



**The Collision of Short-term Disability (STD) and Paid Family and Medical Leave (PFML)**

**Hannah Furlong**  
Senior Product Manager  
Lincoln Financial Group  
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**Kelli Villamil**  
Director, Absence Management  
Lincoln Financial Group



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**Speakers**



**Hannah Furlong**  
Senior Product Manager  
Lincoln Financial Group



**Kelli Villamil**  
Director, Absence Management  
Lincoln Financial Group



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**Agenda**

- Intersection of a complex leave landscape
- Evaluating your benefit programs as PFML programs emerge
- PFML coordination allowances and approaches
- Plan design considerations
- Key takeaways



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## Intersection of a complex leave landscape



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## Compare leave programs

Short-term disability was the original paid leave

Short-term disability	Statutory disability*	FMLA	State unpaid leave	The ADAAA	State PFML	Company paid leave
Employer-sponsored plan, may be voluntary or employer-paid, fully insured, or self-funded	State mandated, to be provided by employers through a carrier, state, or self-funded option	Federally mandated, to be provided by employers	State mandated, to be provided by employers	Federally mandated, to be provided by employers	State mandated, to be provided by employers through a carrier, state, or self-funded option	Employer sponsored and plan directed
Provides income protection, does not provide job protection	Provides income protection, does not provide job protection	Provides job protection	Provides job protection	Provides job protection	Provides income protection, may or may not provide job protection (state dictated)	Provides income protection, may or may not provide job protection (employer dictates)
Employee condition only	Employee condition only	Employee and covered relationship	Employee and/or covered relationship	Employee only	Employee and/or covered relationship	Employee and/or covered relationship

\*There is a potential for a federal PFML program.  
\*New Jersey, New York, and Rhode Island



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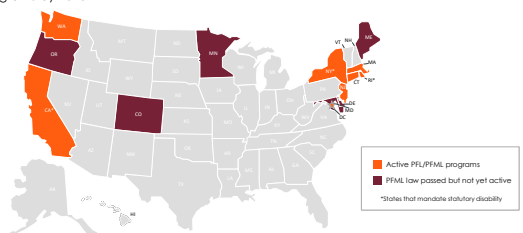
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## The paid leave landscape is quickly evolving

Approximately 34% of the U.S. workforce may be covered by mandated PFML and statutory programs by 2026\*



**Active PFL/PFML programs**  
**PFML law passed but not yet active**  
\*States that mandate statutory disability



\*Determined using current workforce counts from U.S. Bureau of Labor Statistics: <https://www.bls.gov/news.release/archives/empst01.pdf>

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### Complex factors impact absence benefit strategy

-  Inconsistency in benefits based on geographic location
-  Potential gaps in benefits and coverage
-  Coordinating multiple benefits
-  Overwhelming process for employers and employees
-  Impact to workplace productivity



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### PFML and STD are not the same

PFML and STD provide different benefits with minor overlap in types of benefits they cover

**PFML**


- Typically, only covers employees working in the state\*
- Covers more leave reasons
  - Bonding, family care, exigency, etc.
- Allows for intermittent leave
- Combined durations
- Most programs are job-protected.

**STD**

- Can cover employees across the U.S.
- Eligibility determined by employer
- Duration is typically per condition
- Medically managed
- RTW incentivized

**Overlap**

- Covers leave for employee's own illness or injury
- Provides income replacement



\*Each state has their own localization rules

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### Evaluating your benefit programs as PFML programs emerge



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### Has your company considered a revision or enhancement to your STD program in light of emerging PFML programs?

- A. Yes
- B. No
- C. Uncertain



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### PFML provides workers a vital safety net

- PFML programs meet a significant coverage gap.
- PFML programs provide coverage to sectors of the workforce that historically may not have been eligible for employer-sponsored programs.
- PFML benefits typically begin right away or after a minimal waiting period.
- Many PFML programs allow for leave to be taken on an intermittent basis.
- STD and PFML complement each other to provide greater protection.



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### Evaluate programs for gaps in coverage



Employees reduce their PFML entitlement bank if they use PFML benefits to take care of family members and/or their own medical condition.

If they experience a more seriously disabling condition later in the year, STD can fill that gap, so the employee continues to have critical income protection.

Once someone exhausts their PFML benefits, that safety net is gone. Your STD program can continue benefits beyond the PFML maximum and provide income replacement during the long-term disability (LTD) elimination period.



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## What income protection does your offering provide?



- PFML benefits are state-mandated.
- As an employee's income rises, so does the possibility that their benefits will be capped at the set PFML maximum.
- STD benefits are employer-provided benefits.
- STD benefits can offer income replacement to a larger employee population.



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## Provide consistency across locations

STD policies can provide consistency in benefit amounts and duration when the state leaves differ

	WA PFML	MA PFML	CT PFML	OR PFML	CO PFML	STD
<b>Benefit amount</b>	Tiered benefit: up to 90% of wages	Tiered benefit: up to 80% of wages	Tiered benefit: up to 90% of wages	Tiered benefit: up to 100% of wages	Tiered benefit: up to 90% of wages	EE selected benefit, 60% - 100% of wages
<b>Current maximum weekly benefit</b>	\$1,427	\$1,129.82	\$900	\$1,523.63	\$1,100	EE selected, \$2,500
<b>Duration</b>	Family leave: 12 weeks Medical leave: 12 weeks Overall family and medical leave duration: 16 weeks* Bereavement for loss of child: 1 week *Additional two weeks for pregnancy-related incapacity	Medical leave: 20 weeks Family leave: 12 weeks Care of service member: 26 weeks Overall family and medical leave duration: 26 weeks	Total family and medical leave duration: 12 weeks — additional two weeks for pregnancy-related incapacity	Overall family and medical leave duration: 12 weeks — additional two weeks for pregnancy-related incapacity	Total family and medical leave duration: 12 weeks — additional four weeks for pregnancy-related incapacity	EE selected, typically 13 or 26 weeks per disabling event
STD integration with state PFML						



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## PFML coordination and approaches



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## Benefit coordination

How paid leave programs work alongside each other


States determine coordination allowance with paid leave benefits

**Employees may receive up to 100% of their average weekly wage when receiving a combination of PFML benefits and:**

- Short-term disability (STD)
- Company paid leave (CPL)

Integrated plans

**Typically, STD policy will offset paid family and medical leave (PFML) benefits.** Sometimes referred to as an integrated plan, this means that the STD benefit is reduced by the amount received from the PFML benefit.



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## Scenario: supporting varying leaves in a benefit year

Joe's weekly salary is \$2,000. He works in Connecticut. Earlier this year, his wife had a scheduled surgery and he used six weeks of leave to care for her. A few months after Joe returns to work, he's in a car accident and breaks his right leg, leaving him unable to work until healed.

This scenario is for illustrative purposes only.

Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
CT PFML: six weeks of \$900			STD: six weeks of \$300 (\$1,200 benefit at 60% reduced by CT PFML), then \$1,200 after CT PFML is exhausted.		
CT FMLA: six weeks (unpaid benefit)			CT FMLA: six weeks (unpaid benefit)		
FMLA: six weeks (unpaid benefit)			FMLA: six weeks (unpaid benefit)		



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## Scenario: support during a prolonged disability

Natasha's weekly salary is \$2,500. She works in Massachusetts and needs to take leave after being diagnosed with cancer.

This scenario is for illustrative purposes only.

Weeks	1	2	3	4	5	6	7	8	9	10	11	12	13	14-20	21-26	27+
EP <sup>1</sup>	STD: 20 weeks at \$370.18 (\$1,500 benefit at 60% reduced by MA PFML). Then \$1,500 after MA PFML exhausts.													LTD		
EP <sup>1</sup>	MA PFML: 20 weeks at \$1,129.82													LTD		
FMLA														LTD		

<sup>1</sup>EP = elimination period.



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### State-specific and paid policy coordination

	WA	MA	CT	OR	CO
<b>Paid policy coordination allowed</b>	Yes Up to 100% of wages may be received in total from concurrent programs	Yes Up to 100% of wages may be received in total from concurrent programs OR ... Pay amount equal to or more than the FML benefit amount due and employer can be reimbursed.	Yes Up to 100% of wages may be received in total from concurrent programs	Yes OR ... Pay amount equal to or more than the FML benefit amount for non-accrued leave and employer can be reimbursed.	Yes OR ... Pay amount equal to or more than the FML benefit amount under a disability policy or from a separate bank of time and employer can be reimbursed.
<b>Employer reimbursement option?</b>	No	... Pay amount equal to or more than the FML benefit amount due and employer can be reimbursed.	No	... Pay amount equal to or more than the FML benefit amount for non-accrued leave and employer can be reimbursed.	... Pay amount equal to or more than the FML benefit amount under a disability policy or from a separate bank of time and employer can be reimbursed.
<b>PTO options</b>	Employer has the option to allow employees to supplement with PTO, but the employee must elect to use it.	Employees may not collect FML benefits and use their accrued time concurrently. FML leave periods will run concurrently with accrued leave time if an employee opts to use their accrued time in lieu of FML benefits.	Employer has two options: (1) allow, or (2) require employees to substitute FML with PTO, provided the employee can retain two weeks of PTO.	Employer has the option to allow employees to supplement with PTO, but the employee must elect to use it.	Employer has the option to allow employees to supplement with PTO, but the employee must elect to use it.



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### Streamlining the process



Carriers act as a liaison between the employee, the physician, and the employer.

The benefits of partnering with a carrier include:

- Better coordination
  - Coordinated intake and claim administration
- Consistent experience
- Integrated reports and reduced administrative burden
- Consultative partnership
- Ongoing compliance updates



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### Plan design considerations



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### What influences your decision most on disability/absence benefit offerings?

- A. Providing equity across location and population
- B. Retaining talent
- C. Increasing productivity
- D. Cost



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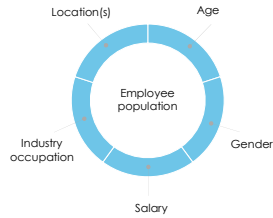
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### Plan design considerations

Understand the employee population and other leaves available

#### Consider the impact of certain benefits

- Benefit percentage and maximum
- Benefit duration
- Elimination period
- Covered population
- Accommodation policy in place
- Integration with other income
  - Paid time off
  - Sick bank/sick leave
  - Salary continuance
  - Statutory disability
  - Paid family and medical leave
  - Company paid leave



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### Key takeaways

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## Key takeaways



- STD and PFML are different programs.
  - These differences are important to consider as benefit strategies are reviewed.
- Most PFML programs implemented to date allow employers to coordinate existing paid leave programs with PFML.
- Employers should review all existing paid and unpaid leave programs and policies.



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## What can you do now?



- Evaluate your benefit strategy.
- Educate managers and supervisors.
- Determine how your organization will approach coordination of benefits.
- Continue to monitor.



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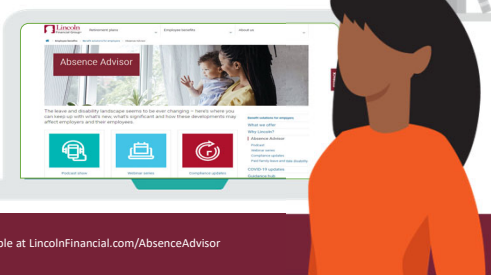
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## Resources



Available at [LincolnFinancial.com/AbsenceAdvisor](https://LincolnFinancial.com/AbsenceAdvisor)



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Q&A



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### Disclosures

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