



GOVERNMENT OF THE
DISTRICT OF COLUMBIA

UNIVERSAL PAID FAMILY LEAVE

QUARTER 3 REPORT

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PURPOSE OF THE REPORT

Pursuant to section 104 of the Universal Paid Leave Amendment Act of 2016 (D.C. Law 21-264; D.C. Official Code §32-541.04), the District of Columbia, the Department of Employment Services (DOES), is submitting the enclosed report on behalf of the Executive.

The purpose of this report is to provide a preliminary update on the work completed to date and currently underway by the Administration to implement the Universal Paid Leave Amendment Act of 2016 (“Paid Leave Act”). This document further serves as the quarterly report required by section 104 of the Paid Leave Act, and will explain in detail the requirements needed in order to develop all software necessary to administer the paid leave system established pursuant to this Act. This quarterly report includes information on program administration, information technology (IT) procurement and development, staffing, marketing and outreach, key program deadlines, research findings and key considerations. The findings in this quarterly report are based on the current Council-passed legislation, and it captures all implementation activities from October 1, 2017, through June 30, 2018. If there are any amendments to the current Council-passed legislation, the activities in the next quarterly report may change.

BACKGROUND

In 2017, the Paid Leave Act, which provides paid leave for family members who are bonding with a new child, caring for a family member with a serious health condition, and/or caring for the employee’s own serious health condition, became District law. To qualify for Paid Family Leave (PFL) benefits, an individual must be a part-time or full-time employee in the District, regardless of their residence, and meet all of the requirements, monetary and non-monetary, outlined within the law. District government and federal employees are excluded. The duration of benefits provided by the Paid Leave Act allows for eight (8) weeks of parental leave, six (6) weeks of family leave, and two (2) weeks of medical leave for every fifty-two (52) weeks worked. The maximum weekly benefit amount is \$1,000 and is currently funded in the District solely by employer contributions. The current rate is 0.62 percent of wages or the annual self-employment income.

To implement the paid leave program for the District, DOES has established the Office of Paid Family Leave (OPFL). The OPFL will be comprised of the Division of Tax (collection of taxes, premiums, contributions, and fees; and revenue functions); Division of Benefits (claim filing, claim processing, payment of paid leave benefits); Benefit Payment Control (prevention and detection of fraud and overpayments; and recovery of improper payments of benefits); Appeals (fair hearings on protested claims); Medical (physician certifications); Call Center (customer service); and Support (procedures, budget, studies, etc.). Staffing efforts are currently underway to ensure the timely delivery of all key program initiatives.

To appropriately prepare to administer the program, a working group was created prior to the availability of any funding in order to continually move each component of the District’s implementation plan forward. The internal working group established by the Administration consists of representatives from (but not limited to) the Office of the City Administrator (OCA), Office of the Deputy Mayor for Greater Economic Opportunity (DMGEO), Department of Employment Services (DOES), Office of Human Rights (OHR), Office of the Chief Technology Officer (OCTO), Office of the Chief Financial Officer (OCFO), Department of General Services (DGS), Department of Human Resources (DCHR), and the Office of Contracting and Procurement (OCP). The overarching goal of the working group is to create a detailed road map for implementing the Paid Leave Act, with a specific focus on the following areas:

- Administrative implementation of the program. Including regulations, tax collection, claims submission, claims review and benefit payment;
- Developing a more detailed budget for implementing the program. Including personnel, operational and capital costs;
- Developing a high-level information technology plan for the systems necessary to collect the payroll tax and for the administration and payment of paid family leave benefits;

- Developing a plan for program staffing and the timelines associated with each cohort of hires;
- Determining spacing needs and developing a spacing plan in accordance to the needs identified; and,
- Developing a collective marketing and outreach strategy for the paid leave program.

ROAD MAP TO PFL IMPLEMENTATION

The District has made significant progress in the first of three key phases for establishing the PFL program. These phases occur over fiscal years 2018, 2019, and 2020 with each phase covering the primary components of program implementation for a given year: technology, staffing, and programmatic developments. A critical component to each phase is the marketing and outreach that takes place in order to educate the employer, employee, and medical communities to prevent fraud, maintain compliance, and ensure that all eligible workers in the District are knowledgeable of and may receive paid leave benefits.

System Requirements

The Paid Leave Act requires a system that seamlessly integrates with current business leave and medical leave requirements. This includes the Health Insurance Portability and Accountability Act of 1996 (“HIPPA”), the Family and Medical Leave Act of 1993 (FMLA), the District’s Family and Medical Leave Act of 1990 (DCFMLA), the DC Language Access Act of 2004, and the Unemployment Compensation Act – all of which are referenced in the Paid Leave Act.

The District will need all systems, software, data, information, documents, facilities and resources to initiate, manage and administer the PFL Program. The District performed an evaluation of existing systems in comparison with the projected PFL requirements in order to provide recommendations on the types of solicitations that the program would pursue. Functional crosswalks between systems were utilized to identify equivalent elements and capabilities which complimented the program’s efforts to refine the implementation strategy and development methodology.

Below is a summarized representation of the detailed system requirements for the acquisition and development of the PFL systems:

- The technology required must be able to perform all functionality necessary to collect employer contributions and to pay benefits for eligible employees taking parental, family, or medical leave in accordance with the Paid Leave Act.
- In order to remove the risk associated with development, a commercial off-the-shelf (COTS) tool is under consideration, in addition to a custom software solution for all functions that is necessary to set-up, run, administer and manage an efficient, legally compliant PFL program.
- A fully functional tax system must be available by spring 2019, to allow for ample time to train staff and make system modifications to begin the collection of taxes on July 1, 2019.
- A fully functional benefits system must be available by spring 2020, to allow for ample time to train staff and make system modifications to begin the payment of benefits on July 1, 2020.
- All technology and functionality necessary to identify, manage, and administer eligible employees taking leave for the birth, adoption, or foster placement of a child should be provided.
- All technology and functionality necessary to identify, manage, and administer benefits for taking care of critically ill family members and medical leave for employees with serious health conditions should be provided.

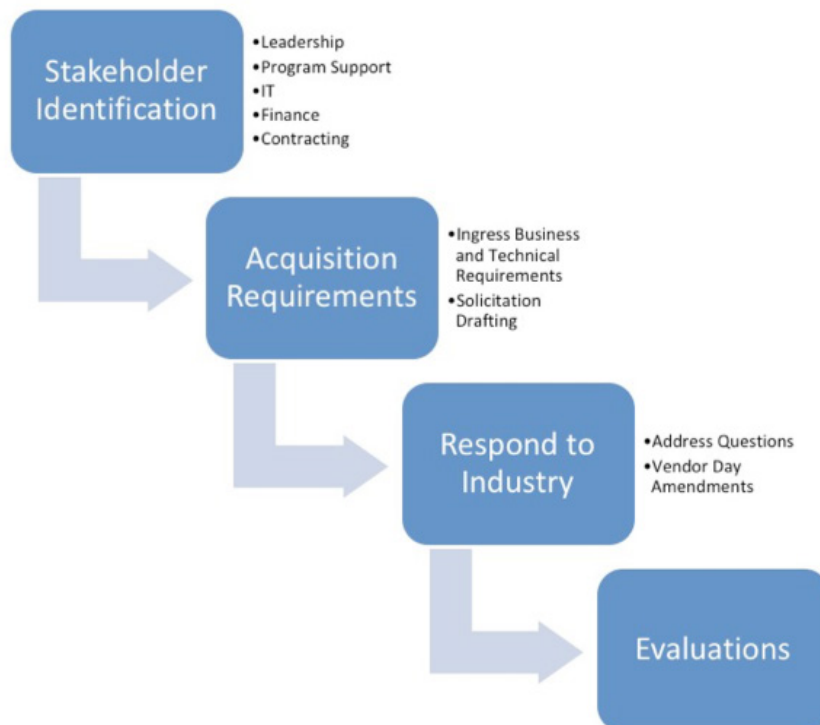
- The system requires medical information to be certified from a licensed medical professional to ensure benefits.
- Technology is required to validate eligibility of benefits requests and the denial process. The tool must be able to support all types of family bonding applications allowable, including care for family members with a serious health condition, and employee recuperation from a determined serious health condition.
- Contribution collection also requires that all functions, documents, reports, and tools, including internet and Interactive Voice Response (IVR), are implemented to manage and administer collection, monitoring, issue resolution, and distribution of employer contributions. Integration with other District systems will be necessary to monitor claims and update account information for employers and associated employees.

Projected Procurement Timeline

During the acquisition planning process, the District identified and described the needs, capabilities, and requirements for the design and development of a functional PFL system. In collaboration with procurement stakeholders, the District also determined the best methods for meeting those requirements in order to ensure the launch of the PFL system is consistent with the statutory timeline.

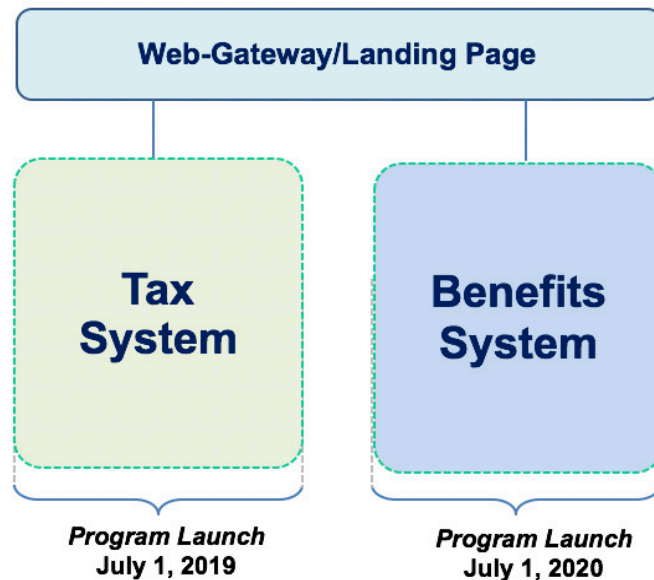
Acquisition Phase

During the acquisition planning, the District identified and described the needs, capabilities, and requirements for the design and development of a functional PFL system. The District also determined the best method for meeting those requirements in order to ensure the launch of the PFL system is consistent with the statutory timeline.



Solicitation Phase

With the tax collection date rapidly approaching, the decision to have two separate solicitations allows the District to individually evaluate all tax and benefits solutions available in the market. After procuring the tax system, the District will acquire a benefits system that seamlessly integrates with the tax system. The design below shows the District's vision to have a single gateway for employers, employees, and health care providers to access the PFL system.



RULES AND REGULATIONS

The first draft of the proposed rules and regulations, which provides additional clarity and guidance for the employer, employee, and health care provider communities about the Paid Leave Act, was published in the D.C. Register in Vol. 65 No. 14 NOO68274 on April 6, 2018, for a 30-day comment period. At the conclusion of the public comment period on May 7, 2018, the District received 1,881 comments related to paid leave benefits, and 189 comments related to employer contributions. Public comments addressed the following policy areas:

❖ Employer Contributions

- Computation of wages
- Collection procedures
- Household employer obligations
- Opt-in and opt-out procedures for self-employed individuals

❖ Paid Leave Benefits

- Identity verification
- Familial relationship documentation
- Employment requirement

A matrix of the public comments collected for the proposed regulations was published on the PFL webpage in June 2018. The matrix can be viewed here: <https://does.dc.gov/node/1338336>.

Upon review of the responses received during the public comment period, the District decided to proceed with a second iteration of the proposed rules and regulations. As a result of the significant number of comments

related to the benefits portion, the rules and regulations were divided into two separate chapters between employer contributions and paid leave benefits. Bifurcating the rules and regulations has allowed the District to thoroughly consider all public comments and to perform the proper policy research for each component. The second iterations of the tax and benefits rules and regulations will be released for additional public comment. The proposed rules and regulations for employer contributions were published in the D.C. Register on July 6, 2018, and the proposed rules and regulations for paid leave benefits will be published during the summer of 2018.

PHASED STAFFING PLAN

The District has restructured the existing staffing plan to include the establishment of a PFL project team that will assist with the implementation activities leading up to the collection of contributions on July 1, 2019 and the administration of benefits beginning July 1, 2020.

Following Washington State's best practices, the District will staff the PFL program with subject-matter experts during the initial phases of implementation, in order to have a dedicated team in place that is 100% entrusted to establishing the program. While devoting their time and resources to the PFL project, these key stakeholders will report to the OPFL Associate Director and also maintain a functional relationship with their primary reporting offices.

The PFL project team will be comprised of subject-matter experts in the following areas:

- Program and Operations
- Information Technology (IT) and Project Management
- Procurement
- Communications
- Human Resources (HR)
- Finance
- Legal

Project Team vs. Program

With the development of this strategic and comprehensive staffing plan, the District aims to utilize a cross-functional team to streamline operations and communication – eliminating the barriers that might exist under a traditional governmental reporting structure.

As such, a total of 49 full-time employees (FTEs) and contractors will be hired for the PFL project team through fiscal year 2020. Capital funds will be leveraged to hire 16 contractors for the IT and Project Management team, while the remaining 33 FTEs will be funded through the operational budget. To date, a total of seven FTEs for the operations team, two contractors for the IT team, and four resources from the Office of Contracting and Procurement (OCP) have been hired and/or identified.

By July 1, 2020, the OPFL will be a fully staffed program with 124 FTEs that will ensure the District remains in compliance with the appropriate laws, titles, regulations, directives, and requirements pertaining to the administration of an effective PFL program. The original projection of 120 FTEs was increased to 124 as a result of the addition of an Operations Manager, Database Administrator, System Administrator, and Appeals Supervisor.

❖ **Fiscal Year 2018**

- Total new hires: 39

*All 39 hires for Project Team

❖ **Fiscal Year 2019**

- Total new hires: 58

*48 hires for program

*10 hires for Project Team

❖ **Fiscal Year 2020**

- Total new hires: 54

*All 54 hires for program

*Total FTE hires for OPFL = 124

NATIONAL BEST PRACTICES & TECHNICAL ASSISTANCE

Throughout the course of the District's outreach to multiple states with paid leave programs, national best practices have been evaluated to determine the most effective approach for the implementation of the District's PFL program. During Quarters 1 and 2 of fiscal year 2018, the District had the opportunity to visit the paid family and medical leave offices of California, Rhode Island, and Washington State. By the end of the fiscal year in Quarter 4, the District is on track to finalize its preliminary research on paid leave programs by conducting site visits to New Jersey and New York.

Key takeaways from each of the states that the District has researched are helping to ensure that the PFL program is equipped with the appropriate funding and staff resources at the onset of program development, which supports the successful implementation of a world-class PFL program. The District's visit to Washington State was particularly insightful as it provided a model for utilizing project management that provides flexibility throughout the project life cycle, rapid-decision-making, and the ability to shorten project timelines.

Best practices provided by California, New Jersey, and Rhode Island emphasized online claim applications, utilizing targeted marketing and outreach plans to ensure employees, employers, and health care providers are fully aware of the program, and leveraging modernized systems and technology to produce efficient workflows and ensure the successful administration of benefits.

California

Conference Call held:

9/19/2017

Site Visit: 11/16/2017 – 11/17/2017

Site Visit Overview: Presentations on California PFL history, tax structure, marketing, program integrity, fraud, information technology infrastructure; roundtable discussions and Q&A sessions.

Key Takeaways:

- California conducted increased marketing to minority populations and single fathers across all media platforms and print advertisements in an effort to access the groups that had the lowest access rates to the PFL program.
- California experienced challenges over knowledge transfer that they were able to overcome through increased collaboration efforts within their IT department.
- The District should anticipate a lengthy procurement timeframe as it took California six years, from development through the award, to procure their system.

New York

Conference Call held:

6/1/2018 at 2:00 – 3:00 PM EST

Conference Call Overview: As New York State's PFL program is administered by insurance carriers and not a state agency, the District is focusing on gathering marketing and educational best practice from New York State's Workers Compensation Board.

Key Takeaways:

- New York State's PFL program is funded by employees through a small weekly payroll deduction.
- New York State's Workers' Compensation Board does not process PFL claims. Insurance carriers are responsible for receiving/processing PFL claims, and administering all benefit payments.
- Employees can opt out of the PFL program if they do not expect to work for the employer for the minimum amount of time required for eligibility.
- A centralized call center is used for PFL inquiries and additional government programs such as UI, Disability, etc.

New Jersey

Conference Call held:

8/31/2017 at 9:45 – 10:45 AM EST

Site Visit: To occur in FY18, Quarter 3

Site Visit Overview: Not applicable.

Key Takeaways:

- New Jersey's Family Leave Insurance (FLI) program is an employee-paid contribution.
- New Jersey currently administers the FLI program using a mainframe system, but they are in the process of finding a specific system for TDI and FLI.
- More information to be obtained at the future site visit.

Washington State

Conference Call held:

10/24/2017 at 4:00 – 5:00 PM EST

Site Visit: 3/27/2018 – 3/28/2018

Site Visit Overview: Presentations on Procurement, Paid Family Leave Structure System and Structure, Tax Structure, Insurance Contributions and Fund, Fraud Deterrence and Program Integrity, Marketing and Outreach, and Work Methodology.

Key Takeaways:

- Washington State's PFL program is a shared employee-employer contribution program; premium collection from employers will begin 1/1/2019, and administration of benefits will begin 1/1/2020.
- Regarding system development, Washington State anticipates utilizing a continuous integration model.
- System implementation follows the Agile development methodology and functions like a technology start-up: initial project team which transitions to a program team.
- Emphasis on branding and taking ownership of the program's public facing identity.
- Usability and accessibility testing with focus groups.
- Emphasis on the customer experience.

MARKETING & OUTREACH

The District is trailblazing a path forward for the implementation of the PFL program and has developed a robust plan for marketing and education intended to reach the employer, employee, and medical communities. The Paid Leave Act requires public education and awareness campaigns—and the District believes it is very important to have comprehensive and timely campaigns in both areas. The timeline and scope for the education and awareness efforts are based in part on discussions the District has had with other paid leave jurisdictions.

Throughout the implementation of the PFL program, the District will conduct a multi-year public education and outreach campaign that will include advertising (i.e. online, mobile, outdoor billboard, newspaper, radio, television, metro ads), informational and educational materials (i.e. brochures, posters, flyers), social media efforts, town hall meetings with stakeholders, and other direct outreach initiatives. As the program and marketing campaign progresses, a standalone website will be developed to host paid leave information for the District's targeted groups, including fact sheets, FAQs, press releases, contact information, etc.

In Quarter 3 of Fiscal Year 2018, the District hired a communications and consulting firm to cultivate a comprehensive strategic communications plan, brand development, and stakeholder engagement plan. Continued marketing and outreach efforts throughout the course of this campaign will ensure that the District's engagement with community stakeholders is advancing, and that the employer communities are also provided with the necessary resources to be fully aware of the requirements outlined in the Paid Leave Act, and have the ability to update their internal policies and procedures in order to begin contributing to the Universal Paid Leave Implementation Fund on July 1, 2019.

This quarter, the District also created a "community corner" on the PFL webpage to provide regular updates and weekly information about OPFL's participation in community events, internal stakeholder meetings, and other outreach and engagements efforts. For the remainder of the fiscal year, the District will continue developing materials to generate increased awareness for the PFL program that will be made available on the PFL webpage as

well as on the DOES social media accounts. These documents will include one pagers for the public and FAQs for employers.

In an effort to establish partnerships with key stakeholders and advocacy groups, the District met with Jews United for Justice, the Center for Law and Social Policy, the DC Fiscal Policy Institute, First Shift, DC Working Families and DC Labor to discuss their feedback regarding the proposed PFL regulations, status on the procurement of the PFL system, and ideas regarding community engagement strategies. Additionally, the District met with the Capitol Hill Association of Merchants and Professionals (CHAMPS) to discuss implementation activities. These insights, along with feedback from other key community stakeholders, will help to ensure the District moves forward successfully, and does so with full transparency, public accountability, and community outreach. Within Quarter 4 of Fiscal Year 2018, the District plans to continue in proactive stakeholder engagement in order to gather additional input and insight from groups with a vested interest in the PFL program.



RESEARCH & KEY CONSIDERATIONS

At the onset of the District's implementation efforts, lessons and considerations from across the nation's various paid leave programs were examined in an effort to establish the framework for a world-class PFL program. To date, many of the takeaways have significantly contributed to the District's rule-making and implementation processes. As the District advances towards the last quarter of fiscal year 2018, priorities will be placed on marketing and outreach, technology, and procurement.

The District is striving to ensure all community stakeholders, including covered employers, covered employees, and health care providers are aware of their rights and responsibilities ahead of the program's deployment in July 2019 and July 2020, respectively. To accomplish this, DOES will use the marketing and outreach best practices from the District's site visits to California, Rhode Island, and Washington State. Specifically, we will use market research to

guide decision-making processes and create strategic program education campaigns that target the underserved communities that will benefit considerably from the PFL program.

The District continues to engage community groups and organizations in order to establish open and productive lines of communication. The District's goal is to ensure accessibility through programs and events, including town halls, seminars and conferences, online webinars, and stakeholder meetings with program staff. Efforts have been made to foster partnerships with community stakeholders during the initial phases of program development, to establish transparent communication with community stakeholders, and to provide regular updates on the status of implementation activities for the PFL program.

The District is currently in the initial solicitation phase for a tax collection system. Utilizing functional crosswalks to compare and contrast existing systems with the District's vision for a PFL system, the District has been able to carefully outline the system components that must be secured for a comprehensive and fully integrated system that will manage all aspects of the PFL program.

As such, the District is aiming to ensure that the PFL system solution is comprised of emerging technologies (i.e. analytics, robotic process automation (RPA), and cognitive computing) to improve the PFL program's operational efficiency. By improving quality and establishing simplified and streamlined processes, a PFL system solution will allow for fully automated data transfers with less data integrity issues, better access to data to support program administration, reduced maintenance costs, and the increased ability to respond to new policy changes.

While, the current legislation for paid leave in the District established a recommendation for protecting fund solvency, the law does not grant DOES, the agency overseeing the District's PFL program, the authority to address any potential shortfalls. In states with similar paid leave programs, such as Rhode Island and Washington State, the agency director has the authority to make recommendations for changing the contribution and/or benefit rate in order to protect the solvency of the fund. In the District, this authority is granted to the Chief Financial Officer.

Employer Assessment Survey

The District recognizes the importance of identifying employers' current and future paid leave needs and trends. In Quarter 3, the OPFL invited the employer community to participate in a paid leave assessment survey. The goal of the survey was to identify the current paid-leave resources currently available to employees in the District and determine how they align with the implementation efforts of the Paid Leave Act.

OPFL advertised the assessment survey on the DOES website and also sent it out to over 13,000 employers currently registered with the DOES Employer Self Service Portal (ESSP). The survey was open to the employer community for a period of 30 days beginning in April of 2018. Over 1,600 employers provided information related to the paid leave benefits available to their employees in addition to details related to industry, disability insurance, and the use of DCFMLA.

The assessment survey was comprised of four primary categories: Employer sponsored paid leave, a benefits comparison between employers and the Paid Leave Act, paid leave coverage classification, and employer sponsored disability insurance. Employers also had the opportunity to comment on their knowledge of the Paid leave Act, the duration of employer sponsored benefits, and the use of DCFMLA.

Figure 1: The central motivation behind the assessment survey was to measure the prevalence of paid leave benefits and provide an analysis on the types of paid leave that were available to employees in the District. This question allowed the 1,383 participants who responded to select more than one response and this option is reflected in totals higher than 100 percent. While 47 percent of participants in the survey indicated that their businesses provided parental leave to their employees, 40 percent and 56 percent of respondents indicating that their businesses provided family and medical leave respectively.

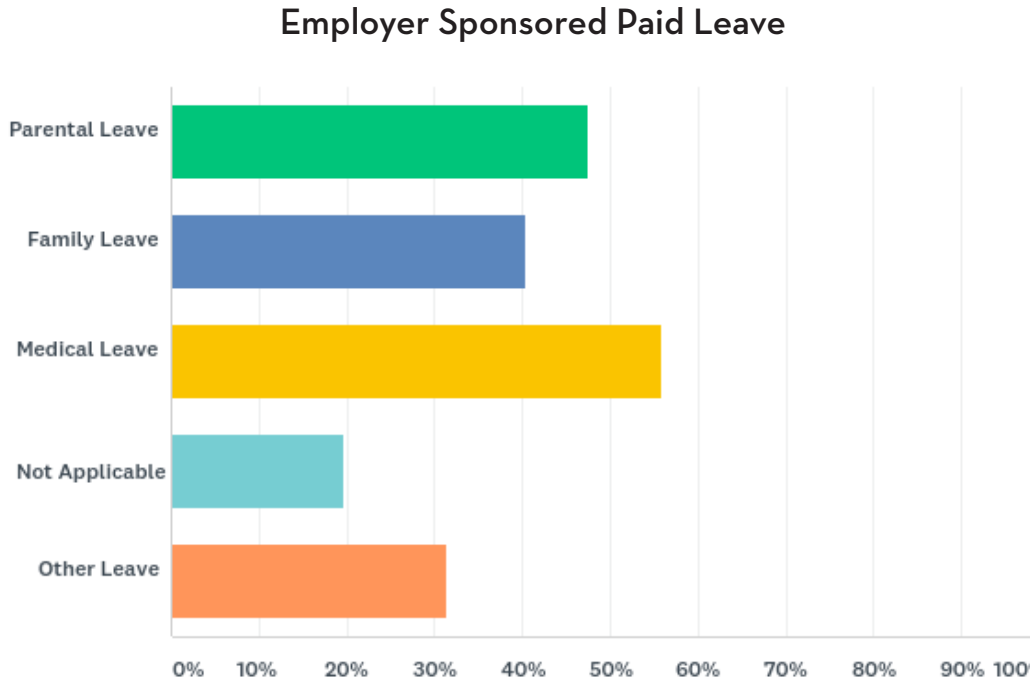


Figure 2: In addition to determining existing paid leave benefits, OPFL wanted to establish a comparative analysis between employers' sponsored paid leave and the Paid Leave Act. The figure below represents 1,152 participant responses with employer benefits measured against the District. This question also allowed the responding participants to select more than one response and this option is reflected in totals higher than 100 percent.

A Benefits Comparison Between Employers and the Paid Leave Act

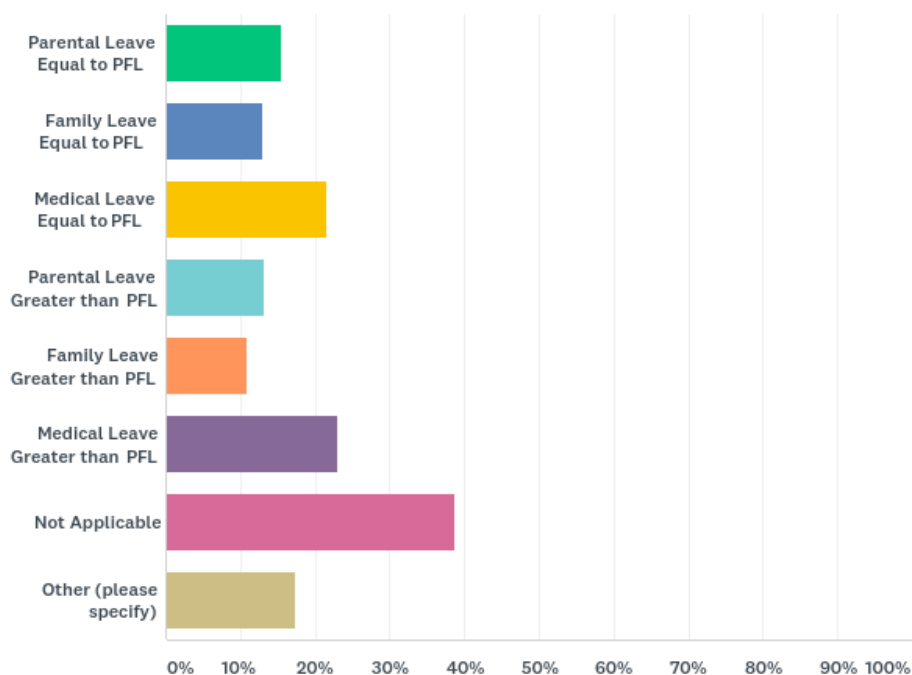


Figure 3: An integral component of the employer assessment was determining the availability of benefits by employee classification. This question also allowed the 1,221 responding participants to select more than one response and this option is reflected in totals higher than 100 percent. Nearly 80 percent of participants indicated that benefits were available to full-time employees, while 25 percent of respondents indicated that benefits were available to part-time employees. 1.5 percent of employers reported that benefits were available for seasonal employees. 15 percent of employers reported that benefits were available for seasonal employees. 1.5 percent of employers reported that benefits were available for seasonal employees.

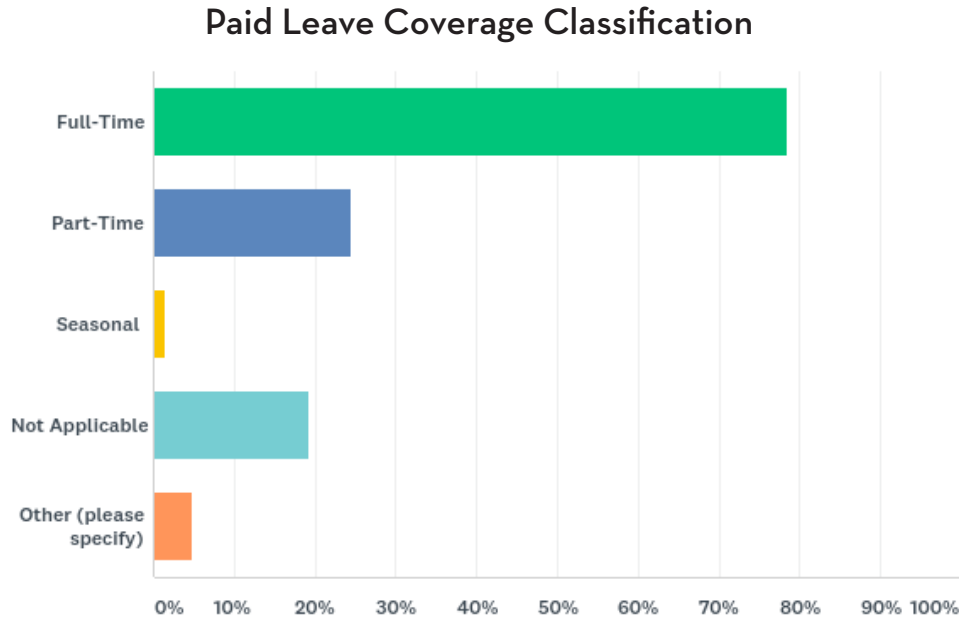
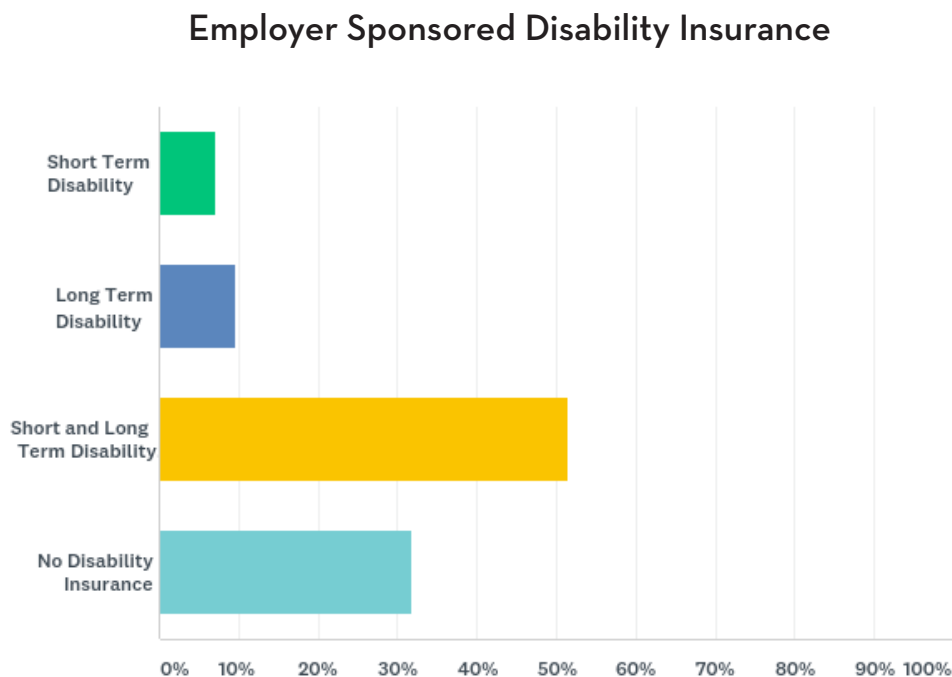


Figure 4: While the majority of paid leave programs across the country leveraged existing disability insurance programs during the implementation of their benefits systems, the District is establishing a standalone program that will assess the availability of both short and long-term disability insurance to employees in the District. The following figure provides an overview of the current employer provided disability insurance programs by type. Over 50 percent of the 997 respondents indicated that they provided both short-and long-term disability insurance. Another 30 percent of the respondents indicated that they do not provide any disability insurance.



Measuring the availability of paid leave benefits for employees in the District will assist OPFL in forecasting projected claim volumes, networking with health care providers, and further establishing a line of communication with the employer community. The program will use the survey data as it continues to work toward a successful implementation of the PFL program in District.

CONCLUSION

The District remains committed to implementing a robust paid leave program with a structure that can be effectively and efficiently administered. Consistent with this mission, the District is dedicated to ensuring that the financial burden on residents does not increase and that the impact on businesses is sustainable and does not discourage companies from creating jobs in the city. Paid leave benefits remain an important part of balancing work, family, and medical needs, and the District's implementation strategy has concentrated extensively on researching and developing the most innovative approach possible. At the forefront of our efforts, the District has been focused on creating an adaptable and flexible framework to better facilitate the process of responding to changes, both internally and externally. As such, the District will continue to build on the progress made in program administration, information technology, staffing, and outreach, while continuing to work on the many steps required for the successful implementation of the District's PFL program.



