

Washington
Paid Family & Medical Leave



Employment Security Department
WASHINGTON STATE

Advisory Committee Meeting

Wednesday, June 28, 2023

Agenda

Program and Fiscal Update

Actuarial Updates

Legislative and Policy Updates

Current Program Priorities and Updates

Expanded Family Member Definition report

Advisory Committee Meeting Planning

Open Comment

Meeting structure

Only Advisory Committee members and presenters will be unmuted or speaking during the meeting.

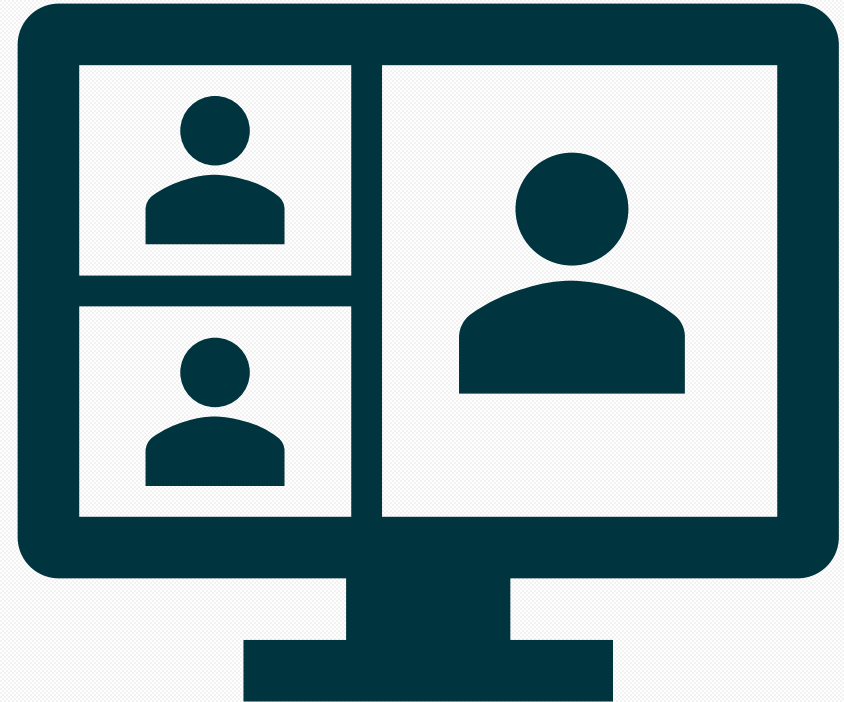
Public to hold all feedback until open comment.

Comments and questions in chat or the meeting will be reviewed during Open Comment at the end of the meeting.

Introductions

Advisory Committee Members

- Advisory committee members will introduce themselves in-person or online.



Approve May minutes

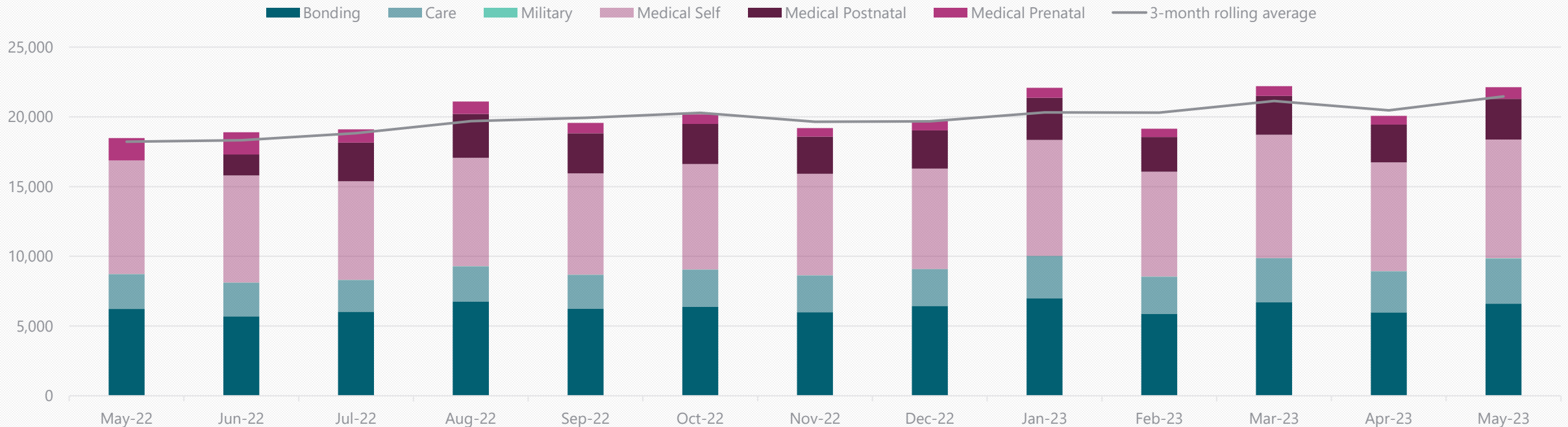


Program and Fiscal Update

Steve Zawoysky, Treasury Manager

Brian Kennedy, Forecast & Economic Analyst

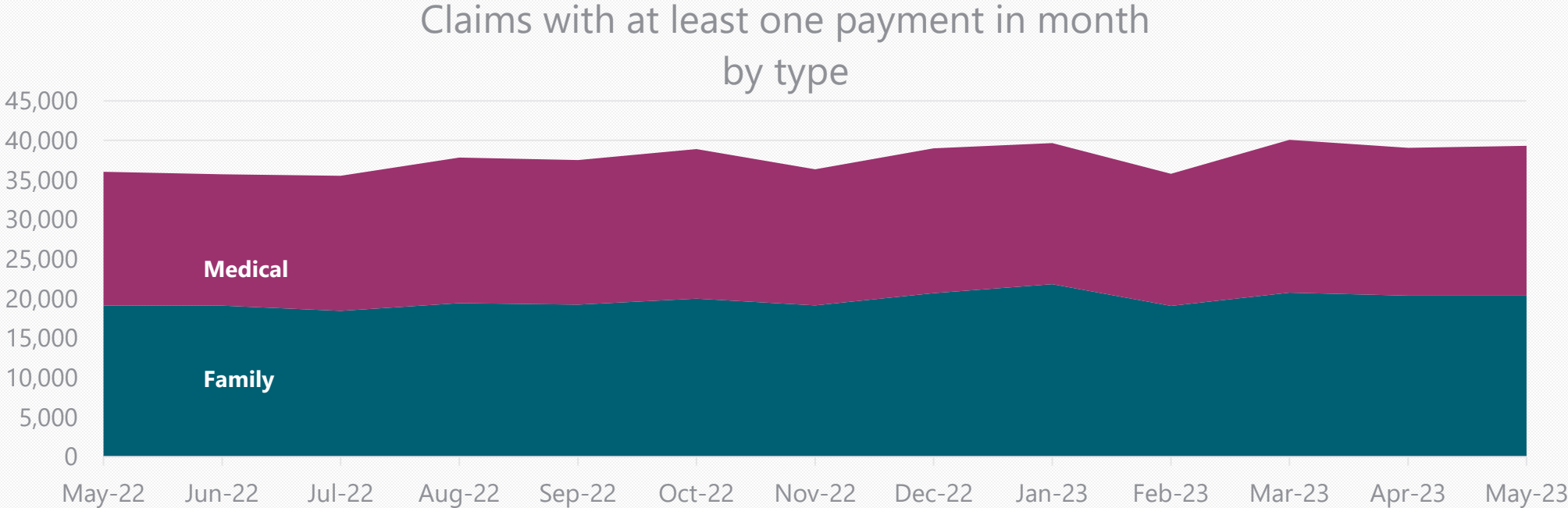
Claim applications submitted by type



- May 2023, we received 22,125 applications – 2nd highest outside of program launch
 - 10% more than last month
 - 20% more than May of last year
- Continue to see shift towards medical leave types ~ 55% medical, 45% family
- Three-month rolling average ~ 21K claim applications

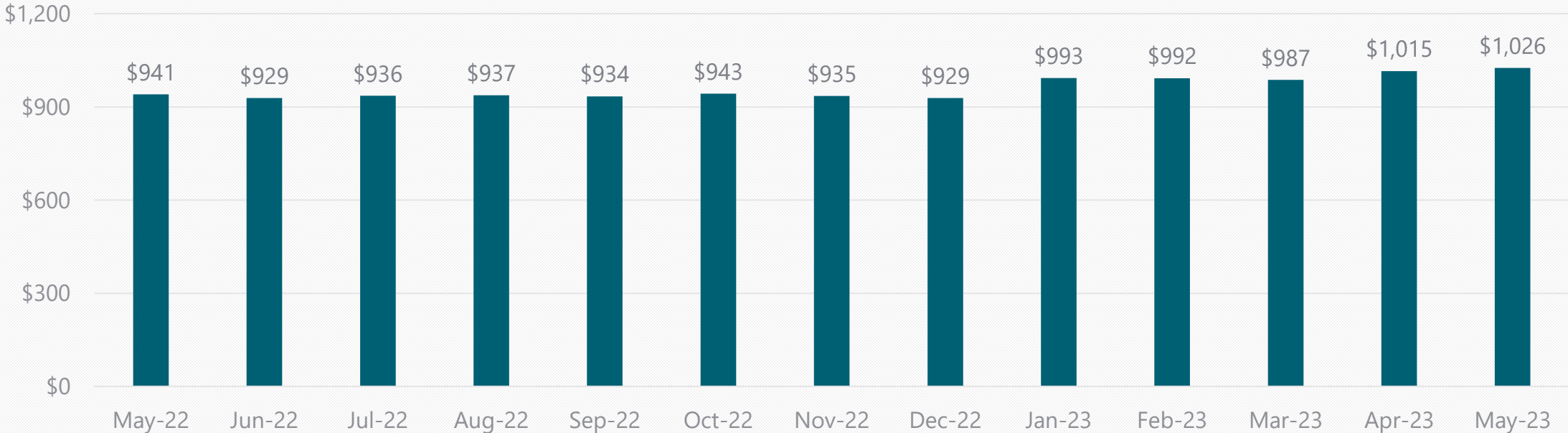
Approval rate and monthly claims with payment(s)

- Percentage of claims approved continues to be relatively stable in past year
 - About 85% approved overall
- Unique leave claims in the last 12 months – 105,164 family and 112,946 medical
- May 2023 total unique paid leave claims: 39,329
 - 9% more than May of last year



Weekly benefit levels

- 2023 Jan-May average: \$999
 - 7% higher than 2022 Jan-May, \$934



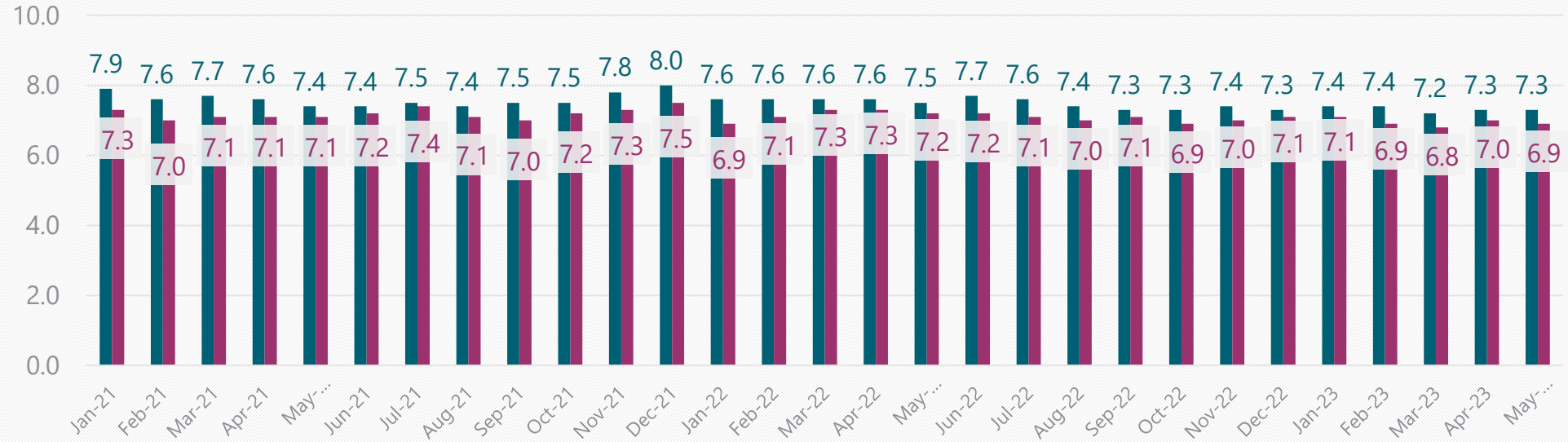
Technical note: Average weekly benefit amount for approved claims grouped by claim year start month, most recent months typically drop slightly as data matures.

Lengths of leave

Claim Level

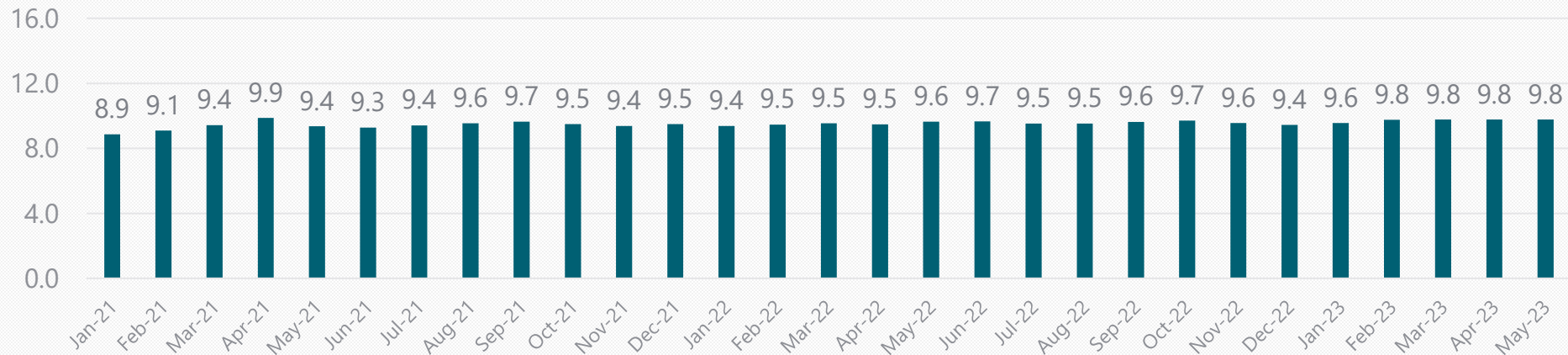
Comparing to 2022

- Family: 7.6 weeks
- Medical: 7.3 weeks



Claim Year Level

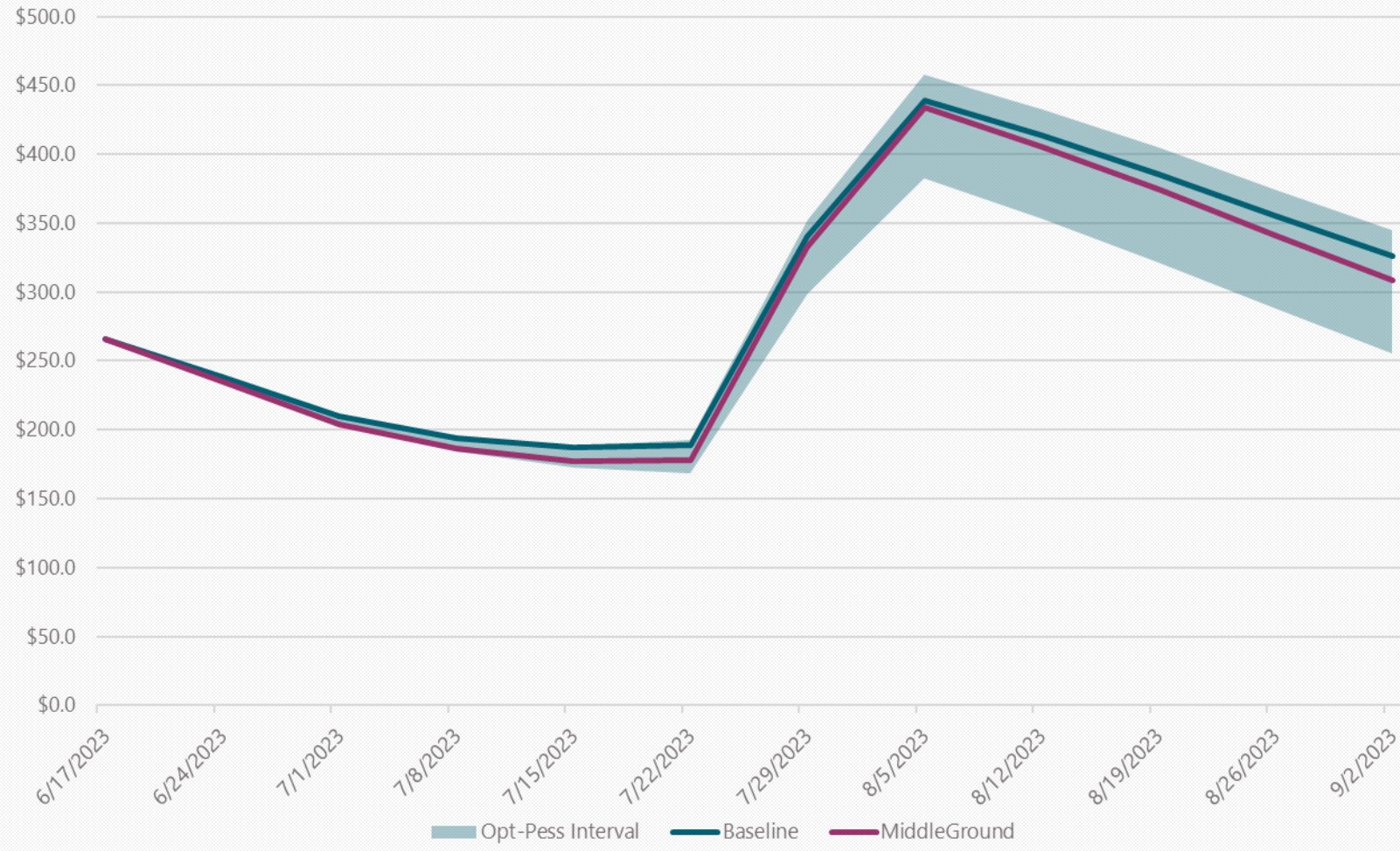
- 2022: 9.6 weeks



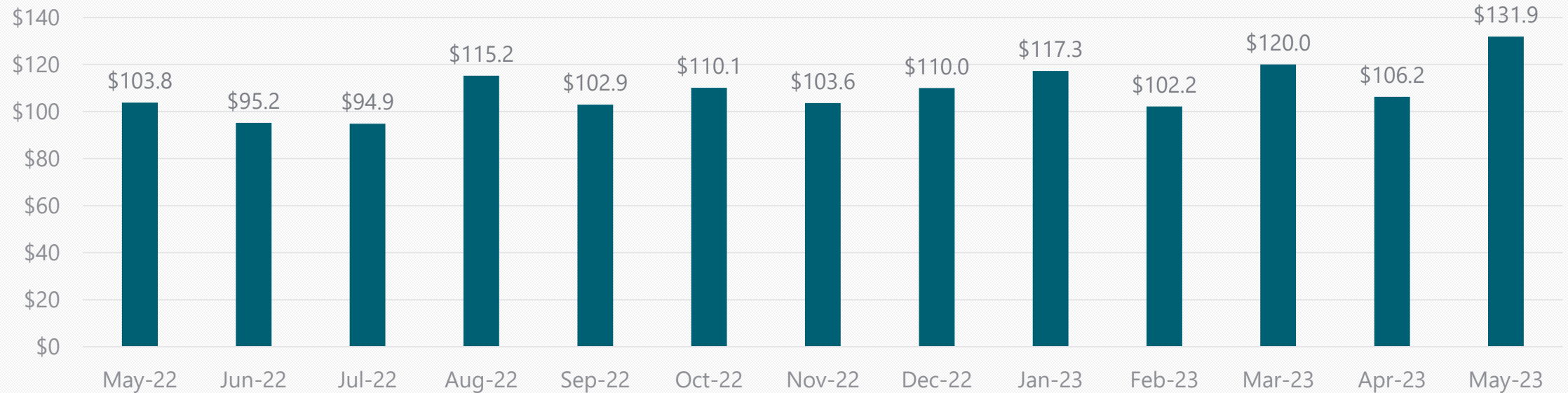
Fiscal projections

- \$200 million in the account
- No projected deficit in the next reporting cycle
- Lower risk of short-term deficit in future cycles
- Will take a few years to establish 3-month reserve

Paid Leave Account Balance: Cash Flow Projections
Historical data through week ending 06-17-23



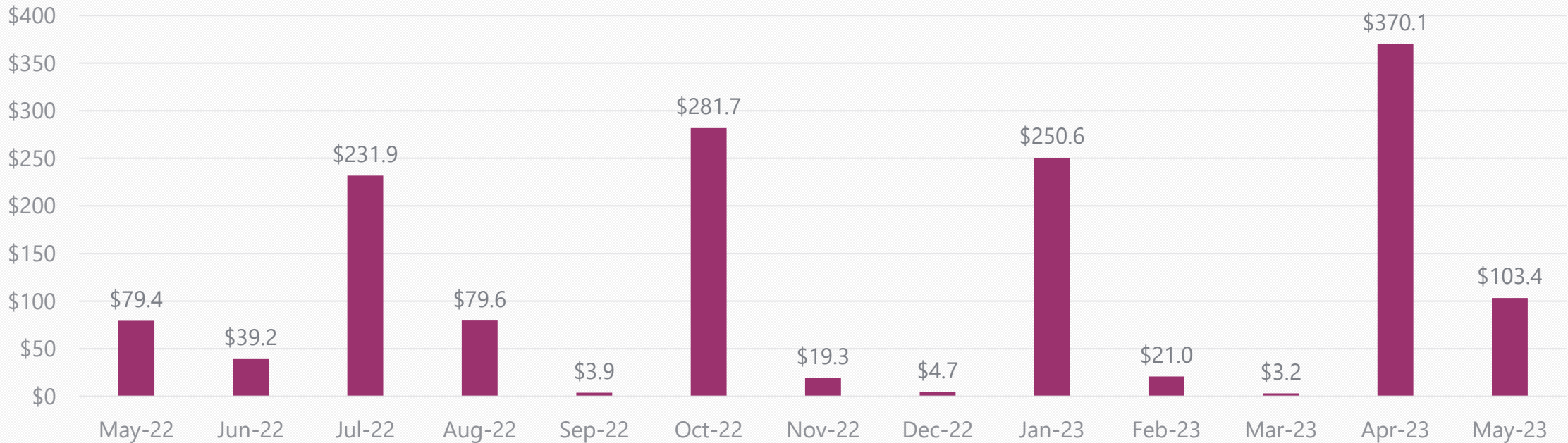
Monthly benefits paid



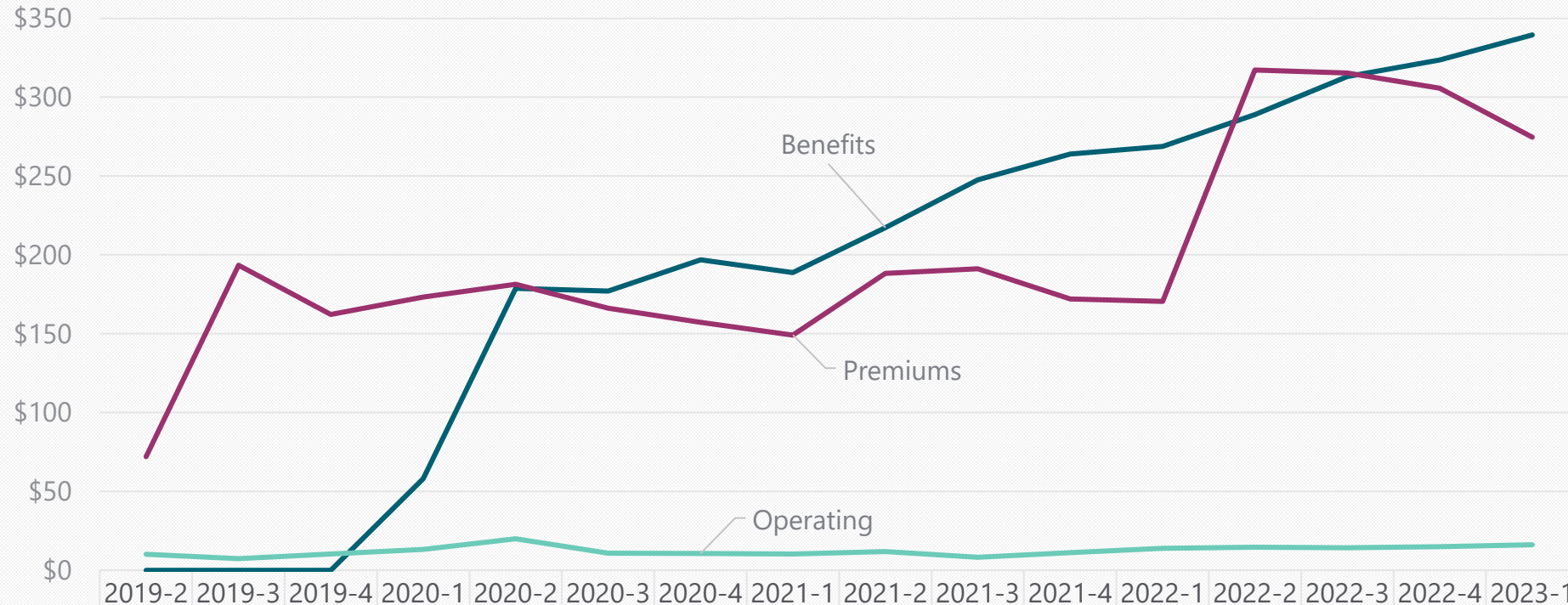
- May 2023, \$131.9 million
 - 27% higher than May of last year
 - 24% higher than last month
- \$557.6 million in benefits paid in 2023 Jan-May
 - \$115.2 million more, or 25% higher, than 2022 Jan-May
 - \$698 million projected for first half of 2023

Monthly premiums remitted (millions)

- Cyclical pattern with highest monthly premium transactions occurring at end of quarterly reporting months
- Premiums assessed for each quarter are remitted in the following quarter
 - \$748.2 million collected in 2023 Jan-May
 - \$300 million (67%) more than 2022 Jan-May

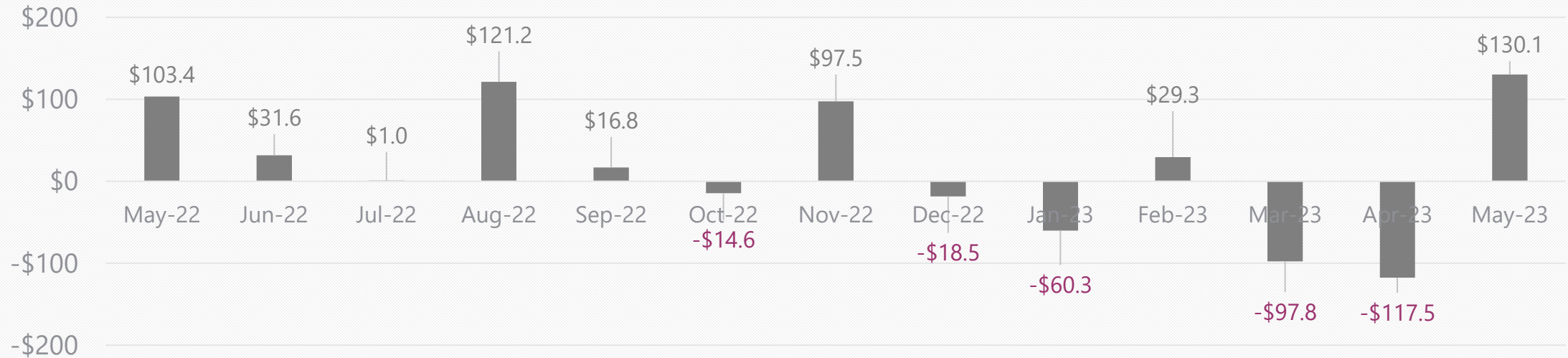


Premiums, benefits, operating expenses, and account balance by quarter (millions)



	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	2022-3	2022-4	2023-1
Benefits	\$0.0	\$0.0	\$0.0	\$58.1	\$178.7	\$177.0	\$196.9	\$188.7	\$217.2	\$247.6	\$264.0	\$268.7	\$289.0	\$313.0	\$323.7	\$339.5
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	\$315.4	\$305.8	\$274.7
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	\$14.3	\$15.0	\$16.2
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	\$31.6	\$16.8	-\$18.5	-\$97.8

Monthly ending account balance (millions)



- Ending May 2023 fund balance was \$130.1 million
- May 2022 ending balance was \$103.4 million
- Received \$200 million from supplemental budget on 6/15/23

Time from application submission to first payment

Month	Average weeks	Median weeks
May 2022	3.7	2.6
May 2023	4.2	3.1

Month	Average weeks	Median weeks
July 2022	4.2	2.6
Aug 2022	4.0	2.6
Sept 2022	4.1	2.7
Oct 2022	4.1	2.7
Nov 2022	4.3	3.0
Dec 2022	4.3	3.0
Jan 2023	4.5	3.3
Feb 2023	4.3	3.3
Mar 2023	3.9	2.9
Apr 2023	4.2	3.0
May 2023	4.2	3.1

Phones

Month	Percentage of calls into queue*	Percentage of calls answered from Paid Leave queue	Queue time for Paid Leave**
September 2022	81%	78%	08:30
October 2022	81%	73%	09:23
November 2022	81%	69%	09:26
December 2022	78%	65%	08:16
January 2023	79%	68%	08:27
February 2023	81%	65%	09:42
March 2023	85%	66%	04:12
April 2023	84%	62%	05:59
May 2023	82%	60%	12:27

Since May 2022:

- 59% increase in calls into queue.
- 2% increase in calls answered

Actuarial Updates

Rebecca Grady, Research and Data Manager

Eve Sheng, Managing Actuary

Where we've been & where we're going

As program grew, became clear that rate setting structure needed a change

From 2022 legislative session

- task force
- actuarial services – contracted & ESD dept created
- \$350m set-aside to address potential end-of-biennium account deficit

2023 task force and legislative session

- On rates, collectively agreed on a pragmatic moderate near-term route to put account in better position while minimizing volatility
- Task force recommendation on a new rate formula that puts account in a more solvent place, though with understanding that short term cash deficits may continue
- \$350m set-aside became \$200m seed funding for small account cushion, also in part to minimize volatility
- Task force and fiscal note analyses based on baseline moderate growth projections

Background

• Why

- 2SSB 5469: Actuarial Annual Report and Quarterly Updates
- SSB 5286: new premium rate determination
- Ensure timely deliverables and effective collaboration
- Set a foundation for future

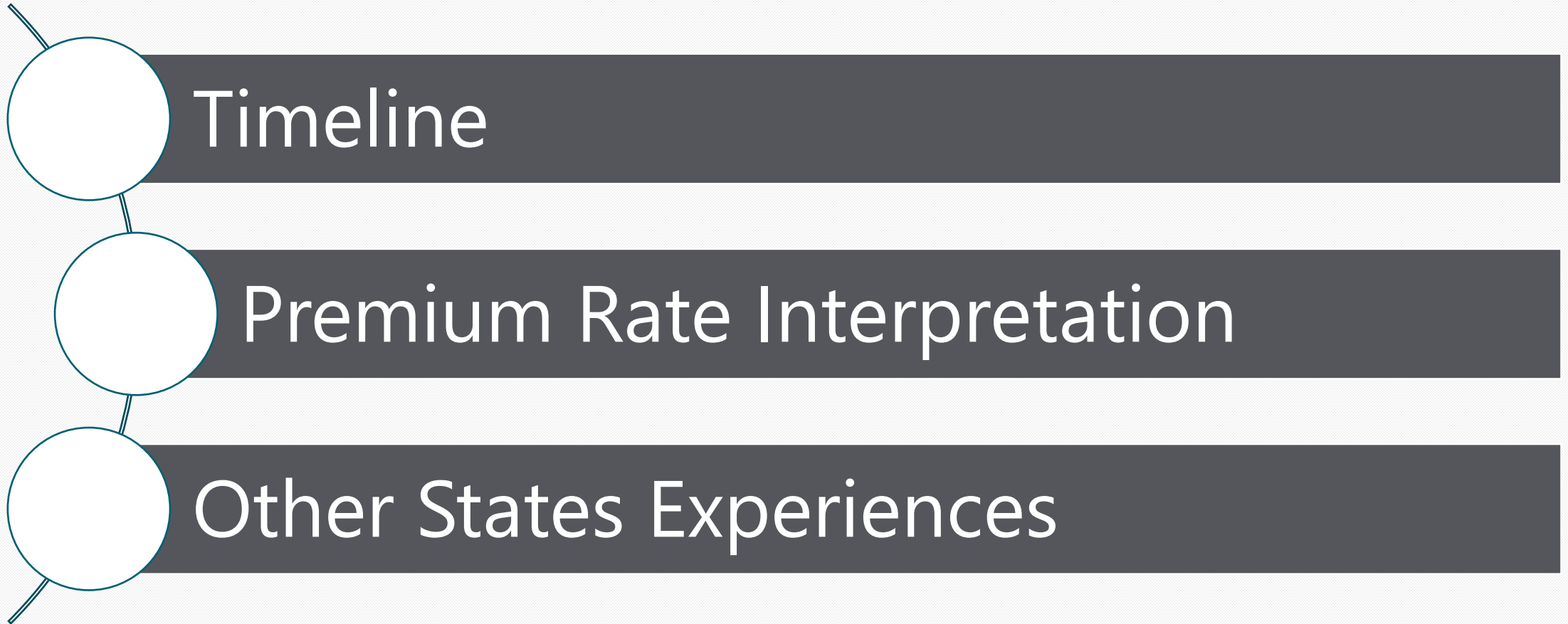
• What

- Status update
- High level introduction to report contents
- Questions and feedbacks
- Consistent message across levels

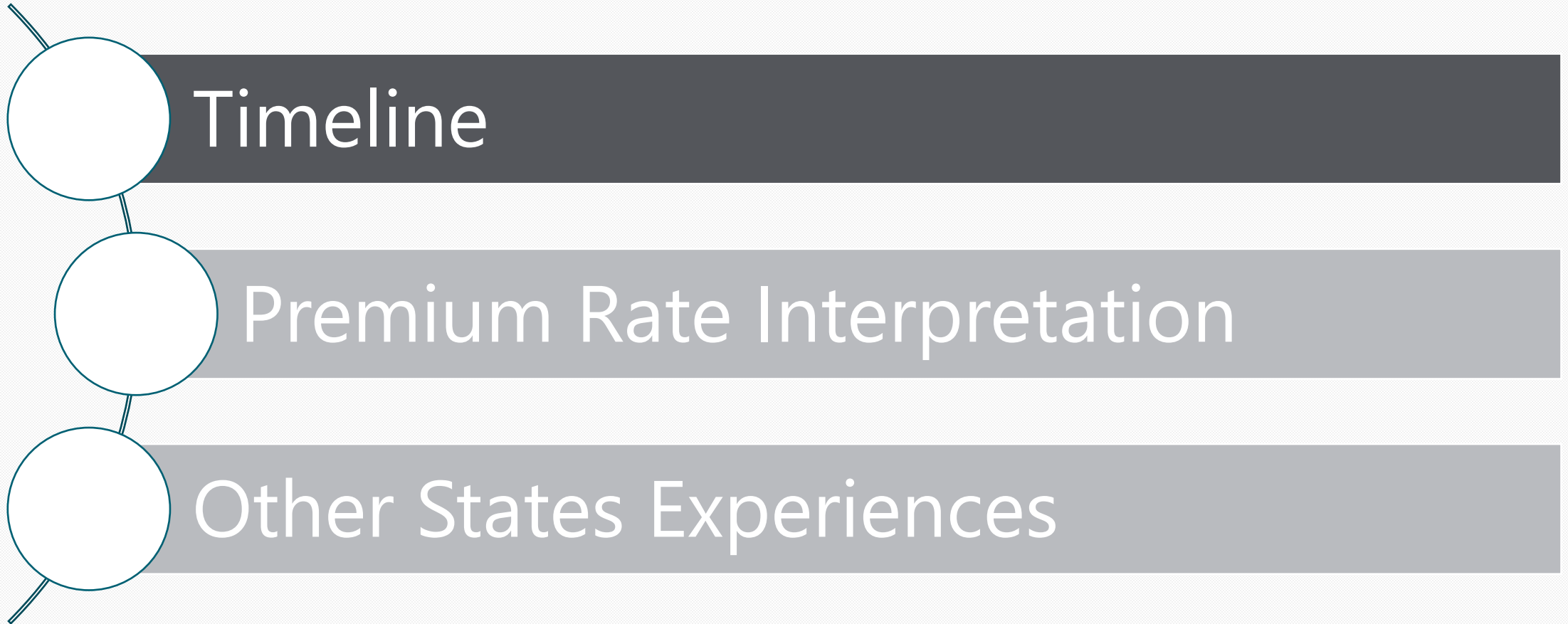
• How

- Share key or required information
- Ensure transparency and open dialog

Agenda



Agenda



Office of Actuarial Service 2023 Timeline

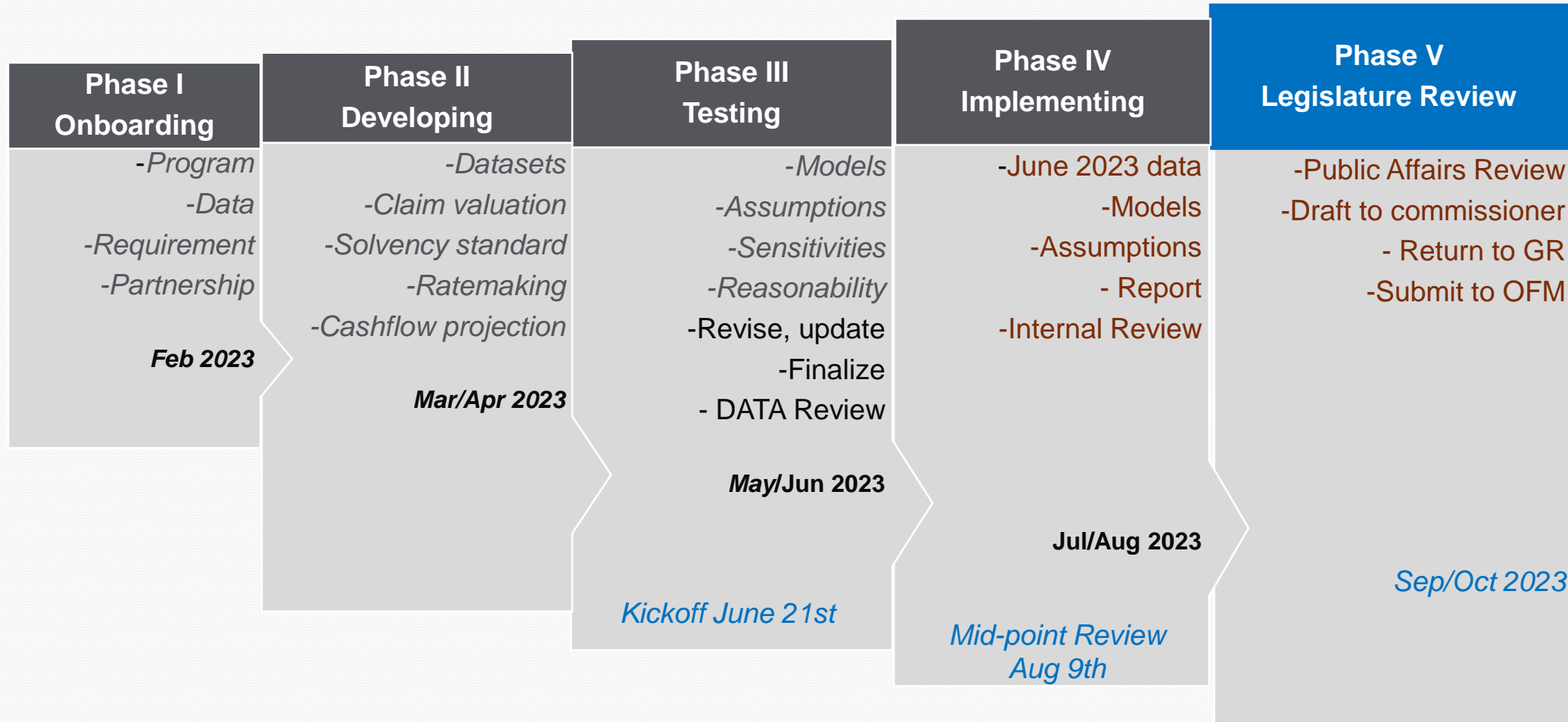
vs. Government Document Review Timeline

Completed

On-going

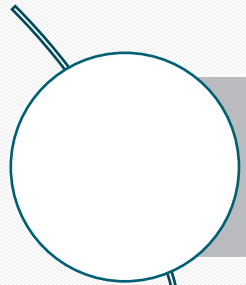
Not Started

1st Member Joined
Jan 17th, 2023

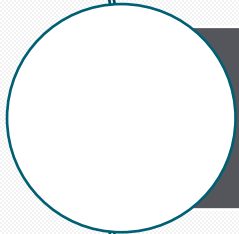


Due to Legislature
Nov 1st, 2023

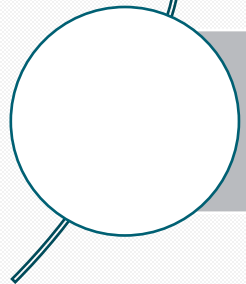
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Timeline



Premium Rate Interpretation



Other States Experiences

SSB 5286 - Premium Rate

- Ratio of (A) to (B)

(A) 140 percent of prior fiscal year's expenses, including total amount of benefit and department administrative costs, subtract fund balance as of September 30th

(B) Prior fiscal year taxable wage

$$\text{Premium rate} = \frac{1.4 \times (\text{benefits paid \& administrative costs of preceding fiscal year}) - \text{fund balance}}{\text{premium wage of preceding fiscal year}}$$

Premium Rate Interpretation

Intention

Benchmark
prior adequate FY Rate

$$\frac{Cost_{prior\ FY}}{Wage_{prior\ FY}}$$

+

$$0.4 \times \frac{Cost_{prior\ FY}}{Wage_{prior\ FY}}$$

Fund future
Trend & reserve

+

Reset
recoup the losses/give back the extras

$$\frac{-fund\ balance + Cost_{to\ today} - Collected\ Premium_{to\ today}}{Wage_{prior\ FY}}$$

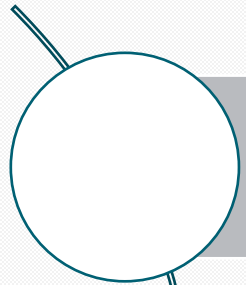
Assumption

- 100% rate contribution on every taxable dollar
- Continuity, e.g., no one time fund injection or withdraw
- Steady state

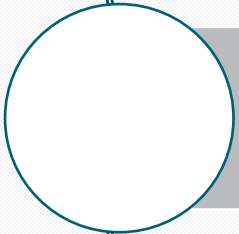
Impact of what if

- Underestimate the premium rate
- Distribute fund injection, or recollect withdrawn from the public
- Reserve less than expected with high trend

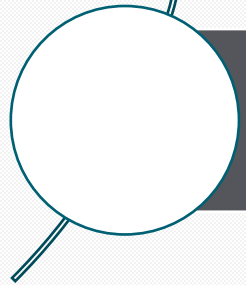
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Timeline



Premium Rate Interpretation



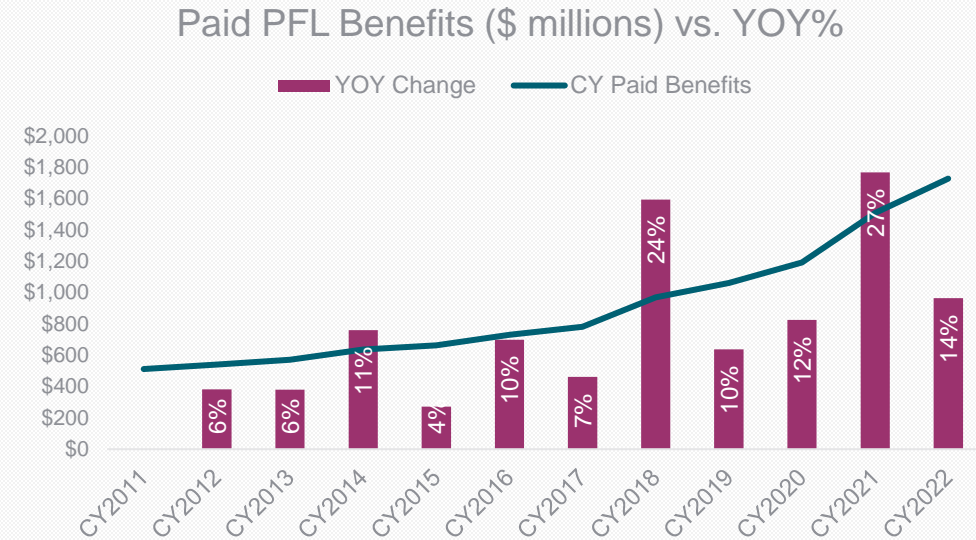
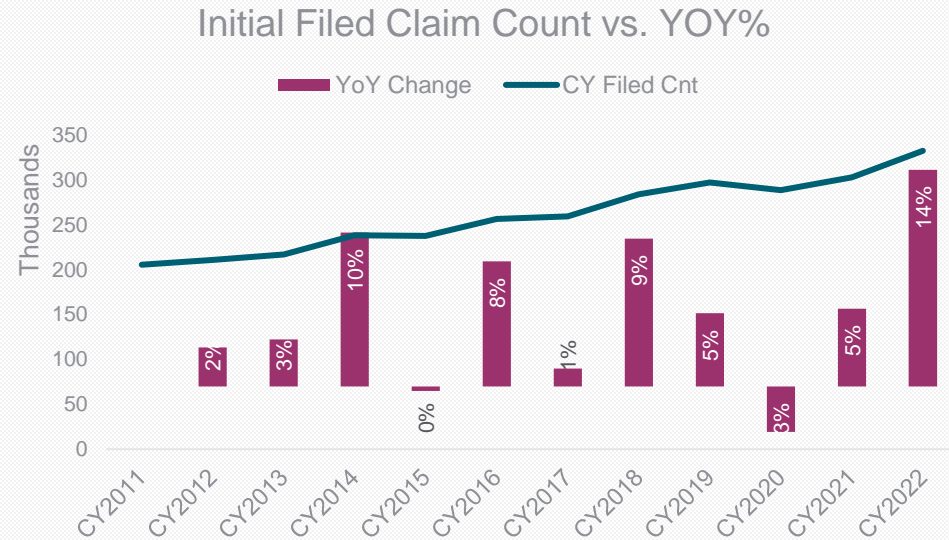
Other States Experiences

Questions – Program Experience

- Is our experience unique?
 - Yes & No
- What did we learn from other states?
 - PFML Program evolves with social dynamics and time
- Will the program continue to grow at current pace?
 - May be cyclical after the current wave die down

California PFL Implemented 2004

Mature program experienced claim surge after 15 years

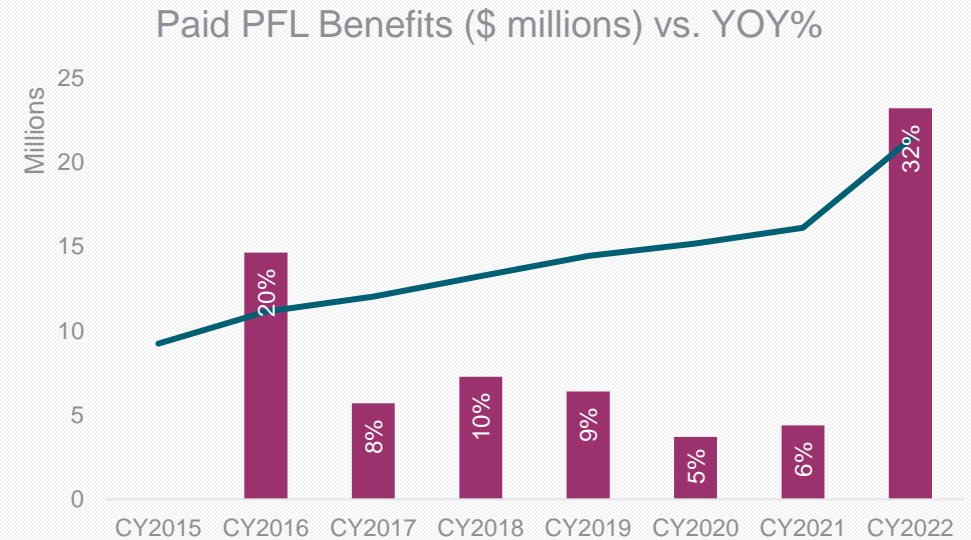
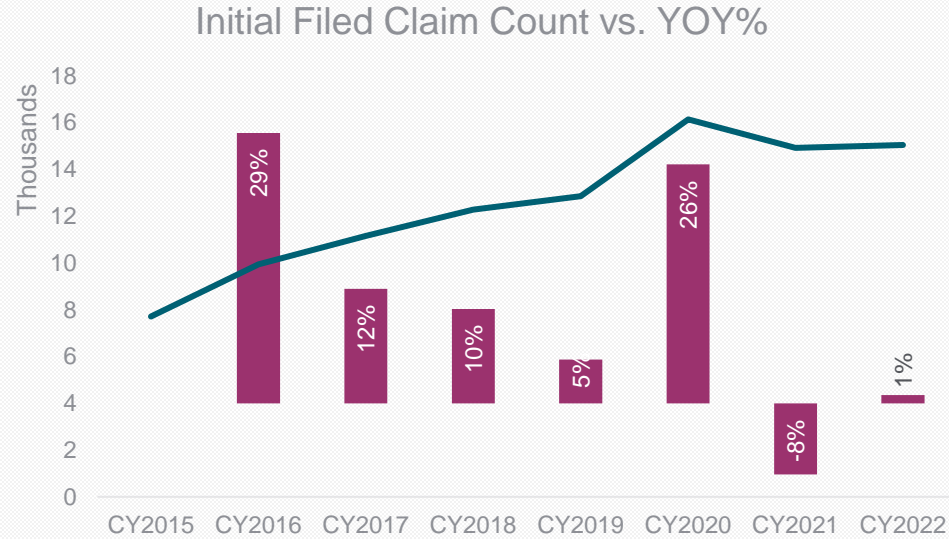


Observations (CY 2011-2022)

- Claim counts indicated highest jump in 2022
- Benefits payout growth at average annual rate of 12%

Rhode Island PFL Implemented 2014

Program experience could be “wild” even after 5 years’ implementation



Observations (CY 2015-2022)

- Claim counts indicated double digit growth in early program phases
- Benefits payout growth rate at average annual rate of 13%

Policy Updates

Defining “Placement” under Family Leave

Placement

“Family Leave” defined:

RCW 50A.05.010(10)

- (a) To provide care to a family member with a serious health condition, or;
- (b) To bond with a child **“during the first twelve months after birth, or the first twelve months after the placement of a child”**

Expiration of Entitlement:

**RCW 50A.15.065

- (1) Entitlement to family leave expires for birth or placement of a child **at the end of the twelve-month period beginning on the date of such birth or placement.**

Placement

“Placement” defined:

WAC 192-500-195

- Means:
 - **adoptive,**
 - **guardianship,**
 - **foster care** or
 - **nonparental custody** placement of a child.
- **The entitlement expires 12 months from when the child was “first placed” in the home.
- Documentation of proof is required.
- Does not mean:
 - When the child is already in care and custody of a parent (ex: parent has a new spouse).
 - **When a child returns to care and custody of a parent and entitlement has expired.
 - **Any adoptive, guardianship, foster care or nonparental custody placement of a child that occurs more than 12 months after the child was first placed in the home.

Placement

Feedback regarding the current definition of “Placement”:

- Instances of “Placement” of child occur more than once with the same parents. (for example, 1st instance – foster care, 2nd instance – adoption.)
- Expanding the entitlement to address:
 - Adoptions that occur after a year foster placement.
 - Reunification when a child returns to care and custody of a parent.

Options moving forward:

- Understand the policy goals of placement with program and stakeholders.
- Propose changes, by rule or statute, to improve access to benefits.

Current program priorities and updates

Alison Eldridge, Transformation Manger

Highlights of recent technical release

Considerable functionality that relates to priority projects, e.g., TNC pilot, employer data sharing, penalties & interest, in addition to improving customer experience



Multiple contact types for employers



Enhanced ability for employer to manage delegate users



Elective coverage account restructure



Elective coverage withdrawal process



Employer full transaction history viewable online



Ability to submit no-payroll reports

Continuing work on priority projects

Now

- Crossmatch Paid Leave benefit customers with UI and L&I (*in progress*)
- Child support withholding from Paid Leave benefits (*in progress*)
- Employer data sharing (SSB 5586)
- TNC Pilot (HB 1570)
- Premium rate change (SB 5286)

Next

- Benefit overpayments
- Penalties & interest (employers)
- Collections
- Conditional payments
- Reporting requirements (county & legislative district)
- Elective coverage for tribes

Expanded Family Member Definition Report

Brian Kennedy, Forecast & Economic Analyst

Caitlyn Jekel, Government Affairs Director

Family member expansion data overview

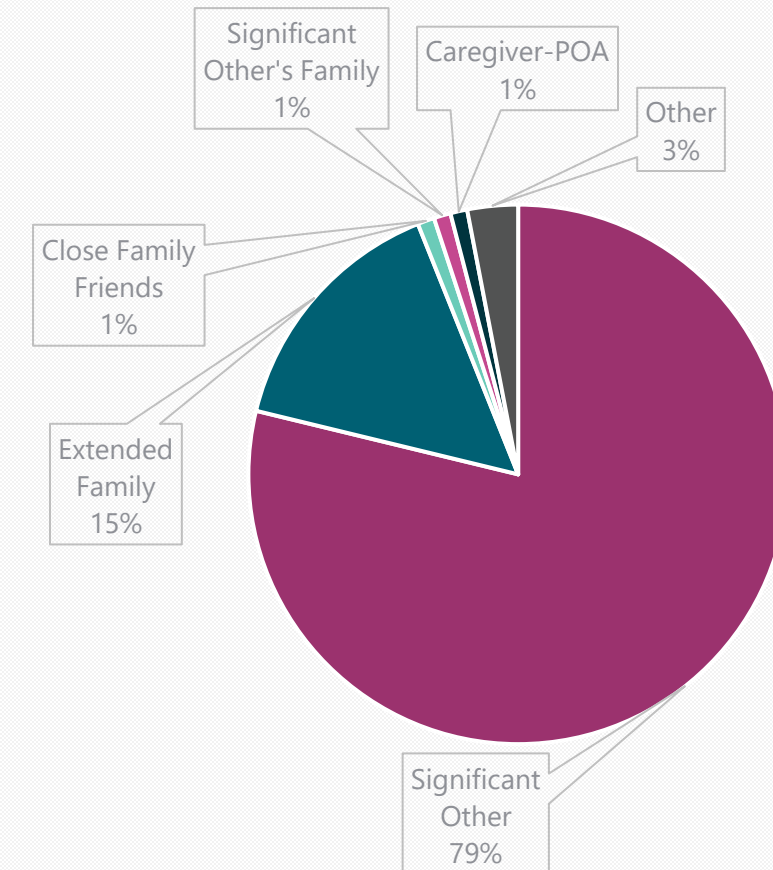
Claim counts, July 25, 2021 – March 31, 2023

	5097 Claims	Overall Claims	5097 Share of Overall Claims
Claims	686	313,009	0.2%
Customers	659	238,860	0.3%
Approved Payments	\$2,866,288	\$1,902,365,222	0.2%

ESSB 5097 impacts on rate setting

	Standard	Removing Approved Payments on 5097 Claims
Gross Wages	\$275,289,463,508	\$275,289,463,508
Account Balance	\$16,767,907	\$15,084,915
Balance Ratio	0.01%	0.01%
Premium Rate	0.6%	0.6%
Solvency Surcharge	0.2%	0.2%
Total Premium Rate	0.8%	0.8%

Family relationship status



Family member expansion overview

Summary

- From July 25, 2021, through March 30, 2023, 686 claims used the expanded family member definition.
- Only when the expansion exceeds the 500-individual threshold does it initiate reimbursement from general fund state (GFS). That was not met in either calendar year 2021 or 2022. It is highly unlikely to occur before July 1, 2023, when that provision ends.
- Benefits paid on the expanded family member claims have had minimal impact on the account balance ratio but have had no impact on the rates themselves.
- Workers using the expanded definition the most often list their relation to the person they are taking leave to care for as an unmarried significant other.

Advisory Committee meeting planning

Caitlyn Jekel, Government Affairs Director

Meeting cadence proposal

- Rather than same meeting schedule and length throughout year, plan around needs and anticipated agenda topics
- Input welcomed on what else to include and/or what to move to a different communication vehicle
 - e.g., could email updates in January and hold a shorter targeted legislative session meeting

Late July/Early August	<ul style="list-style-type: none"> - Job protection research design overview (2023) - Quarterly account update (premiums/expenses) - Quarterly program volumes, wait times update - Project, Priorities, & Rulemaking updates 	January	<ul style="list-style-type: none"> - Quarterly account update (premiums/expenses) - Quarterly program volumes, wait times update - Fiscal projections update - Calendar year-end program highlights - Legislative session check in - Project, Priorities, & Rulemaking updates
September	<ul style="list-style-type: none"> - Annual fiscal projections & actuarial report preview - Budget overview - FTE & Budget requests - Legislative & budget submissions to OFM/Gov office: Likely committee action - Project, Priorities, & Rulemaking updates 	February	<ul style="list-style-type: none"> - Legislative session check in - Project, Priorities, & Rulemaking updates
Late October	<ul style="list-style-type: none"> - Annual changes update – 2024 rate calculation, family-medical split, taxable wage cap, maximum benefit amount - Project, Priorities, & Rulemaking updates 	March	<ul style="list-style-type: none"> - Legislative session check in - Ombuds annual report out - Project, Priorities, & Rulemaking updates
December	<ul style="list-style-type: none"> - Job protection interim report (2023) and final report (2024) - Program annual report highlights - Governor’s budget - Legislative session prep - Quarterly account update (premiums/expenses) - Quarterly program volumes, wait times update - Project, Priorities, & Rulemaking updates 	May	<ul style="list-style-type: none"> - Quarterly account update (premiums/expenses) - Quarterly program volumes, wait times update - Fiscal projections update - Legislative session wrap-up - Project, Priorities, & Rulemaking updates

July meeting

Details

- Wednesday, July 26, 1 to 3 p.m. **In person option**

Agenda

- Call for Topics

Open comment

Reminders Please frame your questions as a comment.

If online -“Raise your hand” virtually

In person – let us know and we will give you the floor

The meeting host will unmute online individuals to allow for the open comment.

In person we will call on you

Continue the conversation

Justin DeFour

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Employment Security Department

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