

Advisory Committee Meeting- 02/26/2025

Attendance

Committee Members Present

- Cami Feek – ESD Commissioner
- 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 Huer - Association of WA business
- Julia Gorton - Washington Hospitality Association
- Tammie Hetrick - WA Food Industry Association

ESD Staff

- Alison Eldridge - Leave and Care Deputy Director
- John Mattes - Leave and Care Assistant Director
- Eve Sheng- Managing Actuary
- Josh Dye - Interim Director Government Relations
- Brian Kennedy – Leave and Care Legislative Manager
- Josh Dye - Interim Director Government Relations
- Karissa Burgess - Actuary 2
- Cezanne Levesque - Group Product Manager
- Chris Barron - Communications Director
- Jared Nilson - Executive Services Coordinator
- Mike Juhl - IT Senior Manager
- Jason Barrett - Lead Tax Policy Specialist
- Nicole Ross - Employer Customer Service Manager
- Amanda Siemandel - MA3- running slides
- Rachel Turner - Administrative Assistant 3- taking notes

Agenda

- Introductions and approval of January minutes
- Commissioner updates
- Program performance goals
- Actuarial update
- IRS guidance
- Legislative updates
- Open comment

Introduction & Approval of January Minutes

DISCUSSION	Start time – 2:03pm
<ul style="list-style-type: none"> • Lindsey Huer moves to approve January meeting minutes • Samantha Grad motions 2nd to approve • All in favor to approve January meeting minutes 	

Commissioner Updates

NAME	Cami Feek
<ul style="list-style-type: none"> • Director Hiring <ul style="list-style-type: none"> • Appointed JR Richards Director of Insurance Services. Will bring holistic service delivery opportunities to engage w/ different divisions • Beth did an excellent job as Interim Director 	

Program Performance Goals

NAME	Rebecca Grady
Customer-focused Performance Goals <ul style="list-style-type: none"> • Benefits wait time <ul style="list-style-type: none"> ▪ Time to application decision ▪ Time to first weekly claim processed • Customer contact response time <ul style="list-style-type: none"> ▪ Phone hold time ▪ Secure message & email response time • Employer accounts <ul style="list-style-type: none"> ▪ Full account access 	
Benefit Wait Time <ul style="list-style-type: none"> • Time to application decision goal 75% within 14 days (“historical two weeks”) • Time to first weekly claim processed goal 75% within 21 days 	
Customer Contact Response Time <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • 80% of contacts meeting response time goals. Split out tracking by contact type and customer. 	
Employer Accounts <ul style="list-style-type: none"> • 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
- Envisioning long term goals effected by funding and staff approvals
- Open to discuss timeline less than 21 days when meeting 1st goal (21 days total)
- Can't track timelines on e-mails
- ERs can meet basic program requirements without full account access but need it to:
 - Add users
 - Change addresses
 - View employee benefits
 - Contact types

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 components

Rose - For ER accounts 65% seems low. Is that all employers or 65% of data?

Rebecca- 65% of employers. Goal is based around that many ERs as some contract out to third part and won't want full access.

Edsonya- Congrats to staff for the last couple of weeks claim time. Need to identify barriers for more ERs to have full access.

Rebecca- We need better analytics into work buckets.

Alison- Currently they come into portal and establish in limited way then a pin letter gets sent allowing them to establish full access. We have a pin bypass as alternate route as needed. You can't see what you don't have access to. We are making changes to make those visible but grayed out and they can request access to it.

Rose- What do you verify?

Nicole- Emails need to match SAW ID. May need to request address update for pin to be sent to.

Rose- Seems burdensome. Is there a way to improve it?

Alison- We can engage with you to improve functionality.

Maggie- Info in portal is very private. I think security is very important.

Actuarial Update

NAME

Karissa Burgess

Premium wages lower due to more hitting wage cap.

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

Reported Wages by Quarter

- 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

- 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.

Comparing claim types

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

Claim types with higher growth		Claim types with lower growth	
Family Care	SelfMed	Birth-Related SelfMed	Bonding
<ul style="list-style-type: none">2023: \$165.5M2024: \$234.9MChange: \$69.4M, +42%	<ul style="list-style-type: none">2023: \$529.7M2024: \$689.2MChange: \$159.5M, +30%	<ul style="list-style-type: none">2023: \$246.2M2024: \$264.1MChange: \$17.9M, +7%	<ul style="list-style-type: none">2023: \$606.7M2024: \$709.5MChange: \$103.9M, +17%
<ul style="list-style-type: none">Change projected: 39%Represents 12% of total claims in 2024	<ul style="list-style-type: none">Change projected: 34%Represents 36% of total claims in 2024	<ul style="list-style-type: none">Change projected: 12%Represents 14% of total claims in 2024	<ul style="list-style-type: none">Change projected: 17%Represents 37% of total claims in 2024

2023 & 2024 are an actuarial estimate
Based on incurred claims

NAME	Jason Barret
<p>We are still waiting to find out what is required of us before implementing.</p> <ul style="list-style-type: none"> On January 15, 2025, the IRS released <u>REV. Rul. 2025-4</u> Guidance is not specific to any single state The ruling is effective for payments made <i>on or after January 1, 2025</i> The IRS solicited questions and comments from interested parties Must be submitted <i>no later than April 15, 2025</i> <p>What it means</p> <ul style="list-style-type: none"> Guidance attempts to address <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> Employers with a voluntary plan. Payments made for small business assistance grants <p>Ruling Breakdown (Benefits)</p> <p>Family Leave – 1099 must be submitted</p> <p>Medical Leave - 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. The department has several questions about how this guidance impacts our program given the specifics of how employer contributions work in Washington.</p> <p>Ruling Breakdown (Premiums)</p> <p>Family Leave</p> <ul style="list-style-type: none"> Required: Total required of EE are included in gross income. (W-2 & Pay Stubs) -EE Premiums Not Required: If the ER “picks up” any EE premiums that the EE is responsible for, include in gross income. (W-2 & Pay Stubs) -ER Premiums <p>Medical Leave</p> <ul style="list-style-type: none"> Required: Total required of EE are included in gross income. (W-2 & Pay Stubs) – EE Premiums 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) – ER Premiums <p>What we don’t know</p> <ul style="list-style-type: none"> 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 <p>Next Steps</p>	

- 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.

Key is to understand % of EE benefits report to IRS. Details from IRS is main goal over next couple of months.

Maggie- Is it correct that medical leave is 100% EE paid, and IRS won't consider taxable income? Can the department carry equitable practices to the IRS?

Jason- Correct. We welcome all feedback, questions and comments to take to the IRS.

Legislative Update

NAME	Josh Dye
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 <ul style="list-style-type: none"> • Expands eligibility • Addresses stacking with FMLA provisions • Sets employer and ESD notification requirements Modifies method of employer sizing Expands SBA grant program <ul style="list-style-type: none"> • 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 SSB 5292: Paid Leave premium rate setting: Premium rate to be set based on actuarial report <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • 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	

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/Open Comment

NAME	
	<ul style="list-style-type: none">Next meeting: 3-4pm 4/23/25 (Virtual)<ul style="list-style-type: none">Topics: Ombuds report, legislative wrap-upNo Open CommentAdjourn 3:02pm