

**Joint Legislative Taskforce**  
**Family Leave Insurance Presentation**  
Department of Labor and Industries  
August 22, 2007

<b>What We Do Well</b>	<b>Potential Inconsistencies/Challenges</b>
<p>We have the capabilities associated with making complex legal medical and time-loss benefits entitlement decisions associated with Workers' and Crime Victims' Compensation.</p> <ul style="list-style-type: none"> <li>• Claims adjudication and benefits payment</li> <li>• Medical documentation</li> <li>• Customers service associated with claimants and medical providers (e.g. filling out forms)</li> <li>• Investigations to verify entitlement</li> </ul>	<p>The processes associated with these activities utilize paper verification. Medical providers that provide information expect compensation.</p> <p>Our claims processes require claimants to file only one claim for each industrial injury/illness. Crime victims file one claim for bodily injury, mental trauma, or death that results from a criminal act. Family Leave Insurance requires individuals to file weekly claims.</p> <p>Eligibility for workers' compensation benefits or crime victims' compensation benefits is not contingent upon the amount of hours the individual has been employed with the employer.</p> <p>There is no time limitation on the duration of workers' compensation benefits, which are paid based upon contention from the worker and medical certification from the attending doctor.</p> <p>Technology and business practice changes would be required relating to the ability to deduct and withhold federal income tax and provide 1099 information, as Workers' Compensation and Crime Victims' benefits are not considered taxable income by the Internal Revenue Service.</p>
<p>We have the capabilities associated with collecting premiums for Workers' Compensation purposes.</p> <ul style="list-style-type: none"> <li>• Billing - accounts payable</li> <li>• Cash handling</li> <li>• Audits/Compliance</li> </ul>	<p>Our premium collection system is limited to small to medium sized employers with insured with Washington's State Fund, as well as some sole proprietors who elect optional coverage.</p> <p>Requirement for promptly providing benefits (2 weeks) and timely employer notification when a claim has been filed will likely require manual processing for the first couple of years, during which time necessary systems will be developed and implemented.</p> <p>We collect data at the aggregate-level (total number of hours for a given risk classification) as opposed to the individual employee level. Premium calculation is based upon the total number of hours worked by all employees in each risk class covered under the policy, as reported by the employer. We do not collect individual employee data regarding wages earned and hours worked.</p> <p>System development will be required for tracking of hours for sole proprietors that opt-in for coverage.</p>
<p>We currently have the responsibility associated with Wage &amp; Hour – Family Medical Leave and Family Care Acts.</p>	<p>For Family Medical Leave, our jurisdiction is limited to situations where not covered by the U.S. Department of Labor and therefore our administration of this program is primarily a customer service function (answering questions) and referring customers to the U.S. Department of Labor for assistance.</p>

What We Do Well	Potential Inconsistencies/Challenges
	<p>For Family Care, essentially it provides that employees may use their choice of leave (if provided) to care for:</p> <ul style="list-style-type: none"> <li>• A child with a health condition,</li> <li>• Certain other family members with a serious or emergency health condition, and</li> <li>• Adult child incapable of self care due to a disability.</li> </ul>
<p>We have diverse responsibilities/abilities administering and enforcing:</p> <ul style="list-style-type: none"> <li>• Workers’ Compensation including Self Insurance.</li> <li>• Safety and health in the workplace.</li> <li>• Crime victims’ compensation.</li> <li>• Building trades licensing, permitting, inspection (fee based) – Elevators, Electrical, Explosives, Boilers &amp; Pressure Vessels, Plumbing, Construction Contractors.</li> <li>• Apprenticeship.</li> <li>• Wage and Hour (including Prevailing Wage).</li> </ul>	<p>Diversity of program areas requires strict oversight of several dedicated funds, involving both state and federal funding. In response to a State Auditors’ Office finding we developed a model for ensuring all program areas pay their “fair share” of agency administration and overhead. Stakeholder and Legislature concern associated with spending Workers’ Compensation funds for non-Workers’ Compensation related activities.</p>

**Other Considerations Identified:**

1. Implementation timing. We have estimated that the amount of time necessary for implementing a Family Leave Insurance program by implementing the necessary systems and administrative capacity to be 24 months for providing benefits and 18 months for collecting premiums.
2. Bifurcation of premiums and benefits. Depending on how this is structured it may add additional overhead and administrative costs associated with having two or more agencies with responsibilities associated with administering the Family Leave Insurance program. Economies of scale may not be realized with having a several agencies performing the various functions associated with the legislation.
3. Agency administration/statutory differences. Depending on the expectations of the Family Leave program there are efficiencies that may be realized by, in so much as is possible, ensuring compatibility with the administering agency. For example, the current legislation requires weekly filing instead of a one-time filing like a workers’ compensation claim.
4. Funding source. Depending on the funding source identified possible challenges could arise. For instance, we have experienced a great deal of scrutiny and concern with how Workers’ Compensation funds are used (State Auditor finding, 2006 Legislative Report on Fund Use). In 2001 a legislative decision was made to fund the Wage and Hour and Apprenticeship programs with Workers’ Compensation funds. Other agencies may have additional oversight challenges (e.g. Federal oversight).
5. IT capacity/expectations. Our analysis of this legislation has required significant IT enhancements. Depending on the verification expectations, challenges could exist or be mitigated to a certain extent with cross-agency use of information. In addition, agencies are at differing points with moving away from legacy/mainframe systems to more modern web-based applications – this could equate to differing challenges and resources needed to implement the legislation.