

Washington
Paid Family & Medical Leave



Employment Security Department
WASHINGTON STATE

Advisory Committee Meeting

Wednesday, October 25, 2023

Agenda Introductions & approve September minutes

Program & fiscal updates

Actuarial update

Current program priorities

Advisory meetings during session

Open comment & adjourn

Meeting structure

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

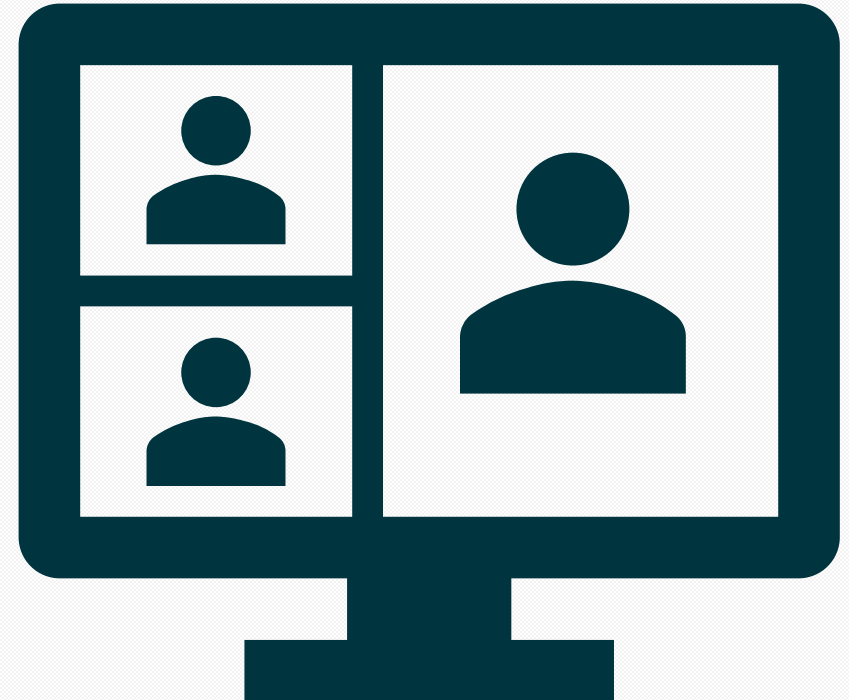
Public to hold all feedback until open comment at the end.

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 September minutes



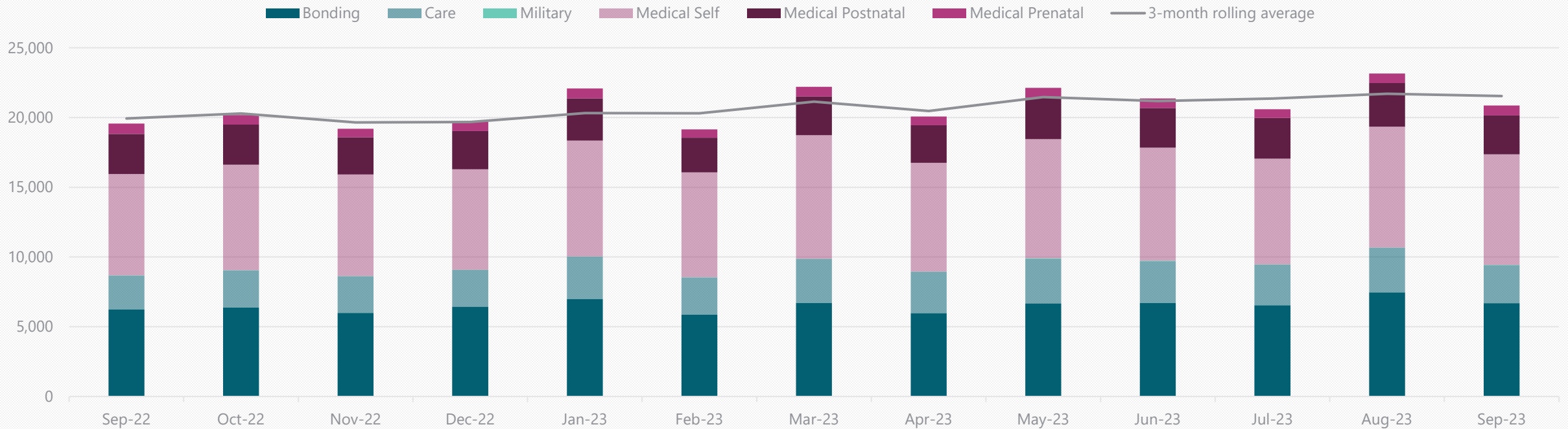
Program and fiscal update

Steve Zawoysky, Treasury Manager

Brian Kennedy, Forecast & Economic Analyst

John Mattes, Operations Manager

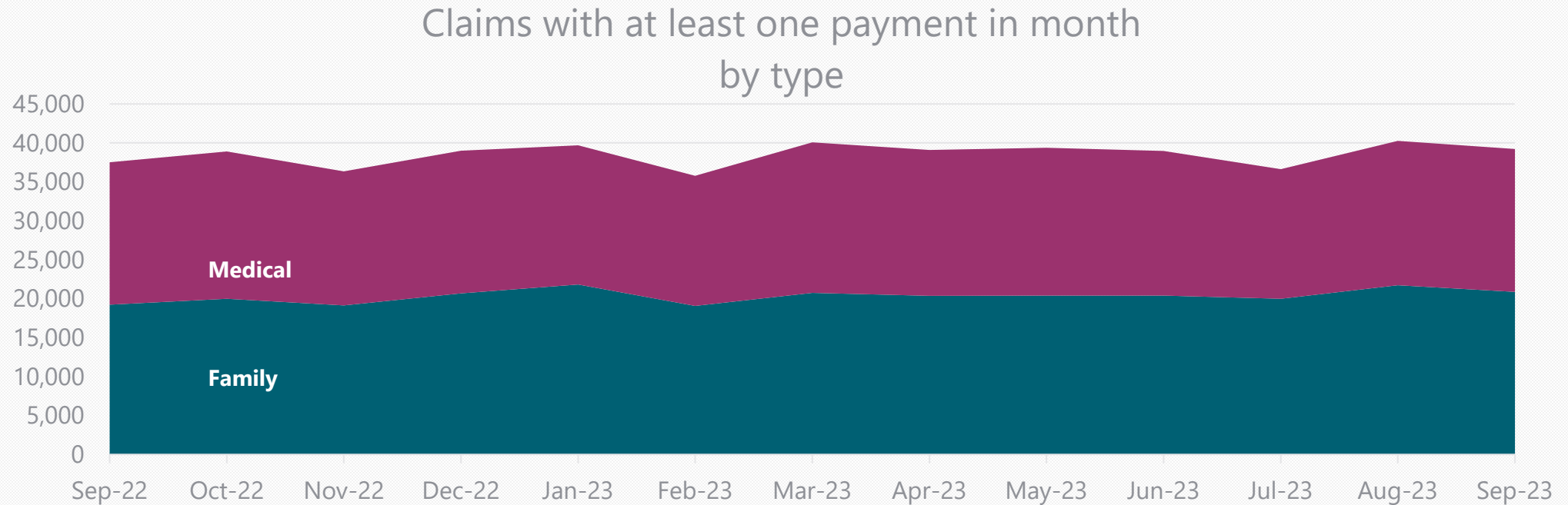
Claim applications submitted by type



- September 2023, we received 20,865 applications
 - 10% less than last month
 - 7% more than September of last year
- Continue to see shift towards medical leave types ~ 45% family, 55% medical
- Three-month rolling average ~ 21K claim applications

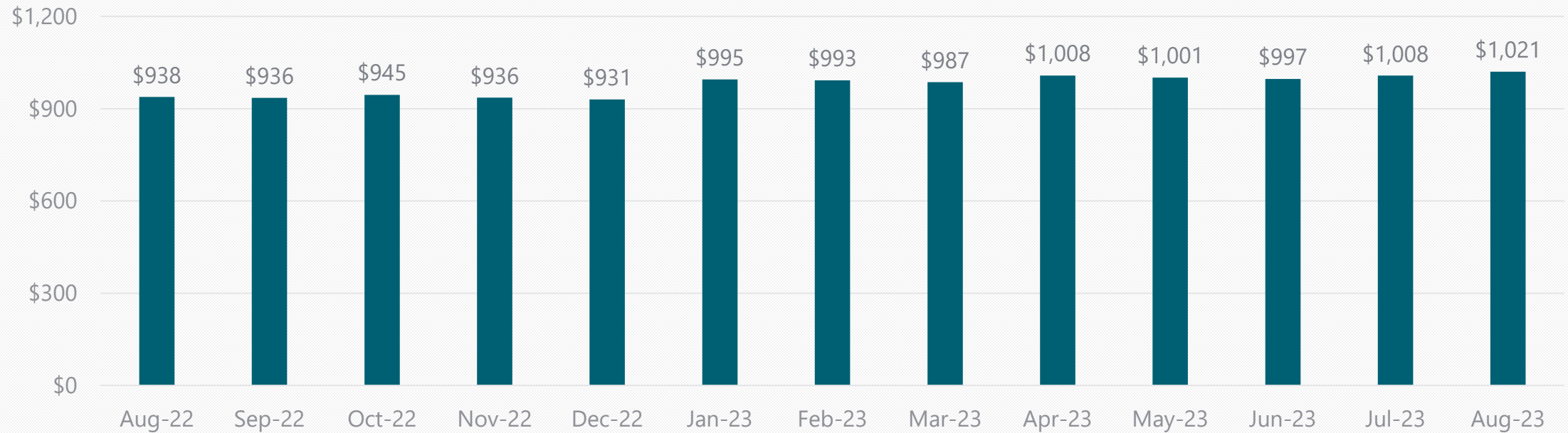
Approval rate and monthly claims with payment(s)

- Percentage of claims approved continues to be relatively stable in past year
- Unique leave claims in the last 12 months – 121,853 family and 131,930 medical
- September 2023 total unique paid leave claims: 39,229
 - 5% more than September of last year



Weekly benefit levels

- Jan-Sept 2023 average: \$1,003
 - 7% higher than Jan-Sept of 2022, \$934

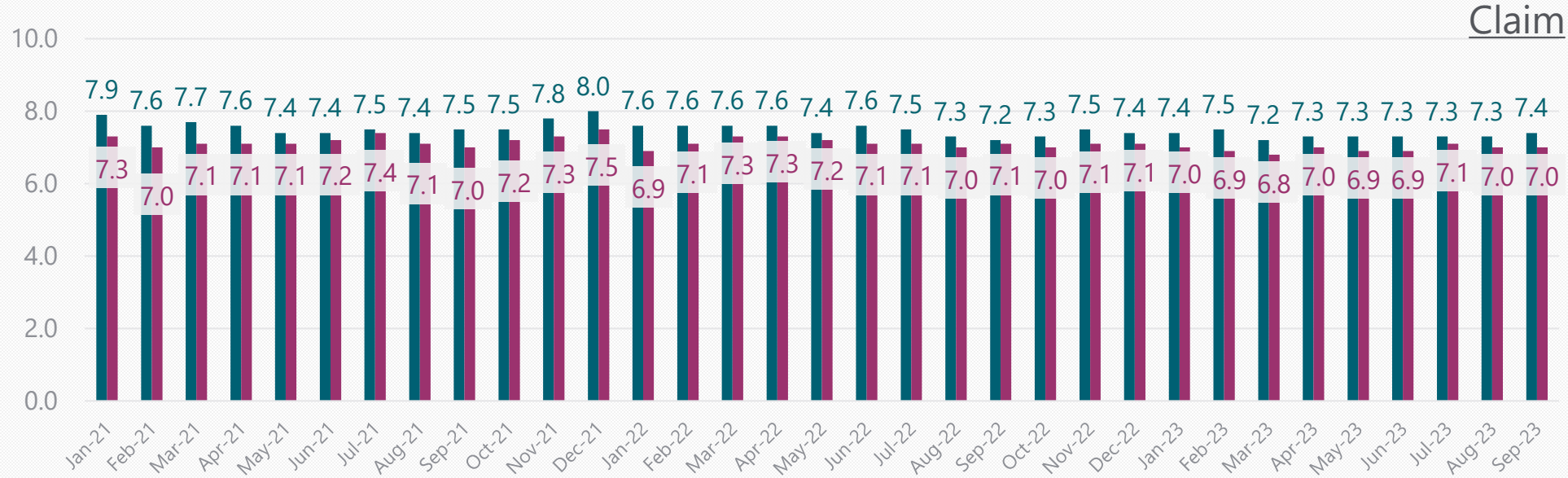


Technical note: Average weekly benefit amount for approved claims grouped by claim year start month, most recent months typically drop slightly as data matures.

Lengths of leave (average)

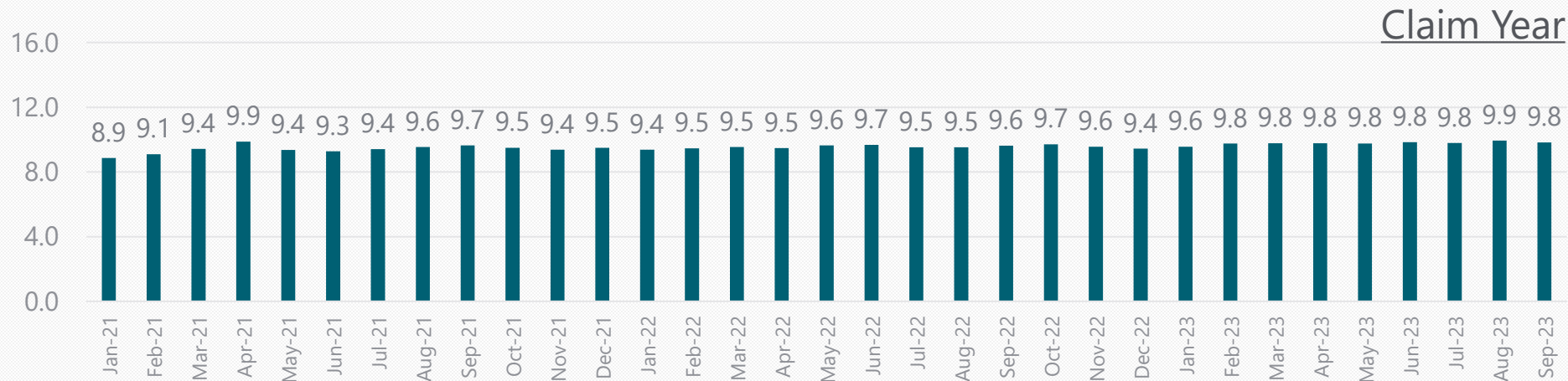
Comparing to 2022

- Family: 7.6 weeks
- Medical: 7.3 weeks



Comparing to 2022

- 9.6 weeks

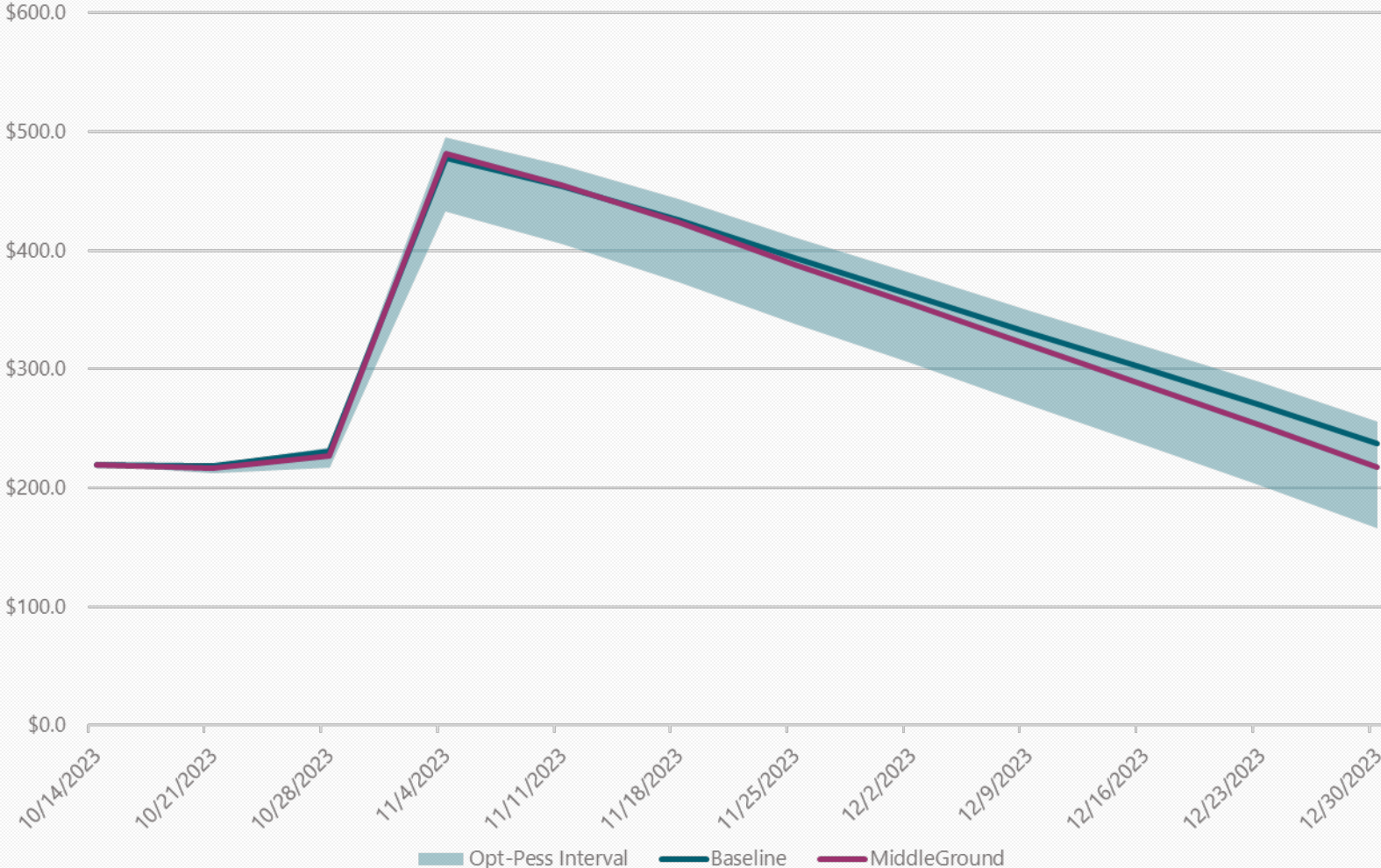




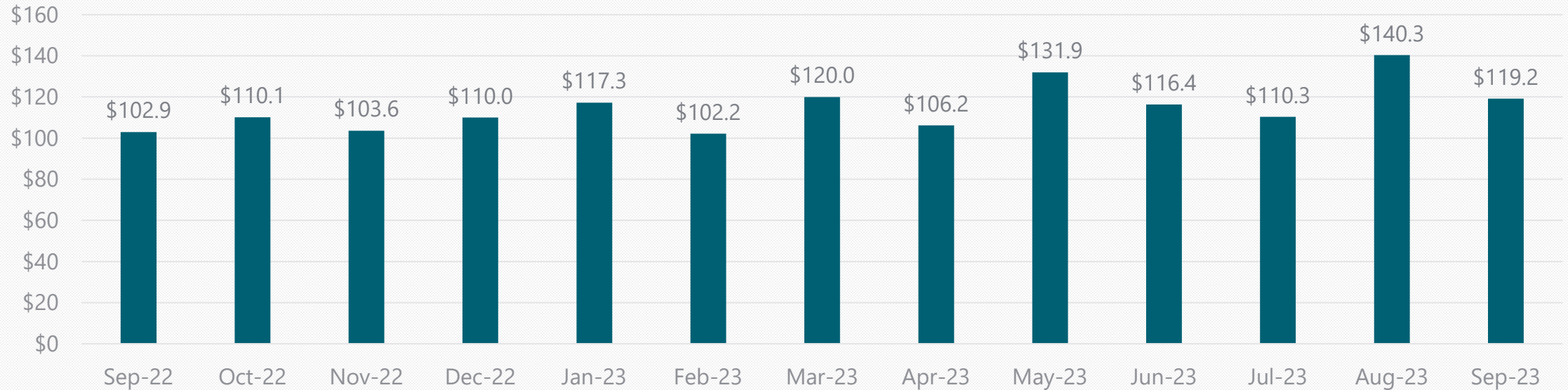
Fiscal projections

- Lowered risk of short-term deficit in future cycles but still a concern for a couple years
- Will take a few years to establish 3-month reserve

Paid Leave Account Balance: Cash Flow Projections
Historical data through week ending 10-14-23



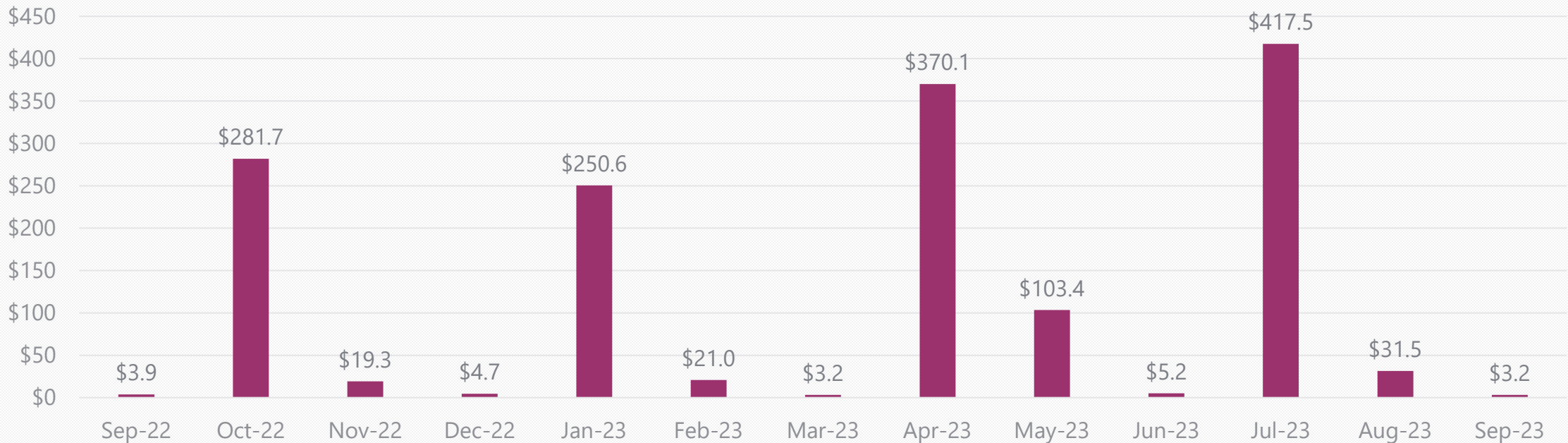
Monthly benefits paid (millions)



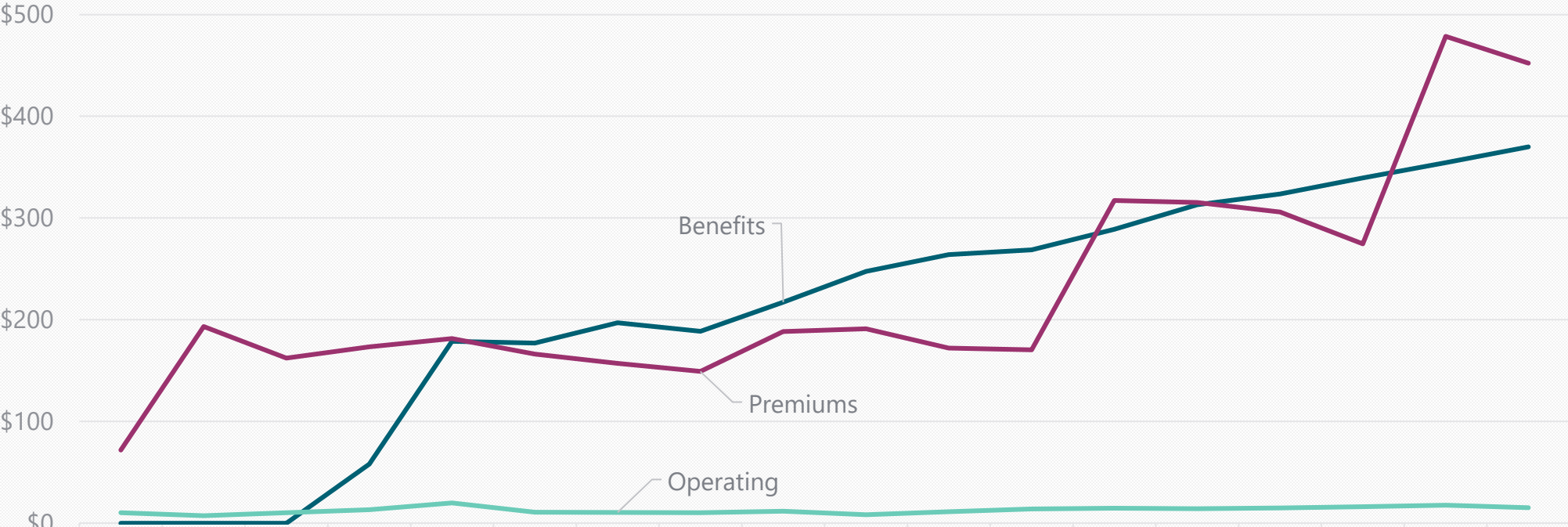
- September 2023 had \$119.2 million in benefits paid
 - 15% less than August
 - 16% more than last September
- Over \$1 billion in benefits paid in 2023 Q1-Q3
 - \$193.2 million more, or 22% higher, than 2022 Q1-Q3
 - \$11.4 million lower than projections
- \$115.6 million average monthly benefits paid over preceding twelve months

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
- Q2 Premiums remitted July through September were \$452.2 million compared to \$315.4 million in same period of 2022—an increase of 43%

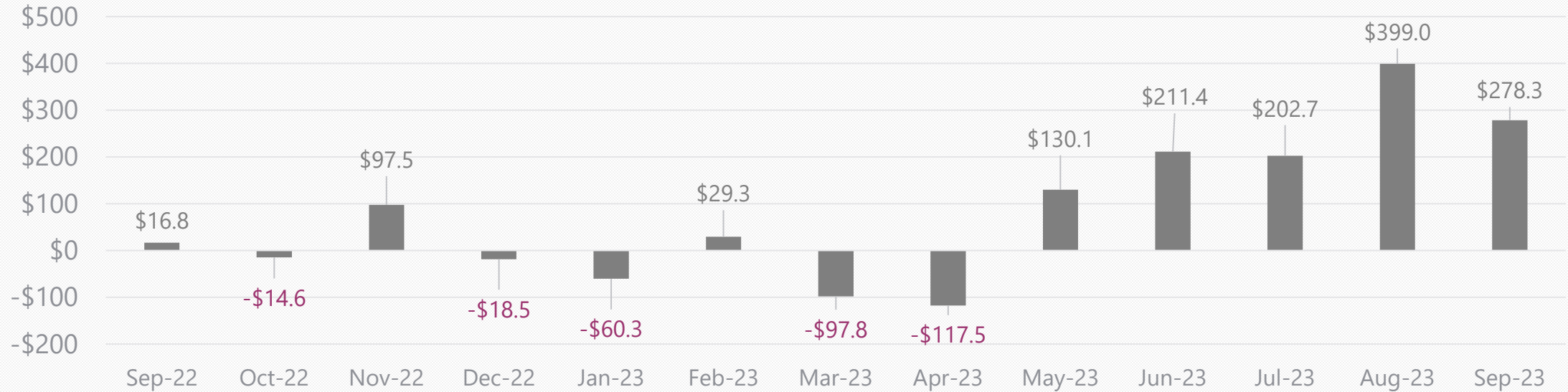


Premiums, benefits, operating expenses, and account balance by quarter (millions)



	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	2023-2	2023-3
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	\$354.5	\$369.9
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	\$478.7	\$452.2
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	\$17.7	\$15.2
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	\$211.4	\$278.3

Monthly ending account balance (millions)



- September 2022 ending balance was \$16.8 million
- September 2023 ending balance was \$278.3 million
- September year over year increase in account balance due to:
 - \$200 million FY23 supplemental budget transfer
 - \$61.5 million excess of total revenues over expenditures (includes benefits and administrative expenses)

Time from application submission to first payment

Month	Average weeks	Median weeks
Sept 2022	4.1	3.3
Sept 2023	5.1	4.4

Month	Average weeks	Median weeks
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
June 2023	4.7	3.6
July 2023	5.3	4.3
Aug 2023	5.3	4.4
Sept 2023	5.1	4.4

Phones

Month	Percentage of calls into queue*	Percentage of calls answered from Paid Leave queue	Queue time for Paid Leave
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
June 2023	75%	66%	22:35
July 2023	62%	57%	27:23
August 2023	66%	50%	25:24
September 2023	48%	46%	29:20

Since September 2022:

- 6% increase in calls into queue.
- 38% decrease in calls answered

2024 Premium Rate Update

Brian Kennedy, Forecast & Economic Analyst

2024 Premium Rate

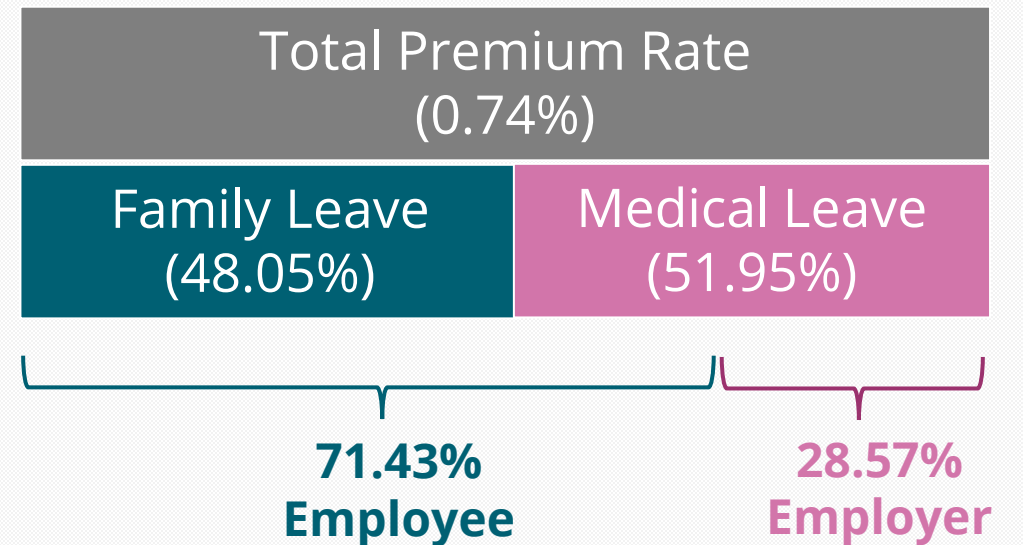
$$\frac{140\% (\textit{benefits paid} + \textit{admin costs}) - \textit{Sept 30 account balance}}{\textit{taxable wages}} = \textit{Premium Rate}$$



$$\frac{140\% (\$1,330,696,745 + \$63,196,067) - \$278,315,988}{\$227,292,119,118} = 0.74\%$$

2024 Premium Rate

- 0.74% premium rate
 - Slightly lower than 2023 rate (0.80%)
 - Still some risk of short-term deficits → notably 2025 Q1
- Employer-employee contributions stayed relatively the same
 - Employee portion reduced by roughly 1%
 - Inversely, employer portion grew by roughly 1%



Weekly Premium per Employee

2023

0.8% rate with 50% Family and 50% Medical

Minimum Wage (16.28/hr or \$33,862/yr)

Average Wage (\$82,886/yr)

2023 Social Security Cap (\$168,600/yr)

2024

0.74% rate with 48% Family and 52% Medical

Minimum Wage (16.28/hr or \$33,862/yr)

Average Wage (\$82,886/yr)

2023 Social Security Cap (\$168,600/yr)

Total Premium



Employee Portion



Employer Portion



\$5.21

\$3.79

\$1.42

\$12.75

\$9.28

\$3.47

\$25.94

\$18.87

\$7.07

\$4.82

\$3.44

\$1.38

\$11.80

\$8.43

\$3.37

\$23.99

\$17.14

\$6.85



Annual Premium on Median Payroll for Employers

2023

0.8% rate with 50% Family and 50% Medical

	Employer Portion
Small <50 (est. taxable wages \$115,578)	\$252
Medium 50-150 (est. taxable wages \$4,157,175)	\$9,059
Large >150 (est. taxable wages \$17,852,197)	\$38,904
Per \$1 million payroll	\$2,179



2024

0.74% rate with 48% Family and 52% Medical

Small <50 (est. taxable wages \$115,578)	\$244
Medium 50-150 (est. taxable wages \$4,157,175)	\$8,789
Large >150 (est. taxable wages \$17,852,197)	\$37,743
Per \$1 million payroll	\$2,114



Actuarial updates

Eve Sheng, Managing Actuary

Paid Leave Vision and Mission Statements

Vision

For Washingtonians to be able to take time to care for themselves and the people they love

Mission

To provide an easily accessible benefit that helps employers and employees maintain economic stability and peace of mind in challenging times

How does the Office of Actuarial Services support the program's vision and mission?

Where We are, What we could do next, and How

Current State	Recommendations/Actions	Future State (2-4 Years)
Data <ul style="list-style-type: none"> Basic premium, wage, claim tables Known key data challenges and its impact 	A single source of truth meeting actuarial needs e.g. Actuarial data warehouse with consistent, accurate and complete data for both aggregate and defined levels' analysis	e.g. <ul style="list-style-type: none"> Reconcile to ledger Allow for segment level analysis Reduce data work under 30%
Risk Management <ul style="list-style-type: none"> Advised the financial condition today and in foreseeable future under existing pricing structure 	Sound, trusted and cost-effective program e.g. <ul style="list-style-type: none"> Consider adopting actuarial premium rates Mitigate overpayment from conflicting wages Address variance between premium paid vs. unpaid 	e.g. <ul style="list-style-type: none"> Adopt actuarial rate Analytic solution for overpayment, delayed payment
Compliance <ul style="list-style-type: none"> Incorporated sound claim liability in GAAP financial statements 	Meet audit requirements and industry standard e.g. <ul style="list-style-type: none"> Streamline in GAAP reporting process Roadmap for official Statutory Accounting Principles (SAP) financial statements 	e.g. <ul style="list-style-type: none"> Robust GAAP reporting process Pilot SAP financial statement

How: We prioritize progress over perfection, practice with growth mindset and clear expectations, leverage the power of collaboration, and optimize cost strategically while upskilling our capabilities

Program priorities

Alison Eldridge, Transformation Manager

Current Priorities

Project	Status	Due date
Increase equitable benefit access using data	Nearing close	9/30/2023
WA Cares: Wage reporting and premiums collection	Nearing close	10/31/2023
Increasing Paid Leave support in WorkSource Centers	In progress	10/31/2023
Enable remaining employers to report online	In progress	10/31/2023
Unclaimed property	In progress	10/31/2023
Employer webinars	In progress	12/31/2023
WA Cares: Elective coverage reporting and payments	In progress	12/31/2023
Annual changes 2024	In initiation	1/15/2024
2023 1099s	In progress	1/31/2024
Cloud migration: AX and portal	In progress	3/1/2024
Expiring CBA provisions for Paid Leave	In progress	3/31/2024
Sharing employee benefit data with employers (5586)	In progress	3/31/2024
Community engagement model for Paid Leave benefits	In progress	4/30/2024

Future work

Next

- **Benefit application and adjudication improvements**
(including date of placement change)
- **Redetermination improvements**
- TNC Pilot (HB 1570)
- Develop a division employee engagement plan
- Support performance management
- **Withhold child support from Paid Leave benefits**
- **Crossmatch UI with Paid Leave benefits**

Later

- **Benefit overpayments**
- **Penalties and interest (employer and employee)**
- **Adding county & legislative district to database**
- **Elective coverage for tribes**
- **Crossmatching L&I with Paid Leave benefits**
- **Collections (employer & employee)**
- **Conditional benefit payments**
- Pre-application for benefits
- Implement community engagement program
- Implement comprehensive authorized representative process

Update on “date of placement”

April Amundson, Policy Manager

“Placement” in statute

“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.**

Current state

“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.

Next steps

Proposed change to the current definition of “placement.”

- Amend “placement” to begin at date of when the child was first placed in the home **or** the date of adoption.
- Entitlement expires at the end of the 12-month period from the date the child was first placed for foster care **or**, if no leave was taken at foster placement, then 12 months from the adoption date. ****RCW 50A.15.065**
- Parents can only have 12 weeks of bonding for a child and cannot take it at both foster placement and adoption.

Implementation plan

- CR 101 filed Oct. 3, 2023, to propose amendments to the definition of placement.
- If adopted, rules changes will be effective and changes implemented in late spring 2024.

Next meeting

Details

- Wednesday, December 15, 1 to 3 p.m.

Proposed topics

- Program annual report highlights
- Governor's budget
- Legislative session prep

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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