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IS YOUR BUSINESS PREPARED WHEN WASHINGTON'S PAID FAMILY AND MEDICAL LEAVE BENEFITS BEGIN IN 2020?

Sally Borte | Vice President, Account Executive

You have studied the bill, been paying the premiums to the state, and soon the new Washington Paid Family Medical Leave (PFML) will start paying benefits. You likely understand who gets the benefits, when and for how long, and are getting acquainted with the reporting and premium payments. (Note: reporting and payments for quarters one and two should be submitted to the state between July 1 and Aug. 31, 2019.)

But are you really ready for the benefits to start? Organizations should be reviewing their existing benefits plans, and how the PFML will fit into that structure, before payments begin next year.

PFML BASICS

PFML is a new statewide insurance program that will support employees to take paid time off when they need to give or receive care. Employees will be able to start using the plan on Jan. 1, 2020, with premiums having been collected throughout 2019. Coverage is available for needed time off due to an employee's own medical condition, to care for ill family members, for bonding with a child (birth, foster, or adoption), or for leave for military families.

Those eligible will have worked 820 hours in Washington during the previous year prior to their need for benefits. Benefits will be provided weekly starting from day one if the need is due to pregnancy or bonding, or for all others after seven calendar days. Employees are entitled to up to 12 weeks of partial wage replacement with a weekly minimum of $100 and maximum of $1,000.

The exact benefit will be determined by earned wages, the state's median income and other factors. The premiums are paid to the state by employers, with employees covering approximately two-thirds and employers paying the balance (unless your company has fewer than 50 employees, then the employee pays 100% of the premiums). So, with this new offering from the state, organizations are grappling with how it fits in with their currently offered benefits.

PFML AND PAID TIME OFF

Does your organization offer paid time off through sick time, vacation, personal days, or a combination? What about short-term disability? How do those types of benefits work with the PFML?

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Let's first focus on the paid time off that you provide. The act states that you must allow your employee to choose whether to use their accumulated paid time off prior to the state paying a benefit. This means that when an employee is eligible for PFML, they can choose to use up any of their paid time off before the state will pay any PFML insurance benefits, or save their PTO and only use the state-provided benefit.

You are also allowed to "top up" the PFML benefit with accumulated paid time off. In this case, you would use your employee's accumulated paid time off in addition to the PFML benefit to provide a total benefit of up to 100% of the employee's pay. Remember, pay for the PFML is defined as total compensation (base pay, incentive pay, and some other perks), whereas the employee's accumulated paid time off just covers base pay, so this strategy can be confusing, and difficult to calculate and put into practice. If you do choose to use accumulated paid time off to "top up" the PFML, you will need to develop policies and procedures for how the two plans will work together ahead of time.

PFML AND SHORT-TERM DISABILITY

You may wonder if you still need your short-term disability (STD) plan with the new PFML; many organizations assume that they provide similar benefits under the same circumstances, so view it as an unnecessary expense. However, there will be situations where the PFML will not pay out, but the STD plan will; for example, those who are partially disabled or who can't do their own job due to disability, but don't meet the standard for PFML benefits that the state requires (defined as a serious health condition).

Keep in mind that your STD carrier will offset whatever the PFML pays towards employee medical leave, and ensure that the combined PFML and STD benefits do not amount to more than your STD benefit level (e.g. 60% or two-thirds of base pay). For your employees whose PFML benefit totals more than 60% of pay, the STD plan will not pay a benefit if the PFML does.

Your STD plan may also pay longer than the PFML will for a single disability, and the STD benefits recur, rather than act as a pool that will run out. Once the PFML benefit is exhausted for a year, it is not available for another 12 months. The STD benefit, however, is always available for those who have multiple disabilities in a year, and will pay up to your STD maximum benefit period each time.

You should expect your STD premium rates to go down considerably due to PFML. Anticipate a discount of between 30% and 50% since your carrier's liability is much reduced due to offsetting the PFML benefits. Most carriers will begin the discounted rate on Jan. 1, 2020 even if this is not your renewal date. For those renewing between now and then, make sure your carriers are charging the discounted rate starting Jan. 1, 2020.

The state is preparing to provide PFML benefits for your employees, and with some thoughtful consideration, you will also be ready with processes and procedures for your employees' use of their paid time off and your short term disability benefits. Visit Washington State's PFML website to learn more about the law, or reach out to an experienced employee benefits broker today for help designing your program so STD, PTO, and PFML work together to provide your desired level of benefits.