



EMPLOYMENT AND
ECONOMIC DEVELOPMENT

Paid Leave Program Updates

April 17, 2024





The countdown (as of Monday)

Agenda

1. Why Paid Leave
2. Delivering Paid Leave
3. Work done to date
4. Proposed legislation

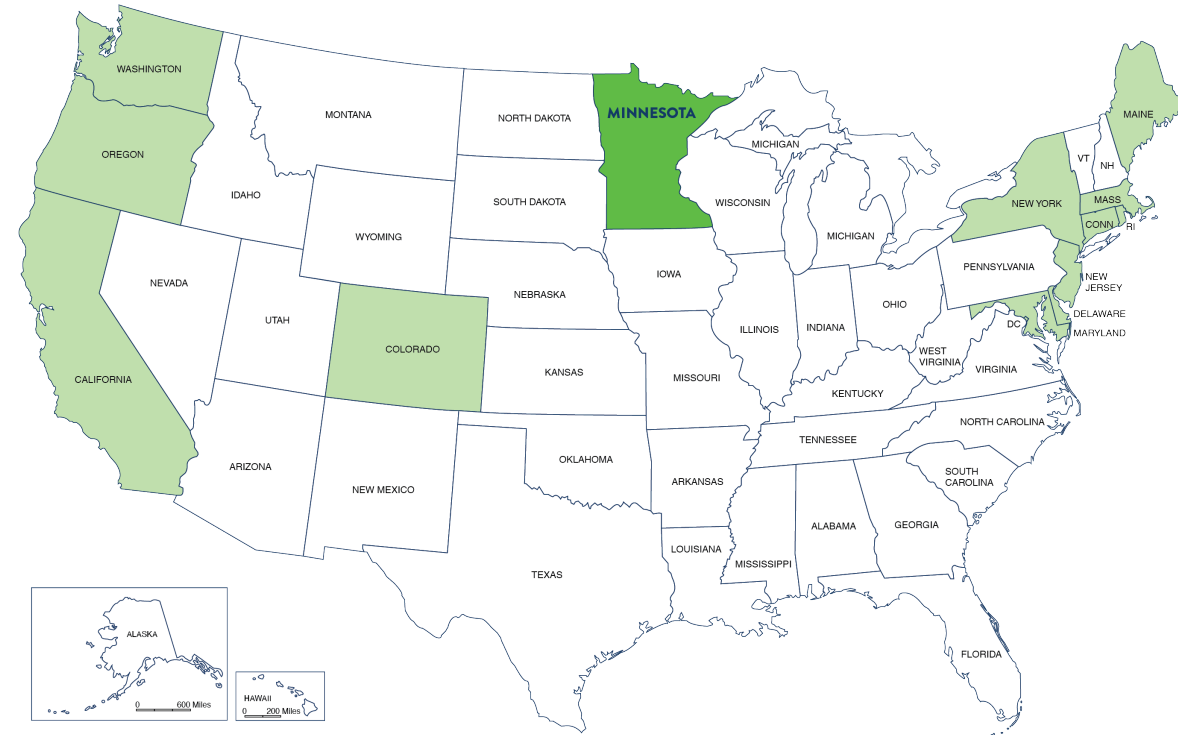
Paid Leave: Legislation Summary

- Paid Leave will ensure Minnesota workers have access to paid leave during certain key life events
- Workers have employment protections when taking leave under the law



Why Paid Leave?

- Minnesota will be the 13th state to implement Paid Leave
 - Only seven countries worldwide do not have some sort of paid leave program
- States that have implemented paid leave programs have seen:
 - Stronger employee retention
 - Better health and development outcomes for children
 - Higher labor market attachment for women and labor force participation generally
 - Greater economic security for families



Delivering Paid Leave

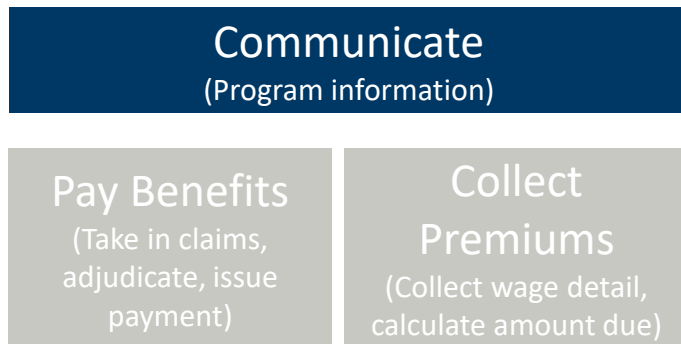
What's needed to deliver Paid Leave

Communicate
(Program information)

Pay Benefits
(Take in claims, adjudicate,
and issue payment)

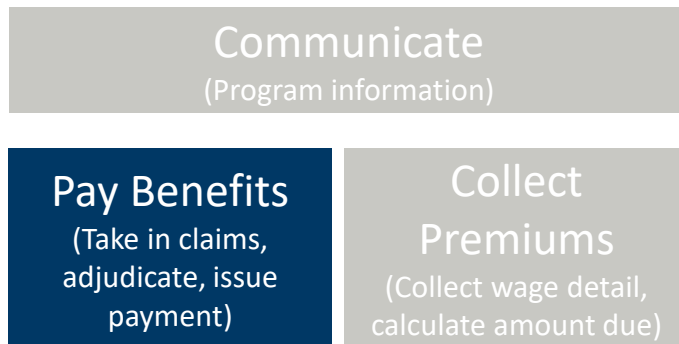
Collect Premiums
(Collect Wage Detail,
Calculate Amount Due)

Communicate



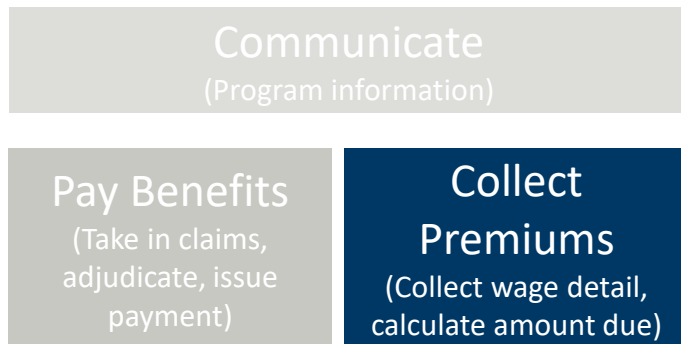
- Program website
- Social channels (as appropriate)
- Content management
- Customer relationship management (inbound and outbound communications)

Pay Benefits



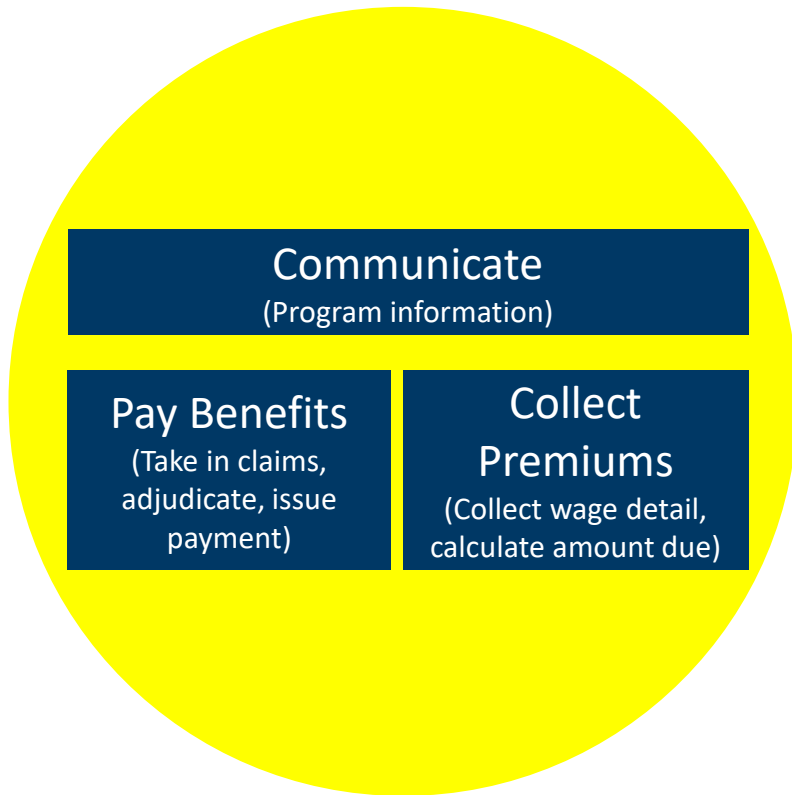
- Take in claims
- Collect information from medical professionals and other required entities
- Adjudicate claims based on data
- Pay claims
- Take calls and questions from applicants
- Manage appeals from applicants
- Ensure integrity through each step of the process

Collect Premiums



- Collect wage detail records
- Calculate premiums due
- Collect premiums
- Manage seasonal worker exclusions
- Manage private plan records
- Manage small business relief grants and premium reductions
- Take calls and questions from employers
- Ensure integrity through each step of the process

Integrate



- Need ties between all these layers
- Benefits depend on wage detail records, seasonal worker status, and private plan participation
- Communications should be informed by experience in paying benefits and collecting premiums

How are we building it? Start with milestones

Date	Item
10/31/2023	Actuarial study due ✓
11/30/2023	Initiate rulemaking process ✓
01/01/2024	Release initial set of procurements ✓
02/12/2024	2024 legislative session begins ✓
Summer 2024	Paid Leave wage detail system opens
10/31/2024	First Paid Leave wage detail due from employers
Late 2024 to mid 2025	Release of private plan guidance and rules; begin reviewing and approving plan submissions
11/01/2025	Applications open for known conditions
12/01/2025	Employers must notify employees about Paid Leave benefits
01/01/2026	<ul style="list-style-type: none">• Benefit payments (bonding leave) begin• Payroll deductions begin• Small Business Assistance Grants begin
01/08/2026	Benefit payments (all other leave types) begin

- The first 18 months of milestones are employer-focused:
 - Wage detail
 - Private plan administration
 - Employer notifications
 - Seasonal exclusions
- So we're starting there

How we collect wage detail: Adapt UI's system

- Very similar wage records needed
 - We intentionally defined wages identically in Unemployment Insurance and Paid Leave
 - Not identical populations, but that's true for any solution
- UI's Wage Detail process is well supported and trusted by employers
- Fastest time to delivery
- Good feedback from employer community

Wage Detail Adjustment Submission Process * Indicates Required Field

SELECT REPORT ADJUST RECORDS CONFIRM ADJUSTMENT PROCESS AND CALCULATE COMPLETE

Reporting Information

Reporting Year: 2021
Reporting Quarter: 01 - January, February, March
Submission Type: Adjustment 1

Employee Wage Detail Records

Records selected for adjustment will be consecutively populated into the fields below in ascending order by Modified Date, SSN. For each record, please add the values for Gross Wages and Reporting Unit Number and select the 'Save' button.

- To add employee records, enter new data in the fields provided and select the 'Save' button.
- To correct employee information, select the 'Edit' hyperlink to make changes, and then select the 'Save' button.
- To delete employee information, select the 'Edit' hyperlink, and then select the 'Trash' icon.
- After adding/modifying all employees, select the 'Next' button.

SSN: 000 - 00 - 5340 Last Name: EMPLOYEE First Name: AAAA

MI: Owner/Officer: No Hours Worked: 520

* Gross Wages: \$ 4028.10 * Reporting Unit Number: 0

Delete record Save the record Save

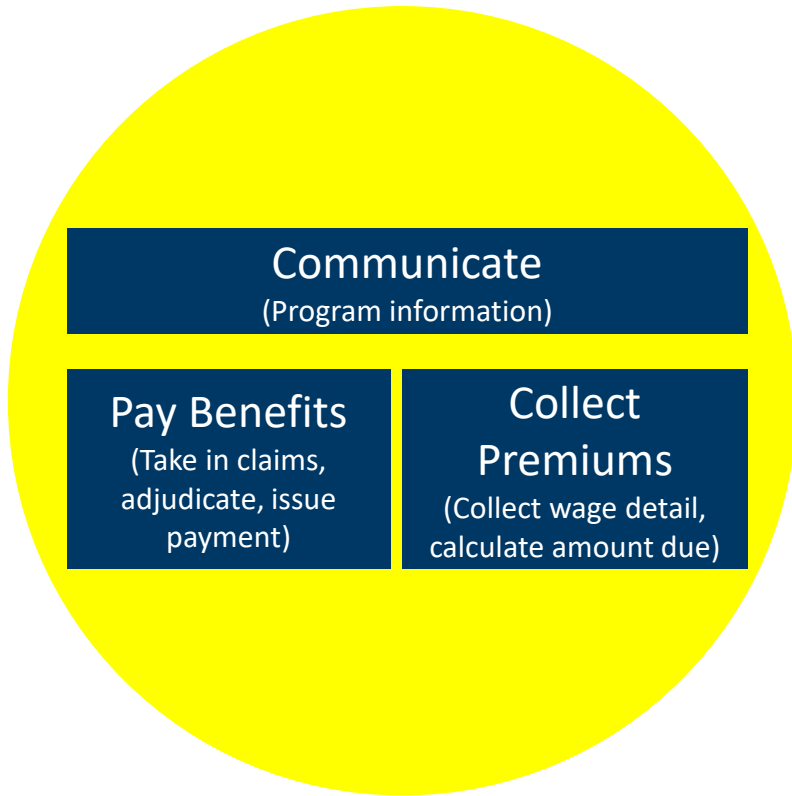
SSN	Last Name	First Name	MI	Owner/Officer	Hours Worked	Gross Wages	Reporting Unit Number	Edit
000-00-5340	EMPLOYEE	AAAA		No	520	\$4,028.10	0	Edit record → Edit
000-00-7361	EMPLOYEE	BBBB	J	No	457	\$7,309.28	0	Edit
000-00-2275	EMPLOYEE	CCCC	J	No	437	\$12,432.50	0	Edit

3 Records

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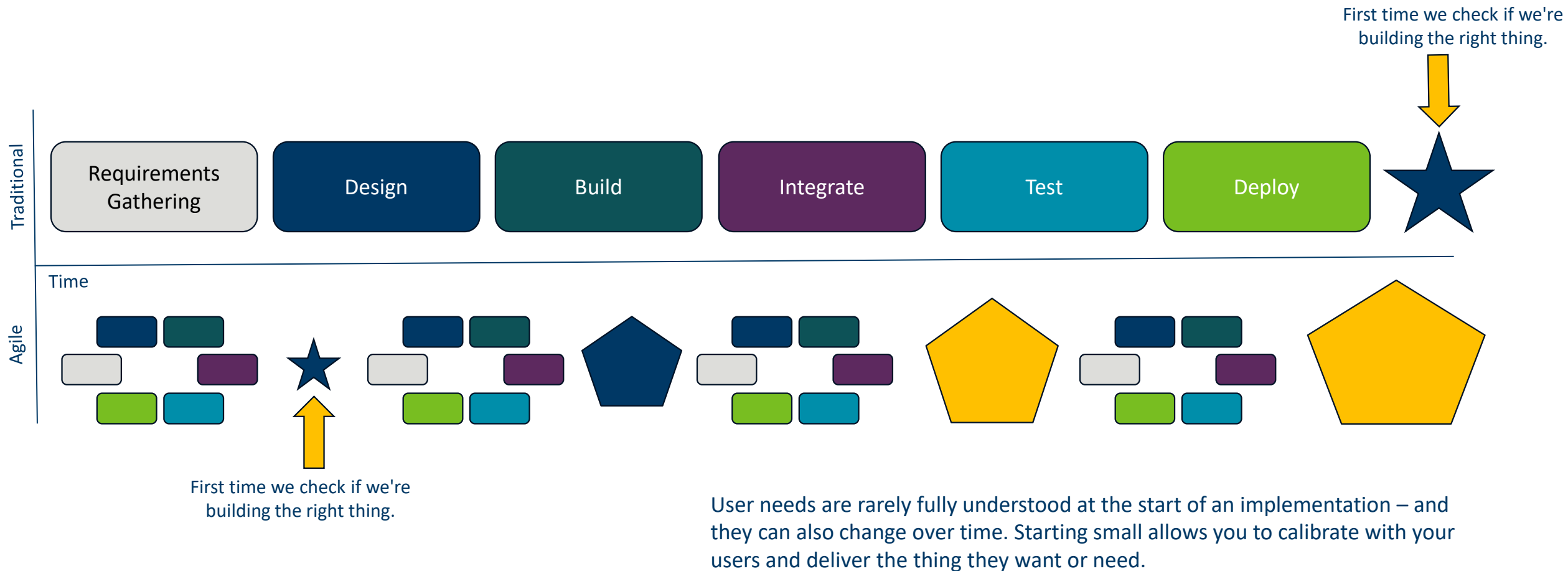
Previous Next

How we deliver: initial system components



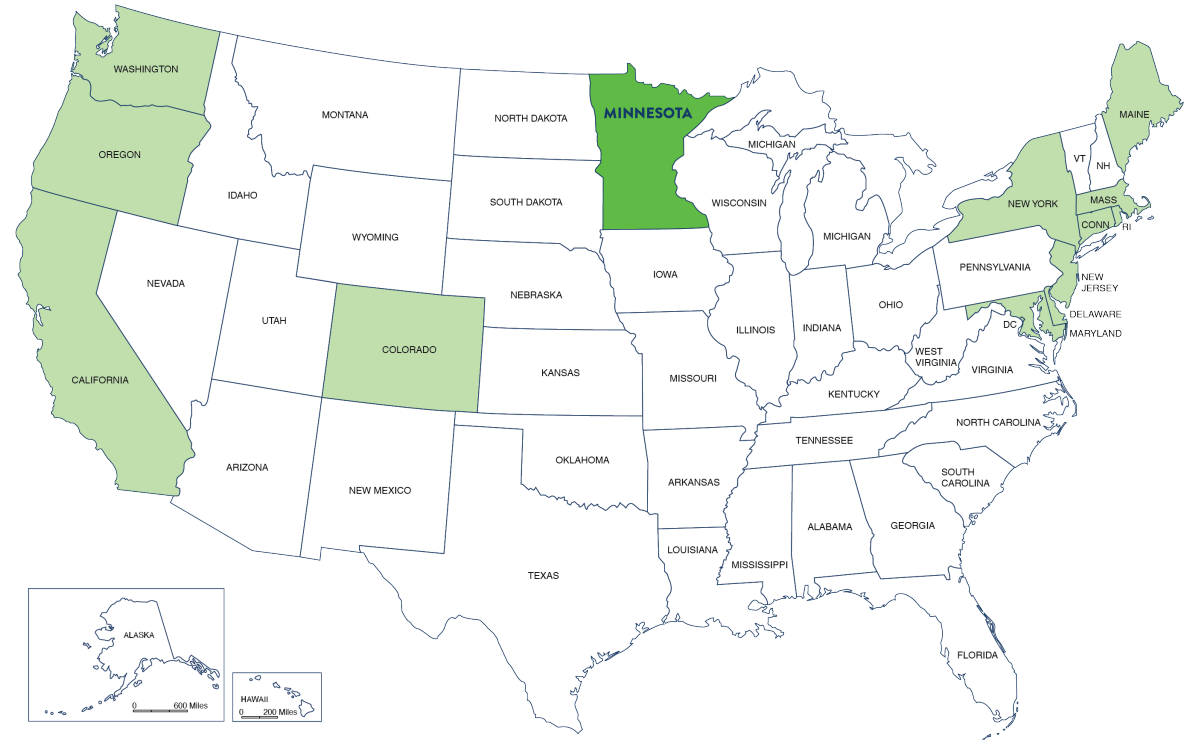
- Begin delivery with the integration layer (the yellow) and employer-side services
- Procuring support to deliver these components
- Use this scope as an opportunity to learn more about the vendor community and interest
- Using agile and product management methodologies to rapidly deliver value

How we deliver: reduce risk through agile delivery



How we deliver: learning from other states

- There are good things about being 13th!
- Learn from innovations and improvements that each new state is rolling out
- Avoid pitfalls from other states



Work done to date

First, we're building a team

- **Program Director Greg Norfleet** joined in September
- **On board:** Strategy Lead, Engagement Lead, Operations Lead, Product and Project Management support
- **Interviewing / In Process:** Product Owners, Customer Care Lead, Communications, Engineering
- More to come
- Additional support from across agency and enterprise, and learning from other states



Some of the team (as of March 6)

We're building Paid Leave as a team

Minnesotans

- Potential Applicants
- Small Businesses
- Large Businesses
- Third Party Administrators
- Insurers
- Human Resources Professionals
- Paid Leave Advocates
- Domestic Violence and Sexual Assault Advocates
- Health Care Professionals
- And more!



Paid Leave Staff

- Experience Building Paid Leave
- Strategy
- Operations
- Public Engagement
- Communications
- Product Management



DEED Divisions and Shared Services

- Unemployment Insurance
- Customer Innovation
- Human Resources
- Government Affairs
- Administration and Finance
- General Counsel's Office



State Government

- Commerce
- Management and Budget
- Labor and Industry
- Minnesota IT (MNIT)
- Governor's Office
- Other States



A brand for the program



- Translates easily and clearly
- Is brief (unlikely to lead to PFML / FAMLI acronym soup) – we can just use the phrase “Paid Leave” in communications
- We’re focused on making the program legible and easy to understand – this is a start

Communication and Program Design

- Launched an initial website (more to come there)
- Sending monthly program update newsletter to stakeholders
 - Over 2,600 subscribers
- Initiated rulemaking process
- Substantial work on process mapping and design



Stakeholder Engagement

Conducted 50+ engagement sessions with a diverse group of perspectives



Employer and
Business
Support
Community

Main Street Alliance • Business Resource Collective • Minnesota Business Partnership • Minnesota Chamber of Commerce • MPLS Regional Chamber • Saint Paul Chamber of Commerce • MetroNorth Chamber of Commerce • Minnesota Grocers Association • CHS • Minnesota Inter-County Association • Minnesota Council of Nonprofits • National Federation of Independent Businesses • Hospitality Minnesota • Twin Cities Hospitality Personnel Management Association • Minnesota Association of Independent Schools • Minnesota Employment Law Council • Public Sector Human Resources Association • Minnesota Private College Council



Labor and
Advocate
Community

Minnesotans For Paid Family and Medical Leave • United Food and Commercial Workers UFCW663



Equity and
Access

Minnesota Indian Affairs Council • Council for Minnesotans of African Heritage • Council on Asian Pacific Minnesotans • Minnesota Commission of the Deaf, DeafBlind, and Hard of Hearing • Minnesota Council on Latino Affairs



Safety Leave
Partners

Violence Free Minnesota • Minnesota Coalition Against Sexual Assault



Health Care
Providers

Mayo Clinic • HealthPartners • Minnesota Hospital Association



MINNESOTA
State Partners

Labor and Industry • Commerce • Mgmt & Budget • Human Services • MNIT • MN Retain • Cannabis Management



Third Party
Administrators

National Payroll Reporting Consortium



Insurance
Industry

Minnesota Insurance and Financial Services Council

Actuarial Study

- 2023 Paid Leave Law required completion of an actuarial study by October 31, 2023
- After competitive procurement, DEED selected the firm Milliman to provide the analysis
 - Milliman is a qualified independent actuarial firm
 - They have conducted actuarial analyses of state Paid Leave programs (or potential programs) in Colorado, Virginia, Maine, Maryland, Washington, Louisiana, and Oregon
- Analysis was submitted on October 27, 2023

Actuarial Study vs Microsimulation Model

Microsimulation Model (Fiscal Note)

- Worker Paid Leave Usage Simulator (Worker PLUS) open source tool provided by the United States Department of Labor
- Uses Census ACS PUMS data, survey data, and program-provided inputs to model benefit usage
- We based many of the parameters off Washington State's program

Actuarial Study (Milliman)

- Uses experience data from variety of sources (including other states and proprietary sources) to model expected benefit usage
- Population-level view of expected benefits
- It's a projection

Actuary's Recommendation: Fund Balance

- Current law targets a fund balance of approximately 40% of program expenses
- Actuary notes that “funding policies in other states” and “target surplus levels reported by insurance companies for short-term disability insurance products” are closer to 25%
 - Claims tend to be relatively predictable over time
- By reducing target fund balance from 40% to 25%, initial premiums in first few years can be lower than long-term run rate while initial claims come in

Actuary's Recommendation: Rate-setting

- Adjust the future rate-setting approach to either:
 - Conducting regular independent actuarial analyses to set the rate, or
 - Adjust the formula to target a percentage of program expenses ratio of 25%
- This would provide greater predictability regarding premiums, and smoother rate-setting overall – particularly with adjusting target fund balance
- SF 5430 adjusts rate-setting approach to require regular actuarial analyses for rate-setting

Initial week in statute

- There are alternative ways to read the treatment of the initial week
- Proposed change: initial week is fully paid if an individual has fewer than 80 hours of PTO available, and partially paid if between 80-120 hours available
 - Department will request information at time of application from an individual
 - Ensures program covers first week for those without adequate paid time available, while maintaining balanced premiums for all stakeholders

Proposed legislation

Proposed legislative changes

- Focused on adjustments to
 - make the program implementation and operations run smoothly
 - reduce any ambiguity for applicants and employers (including initial week)
 - simplify administration for applicants and employers
- Developed based on wide-ranging stakeholder feedback and program analysis

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Summary of items

Subject	Explanation of Proposed Changes
Rate-Setting	Changes to the funding formula to require regular actuarial analyses to smooth rate-setting.
Treatment of Multiple Employer Scenarios	Clarifies treatment of employees with more than one employer.
Private Plan	Ensures the interaction between the state and private plans is understood by all parties.
Small Employers Wage Exclusion	Revises approach to simplify administration while continuing to support small businesses.
Data Sharing Provisions	Creates ability to leverage administrative data from additional state agencies and other partners to support administration of Paid Leave.
Timelines	Establishes ability to set timelines for case closure for abandoned cases and denials for failure to respond to requests for information.
Technical Edits	Miscellaneous items throughout the statute changed to ensure consistent interpretation.
Payments from Employers	Clarifies that employers may pay employees during the adjudication process and explain refund process for amounts exceeding the individual's average weekly wage.
Notification Requirements	Clarify notification requirements for employers.
Retroactive Pay	Creates flexibility to backdate applications for more than one week if the individual was unable to file in a timely manner due to incapacitation or similar situation.
Payments that Affect Benefits	Addresses treatment of workers' compensation and short-term disability payments to align with treatment in private market.
Appeals	Changes meant to ensure timely decisions and consistency. Also clarifies appeals under private plans.
Initial Week	Amends plan to pay initial week based on PTO balance available to applicant

Thank you!

We welcome your questions