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REPORT

Study of Maryland Family and Medical Leave Insurance Program

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The Maryland Department of Legislative Services (DLS)

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1 ORGANIZATION AND ACKNOWLEDGEMENT

This report is organized to examine the major areas set forth in the State of Maryland Department of Legislative Service's proposal request.

Section 2 provides common definitions that may be helpful to understanding the content of the report. This includes a list of acronyms that are used and a glossary of referenced terms.

Section 3 is an executive summary of the assignment and work conducted, the administration options explored and outcomes of Spring's analysis.

Section 4 introduces the premise of the report, including the background of the bill requirements, the scope of work requested, and methodology undertaken for the review.

Section 5 presents Spring Consulting Group's estimates for Maryland Family and Medical Leave Insurance incidence and duration, outlines the key tenets of state paid family and medical leave administration and Maryland Department of Labor current state, and compares the administration models that could be deployed.

Section 6 discusses the current state of paid family and medical leave in the market, what models exist and lessons that have been learned by other states. It also reviews administration costs for the Washington, Connecticut, and Massachusetts paid family and medical leave programs.

Section 7 provides our assessment and recommendations of the resources the Maryland Department of Labor would need to carry out the Family and Medical Leave Insurance program.

Section 8 includes further state plan detail as appendices.

We appreciate the opportunity to provide this study to the Department of Legislative Services regarding the implementation of this very important program. We acknowledge and appreciate the time that others took to share their insight, experiences, and data with the Spring Consulting Group team.

2 DEFINITIONS

2.1. Acronyms

API	Application Programming Interface
DLS	Maryland Department of Legislative Services
DOL	U.S. Department of Labor
DUI	Maryland Division of Unemployment Insurance
ERISA	Employee Retirement Income Security Act
FAMLI	Family and Medical Leave Insurance program as established by Chapter 48 of 2022 Senate Bill 275
FTE	Full Time Equivalent
FMLA	Family and Medical Leave Act of 1993
IT	Information Technology
LTD	Long Term Disability
MDL	Maryland Department of Labor
PEPM	Per Employee Per Month
PFL	Paid Family Leave
PFML	Paid Family and Medical Leave
RFP	Request for Proposal
SDI	Statutory Disability Insurance
STD	Short Term Disability
TPA	Third-Party Administrator
UI	Unemployment Insurance
WC	Workers' Compensation

2.2. Glossary

Claim Duration: The average length of time that benefits are paid to an employee, as specified by the insurance contract or plan design.

Incidence Rate (Claim Frequency): A measure of the percentage of insureds (eligible claimants) that will make claims against the paid leave program, typically on an annual basis.

Covered Family Members: The specified family members that are covered under a paid family and medical leave policy (e.g., an employee's child or spouse, siblings, grandparents, or individuals that are the equivalent of a familial relationship).

Contribution Rate: The percentage of covered wages an employee and/or an employer will pay into a paid family and medical leave program, to fund the program. May also be referred to as the funding rate.

Eligible Employers: Employers that meet the requirements to be considered eligible and therefore insured or covered by a plan.

Eligible Employees: Employees that meet the requirements to be considered eligible and therefore insured or covered by a plan.

Exigency Leave: The type of leave used to help employees manage family affairs when their family members are called to or on covered active duty.

Eligible Labor Force: People in the labor force who are eligible to receive paid family leave benefits.

Eligibility: One or more requirements that must be fulfilled to be covered by an insurance program.

Family and Medical Leave Act (FMLA): A federal law passed in 1993 that entitles eligible employees of covered employers to take up to 12 weeks of unpaid, job-protected leave for specified family and medical reasons or up to 26 weeks to care for a covered service member.

Fully Insured: A program in which the employer pays a premium to a commercial insurance carrier in return for coverage for a future loss event.

Labor Force: The number of individuals who either are employed or are seeking employment.

Long Term Disability (LTD): A benefit plan that replaces a portion (e.g., 50%, 60% or 66%) of an employee's income when that income is lost due to an extended (e.g., more than 13 or 26 weeks) illness and/or injury.

Paid Family Leave (PFL): Program that provides paid time off to an employee who needs to care for a family member for a variety of reasons such as bonding with a new child or caring for a family member with a serious health condition. It may also include leave to care for a covered service member injured in the line of duty or due to a qualifying military exigency. Additional reasons may be covered based on state rules. Leave programs differ by state and program characteristics such as benefit payment amounts, length of leave, covered events and funding structures.

Paid Family and Medical Leave (PFML): Program that provides paid time off to an employee who needs to care for a family member or due to the employee's own medical condition. PFML laws have been enacted in states without statutory disability insurance (SDI) or paid family leave (PFL) leave laws already in place. The characteristic of each law varies across jurisdictions.

Wage Replacement Ratio: The percentage of an individual's wage that is replaced while on a paid leave.

Short Term Disability (STD): A benefit plan that replaces a portion (e.g., 50%, 60% or 66%) of an employee's income when that income is lost due to a short term (e.g., 13 or 26 weeks) illness and/or injury, after a brief waiting period (typically one to seven days).

Wage Base: The maximum amount of earned income on which employees must pay paid family and medical leave contributions.

3 EXECUTIVE SUMMARY

This report was prepared by Spring Consulting Group, an Alera Group Company (Spring) as requested by the Maryland Department of Legislative Services (DLS) and pursuant to Chapter 48 of 2022 Senate Bill 275. The legislation directed DLS to contract with a consultant to study the capability and capacity of Maryland Department of Labor (MDL) to implement and administer the Family and Medical Leave Insurance (FAMLI) program for a January 1, 2025, benefit begin date, including recommendations for additional resources needed to meet future demands of the program.

As the selected contractor, Spring undertook the following review:

- Assessment of the capability and capacity of the Maryland Department of Labor (MDL) to implement and administer the FAMLI program
- Analysis of implementation in other state programs
- Recommendations for additional resources needed by MDL

To assess the capability and capacity of MDL to implement and administer the FAMLI program, we estimate the population covered by FAMLI and project the anticipated claim volumes for year one (2025), year two (2026) and year three (2027) of the program as approximately 2,537,000 covered individuals and 204,912 claims, 2,546,000 covered individuals and 204,635 claims, and 2,556,000 covered individuals and 213,015 claims respectively (see Table A-1). The activity level for 2023 and 2024 leading up to year one of the program also supports the analysis.

Table A-1: Estimated Covered Population and Number of Claims for FAMLI

	Year		
	2025	2026	2027
Covered Individuals	2,537,000	2,546,000	2,556,000
Medical Leave Claims	112,701	113,686	119,288
Family Leave Claims	92,210	90,949	93,726
Total Claims	**204,912**	**204,635**	**213,015**

We identify the roles and responsibilities needed to effectively support a paid family and medical leave (PFML) program. This includes claims management and program management staff required for employer registration and premium contributions, moving through claim intake, administration, and payment, to audit/quality assurance and fraud abuse detection, as well as program oversight, technology, data management and reporting, recruiting, and training staff. We incorporate interviews conducted with agreed upon MDL and Division of Unemployment Insurance (DUI) stakeholders to understand the current state of staffing, technology usage, tax, payment, and compliance structures used for Maryland Unemployment Insurance (UI) and assess how they might apply to FAMLI.

We use this information to compare and contrast the various models Maryland could choose for FAMLI, as described below. These models recognize that the options available to Maryland have expanded as the market for PFML administration and technology services has grown. In addition, there are lessons to be learned from other states and employers that have implemented PFML, insurance company, TPA and technology firms that have managed PFML and other leave programs, and from Maryland DUI systems that have been developed and approaches that have been taken. Broadly, there are three options:

- MDL could insource PFML administration by establishing internal resources to administer all aspects of FAMLI. This would include hiring a complete internal staff and purchasing existing external PFML and other related IT systems for the internal team to use. It would also involve establishing a dedicated management team to oversee the program and internal staff
- Alternatively, MDL could leverage existing PFML market experience and plan to outsource FAMLI claim administration to a PFML insurance company or TPA, which would be overseen by a dedicated internal FAMLI program management team
- Somewhere in between the two, MDL could co-source PFML administration, for example by contracting with a PFML insurance company or TPA for the call center/customer service function and contracting with a PFML technology vendor to provide the underlying system that an internal MDL team would use to manage claims

Advantages for MDL administering FAMLI in house are centered around program and process control, being able to make changes when needed independently without third party involvement, supporting new jobs within the state, and working within a familiar divisional framework. Disadvantages or challenges are the unknowns and lack of expertise with PFML as a new coverage and line of business, the aggressive timeline the law requires for implementation, being able to recruit, hire and train staff, and procure facilities in time. Additional concerns include the long-term financial and employment commitment involved in hiring state workers, being prepared for the level of fraud that has resulted from COVID-19, and the lack of internal systems, processes, and protocols in place to manage the FAMLI program.

Conversely, an outsourced model would relieve pressure on the timeline to begin collecting contributions on 10/1/23 and paying benefits on 1/1/2025, help the state set pragmatic goals for resourcing a program brand new to the state, require lower effort and level of state government employment commitment, and leverage PFML systems and processes already in place in the market. Our interviews indicated that MDL does not have available internal staff resources or subject matter expertise for the operationalization and administration of FAMLI, or readily available systems and IT infrastructure that could be leveraged. An outsourced model would require less effort at lower costs to the state and make PFML expertise immediately available through vendor resources. Disadvantages of outsourcing, however, would be less control over the day-to-day process, working with a configurable system rather than a fully customized solution, lack of internal expertise development, and likely fewer in-state jobs.

A co-sourced model would afford more control over the claims management process compared to outsourcing, with state staff handling the day-to-day administration using market-based technology. External reliance on call center/customer service resources would ease some of the burden but a co-sourced model would still risk the unknowns of the new law and line of coverage as well as lack of expertise with PFML from the state's perspective. It also depends on being able to implement the essential systems, and recruit, hire and train a significant staff within a limited timeframe.

All three approaches would need to begin immediately in 2023, given the significant ramp up activities to meet the timelines required for FAMLI. This analysis assumes that the approaches would commence with MDL creating a new and separate Division of FAMLI, appointing a Division Director, Operations & Legal and administrative support immediately in 2023. This focused team could collaborate with MDL resources that have been involved in the law, to date, to formalize the state's roadmap. This would include conducting request for proposal (RFP) processes for the necessary vendors, either directly or by engaging an experienced PFML consultant.

A comparison of insourced, co-sourced, and outsourced model rollouts and the associated timelines, staffing needs and estimated administration costs is summarized below in Table A-2. While an outsourced model is expected to require fewer staff and result in lower costs, an insourced model allows for greater control, and a co-sourced model relieves some of the staffing development burden. The choice of administrative model could be reassessed once sufficient experience and comfort level with FAMLI is gained in the long term. Further detail can be found in Section 7 of this report.

Table A-2: Summary of Insourced, Co-Sourced and Outsourced FAMLI Model Staff and Administration Costs ($ In 000s)

	2023	2024	Year 1: 2025	Year 2: 2026	Year 3: 2027
Insourced Model					
Estimated Staff Count	39	251	466	467	482
Estimated Administration Cost (In 000s)	$22,947	$44,152	$65,322	$65,694	$69,667
Co-sourced Model					
Estimated Staff Count	30	216	398	399	413
Estimated Administration Cost (In 000s)	$23,007	$39,200	$62,907	$62,763	$66,501
Outsourced Model					
Estimated Staff Count	22	55	62	64	64
Estimated Administration Cost (In 000s)	$6,397	$12,529	$51,354	$51,869	$52,265

4 INTRODUCTION

4.1. Background

The State of Maryland Family and Medical Leave Insurance (FAMLI) program, as established by Chapter 48 of 2022 Senate Bill 275, provides up to 12 weeks of benefits during a 12-month period. An additional 12 weeks may be available if an employee takes bonding leave and later in the same application year needs leave to care for their own serious health condition, or vice versa. Benefits can be used intermittently, in increments of at least four hours. Before receiving benefits, an employee must exhaust all employer-provided leave that the law does not require, such as vacation or other paid time off. FAMLI coverage is job protected, however an employer may terminate and deny job restoration for cause. When applicable, FMLA will run concurrently with FAMLI.

The weekly benefit for FAMLI is based on an individual's average weekly wage and can range from a minimum of $50.00, up to a maximum of $1,000.00, which is indexed to inflation. FAMLI must run concurrently with leave taken under the federal Family and Medical Leave Act (FMLA). To be eligible for FAMLI, an individual must have worked at least 680 hours over a 12-month period immediately preceding the date leave is to begin.

Required contributions to the program are shared between employers and employees and are based on employee wages. Generally, all employers who employ at least 1 employee must participate in the program, but only employers with 15 or more employees must contribute. Self-employed individuals may elect to participate in the program for an initial period of at least three years. Employers who choose to opt-out are required to have a private plan with benefits at least equivalent to the state plan. Contributions to the program begin October 1, 2023, and benefit payments begin January 1, 2025.

FAMLI will be implemented and administered by MDL, which must create a new program using general funds until monies from required contributions become available. Amongst other things, MDL must adopt final regulations, establish procedures and forms for filing claims for benefits, use informationsharing and integration technology to document claims, and carry out a public education program to raise awareness of the program.[1]

4.2. Scope of Study

Chapter 48 of 2022 required DLS to contract with a consultant to study and make recommendations regarding the capability and capacity of MDL to implement and administer the FAMLI program including recommendations regarding any additional resources needed to meet future demands of the program.

DLS engaged Spring to conduct the required study and closely examine the following concepts:

- Assessment of the capability and capacity of MDL to implement and administer the FAMLI program
    - MDL must develop a tax structure, payment structure, complaint, and investigative structure, and require the imposition of an employee and employer contribution. This study:
        - Examines the staffing and technology needs of MDL related to different program elements (e.g., claims administration, data management, appeals, approval of private employer plans, etc.), including the time to hire/train staff with the appropriate experience and ability
        - Describes likely participation rates for private-employer plans, including an estimated number of private-employer plans and estimated employees covered under those plans
- Analysis of implementation in other state programs
    - The experiences of other states in implementing and administering similar programs, both directly and by contracting for administration, are relevant at this stage of program implementation. This study:
        - Presents an overview of obstacles faced by other states when implementing their family and medical leave programs and recommendations on how best to avoid those obstacles
        - Provides an analysis of the cost to the state of Washington to implement its Paid Family and Medical Leave program, including staffing requirements and other expenses associated with program implementation and administration by year
        - Comments on the cost to the state of Massachusetts to put into effect its Paid Family and Medical Leave program, given its partnerships with PFML experienced vendors
        - Offers an analysis of the cost to the state of Connecticut to begin implementing its Paid Family and Medical Leave Act, with a focus on the state's effort to contract out administration of the program, contract requirements, and oversight of the contract

[1] Chapter 48 of 2022 Senate Bill 275: An Act concerning Labor and Employment – Family and Medical Leave Insurance Program Establishment.

- Recommendations for additional resources needed by MDL
  - Based on the above assessments, this report approximates what additional resources are needed by MDL, when are they needed, and at what estimated costs, including:
    - The timing and amount of staffing, contract, and technology needs and associated costs for MDL to (1) directly administer the FAMLI program; (2) co-source the program; or (3) contract for the administration of the FAMLI program

This study does not review the cost of maintaining solvency and paying benefits to covered individuals, or the rates of contribution required for the FAMLI program. A separate study required of MDL by the legislation addresses those topics.

4.3. Methodology

During the approximate two-month period (September 29, 2022, to December 15, 2022) that was specified for the study, Spring reviewed existing literature and studies regarding PFML trends and usage. In addition, Spring assessed available state specific and industry related data, including but not limited to the State of California Employment Development Department, New Jersey Department of Labor and Workforce Development, New York State Paid Family Leave Department, Rhode Island Department of Labor and Training, Washington Employment Security Department, Connecticut Paid Leave Authority, Massachusetts Department of Family and Medical Leave, the U.S. Department of Labor, Bureau of Labor Statistics, and the U.S. Census Bureau.

Spring interviewed representatives from DLS, MDL and DUI, as well as stakeholders from the Washington, Connecticut, and Massachusetts state PFML agencies. Spring gathered perspectives from employers that have experienced PFML programs, as well as from insurance carriers and TPAs that administer PFML programs, and technology firms that support them. Disability Management Employer Coalition (DMEC), Integrated Benefits Institute (IBI), American Council of Life Insurers (ACLI) and private insurance carrier or third-party administrator (TPA) data was also helpful in this regard.

The study references our proprietary actuarial impact model that utilizes actual paid family leave (PFL) claim data, PFML claim data and other industry data to project claim incidence and duration rates under Maryland's FAMLI structure. We also apply our proprietary absence management staffing model that uses these projections to determine caseloads and resulting resources needed.

The resulting analyses should be understood as estimates developed at one point in time and are subject to future change. In performing this study, data and other information collected through available existing PFL and PFML programs, and other industry sources referenced, was relied upon. Spring has not audited or verified this information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete. In that event, the results may not be suitable for the intended purpose.

5 CAPABILITY AND CAPACITY

5.1. Anticipated Claims Experience for FAMLI

The capacity of MDL to administer the FAMLI program is highly dependent, amongst other things, on the volume of PFML claims that will need to be managed. To anticipate this volume, we estimate the population of employers and employees that will be covered by FAMLI, then apply specific family and medical leave incidence rates and claim duration rates to the total. This results in the number of claims MDL would be expected to receive, by leave reason, in year one and in subsequent years as the program grows.

5.1.1. Employer and Employee Population Covered by FAMLI

All Maryland employers that employ at least one individual in the state are covered under FAMLI. This excludes federal employees, and employees that have worked less than 680 hours in the 12-month period immediately preceding the date leave begins. Self-employed individuals may opt-in to the program. In addition, employers may satisfy the requirements of FAMLI through a private plan that provides benefits to covered employees that are at least equivalent to the state benefits. A private plan must be filed with MDL for approval after which employers and employees are exempt from making the required contributions.

Although opt-out rates for private plans depend on several factors, they range between 2.5% and 4% for most states,[2] up to roughly a third for Massachusetts. Drivers for adopting a private plan vary from state to state, such as the PFML plan design and how PFML coordinates with other benefits. A significant factor that lowers private plan adoption rates is a voting requirement where most covered employees must approve the employer's plan to implement, such as in California, Connecticut, or New Jersey (if employers contribute to the plan). Private plan adoption rates are also likely impacted by the allowance of only self-

[2] Washington Paid Family and Medical Leave Annual Report, Washington Employment Security Department, December 2021. October 2021 Disability Insurance (DI) Fund Forecast, State of California Employment Development Department. Paid Family Leave Program Impact Study in Accordance with Act 109, Session Laws of Hawaii 2018. State of Connecticut Paid Leave Authority – Annual Actuarial Report as of June 30, 2022.

insured plans, as is the case in California and Washington, as opposed to allowing both fully insured and self-insured options for an employer to choose from. Private plan cost, employer size and geography, and existing absence plans also play a role. Other contributing factors are overall awareness of the private plan option, the lead time and education needed for an employer to make an informed decision, and insurance company and TPA readiness to provide plans. Clarity of instructions and the process stakeholders must follow to implement a private plan also has an impact.

Applying an industry average of 3% of employers opting out for private plans to the total number of establishments and employees in Maryland,[3] we estimate roughly 4,200 employers and 72,000 employees might be covered by private plans for FAMLI. This is based on the total employed civilian labor force in Maryland,[4] less federal employees[5] and employees not working enough hours to be eligible for the program.[6] If we also apply an annual growth rate of 0.38%[7] the covered population for FAMLI is estimated to be 2,537,000 in the first year benefits are available under the program (2025), growing to approximately 2,546,000 in year two (2026) and 2,556,000 in year three (2027).

5.1.2. FAMLI Claim Experience Rates

Like the PFML states of Washington, Connecticut, and Massachusetts, FAMLI includes both medical leave, for an employee's own serious health condition, and family leave for child bonding, caring for a family member with a serious health condition, caring for a service member, or for a qualifying exigency.

Leveraging data from the PFML states of Washington, Connecticut, and Massachusetts, as well as California, New Jersey, New York, and Rhode Island that have separate statutory disability and paid family leave benefits, and relevant industry data on FMLA and company sponsored paid parental or family leave programs, we project claim incidence rates and claim duration rates specific to Maryland's FAMLI structure to be 8.08% in year one (2025), 8.04% in year two (2026) and 8.33% in year three (2027). As summarized in Table B this results in approximately 204,912, 204,635 and 213,015 FAMLI claims respectively, for which the expected duration is 9.6 weeks on average.

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[3] United States Census Bureau, 2020 ECNSVY Business Patterns https://data.census.gov/table?q=CBP2020.CB2000CBP&g=0400000US24.
[4] Bureau of Labor Statistics, 2021 Annual Average.
[5] Maryland Department of Labor, Current Employment Statistics, October 2022.
[6] United States Census Bureau.
[7] Estimate based on U.S. Census Bureau population increase from 20220 to 2030.

Table B: Estimated Covered Population and Number of Claims for FAMLI

	Year		
	2025	2026	2027
Covered Population	2,537,000	2,546,000	2,556,000
Medical Leave Claims	112,701	113,686	119,288
Family Leave Claims	92,210	90,949	93,726
Total Claims	**204,912**	**204,635**	**213,015**

Our estimates intend to account for differences in maximum duration, benefit replacement ratio, waiting period, job protection, and definition of family in other states compared to Maryland. They include a 25% margin for incidence rate variation by state. They are adjusted for demographic differences, such as variations in age, gender, and birth rate by leave type. In addition, first year incidence rates include a 5% adjustment to account for an expected backlog of claims as other states have experienced, particularly for bonding, before the program becomes effective.[8]

As a comparison, in the state of Washington, 174,931 applications were submitted for its population of 3.9 million employees from July 2020 through June 2021, 44% of which were for medical, resulting in an average length for all claims of nearly 10 weeks.[9] In Connecticut 44,127 applications were submitted for a population of 1.9 million employees in the first six months of the program from December 1, 2021, through May 31, 2022, 50% of which were for medical.[10] In Massachusetts 140,038 applications were submitted for its 3.6 million employee population from July 1, 2021, to June 30, 2022, 59.31% of which were for medical, and where the average duration of a leave completed was 12 weeks,[11] likely reflective of Massachusetts' longer (i.e., 20-week) medical leave allotment.

Claim experience in these and other PFML states also indicates a gradual ramp-up pattern for the first few years, as program awareness and leave taking increases. Therefore, we estimate claims for 2025, 2026 and 2027 and assume the year 2027 and beyond to be mature years where claim patterns are more stable.

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[8] Total benefits payments and the solvency of the program is not within the scope of this study.
[9] Washington Paid Family and Medical Leave Annual Report, Washington Employment Security Department, December 2021.
[10] Connecticut Paid Leave Annual Report for 2022.
[11] Massachusetts FY 2022 Annual Report for the Massachusetts Paid Family and Medical Leave Program.

5.2. Implementation and Administration of FAMLI

To assess whether MDL has the capability to manage the FAMLI program, we identify the roles and responsibilities needed to effectively support a PFML program. We also consider interviews with agreed upon MDL and DUI stakeholders to understand the current state of staffing, technology usage, tax, payment, and compliance structures used for UI.

Our efforts focus on UI because, although different than FAMLI in philosophy and purpose, there are similarities in terms of workflow and activities that need to be conducted. Accordingly, several states, such as California, Colorado, the District of Columbia, Washington, and Oregon have organized their PFML programs as part of their state employment agencies. Within the agencies, specific divisions or departments have been established to manage and oversee PFML, giving particular attention to the core functions below.

5.2.1. Registration and Premium Contribution Assessment

As a first step, and as will be needed for FAMLI, employers register their businesses with the state to initiate PFML coverage. Registration is typically conducted through a secure state website, or secure file feeds, with instructions for what information employers should have available to them, such as employer identifying information, employee identifying information, employee counts, wages, and contribution splits, with specific fields and forms differing across states. Employers must facilitate employee deductions in accordance with the law and their plans and direct those and employer contribution funds to the state to deposit into a trust.

5.2.2. Claims Administration

The process of submitting a claim that will be expected for FAMLI is primarily online, with most states also offering more traditional methods such as telephonic, mail and fax options, supported through a fully staffed and trained contact center. The intake representative collects initial information from the employee, addresses questions about the benefit, and triages calls or online submissions appropriately. Applications are reviewed to confirm employees meet the eligibility requirements established under the law. For Maryland, this will mean verifying hours worked over the 12-month period preceding the leave. Administrators then confirm the reason and duration for leave being requested is valid, such as through a birth certificate, hospital discharge, declaration of paternity, or an adoption or foster placement record for birth or bonding. Clarifying questions may be posed to physicians or providers. In some cases, medical reviews are conducted by clinicians.

Verification techniques can be built into call center and claims administration software applications to enhance efficiency and compliance. Most states reserve the ability to request an exam from an independent medical examiner to validate the medical necessity for leave. Employees, care recipients, and treating providers are typically asked to attest to covered relationships through a claim form. Claim decisions are typically mandated to be made and communicated to the employee and employer within certain time periods, which for Maryland is 10 days after being filed. If employees are deemed eligible and the qualifying leave reason is validated, administrators approve the claim. If a claim is denied, employees are notified and given the opportunity to appeal the decision. Eligibility decisions, claim and payment status are generally communicated to claimants through letters mailed to the individual, and through email and secure portals.

5.2.3. Benefit Calculations and Payments

Like determining eligibility, wage data is needed to calculate a claimant's benefit. This data may be collected from employees and verified through state or federal data resources or obtained through reports provided by employers. The state may reach out to employers to request additional data if information supplied with the claim is insufficient. The period used to calculate an employee's benefit may differ from what is used to confirm eligibility or approval. For Maryland, claim payment will need to be issued within 5 business days after the claim is approved for FAMLI. States vary on the method used to issue benefits, whether through paper checks mailed to claimants, direct deposits into existing accounts, or debit cards loaded with funds at regular intervals. Please note, using debit cards requires partnering with banking and financial institutions. Processes to monitor for and collect overpayments must also be in place.

5.2.4. Coordination with Other Benefits

Generally, employees who are receiving benefits under a PFML program are not eligible to receive payments under other state or federal programs, such as disability, unemployment, or workers' compensation, however there are exceptions. Unpaid state and federal leaves, such as FMLA, and in some cases employer specific leaves, such as parental leave, may run concurrently to the PFML program, if leave reasons and eligibility criteria overlap. In this situation, it is critical to assess each leave on an individual basis. Furthermore, employers may be able to supplement an employee's benefits with other benefits (e.g., paid time off (PTO), disability) up to a certain percentage of the employee's wage. For Maryland, exhaustion of all employer-provided leave that is not required to be provided under law before receiving PFML benefits will be mandatory.

5.2.5. Audit/Quality Assurance and Fraud Abuse Detection

PFML program administration must include processes, procedural rules, and resources to ensure work is being performed to standards and that the state is protected against fraud and abuse. Especially in the wake of exponential increases in UI fraud in Maryland and other states during the pandemic, strong measures to assure that PFML benefits are fairly and equitably made only to those who are entitled to them are essential. Sound financial controls to protect the monetary value of taxes and contributions, and the ability to fully investigate suspected or identified fraud, including up to arrests and prosecution, has become the norm.

5.2.6. Claim Denials and Appeals

PFML programs include processes by which claimants can exercise their right to appeal benefit denials. Two levels of administrative appeals are typically in place before cases are sent through the state and federal court systems. Not only are employees able to appeal decisions, but their employers may also be given the right to submit an appeal. Throughout the claim process, employees and employers are given instructions on how to appeal a decision when a claim is denied. This includes a timeframe in which the claimant must respond and submit the appeal.

5.2.7. Program Oversight

PFML programs require strong leadership, with a dedicated and experienced executive level (e.g., CEO, President) position guiding the team through what are very visible, and often political and highly scrutinized, implementations. In addition, leadership should be supported by operational and compliance driven experts (e.g., leader, operations, general counsel), as well as policy specialists, financial and actuarial professionals. Education and outreach resources are critical before a PMFL program goes into effect, as well as after a program is functioning, to continually build awareness and understanding of the value that PFML benefits bring to the community. As other states have learned, the level of effort should not be understated. Maryland will need to establish a brand and campaign to not only raise awareness but give specific guidance and instruction with contributions beginning in less than a year.

5.2.8. Private Plan Requirements

Employers must formally apply to the state PFML operating departments for approval to offer private plans, which is typically through online submission that Maryland will want to emulate. States review each application for adherence to their specifications, particularly that coverage provisions be at least as generous as those offered by the state plan. Applications generally include employer information, sample plan language, and insurance declarations. Once plans have been implemented, proof of insurance or bonds for self-insurance may be required, then employers are subject to oversight in the form of state reporting and even onsite audits. In addition, periodic renewals may be required to continue the plan. States typically reserve the right to cancel a private plan if it is out of compliance or endangers the viability of the state fund.

5.2.9. Customer Service

Although customer service can often be combined with the intake call center, PFML programs, particularly in their early stages, often require specific resources to answer both employee and employer questions, clarify how PFML coordinates with other benefit programs, and give a broader base of stakeholders (e.g., agents, brokers, consultants, legal experts) the tools they need to navigate through the program specifics.

For Maryland, contributions will be a priority, but efforts will not end there. Educational webinars, informative websites, employer and employee toolkits and fact sheets developed initially for the state typically decrease as the volume of questions come to a point of stabilization where resources can be decreased.

5.2.10. Technology and Data Management

Information technology (IT) systems and software are critical to a program's success in that they can drive efficiency, security, compliance, and costs. Sophisticated software needs to support initial claim intake and subsequent claimant inquiries, determining PFML eligibility, adjudicating PFML claims, storing data securely, and ensuring that PFML benefit payments are calculated accurately and dispersed timely. Software can facilitate communications such as acknowledgement letters, claim approvals, extensions, denials, and appeals. It can also provide a web-based portal to support much of the interaction with employees and employers, by enabling new claim submission, uploading necessary documentation, viewing claim status, correspondence, and payment status. In addition, it facilitates data reporting and ad hoc inquiries, so the state can keep a pulse on important metrics and trends.

Efficiencies should be built between PFML and UI processes for eligibility data, coordination of benefits, and to minimize redundant reporting, but are otherwise recommended to be separate and distinct. Ideally, Maryland should consider one ecosystem to collect contributions, initiate, and manage PFML claims, support customer service, interface with other relevant systems through data feeds or application programming interfaces (APIs), afford online portal accessibility and provide reporting. Many of the established PFML states use custom built systems to carry out these activities, while the newer states are turning to more modernized and absence specific systems. The latter are widely used within the disability and leave management market today, for PFML and other leave types, either directly by employers or as underlying software for leading disability insurance companies and absence management TPAs.

5.2.11. Recruiting and Training Staff

Attracting staff that is experienced in PFML and broader absence programs can put a new PFML program ahead of what can be an exceptionally long learning curve. Experienced staff, for example, can be prepared to manage claims after a few weeks of training specific to FAMLI and the systems and processes used to manage it. New staff that have not been exposed to any type of absence related claim management could take up to six months to become proficient. Certification programs such as the DMEC Certified Leave Management Specialist (CLMS) can help speed the process. Recruiting processes should, however, be targeted to reach individuals well-versed in FMLA, disability, or other employer leave types to speed ramp-up time. Once staff has been hired, a formal training program for FAMLI should ensue, ideally through a combination of classroom style and automated learning followed by supervised hands-on case experience. The learning process should continue with periodic milestones and new learning goals established, incentives for participation communicated, and improvement of policies and procedures committed to as an outcome.

5.2.12. Leveraging Existing State UI Infrastructure

Many of the MDL and DUI stakeholders interviewed have been involved with SB 275 since it passed and have been communicating with representatives from other states to learn about their administrative requirements to prepare for implementation. Although not available to take on the day-to-day work required of FAMLI, DUI worked with an external firm to develop a modernized cloud-based system (i.e., BEACON) that was launched in September of 2020. The system is designed to afford the ability to collect taxes, such as will be necessary for FAMLI. We understand that it supports telephonic and electronic intake of UI claims, similar to the methods that would be needed under FAMLI, but with a heavy emphasis on use of its web-based self-service portal. BEACON seems to provide DUI a mechanism to adjudicate claims, with workflow similar to some of the activities for FAMLI, but with FAMLI needing a more targeted certification and follow up process.

BEACON prompts communications that can be sent according to the claimant's preferred method (i.e., email, text, posted mail), which is a practice that would be recommended for FAMLI. It appears to pay benefits, facilitate the filing of appeals, and track fraud. All processes are set according to UI specifications, enabling the state to offer claimant, employer, third-party and staff self-service portals to do things like file claims, submit documents, receive claim updates, retrieve correspondence, update account details, request tax withholding, file appeals, review payments and track and pay overpayments[12]. It also supports accounting for the division and generates reporting, all of which would need to be available for FAMLI, but in accordance with PFML (not UI) and state specifics.

The development process for BEACON began in 2011 and ultimately took more than nine years, during which an initial three-state consortium effort (Maryland, Vermont, and West Virginia) dwindled to just Maryland[13]. Beginning in 2015 with the selection of a contractor, Maryland spent approximately $80 million to have the integrated benefits, tax, and appeals system[14] and website designed and built – although that includes a modest amount for unanticipated pandemic-related programs.[15] MDL staff advised us that ongoing maintenance costs for BEACON are expected to be about $1.5 million annually going forward.

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[12] https://www.dllr.state.md.us/employment/clmtguide/uibeaconforclaimantsflyer.pdf.
[13] Maryland Department of Labor Division of Unemployment Insurance Audit Report, Part 1 Unemployment Insurance Tax Contributions, May 2022.
[14] https://dbm.maryland.gov/budget/Documents/operbudget/2023/proposed/FY2023MarylandStateBudgetHighlights.pdf page N.42.
[15] https://www.wmar2news.com/reboundmaryland/the-cost-to-create-marylands-unemployment-site-hire-call-center-staff, Mallory Sofastaii, June 9, 2020.

BEACON, however, is specifically geared toward UI and would have to undergo a comprehensive and detailed functionality and compliance gap analysis to contemplate if any of its features and capabilities could even be leveraged for PFML, as it is for an entirely different and more mature line of business than PFML. This type of analysis could take up to an estimated nine months, with the likely result that zero to one or two areas might be worth exploring for custom builds. In addition, it may not be permissible, as some states believe that PFML IT systems must be separate from UI IT systems.

5.3. Comparison of Administration Models for FAMLI

Comparing and contrasting the various models Maryland could choose for FAMLI, it is important to consider that as the number of states with PFML laws has continued to increase, so have the options for administering them. This is not only due to the lessons learned from fully implemented PFML states, but also because the market for PFML administration and technology services has grown.

5.3.1. Market Development and Range of Models

Since the passage of FMLA in 1993, leading group insurance companies and TPAs have been expanding their capabilities beyond short-term disability (STD) administration to manage FMLA concurrently. When California passed the first paid leave law in 2004, many insurance companies and TPAs added the ability to administer self-insured statutory disability insurance (SDI) and paid family leave PFL alongside STD and/or FMLA.

Now, and as leave management capabilities have continued to grow, more than 70%[16] of carriers and TPAs offer PFML private plan administration for many states and specifically for the states of Washington, Connecticut, and Massachusetts, which are of particular interest to Maryland. This means they are already fully trained and well versed in PFML and how it interacts with other employee leaves and benefits. It also means their underlying systems are already developed and in use for state PFML laws, and that the insurance companies and TPAs and the technology vendors that serve them are already planning to program the necessary capabilities for Maryland FAMLI.

This pace of development presents Maryland with even more choice than PFML states that have implemented their programs before them. Specifically, Maryland can consider insourcing, outsourcing, or taking a combination co-sourced approach to PFML administration as described below.

[16] Ask Spring User Group, August 2022, Spring Consulting Group.

- Insourcing PFML administration would involve MDL establishing internal resources to administer all aspects of FAMLI. This would include hiring a complete internal staff and purchasing existing external PFML and other related IT systems for the internal team to work with. It would also involve establishing a dedicated management team to oversee the program and internal staff
- Outsourcing PFML administration would involve MDL contracting with an established PFML insurance carrier or TPA to fully administer PFML claims through their staff and systems and establishing a dedicated management team to oversee the program and vendors
- Co-sourcing PFML administration would be somewhere in between the two, for example MDL contracting with a PFML insurance company or TPA for the call center/customer service function and contracting with a PFML technology vendor to provide the underlying system that an internal MDL team would use to manage claims

5.3.2. Model Roles and Staffing

Roles that will be needed to effectively manage FAMLI can be organized into several categories. Intake and customer service representatives will be the first point of contact with PFML claimants. Claim specialists will administer the medical and family care claims that will flow through to the state, supported by the necessary levels of supervisory and management oversight. Support staff will aid the claims staff in terms of audit, quality assurance, fraud detection, appeals and training, and will also monitor premium contribution collection and review private plan applications. IT staff will manage the system platforms used and provide data, analytic and reporting support as needed. Program management staff will run a division for FAMLI by directing policy, determining processes, facilitating education and outreach, and other linked activities. The number of recommended staff in each category, according to individual roles, are summarized below.

For an insourced model, all these roles would be carried out by the state, and the state could leverage existing market PFML technology for many functions instead of building from the ground up. For a co-sourced model, the intake/customer service roles would be carried out by an external vendor, and the state would still leverage existing market PFML technology for the remaining functions. For an outsourced model, an experienced PFML insurance company or TPA would conduct the intake, customer service, claims management, including audit, quality, fraud, appeals and training, and some of the data, analytic and reporting functions. They may or may not be involved in premium contribution collection. IT staff would still be needed, but to a lesser extent and for managing non-claims related systems and data interfaces. In all cases, the state would be responsible for program management through a separate division of FAMLI.

5.3.3. Technology Infrastructure

Technology infrastructure that will be needed should recognize that specialty PFML administration software already exists in the market. Maryland should not need to build its own PFML claims administration system from the ground up, even if there was sufficient time to do so, but rather conduct an RFP process to select one for use.

Existing PFML technology is based on leave management business rules that link to federal, state, and local regulatory guidelines, and includes comprehensive workflow to guide the process from intake to eligibility, all the way through to claim determination and correspondence generation. Systems match incoming documents to claims, trigger automated tasks for consistent action, and include audit trails and change history to facilitate audits and fraud inquiries. It is user-friendly and prepared to manage multiple leaves on a concurrent basis, and interface with other systems to share data as appropriate.

For non-claim administrative tasks, however, technology will likely be needed for financial and accounting, and potentially for claim intake/customer service and portal capabilities, depending on the selected solution and MDL current system infrastructure that can be leveraged.

5.3.4. Model Summary and Outcomes

As depicted in Table C, an insourced model results in all the necessary PFML activities, from registration to claims management, and from oversight to initial recruiting and hiring, to be handled by internal, state employed staff. A co-sourced model could vary by the activities that are deemed to remain in house or be contracted out, thus an example is shown below. An outsourced model contracts out most of the PFML claim administration and support, to an experienced PFML insurance company or TPA, while program development and oversight remain internal.

Table C: Summary of Administrative Models

	Description	Insourced Model	Co-sourced Example	Outsourced Model
		Activities Managed Internally		
	Registration and tax/premium contributions	✓	✓	✓
	Claims intake and customer service	✓		
	Claims administration and payment	✓	✓	
	Audit/QA and fraud/abuse detection	✓	✓	
	Claim denials and appeals	✓	✓	
	Program oversight	✓	✓	✓
	Private plan requirements	✓	✓	✓
Technology	Call center/customer service	✓		
Technology	Claims management	✓	✓	
Technology	Self-service portals	✓	✓	
Technology	Financial and accounting	✓	✓	✓
Technology	Data management and reporting	✓	✓	
	Recruiting and training	✓	✓	✓

Each model has advantages and disadvantages, as summarized at a high-level in Table D, and there are likely more dependent on the state's future state goals and objectives for the FAMLI program. Insourced and co-sourced models typically take more time, effort, and financial spend to get underway, and are a long-term commitment in terms of resource, employment, and systems. They usually, however, afford more control and customization, are a more familiar framework to the state, and can generate employment opportunities within the state.

As other PFML states have shown, an outsourced model can be implemented within a year, if necessary, although 18 to 24 months is preferable. It is typically less costly and puts more onus on external vendors to deliver than internal staff. An outsourced approach gives up some control the state might have in developing PFML processes and protocols, but leverages an already existing PFML knowledge base, experience level, and technology in the market. It does afford flexibility to change by way of moving to a new vendor or transitioning the service in house if state expectations are not met. It also provides savings to Maryland, as the cost of hiring a vendor is likely less than what would be required to directly hire MDL employees, based on industry pricing norms.

Table D: Advantages and Disadvantages of Administrative Models

	Insource	Co-source	Outsource
Time to implement	- Longest timeframe	- Long timeframe	+ Fastest to implement
Effort involved	- Highest resource need	- High resource need	+ Lower effort
Familiarity of approach	+ Highest comfort level	+ High comfort level	- Lowest level of certainty
Anticipated budget	- Highest spend	- High spend	+ Lower spend
PFML expertise	- Developed over time	- Developed over time	+ Immediately available
Recruiting and training	- High resource deployment	- High resource deployment	+ Internal and vendor resources leveraged
Level of commitment	- High: long term solution	- High: long term solution	+ Low: more easily changed
Degree of control	+ Complete control	+ More control	- Less control
Type of system	+ Customized PFML technology	+ Customized PFML technology	+/- Configurable vendor PFML technology
Job development	+ Supports new jobs in state	+ Supports new jobs in state	- Likely fewer new jobs in state

6 OTHER STATE PROGRAMS

6.1. Experiences of Other States

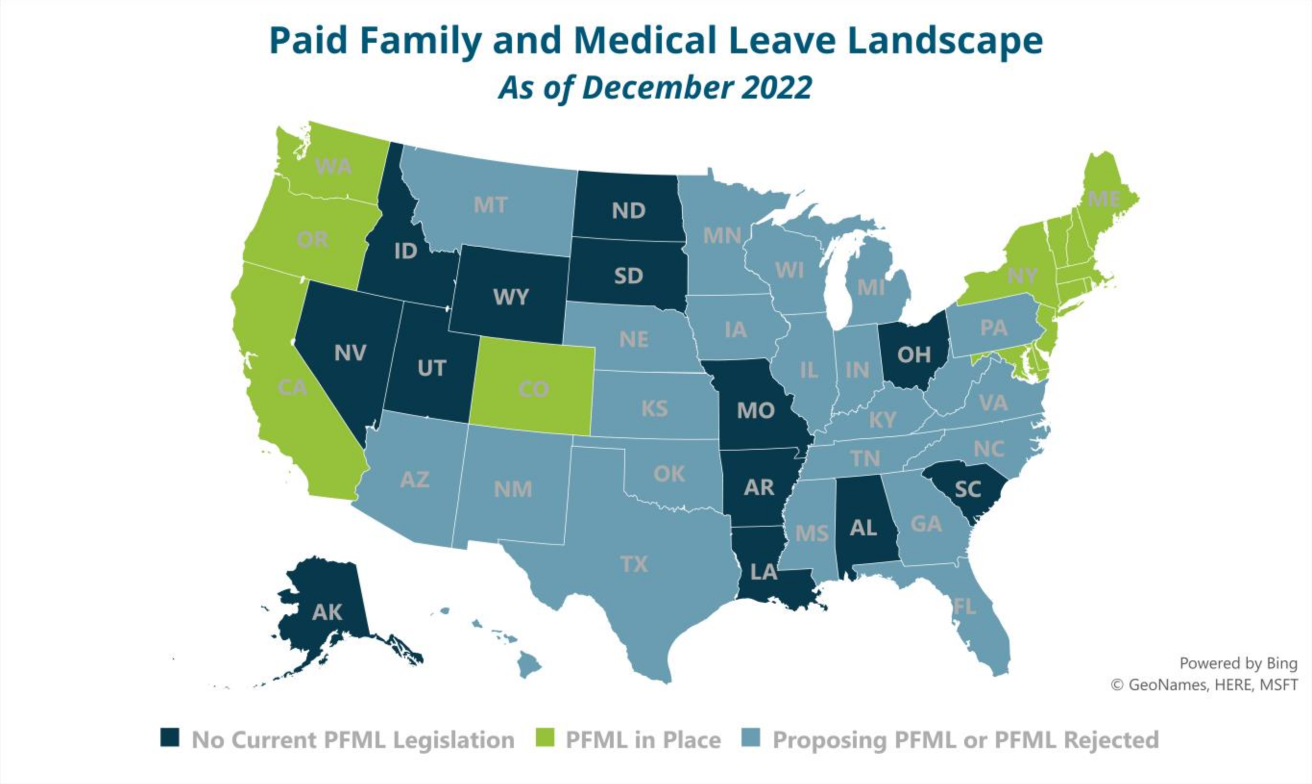
The United States is the only wealthy nation not to guarantee paid family leave at the national level. In fact, as of late 2021, the U.S. was one of just seven countries in the world to not provide some form of paid family leave[17], and one of six that fail to offer paid maternity leave[18]. At the Federal level, the FMLA of 1993 was passed which grants covered employees 12 weeks of unpaid, job-protected leave for bonding due to the birth of a child, the placement of a child for adoption or foster care, to care for oneself or a family member due to a serious health condition, to care for a covered service member or due to a qualifying military exigency. While several federal paid family and medical leave plans have been proposed, none have been enacted.

The lack of national paid family and medical leave legislation has created a gap that state governments have attempted to fill. While statutory disability programs can be dated back to the early 1940s, and paid family leave programs starting in 2004, comprehensive paid family and medical leave programs have only recently become more commonplace.

As of December 2022, 14 states and the District of Columbia have enacted or begun the process of establishing their own version of a paid family and medical leave program, including: California, Colorado, Connecticut, Delaware, New Hampshire, New Jersey, New York, Maine, Massachusetts, Maryland, Oregon, Rhode Island, Vermont, and Washington. In addition, Hawaii and Puerto Rico have statutory disability programs with no paid family leave component currently, while Virginia has created insurance rules for paid family leave.

[17] WORLD Policy Analysis Center.
[18] https://www.bloomberg.com/news/articles/2021-10-28/paid-family-leave-how-much-does-us-offer-compared-to-other-countries?leadSource=uverify%20wall.

Most of the programs are mandated at the state level, requiring covered employers to participate and offer paid leave to employees working in the state. There have also been states taking a different approach of late by implementing a voluntary model wherein employers and employees are not required to participate.[19]



As the experiences of these states is of relevance at this stage of Maryland's FAMLI program implementation, we summarize their models for administration, obstacles they have faced, challenges they have overcome and recommendations for how to achieve success below. Details of each state's benefits and how PFML programs have evolved can be found in the Appendix.

[19] The ERISA Industry Committee (ERIC) State Paid Leave Legislative Tracking.

Although PFML programs have historically been insourced by state departments, they are more recently starting to co-source certain activities or outsource many activities with experienced insurance companies, TPAs and/or technology vendors in the PFML industry.

The first three states to pass PFML laws – California, New Jersey, and Rhode Island – established internal departments to administer their programs. New York structured its program differently, by establishing a mandatory law with state oversight, but private market deployment. Washington and Washington, D.C., the next programs to be launched, opted for internal department management. Massachusetts, however, took a hybrid approach by administering claims internally while co-sourcing with external vendors for call center services, claim administration technology and self-service portals.

Connecticut was the first PFML state to contract with a disability and leave management TPA for claims handling, and a different TPA for contact center support. Oregon, Colorado, Delaware, and Maine look to be taking the internal administration approach, while the newer states are looking more external.

New Hampshire's program that goes into effect January 1, 2023, will be fully-insured and administered by a disability insurance company. This not only includes claim management, but also premium contribution collections and self-service portals. Vermont will be implementing something close to New Hampshire with a selected insurance company, and Virginia established family leave insurance as a class of insurance, essentially allowing insurance carriers to offer insurance for paid family leave benefits. The law requires that family leave insurance be written as an amendment, rider, or included in group disability income policy or written as a separate group insurance policy purchased by an employer.

6.2. Lessons Learned from Other State Programs

6.2.1. Obstacles Faced During Implementation

While it is unlikely for any program to be implemented seamlessly, understanding the obstacles other states have faced with PFML can help Maryland as it prepares for FAMLI. As Washington, Massachusetts and Connecticut are of most interest to Maryland, the feedback below is largely based on experiences in those states. Overall, when surveyed, carriers and TPAs that coordinate with and administer PFML private programs in all states tend to agree that much could be improved.

1. *Program go-live set too soon, not leaving enough time to establish necessary rules and procedures*

Most legislation establishing PFML programs has included timeframes for contribution and benefit begin dates. Most feedback suggests allowing 2 to 4 years for implementation is ideal to allow for key activities including time for procurement of any systems or vendor partners, drafting and finalizing rules with public input, and training staff appropriately. States should also consider the time it will take carriers, employers, and other administrators (e.g., HRIS/payroll systems) to create internal processes to set up plan requirements (e.g., collecting contributions, coordination with other leaves, etc.). For instance, if the state takes 2 years to establish rules but contributions begin immediately when rules are established, the public cannot be expected to be ready to begin contributing to the program.

For example, Massachusetts was originally scheduled to begin collecting contributions July 1, 2019, but delayed the collection to October 1, 2019, to allow employers in the state enough time to implement the processes necessary for collecting contributions. Requirements related to employee notification and private plan exemption applications were also delayed.

2. ***Lack of guidance on benefit taxability***

An ongoing problem states face is not being able to advise on the taxability of PFML benefits. States have taken different approaches in issuing guidance, with most advising that employers and employees should check with their tax advisors to understand implications. Some states have stated that disability or medical benefits are not taxable, while family benefits are subject to state and federal taxes. Others have said that all benefits are subject to federal and state taxes, or only federal or state taxes. Issuing a clear statement and requesting guidance from the IRS as soon as possible will limit the confusion on this item.

3. ***Establishing contribution rates based on arbitrary calculations***

Feedback concerning program funding has largely been on setting appropriate rates based on actual data, ideally backed by experience and actuarial analysis. The most critical point is that data used to base initial funding estimates should be credible.

Most states have faced concerns over funding levels. Generally, the first few years a program is in place, contribution rates are expected to remain stable or increase. After an initial time, rates generally decrease once established funds are deemed viable. For example:

- The initial Washington rate did not look sustainable (0.4% of wages in 2021). It increased in 2022 to 0.6% of wages and is increasing again in 2023 to 0.8% of wages, up to the social security cap
- The Massachusetts rate was reduced following 15 months of prefunding and one year of benefits (0.75% October 2019-2021, 0.68% in 2022, 0.63% in 2023)
- The Connecticut contribution rate has not been adjusted since contributions began in 2021 at 0.5% of wages, the maximum rate allowed under the law
- New York PFL was not considered sustainable until multiple years (and rate increases) had passed (0.126% in 2018, 0.153% in 2019, 0.27% in 2020, 0.511% in 2021 and 2022), however, in 2023 the rate is decreasing to 0.455% indicating sufficient funding

The trend of collecting contributions 9 to 15 months in advance of when benefits begin can help to ensure the state has collected enough premium to pay benefits when leave begins, without increasing the contribution rate.

Additionally, states should consider the practice of allowing the private market to underwrite and set individual rates for private plans. Requiring carriers to charge premium or an administrative fee based on the state rate may mean carriers and TPAs cannot charge appropriately based on the experience of the specific employer. For instance, New York requires employers to contract with a carrier or TPA, or the NYSIF, however the administrators are required to charge at least an amount mandated by the state. Certain employers may have poor experience, which would generally require a vendor to charge a higher premium. Not allowing vendors the ability to do so may limit the carriers interested in administering similar programs.

4. ***Anticipating a small volume of initial claims***

Expected utilization of PFML is difficult to determine accurately as plan designs vary from one to the next. States can look to other state experience and industry benchmarks for leave, such as FMLA, and strive to understand the potential range of claim volume in initial months to ensure staff, systems, and all resources are prepared. Having a contingency plan (e.g., trained resources as backup) in place to manage higher than anticipated volume is recommended.

If states are not prepared, the claims experience and, therefore, the way the program is viewed by the public, may be severely impacted. In Washington, for example, the number of claims submitted in the first 3 weeks was about 4 times higher than the expected volume. 10,000 applications were received in the first week, with 22,000 received in the first 3 weeks, the amount expected over 3 months. Washington initially expected claims to be processed within 2 weeks, but allowed up to 30 days, however, due to the volume of claims received, processing times took up to 10 weeks.[20]

Connecticut also faced processing delays when the program launched, mostly due to the omicron COVID-19 surge and a lack of understanding by claimants of what is a covered event.

This demonstrates that understanding all factors that may impact claim volume is critical. SB 275 requires Maryland to approve or deny claims, and notify employers and employees, within 10 days of a complete claim being filed. An additional 5 days are provided to pay the claim, once approved. The state will need to consider all factors when evaluating claims expectations to ensure required turnaround times are met,

[20] https://www.king5.com/article/news/local/paid-family-leave-pay-delay/281-6c9ac95e-c018-4bcd-b282-4a720220c3f2.

especially when benefits initially begin. It will be crucial to have back up resources trained and prepared if the need arises.

5. ***Under-resourcing in terms of staff count and knowledge***

PFML programs have generally been designed so the state is responsible for claims administration. State department teams have not always been staffed with experienced personnel that understand the leave industry. This is one reason states may turn to outside vendors who are active participants in the absence management space. While contracting with experienced vendors may be a difficult decision, the depth of knowledge and breadth of resources that becomes essentially "in house" is beneficial in many ways:

- Better customer experience as individuals speak to knowledgeable resources with a lower likelihood of conflicting responses
- More efficient implementation process as the protocols, activities, and knowledge already exist
- Less upfront and ongoing costs (e.g., hiring employees and paying for the cost of training, costs of benefits in the long term)

Additionally, staffing levels should be based on expected claims volumes. Having a thorough understanding of expected claims volumes (both best case and worst-case scenarios) based on the state's population is critical. Contingency plans should be in place in case of higher-than-expected volume and appropriate expectations should be set with claimants and employers. Trained staff that can provide a positive experience while appropriately educating claimants is also critical at this juncture.

Connecticut was able to correct any processing delays much more efficiently than Washington was, likely due to the state's partnering with a TPA with the depth of resources able to assist.

6. ***Not making intake a priority***

Intake is possibly the first interaction an individual will have with a state's PFML program. When an employee needs leave through PFML, the reason is often not positive (e.g., a sick family member). Focusing on this point of contact can help set the tone for the entire program.

States should provide clear guidance on what is needed for a claim to be reviewed before an individual submits the claim. Providing clear and detailed information in public places (e.g., state PFML website) on what is required to review a claim enables an employee to collect all relevant information, without a claims examiner needing to request missing pieces. This shortens turnaround times and simplifies the process for all parties that are required to submit information (e.g., claimant, employer, healthcare provider).

In some states, there is still confusion on what is needed in this regard. Back and forth due to incomplete information can cause delays in benefit payments and staff to have to focus on that as opposed to being able to process claims more efficiently.

States should also consider the way claims can be submitted. It is most helpful to offer multiple methods of intake, such as web, paper or telephonic. States have had great success with online intake, and some have higher utilization of online submission than is common for employers.

6.2.2. Recommendations for Success

The following recommendations have been summarized from feedback by industry experts who have worked in all aspects of PFML programs, as well as relevant non-statutory absence programs that can closely coordinate to provide a wholistic experience.

1. *Consider populations with limitations accessing PFML*

All states have populations with limited ability or access. Considering these limitations will ensure program features are designed to meet the needs of everyone. Some important populations include:

- Population that is unbanked: consider allowing benefits to be paid via debit card
- Population without internet access or limited knowledge surrounding internet use: allow paper, mail, and fax for claim intake
- Populations that historically do not access paid leave: consider increased education and marketing efforts

2. *Leverage systems and processes already in place, but ensure the infrastructure is effective*

States may already have infrastructure and data that exists prior to implementing a PFML program, that could be leveraged. WC and UI departments may collect relevant employer information, or have systems that are designed to administer claims, that states should consider before determining if new resources are needed. It is, however, important to keep in mind the differences in these programs.

Consider state leaves that already exist and how PFML will coordinate. For instance, when Connecticut created the paid leave program, the law also adjusted the unpaid, job-protected family and medical leave plan so that they better aligned.

In addition, processes to collect premiums should utilize structures that are already in place, such as those with carriers/TPAs or payroll systems, instead of requiring additional set up and reporting from employers.

3. ***Allow feedback from industry, associations, organizations, and employers that have knowledge and data***

States should communicate with the carrier and TPA community to both understand the feedback from the industry and learn what has worked well or challenges faced, as well as providing carriers/TPAs information needed so that they can be prepared to administer leaves and set up their systems and processes internally before employers look for answers about leave processes. Carriers have had success working with some states during the rulemaking process to flag up areas of concern, based on their industry expertise, however other states have been less successful. States implementing PFML programs have also found success connecting with other states directly. States should invite information and expertise to totally understand the different perspectives that may exist.

4. ***Communicate with all stakeholders involved in the rollout***

Channels for communication with parties involved in the rollout and administration of PFML should be established early. This may include working with the state's Department of Insurance to ensure carrier filing requirements are considered (e.g., clarity and timing), as well as how PFML works with disability, carrier filings, claims administration, processes, and procedures, as well as to create a model policy. Other stakeholders may include WC or UI divisions, or IT departments.

5. ***Bring industry experience in house***

When crafting a PFML program, states should look to acquire all the knowledge possible and hire staff with relevant PFML or at least FMLA and/or STD experience. Having internal staff with experience in the industry can be critical to flagging key items and making important decisions. Furthermore, having a strong PFML department leader with solid decision making and obvious leadership skills is key.

Connecticut and Massachusetts are thought to have strong claims administration models. Carriers credit this to the fact that Connecticut has partnered with an experienced carrier and Massachusetts contracts for a technology system experienced with PFML claims processing.

6. ***Consider PFML in the ecosystem of all leaves, not in a silo***

PFML is part of a larger benefit offering that employers must coordinate with. A lot of confusion exists when employers are working to set up the necessary processes to comply with state PFML programs, especially when they are considering how PFML will interact with leave programs that already exist. This may include FMLA, disability, WC, and other employer sponsored leaves such as sick leave or paid time off, or non-state mandated parental or family care leave. How coordination is specified in the regulations will have a significant impact on employers.

7. ***Allow private plans and do not require an employee vote***

Authorizing private or voluntary plan exemptions is a key point for employers. Large, national employers often have employees across states and may have to administer multiple statutory paid family and medical leave programs. Allowing private plans gives employers more flexibility in their benefit offering, with the ability to better coordinate employer-sponsored leaves and enhance the employee experience. Allowing the option of insurance or self-insurance is also thought to be important. An employee vote is considered an administrative burden which may not be critically important. States without a vote have seen rate reductions which may in part be due to the private carriers taking business with higher incidence rates, such as large employers.

8. *Educate, outreach, and market to the public*

Successful advertising of a PFML program is key to enrollment and utilization of benefits. States have marketed their programs differently, some focusing on public education more than others and future programs should consider the impact of this on leave taking activity.

Marketing strategies should build awareness and provide education on the most pertinent aspects of the program. If premium contributions are beginning a year in advance of benefit payments, early education should focus on employers, so they can ensure plans are set up appropriately and processes are in place to collect the correct contribution amounts. Employees benefit from paid leave information closer to when they are anticipating leave or accessing benefits.

The development of easy-to-use websites, supported by employer and employee toolkits, fact sheets and forms have been key, creating different sections for different stakeholders makes it more accessible for each party. States have more recently hosted webinars through the rollout phase to provide a forum for the public to ask questions of state resources (e.g., CT).

9. *Consider the impacts of plan design*

Certain plan design features of PFML plans have caused confusion and additional administrative work. Simplifying certain provisions can reduce complexity such as how this will need to be communicated or programmed into systems. Considerations may include:

- Simplify the structure of the benefit calculation (e.g., flat percentage instead of stepped)
- Avoid creating plans with ERISA status
- Consider excluding job protection as it is provided under other laws and can be a hardship for small employers
- Start with a shorter duration of leave and increase it as you build up the fund (e.g., New York and the District of Columbia extended leave durations over time)

10. *Expect bumps in the road*

No matter the administration model selected or the plan features, there will be challenges. Identifying what is most important to the state and the state's population will drive priorities. Understanding the impact of decisions, conducting sufficient due diligence, and having experienced PFML resources to tap into will be critical to the success of a program.

6.3. Analysis of the Costs for WA

With Washington being the first state to pass a combined PFML law, its approach, staffing requirements and other expenses associated with program implementation and administration are of particular interest to Maryland.

Washington's program started with premium collections on January 1, 2019, and benefits payments on January 1, 2020. It extends to approximately 3.9 million potential employees, with most of those (who have worked at least 820 hours during a qualifying year and have a qualifying event) being eligible for benefits.[21] WA PFML was implemented with an aggressive timeline and with significantly lower staff compared to what is in place today. When the program launched, processes were still being developed, and technology was focused on premium collection and benefit administration.

The state has been working to continually build out the program and make technology changes to streamline processes and resolve common customer concerns. This is not only important to increasing the program's efficiency, but also critical due to the increasing claim volume. In fiscal year 2021, the state received 174,931 applications, paid 139,232 claims, and distributed $771,229,762 in benefits payments, with a staff of 243 full time equivalents (FTEs). In fiscal year 2022, the state expects to have received 203,316 applications, paid 137,748 claims, distributed $804,003,850 in benefits payments, and staffed 386 FTEs to manage the program.[22]

The majority of the 386 FTEs are part of the Customer Care Team who are responsible for administering paid leave benefits but might also assist employers with premium withholding and payment, wage reporting, small business grants, employee benefit usage, and/or questions about their responsibilities under the law, along with the Customer Support Team. Other operations staff assist with compliance and enforcement activities, logistics and continuous improvement in the form of audits, investigations, appeals, quality management, implementation of new technology releases, training, and general office tasks. To support increasing program demand, the state has added non-operational positions to provide

[21] Exemptions include federal employees, tribal employees, and certain employees under collective bargaining agreements.
[22] Program Needs and Resources Report to the Office of Financial Management – September 1, 2021, Employment Security Department, Washington Paid Family & Medical Leave.

technical and system support, as well as tax and policy. The state also has a management team responsible for program leadership and oversight.

In addition to these staff members, several other divisions support the PFML program. For example, the Ombuds Office, Financial Services for accounting and management of the trust fund, information technology to support user demands, communications & outreach to continue to raise awareness, the policy and rules team to support legislative changes and other internal support functions through the indirect plan approved by the federal government.

Although annual salaries, wages, and employee benefits for Washington's PFML administration are shown below in Table E ramping up over time, technology costs have tended to do the opposite. Washington worked with external consultants and technology vendors to develop a customized financial system for accounting and enterprise reporting, a customized claims management system to intake, manage and complete PFML claims, and an external self-service portal for employers and employees to file claims and wage reports, pay premiums, request payments, view status of their claim and more. The initial investment in these systems was thought to be $58 million with annual maintenance for at least the first two years being close to $25 million.

Table E: Washington PFML Operating and Implementation Costs[23]

	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Salaries, Wages & Employee Benefits	$9,080,000	$17,710,000	$26,185,000	$32,322,000
Professional Service Contracts - Other	$1,362,000	$2,563,000	$364,000	$84,000
Technology & Maintenance	$22,431,000	$20,680,000	$5,781,000	$3,416,000
Goods and Services	$5,088,000	$5,737,000	$7,275,000	$6,226,000
Capital Outlays	$ 903,000	$615,000	$97,000	$343,000
Intra-Agency Reimbursements & Travel	$1,832,000	$3,415,000	$3,812,000	$6,157,000
Total Implementation & Operating	**$40,696,000**	**$50,720,000**	**$43,514,000**	**$48,548,000**

Although the figures illustrated above for fiscal year 2019 to 2021 are historical amounts, those for fiscal year 2022 are expenditure authority. According to the state's more recent actuarial report, expenses are

[23] Washington Paid Family & Medical Leave Annual Report, December 2021, Employment Security Department, Washington State; WA Operating and Implementation Costs Supporting documentation.

estimated to reach $56,254,000 for 2022, and continue to increase annually as claim volume, staff and associated salaries, wages and employee benefits rise.[24]

6.4. Commentary on the Costs for MA

Massachusetts was the second state to pass a combined PFML law. Its program started with premium collections on October 1, 2019, and benefits payments on January 1, 2021. It extends to approximately 3.5 million potential employees, with most who have earned at least $5,700 (in 2022) or $6,000 (in 2023) over the past 4 calendar quarters being eligible for benefits if they also have a qualifying event prompting their need for family and/or medical leave.

Although Massachusetts manages PFML claims with its own internal staff resources, it contracts out for the technology platform used to administer and complete PFML claims. Instead of building a claims management system as Washington decided to do, the state conducted an RFP, selected an existing industry leading PFML technology vendor, and worked to configure the system to meet its needs.

Another service that Massachusetts contracts out is its claim intake and customer service function. Much like the claim system, the state decided to leverage existing tools and trained staff to handle calls to initiate claims, as well as those where claimants have questions about their claim status, claim payment, or what they need to do next in the process.

In the first six months of the program during fiscal year 2021 (January 1, 2021 – June 30, 2021), the Massachusetts Department of Paid Family and Medical Leave (DFML) received 53,429 applications, paid 43,440 claims, and distributed $167,915,781 in benefits payments.[25] In fiscal year 2022 (July 1, 2021 – June 20, 2022), the DFML received 140,038 applications, paid 112,531 claims, and distributed $602,767,692 in benefits payments.[26] Please note that Massachusetts did not allow leave to care for a family member until July 1, 2021, which may help explain the increase in activity.

In the benefits collection phase of the program, DFML's expenses were approximately $14 million, while in fiscal year 2021, they rose to approximately $50 million, and for fiscal year 2022, approximately $70 million. Massachusetts law states the costs of administering DFML must not exceed 5% of the amount

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[24] Actuarial Analysis of Washington Paid Family and Medical Leave Benefits, October 2022, Milliman, Paul Correia.
[25] FY2021 Annual Report for the Massachusetts Paid Family and Medical Leave Program, Department of Family and Medical Leave.
[26] FY2022 Annual Report for the Massachusetts Paid Family and Medical Leave Program, Department of Family and Medical Leave.

deposited in the Family and Employment Security Trust Fund for each fiscal year following the initial year benefits have been paid.

6.5. Review of the Costs for CT

With Connecticut being the third state to pass a combined PFML law, and the first state to contract out the claims administration of its PFML program, its model is also of interest to Maryland.

CT PFML was implemented through the establishment of the CT Paid Leave Authority, a quasi-public agency of the state in July 2019. The program started with premium collections on January 1, 2021, and benefit payments on January 1, 2022. It extends to approximately 1.8 million potential employees, with most who have earned at least $2,325 during the highest earning quarter in the base period and have a qualifying event being eligible for benefits.

On January 14, 2021, the state released an RFP for the claims administration of its PFML program, selected the bidder in March and had from April through November to develop claims policies, procedures, training materials and claim templates as well as configure the already existing leave management claims administration IT infrastructure to be specific to CT PFML. As a result of these efforts, the state was able to begin receiving applications for income replacement benefits on December 1, 2021, one month earlier than the statutory deadline.

The vendor contract for CT PFML claims administration is with a leading disability and leave management insurance company, who handles intake, administration, and completion of PFML claims, as well as responds to claimant and employer questions, either through their 1-800 number and call center or self-service portal where users can view the status of their claims.

Connecticut also contracts out services for its customer inquiry function. Different than claim intake that is conducted by the TPA, this team of 15 specially trained staff is responsible for responding to questions that are asked by employers, employees, agents, brokers, consultants, insurance companies, TPAs, etc. about the program's eligibility, benefits, and claims requirements, how it works with other benefits, how to register and file for a private plan and more. When individuals submit their inquiries through the state's website, where frequently asked questions, policy documents, helpful links, podcasts and a "contact us" button is housed, they are asked to provide the best form of communication (email or telephone) for staff to respond.[27]

Within the first six months of the program (December 1, 2021 – June 1, 2022), Connecticut (through its contracted vendor) received 44,127 PFML applications, paid 19,699 of the 32,701 claims that warranted a decision, and distributed over $81 million in benefits payments.[28] While the actual usage rate for the first six months was significantly lower than projected, it was anticipated to increase as public awareness of the program continued to build.

Having these vendor partner contracts in place allows the state's PFML management team to focus on the development and organization of the program, ensure continual policy and process improvement, and expand upon its education and outreach efforts, amongst other things (e.g., compliance, fund management, etc.). The management team is governed by a Board of Directors and led by the CEO who has overall responsibility for directing the implementation and administration of policies and procedures. The CEO is supported by a COO & General Counsel, Controller, IT Director, Senior Advisor & Chief of Government Affairs, Chief Marketing & Communications Officer, Business Systems & Quality Control Manager, Executive Assistant and Clerical Assistant.

The state's administrative expenses that are projected to be $47.9 million in fiscal year 2023 are largely driven by these two vendor partner contracts, especially claims administration estimated at $25 million[29]. Other administrative costs included are salaries, wages & employee benefits, other technology and maintenance costs, education and outreach and ongoing program management services such as accounting, external legal, actuarial, and consulting contracted by the Authority.

[27] https://ctpaidleave.org/s/contactus?language=en_US.
[28] Connecticut Paid Leave Annual Report for 2022.
[29] State of Connecticut Paid Leave Authority – Annual Actuarial Report as of June 30, 2022.

7 ADDITIONAL RESOURCE NEEDS

7.1. Potential Resources

To assist the state in determining what might be the best model for FAMLI, we have suggested staffing and infrastructure frameworks and estimated administration costs for (1) an insourced model where MDL leverages PFML software available in the marketplace today to administer claims; (2) a co-sourced model where MDL leverages PFML software to administer claims but outsources the call center/customer service function and (3) an outsourced model where MDL contracts with an established PFML insurance company or TPA to fully administer PFML claims through their staff and systems. An insourced model using custom developed software is not discussed as a viable option as the timeline to build an adequate system would delay the implementation of FAMLI by multiple years.

All three models include a dedicated division to oversee the FAMLI program within MDL and aim to appoint a Division Director, Operations & Legal and administrative support immediately in 2023. This focused team could collaborate with MDL resources that have been involved in the law to date to formalize the state's roadmap. This would include conducting request for proposal (RFP) processes for the necessary vendors, either directly or by engaging an experienced PFML consultant, and preparing for implementation of the selected solutions. It would also include working through policy and processes, financial and accounting specifics, and the commencement of education and outreach to the public about the FAMLI program.

In addition, the models include the estimated costs associated with the suggested staff, as well as the office space and supplies, software and IT support, education and outreach, tools and training and external services needed. The costs associated with office space, supplies, tools, training, certifications, and conference attendance will grow as the team expands, then generally level out as the program matures. The same is true of marketing and outreach costs, with the biggest push in 2023 and 2024 before FAMLI becomes available, and in 2025 when benefits payments begin. Accounting, outside legal, actuarial and PFML consulting support will be rather stable as the program ramps up and continues.

Estimates are shown for the 2023 and 2024 ramp up, and for the first three years of the program (2025, 2026 and 2027). They also come with a suggestion that Maryland be prepared for the claim adjudication process a few months prior to the program start date to not only ensure the staff, system, process, and protocols are working effectively, but also to potentially start accepting claims already building up in December of 2024 to prevent excessively high volumes on January 1, 2025. Connecticut took a similar approach.

Note that the costs for insourced, co-sourced, and outsourced models are estimates only. Insourced and co-sourced staffing costs consider industry expectations for salary and Maryland norms for growth rate, fringe benefits, and healthcare costs. Outsourced vendor administration costs are based on industry and market competitive rates of $1.30 per employee per month (PEPM), a separate implementation fee and both flat and hourly based system/reporting customization or configuration costs. IT/software costs are based on leveraging a PFML system, along with other functionality development and ongoing maintenance costs. Actual vendor costs and IT/system costs will need to be identified and detailed through a comprehensive RFP process.

For an insourced model, as shown in Table F, all of the roles described in Section 5 of this report, and corresponding headcount are needed to effectively manage the FAMLI program. The ramp up includes the factors above, as well as the necessary time to train new staff on the program specifics.

For a co-sourced model, as shown in Table G, intake/customer service and contact center roles are outsourced, while the remainder of the roles described in Section 5 of this report, and shown in Table F, are needed to effectively support the FAMLI program.

For an outsourced model, as shown in Table H, an experienced PFML insurance company or TPA would carry out the intake, customer service, claims management, and associated roles. In 2025, when FAMLI is fully functional, this anticipates needing a little over 60 FTEs to manage the program, policy, and processes, conduct vendor management, ensure systems are interfacing correctly and support contribution collection, private plans applications, and customer inquiries.

In comparing the options, it is important to consider that MDL would have to establish a FAMLI division (or similar administrative structure), and undergo a significant recruiting and training effort, as well as comprehensive RFP and implementation processes to stand up a complete IT infrastructure and full staff by January 1, 2025.

Table F: Insourced Model (MDL hires full staff and contracts for PFML software) Estimates ($ In 000s)

	2023	2024	Year 1: 2025	Year 2: 2026	Year 3: 2027
Claims Management Staff					
Intake/Customer Service Representative	--	23.7	47.4	47.4	49.3
Intake/Customer Service Supervisor	--	2.4	4.7	4.7	4.9
Medical Claim Specialist	2.0	58.7	117.4	118.4	124.3
Family Care Claim Specialist	2.0	64.0	128.1	126.3	130.2
Claim Specialist Manager	1.0	3.1	6.1	6.1	6.4
Claim Specialist Supervisor	1.0	12.3	24.5	24.5	25.4
Audit/QA and Fraud Specialist	--	10.7	21.3	21.3	22.2
Appeals Specialist	--	7.1	14.2	14.2	14.8
Legal Professionals	--	0.7	1.4	1.4	1.5
Training Specialist	0.6	1.2	2.5	2.4	2.5
Contribution Specialist/Auditor	8.7	34.9	35.1	35.1	35.1
Private Plan Administrator	2.2	4.4	4.4	4.4	4.4
Contact Center Support	7.0	7.0	14.0	14.0	14.0
Administrative & Fulfillment	--	--	14.0	14.0	14.0
Director of IT Services	1.0	1.0	1.0	1.0	1.0
Business Systems Manager	10.0	13.0	15.0	15.0	15.0
Data, Analytics and Reporting Specialist	--	--	5.0	5.0	5.0
System Team Support	--	--	3.0	3.0	3.0
Program Management Staff					
Director	1.0	1.0	1.0	1.0	1.0
Operations & Legal	1.0	1.0	1.0	1.0	1.0
Government Affairs & Policy	--	1.0	1.0	1.5	1.5
Financial Controller	--	1.0	1.0	1.5	1.5
Marketing & Communications	--	1.0	1.0	1.5	1.5
Administrative Support	1.0	1.5	2.0	2.0	2.0
Estimated Staff Count	**38.5**	**250.7**	**466.3**	**466.8**	**481.5**
Annual Staffing Costs	$4,454	$27,086	$51,409	$54,222	$58,467
Facilities Related Costs	$763	$2,346	$3,479	$2,751	$2,866
IT/Software Costs	$16,630	$13,620	$8,862	$7,373	$7,110
Marketing & Outreach Costs	$750	$750	$500	$250	$100
Tools & Training Costs	--	--	$173	$182	$198
Services & Consulting Costs	$350	$350	$900	$915	$925
Estimated Administration Cost	**$22,947**	**$44,152**	**$65,322**	**$65,694**	**$69,667**

Table G: Co-sourced Model (MDL outsources call center/customer service, hires claim staff and contracts for PFML software) Estimates ($ In 000s)

	2023	2024	Year 1: 2025	Year 2: 2026	Year 3: 2027
Claims Management Staff					
Intake/Customer Service Representative	--	--	--	--	--
Intake/Customer Service Supervisor	--	--	--	--	--
Medical Claim Specialist	2.0	58.7	117.4	118.4	124.3
Family Care Claim Specialist	2.0	64.0	128.1	126.3	130.2
Claim Specialist Manager	1.0	3.1	6.1	6.1	6.4
Claim Specialist Supervisor	1.0	12.3	24.5	24.5	25.4
Audit/QA and Fraud Specialist	--	10.7	21.3	21.3	22.2
Appeals Specialist	--	7.1	14.2	14.2	14.8
Legal Professionals	--	0.7	1.4	1.4	1.5
Training Specialist	0.6	1.2	2.5	2.4	2.5
Contribution Specialist/Auditor	8.7	34.9	35.1	35.1	35.1
Private Plan Administrator	2.2	4.4	4.4	4.4	4.4
Contact Center Support	--	--	--	--	--
Administrative & Fulfillment	--	--	14.0	14.0	14.0
Director of IT Services	1.0	1.0	1.0	1.0	1.0
Business Systems Manager	8.0	11.0	13.0	13.0	15.0
Data, Analytics and Reporting Specialist	--	--	5.0	5.0	5.0
System Team Support	--	--	3.0	3.0	3.0
Program Management Staff					
Director	1.0	1.0	1.0	1.0	1.0
Operations & Legal	1.0	1.0	1.0	1.0	1.0
Government Affairs & Policy	--	1.0	1.0	1.5	1.5
Financial Controller	--	1.0	1.0	1.5	1.5
Marketing & Communications	--	1.0	1.0	1.5	1.5
Administrative Support	1.0	1.5	2.0	2.0	2.0
Estimated Staff Count	**29.5**	**215.6**	**398.1**	**398.7**	**413.2**
Annual Staffing Costs	$3,585	$23,888	$44,900	$47,175	$51,188
Facilities Related Costs	$692	$2,091	$3,032	$2,417	$2,531
IT/Software Costs	$15,130	$12,120	$8,112	$6,623	$6,360
Call Center/Customer Service Vendor Costs	$2,500	Incl	$5,200	$5,200	$5,200
Marketing & Outreach Costs	$750	$750	$500	$250	$100
Tools & Training Costs	--	--	$173	$182	$198
Services & Consulting Costs	$350	$350	$900	$915	$925
Estimated Administration Cost	**$23,007**	**$39,200**	**$62,907**	**$62,763**	**$66,501**

Table H: Outsourced Model (MDL contracts for PFML claims administration) Estimates ($ In 000s)

	2023	2024	Year 1: 2025	Year 2: 2026	Year 3: 2027
Claims Management Staff					
Intake/Customer Service Representative	--	--	--	--	--
Intake/Customer Service Supervisor	--	--	--	--	--
Medical Claim Specialist	--	--	--	--	--
Family Care Claim Specialist	--	--	--	--	--
Claim Specialist Manager	--	--	--	--	--
Claim Specialist Supervisor	--	--	--	--	--
Audit/QA and Fraud Specialist	--	--	--	--	--
Appeals Specialist	--	--	--	--	--
Legal Professionals	--	0.4	0.7	0.7	0.7
Training Specialist	--	--	--	--	--
Contribution Specialist/Auditor	8.7	34.9	35.1	35.1	35.1
Private Plan Administrator	2.2	4.4	4.4	4.4	4.4
Contact Center Support	3.5	3.5	7.0	7.0	7.0
Administrative & Fulfillment	--	--	--	--	--
Director of IT Services	1.0	1.0	1.0	1.0	1.0
Business Systems Manager	4.0	4.0	4.0	4.0	4.0
Data, Analytics and Reporting Specialist	--	--	2.0	2.0	2.0
System Team Support	--	--	1.0	1.0	1.0
Program Management					
Director	1.0	1.0	1.0	1.0	1.0
Operations & Legal	1.0	1.0	1.0	1.0	1.0
Government Affairs & Policy	--	1.0	1.0	1.5	1.5
Financial Controller	--	1.0	1.0	1.5	1.5
Marketing & Communications	--	1.0	1.0	1.5	1.5
Administrative Support	1.0	1.5	2.0	2.0	2.0
Estimated Staff Count	**22.4**	**54.6**	**62.2**	**63.7**	**63.7**
Annual Staffing Costs	$2,635	$6,572	$7,622	$8,240	$8,261
Facilities Related Costs	$303	$498	$470	$442	$438
IT Costs	$1,500	$1,500	$2,000	$2,000	$2,000
Claim Administration Vendor Costs	$859	$2,859	$39,836	$39,985	$40,135
Marketing & Outreach Costs	$750	$750	$500	$250	$100
Tools & Training Costs	--		$26	$36	$46
Services & Consulting Costs	$350	$350	$900	$915	$925
Estimated Administration Cost	**$6,397**	**$12,529**	**$51,354**	**$51,869**	**$52,265**

As shown below in Table I, a dedicated FAMLI division coupled with an outsourced model operated by experienced PFML vendors requires fewer staff and significantly lower ramp-up and lower ongoing financial and administrative burden on MDL. It would also leverage expertise, systems and staff that are already available in the market and provide employers and applicants for FAMLI claims with a streamlined and compliant experience. If MDL were to select this model, in the longer term, and after an outsourced model is fully functional and sufficient experience with FAMLI is gained, MDL could reassess the model and consider bringing some or all the service functions in house when it is not so pressured for time and resources. As standard vendor contracts are typically three to five years, and subject to quarterly performance guarantees and annual stewardship reviews, the end of year two might be an optimal time to reevaluate the model.

Table I: Summary of Insourced, Co-Sourced and Outsourced FAMLI Model Staff and Administration Costs Summary ($In 000s)

	2023	2024	Year 1: 2025	Year 2: 2026	Year 3: 2027
Insourced Model					
Estimated Staff Count	39	251	466	467	482
Estimated Administration Cost (In 000s)	$22,947	$44,152	$65,322	$65,694	$69,667
Co-sourced Model					
Estimated Staff Count	30	216	398	399	413
Estimated Administration Cost (In 000s)	$23,007	$39,200	$62,907	$62,763	$66,501
Outsourced Model					
Estimated Staff Count	22	55	62	64	64
Estimated Administration Cost (In 000s)	$6,397	$12,529	$51,354	$51,869	$52,265

8 APPENDIX

8.1. PFML Evolution and State Specifics

8.1.1. Statutory Disability Programs

Paid Family and Medical Leave originated from statutory disability programs established between 1942 and 1969. Statutory disability insurance (SDI) is focused solely on providing a percentage of wage replacement for employees experiencing a non-occupational disabling illness or injury, including pregnancy, that prevents an employee from performing regular and customary work.

Rhode Island was the first state to establish statutory disability insurance through their Temporary Disability Insurance (TDI) law in 1942. California followed suit in 1946, along with New Jersey in 1948 and New York in 1949. Almost twenty years later, Puerto Rico created a disability insurance program in 1968 and Hawaii passed a temporary disability insurance law in 1969.

8.1.2. Statutory Paid Family Leave or PFML Programs

- ***California***

Starting in 2004, California was the first state to establish paid family leave (PFL). California built onto the SDI structure in place to provide paid benefits for employees who need time off to care for a family member, bond with a new child, or participate in a qualifying military exigency.

California Program Components (2022)[30]	Statutory Disability Insurance	Paid Family Leave
Covered Leave Reasons	• Employee's own non-work-related illness, injury, or pregnancy	• Care for a seriously ill family member • Bond with a new child through birth, adoption, or foster care placement within the past 12 months • Participate in a qualifying event resulting from a spouse, registered domestic partner, parent or child's military deployment to a foreign country
Leave Duration	52 weeks	8 weeks in a 12-month period
Benefit Amount	• 60% or more of an employee's earnings for employees who earn 1/3 or more of the state average quarterly wage • 70% of an employee's weekly earnings for employees who earn less than 1/3 of the state average quarterly wage	
Maximum Weekly Benefit	$1,540.00	
Program Funding	Employee funded	
Job Protection	No	
Private Plan Allowance	Employers may apply to opt-out to a Voluntary Plan (VP); requires a voting process	
Administrative Approach	Administered internally by the State's Employment Development Department (EDD), Disability Insurance Branch (Central Office Division, Field Office Division)	
Claim Turnaround Time	Eligibility determined within 14 days of receipt of a completed claim. Initial benefit payment issued within 2 weeks of receipt of a completed claim	
Payment Frequency	Every two weeks following until the benefit period ends	

[30] California Employment Development Department, State Disability Insurance, https://edd.ca.gov/Disability/.

- *New Jersey*

Under the Unemployment Compensation Law and the Temporary Disability Benefits Law, New Jersey created the Family Leave Insurance (FLI) program in 2008. With benefits beginning in July 2009, NJ FLI provides paid benefits for employees caring for a family member with a serious health condition and to bond with a new child.

New Jersey Program Components (2022)[31]	Temporary Disability Insurance	Family Leave Insurance
Covered Leave Reasons	• Employee's own physical or mental health condition or other disability unrelated to their work • Employee at high risk for COVID-19 due to an underlying health condition	• Bond with a newborn, newly adopted, newly placed foster child within the first year of birth, adoption, or placement • Care for a family member with a serious physical or mental health condition, including COVID-19 • Handle certain matters related to domestic or sexual violence for self or family member
Leave Duration	26 weeks in a 12-month period	12 weeks in a 12-month period for continuous leave. 56 days in a 12-month period for intermittent leave
Benefit Amount	85% of an employee's average weekly wage	
Maximum Weekly Benefit	$993.00	
Program Funding	Employee and employer funded	Employee funded
Job Protection	No	
Private Plan Allowance	Employers may apply to opt-out for an insured or self-insured private plan	
Administrative Approach	Administered internally by the State's Department of Labor and Workforce Development, Division of Temporary Disability and Family Leave Insurance	
Claim Turnaround Time	Applications processed in the order in which they are received	
Payment Frequency	Payments issued every two weeks after the initial payment	

[31] New Jersey Department of Labor and Workforce Development, Division of Temporary Disability and Family Leave Insurance, https://nj.gov/labor/myleavebenefits.

- ***Rhode Island***

Signed into law in 2013, Rhode Island passed its Temporary Caregiver Insurance (TCI) program under the Temporary Disability Insurance Law. Benefits became payable in 2014 for employees who needed leave to care for a seriously ill family member or to bond with a new child.

Rhode Island Program Components (2022)[32]	Temporary Disability Insurance	Temporary Caregiver Insurance
Covered Leave Reasons	• Employee's own temporary disability or injury	• Care for a seriously ill family member • Bond with a newborn child, adopted child or foster care child during the first 12 months of parenting
Leave Duration	30 weeks in a benefit year	5 weeks in a benefit year
Benefit Amount	4.62% of the employee's total highest quarter wages in the base period (approximately 60%)	
Maximum Weekly Benefit	$1,007.00 plus a dependency allowance[33]	
Program Funding	Employee funded	
Job Protection	Employers must offer a comparable position with the equivalent seniority, status, employment benefits, pay and other terms and conditions including fringe benefits	
Private Plan Allowance	No private plan exemption allowed	
Administrative Approach	Administered internally by the State's Department of Labor and Training, Temporary Disability, Caregiver Insurance Section	
Claim Turnaround Time	First payment typically made within 3-4 weeks from the receipt of a valid application	
Payment Frequency	Benefits are usually deposited within 48 hours of approval	

[32] Rhode Island Department of Labor and Training, Temporary Disability/Caregiver Insurance, https://dlt.ri.gov/individuals/temporary-disability-caregiver-insurance.
[33] RI dependency allowance is included in weekly benefit if claimant has dependent children less than 18 years of age or incapacitated children over 18. The allowance is limited to 5 dependents and is equal to the greater of $10 or 7% of the benefit rate per dependent.

- *New York*

New York launched its Paid Family Leave program in 2018 with benefits being phased in over 4 years. The Workers' Compensation (WC) Board oversees the Disability Benefits Law (DBL) and Paid Family Leave (PFL) law.

New York Program Components (2022)	Disability Benefits Law[34]	Paid Family Leave[35]
Covered Leave Reasons	• Employee's own disabling off-the-job injury or illness	• Bond with a newly born, adopted, or fostered child • Care for a family member with a serious health condition • Assist loved ones when a spouse, domestic partner, child, or parent is deployed abroad on active military service
Leave Duration	26 weeks in a 12-month period	12 weeks in a 12-month period
	Combined DBL and PFL duration cannot exceed 26 weeks	
Benefit Amount	50% of an employee's average weekly wage	67% of an employee's average weekly wage
Maximum Weekly Benefit	$170.00	$1,068.36
Program Funding	Employee funded	
Job Protection	No	Yes
Private Plan Allowance	No state plan exists. Employers must offer through insurance or self-insurance with an authorized carrier or TPA, or the NY State Insurance Fund (NYSIF). No private plan application required	
Administrative Approach	Programs are overseen by the State's WC Board, Disability Benefits Bureau, and Department of Financial Services. DBL and PFL must be administered by the same vendor however a standalone PFL policy may be issued to an employer that self-insures DBL pursuant to Section 211(3) of the WC Law or to an employer who is providing voluntary PFL benefits pursuant to Sections 212-a and 212-b	
Claim Turnaround Time	In most cases, the insurance carrier must pay or deny benefits within 18 calendar days of receiving a completed request or on first day of leave, whichever is later	
Payment Frequency	After the initial payment, payments are made biweekly	

[34] New York Workers' Compensation Board, Disability Benefits, http://www.wcb.ny.gov/content/main/DisabilityBenefits/employee-disability-benefits.jsp.

[35] New York Paid Family Leave, https://paidfamilyleave.ny.gov/.

- ***Hawaii***

Hawaii is one of the only two states with a statutory disability insurance program that has not created a paid family leave program, however the state has explored various models.

Hawaii Program Components (2022)[36]	Temporary Disability Insurance (TDI)
Covered Leave Reasons	• Employee's own non-work-related injury or sickness, including pregnancy
Leave Duration	26 weeks during a benefit year
Benefit Amount	58% of the employee's average weekly wage
Maximum Weekly Benefit	$697.00
Program Funding	Employee and employer funded
Job Protection	No
Private Plan Allowance	No state plan exists. Employer mandate requires employers to provide benefits through authorized carrier, TPA or self-administered option
Administrative Approach	Overseen by the Department of Labor and Industrial Relations, Disability Compensation Division. Administration is conducted through an authorized insurance carrier, approved self-insured plan, or by a collective bargaining agreement that contains sick leave benefits at least as favorable as required by the TDI law
Claim Turnaround Time	Based on employer specific policy
Payment Frequency	Based on employer specific policy

8.1.3. Initial Paid Family and Medical Leave Programs

Following the creation of PFL programs established based on SDI laws, new states began establishing their own programs that combined paid leave benefits for an employee's own serious health condition, as well as for family caregiving reasons. Leave related to the military service of a family member also became commonly offered. Additionally, some states incorporated benefits for additional leave reasons such as organ and bone marrow donation, or for safe leave related to domestic abuse and sexual assault. States with established laws have also continued to review their programs and some have added additional leave reasons over the years that may not have been originally included.

- ***Washington***

Washington was the first state to create a comprehensive paid family and medical leave law with benefits becoming available January 1, 2020, after the state had collected contributions for one year.

[36] Hawaii Disability Compensation Division, About Temporary Disability Insurance, https://labor.hawaii.gov/dcd/home/about-tdi/.

Washington Program Components (2022)[37]	Paid Family and Medical Leave
Covered Leave Reasons	• Medical leave when a serious health condition prevents an employee from working • Care for a family member with a serious health condition • Bond with a new child in the family • For the 7 days following the loss of a child if the employee would have qualified for prenatal or postnatal medial leave for the birth of a child, the employee would have qualified for family leave to bond with the child during the first 12 months after birth, or the employee had a child under the age of 18 placed in their home and qualified for bonding leave within the first 12 months of placement • Military family leave for employees to spend time with a family member who is about to be deployed overseas or is returning from overseas deployment
Leave Duration	Up to 12 weeks for medical leave or family leave in a claim year • Up to 16 weeks combined medical and family leave if employee has more than one qualifying event in same claim year • Up to 18 weeks combined family and medical leave if employee experiences a condition that results in incapacity
Benefit Amount	90% of an employee's average weekly wage that is less than or equal to 50% of the state average weekly wage, plus 50% of an employee's average weekly wage that is greater than 50% of the state average weekly wage
Maximum Weekly Benefit	$1,327.00
Program Funding	Employee and employer funded
Job Protection	Yes, if the employer has 50 or more employees, the employee has worked for the employer for at least 12 months, and the employee has worked at least 1,250 hours in the last 12 months
Private Plan Allowance	Employers may apply for a self-insured voluntary plan for family and/or medical leave which must be administered by the employer or a TPA and approved by the State
Administrative Approach	Administered internally by the Employment Security Department, Office of Paid Family and Medical Leave
Claim Turnaround Time	Goal to process complete applications within 3 weeks
Payment Frequency	Claims are filed weekly

[37] Washington Employment Security Department, Paid Family and Medical Leave, https://paidleave.wa.gov/.

- ***Washington, D.C.***

Under the Universal Paid Leave Amendment Act of 2016, the District of Columbia created a paid family and medical leave program, which began providing benefits on July 1, 2020, after collecting contributions for one year.

Washington, D.C. Program Components (2022)[38]	Paid Family Leave
Covered Leave Reasons	• Parental leave to bond with a new child, including adopted or foster children • Family Leave to care for a family member with a serious health condition • Medical leave for an employee's own serious health condition • Prenatal leave to receive medical care related to pregnancy
Leave Duration	Up to 12 weeks of benefits in a single year of parental, family, or medical leave, with an additional 2 weeks of prenatal leave in addition to any allowed amount of parental or family leave
Benefit Amount	90% of an employee's average weekly wage that is less than or equal to150% of D.C. minimum wage multiplied by 40 plus 50% of the employee's average weekly wage that is greater than 150% of D.C. minimum wage multiplied by 40
Maximum Weekly Benefit	$1,009.00
Program Funding	Employer funded
Job Protection	No
Private Plan Allowance	No private plan exemption allowed
Administrative Approach	Administered internally by the Department of Employment Services (DOES), Office of Paid Family Leave (OPFL)
Claim Turnaround Time	Claimants contacted within 10 business days from application
Payment Frequency	Approved benefits will be paid every two weeks

- ***Massachusetts***

Massachusetts began collecting contributions in October 2019. The state implemented a phased approach to paying benefits, with leave available beginning January 1, 2021, for some covered reasons including an employee's own medical condition, bonding with a new child, care for a covered service member, and military exigency. On July 1, 2021, the program also began paying benefits for an employee taking leave to care for a family member.

[38] District of Columbia Department of Employment Services, DC Paid Family Leave, https://dcpaidfamilyleave.dc.gov/.

Massachusetts Program Components (2022)[39]	Paid Family and Medical Leave
Covered Leave Reasons	• Employee's own serious health condition, or pregnancy/childbirth • Care for a family member with a serious health condition • Bond with a child during the first 12 months after birth, adoption, or placement • Care for a family member who was injured serving in the armed forces • Manage affairs while a family member is on active duty
Leave Duration	Up to 26 weeks of combined family and medical leave, subject to following limits: • Up to 20 weeks of paid medical leave • Up to 12 weeks of paid family leave • Up to 26 weeks of paid family leave to care for a family member who was injured serving in the armed forces
Benefit Amount	80% of an employee's average weekly wage that is less than or equal to 50% of the state average weekly wage plus 50% of an employee's average weekly wage that is greater than 50% of the state average weekly wage
Maximum Weekly Benefit	$1,084.31
Program Funding	Employee and employer funded
Job Protection	Yes
Private Plan Allowance	Employers may request a private plan exemption for paid family and/or medical leave through self-insurance or a purchased insurance plan offered by an insurance carrier licensed by the Division of Insurance
Administrative Approach	Administered internally the Office of Labor and Workforce Development, Department of Family and Medical Leave (DFML). The DFMLsources with external vendors for its call center services, claim administration technology and self-service portal
Claim Turnaround Time	Eligibility determined within 14 business days of application. If employees apply in advance, the first payment is made 2-4 weeks after leave begins. If leave has already started, payment can be expected 2 weeks after approved.
Payment Frequency	Subsequent payments are scheduled every Monday.

- ***Connecticut***

Connecticut began paying PFML benefits in January 2022, after they began collecting contributions in January 2021. Connecticut was the first state to contract with a vendor for claims administration. Working with a TPA allowed them to tap into experienced and established resources for efficient implementation.

[39] Massachusetts Executive Office of Labor and Workforce Development, Department of Family and Medical Leave, https://www.mass.gov/orgs/department-of-family-and-medical-leave.

Connecticut Program Components (2022)[40]	Paid Family and Medical Leave
Covered Leave Reasons	• Employee's own serious health condition, including pregnancy and serving as an organ or bone marrow donor • Care for a family member who has a serious health condition • Bond with a newborn child or child who has joined the family through adoption or foster care • Care for a parent, spouse, child or next of kin who has injured in the line of duty on active duty in the military • Address specific exigent circumstances associated with the deployment of a parent, spouse, or child to overseas military duty • To address specific situations associated with the fact that they are experiencing family violence
Leave Duration	12 weeks with 2 additional weeks of leave available for a serious health condition resulting in incapacity during pregnancy
Benefit Amount	95% of an employee's base weekly earnings less than or equal to 40x the minimum fair wage plus 60% of base weekly earnings greater than 40x the minimum fair wage
Maximum Weekly Benefit	$840.00
Program Funding	Employee funded. Note: employers cannot contribute on behalf of employees
Job Protection	No
Private Plan Allowance	Employers may choose to apply for an insured or self-insured private plan if employees approve through a vote
Administrative Approach	The CT Paid Leave Authority contracts with a disability and leave management (TPA) to for claims handling, and a different TPA for contact center support. The Authority handles contributions, private plans, outreach, and education
Claim Turnaround Time	Claim decision made within 5 business days of receipt of completed information
Payment Frequency	Approved benefits are paid on a weekly basis each Tuesday

[40] Connecticut Paid Leave, https://ctpaidleave.org/s/?language=en_US.

- ***Oregon***

Oregon PFML benefits are scheduled to begin on September 3, 2023, with contributions beginning on January 1, 2023. The program implementation dates were delayed from the original dates of January 1, 2022, for contributions, and January 1, 2023, for benefit payments, to allow the state more time to establish the necessary rules and processes for administration.

Oregon Program Components (2022)[41]	Paid Leave
Covered Leave Reasons	• Bond with a new child after birth, adoption, or foster placement within 12 months • Care for a family member experiencing a serious health condition • Medical leave for an employee's own serious health condition • Safe leave for survivors of sexual assault, domestic violence, harassment, or stalking
Leave Duration	12 weeks of paid leave per year, plus an additional 2 weeks for limitations related to pregnancy
Benefit Amount	100% of the employee's average weekly wage that is less than or equal to 65% to the state average weekly wage plus 50% of the average weekly wage that is greater than 65% of the state average weekly wage
Maximum Weekly Benefit	*2023 maximum weekly benefit will be $1,469*
Program Funding	Employee and employer funded
Job Protection	Yes, if the employee worked for the employer for more than 90 days
Private Plan Allowance	Employers may apply for an insured or self-insured private plan
Administrative Approach	Administered internally by the Oregon Employment Department (OED), Paid Leave Oregon
Claim Turnaround Time	A reasonable effort should be made to issue the first payment within 2 weeks after receiving the claim
Payment Frequency	Not stated

[41] Paid Leave Oregon, https://paidleave.oregon.gov/Pages/default.aspx.

- ***Colorado***

Colorado contributions are scheduled to begin January 1, 2023, with benefits available one year later. Colorado was the first and only state to pass a paid family and medical leave law through a ballot measure, Proposition 118, on November 3, 2020.

Colorado Program Components (2022)[42]	Family and Medical Leave Insurance
Covered Leave Reasons	• Caring for a child during the first year after the birth, adoption, or placement of that child • Caring for a family member with a serious health condition • Employee's own serious health condition • Qualifying exigency leave • Need for safe leave
Leave Duration	Up to 12 weeks of leave in an application year, with an additional 4 weeks of benefits payable to a covered individual with a serious health condition related to pregnancy complications or childbirth complications
Benefit Amount	90% of an employee's average weekly wage that is less than or equal to 50% of the state average weekly wage plus 50% of an employee's average weekly wage that is greater than 50% of the state average weekly wage
Maximum Weekly Benefit	*2024 maximum weekly benefit will be $1,100*
Program Funding	Employee and employer funded
Job Protection	If the employee has been employed by the current covered employer for at least 180 days prior to the beginning of leave
Private Plan Allowance	Employers may apply for an insured or self-insured private plan
Administrative Approach	Administered internally by the State's Department of Labor and Employment, Division of Family and Medical Leave Insurance
Claim Turnaround Time	The first payment of benefits shall be made within 2 weeks after the claim is filed
Payment Frequency	Subsequent payments made every 2 weeks thereafter

[42] Colorado Department of Labor and Employment, Family and Medical Leave Insurance Program (FAMLI), https://famli.colorado.gov/.

- ***Delaware***

Delaware passed the Healthy Delaware Families Act in May 2022, with contributions scheduled to begin January 1, 2025, and benefits payable beginning January 1, 2026. The law is somewhat unique in that it allows parental, medical, and family caregiving leave to be administered separately or together. Specific details are pending as the state continues to establish rules and procedures.

Delaware Program Components (2022)[43]	Paid Family and Medical Leave
Covered Leave Reasons	• Parental leave for the birth, adoption, or placement of a child through foster care, as well as caring for the child during the first year after their birth or placement • Family leave to care for a family member with a serious health condition • Medical leave for an employee's own serious health condition • Qualifying military exigency
Leave Duration	12 weeks in an application year, within the following limits: • 12 weeks for parental leave in an application year • 6 weeks in any 24-month period for aggregate medical leave family caregiving leave, and qualifying exigency leave *Note: except for parental leave, covered individuals are eligible for benefits not more than once in a 24-month period*
Benefit Amount	80% of an employee's average weekly wage
Maximum Weekly Benefit	*2026 maximum weekly benefit will be $900*
Program Funding	Employee and employer funded
Job Protection	No
Private Plan Allowance	Employers may apply to the Department of Labor for an insured or self-insured plan for parental leave and/or medical leave and/or family caregiving leave
Administrative Approach	Administered internally by the State's Department of Labor
Claim Turnaround Time	Employers must approve or deny an application for benefits within 5 business days of receipt of a completed application
Payment Frequency	Not stated

[43] Delaware State Senate Bill No. 1, An Act to Amend Title 19 of the Delaware Code Related to the Family and Medical Leave Insurance Program, https://legis.delaware.gov/json/BillDetail/GenerateHtmlDocumentEngrossment?engrossmentId=25023&docTypeId=6.

- ***Maine***

The Commission to develop a PFML benefits program was established through Resolve 2021, chapter 122 to study the PFML programs in other states and develop a plan to implement a PFML program in Maine. The commission is working to develop policy recommendations which are currently being drafted in the Main Paid Leave Coalition Ballot Initiative Proposal. Contributions are set to begin July 1, 2025, and benefits begin July 1, 2026. Specific details are pending as the state continues to establish rules and procedures.

Maine Proposed Program Components (2022)[44]	Paid Family and Medical Leave
Covered Leave Reasons	• Because of birth, adoption, or placement through foster care, is caring for a child during the first year after the birth, adoption, or placement through foster care of that child • Is caring for a family member with a serious health condition • Has a serious health condition • Family member is on active duty or has been notified of an impending call or order to active duty, had a need for qualifying exigency leave • Has a need for safe leave
Leave Duration	16 weeks of aggregate paid family and medical leave in a benefit year, however up to 12 weeks is available for any qualifying need in a benefit year
Benefit Amount	90% of an employee's average weekly wage that is less than or equal to 50% of the state average weekly wage, plus 65% of an employee's average weekly wage that is more than 50% of the state average weekly wage
Maximum Weekly Benefit	*2026 maximum weekly benefit will be $1,000*
Program Funding	Employee and employer funded
Job Protection	Yes
Private Plan Allowance	Employer may apply to the for a private plan
Administrative Approach	Administered by the Department of Labor, Bureau of Labor Standards
Claim Turnaround Time	The first payment of benefits must be made within 2 weeks after the claim is filed or within 2 weeks of the first day of the approved claim, whichever is later
Payment Frequency	Subsequent payments must be made every 2 weeks thereafter

8.1.4. Voluntary Paid Family and Medical Leave and Insurance Rules

Most states have historically created PFML programs with mandated coverage, wherein most employers must provide coverage to eligible employees working in the state. Recently, some states have developed

[44] Maine State Legislature, Commission to Develop a Paid Family and Medical Leave Benefits Program, https://legislature.maine.gov/commission-to-develop-a-paid-family-and-medical-leave-benefits-program.

an alternative approach that makes PFML a voluntary coverage, allowing both employers and employees to choose if they will participate.

- ***New Hampshire***

New Hampshire passed the Granite State Paid Family Leave Plan in June 2021 as the first voluntary paid family and medical leave program in the country. Employers and employees are not required to participate, however have the option to enroll. State employees are the only group required to provide NH PFML, and the State will pay premium on behalf of all state employees.

Enrollment for employers began on December 1, 2022, and the first date benefits are payable is January 1, 2023. Enrollment for individuals will be open every year for 60 days, with the first period running January 1, 2023, to March 2, 2023. Individuals can enroll in the plan only if their employer does not offer NH PFML or an equivalent plan. Employers will contract directly with the State's selected insurance carrier to purchase an insured plan and receive a business enterprise tax (BET) credit of up to 50% of the premium they pay on behalf of employees, if they offer NH PFML through the state's insurance partners. In addition, the New Hampshire Insurance Department (NHID) issued rules allowing other carriers to offer PFML products on an insured basis in the state; the BET credit, however, will not apply.

New Hampshire Program Components (2022)[45]	Paid Family and Medical Leave
Covered Leave Reasons	• Employee's own serious health condition, when disability coverage does not apply, including childbirth • Bond with a child during the first year of birth, including placement for adoption or fostering • Care for a family member with a serious health condition • Qualifying urgent demand or need arising out of the fact that the worker's spouse, child, or parent is a covered military member on covered active duty • Care for a covered service-member with a serious injury or illness if the eligible worker is the service-member's spouse, child, parent, or next of kin *Note: Employees of the state are not eligible for own health condition*
Leave Duration	6 weeks per year, however, employers may choose a 6- or 12-week PFML plan. The BET credit will only apply to 6 weeks of coverage
Benefit Amount	60% of an employee's average weekly wage
Maximum Weekly Benefit	*2023 maximum weekly benefit will be $1,848.46*

[45] New Hampshire Paid Family and Medical Leave, https://www.paidfamilymedicalleave.nh.gov/.

New Hampshire Program Components (2022)[45]	Paid Family and Medical Leave
Program Funding	• For state employees, the program is funded by the state • Employers may determine if the plan is contributory, non-contributory, or partially contributory however the BET credit will only apply to the premium paid by the employer • Individuals enrolling in the plan without coverage from their employer will be responsible for paying the premium
Job Protection	Yes, if the employer has 50 or more employees
Private Plan Allowance	No private plan application exists; plan is voluntary; no mandate
Administrative Approach	The Department of Administrative Services (DAS), and New Hampshire Employment Security (NHES) oversee the PFML program. The state's insurance carrier partner collects premium contributions, responds to questions, and provides technology to effectively run the program
Claim Turnaround Time	A claim decision will be made within 14 days of receiving all required information
Payment Frequency	Not stated

- ***Vermont***

Like New Hampshire, Vermont passed the voluntary Vermont Family and Medical Leave Insurance Plan (FMLI). The state will be implementing the program through a phased approach by first providing coverage to state employees beginning July 1, 2023, then allowing employers with 2 or more employees to enroll in 2024, and finally individuals who work for employers without FMLI coverage and employers with 1 employee in 2025. Vermont has selected an insurance carrier to administer the FMLI program. Specific details are pending as the state continues to establish rules and procedures.

Vermont Program Components (2022)[46]	Family and Medical Leave Insurance
Covered Leave Reasons	• Birth of a child and to care for newborn within a year of birth • An employee's adoption of a child or foster care placement, and to care for the newly placed child within one year of placement • Caring for the employee's family member with a serious health condition • A serious health condition that makes the employee unable to perform the essential functions of their job • Any qualifying exigency arising out of the fact that the employee's spouse, child, or parent is a covered military member on "covered active duty" • Care for a covered service-member with a serious injury or illness if the eligible employee is the service-member's spouse, son, daughter, parent or next of kin
Leave Duration	6 weeks in a 12-month period

[46] State of Vermont, Office of Governor Phil Scott, *Governor Phil Scott Launches Voluntary Paid Family and Medical Leave Program*, https://governor.vermont.gov/press-release/governor-phil-scott-launches-voluntary-paid-family-and-medical-leave-program.

Vermont Program Components (2022)[46]	Family and Medical Leave Insurance
Benefit Amount	60% of an employee's average weekly wage
Maximum Weekly Benefit	*2023 maximum weekly benefit is TBD*
Program Funding	TBD
Job Protection	TBD
Private Plan Allowance	No private plan application exists; plan is voluntary; no mandate
Administrative Approach	The state's selected insurance carrier will offer fully insured and self-insured coverage.
Claim Turnaround Time	TBD
Payment Frequency	TBD

- ***Virginia***

Virginia has taken a different approach to paid family and medical plans. The state passed SB15 and HB1156 for private family leave insurance in April 2022. The legislation established family leave insurance as a class of insurance, essentially allowing insurance carriers to offer insurance for paid family leave benefits. The law requires that family leave insurance be written as an amendment, rider, or included in group disability income policy or written as a separate group insurance policy purchased by an employer. Carriers must file forms and rate manuals with the State Corporation Commission before offering policies to employers. Unlike New Hampshire or Vermont, there is not a selected carrier partnering with the state to provide the program. Employers will work with their preferred carriers to purchase paid family leave insurance directly.[47]

[47] Virginia Acts of Assembly, 2022 Session, Chapter 131, *Private Family Leave Insurance,* https://lis.virginia.gov/cgi-bin/legp604.exe?221+ful+CHAP0131+pdf.