The Standard Response to RFI# 2019-224 Family and Medical Leave Insurance

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TheStandard®

Vendor Information

Taking care of people and helping our customers achieve their business goals has always been a top priority for Standard Insurance Company (The Standard). We've created responses and recommendations for the Twin State Voluntary Family and Medical Leave Insurance Plan ("The Plan") that will demonstrate how our people go the extra mile to deliver world-class service through our group disability and absence management product offerings.

The Standard focuses on helping clients balance the needs of their covered population and their bottom line. Our holistic approach to benefits helps employees be more productive and engaged at work. We also deliver positive claims experiences without creating an administrative burden to your program. Founded in Portland, Oregon in 1906, The Standard is a nationally recognized provider of Group Disability, Statutory Disability, Life, Dental, Vision, Critical Illness, Accident, Hospital Indemnity and Absence Management. We provide insurance to more than 25,800 groups covering over 7 million employees nationwide. We always strive to do what's right – for our policyholders and their employees. This dedication has resulted in a national reputation for quality products, superior service and industry expertise.

Our Public Administration Expertise

The Standard has more than 60 years of experience in meeting the needs of public employer groups. Our first group policy, written in 1951 and still in force today, stands as a testament to our commitment to building long-term relationships.

At The Standard, we recognize that public employers have unique requirements for their employee benefits plans. **We currently provide 342 disability policies to cover workers in New Hampshire and Vermont.** Our current book of public business and our expertise with providing disability insurance coverage is shown in the call-out box. To develop the best solutions for our public clients, we ask the right questions about factors involved in understanding these needs:

- Contractual provisions
- Administrative requirements
- Reporting needs
- Integration with other benefits and programs
- Funding requirements
- Budget concerns

Our Public Expertise

42% of our overall business

- 4,863 public customers
- 2,658 public Disability Customers
- $992 million overall premium
- $490 million Disability premium

*As of June 30, 2018, based on internal data developed by Standard Insurance Company.

We provide consultative guidance through our process. This ensures we develop the right solutions to meet or exceed the expectations and needs of each client.

Group Disability Income and Absence Management Expertise

We understand that New Hampshire and Vermont are trying to find a wage replacement solution for their employees out for leave reasons covered under the Federal and Medical Leave Act (FMLA). We also recognize that over 90% of the businesses in these states employ less than 50 employees and may not be subject to the FMLA or be able to support a wage replacement program for these leave reasons. The Standard's expertise and approach to Absence Management can be leveraged to provide a uniquely tailored solution for the Twin State Voluntary Leave Plan.

At The Standard, Group Disability insurance isn't an add-on – it's our primary business. Our knowledge and experience encompass the full spectrum of disability – from underwriting, plan design and claims handling to worksite and job analysis and rehabilitation. That means you will have distinct advantages that work harder to support your employees and your goals.

The Standard has been providing Absence Management services since 2009 to help our clients manage the day-to-day administration of planned and unplanned employee absences and ensure compliance with Federal and State leave regulations. Our Absence Management solution utilizes an in-house platform on which we can integrate the intake, management and reporting of disability, family and medical leave and other types of leave.

We continually evolve our products to take advantage of technology advances and offer new capabilities. We migrated to a state-of-the-art, cloud-based, integrated Absence Management platform. This allows us to further enhance client services. Our services include but are not limited to:

- Leave administration services which integrate management of employer-specific leaves as well as federal and state-specific leaves in all 50 states and Puerto Rico
- A single point of intake for all types of leave, including reporting time out for one's own condition
- Communication capabilities to both employees and employer contacts
- Customized phone numbers, intake scripts and correspondence
- Customized reporting
- Established workflow process for employee and physician correspondence

Our platform makes it even easier for employees to work with our integrated absence case managers. Employees will be able to:

- View claim and leave status in real time via our online portal
- View updated leave balances and forecast leave entitlement for future dates
- View notifications about missing or incomplete information

While several states have previously passed Paid Family Leave or Paid Family and Medical Leave programs, only two that are currently in effect allow for private carrier coverage to be provided – New York and California. New Jersey historically has allowed private carrier involvement for their statutory disability offering, but the Paid Family Leave has been run through the state plan. Rhode Island's program remains fully state administered only, for both disability and paid family leave programs. Washington D.C. appears to be following the Rhode Island model which will not allow for private carrier involvement. While Washington and Massachusetts are both working on implementation of combined Paid Family and Medical Leave programs allowing for private carrier involvement, which provide paid time off for the same reasons proposed under The Plan, these programs are not yet in effect and carriers will not have experience with the rollouts to provide guidance from this style program.

Cost Estimates

The Standard considers our actuarial assumptions, rating process and specific pricing details to be proprietary information which we are unable to provide at this time through the public RFI process. We would appreciate the opportunity to further consult with the appropriate parties of the proposed plan to form an appropriate rate for the agreed upon risk if we move forward in the process. We agree conceptually that leveraging the economies of scale of the state employment base may allow for a more competitively priced plan for New Hampshire and Vermont Markets.

Business and Technical Requirements

Plan Design Comments and Recommendations

The Standard applauds New Hampshire and Vermont on the approach to utilize the expertise of private insurance carriers for guidance and implementation of their plan. Additionally, it appears there is a desire to provide workers with valuable benefits that promote a healthy work-life balance while also keeping the plan design simple and competitively priced.

Existing Short Term Disability Offerings

The Standard recommends that whenever possible, the states should allow for existing approved Short Term Disability policies to satisfy the employee medical leave requirement of the program. Many employers are offering short term disability programs to their employees, and there is a well-established process for private insurance plans provide to this protection. Plans are reviewed and approved by both state departments of insurance and conform to the appropriate statutory regulations. It may make sense for New Hampshire and Vermont to mandate that employers sitused in the two states provide an offering to their employees if they do not already in order to ensure the healthy work-life balance options for all workers.

Qualified Leave Reasons

The Standard supports the program's approach to align the qualifying leave reasons to those already outlined under the FMLA as this will allow for the best alignment between both programs. We also recommend the state honors the same covered family relationships as provided under the FMLA for the same reason. Allowing for additional leave reasons or expanding the family relationships one may take leave for will have pricing implications due to increased leave incidence. The Standard agrees with the requirement that paid leaves for an employee's own medical condition include a requirement of inability to work. This is an important step in balancing a meaningful benefit with an appropriate cost control mechanism.

Eligibility

It makes sense to The Standard to align to the FMLA in requiring 12 months of tenure to be eligible for the program. We also suggest considering an hours worked requirement for benefit eligibility as the FMLA provides (1,250 hours over previous 12 months). This again allows for the most direct alignment between the states and federal program and keeps things simple for the employers already well-versed in FMLA requirements. If the FMLA threshold is deemed excessive, in order to address adverse selection issues, we recommend that eligibility include an hours-worked requirement (average of at least 15-20 hours per week over the 12-month period) to qualify.

It appears the program would require portability of coverage when an employee changes employment from one covered employer to another. To address undue employer reporting burdens, The Standard recommends partnership with the states to ensure reporting of hours worked aligns correctly with any other state programs which may require a similar report (for other states, unemployment departments may house this information). If possible, additional hours reporting should not be instituted if employers are already reporting this information for other programs. The Standard could work with The Plan to determine the best way to access and update this data with the states as appropriate.

Benefit Amount and Duration

The Standard agrees that the proposed six-week annual paid leave duration maximum provides a meaningful level of coverage for qualifying leave reasons and promotes the healthy work-life balance both states are trying to achieve for their workers. This duration also leaves space for interested employers to enrich their employee benefit offerings through the private market.

The proposed 60% wage replacement is a reasonable and simple approach for the payment of this program. Keeping the benefit calculation simple and easy-to-understand will help the workers and employers of the states. If there is a desire to provide a higher income replacement for lower paid workers, The Standard recommends simple tiered approach. For example, workers receiving under $50,752 per year would receive 80% wage replacement while workers receiving over $50,752 per year would receive 60% wage replacement ($50,752 is simply a representative number based on combined state average weekly wage numbers for VT and NH per the bureau of labor statistics). If wage replacement numbers rise too high, this will have a more significant impact to the overall cost of the program, and will may encourage employees to stay out of work for a longer period.

The Standard recommends that there be a low threshold of minimum duration of leave required. Issuing benefit payments for an hour or two on a partial day worked is significantly more administratively cumbersome. The Standard recommends a minimum increment of one day. A "day of leave" may be defined as whatever a typical number of hours worked for an individual may be.

We also recommend that the program consider instituting a short waiting period before someone receives payment for being out due to their own medical condition – our recommendation is 7 calendar days. Other leave types may not require a waiting period, but it is common practice in the marketplace that someone have a number of days they are unable to work before receiving benefit payments. This also aligns to other state paid family and medical leave programs.

Other Plan Details for State Employees

Premium Collection and Payment

The Standard recommends that premium collection for state employees be managed by a small group run by each state. This would ensure consistency across all state agencies for both New Hampshire and Vermont and would allow for a more streamlined billing process. This would not require significant staffing but would ensure all appropriate individuals are paid for by the states and simplify billing. We also recommend a single point of contact for billing administration for the program.

Proposed Timeline

The Standard believes that 7/1/2020 is too aggressive a date for implementation of this program even with limited plan design complexity. We recommend 1/1/2021 or 7/1/2021 implementation instead. There is significant coordination required for both states to participate and defining the program regulations and obtaining approval of regulations will take a significant amount of time. Even though there are existing software options for insurance carriers to leverage, there may still be significant development work needed depending on the final program details. If benefits were only provided to state employees of one state (no private employers and no joint state) this timeline may be more reasonable – however, still may be too aggressive with RFP requirements and full bidding process.

Private Employers Opting-In to Program

Contracting

We recommend that each employer should be allowed to purchase their own contract and that purchasing employers would perform their own billing administration for their individual contract. This structure would allow for employers with already existing short term disability contracts which meet or exceed statutory requirements to only purchase the additional paid family leave coverage. In addition, it would allow each employer to manage the payment for the offering they purchase – instead of the state or a more general fund approach.

The program may consider implementing the practice of only allowing policies to take effect on a specific anniversary date (for example 1/1 or 7/1 of any given year). This would allow for alignment to what is offered to state employees and minimize complexity of updates to contracts if any program details change in the future.

Contributory Plans

It is The Standard's opinion that employers offering contributory plans should have 50% minimum participation. It is our experience that if an employer does not sufficiently communicate the value of a program like this, participation will be low. In addition, if the employees are required to take steps to enroll, this may impact participation. Another approach may be to require an auto-enrollment of the Family Medical Leave Insurance and allow for employees to opt-out of coverage. In our experience this will keep the bulk of employees still in The Plan and accomplish the appropriate spread of risk.

Out of State Employees of New Hampshire and Vermont employers

The Standard recommends that the work state would dictate an employee's eligibility for Family Medical Leave Insurance and that this coverage would not be extended when an employee is working remotely for an employer that operates in New Hampshire or Vermont.

Recommended Timeline

We recommend that the program consider delaying for private employer options to begin at least one year after the state employee program becomes effective. This will allow for the joint program to be operational for a period of time before adding additional workers into the program. For example, if the state employee program is effective 7/1/2021, private employers could elect to participate effective 7/1/2022.

Individuals Opting-In

The Standard recommends mandating that employers provide a Family Medical Leave Insurance offering as of a certain date – allowing for a reasonable amount of time before this is required and allowing existing short term disability plans to satisfy the employee medical leave requirement. This would best allow for the "group insurance" approach to be maintained and remove many of the obstacles required to provide service to individuals – such as direct individual billing. Direct individual billing is a significant hurdle for The Standard, and we believe it would be for many others when the rest of this program would likely be built and operated on a group chassis.

If this broad private employer mandate is unacceptable, a single insurer formed trust which can be experience rated may be an alternative. This option allows individuals to access coverage at group insurance rates.

Sole Proprietors

The Standard supports inclusion of sole proprietors in The Plan. We recommend that they be considered private employers allowed to opt-in.

Our Commitment to the Twin State Voluntary Family and Medical Leave Insurance Plan

The Standard hopes to be considered in the formal request for proposal process for The Plan. We are committed to continually raising the bar — going above and beyond to help both New Hampshire and Vermont achieve their goals.

Thank you for considering The Standard to provide insurance benefits to your employees. We appreciate the opportunity to provide a response to this request for information and look forward to speaking with you further.