of the fiscal aspects of the program, each of the components, and why we're assuming what we are. We appreciate your input into that.

In terms of next steps, assuming you all would like to see it in August, we'll come back with what projections look like under the assumptions we talked about today. And if you have any other thoughts that we should consider about the assumptions that we're using, do send them our way. And, also, if you would like to see any scenarios other than some scenarios that we'll put together, if you'd like any specific scenarios with wages at X amount, premiums at X amount, let us know and we're happy to do that.

And with that, I think we'll switch gears to Edsonya to provide an update on what the Ombuds Office has been seeing.

Ombuds Office – Edsonya Charles

I want to start by thanking several people who helped with this presentation: Rob Muilenburg, Alison Eldridge, and Christine Dickerson.

As you see, this is 2021 data. 21,000 total calls. This call number is down more than 30 percent from 2020. I don't know why. I don't know whether people are more familiar with the program. I don't know whether it's a lack of outreach. I just know that the calls are down.

There's a continued improvement in application and redetermination processing phone hold time. I apologize. There were some additional slides that we're going to get to next that weren't in your packet because I didn't get the data in time. But these will be new slides for you to see.

So, complaints are things that were escalated by Ombuds staff, something that we were unable to handle ourselves and had to involve the Department. Primarily, we work with the fabulous customer support team headed by Heather Shimoji. This is where the Department had to do something more. So, sometimes it's just the CSLs. There have been other issues as well.

Next, complaints are down also in 2020. There were 274 combined, as opposed to the 158 from this year or from 2021. And we'll say that the Ombuds Office due to Covid and staffing issues has not done any education or outreach since benefits launched in 2020.

Hardship requests. This is a huge victory for everyone. As you can see, the number of total hardship requests -- I have that total somewhere but it's around 100 or so, maybe a little bit less.

In 2020 there were 630 hardship requests. I didn't put the reasons for denial on here because all of them were denied because the customer had not been waiting four weeks or more for a decision. Nobody was denied because they failed to show financial hardship. So, all the denials were because they'd not been waiting for four weeks.

The other category is for people requesting something other than accelerated review of an application or a redetermination. Prior to March of 2021, you could not get an accelerated review of redeterminations. And the Department changed its policy and allowed those redeterminations to also have an accelerated review.

Redeterminations happen for a number of reasons. One of them is people who are the planners who apply early and their applications are denied because their qualifying event hasn't occurred. And when those people then ask for reconsideration because now a qualifying event has occurred, that's a redetermination, as well as people who failed to provide some information that the Department required and their application was denied or some other issue.

In addition to the others, there are also people asking for accelerated review of weekly claims and some people asking for accelerated review of applications and there is no application on file.

In March of 2021, the Department launched an accommodation process to help people who had disabilities to provide reasonable accommodation so they could interact with the program in a way that they could if they didn't have that disability. So, you will see the requests. The website launched and the phone number launched in September of 2021. You can see a slight increase in 2021. People are contacting that request line and sometimes asking for things that are not reasonable accommodation requests. It's just that they're requesting general information. They're somebody who just found that number. I mean, a host of other things. So that's why I separated out the RA requests and other. Prior to the launch of the website, pretty much all of the referrals came from Unemployment where somebody was denied benefits for Unemployment because they weren't able to work because of a health condition, or from the EEO Office. And I will say that the accommodation process was developed in collaboration with Paid Family Medical Leave, Ombuds Office, and Teresa Eckstein who is the EEO Director for ESD and her staff.

I'm going to mention some ongoing issues and concerns that the Ombuds Office has just about Paid Family Medical Leave. Some of them are issues that were raised in 2020. Still, the one in two complaints from employers are problems with notification. Again, this may be on the Ombuds Office's list of concerns and employer concerns forever unless there's a statutory change. Due to the privacy statute, I don't think there is anything that can be done about the notification.

Employers don't know exact dates of leave. They don't know whether it's continuous or intermittent. They don't know whether it's family leave or medical leave. They don't know who the leave is covering it it's family leave.

The other problem is the lack of the ability to have multiple points of contact for an employer for paid family medical leave. There can only be one point of contact. And for very large employers, that is problematic when they have several different offices that handle leave. Sometimes, leave and premiums are handled by different offices in different states or different countries. So sometimes, the employer's supervisor or the person on the site never gets the notice that the employee has applied for leave.

Improving process of bonding and medical leave for the birthing parents. Complaint audit. So often if an employee applies for benefits and there are no wages reported or the wages are reported incorrectly or especially when there are no wages reported, in a perfect world I think the Department is working towards that. Somebody from the Compliance Unit would contact that employer and say, "Hey, you never filed any reports for this employee. Did you know you were supposed to file these reports," and do an education effort. I think there was a move to do that that maybe started in 2022. But it's still an issue. And it causes increased delay for the employee who is applying for leave. Because even if the employee provides their own pay stubs, the Department still reaches out to the employer and gives the employer two weeks to provide that information before they make a decision on the person's application.

There is still confusion about FMLA and Paid Family Medical Leave stacking and still a lot of questionable practices by short-term disability providers. Granted, the Ombuds Office, nor the Department has any authority to control those actions.

Realtime access to hours and confusion about duration of leave and exhaustion of hours. This also is something that's been improved in the last few months with employees being able to see the amount of leave that they took each week. So, it's not a running total, but with some simple math they would be able to figure that out. There's still no overpayment process at the Department.

And then concerns about unlawful act investigations timelines for those investigations, and a lack of transparency. I also wanted to thank the Hardship Team and the Reasonable Accommodation Team. That's Suzi Andres, Monica Dahmen, Jeannette Ritchie, Christy Young, and Jennika Gordon.

Discussion:

Julia Gorton – Just wondering, are you going to provide slides that go with the data you just shared, or do you have it in written form or some kind of summary that we can have?
Edsonya Charles – Yes, I will provide it for the minutes. I can provide it to you in another form if you prefer that.
Marilyn Watkins – To add to Julia's question, will you also provide numbers along with those issues - how many people, how many questions or inquiries or complaints came in around those issues?
Edsonya Charles – I will do my very best. I don't promise on the numbers on those. And I think the numbers are sort of misleading because the extent of the problem is not necessarily reflected or indicated by the number of people who call about that issue. So, I will work on that, Marilyn.
Julia Gorton – I don't understand what that means. How else are you getting information about problems?

Edsonya Charles – Well, here's an example. For unlawful act investigations, people call the Ombuds Office and say, "My employer did this." And we say, "Well, the Ombuds Office doesn't have the authority to investigate those complaints."

I have worked with the Department to learn what the process is. So, the person who's applying just knows it's taking a long time and they can't get any information. They're not calling to report on "I'm concerned about the timeline and lack of transparency." That's sort of my analysis of the issue as it relates to complaints.

And that's all improving as well. There was a pause in the investigation of those complaints last year while they perfected their process. So, I think that's improving. But my other example is if only four people complain about something, it doesn't mean it's not an important issue. That's the other side of that. Does that make more sense to you, Julia?

Julia Gorton – Yes, it does.

Matt Buelow – Okay. Before I dive into the current program priorities, I just wanted to say, Edsonya, thanks so much for your partnership with us. You bring a lot of great information to us here and in other forums and our team really enjoys working with you. So, thanks so much as always.

Edsonya Charles – Thanks. And I am really thankful for the collaboration with the Department and our ability to work effectively together. So, thank you, Matt, and thank you, Justin, and the whole team.

Leave and Care Divisional Priorities – Matt Buelow

I wanted to talk through what our division priorities are right now at a higher level, then I'll talk through about what is in the portfolio that we're working on right now.

One of the things that we're really focusing on right now and making a priority is our organizational health and stability. And what we mean by that is a couple of things. We're making sure that our technology is as stable as it can be. And we are currently working to move components of our technology into the cloud. We've not made any movements yet. We don't even have a timeline exactly yet, but we want to know that we can get the technology into a state where it supports our needs and our customers' needs, have the best up time, the most environments where we can do training and all of those sorts of things.

It also means taking care of our staff. And we've had a lot of staff running at breakneck speed for a long time implementing Paid Family and Medical Leave and WA Cares, etc. So, we're encouraging staff to take their well-earned vacations over the summer. We have a tiny bit of breathing room if you will. Not that we're slowing anything down. But we want to just really make sure that we're taking care of our staff. So that is actually a priority of us right now.

And with that, let's go forward one slide and I will talk through our portfolio projects that are new from when we talked about them before.

Our new projects that we're putting into the portfolio. We're not doing a lot of work around them quite yet. They're coming around the corner. 1099's for 2022, so for this year. We'll need to issue those come January. The weekly benefit amount changes that go into effect annually and the premium rate and Social Security cap changes that go into effect annually.

And we've been doing analysis and are continuing to do analysis around a couple of things. Enabling employers that do not have a Unified Business Identifier to report online. So, there are entities out there that we would agree with them that they're not part of the same entity that they share a UBI with. And so, the way our system was initially designed, UBI is the unique identifier for an employer. We're working through how we can best make sure that those employers can get into the system, that we can account for the wage reports, all of those things. They are interacting with the program. We just need to make it better for them.

This is one of the points Edsonya brought forward - employer contact types and case management. So, you know, we're figuring out how can we give employers multiple contact types, so for different things. Maybe they want benefits stuff to go to Employee A and premium stuff to go to Employee B. Who knows? And case management. The employers do not get as much opportunity in the system as employees do and making sure that our staff have what they need to manage the employer cases as well.

And then we're implementing the Division Language Access Plan that we've shared here. And some of you meet with us on a regular basis around that as well. So those are our priorities as we sit here today.

Discussion

Samantha Grad – Quick question. In relation to the work groups that we're all currently working on is that, like, the next bucket after these things. Where are those things that we are clearly all actively engaging on but are not on this list? Where do they fall in that characterization?
Matt Buelow – The portfolio is not representative of all of the work we do or all of our priorities. Continuing to work with the work groups is a huge priority for us. We know that coming out of the work groups is going to be work. Right? And then when we have that and we know exactly what that is, we scope it, then we will prioritize it against the other work and it's going to be a high priority for us. We just have to define the "it" first before we enter into this process. But it will go into this process.

Workgroups – Alison Eldridge

We have had a little bit of time between the last work group meeting that we had on preapplications. We went over two different potential options and got feedback on which of them would be preferred and have a list of questions and different data points to bring back for doing analysis and bringing those back to the work groups.

The next meeting is scheduled for August 10th.

And after that meeting, we hopefully will have a little bit more solid information about a potential fast forward on the preapplication for benefits.

August Meeting Topics/Open Comment – Matt Buelow

Before we open it up for the comment period, I want to talk with the committee about what topics you might want to hear next month. Rebecca had proposed going over the projections and the various scenarios. I know that's been of interest of the committee before, so I assume you would like to have that next month.

And are there any other topics outside of our standing agenda that you all would like to talk about next month?

No? Well, as always if you think of anything, feel free to shoot me an email. We'll be putting an agenda together at some point. So let me know if you think of anything.

And I will open it up for open comment. So, if you are on a computer and would like to make a comment, please use the raise-your-hand feature and we will call on you and you can come off mute and give your comment. If you are on the phone -- it looks like we have just one person -- and want to comment, just come off mute and comment. Do we have any comments from the public?

Okay. Seeing nothing, we will go ahead and adjourn our meeting. I'd like to thank the committee and thank everyone for attending today's Advisory Committee meeting. Had a lot of information shared and got some really good insights. Thank you very much. And we will see you all next month. Have a great afternoon.