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Washington Paid Family and Medical Leave: Is it time to consider opting out?

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The Washington Paid Family and Medical Leave (PFML) program has been in place and paying benefits for over two years. On Jan. 1, the state increased the premiums by 50%, from 0.4% to 0.6% of total compensation. They also changed the family leave premium allocation from 33.25% to 51% to better reflect the cost to the state.

For those not familiar with PFML, this program provides paid leave for either an employee's own serious illness, or to care for a qualified family or household member who is experiencing a serious illness. It also provides maternity and paternity leave for bonding after the birth or adoption of a new baby. Premiums are paid to the state, which provides the benefits. The program runs concurrently with FMLA and provides income replacement for up to 12 weeks in a 12-month period. There are also additional weeks of benefit available for those who use both medical and family leave in one year, or who experience pregnancy complications.

While employees continue to pay the vast majority of the cost (73.22%), the most pressing question for employers is whether you and your employees would be better served if you were to provide coverage outside of the state program. This is known as a "voluntary plan," meaning that the employer has voluntarily decided to provide the coverage instead of participating in the state plan. In the simplest terms, it's opting out of the state plan.

WEIGHING YOUR OPTIONS

Why might an employer want to explore opting out? With the right arrangement, opting out can lead to lower costs for you and your employees and present an opportunity for a better user experience. With premiums rising and a couple of years of utilization under our belts, now is a good time to evaluate what you and

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your employees are paying the state and what you are receiving. You likely have captured leave information from your employees and can make some informed calculations of the state-provided benefits. Compare this to what you and your employees have paid in, and you have the start of a comprehensive evaluation.

While cost is one component of evaluating whether to stick with the state plan, the other is the user experience. In many cases, there is an easier way to combine your paid time off, short-term disability benefits and FMLA and PFML requirements. There are third parties that can seamlessly manage all three, with one-call claim filing for your employees. Payment and coverage decisions are made simultaneously based on one set of medical documentation. Benefit decisions are usually made quickly once the medical documentation is received. Further, the third-party administrator will usually contact the provider to procure the information, taking that burden off your employees.

VOLUNTARY PLAN REQUIREMENTS

A voluntary plan is not feasible or valuable for every employer. There are some requirements you need to consider before implementing your own plan.

- You must provide a plan that is equivalent to or better than the state's plan.
- You must file your plan documents with the state, pay a $250 fee and be approved.
- You can apply at the beginning of any fiscal quarter and must commit to opting out for one year. Allow 30 days for the state to review and approve your plan.
- You will be required to submit your plan for re-approval annually for the first three years.
- You will have to file quarterly reports with the state so they can keep tabs on your employees and the coverage provided to them.

There are other requirements to consider, so setting up the plan will take some work, time and education. But when well executed, it can be well worth it in cost and employee experience. Please reach out to an experienced employee benefits broker to learn more.