Advisory Committee Meeting- 09/25/24

Attendance

Committee Members Present
- Beth Marchand, Interim Director ESD Leave and Care
- Edsonya Charles, PFML Ombuds

Employee Representatives
- Samantha Grad, Teamsters 117
- Maggie Humphries, Moms Rising
- Joe Kendo, Washington State Labor Counsel
- Gabriela Quintana, Economic Opportunity Institute

Employer Representatives
- Rose Gundersen, Washington Retail Association
- Lindsey Hueer-Association of WA business
- Julia Gorton, Washington Hospitality Association

ESD Staff
- Cami Feek, ESD Commissioner
- Alison Eldridge, Deputy Director
- Caitlyn Jekel- Government Relations Director
- Jennifer Young- Leave and Care Customer Service Manager
- Mike Juhl- Leave and Care IT Senior Manager
- Cezanne Levesque- Leave and Care Transformation Manager
- Eve Sheng- Managing Actuary
- Karissa Burgess- Actuary 2
- Rebecca Grady, Leave and Care Research& Data Manager
- Jason Barrett- Lead Tax Policy Specialist
- Amanda Siemandel, MA3- running slides
- Erika Ayala, Administrative Assistant 4- taking notes

Agenda

- *Introductions & approval of July minutes*
- *Financial and program updates*
- *Actuarial update*
- *Rulemaking update*
- *Current program priorities*
- *Decision package & legislative updates*
- *Open comment*
- *Adjourn*

Introductions & approval of July Minutes

DISCUSSION	Start time 1:01PM
- Rose Gundersen motions to approve - Julia Gorton seconds approval - All in favor to approve July minutes	

Financial and program updates

NAME	Rebecca Grady and Jennifer Young

Claim applications submitted by type

- In August 2024, we received 26,114 applications
    - 2% more than the previous month
    - 13% more than August of last year
- 44% family, 56% medical
- Three-month rolling average ~ 25K claim applications (over 25k as of September Advisory meeting)

Approval rate and monthly claims with payment(s)

- Percentage of claims approved continues to be relatively stable
    - 87% approved in last 3 months
    - Rose Gundersen- Is the 87% due to high volume?
    - Rebecca Grady- The 87% is a combination of denial and withdraw, not high volume.
- August 2024 total unique paid leave claims: 52,384 with at least one payment in a month
    - 30% more than August of last year

Monthly benefits paid (millions)

- $155.1 million in benefits paid in August
    - 8% less than the previous month
    - 11% more than August 2023
- $143.7 million average monthly benefits paid over last twelve months

Monthly premiums remitted

- 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
- Crowdstrike issue resulted in delay of $174 million Q2 premium receipts until the first week of August
    - July 2024 remitted premiums were $171.5 less than July 2023
    - August 2024 remitted premiums were $174.3 million more than August 2023
    - We got some claims in August that would have been submitted in July due to the Crowdstrike issue

- o Rose Gundersen- The Crowdstrike issue was in August, right?
- o Mike Juhl- It started before then and it was resolved in July.
- o Rose Gundersen- Did it affect premiums paid and collected?
- o Rebecca Grady- A bunch of what we would've collected in July was bumped into August.
- Premium remittance over previous twelve months: $1.75 billion

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

- Benefits 2024 Q2- $443
- Premiums 2024 Q2- $480
- Operating 2024 Q2- $17
- Account Balance Q2 $237

Monthly ending account balance (millions)

- August 2023 ending balance was $399 million
- August 2024 ending balance was $353.5 million
- $45.5 million lower fund balance compared to 2023

Time from application submission to first payment

- These are applications that come through any pathway (applications first submitted, redeterminations, etc)
- There was a slight improvement from July to August
    - o July 2024 Average Weeks- 4.2
    - o July 2024 Median Weeks- 3
    - o August 2024 Average Weeks- 4.1
    - o August 2024 Median Weeks- 2.9
- August was a record-breaking month for applications coming in as well as a high leave month for Paid Leave staff
- Samantha Grad- With the new Decision Package, do we have an estimate of how this will impact processing time numbers?
- Jennifer Young- We di just finish hiring for our frontline staff. We hired 23 ES Benefit Technicians and 14 ES Benefit Specialists (adjudicators). They will still have to go through training, but this will positively impact numbers.
- Edsonya Charles- If someone's application was denied and they submit a redetermination and it is approved, is that included in the time from application submission to first payment?
- Jennifer Young- Yes
- Joe Kendo- Assuming that the new Decision Package that was submitted is approved, do you have a numerical goal for time to first payment?
- Beth Marchand- We are currently working on a metric and will communicate that in the October Advisory meeting.
- Maggie Humphries- To clarify first payment, does that include someone submits their first weekly claim or first payment received?
- Rebecca Grady- It is not when the weekly claim is submitted, but when the weekly claim in approved and the bank transfer happens on or the following day.

Phones

- Percentage of calls into queue increased in July and again in August 2024
    - o June 2024 percentage of calls into queue- 37%

- - o July 2024 percentage of calls into queue- 42%
    - o August 2024 percentage of calls into queue- 53%
- Slight decrease in the percentage of calls answered from Paid Leave queue starting in July 2024
    - o July and August were consistent
    - o June percentage of calls answered from Paid Leave queue- 62%
    - o July percentage of calls answered from Paid Leave queue- 58%
    - o August percentage of calls answered from Paid Leave queue-58%
- Maggie Humphries- Do you have a raw number of how many calls on average over the last year were not able to into the queue?
- Jennifer Young- I do not have that number off hand, but we can get that and provide it to you.
- Joe Kendo- The percent of calls into the queue, logistically what does that look like? What happens to the other 47% of calls not able to make it into the queue?
- Jennifer Young- We try to balance the amount of staff we have to answer calls vs the amount of calls coming in. Otherwise, we would have really long wait times. We increased the amount of calls able to come into the queue in July from 50 to 70.
- Rebecca Grady- Customers are in the queue if they do not receive the high call volume message, which is once they, make the selection from the phone tree. This number is not callers, it is calls. We have no idea how to determine if people are calling multiple times to skew numbers.
- Samantha Grad- Yes, its raising numbers but that's because they cannot get someone on the phone to talk to, to solve their problem. Workers cannot sit on hold, its concerning to me.
- Edsonya Charles- Is one of the things that you are exploring, having the option for call back?
- Alison Eldridge- We have long wanted this. Historically there are challenges with technology.
- Alison Eldrige and John Mattes spoke after the July meeting to see if we can follow up on this and see if we can get it sooner rather than later. In the customer survey, the highest demand from customers, is to have the call back option.
- Rose Gundersen- Does this also include WA Cares calls; I assume there are not many now. If the initiative passes, how soon is it implemented is an ask from workers and employers. This will increase call volume.
- Alison Eldrige and Beth Marchand- We are planning as much as we can plan.

Actuarial update

NAME	Karissa Burgess, Actuary

Introduction

- The following is an overview of:
    - o Historical Paid Leave rates and experience
    - o The current projection of Paid Leave rates and experience through 2028.
- Final 2025 rates will be available later this fall.
- Rates shown after 2025 are only estimates based on current program projections.
    - o Actual rates after 2025 will be calculated with the current data and methodologies relevant for that time period.
- Effort was made to make reasonable assumptions around future experience.
    - o Actual data can vary for many reasons.

Paid Leave rate history and details

- Premium rate capped at 1.20%.
- We will hit cap during the projection
- Total rate includes
  - Family leave – 100% employee
  - Medical leave – 45% employee, 55% employer
- Small employers and elective employees exempt from employer rate (premium exemption)
- Total rate should be low enough to avoid exceeding 3-month reserve as March.
- The current rate method looks at past data and the $200 million cash injection is included.
- *$200 million cash injection in 2023 because of negative account balance.*

New formula since 2024 rate

$$\frac{140\% \, (\text{benefits paid} + \text{admin costs}) - \text{Sept 30 account balance}}{\text{taxable wages}} = \text{Total Premium Rate}$$

- New formula takes account balance into account but has no ability to apply a solvency charge.
- If the rate is inadequate, its inadequate. There is not solvency charge
- 140% factor provides a cushion for future year growth.

Annual actuarial projection includes both rate setting approaches: Baseline formula and actuarial ratemaking

- Provide different lens to manage account financial risks.
- Serve as a check and balance with comparison for both approaches.
- Inform decision-makers of available options if running into same challenges again and again.
- Baseline formula
  - Pros: Transparent, easy to communicate, using actual prior year payment and account balance without any assumptions.
  - Cons: Misalignment between rates (future) and experience (calculation using experience), lack of flexibility to adapt to changing situations or objectives, susceptibility to operational changes/risks.
- Actuarial ratemaking
  - Pros: Align future rates with anticipated experience, ensuring flexibility and mitigating the impact of operational changes/risks, and give credit to more than one year experience. (ex. If there is a Legislative change)
  - Cons: Less transparent, involving assumptions (assumptions based on actual data), and requires communication effort.
- Rose Gundersen- If there is a legislative change, using the actuarial method, we can set a rate to be adequate for change in the future?
- Karissa Burgess- Yes.
- Joe Kendo- When doing actuarial rate making, are there a common set of prospective variables that the agency or actuaries would assume year by year. For example, inflation.
- Karissa Burgess- We look at a variety of assumptions. The formula is very similar, how we are setting premiums to account for those expenses is the only difference. We are looking at past data and past data patterns to provide assumptions and incorporating things that might change in the future that are not available now and how to set the rate for future.

Actuarial report: Executive summary

- For fiscal year 2024
  - Account ending balance was $237 million higher than FY23 projected $220 million. (very close to what we projected)
  - Observed unearned revenue up by $24 million ($19 million higher than historical) possible driven by WA Cares. (effort to collect those wage reports)
  - Rose Gundersen- Can you clarify observed and unearned revenue?
  - Rebecca Grady and Karissa Burgess- This is where we received money a/the company didn't submit a wage report, so we don't know where to allocate the money.
  - Program growth is stabilizing. From FY23 to FY24:
  - ➤ The dollar amount of monthly leave payments increased 25%. The increase from FY22 to FY23 was 24%.
  - ➤ The number of claims increased by 14%. The increase from FY22 to FY23 was 15%. (some people who were not eligible during COVID are not submitting)
  - ➤ Edsonya Charles- Can you clarify, not eligible during COVID?
  - ➤ Karissa Burgess- Employees did not meeting the hours eligibility
  - Workers with small employers worked4 hours more per month than 2019.
- Program forecast
  - Growth is projected to continue, close to doubling in four years.
  - Projected account deficit around Q1 2025 and intermittently until early 2027.
  - Projected CY25 premium rate ~ 0.91%, CY26 ~ 1.16%, reaching the max rate of 1.20% in CY27
  - ➤ TNC experience would swing rates +/-~.01%

How has experience impacted the account balance?

- *Significant growth in revenue mostly offset by growing claims payment*
- Higher average premium rate (0.78%) and increased wage contributed $348 million collected premium.
- Claim benefit payment up by ~$292 million, mostly contributed by bonding and medical leaves.

FY24 claim benefit payment grew about 25% (mostly related to number of claims submitted and the other portion are benefit payments)

- *FY24 total claim payout at $1.67 billion comparing to $1.33 billion in FY23*
- Monthly claim benefit payment at $139 million, 25% higher than prior fiscal year at $111 million
  - Numbers of weeks claim payment up by 18.7%, higher increase than prior year at 15.6%
  - Average payment of leave benefit grew by 5.5%, smaller growth than prior fiscal year at 7.7%
  - ➤ Monthly reported claim counts at 23.4K, 2.9K more than prior fiscal year at 20.5K, and main drivers:
  - Active workers who worked less during pandemic meet hours-worked eligibility in 2023
  - ➤ Active workers refer to those who have reported wage records since 2019
  - ➤ Monthly reported claim counts increased by 0.5K
  - CBA provision sunset effective Jan 2024
  - ➤ Estimated related monthly reported claim counts about 0.6K, and 3.5K from January to June 2024
  - Organic program growth

What might we expect for Paid Leave's future?

- Wage and covered employees' growth continue but slower.
- Claims continue evolving, especially family leaves to care for others and self-medical leaves (non-pregnancy nor birth related).
- TNC Pilot employees join program in Q4 2024. Estimated impact to account balance range is up to $2 mil in FY25, increasing in later years (depending on uptake).

- Program awareness continues to grow.
- Rose Gundersen- How does new TNC driver and new groups eligible affect the account balance? When the program started, wages were submitted, and payments didn't start right away and was time for some build up.
- Rebecca Grady- For CBA, those people become eligible when the CBA expires in January. For those who elect coverage, those people pay in during a period once electing allowing that to build before they can use the funds.
- Elective employees tend to be more costly than non-elective employees.
- TNC employees are elective, but their premiums are paid for them.
- Samatha Grad- There are a lot of TNC folks enrolled but not planning got use Paid Leave right away or at all.

How the future may differ from the projections

- Economic conditions
  - Labor market growth, unemployment rate, inflation etc.
- Social dynamics, key aspects include:
  - Overall trend of social norms
  - Societal structures, such as family and work that can lead to behavior and social interactions
  - Shift in communication patterns that could lead to significant impact of group behavior
- Legislative and policy changes (future things are not used to current projection)
  - Small standalone changes could add up to material impact to the program
- Operational changes, examples as:
  - Different processing time, system breakdown, and claim process changes

Projected Results –Rates & Fund Balance

- *Expect 2025 baseline rate inadequate, and deteriorating account health till 2026 rate are implemented*
- Projected rates
  - CY25 baseline rate at 0.91% vs. FY23 projection at 0.93% (Baseline rate and Projection are similar)
  - CY26 baseline rate likely reaching 1.16%
- Projected account balance (Baseline method is in place for 2025)
  - Using baseline rates
  - ➢ $5 mil by FY2025
  - ➢ $6 mil by FY2026
  - ➢ $637 mil by FY2028
  - Actuarial rates up gradually and result in 3-month reserve $733 mil by FY2028
- Recommendation
  - Consider if and how to leverage the concept of actuarial rate setting approach
  - Thoroughly research possible changes before iterative and gradual implementation
- Joe Kendo- Gradual Implementation, how does that work since we have to use the Baseline rate?
- Karissa Burgess- I mean more towards legislative change and the potential to expand the program.

Actuarial valuation, pricing and forecasting

- Models and objectives
- Valuation model determines unpaid liabilities -financial health as of today
- Pricing model projects rates forward -adequate rate for foreseeable future
- Forecast model estimates possible financial experience -financial implication over time

- Modeling main assumptions
- Covered employee growth
- Average gross wage growth
- Approved leave utilization rates trend
- Average leave benefit payment trend
- Leave benefit and premium collection pattern
- Others

Valuation model output – claim benefit metrics

- *Project historical experience to ultimate, estimate short & long-term trends, and expect positive future trend for some metrics*
- Utilization rate growth decelerated in first half fiscal year and accelerated in second half
- Approval % and leave duration has largely stabilized for family and medical leaves
- Weekly benefit payments continue to grow – 5% growth in FY24

Pricing model output – rates, expenditures

- *Actuarial rates resolve solvency concern in 2025, reach 3-month reserve by 2028, and offset expenses with interest income*
- Projected baseline rates more volatile comparing to actuarial ratemaking based rates
  - Result in inconsistent financial performance with a loss of 4 cents per dollar of premium in 2025 (104%), and gain of 13 cents in 2026 (87%)
  - 2028 shows reduced gain at 2 cents per dollar of premium than 2027due to rate fluctuations
- Projected actuarial rates result in consistent financial performance with 3-month target reserve at end of 2028

Forecast model output –account balance by month

- *Estimated baseline account balance in any given March is less than 3-month reserve*
- Account solvency status
  - Account balance likely in deficit as early as Mar 2025
  - Account could stay in deficit post Mar 2025 most of the time
  - Account is projected to cease deficits after early 2027
- Rose Gundersen- 2026, is that still a deficit in March
- Karissa Burgess- Yes there will still be deficits in 2026 but once we receive premiums in April, we expect the deficit to alleviate.
- This is using the Baseline method, with the actuarial method, there is not a deficit past 2025.

Rulemaking update

NAME	Jason Barret

Current package includes:

- Adding certified naturopaths to the definition of health care provider.

- Edsonya Charles- Have you thought of adding licensed social workers to the list of health care providers?
- Jason Barret- This is a conversation that we are willing to have but we were not aware of a prior request from the customer care team.
- Edsonya Charles- Many receive pyscho therapy from licensed social workers due to the lack of mental health workers in Washington state.
- Sunsetting pandemic leave assistance.
- Allowing verbal authorization of a designated representative in some cases.
- Edsonya Charles- Verbal Authorization, what does this mean as a practical matter?
- Jason Barret- Not a specific case use but it maximizes the departments flexibility to be comfortable making the decision rather than specify.
- Clarifying that hours worked in self-employment during a period of leave should be reported on a weekly claim. The WAC does not specific hours worked in self-employment to be reported.
- Changing gender-specific pronouns to gender-neutral pronouns. Change the WAC
- Aligning deadline to submit an initial application when good cause factors exist (seven days) with current standard backdating allowance (30 days).
- Setting prevailing interest at 1% for damages.
- Edsonya Charles- Prevailing interest varied depending on the economy, why the decision to define at 1%?
- Jason Barret- We have had conversation with the attorney general and many others and there are no guidelines around definition, meanwhile our compliance team still has to assess damages that are considered late. This gives compliance a place to start.
- Joe Kendo- Is that % per month or annualized?
- Jason Barret- That's 1% per year.
- Joe Kendo- That like interest free.
- Jason Barret- It could be low but it gives compliance a place to start and we can always revisit.

Current program priorities

NAME	Alison Eldridge and Cezanne Levesque

Achievements

- 5586 changes
  - Employers, employer agents, and staff can access information over multiple years. The file name will also start with the year of data.
  - Downloads will now include the last time an employee's record was updated and the employee's date of birth.
- Improvements to staff functionality include:
  - Automated case routing of benefit claims from Spanish-speaking customers to dual-language specialists.
  - Increased visibility for staff on benefit payment details to improve service to customers – historic banking info, routing and account numbers, etc.
  - Eliminated manual work for System Operations by automating or creating self-service functions for Finance staff.

- o Ability to preview the impact of a change to the leave end date before committing the change (i.e. if they change the leave end date, which weekly claims are added or removed).
  - o Removed clicks from redetermination processing (consolidation of screens).
  - o Adding visibility to historic claim details to reduce staff time on processing.
  - o Added functionality for staff to pin and unpin notes in timeline in case management.
- Productivity Board recognition
  - o The Productivity Board, a state employee incentive program of the Office of the Secretary of State, voted unanimously earlier this month to recognize four state employees whose ideas will save the state money. Among them is one of our employees, Hollyann Dahlberg.
  - o Her idea – to pre-translate customer correspondence into common languages – will not only save money, but it will improve the customer experience (customers will get important letters and documents faster), and improves staff efficiency

Current Projects

- Two new projects:
- ITIN & dialect updates to benefit application
  - o Updating SSN fields on application to be inclusive of ITIN.
  - o Update customer-facing materials to tell customers they can apply online with an ITIN.
  - o Update the benefit application to collect dialect in addition to preferred language.
  - ➢ 4 out of the 18 language options on the application will have a drop-down where dialect can be selected.
  - ➢ The dialects listed are those that are used by our translation vendor.
  - ➢ If a customer selects 'other' as a preferred language and chooses to write-in their language, the field will indicate to enter 'preferred language AND dialect.'
  - ➢ Also adding French to our list of languages as it's the most common write-in for those who select 'other.'
- This project is slated to be completed by December 2024
- Roser Gundersen- Dialect, is this related to language
- Alison Eldridge- We added language preference to the application years ago, but we found that we need to add dialect as an option as well.
- 2024 1099s- Yearly project

Future work

- Next
  - o Automate crossmatching UI with Paid Leave benefits
  - o Weekly claim redeterminations
  - o Benefit overpayments
  - o Quality assurance revamp
  - o Stable data infrastructure
  - o WorkSource partnership
  - o Benefit application improvements
  - o Implement community engagement program
- Later
  - o Penalties and interest (employer and employee)
  - o Adding county & legislative district to database
  - o Elective coverage for tribes

- o Crossmatch L&I with Paid Leave benefits
- o Collections (employer & employee)
- o Conditional benefit payments
- o Pre-application for benefits
- o Implement comprehensive authorized representative process
- Rose Gundersen- Do you have a target date for the next and later projects?
- Alison Eldridge- We have a road map that plots out the start dates.
- Roser Gundersen- Can you bring that roadmap to a future meeting?
- Alison Eldridge- Yes

Decision package & legislative updates

NAME	Beth Marchand and Caitlyn Jekel

Decision package overview

- Division-led
- 98 FTE over the biennium to:
- Support expected caseload growth.
- Increase capacity for strategic operational and customer-facing improvements.
- Provide administrative support.
- Agency-led
- A single UI and Paid leave Outreach Strategy- Those underserved by the program, we have leveraged some federal funds
- Customer Compliance Integration- Have this built into ESD not siloed
- Identity verification, fraud, overpayments, collections-premiums, building crossmatch, and audit functions

Open Comment

NAME	

- No open comment

Adjourn at 2:40 pm