



Preliminary Cost-Benefit Analysis

Health Care Workers

Introduction

Pursuant to RCW 34.05.328, the Employment Security Department (Department) hereby analyzes the costs and benefits of permanently adopting rules regarding health care workers.

Costs

COSTS FOR THE DEPARTMENT

The Department anticipates a one-time cost of \$5,000 to implement the amended rules. The costs include policy manual updates and staff training.

COSTS FOR THE PUBLIC

Public costs from the proposed rule arise from possible changes to the tax rate assigned to employers. Employer contributions to the Unemployment Insurance Trust Fund (Trust Fund) are based on two factors: Experience Rating and Social Cost. Just as drivers with a history of at-risk behavior pay higher automobile insurance premiums, employers with a history of more benefit claims generally will pay a higher unemployment tax rate. In 2021, employers paid unemployment taxes on the first \$56,500 of each employee's earnings. The average unemployment tax rate in 2021 was 1.06%, up from 1.03% in 2020.

Experience Rating

An employer's experience rating is based on charged benefits to the individual employer. The experience-based tax is based on the amount of unemployment benefits paid to former employees over the previous four years. The four-year rolling average cushions the effect of one bad year for an employer. There are 40 experience-rate classes, and employers move up and down those classes based on their past experience. New businesses are charged an experience rating associated with their respective industry until the business establishes an individual experience rating, with a federal mandated minimum of 1% for new businesses.

In 2021, there were 126,440 Washington employers in experience-rate classes 1 through 5 with an average Unemployment Insurance (UI) tax rate of 0.31%, or an average of \$47.97 per employee per year. This accounted for 70% of total employers. There were 4,591 experience-rate class 40 employers, 2.55% of total employers, with a UI tax rate of 6.03%, or an average of \$933.15 per employee per year.

Social-Cost Tax

The social-cost tax is a secondary assessment that is assessed to all Washington employers. As part of the state's COVID-19 pandemic response, the social-cost tax was set by the Legislature at .5% for 2021, rising to .75% for 2022. The social-cost tax covers unemployment costs that cannot be recovered from specific businesses. During economic recessions, when benefits paid far exceed taxes collected, the social-cost tax acts as a brake to slow the decline of the Trust Fund so employers are not hit by sharper, more sudden tax increases.

Health Care Workers Rule Costs

Due to the complexity of contribution calculations, the Department is unable to forecast the costs to individual businesses. The proposed rule will create additional benefit charges, as employers charged under WAC 192-320-075(3) will be charged for 100% of certain claimant's benefits (though an unknown number of those benefit charges would have been charged 100% regardless of the proposed rule). However, the number of possible variables for claims precludes the Department from making a reliable forecast for

individual businesses. When the possible increase is viewed across all employers, the Department anticipates a negligible increase in tax liability for employers.

Benefits

The proposed rules provide clear and usable guidance for the public regarding unemployment benefits for health care workers during a public health emergency, as directed by Engrossed Substitute Senate Bill 5190. These rules provide clear and usable guidance on statutory amendments that were made by ESSB 5190 regarding unemployment benefits for health care workers during a public health emergency

Conclusion

The amended rules support the Department's mission to develop the nation's best and most future-ready workforce. The rules create negligible additional tax burden on employers while providing clear and usable guidance for both employers and claimants. Therefore, the Department concludes the probable benefits of the rules are greater than its probable costs.