

PFML: A Report on Employer
Readiness and Challenges

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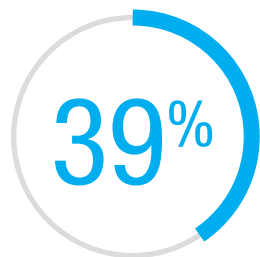
INTRODUCTION

The State of Statutory Leave Programs

Paid Family Medical Leave (PFML) and Paid Family Leave (PFL) for employees are being implemented in a variety of ways across the country. California, New York, New Jersey, Washington, and Rhode Island already have laws in place, with many others on the way. Some cities such as San Francisco have their own local leave requirements. And the federal Family and Medical Leave Act (FMLA) requires businesses with at least 50 employees to provide unpaid leave.

And because no leave law is identical, this topic can get confusing fast.

Employers are seeking answers and having to make important decisions. Making the right decisions requires time, resources, and information. And each time a law comes into play or changes, companies must adapt.



39% of employers need to implement changes to their current paid leave programs to be compliant with new PFML state laws

To learn more about how employers are planning for statutory leave programs, we conducted the Paid Leave Employer Readiness Study. We surveyed more than 450 HR professionals from companies with 25 to thousands of employees. All participants employ workers in states that currently have PFML or PFL laws in place or states where those laws will soon be in effect.

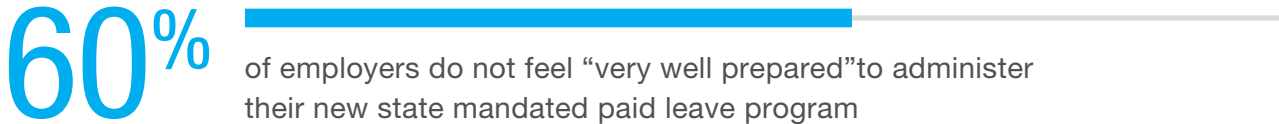
This report breaks down some of the challenges employers are facing with paid leave. It also looks at what they need to feel prepared to manage paid leave programs for their companies.

PREPARING FOR PAID LEAVE

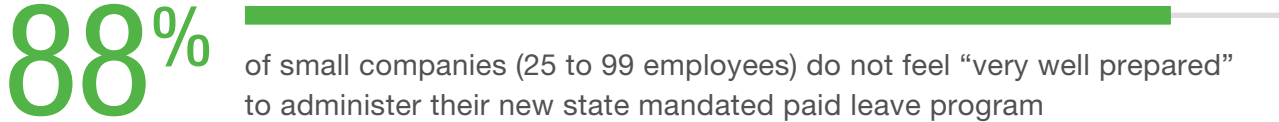
Federal, state and local rules for PFML are constantly changing. Each law sets different rules, such as how long employees can take paid leave, who qualifies, who contributes, and many other factors.

Tracking requirements and compliance can be difficult. And for companies that have employees in different states, it can be even more complex. Paid leave rules can differ within a company depending on an employee’s location.

This leaves many employers lacking confidence about their decisions.



And the smaller a company is, the less prepared its HR team feels.



THINGS YOU SHOULD CONSIDER:



Do you have employees in states that require paid leave laws?



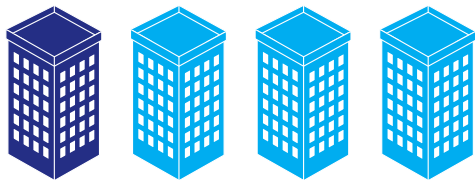
Do you have employees in multiple states?



How prepared do you and your team feel when it comes to paid leave mandates?

THE NEED FOR INFORMATION AND CLARITY

To feel more prepared, employers need more information and details about paid leave programs. Almost half of employers say they still need basic information about coverage levels, cost and administration. And 46 percent of employers say they don't know how state plans integrate with their other programs.



Only **1 in 4**

companies setting up a new program feel "very well prepared."

About half of ERs still feel like they need more information to make decisions regarding their PFML or PFL programs.

46%

don't know how state plans integrate with their other absence programs

43%

of employers need more information on which carriers support PFML or PFL programs

39%

need help choosing between different carriers

And, almost half still need basic information about coverage levels, cost, how plans are administered, and levels of coverage from the states.

Four in ten employers say they need more information to make effective decisions about PFML or PFL programs. Some of the key areas they need more information about include:

- Timelines for implementing paid leave programs and responsibilities for compliance
- How paid leave programs compare to, and work with, other benefits programs they already have in place
- The logistics of programs, including coverage details, various costs, and administration
- If allowed in the state they are operating, which private carriers support paid leave programs and how to choose the right carrier

THINGS YOU SHOULD CONSIDER:



Do you already have employee-sponsored paid leave policies in place?



Do you have the latest information about state PFML or PFL programs?



What additional information do you need to make an informed decision?



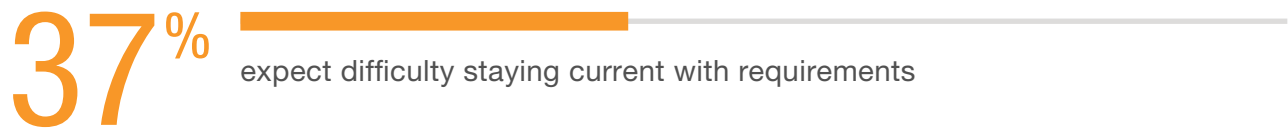
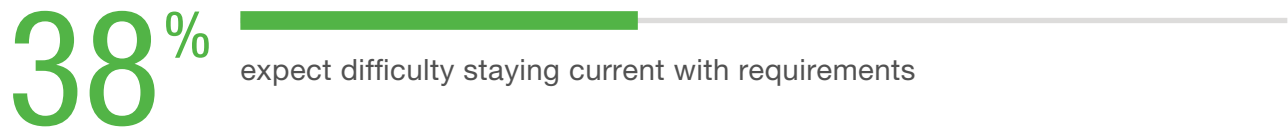
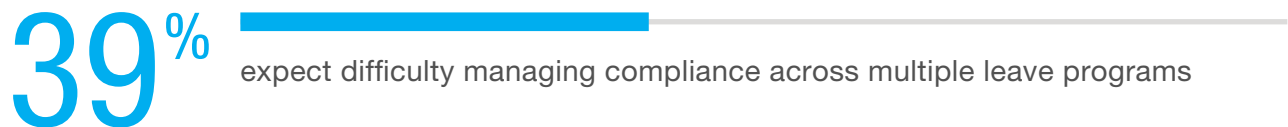
Are you expecting difficulty implementing state-mandated paid leave requirements?



THE CHALLENGE OF ADMINISTRATION

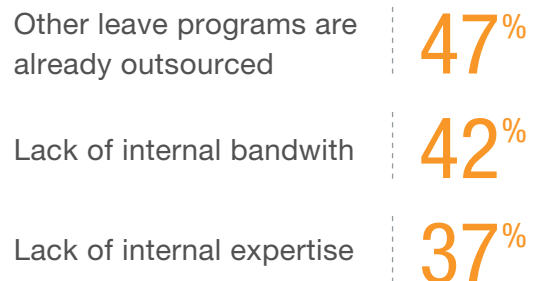
Administering PFML programs can be a daunting task, especially if an employer does not already have a similar program in place. It requires PFML expertise, resources and active attention to changes in laws. This leaves many employers feeling less prepared about setting up a program. Many employers expect difficulties as they manage state-mandated paid leave programs.

TOP ISSUES EXPECTED BY EMPLOYERS:



Not all employers are set up to administer plans, or the associated costs and requirements don't match with their current HR focus. As a result, 40 percent of employers are outsourcing or have not decided how they are going to administer their new state mandated plan. And 10 percent plan to change their current plans from in-house to outsourced administration.

Outsourcing to a partner that specializes in PFML programs is a good option for many employers. Top reasons why companies outsource:



THINGS YOU SHOULD CONSIDER:



Do you have the resources to administer your own plan and policies?



Do you have the expertise to manage compliance?



Does your company outsource other benefits programs?

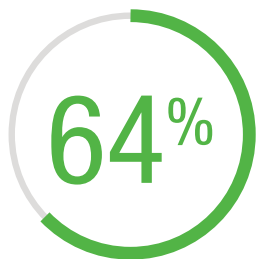


Do you have concerns about how to integrate administration of state-mandated PFML programs with your employer-sponsored leave programs?

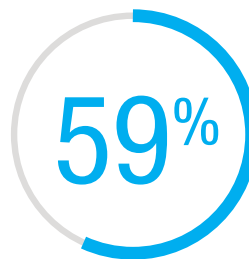
INSURANCE OPTIONS: STATE OR PRIVATE

Some states are implementing programs to administer and insure PFML programs. In certain states, employers are required to use their state program. In others, the employer may have options to work with a private carrier to administer or fully insure the plan. Employers will need to clarify what rules apply to them.

In state programs, employers will rely on state offices to pay claims, respond to requests, and act as the PFML insurer. Many employers have concerns about states' capabilities and capacity when it comes to state PFML programs.

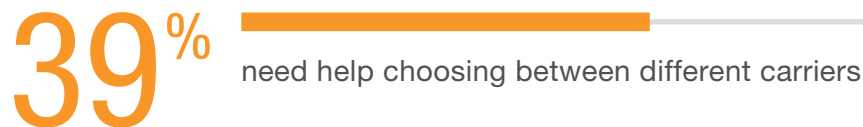
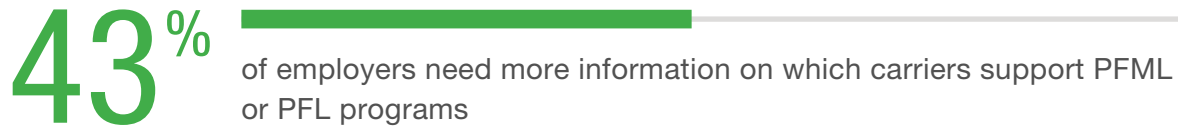


of HR professionals are concerned about their state's ability to administer a PFML or PFL program



are concerned about their state's financial stability and ability to pay claims.

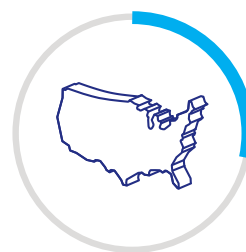
When it's an option, many employers are considering private carriers. These private carriers specialize in PFML, and they are set up to administer programs and respond to claims. Yet, employers still need more information to make decisions about private carriers.



The main drivers in the decision to go with a private carrier or a state program include cost, ease and confidence in a state's ability to pay claims.



54% of employers say they will insure through private carriers



31% will go through the state programs

THINGS YOU SHOULD CONSIDER:



How confident are you in a state's ability to manage PFML insurance?



If it's an option, would you prefer to use a state program or private insurance provider?



Does your state allow private carriers to fully insure leave programs or are they only allowed to administer programs? How does this impact your decision to use a private carrier?




Do you have enough information about state and private options to make a confident decision?

RIPPLE EFFECTS

When PFML laws come into effect or change, many employers revisit their benefits programs. They look at how the new PFML requirements can be integrated into current policies. But many also often look at the bigger picture of how they handle benefits at a global level.

 **60%** of companies are making changes to overall disability benefits as a result of new PFML laws in their states

Employers compare costs, coverage, requirements and other factors. In many cases, decisions about PFML can have wide ranging effects on how an employer handles benefits in general:

 **12%** of companies plan to drop their disability benefits all together as a response to meeting state plan requirements



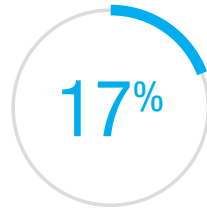
report better coverage through group disability benefits vs. state paid leave programs.



are planning to address coverage gaps by adding to Short Term Disability and Long Term Disability benefits



are increasing levels of coverage



are shifting to a cost-sharing approach

THINGS YOU SHOULD CONSIDER:



Has your company reviewed its global benefits policies in response to statutory leave programs?



Will changes to PFML policies change how you handle other benefits?



Do you feel comfortable with the pros and cons of increasing, changing, or reducing coverage for employees?

MOVING FORWARD WITH PFML

Many employers don't feel equipped to stay on top of paid leave requirements. And many employers aren't aware of or prepared to address the options available to them. To help, we've created a list of next steps you can take to find the right information and make better decisions.

Action List

- Get the most current information about state paid leave requirements where employees work.
- Review current benefits and leave policies, and assess how new requirements will affect current benefits.
- Assess what company bandwidth and resources are available to address paid leave and compliance.
- Look into state paid leave insurance programs and their potential pros and cons.
- Research private insurance details if private leave insurance is allowed.
- Contact a broker or PFML provider about PFML guidance, outsourcing administration, and private insurance options.



Find more resources related to PFML by visiting [standard.com/pfml-insights](https://www.standard.com/pfml-insights). You'll find articles, reports, and tools developed from our study, as well as how The Standard can help you navigate PFML.

The Standard's Employer PFML Planning Study

The 2020 Employer PFML Planning Study was conducted by Versta Research on behalf of The Standard from January 31 to February 13, 2020 and included 452 HR professionals in states that require Paid Family Medical Leave (PFML) or Paid Family Leave (PFL).

353 respondents represent companies that employ workers where laws are already in effect (California, New Jersey, New York, Rhode Island). 223 represent companies that employ workers in states where laws will soon be in effect (Colorado, Connecticut, DC, Massachusetts, Oregon, Washington), There is substantial overlap, with 124 who represent companies that employ workers in both groups of states.

All represent companies with at least 25 employees. All respondents have worked for their companies for at least one year, provide input into employee benefits decision-making, and are involved in areas of employee health and wellness, safety and risk, occupational health, and/or absence management.



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