

LEGISLATIVE REPORT

# Paid Family & Medical Leave Program Needs and Resources

SEPTEMBER 2024

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# Contents

- Executive Summary..... 1
- Continued support for program growth ..... 2
  - Caseload management ..... 2
    - Supporting benefit customers ..... 2
    - Benefit customer supporting staff ..... 4
    - Supporting employer customers..... 6
- Engagement, education, and outreach strategies..... 7
- Current program priorities and remaining balance of work..... 10
  - Remaining balance work regarding of Paid Leave implementation..... 10
  - Supporting the remaining balance of work of Paid Leave implementation ..... 11
  - Potential technology cost savings ..... 13

# Executive Summary

Engrossed Substitute Senate Bill 5187 (Section 225 (3)) requires the Employment Security Department (Employment Security) to reassess ongoing staffing and funding needs for the Paid Family and Medical Leave (Paid Leave) program and submit documentation of the updated need by September 1, 2024. This report is submitted to meet this requirement and seeks to create understanding about the resources needed to support the program's operations.

## Key Insights and Resource Gaps:

- The Paid Leave program received over 1 million applications, approved over 830,000 of those applications and paid out over \$5 billion in benefits by the end of FY24.
- The annual growth rate of claim applications has been around 15% over the last two fiscal years, indicating continued high levels of program growth.
- While improvements have been made in claim application processing times, additional staffing is necessary to maintain the increasing volume of applications and to reduce hold times for customers reaching out by phone.
- As applications have increased so too has the demand for employer services. However, additional staff for these services has not increased to support this demand.
- The program needs additional support to build out statewide outreach, community engagement and a community-based organization partnership program.
- The program is looking beyond the near-term work to complete the remaining balance of the Paid Leave law and to needs related to maintaining and continuously improving the technology that supports the program.

Additional staffing and resource needs are identified throughout this report without detailed information regarding classifications, FTE counts, costs, etc. Employment Security is currently working to identify the specific needs and will submit a FY2025 decision package to request the appropriate staffing and resources needed.

# Continued support for program growth

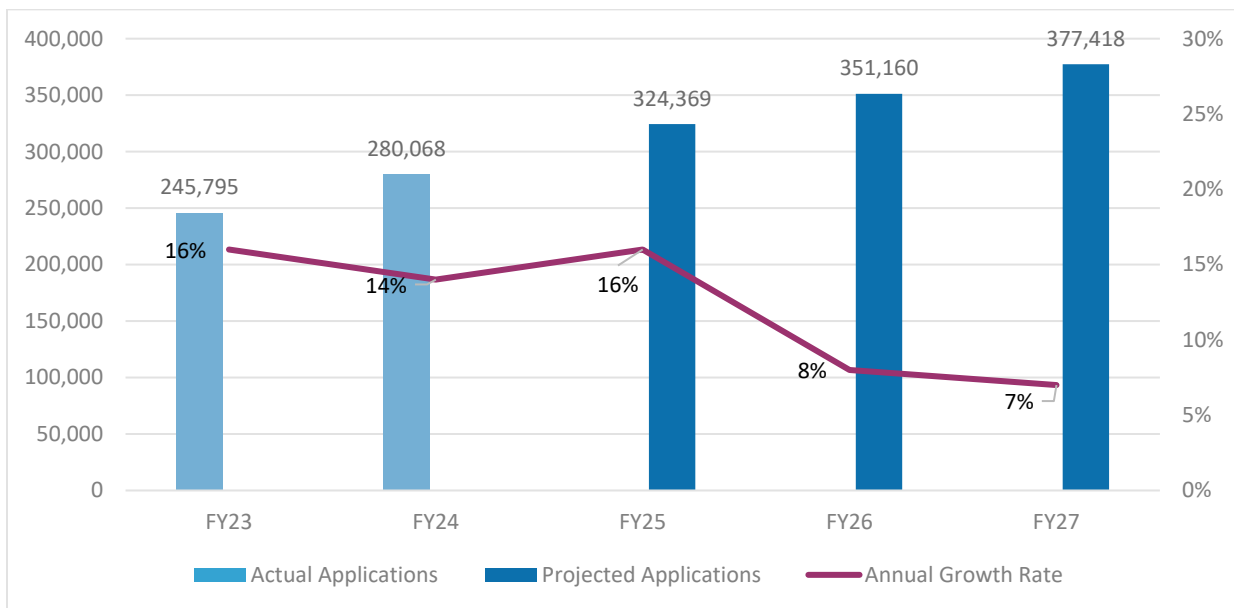
## Caseload management

The Paid Leave program continues to grow as more benefit customers and employers engage with the program every year. Employment Security has been hiring staff and making system improvements to keep up with this demand, but additional support and resources are needed to meet demand and address gaps in customer services.

### Supporting benefit customers

Over the last two fiscal years, the number of applications increased by 16% and 14% respectively, resulting in just over 280,000 applications in FY24. Employment Security received funding last year to support additional Customer Care Teams (CCTs) for the 2023-25 biennium based on projected application volumes of 270,000 applications in FY25. However, as the graph below depicts, actual applications continue to outpace expectations.

Graph 1: Actual and projected claim applications with their annual growth rates by fiscal year

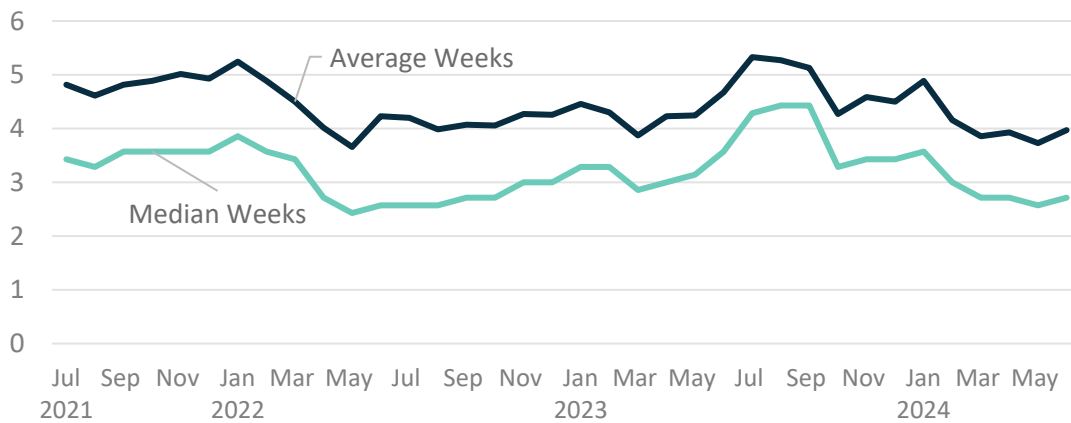


The most recent projections from Employment Security actuaries estimate FY25 applications will be closer to 330,000, roughly 45,000 more applications than the original estimates used in the last budget request for more frontline staff. Further, the program is projected to grow in FY25 by 16% compared to the prior year and taper off to 7% by FY27.

The Paid Leave program is not able to absorb such a substantial increase in projected applications without significant impacts to service delivery.

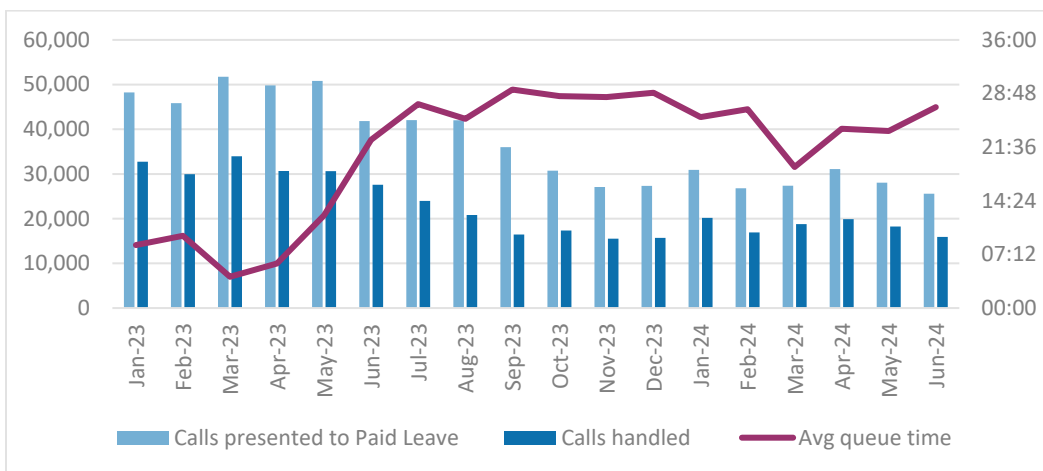
Graph 2 shows claim processing times from July 2021 through May 2024. Stakeholders generally expect the program to target two weeks from application to first payment. Lack of adequate staffing has limited Employment Security in reaching that target and future lapses in additional operational staffing based on the revised projected applications will result in increased processing times and customers waiting longer to receive benefit payments.

Graph 2: Time from submitted applications to first approved weekly payment in weeks.



To make progress on claim application processing time, staff have been moved from answering phones to processing claims. As a result, between January 2023 and December 2023, calls handled decreased by 52% and call queue times increased from 8:27 minutes to 28:55 minutes, as shown in the Graph 3 below.

Graph 3: Paid Leave telephony data.



To continue improving processing times and reduce phone queue times, additional staff are needed to support the updated projections going through FY27.

*Benefit customer care staffing calculation*

In 2021, LCD developed a staffing model utilizing claim volumes to determine the number of Employment Security Benefit Specialists needed to fully process applications and claims. This year LCD updated the staffing model to include appeals work and to more accurately account for serving customers over the phone.

Table 1 breaks out time associated with each claim application-related task and the ratio of related tasks to one benefit application. The program combines this information with projected claim application volumes to determine ongoing staffing needs.

Table 1: Current task timing per each claim application processed.

	Ratio quantity	Timing (in minutes)	Total staff time (in minutes)
Leave claim application	1.0	29	29
Phone calls	1.2	15	18
Weekly claim	1.3	4	5
Redetermination	0.2	18	4
Request for review	0.3	18	6
Electronic inquiry	0.9	9	8
TOTAL			70

Employment Security is currently engaging with stakeholders to develop an agency standard staffing model to be adopted by the Paid Leave program. This standard staffing model is nearly finalized and will be used to determine the number of additional positions requested in the program’s FY2025 decision package.

**Benefit customer supporting staff**

Direct customer service staff are not the only roles within the LCD experiencing staffing shortages. There are several workstreams throughout the division that have been suffering these growing pains and need additional staff.

Employment Security is working to determine specific staffing needs and will submit a FY2025 decision package to request appropriate resources for these teams.

### *Operational Support Staff*

Effectively managing caseload and program growth depends on increases in staffing to support projected growth. Consistent with the staffing model outlined above, operational support staff to manage additional customer care teams requires staff to:

- Engage key stakeholders, such as the Office of Administrative Hearings, Office of Attorney General, and the Commissioner’s Review Office
- Address ongoing training needs
- Evaluate workload and ongoing staffing needs such as hiring and telephony logistics.
- Review new standard operating procedures
- Support succession planning

### *Policy*

The operational policy team has become more integrated into the work of Paid Leave, expanding their capacity to assist with Paid Leave-related tasks. To continue this support, the operational policy team requires additional staffing to:

- Schedule hearings
- Provide transcription services
- Provide administrative help
- Document processes
- Manage and adjudicate internal benefit claims from Employment Security staff so that Paid Leave CCTs are not adjudicating claims for coworkers.

### *Research & Data*

As the work and staffing has grown, so has the need for quality research and data supports necessary for the work of other teams (operations, policy, product, actuary, fraud, etc.) and to evaluate the program’s implementation, outcomes, and impact. The research and data team needs to restructure and add managerial staff to:

- Adequately support the work and the internal and external stakeholders who need program research/data support
- Work closely with stakeholders, including legislative and advisory stakeholders, external customers, advocacy groups, other states’ programs, and external research partners, as well as divisional leaders to accomplish these goals
- Reduce bottlenecks resulting in delayed responses to key stakeholders
- Supervise, coach, and direct the work of research and data team staff

As the Paid Leave program reaches the five-year mark, it now has sufficient years of data following the pandemic unemployment crisis to begin usage and impact evaluations. These evaluations require longer-term data to conduct and are crucial to inform legislative and other stakeholders about potential outcomes of desired future program changes, gain insight on the impacts of specific program parameters, and understand how the program intersects with other state and federal programs, where customers may be receiving multiple types of benefits (e.g., Paid Leave and SNAP). There has been high interest in this kind of evaluation from key program stakeholders, as indicated by a study of the potential impact of a Paid Leave policy on TANF being included in the scope of projects for Washington's 2015 Department of Labor Paid Family and Medical Leave Analysis grant.

### *ESD Office of Actuarial Services*

To support an insurance program of this size the Office of Actuarial Services requires additional staff to help refine projections and estimates for the Paid Leave account balance by:

- Conducting analysis on individuals' performance and behaviors
- Conducting analysis on benefit usage across programs
- Supporting rate setting policies and their impacts

All these together will enable the office to assess account balance impacts from pricing, policy, and legislative changes and provide timely actuarial analysis for decision making.

## **Supporting employer customers**

### *Operational employer services staff*

While in the past Employment Security has adjusted CCTs to manage benefit customer caseload growth, staffing increases to expand employer support services have not occurred alongside program growth. This last year, the operations unit implemented improvements to employer customer service delivery by creating a dedicated team focusing on more specialized employer customer service.

This team focuses on account reconciliation issues, account review and investigations, resolving account balances or credits, working with employers to correct missing reports, and refund and payment transfer validation. The team also processes small business assistance grants, conditional waiver requests, and provides customer service and subject matter expertise support to employers and the CCT. This book of work has grown considerably in recent years, both in the volume and the complexity, and can be observed in Table 2.



Table 2: Balances due and credit balances for Paid Leave

	Paid Leave
<b>Balances due</b>	Amount due is \$52 million and has increased 41% from 2023 to 2024
<b>Credit balances</b>	Credit balances have increased by 54% and number of employers with credit balances has increased by 20% from 2023 to 2024

This high level of growth in employer services has created numerous ongoing issues for employers, including not being able to download copies of submitted wage reports to match to their records, balance due or credit balance notifications, confusion during employer account creation, understanding employer sizing, and payment requirements. These issues have compounded balances on accounts related to the inability to send regular statements and assess penalties and interest on amounts owed, unified reports, and notification of credit balances.

Increased staffing, based on the current team structure, would allow LCD to adequately assist with account reconciliation and support and handle employer-initiated requests. Employment Security will request the appropriate level of funding from both WA Cares and Paid Leave to support this work through a decision package.

*Employer supporting staff*

As Table 2 indicates, an increasing number of employers are having difficulty interacting with our reporting system. Dedicated staff are needed to define and implement an effectively designed employer-facing system to ensure the online portals are intuitive and increase opportunities for self-service through developing sample policies to prevent employer confusion, missed or incorrect wage reporting, etc.

## Engagement, education, and outreach strategies

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While Paid Leave does continue to grow, utilization and awareness is not being observed universally. Program awareness is higher among those aged in their 30s and 40s, parents, full-time workers, and those in professional or administrative support occupations. It is lower among younger and older workers, Black or African American workers, lower income households, non-parents, and part-time workers. This indicates a lack of awareness or access barriers for some communities of Washington workers. For a more equitable experience for workers in Washington, and to meet key stakeholder expectations in meeting statutory

requirements.<sup>1</sup> for implementing a statewide Paid Leave engagement strategy, more resources are necessary.

The purpose of this engagement strategy is to help educate, inform, and support workers to overcome access barriers created by systems and structures designed around white, middle-class, able-bodied, salaried workers whose preferred language is English. Educating people on how to submit complete and accurate applications will improve application processing times. This will also increase efficiency by reducing the volume of phone calls and secure messages received, which will ultimately get people benefits faster. Drawing on a targeted universalism approach, these goals will be equitably achieved through developing targeted approaches and processes to reduce access barriers. Engagement with communities will allow staff to understand pain points within the application process for benefit customers and the wage reporting and premium paying system for employers. The support of trusted messengers and application assistants within the community are crucial to populations with barriers to effectively access the benefits for which they are eligible. This work will have the largest impact on marginalized communities who otherwise may not navigate the complexities of the program and government systems to apply for benefits.

This work will build on outreach efforts to date. LCD is piloting a partnership with WorkSource offices to have Paid Leave specialists on site to help Washington workers through the application process. LCD has developed a basic internal infrastructure to support educational presentations and trainings by request to a wide variety of audiences, along with foundational outreach activities such as tabling at community events.

To inform development of engagement models in realms outside WorkSource, the program engaged in two research and planning projects in the past couple years. Supported by the Pritzker Family Foundation and BUILD Initiative, Paid Leave worked with Help Me Grow and members of the Prenatal-to-three (PN3) coalition to conduct listening sessions and interviews with families and those serving in supporting roles within healthcare systems (e.g., community health workers, social workers, nurse visitors, application assistance workers). In addition, LCD received a planning grant from the Perigee Fund to work with University of Washington partners on strategic design of a statewide community-based organization partnership program. Incorporating learnings from the collaborative support of the Perigee Fund's Its Time to Bond outreach and application support grants piloted in 2020-2023 in Pierce and Yakima counties and adding insights from co-design sessions with over a dozen additional organizations around the state, this strategic design project will wrap up in fall/winter 2024.

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<sup>1</sup> Full text of the Paid Leave outreach statutory requirements can be found in [RCW 05A.05.020 \(5\)](#).

Employment Security is seeking funding in the 2025-2027 biennium to build an agency engagement plan. The Paid Family and Medical Leave law requires broad and deep outreach in the statutory language, and this is an area in which the Paid Leave program has yet to fulfill statutory and key stakeholder expectations. When launched in 2020, there were solid plans that had to be diverted with the initial claims volumes and pandemic interruptions. LCD has been learning and prototyping over the past couple years, planning in alignment with Office of Equity's SPICE model for relational partnership while starting to build out the Community Engagement team. Continued support for launching the next iteration of outreach, technical assistance, and community engagement is paramount to the successful and equitable experience for Washington workers looking to engage in the Paid Leave program.

Key strategies include, but are not limited:

- Trainings: By request for organizations with content specific to their communities or audiences, cross-training with partner organizations, working with Department of Health on Paid Leave trainings for community health workers and public health systems, creating toolkits and resource guides for CBOs.
- Outreach: providing Paid Leave direct promotions to employers/employees, attending or tables at events, providing Paid Leave 101 presentations, getting Paid Leave materials into baby packets or discharge paperwork.
- Engagement: grant funding for CBOs engaging in referrals and application assistance work, working with Washington Health Care Authority and healthcare providers on eased-pathway or referrals for Medicaid-eligible individuals, working with Accountable Communities of Health community hubs.

Employment Security is working on a FY2025 decision package to request the appropriate resources for this work.

# Current program priorities and remaining balance of work

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## Remaining balance work regarding of Paid Leave implementation

Employment Security is committed to and has received funding to address the remaining work necessary to finalize implementation of the Paid Leave program and deliver on the full intent of the law. Table 3 outlines the work that has been prioritized for this biennium.<sup>2</sup>

Table 3: Legislative requirements of remaining balance of work for Paid Leave implementation.

Mandatory legislative requirements	Description
Crossmatching UI and Paid Leave claims	An employee is disqualified from receiving family or medical leave benefits for any week in which the employee is receiving, has received, or will receive compensation from unemployment insurance (UI). There are currently several manual controls in place to identify customers claiming the same weeks for both programs. The scope of this project will include migrating existing manual processes into the system and may be broken into phases with different approaches and solutions for different points in a customer's journey.
Crossmatching Labor & Industry (L&I) and Paid Leave benefits	An employee is disqualified from receiving family or medical leave benefits for any week in which the employee is receiving, has received, or will receive compensation under state statute for either permanent total disability compensation (RCW 51.32.060) or temporary total disability (RCW 51.32.090). The project scope of this work is to be defined.
Elective coverage for Tribes	Implement the ability for a federally recognized Tribe to elect coverage and design functionality for Tribes that have opted in to report wages and pay premiums quarterly.
Withholding child support obligations from benefits	When an applicant is qualified for benefits and has child support obligations, the department shall notify the applicable state or local child support enforcement agency and deduct and withhold an amount from benefits in a manner consistent with RCW 50.40.050. This work includes establishing a crossmatch between Paid Leave benefit customers and child support obligations, process to withhold funds from benefit payments as directed by DCS, and to notify the benefit customer.

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<sup>2</sup> For additional information about the resources and staff needed for system completion and implementation of the Paid Leave program see the [2023 Paid Family & Medical Leave Program Needs and Resources](#) report.

<b>Collections</b>	Implement collections processes to collect premiums, interest or penalties when not paid within ten days after the service or mailing of the order and notice of assessment.
<b>Benefit overpayments</b>	Implement a process with the ability to identify, investigate, determine, and receive payment for benefit overpayments. Improvements to existing functionality may be considered enabling work when necessary to reduce manual work or improve the accuracy of the data the program will use to make overpayment determinations.
<b>Employer penalties and interest</b>	Develop processes that enable accurate identification of employers subject to reporting and payment requirements. Implement automated notifications for employers for key tasks and deadlines. Implement system ability to identify potential noncompliance and generate notifications to employers. Project scope to include conference and conciliation prior to assessment of penalties and interest.
<b>Disqualifications, employee penalties and interest</b>	An individual is disqualified for benefits for any week where the claimant knowingly and willfully makes a false statement or representation involving a material fact or knowingly and willfully fails to report a material fact and, as a result, has obtained or attempted to obtain any benefits. This project scope is to be defined.
<b>Conditional benefit payments</b>	If an employee received one or more benefit payments, is in continued claim status, and there is a question about their eligibility for benefits or their employer contests an aspect of the claim, the department must notify the claimant and allow the claimant to choose whether to continue receiving payments conditionally while the department investigates the eligibility issue. This project scope is to be defined.
<b>County and legislative district reporting</b>	Implement the ability to report to the Legislature on the county and legislative district of benefit customers. This will have no impact to program operations or external customers.
<b>Federal income taxes withholding</b>	Note: The federal Internal Revenue Service (IRS) has thus far declined to provide guidance on the taxability of benefits. The Department aims to have a plan ready to implement once federal guidance is provided.

## Supporting the remaining balance of work of Paid Leave implementation

### *Technology, Transformation, and Data Infrastructure*

As LCD continues to grow, the cost of software licensing to support the division will grow commensurately. LCD infrastructure (cloud hosting and processing) and software licensing costs continue to increase due to division growth and inflation. To best support this growth and provide features and services not yet delivered, LCD Technology may request additional,

ongoing funding to support increased licensing costs and expand our cloud infrastructure to support development, training and ongoing operations.

As systems have been moved to the cloud, the current system infrastructure for data access has proven inadequate. This has resulted in lengthy outages in data access for reporting, projections and evaluation, fiscal note analyses, fraud models, and other key needs. LCD systems require a bridge solution for data infrastructure while the agency determines an overall future state for data infrastructure across agency programs.

Currently, data analysts regularly lose access to data for weeks at a time and it takes significant manual effort to keep fixing it, which takes capacity away from implementing other program features. This is not only an internal impact but an impact on stakeholders and customers. This data infrastructure supports actuarial work, compliance and fraud work, ongoing operations (including customer communications), and feature implementation of the paid leave program.

As Paid Leave completes the balance of work and improves the divisional and agency portfolio processes, LCD has identified key gaps in our technical services that will require additional resources to maintain new technical features added while completing the remaining balance for Paid Leave work:

- Working with internal and external stakeholders to support on-going development of products and services resulting from the implementation of the remaining balance of Paid Leave work with consistent and effective design.
- Managing the business analyst team by ensuring business requirements are identified, define, and documented in sufficient detail to support new technical features.
- Additional support to coordinate updates to the LCD technical system and provide analysis to divisional leadership to make data driven decisions.
- Resources to help with defining, implementing and driving document handling system improvements, this includes increasing the division's capacity for generating automated letters, efficient processing of incoming documents and ensuring Paid Leave's correspondence is customer-centric, consistent and accessible.

### *Customer Compliance Division*

In 2023, Employment Security created the Customer Compliance Division, bringing together employer audit, fraud management, and financial recovery functions across department programs, including the Paid Leave program. This change increased efficiencies, helped identify potential fraud attacks across programs, and reduced customer confusion and redundancies. To meet federal and state requirements, and provide the current expected level of service, Employment Security will request additional funding and appropriation authority

through a FY2025 decision package to adequately resource this division. Efficiencies gained by merging these functions include:

- Improved and accelerated fraud detection and prevention
- Proactive assistance to customers to receive the right benefit and preventing simultaneous payment from multiple programs
- Integrated employer audits and better enforcement activities
- Increased collections of penalty and interest revenue

### **Potential technology cost savings**

To meet the tight timeline to implement the Paid Leave program, Employment Security relied heavily on contract staff. The need for these positions has not decreased as there is still significant work to be delivered. However, to reduce dependency on high-cost contract staff and limited duration funded project FTEs, LCD is in the process of developing a plan to transition to a predominately permanent FTE organization to significantly reduce staffing costs, ensure adequate capacity for pending and planned work, and to set the foundation for the long-term future of LCD programs.

In this strategy, Employment Security would reduce the number of contracted staff in phases over the next three fiscal years (fiscal years '26, '27 and '28).