

Updated October 30, 2007

E2SSB 5659 limits Family Leave Insurance benefits to parents of newborn or newly adopted children.

**Estimated Program Utilization—Updated:**

The table below shows the claim estimates of female and male parents' claims, the total number of accepted claims, and the estimated total claim volume, including those that are not allowable. The department's actuarial staff has revised earlier predictions based on higher birth rate projections from OFM. In addition, they continue to review data from California's Paid Family Leave insurance program. California's program began on July 1, 2004 with a maximum weekly benefit of \$840. The maximum benefit is now \$882 per week, with a minimum weekly benefit of \$50. In California, workers may receive up to six weeks of benefits that may be paid over a 12-month period. California's average weekly Paid Family Leave benefit is \$460.

<b>ESTIMATED CLAIM VOLUMES</b>					
<b>YEAR</b>	<b>New Child Female Parent (Accepted)</b>	<b>New Child Male Parent (Accepted)</b>	<b>Total Estimated Accepted Claims</b>	<b>Estimated Denied Claims</b>	<b>Total Estimated Claim Volumes</b>
<b>6<sup>TH</sup> Year - Maturity</b>	31,600	6,100	37,700	5,100	42,800
<b>5<sup>TH</sup> Year</b>	29,300	5,600	34,900	4,800	39,700
<b>4<sup>TH</sup> Year</b>	27,000	5,200	32,200	4,400	36,600
<b>3<sup>RD</sup> Year</b>	25,100	4,800	29,900	4,100	34,000
<b>2<sup>ND</sup> Year</b>	23,200	4,500	27,700	3,800	31,500
<b>1<sup>ST</sup> Year</b>	21,500	4,200	25,700	3,500	29,200

The department continues to estimate that the average length of the Family Leave for claims filed by female parents will be 4.6 weeks. The duration for claims filed by male parents is projected at an average of 3.7 weeks. The estimates shown above represent the number of individuals who will file Family Leave Insurance claims and is not adjusted to reflect the filing of weekly claims.

Claim benefit costs have increased from earlier estimates for two reasons: newer workforce data from ESD shows a higher percentage of workers will qualify for the maximum benefit because they work 35+ hours weekly. In addition, total benefits are increased because of changes in the anticipated claims as shown above.

<b>ESTIMATED CLAIM BENEFIT COSTS</b>			
<i>(Assumes an 8% annual utilization increase, with full utilization of the program in the 6<sup>TH</sup> year.)</i>			
	<b>Utilization</b>	<b>Annual Benefits</b>	<b>Quarterly Benefits</b>
<b>6<sup>TH</sup> Year – Maturity</b>	100.000%	\$43,600,000	\$10,900,000
<b>5<sup>TH</sup> Year</b>	92.593%	\$40,300,000	\$10,075,000
<b>4<sup>TH</sup> Year</b>	85.734%	\$37,300,000	\$9,325,000
<b>3<sup>RD</sup> Year</b>	79.383%	\$34,600,000	\$8,650,000
<b>2<sup>ND</sup> Year</b>	73.503%	\$31,900,000	\$7,975,000
<b>1<sup>ST</sup> Year</b>	68.058%	\$29,700,000	\$7,425,000

**Information Technology:**

Technology estimates have changed based on joint discussions of L&I and ESD's technical staff. The department would need to develop several automated technology applications to manage the Family Leave Insurance program. The table below lists the required new systems, a description of the functions, and the estimated number of programming hours.

<b>INFORMATION TECHNOLOGY SYSTEMS DEVELOPMENT</b>		
<b>System</b>	<b>Description</b>	<b>Est. Hrs.</b>
<b>Self-Employed Coverage Tracking</b>	This is creation of a system to track employers and self-employed individuals who elect coverage. The scope is a web based system to capture filing, coverage start and end dates, and tracking if the employer renewed elected coverage.	500
<b>Program Area System Application Server Deployment</b>	Includes installation and configuration of additional server hardware, software and applications for new web based system. This includes custom interfaces with other agency systems and shared services including Shared Security Service, MQ messaging®, and Integrated Document Management (IDM).	9,360
<b>Federal Income Tax Withholding</b>	Creates a new system to withhold and report federal income tax.	3,600
<b>Data Warehouse System</b>	Creates a data warehouse database within the existing agency application that can be used for agency trend analysis and reporting purposes. This helps determine the effectiveness of our new systems over time.	2,340
<b>Integrated Document Management</b>	Includes document scanning, indexing, specialty indexing administration, claims review, faxing, and external file copy services from electronic media or paper copy.	8,772
<b>Claim System</b>	Includes Benefit Payment, Claims Appeals/Protest Tracking, Claims Management/Adjudication, Claims Overpayment/Collection/Accounts Receivable, and the Benefit Calculation System.	62,272

**Total system programming costs:**

**\$7,899,985 over three years**

**Total IT costs for six years:**

**\$14,382,225**

**Estimated Staffing:**

Both permanent and project staff would be required for the Family Leave Insurance program. The estimated staffing requirements, including project FTEs and permanent FTEs, are shown below. Contractors will also be needed for the technology development. Some permanent FTEs would be hired prior to implementation of the Family Leave Insurance program to provide business area expertise for project staff in developing, testing, and implementing the new technology applications.

FTEs would be needed for Program Administration, Claims Adjudication and Benefit Payment, Claims Initiation and Imaging, Training and Appeals, Premium Collections, Fraud and Compliance, Information Services Technology, Customer Service Outreach, Mailroom, Budget, and Indirect Costs. The table below shows the number of FTEs and costs, by Fiscal Year.

<b>FTEs AND COSTS</b> (By Fiscal Year)						
	<b>FY 08</b>	<b>FY 09</b>	<b>FY 10</b>	<b>FY 11</b>	<b>FY 12</b>	<b>FY 13</b>
<b>FTEs</b>	11.0	23.4	41.9	45.7	47.0	48.2
<b>FTE Biennial Average</b>		17.2		43.8		47.6
<b>Program Administration</b>	3,283,465	9,749,331	6,621,897	6,855,167	7,116,930	7,373,161
<b>Benefit Costs (Approx)</b>			29,700,000	31,900,000	34,600,000	37,300,000
<b>Biennium Total</b>		13,032,796		75,077,064		86,390,091

**ONGOING ADMINISTRATION COSTS**

(Based on FY 2013, last year reported on fiscal note.)

<b>Activity</b>	<b>FTEs</b>	<b>Costs</b>
Information technology maintenance staff, licenses	5.0	\$1,117,736
Primary program administration: claims adjudication, initiation, support staff	27.3	\$1,964,186
Lease costs		\$220,600
Telephone/language line		\$143,000
Attorney General		\$791,552
Superior Court costs		\$10,000
Hearing Costs		\$478,192
Attorney fees (determined by IAJ)		\$1,138,176
Warrant distribution/mailings		\$281,000
Employment standards enforcement (including AG costs of \$67,443, hearing costs of \$14,697 related to compliance activity)	5.0	\$489,411
Fraud compliance	1.0	\$81,591
Administration Communications	4.8	\$385,095
Mailroom	1.0	\$55,887
Indirect costs	5.1	\$272,622
<b>Totals</b>	<b>48.2</b>	<b>\$7,373,161</b>