

# Massachusetts Paid Family & Medical Leave Overview

## December 2020

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# Summary

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# MA PFML Product Overview

## Employee Eligibility

- Eligibility aligns with MA unemployment insurance
- Covered Individual
  - An employee who meets the financial eligibility test; provided, however, that all such employment shall have been with an employer in Massachusetts
  - A former employee who met the financial eligibility test at the time of their separation and has been separated for not more than 26 weeks at the start of their leave
  - Could also include self-employed individuals (e.g. partners/owners that don't receive a W-2) and contract workers
- Financial Eligibility Test
  - Must have been paid wages for employment in MA in the base period (the last four completed calendar quarters within the previous five calendar quarters immediately preceding the date an application for benefits is filed) in MA of at least 30 times the weekly benefit rate; and
  - Earned at least \$5,100 in the base period

# MA PFML Product Overview

## Family Leave Benefits

- 7 day elimination period
  - Waived in the case of childbirth if the bonding leave immediately follows the medical leave
  - For intermittent leaves it's 7 consecutive calendar days from the first day of intermittent leave
- Duration varies based on reason for leave
  - Bonding with a new child – 12 weeks
  - Qualifying military exigency – 12 weeks
  - Care for an injured service member – 26 weeks
  - Care for a family member with a serious health condition – 12 weeks
    - This benefit becomes effective 7/1/21 via the state plan, however Equitable will offer this benefit as of 1/1/21

# MA PFML Product Overview

## Medical Leave Benefits

- Payable for the employee's own serious health condition
- 7 day elimination period
  - For intermittent leaves it's 7 consecutive calendar days from the first day of intermittent leave
- 20 week duration

# MA PFML Product Overview

Maximum leave allotment includes the elimination period

- Weeks of payments will be one less than the total allotment of leave
- For medical leave this translates into 1 week unpaid and a maximum of 19 weeks paid
- For family leave it translates into 1 week unpaid and a maximum of 11 weeks paid (or 25 weeks paid for care of an injured service member); except in the case of the bonding leave immediately following childbirth

Maximum of 26 weeks in a benefit year combined between family and medical leaves

- Benefit year is the 52 consecutive weeks beginning on the Sunday immediately preceding the first day of leave

## Leave Types

- Continuous
- Intermittent
  - Intermittent leaves for employee's own serious health condition must be medically necessary
  - For family leaves to bond with a new child, intermittent leave is allowed, however only if agreed upon by the employer and employee
  - For family leaves to care for a family member or an injured service member, intermittent leave is allowed if it's medically necessary

# MA PFML Product Overview

## Weekly Benefits

- Benefit: Employee's average weekly wage up to 50% of the statewide average weekly wage replaced at 80%; PLUS 50% of the employee's average weekly wage in excess of 50% of the statewide average weekly wage
- Statewide average weekly wage for 2021 is \$1,487.78
- Maximum benefit for 2021 is \$850
- Any employee with annual earnings of \$65,190.84 or higher will max out at the \$850 per week

# MA PFML Product Overview

## Weekly Benefit Examples

- Annual Salary : \$35,000
- Weekly Salary : \$673.08
- Weekly Benefit :  $80\% \times \$673.08 = \$538.46$ 
  - The weekly salary is less than 50% of the statewide average weekly wage, therefore it's replaced at 80%
  
- Annual Salary : \$52,000
- Weekly Salary : \$1,000.00
- Weekly Benefit :  $(80\% \times \$743.89) + (50\% \times \$256.11) = \$723.17$
  
- Annual Salary : \$75,000
- Weekly Salary : \$1,442.31
- Weekly Benefit :  $(80\% \times \$743.89) + (50\% \times \$509.78) = \$850.00$



# MA PFML Benefit Coordination

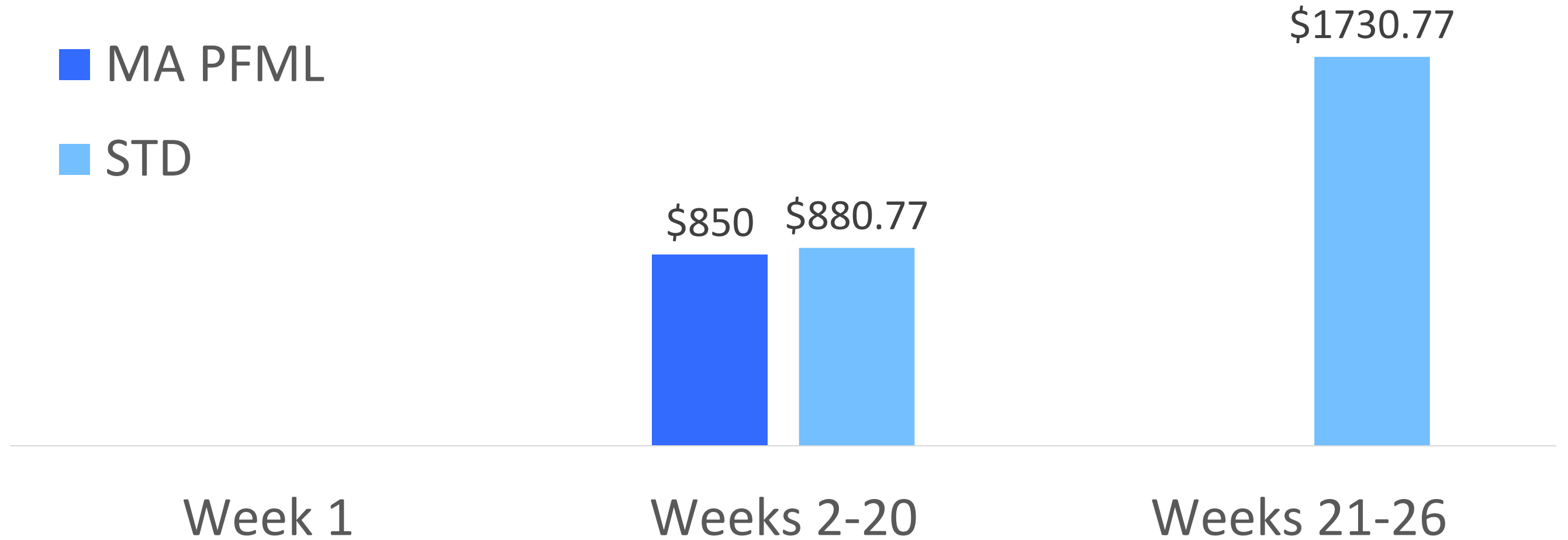
MA PFML benefit is the primary benefit

STD benefits will be offset by MA PFML benefits

- Example

- Employee Salary : \$150,000
- STD Plan : 8/8/26, 60% to \$2,000
- MA PFML Benefit : \$850.00 per week
- Gross STD Benefit : \$1,730.77
- Net STD Benefit : \$880.77 per week ( $\$1,730.77 - \$850.00$ )

# MA PFML Benefit Coordination



# MA PFML Benefit Coordination

If the STD will offset for MA PFML benefits, then why do I need an STD plan?

- Coverage for higher income earners
  - Anyone that earns \$65,190.84 or more will max out at the \$850 per week
  - Consider these replacement ratios

Annual Salary	MA PFML Weekly Benefit	Replacement Ratio*
\$30,000	\$461.54	80%
\$50,000	\$703.94	73%
\$65,191	\$850	68%
\$73,667	\$850	60%
\$100,000	\$850	44%
\$150,000	\$850	29%

\*Replacement ratios do not take into account the taxability of the benefit

# MA PFML Benefit Coordination

Employers cannot require an employee to use any type of accrued paid leave before applying for MA PFML benefits

Under an Equitable MA PFML plan, employees can “top off” their MA PFML benefit with accrued paid leave (e.g. PTO, salary continuation, etc.)

- Cannot exceed 100% of pre-leave salary combined
- “Top off” option is not available via the state plan

Leave allotment runs concurrently with FMLA

# MA PFML Sold Case Paperwork

## Clients Just Adding MA PFML to Inforce Line(s) of Coverage

- MA PFML Application
- Employer Verification Form
  - Simplified to only ask for information about the MA PFML coverage and the broker verification information
- W-2 Services Agreement
  - Needs to be completed to Elect or Decline the service
  - Can change this election during the plan year, however updated services agreement must be received before 12/1/21

## Clients New to Equitable

- Master Application and MA PFML Application
- Employer Verification Form
- FICA Match/W-2 Services Agreement for STD &/or LTD
- W-2 Services Agreement for MA PFML

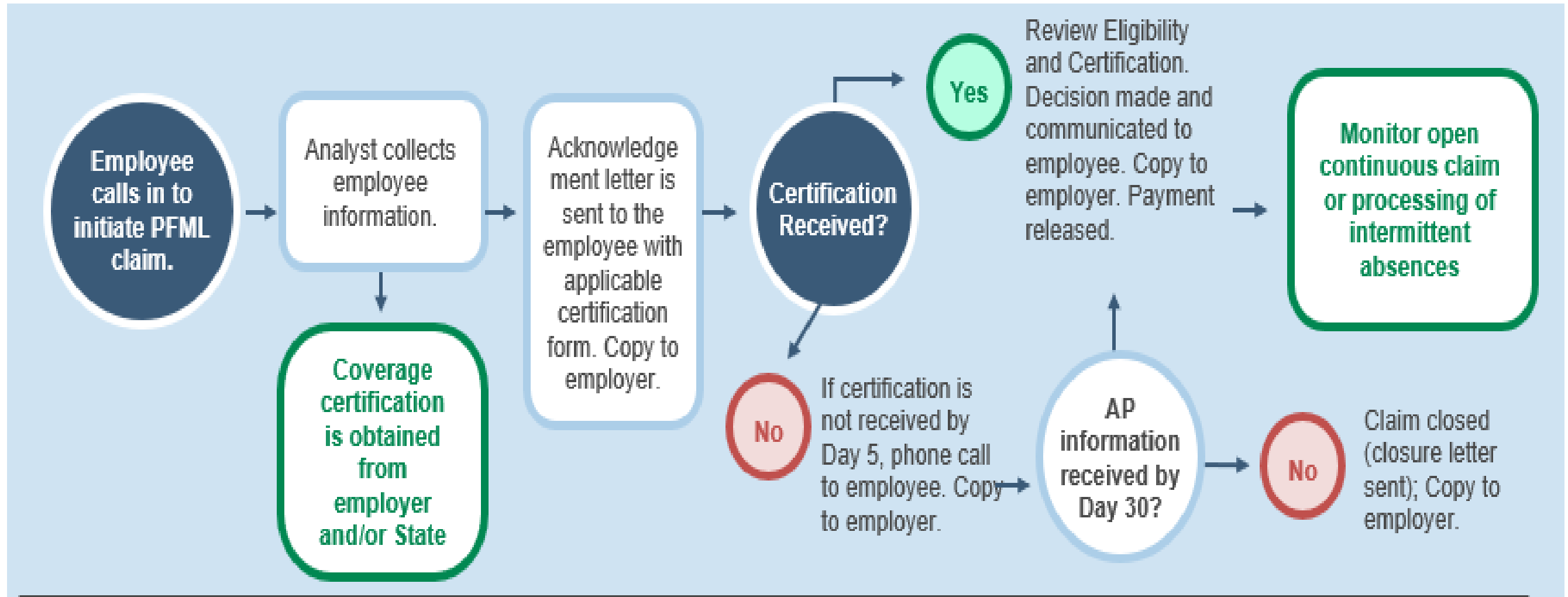
# Claims

## Intake Options

- Telephonic (preferred method)
  - Equitable will contact the employer and physician (if applicable) to gather the necessary information
- Paper
  - Employee statement, employer statement, and attending physicians statement (if applicable) can be scanned and e-mailed, faxed, or mailed to Equitable

# Claims

## Process



# Claims

## Communications

- Acknowledgement letter
  - Sent to the employee with a copy to the employer when the claim is initiated
- Certification request
  - Sent to the employee along with the acknowledgement letter
- Certification follow-up
  - Sent to the employee after 3 days, 14 days, and 30 days if we have not received the completed certification
    - If no response as of 90 days, the claim will be closed
- Decision letter
  - Sent to the employee with a copy of the EOB sent to the employer when a decision on the claim has been made
- Appeals Process
  - The employee can appeal an adverse decision
  - Initial appeal process is through Equitable with a separate reviewer of the claim and any additional information provided
  - If the appeal is denied, the employee may appeal to the Department of Family and Medical Leave (DFML)



# Claims

## Payments

- Claim payments are made weekly in arrears following the satisfaction of the benefit waiting period
- Payments can be issued via electronic funds transfer (preferred method) or physical check
- For intermittent claims, the claimant needs to contact Equitable as soon as possible to let us know how much leave was taken (this should be within 24 hours of taking time)
  - Leave taken may be confirmed with the employer

## Single Claims Examiner

- If an employee has both STD and MA PFML coverages, the same claims examiner will handle both claims

# Claims

## Taxation

- The DFML has not provided any guidance at this time as it relates to how the family and medical leave benefits should be taxed
- Equitable is taking the position that both family and medical leave benefits are taxable
- The medical leave benefits will be treated as third party sick pay and will be taxed based on the contribution structure of the plan and whether the employee contributions, if applicable, are on a pre-tax or post-tax basis, similar to how STD works
  - For example, if the employee contributes 40% of the cost of the medical leave coverage and those contributions are on a post-tax basis, then 40% of the benefit will be tax free
- The family leave benefits will be fully taxable as ordinary income, regardless of who is paying the premium for the coverage
- Due to the lack of guidance from the state, Equitable is not offering our FICA match service on MA PFML at this time – the employer will be responsible for remitting their portion of FICA
- The Equitable approach may change as additional guidance is received from the DFML

# Claims

## Current STD Claims

- For clients that have their STD and MA PFML with Equitable, we will automatically initiate the MA PFML medical leave claim for those claimants in MA receiving an STD benefit
- For all STD claimants in MA, Equitable will begin reducing their STD benefit by an estimate of their MA PFML benefit
- All STD claimants in MA will be notified of this approach in the middle of December

# Administration

## Billing

- MA PFML billing will be done on a monthly in advance basis, similar to our other employee benefits
- The billing can be either list billed or self-administered
  - The billing method for MA PFML must match that of the other Equitable products or a separate policy number will be required
- All MA PFML rates are based on a per \$100 of monthly covered payroll basis
- The maximum covered payroll is based on the Social Security Old Age, Survivors, and Disability Insurance (OASDI) wage basis
  - For 2021 the maximum is \$142,800
- For Equitable plans the monthly covered payroll will be capped at \$11,900
- For billing purposes, Equitable will utilize the salary we already have in our system for those employees covered for another benefit
  - All claims will be paid based on the statutory earnings

# Administration

## Premium Calculation Examples

- Assume medical leave rate of .62 and family leave rate of .13

- Annual Salary : \$30,000 per year
- Medical Leave Premium :  $\$30,000/12 \times .62/100 = \$15.50$
- Family Leave Premium :  $\$30,000/12 \times .13/100 = \$3.25$

- Annual Salary : \$150,000 per year
- Medical Leave Premium :  $\$142,800/12 \times .62/100 = \$73.78$
- Family Leave Premium :  $\$142,800/12 \times .13/100 = \$15.47$

- In this example the salary is capped at the maximum wage base

# Administration

## Employee Contributions

- Under the state plan, the maximum an employee can contribute is as follows
  - Medical Leave – 40%
  - Family Leave – 100%
- Under a private plan, the regulations state “that the cost to employees covered by a private plan shall not be greater than the cost charged to employees under the state program”
- Private plan rates may differ from the state plan rates, therefore the percentage of the premium paid by the employee may differ, however the cost cannot be higher than it would be under the state plan
- The employer can choose to pay a higher percentage or the full cost for either or both coverages

# Administration

## Policy Documents

- The employer will receive a MA PFML policy, which can be shared with employees
- A benefit summary document will also be available that can be shared with employees

## Reporting

- At this point in time, the state has not communicated any type of compliance reporting that will be required by employers, carriers, or third-party administrators
- Claims status and claim detail will be available on our platform, EB360®
- Quarterly and annual leave reports (similar to STD and LTD sick-pay reports) will also be sent to employers and available on our EB360® platform