

Washington
Paid Family & Medical Leave



Employment Security Department
WASHINGTON STATE

Advisory Committee Meeting

Wednesday, February 26, 2025

Agenda

Introductions and approval of January minutes

Commissioner update

Program performance goals

Actuarial update

IRS guidance

Legislative update

Open comment

Meeting structure

Only committee members and presenters will be unmuted during the meeting.

We ask members of the public to hold comments until Open Comment.

Comments and questions in chat will not be reviewed during Open Comment.

Introductions

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



Approve January minutes



Commissioner updates

Cami Feek, ESD Commissioner

Program performance goals

Rebecca Grady, Research & Data Manager

Customer-focused performance goals

Benefits wait time

- Time to application decision
- Time to first weekly claim processed

Customer contact response time

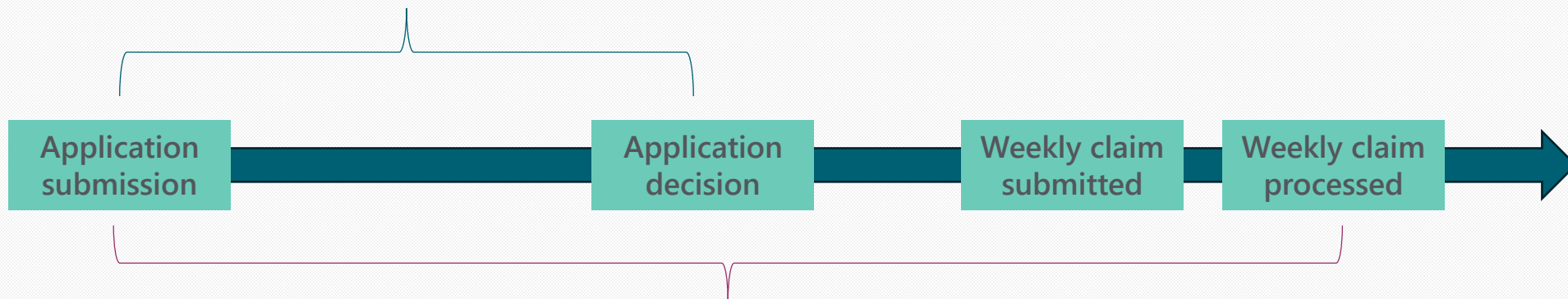
- Phone hold time
- Secure message & email response time

Employer accounts

- Full account access

Benefit wait time

Time to application decision
Goal: 75% within 14 days
(historical "target two weeks")



Time to first weekly claim processed
Goal: 75% within 21 days

Customer contact response time



Phone hold time

Goal: 80% within 10 minutes

With zero receiving "high call volume" message



Secure message & email response time

Goal: 80% within 1 business day (or 2 calendar days)

Will need new tech functionality to track



Overall responsiveness goal

80% of contacts meeting response time goals

Split out tracking by contact type and customer

Employer accounts

For Now

Percent of employers with full access to their account

- Goal: 65% of employers

Later

Something around reporting timeliness, balances due, or penalties and interest as summary indicator

- Will work with Customer Compliance Division on future shared goals

Looking forward

Start reporting on progress toward goals.

Investigate functionality for measures we can't currently track.

Develop more detailed predictive analytics around our distinct but interrelated work components.

Actuarial update

Karissa Burgess, Actuary

Account Summary

Calendar year 2024 (CY24)

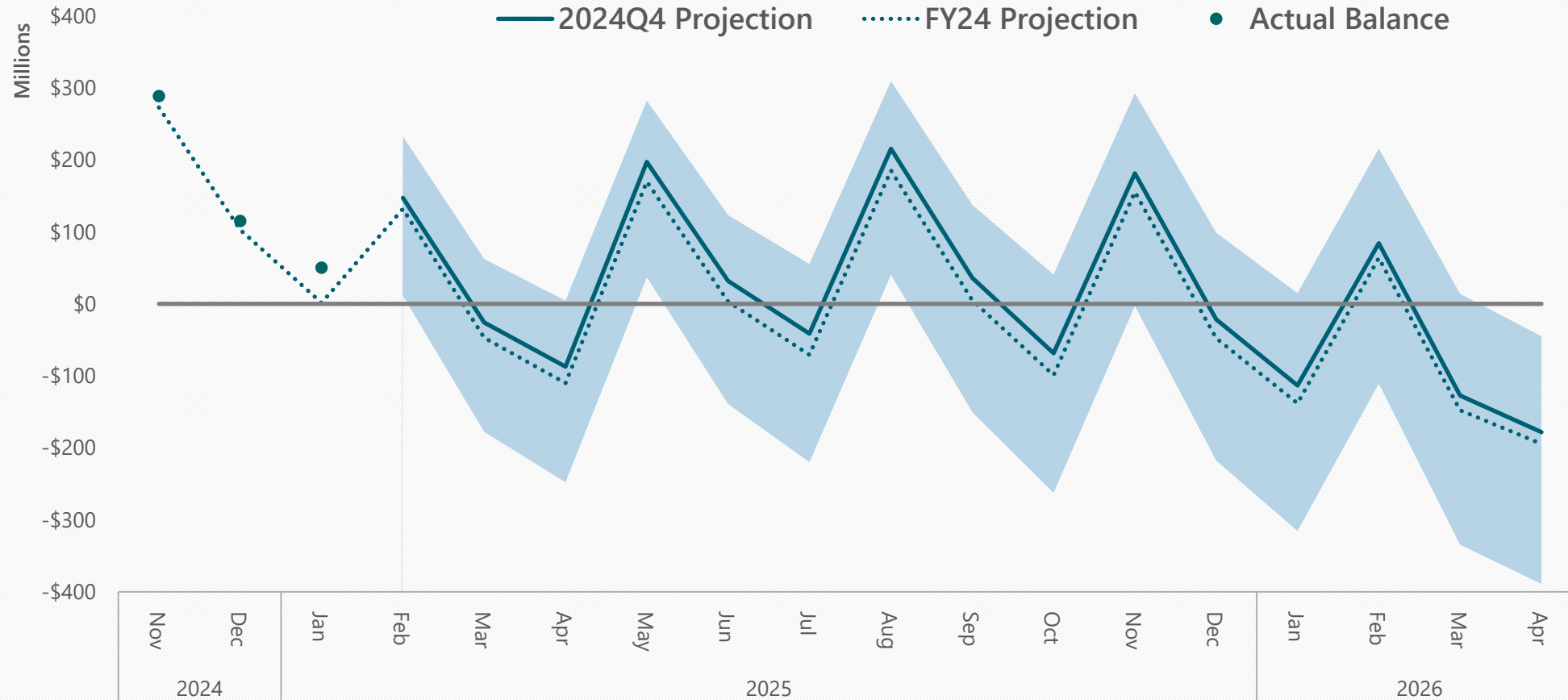
- Account ending balance was \$115 million – higher than prior projection of \$103 million
- Claim growth was 1% lower than previously projected at 23%
- Premium wages 1% lower than previous projection – offsetting some of the impact of lower claims

Program forecast

- PFML account balance shows some increase over FY24 projection in near-term due to lower claims
- Account deficit still projected to occur in March

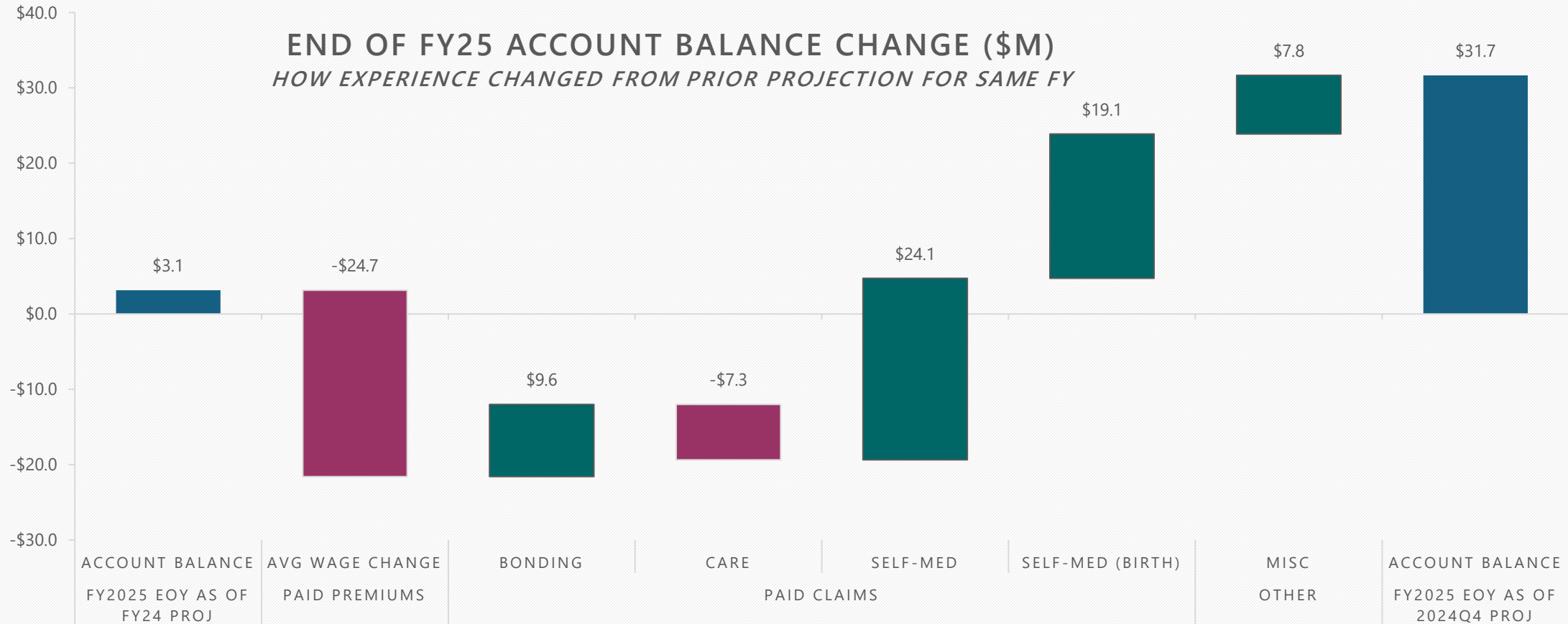
2024Q4 Account balance projection

2024Q4 projection reflects slightly higher account balance due to slower growth in some claim types.



Projection update summary

2024Q4 projection shows \$28.5M increase in FY25 account balance compared to FY24 projection.

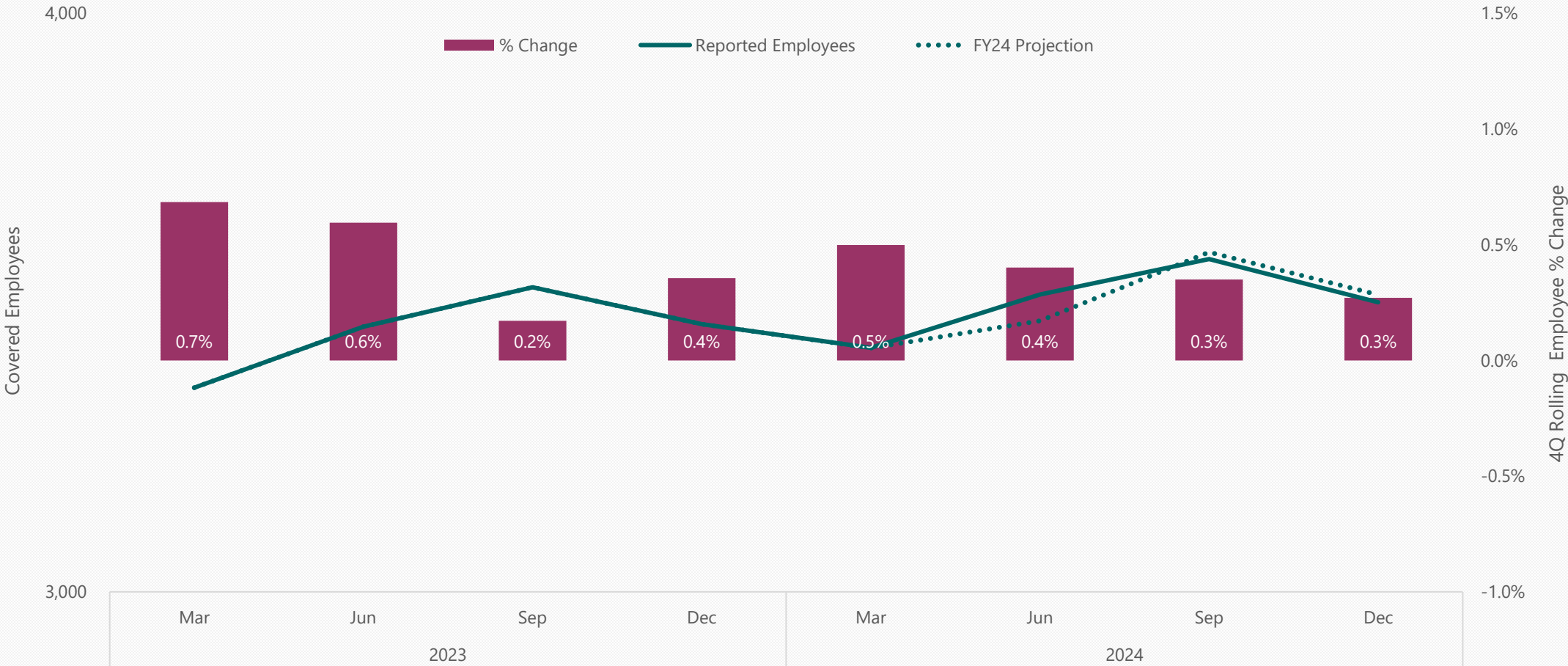


The above chart reflects a running total of impacts that drove the increase in the FY25 ending account balance projection, from \$3.1M to \$31.7M.

Numbers will vary slightly due to rounding.

Covered employees by quarter

Growth is close to FY24 projection

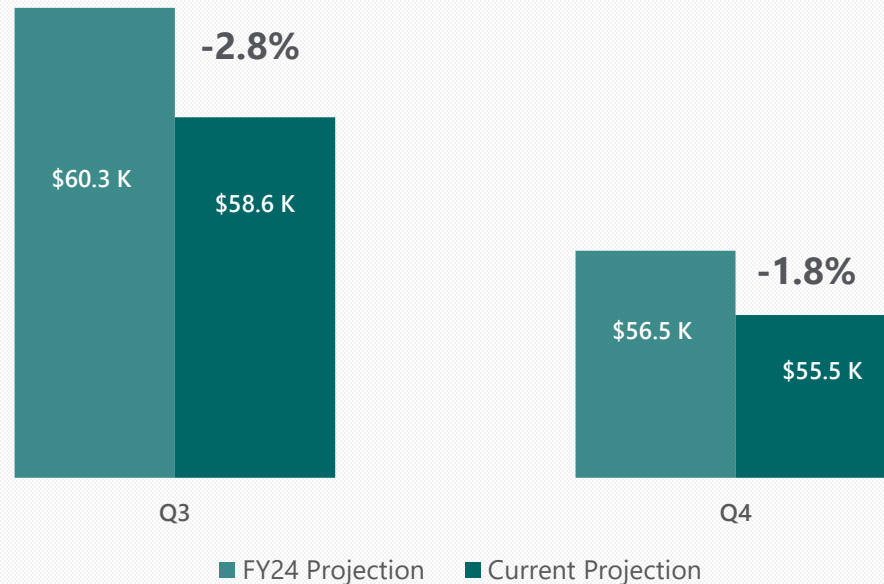


Reported wages by quarter

Compared to FY24 projection

Wages were close to projected in recent quarters, with premium wages slightly falling.

- The average premium wage was 2.8% lower in Q3 and 1.8% lower in Q4 than previously projected.
- Lower projected premiums offset some of the claim savings shown previously.

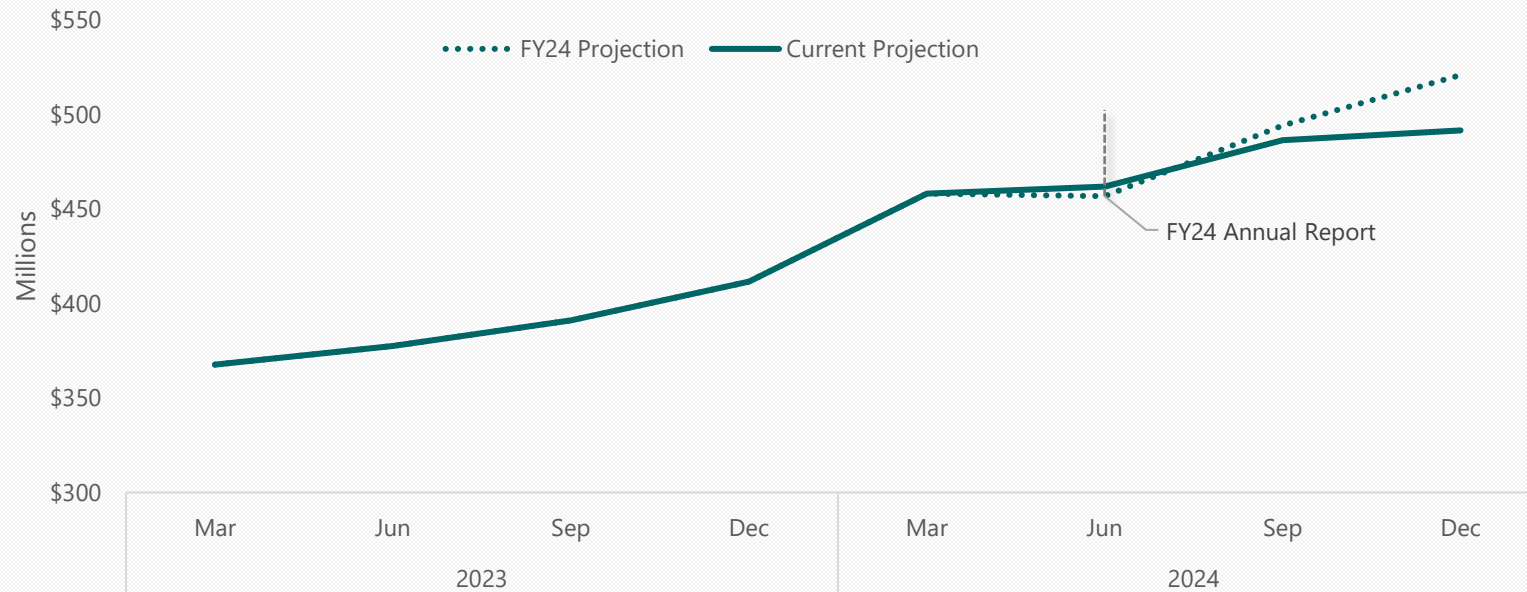


Incurred leave benefit by quarter

Estimated ultimate payout for all the leaves first started in the quarter

Claims continue to evolve over time

- Overall incurred claims growth is 5.6% less than projected in most recent quarter, and 1.6% less in the prior quarter.
- While lower growth was seen in claim types like Bonding and Birth-related medical claims, Family Care continues to grow at a high rate.
- Both lower than projected utilization and weekly benefit payments are driving lower claim costs.



2023 & 2024 are an actuarial estimate
Claims based on leave state date

Comparing claim types

Overall incurred claims increased an average of 23% in CY 2024 compared to 2023

Claim types with higher growth	
Family Care	SelfMed
<ul style="list-style-type: none"> • 2023: \$165.5M • 2024: \$234.9M • <u>Change: \$69.4M, +42%</u> <p>• <i>Change projected: 39%</i> • <i>Represents 12% of total claims in 2024</i></p>	<ul style="list-style-type: none"> • 2023: \$529.7M • 2024: \$689.2M • <u>Change: \$159.5M, +30%</u> <p>• <i>Change projected: 34%</i> • <i>Represents 36% of total claims in 2024</i></p>

Claim types with lower growth	
Birth-Related SelfMed	Bonding
<ul style="list-style-type: none"> • 2023: \$246.2M • 2024: \$264.1M • <u>Change: \$17.9M, +7%</u> <p>• <i>Change projected: 12%</i> • <i>Represents 14% of total claims in 2024</i></p>	<ul style="list-style-type: none"> • 2023: \$606.7M • 2024: \$709.5M • <u>Change: \$103.9M, +17%</u> <p>• <i>Change projected: 17%</i> • <i>Represents 37% of total claims in 2024</i></p>

2023 & 2024 are an actuarial estimate
Based on incurred claims

IRS guidance

Jason Barret, Lead Policy Analyst

What we know

On Jan. 15, 2025, the IRS released Rev. Rul. 2025-4.

- Guidance is not specific to any single or group of states.

The ruling is effective for payments made ***on or after Jan. 1, 2025***.

The IRS solicited questions and comments from interested parties.

- Must be submitted ***no later than April 15, 2025***.

What it means

Guidance attempts to address:

How the department should report paid family and medical leave benefit payments to the IRS.

How employers should report premium contributions on employee tax forms.

It does not pertain to:

Employers with a voluntary plan.

Payments made for small business assistance grants

Ruling breakdown (benefits)

Leave Type	Benefits Paid by State
Family Leave	1099 must be submitted
Medical Leave	<p>Benefit payments attributable to the employer are reportable. This amount is limited to contributions that are required by statute; employers electing to voluntarily cover some or all of an employee's premiums (referred to in the guidance as an employer "pick up") does not impact the reportability of benefit payments.</p> <p>The department has several questions about how this guidance impacts our program given the specifics of how employer contributions work in Washington.</p>

Ruling breakdown (premiums)

Leave Type	EE Premiums	ER Premiums
Family Leave	Required: Total required of EE are included in gross income. (W-2 & Pay Stubs)	Not Required: If the ER “picks up” any EE premiums that the EE is responsible for, include in gross income. (W-2 & Pay Stubs)
Medical Leave	Required: Total required of EE are included in gross income. (W-2 & Pay Stubs)	Required: Total required of ER are not included in gross income. Not Required: ER “pick up” is included in gross income. ** (W-2 & Pay Stubs)

What we don't know

- Determining the percent of medical leave benefits attributable to the employer.
- Documentation requirements for reporting medical leave benefit payments to the IRS.
- Whether this guidance is sufficient to trigger the requirements of [RCW 50A.15.070](#).
- Whether and how to communicate specifics about employer tax implications to employers.

Next steps

Solicit legal advice from AGO and, if necessary, special outside counsel.

Understand other states' interpretations, and, where possible, establish consistency.

Present to internal leadership to determine implementation strategies.

Legislative update

Josh Dye, Interim Director Government Relations

Paid Leave bills ESD's tracking

SHB 1213 / (SB 5539): job protection +

- Reduces minimum claim duration for payment from 8 to 4 consecutive hours
- Job protection
 - Expands eligibility
 - Addresses stacking with FMLA provisions
 - Sets employer and ESD notification requirements
- Modifies method of employer sizing
- Expands SBA grant program
 - Establishes two grants for employers with fewer than 50 employees
 - Allows TPAs to apply for grants on behalf of employers for some grant types
 - Sets payment threshold at 14 calendar days
 - Requires ESD notification of potential grant eligibility.

Paid Leave bills ESD's tracking

SSB 5292: Paid Leave premium rate setting

- Premium rate to be set based on actuarial report
 - Effective date: Jan 1, 2027
 - 2028 premium rate being the first rate under this new model
- Lowest rate necessary to maintain solvency and close with a 3-month reserve
 - Establish the reserve by end of rate collection year 2030 (2031 Q1)
 - Based on projected expenses in following year vs. prior year.
- Reinstates the 1.2% maximum rate

Paid Leave bills ESD's tracking

SB 5191 / (HB 1619): premium collection for dockworkers

- Amends the definition of employer to include representative for employers of dockworkers report/pay premiums for those under a CBA

SSB 5396: Paid Leave for employees undergoing FAA medical certification

- Expanding eligibility by for employees seeking benefits while applying for FAA medical certification related to mental and neurological standards

HB 1626 / SB 5378: SBA grants for small school districts

- Expanding eligibility of SBA grants to second-class school districts
- Did not make policy cut off

Next meeting

3 to 4 p.m. on Wednesday, April 23 (Virtual)

Proposed topics

- Ombuds report
- Legislative wrap-up

Open comment

Reminders Use the Zoom “raise hand” feature to make a comment.

Please frame your questions as a comment.

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

Continue the conversation

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Visit us online at
www.paidleave.wa.gov



Join our listserv at
bit.ly/PaidLeaveList

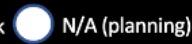
Appendix

Current program priorities

Leave and Care | Portfolio Dashboard Status Report

As of February 5, 2025

Sch: Schedule ; Res = Resources



Overall Health Report Date

Lvl	Project Description	Theme	Sch	Res	Risk	Q3 - 2024	Q4 - 2024	Q1 - 2025	Q2 - 2025
1	<u>Migration to SharePoint Online</u>	Enhancement				01/28/2025			
3	<u>TNC Pilot SHB1570</u>	Legislation				01/28/2025			
2	<u>2025 Annual Changes</u>	Annual work				01/31/2025			
1	<u>Decision Package Hiring</u>	Balance of Work				Blocked			
0	<u>Expanded Paid Leave and WorkSource Collaboration</u>	Partnership				02/28/2025			
1	<u>2024 1099-Gs</u>	Annual work				03/01/2025			
3	<u>Claim year redetermination improvements</u>	Balance of Work				04/01/2025			
3	<u>Paid Leave Child Support Withholding</u>	Balance of Work				04/15/2025			
1	<u>2025 Legislative Session</u>	Legislation				06/01/2025			
3	<u>Cloud Migration Portal</u>	Enhancement				Q2 2025			
0	<u>Racial Equity Data Collection Proviso</u>	Legislation				06/30/2025			
2	<u>Identify Overpayments in Weekly Claim Redeterminations</u>	Balance of Work				07/15/2025			
4	<u>WA Cares Contribution Determination</u>	WA Cares				11/30/2025			

Projects in Discovery

Project Name	Project Contact	Status
One Washington	Tom Jones	Submitted to Portfolio Manager
Assess and waive benefit overpayments	Jeannette Ritchie	Discovery in Progress
Benefit account homepage changes	Jeannette Ritchie	Discovery in Progress
Employer account homepage and notifications	Cezanne Levesque	Discovery in Progress

Projects staged as "ready"

Project Name
Receive Benefit Overpayments

Future work

Next

- Quality assurance revamp
- Stable data infrastructure
- Implement community engagement program
- **Penalties and interest (employer)**
- **Penalties and interest (employee)**

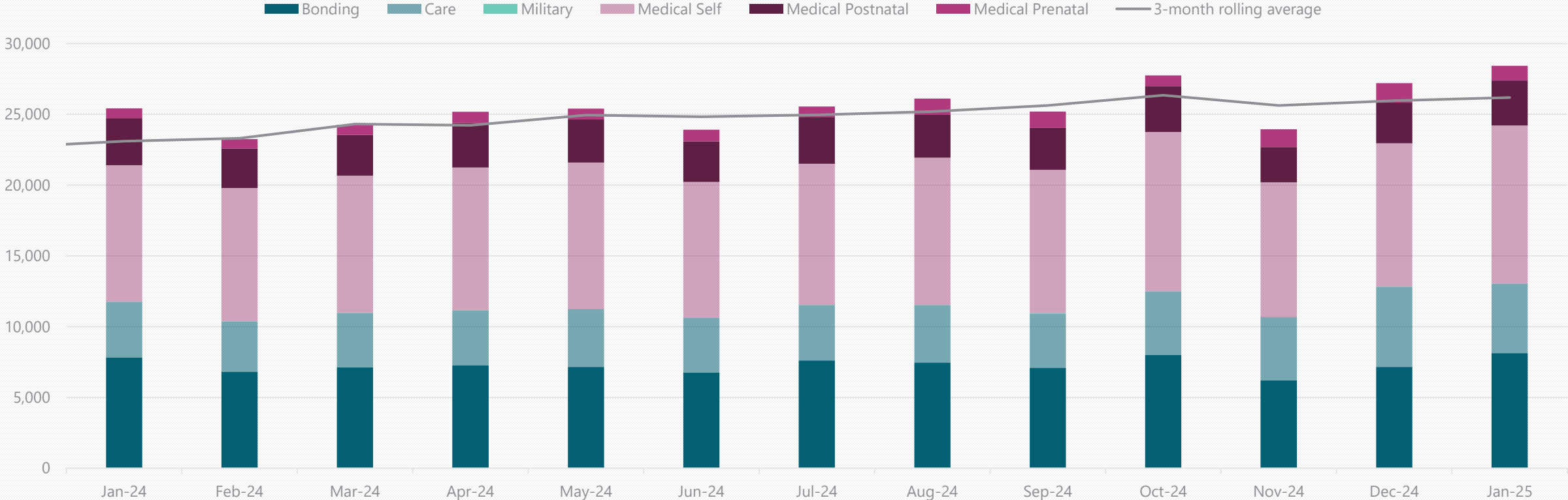
Later

- Benefit duplication prevention and automation
- **Adding county & legislative district to database**
- **Elective coverage for tribes**
- **Crossmatch L&I with Paid Leave benefits**
- **Collections (employer & employee)**
- **Conditional benefit payments**
- Pre-application for benefits
- Implement comprehensive authorized representative process

***Bolded** items are, or enable, Paid Leave balance of work.*

Financial & program updates

Claim applications submitted by type

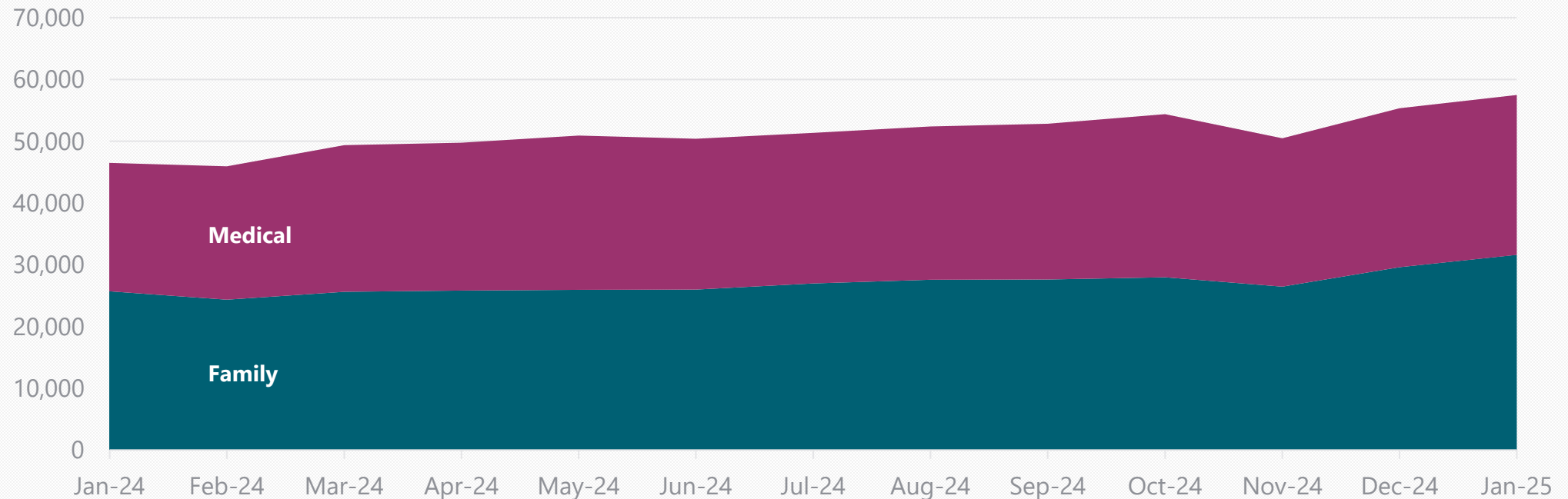


- January 2025, we received 28,425 applications
 - 8% more than the previous month
 - 12% more than January 2024
- 45% family, 55% medical
- Three-month rolling average ~ 26K claim applications

Approval rate and monthly claims with payment(s)

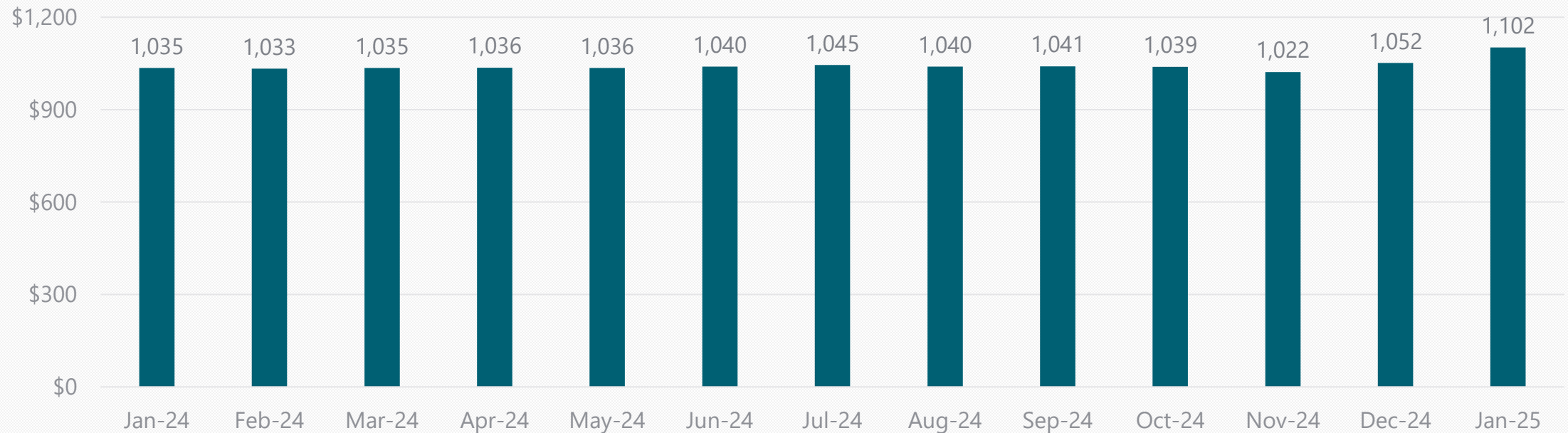
- 85% of claims were approved in January 2025
 - 87% the previous month
- January 2025 total unique claims that received payment: 57,483
 - 23% more than January of 2024

Claims with at least one payment in month
by type



Weekly benefit levels

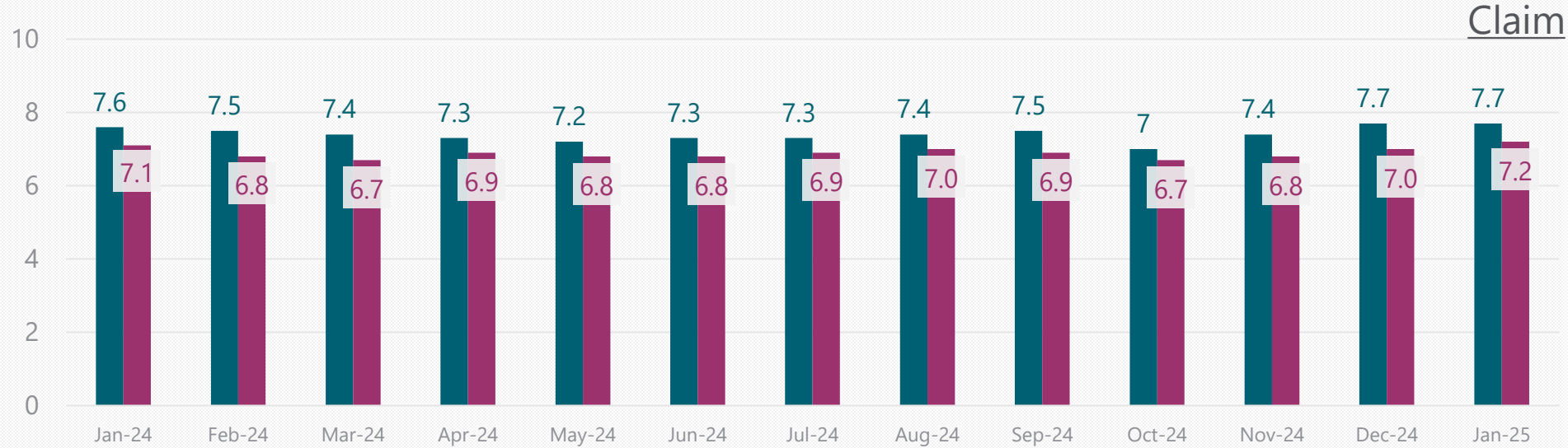
- January 2025 average weekly benefit for new claim years: \$1,102
 - 6% higher than January 2024.



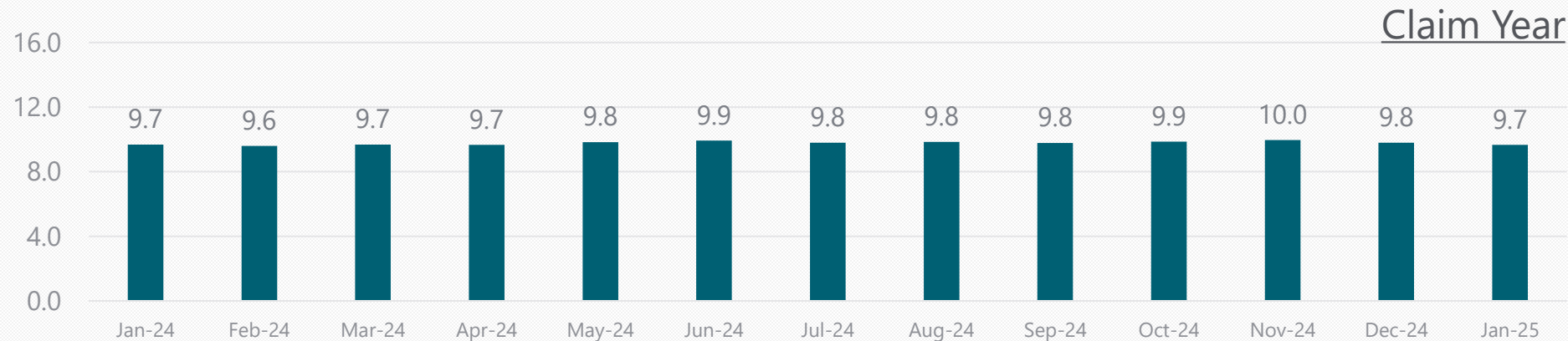
Technical note: Average weekly benefit amount for approved claims grouped by claim year start month, most recent months typically drop slightly as data matures.

Lengths of leave (average)

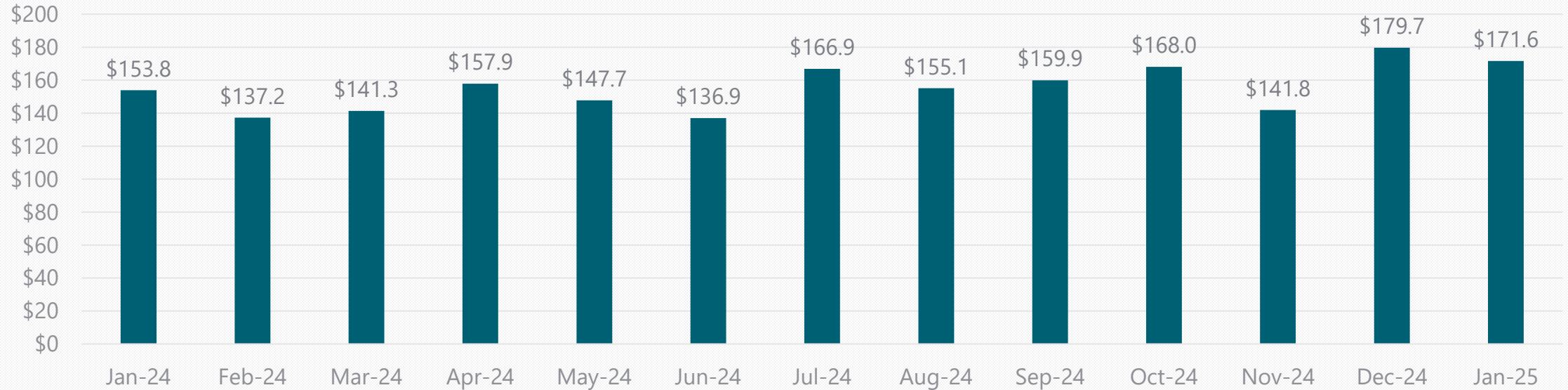
- January 2025
 - Family: 7.7 weeks
 - Medical: 7.2 weeks



- January 2025
 - 9.7 weeks

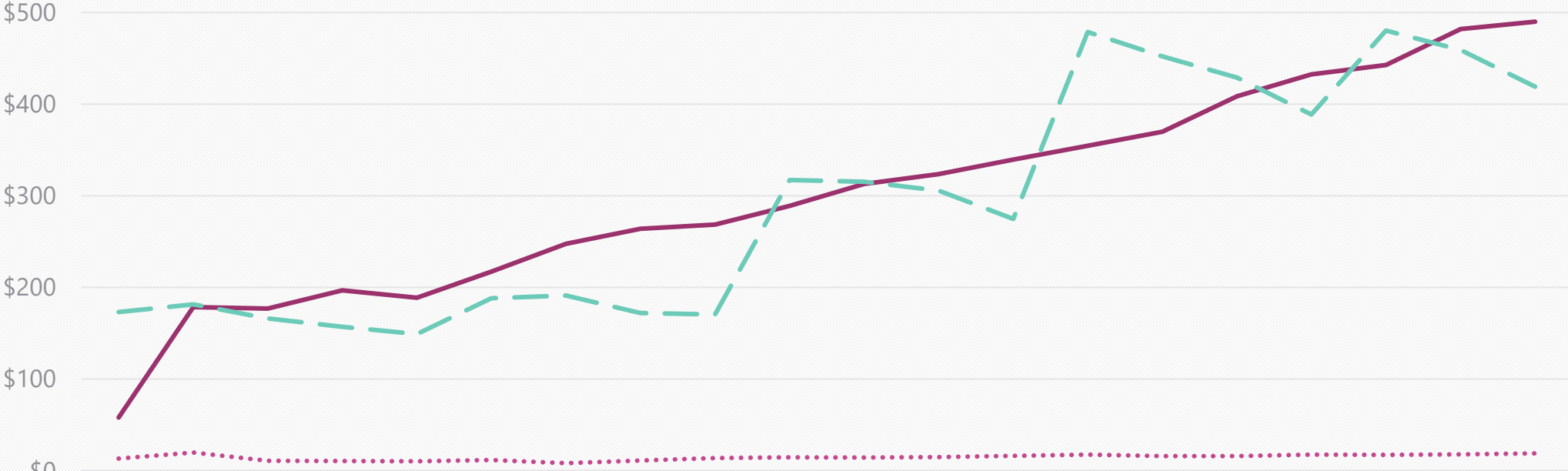


Monthly benefits paid (millions)



- January 2025 had \$171.6 million in benefits paid
 - 5% less than the previous month
 - 16% more than January of the previous year
- \$155.4 million average monthly benefits paid over last twelve months

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

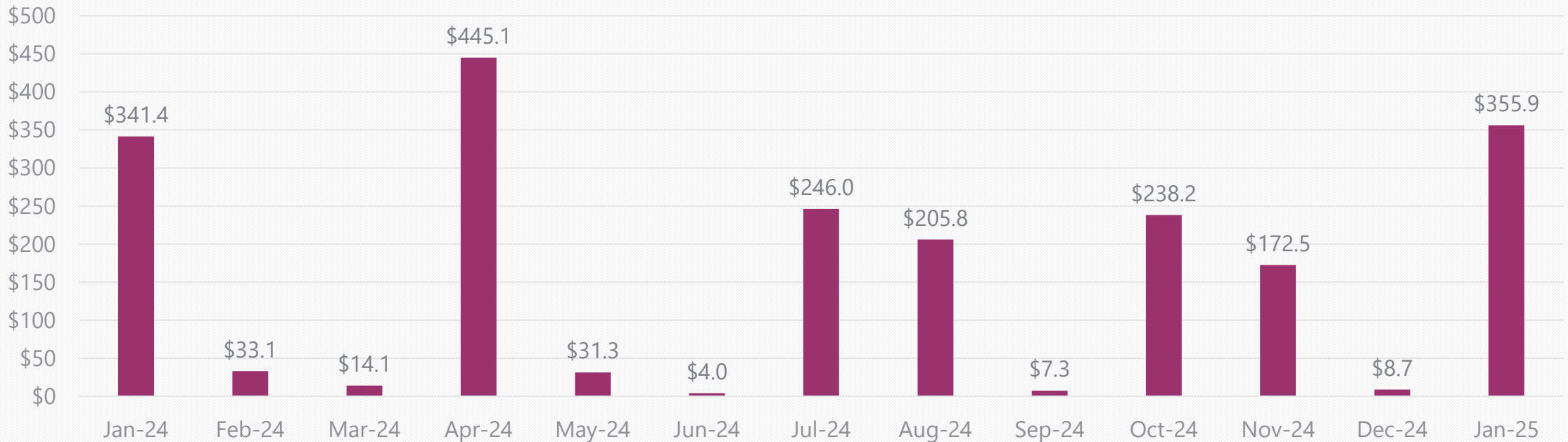


	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	2020				2021				2022				2023				2024			
— Benefits	\$58	\$179	\$177	\$197	\$189	\$217	\$248	\$264	\$269	\$289	\$313	\$324	\$339	\$355	\$370	\$409	\$432	\$443	\$482	\$490
- Premiums	\$173	\$181	\$166	\$157	\$149	\$188	\$191	\$172	\$170	\$317	\$315	\$306	\$275	\$479	\$452	\$429	\$389	\$480	\$459	\$419
..... Operating	\$13	\$20	\$11	\$11	\$10	\$12	\$8	\$11	\$14	\$15	\$14	\$15	\$16	\$18	\$16	\$16	\$18	\$17	\$18	\$19
Account Balance	\$467	\$454	\$427	\$376	\$327	\$287	\$222	\$123	\$19	\$32	\$17	-\$19	-\$98	\$211	\$278	\$284	\$222	\$237	\$209	\$97

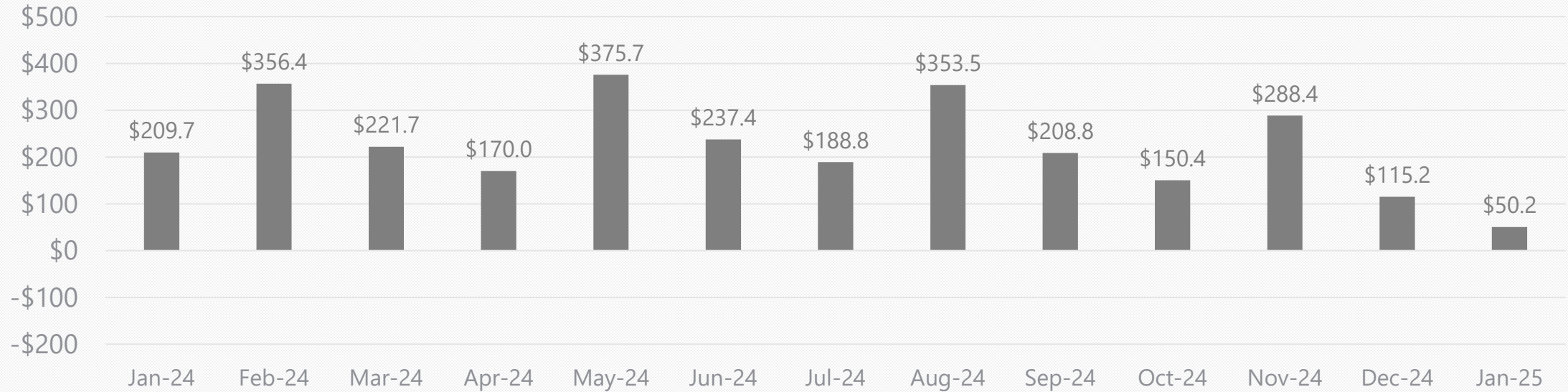
Technical note: Operating expenses in recent quarter are preliminary. Account balance, premiums, and expenses data are from different data systems so numbers will not exactly total within a quarter.

Monthly premiums remitted (millions)

- Cyclical pattern of highest monthly premium transactions occurring at end of quarterly reporting months
- Premiums assessed for each quarter are remitted in the following quarter
- \$355.9 million in premiums remitted in January 2025
 - 4% more than January 2024



Monthly ending account balance (millions)



- January 2025 ending balance was \$50.2 million
- Compared to January 2024, fund balance is \$187.3 million less
 - \$159.7 less than January 2024

Time from application submission to first payment

Month	Average weeks	Median weeks
Jan. 2024	4.9	3.6
Jan. 2025	4.7	3.4

Month	Average weeks	Median weeks
Feb 2024	4.2	3
Mar 2024	3.9	2.7
Apr 2024	3.9	2.7
May 2024	3.7	2.6
June 2024	4	2.7
July 2024	4.2	3
August 2024	4.1	2.9
September 2024	4.4	3.1
October 2024	4.1	2.7
November 2024	4.5	3
December 2024	4.9	3.4
January 2025	4.7	3.4

Phones

Month	Number of calls received for Paid Leave	Percentage of calls into queue*	Percentage of calls answered from Paid Leave queue	Queue time for Paid Leave
January 2024	88,449	35%	65%	25:38
February 2024	77,697	35%	63%	26:41
March 2024	72,791	38%	69%	18:56
April 2024	83,440	37%	64%	24:04
May 2024	73,629	38%	65%	23:46
June 2024	81,217	37%	62%	26:58
July 2024	81,611	42%	58%	27:27
August 2024	66,391	53%	58%	27:19
September 2024	60,042	53%	60%	25:38
October 2024	69,056	53%	59%	26:50
November 2024	66,767	42%	58%	30:05
December 2024	72,384	45%	60%	28:13
January 2025	88,843	39%	57%	31:35

- 16,500 more calls received for Paid Leave in January 2025 than in the previous month
- The percentage of calls into queue and calls answered from queue decreased, while queue time increased.