RIPEC
Comments on Your Government
A SPECIAL PUBLICATION OF THE RHODE ISLAND PUBLIC EXPENDITURE COUNCIL

Rhode Island Temporary Disability Insurance (TDI) and Temporary Caregiver Insurance (TCI)

This RIPEC Comments presents information on the Rhode Island Temporary Disability Insurance (TDI) and Temporary Caregiver Insurance (TCI) programs administered by the Rhode Island Department of Labor and Training. It also presents potential reforms for the program.

Introduction

Temporary Disability Insurance (TDI) is a form of insurance designed to compensate workers for lost wages due to non-work-related injury or illness. Disability insurance policies, which may be purchased on the private insurance market or provided through government programs, provide income security for work absences that are not typically covered by Workers' Compensation, Unemployment Insurance, or supplemental benefits that may be available through the federal Social Security Disability Insurance program. At the present time, Rhode Island is one of five states nationally to have a government-administered TDI program.

Rhode Island established the first public TDI program in the United States in 1942 and four other states – California, Hawaii, New Jersey, and New York (as well as Puerto Rico) – created similar programs in the ensuing 30 years. Each state's program varies in structure, eligibility, and benefit levels, with Rhode Island providing up to 30 weeks of wage replacement that covers up to 60 percent of missed wages. Rhode Island's TDI program, which is funded entirely through employee payroll deductions, is administered by the state Department of Labor and Training (DLT).

The federal Family Medical Leave Act (FMLA) provides full-time workers with up to 12 weeks of unpaid leave annually for family or medical reasons. Under FMLA, employers must protect an employee's position by returning them to the same job, or a similar job, with similar wages and benefits after their leave has ended. In addition, an employee is entitled to continue receiving health insurance benefits during the leave of absence. Qualifying reasons for taking leave under FMLA include the birth of a new child, to care for an ill or injured family member, to recover from an injury or illness, or to address needs arising from the military deployment of a family member. Workers employed by a business with fewer than 50 employees and part-time employees are exempted from compliance with FMLA.

Three states have recently expanded existing state TDI programs to include Temporary Caregiver Insurance (TCI). In 2013, Rhode Island became the third state to adopt a mandatory TCI program, joining New Jersey and California. The Rhode Island TCI program provides partial wage replacement for work absences used to care for a seriously ill family member or to bond with a newborn, newly adopted or foster child. Rhode Island has also enacted its own version of FMLA referred to as the Parental and Family Medical Leave Act. This law entitles employees in the state to one additional week of unpaid leave beyond the 12 weeks offered under FMLA and contains similar exemptions for small businesses as the federal law.

Eligibility Requirements

Rhode Island's TDI/TCI program has several eligibility requirements that individuals must meet to receive benefits. These include earnings, medical, and other requirements, such as having paid into the TDI/TCI trust fund. Most private sector hourly and salaried workers, with the exception of state employees, elected officials, and certain other classes of workers are required by law to participate in the TDI/TCI program. In addition, municipal government employees are not required to participate in the program unless the municipality elects to do so. In cases where a large employer independently contracts a regular part of its workforce, and those contractors are solely employed by that one employing unit, they are categorized as employees for purposes of TDI/TCI; however, independent contractors with multiple contracts, sole proprietors, and members of some business partnerships are not eligible for benefit coverage.

TDI/TCI Earnings Requirements

To be eligible for TDI/TCI, an individual must be over the age of 15, earned wages in Rhode Island and paid into the TDI/TCI fund. In addition, workers must have earned at least $10,800 in the Base Period or Alternate Base Period, which are periods of time used by DLT to determine if an individual has earned sufficient wages to be eligible for benefits.[1] The Base Period is defined by Rhode Island law as the first four of the last five completed calendar quarters prior to the date that a new claim for benefits is submitted.[2] The Alternate Base Period is defined as the last four completed calendar quarters prior to the date that a new benefits claim is submitted. Once a calendar quarter's wages are used to establish a benefits claim, they cannot be used again on a later claim.

Table 1
TDI/TCI Earnings Requirements

	Base Period	Conditional	Alternate Base Period
Time Period	First 4 of last 5 completed quarters	First 4 of last 5 completed quarters	Last 4 completed quarters
Earnings Requirement	$10,800	See Below*	$10,800

*To qualify for TDI benefits under the "Conditional" option, an individual must have earned: 1. At least $1,800 in one of the base period quarters, 2. Total base period taxable wages must be at least 1.5 times the highest quarter of earnings, and 3. Total base period taxable wages must equal at least $3,600.

SOURCE: RI Department of Labor and Training

To determine if an individual is eligible to receive TDI benefits, DLT examines three different earnings scenarios; an individual must meet the earnings requirements in at least one of the scenarios to be eligible to receive benefits. First, DLT determines if an individual has earned at least

[1] Tips or gratuities are included as wages earned by an employee if counted against the minimum wage.
[2] The four calendar quarters used by DLT are January 1 to March 31, April 1 to June 30, July 1 to September 30, and October 1 to December 31.

$10,800 during the Base Period. If this requirement is not met, DLT then determines if the individual has earned at least $1,800 in one of the Base Period quarters, has total Base Period taxable wages of at least 1.5 times the highest quarter of Base Period earnings, and has total Base Period taxable wages of at least $3,600. If an individual still has not met the earnings requirements, DLT then determines if the individual has earned at least $10,800 during the Alternate Base Period.

TDI Medical Requirements

To receive TDI benefits, a Qualified Healthcare Provider (QHP) or medical practitioner must certify through an in-person examination that a worker is functionally unable to perform his or her customary and regular work duties for at least seven consecutive days. The QHP or medical practitioner must provide DLT with an estimated length of time the worker will be unable to work. QHPs recognized by DLT include midwives, nurse practitioners, physician assistants, physicians, psychologists, psychiatric clinical nurse specialists, licensed clinical social workers, chiropractors, dentists and licensed independent clinical social workers. To assist QHPs determine the appropriate length of absence from work, DLT provides information on its website relating to common medical conditions. To insure program integrity, DLT has the option of requiring any benefit claimant to undergo an examination by an impartial QHP selected by the agency to determine if an individual is unable to return to work.

TCI Requirements

The TCI program, as an expansion of TDI, has the same earnings eligibility requirements and uses the same benefit formula. TCI benefits may be claimed for up to four weeks per year for child bonding or to care for a seriously ill family member. Child bonding claims can only be requested during the first 12 months of parenting and require a proof of parent-child relationship. TCI claims for family member care require medical documentation from the seriously ill family member's QHP. An employee is required to give their employer 30-days' notice prior to taking TCI leave, unless "unforeseeable circumstances" prevail; employers are required to offer the employee a comparable position with similar wages and benefits upon returning from the TCI leave.

Table 2
State TCI Eligibility

TCI Eligibility	Rhode Island	New Jersey	California
Child Bonding			
New Born	Yes	Yes	Yes
Adoption	Yes	Yes	Yes
Foster	Yes	Yes	Yes
Legal Ward	Yes	Yes	Yes
Seriously Ill Relative			
Child	Yes	Yes	Yes
Spouse	Yes	Yes	Yes
Domestic Partner	Yes	Yes	Yes
Civil Union Partner	No	Yes	No
Parent or In-Law	Yes	Yes	Yes
Grandparent	Yes	No	Yes
Grandchild	No	No	Yes

SOURCE: RI DLT; State Departments of Labor

Other TDI/TCI Requirements

Individuals cannot receive TDI or TCI benefits at the same time as Workers' Compensation or Unemployment Insurance payments, as these programs are meant to assist those who were injured on the job or able and actively seeking work. A worker may still receive a salary, sick pay, or vacation pay from his or her employer while receiving TDI/TCI but cannot perform any services for the company. However, employers have the option of offsetting any compensation received while on disability leave by an amount equal to the benefit received by the employee. Additionally, employers may require that leave taken under TCI and FMLA be taken concurrently. Finally, DLT administers a Partial Return-to-Work Program to allow for a transitional period where an individual can work reduced hours and still receive partial TDI benefits.

Benefit Structure

The weekly benefit amount that individuals receive under TDI/TCI is equal to 4.62 percent of a worker's highest quarterly earnings in the Base Period, representing approximately 60 percent of the beneficiary's average weekly wage. The minimum weekly base benefit is currently $84 and the maximum weekly base benefit is $770. The maximum weekly benefit is set each year by DLT to equal 85.0 percent of the average weekly wage of all workers covered by the Employment Security Act during the preceding calendar year while the minimum weekly benefit is linked to the state's minimum wage.[3] Weekly benefit amounts are rounded up to the nearest whole dollar. The maximum weekly benefit is calculated by DLT in June of each year and goes into effect in July; the minimum weekly benefit is changed only when the minimum wage effective in Rhode Island changes.

Weekly Benefit:

(4.62%)*(Highest Quarterly Earnings in Base Period)

SOURCE: RI DLT

The duration that an individual receives TDI benefits is a function of the total wages earned during the Base Period. DLT utilizes a formula that multiples the percentage of wages to be replaced (set at 36.0 percent of total Base Period earnings by statute) by the individual's total Base Period earnings and then divides by the individual's average weekly benefit (4.62 percent of a worker's highest quarterly earnings). For example, an individual with total Base Period earnings of $45,000 and an average weekly benefit of $555 would be allowed to collect benefits for 29.2 weeks. Under state law, an individual may only collected TDI/TCI benefits for a total of 30 weeks during each benefit year.[4] TDI benefits are not subject to federal or state income taxes; TCI benefits are subject to these taxes.

Benefit Duration:

$$\frac{\textbf{(36.0\%)*(Total Base Period Earnings)}}{\textbf{Weekly Benefit}}$$

SOURCE: RI DLT

Claimants may also receive allowances for up to five dependents; each allowance is the greater of $10 or 7.0 percent of the weekly benefit rate per dependent. Including the maximum five dependent allowances, the overall maximum weekly benefit that an individual may receive currently totals $1,039 per week. Dependent allowances are rounded down to the nearest whole dollar. Receiving

[3] The maximum weekly benefit was calculated using an average weekly wage for covered employees of $905.24; state law requires the maximum benefit to be rounded up to the next whole dollar.
[4] The benefit year is defined as being the 53 weeks following the date of an initial claim.

allowances for dependents does not impact the amount of time that an individual may collect benefits.

Table 3
TDI Compensation Benefits

State	Compensation Rate	Minimum	Maximum	Duration	Taxable Wage Base
Rhode Island	4.62% of highest quarter of the base period	$84.00	$770.00	30 weeks	$64,200
New York	50% of average weekly wage	$20.00	$170.00	26 weeks	Premium-based
Enriched New York	50% of average weekly wage x 5	$100.00	$840.00	26 weeks	Premium-based
New Jersey	66% of average weekly wage	$109.00	$604.00	26 weeks	$32,000 each on employees & employer
Hawaii	58% of average weekly wage	$90.00	$510.00	26 Weeks	Premium-based
California	55% of base period wage divided by 13 for wages over $1,749	$50.00	$1,104.00	52 weeks	$104,378

SOURCE: RI DLT, State Departments of Labor

Table 4
TCI Compensation Benefits

State	Compensation Rate	Minimum	Maximum	Duration	Wage Base
Rhode Island	4.62% of highest quarter of the base period	$84.00	$770.00	4 weeks	$64,200
New Jersey	66% of average weekly wage	$109.00	$604.00	6 weeks	$32,000 each on employees & employer
California	55% of base period wage divided by 13 for wages over $1,749	$50.00	$1,104.00	6 weeks	$104,378

SOURCE: RI DLT, State Departments of Labor

TDI/TCI Financing

The TDI/TCI program is funded through employee payroll deductions, punitive remittances of employers, and interest from securities. These funds are deposited into a restricted account that is designed to be self-supporting and is required to have six months of estimated benefit disbursements in reserve as of September 30th of each year. After setting the maximum weekly benefit each year, DLT modifies the taxable wage base to equal the earnings that an individual would need to collect the maximum benefit. This wage base is the total amount of wages on which the TDI tax is applied; any earnings above the wage base are not subject to the TDI tax.

Taxable Wage Base:

$$\frac{\text{(Max. Weekly Benefit)*(Max. Weeks of Benefits)}}{\text{Percentage of Wages Replaced}}$$

SOURCE: RI DLT

In 2015, the taxable wage base is $64,200, meaning that based on the current tax rate of 1.2 percent, the maximum amount a worker will pay into the TDI/TCI program over the course of the year is $770.40. This wage base is the maximum weekly benefit (as calculated by DLT) multiplied by the maximum duration of benefits (30 weeks), divided by the percentage of wages replaced (36.0 percent). DLT may adjust the tax rate to maintain sufficient financing for the program and to replenish the TDI/TCI trust fund. The tax rate has remained unchanged since 2012 but has historically fluctuated depending on the fiscal condition of the TDI/TCI fund. DLT calculates the tax rate based on the cost of running the program: total program expenditures (including benefit disbursements and administrative costs) are divided by the total wages available to tax. A history of the TDI tax rate and taxable wage base since 1980 is included in the appendix of this report.

TDI Tax Rate:

$$\frac{\textbf{Total Program Expenditures}}{\textbf{Total Taxable Wages}}$$

SOURCE: RI DLT

Program Budget

The TDI/TCI program, including benefit disbursements and administrative costs, is funded entirely through the TDI payroll tax. In FY 2014, the last year for which audited expenditure data is available, the program had an overall budget of $170.2 million. The Governor's FY 2016 budget proposal recommends total spending of $194.0 million for the TDI/TCI program. Historically, program funds have been used primarily to fund claims while a small percentage are used for administrative purposes. Between FY 2005 and FY 2012, administrative costs for the program averaged 4.3 percent of total TDI taxes collected while the remainder of tax collections were used to fund claims.

Claims Data

In 2014, a total of 45,820 initial claims for TDI/TCI benefits were submitted to DLT. Of this total, 39,680 claims (86.6 percent) were approved and 6,140 claims (13.4 percent) were denied. 40,711 initial claims for TDI benefits were submitted to DLT and 35,810 (88.0 percent) of these claims were approved while 4,901 claims (12.0 percent) were denied. 5,109 initial claims for TCI benefits were submitted to DLT and 3,870 (75.7 percent) of these claims were approved while 1,239 claims (24.3 percent) were denied. Within only the TCI program, 2,847 claims for bonding with a child were approved while 1,023 claims to care for a family member were approved.

Table 5
2014 TDI/TCI Claims Data

Program	Claims Submitted	Claims Approved	% Claims Approved	Claims Denied	% Claims Denied
TDI	40,711	35,810	88.0%	4,901	12.0%
TCI	5,109	3,870	75.7%	1,239	24.3%
Total TDI/TCI	45,820	39,680	86.6%	6,140	13.4%

SOURCE: RI Department of Labor and Training

A combined total of 367,638 TDI/TCI payments totaling $164,250,030 for an average weekly payment of $446.77 were made to beneficiaries in 2014. For the TDI program only, 353,268 payments totaling $157,913,430 were made for an average weekly benefit of $445.75. For the TCI program only, 13,370 payments totaling $6,336,600 were made for an average weekly benefit of $473.94.

Table 6
2014 TDI/TCI Payments Data

Program	Number of Payments	Amount of Payments	Average Payment
TDI	354,268	$157,913,430	$445.75
TCI	13,370	$6,336,600	$473.94
Total TDI/TCI	367,638	$164,250,030	$446.77

SOURCE: RI Department of Labor and Training

Of the 3,870 total TCI claims approved by DLT in 2014, 2,847 (73.6 percent) were to bond with a child while 1,023 (26.4 percent) were to care for a seriously ill family member. A large percentage of individuals requesting TCI leave to bond with a child reported that the child was a newborn (2,794 claims) while a small number reported bonding with an adopted child, foster child, or other child (53 total claims). The three most common family members that individuals reported caring for were spouse (462 claims), parent (303 claims) and child (227 claims). All other family members, including domestic partner, parent-in-law and grandparent, accounted for 31 total claims.

Table 7
2014 TCI Claims by Reason for Claim

Reason for Claim	Claims	Reason for Claim	Claims
Care of Family Member		*Bond with Child*	
Spouse	462	New Born	2,794
Domestic Partner	12	Adopted Child	17
Parent	303	Foster Child	24
Parent-in-law	10	Other	12
Grandparent	9		
Child	227		
Other	0		
Subtotal	1,023	Subtotal	2,847

Total TCI Claims Approved: 3,870

Note: Approved TCI claims only
SOURCE: RI Department of Labor and Training

TDI/TCI Process

An example may help illustrate how the TDI/TCI process functions in practice. If, for example, a person seriously injures his or her hamstring while not at work, and is unable to complete their normal job functions with due to the injury, they may be eligible for TDI benefits. After being absent from work for seven consecutive days, the individual must submit an application for TDI benefits. Upon receiving the application, DLT confirms that the application is completed accurately and verifies that the individual is eligible to receive benefits. As part of this process, DLT mails a form to the worker's employer requesting employment verification and wage information.

After the individual's TDI application is received by DLT, the claimant receives a medical certification form that must be completed by a QHP. The QHP will make a recommendation with regards to the amount of time that he or she believes that the individual will need to be out of work. The QHP must complete the medical certification form, which can be submitted to DLT by either the worker or the QHP. After reviewing the diagnosis, duration of time needed off from work and the level of care needed, DLT approves or denies the claim. In determining the amount of time that an individual may receive benefits, DLT utilizes disability guidelines provided by the Reed Group. An appeals process involving an independent body, and potentially the judicial system, exists for claims that are initially denied by DLT.

If the benefits claim is approved, the individual can expect to receive the first benefit payment within one to four weeks; this will include payment for time off since the work absence began. If it is assumed that the worker earned a constant salary of $40,000 a year during the base period, and earned $10,000 in the highest quarter of this base period, the base benefit amount is 4.62 percent of $10,000, or $462 per week. This base benefit is 60.1 percent of the worker's average weekly earnings. Should the worker have two children, he or she can also receive a dependent allowance of $32 per child per week, bringing the total weekly benefit amount up to $526. The doctor's absence estimate is 16 weeks; assuming the worker remains unable to perform his work duties for exactly this period of time, the total benefit received by the individual during this period is $8,416.

TCI Program

The TCI program is structured similarly to the TDI program and includes the same earnings requirements to be eligible for benefits. TCI claims for care for a close family member requires medical documentation from the QHP of the seriously ill family member. Child bonding claims require proof of a parent-child relationship and may only be requested during the first 12 months of parenting. Employees must give employers a 30-days' notice before TCI leave unless there are unforeseeable circumstances that prevent the individual from doing so. An individual may be eligible to receive up to four weeks of TCI benefits during each benefit year.

TDI/TCI Programs in Other States

At the present time, five states operate public disability insurance systems or require employers to provide employees with disability insurance. New Jersey and California each operate disability insurance systems that include a public option as well as private insurance plans and self-insurance by employers. New York and Hawaii do not provide a public option but require employers to provide disability insurance through private insurance plans or self-insurance. Rhode Island is the only state that requires participation in a public disability insurance program without allowing employers the option to purchase private insurance plans or self-insure rather than participating in the program. In the remaining 45 states, employees wishing to have disability insurance can do so through the private market or may be covered if their employer opts to self-insure or otherwise provide coverage.

Rhode Island, New Jersey, and California also operate TCI programs, sometimes referred to as Paid Family Leave (PFL). Rhode Island's TCI program is comparable to the other programs in most respects, but has the highest earnings requirement to qualify for coverage and the shortest duration of benefit. Rhode Island is the only state that mandates employment protection as part of its leave; other states only extend that protection to employees eligible for protection through FMLA or its state equivalent. Since all employees covered by the Employment Security Act in Rhode Island are covered by TCI leave, nearly all employers of one or more employees are required to hold an individual's position or offer them a similar position upon their return from leave.

State TDI Models

The five states with state-mandated temporary disability insurance provide three comparative models that have been identified by RIPEC: a competition model, a private model, and a public model. The following section examines each of these models:

Competition Model

New Jersey and California provide disability insurance to workers through what RIPEC has designated the competition model. In each of these states, a government-administered plan sets the minimum provision levels of consumer cost, benefit, and eligibility for disability insurance. The competing private insurers, and businesses choosing to be self-insured, must provide similar insurance coverage to the government program to gain approval by state regulators. California requires private plans to cost an employee no more than the state plan would and exceed or equal the rights and benefits afforded to workers under the state plan (with at least one right or benefit exceeding the state plan). In New Jersey, private insurance or self-insurance plans must include at least the same benefits as the state plan and cannot require employees to pay more than they would under the state plan.

Both states in this model default to the state plan for disability insurance coverage with an employee election required to opt into a private plan. In New Jersey, all employees of a business receive coverage from the private plan if a majority of employees at that business elect to opt out of the state plan to participate in a private plan. By contrast, California allows any employee wishing to remain in the state plan to do so even if a majority of the employees at a business have voted to participate in a private plan. This structural difference may be reflected in the competitiveness of the private disability insurance market in each state; California reports that 3.5 percent[5] of its employees are covered by private plans compared to approximately 17.0 percent[6] of employees in New Jersey.

[5] State of California EDD. *Fact Sheet*. http://www.edd.ca.gov/pdf_pub_ctr/de8714c.pdf accessed 03/12/15

[6] New Jersey Temporary Disability Insurance Benefits Law, 43:21-26 November 2011.

Financing for the state plan in this model differs between the two states that have implemented it. California funds its state plan solely through covered employee contributions while New Jersey mandates cost-sharing between employees and employers. In California, the 2015 taxable wage base is set at $104,378 and the tax rate is set at 0.9 percent (funds are used for the disability insurance and family leave programs). New Jersey presently has a taxable wage base of $32,000; employees pay a tax rate of 0.25 percent on this base while new employers pay a rate of 0.5 percent.[7] In addition to the disability insurance tax, employees in New Jersey pay a rate of 0.09 percent on the taxable wage base to pay for the state's family leave program.

Private Model

Two states, New York and Hawaii, require all workers to be offered temporary disability insurance through the private market but do not administer a public program.[8] In both states, employers must provide disability insurance to employees by purchasing a plan on the private market from an approved carrier or self-insuring. In New York, a quasi-public agency called the New York Insurance Fund administers a baseline disability insurance plan that competes with other carriers on the private market. Each state requires private plans to be approved by a government agency to ensure that they meet certain minimum standards for costs, benefits, and eligibility.

Hawaii and New York each place limits on the amount that an employee can contribute towards disability insurance and require employers to cover the remainder of the cost. Hawaii's maximum employee contribution is 0.5 percent of the weekly wage up to a maximum of $4.76 weekly; employees also cannot be responsible for paying more than half of the premium and the remainder of the premium must be paid for by the employer. In New York, employee contributions are similarly limited to 0.5 percent of the weekly wage up to a maximum of $0.60 weekly. Employers in New York must also pay for the remainder of the premium not covered by employee contributions.

Public Model

Rhode Island is the sole state utilizing a pure public model that requires all employers in the state to participate in a government-administered program. All employees in the state that are covered by the Employment Security Act must participate in the program. Funding is for the program comes primarily through a 1.2 percent employee deduction with small amounts of additional revenue raised by violation enforcement. In 2015, the annual taxable wage base is $64,200. Employment status at the time that a claim is filed is irrelevant so long as an individual earned sufficient wages during the Base Period or Alternate Base Period. TCI is an extension of the disability program and is funded through the same payroll tax as the TDI program. Notably, employees taking TCI leave receive job protection under state law; Rhode Island is the only state in the nation that offers such protection.

[7] New Jersey utilizes a system whereby new employers (businesses that have existed for three years or less) pay a rate of 0.5 percent while older employers pay a rate that may range from 0.1 percent to 0.75 percent.
[8] Note that this differs from the truly private model in place in the 45 states that do not offer a state-administered disability insurance program or require employers to offer this insurance to employees.

2015 Proposed Legislation

During the 2015 legislative session, several bills that propose changes to the TDI/TCI program have been proposed in the General Assembly. Identical bills have been introduced in both chambers of the General Assembly that would allow employers to opt-out of the public TDI program if they offer disability insurance coverage through a private plan. The two bills, H5341 and S0183, would require certification of the private coverage by DLT but do not specify if private plans would be required to meet minimum standards or if self-insurance would be an acceptable form of alternative coverage. A third bill, H5675, would expand the state's TCI program to include siblings as qualifying family members that workers may take leave to care for. Finally, H5724 would amend the Base Period calculation used by DLT to exclude periods of military deployment.

Table 8
2015 TDI/TCI Pending Legislation

Bill Number	Sponsor(s)	Description
H5341	Shekarchi, Corvese, Kennedy, Diaz, Serpa/Walaska	Allow employer opt-out if private disability insurance provided
S0183	Walaska	Allow employer opt-out if private disability insurance provided
H5675	Marcello	Add "sibling" as qualifying family member for TCI leave
H5724	MacBeth, McLaughlin	Exclude period of military deployment from Base Period calculation

RIPEC Comments

In recent years, Rhode Island policymakers have demonstrated a commitment to reducing the state's status as an outlier regionally and nationally. This commitment has resulted in reforms to the state's personal income, corporate income and estate tax structures, establishment of a statewide education funding formula, and regulatory reform. The cumulative effect of these changes has been to move Rhode Island away from outlier status and to become more competitive with other states. Although these steps represent significant progress, there are still additional policy areas in which Rhode Island differs significantly from its neighboring states and the rest of the country.

Rhode Island's Temporary Disability Insurance (TDI) and Temporary Caregiver Insurance (TCI) program represents one policy area where the state is an outlier. As noted in this report, only five states have established state mandates requiring employers to provide employees with disability insurance and Rhode Island is the sole state with mandatory participation in a public program. This adds an additional layer of complexity for employers potentially interested in locating in the state, particularly for employers that are located in multiple states. For example, an employer with operations in multiple states, including Rhode Island, may have to determine how to adjust existing leave policies to accommodate the TDI/TCI program. Oftentimes, an employer may decide it is simpler to avoid making any changes at all rather than making an exception for employees in Rhode

Island. This can potentially result in employees combining TDI/TCI leave with sick leave or other time off in a way that results in productivity losses and deters businesses from locating in the state.

A second employer concern related to Rhode Island's TDI/TCI program is the impact of mandatory participation on employee compensation. Because Massachusetts and Connecticut, as well as the other New England states, do not have a TDI/TCI program with an automatic payroll deduction, employers may have to offer additional compensation in Rhode Island to attract talented employees. From the perspective of employees, particularly young workers that are unlikely to utilize the TDI/TCI program, the payroll tax deduction represents lost wages with little direct benefit. As a consequence, Rhode Island-based employers may be forced to increase wages to offer a compensation package that is competitive with the packages offered by employers in neighboring states. The end result is to increase the cost-of-doing-business in Rhode Island and to damage the state's business climate.

Employers in Rhode Island have also expressed concern about the state's TCI program and, in particular, the provision of the law that requires job protection for employees that take TCI leave. Both the state and federal versions of the Family Medical Leave Act (FMLA), which offer similar worker protections as the TCI program, exempt businesses with fewer than 50 employees from compliance. By contrast, Rhode Island's TCI program does not include an exemption for small businesses. For a business with a small number of employees, protecting even one job for an employee on TCI leave can prove to be a large burden. Larger businesses can also be negatively impacted by the job protection provision; a manufacturing company with teams of employees that have specific responsibilities represents one example

A fourth concern related to the TDI/TCI program is the possibility that individuals abuse, or otherwise manipulate, the system. Although DLT has some processes in place that are designed to ensure program integrity, such as the ability to require an independent physician to examine an individual claiming disability leave, there is lingering concern about abuse. For instance, DLT has no mechanism for ensuring that an individual on TCI leave to care for an ill family member is actually furnishing care. Similarly, it is unclear if DLT ensures that multiple individuals do not go on TCI leave to care for the same family member when a single person could provide sufficient care.

A final consideration related to the TDI/TCI program is to determine if the private market is capable of sufficiently providing affordable disability insurance in Rhode Island. After exploring the issue with companies offering disability insurance plans in neighboring states, it does appear that the private market would be able to offer comparable disability plans in terms of costs and benefits if Rhode Island allowed employers to opt out of the public system. Massachusetts and Connecticut have each chosen to not enact a public disability insurance system in the decades that have passed since Rhode Island's system was established and this likely speaks to the ability of the private insurance market to offer affordable products that suit the needs of workers.

To reduce Rhode Island's status as a national outlier on this policy issue, RIPEC recommends that the General Assembly explore potential reforms of the TDI/TCI program. One possible reform would allow employees to opt out of the public TDI/TCI program by adopting a model similar to the one used by California and New Jersey (and proposed in H. 5341/S. 183). Doing so would allow employees to choose between the public TDI/TCI program and a private plan that may better meet their needs or be less costly. A second potential reform involves exempting small businesses with fewer than 50 employees from compliance with the TCI program. The federal FMLA, as well as Rhode Island's Parental and Family Medical Leave Act, each exempt businesses with fewer than 50 employees from compliance to reduce the burden that work absences can have on these businesses. A final reform would eliminate the job protection provision that requires employers to "protect" the position of an individual that takes TCI leave. This would reduce the burden facing businesses, particularly those with a small number of employees, when workers take TCI leave.

Table A-1
TDI Taxable Wage Base, Tax Rate and Benefit Structure
1980 to 2015

Year	Taxable Wage Base	Tax Rate	Maximum Tax Amount	Maximum Weekly Benefit	Maximum Weekly Benefit w/ 5 Dependents
1980	$4,800	1.5%	$72.00	$107.00	$119.00
1981	$4,800	1.5%	$72.00	$140.00	$160.00
1982	$8,600	1.2%	$103.20	$151.00	$171.00
1983	$9,200	1.2%	$110.40	$162.00	$182.00
1984	$9,800	1.2%	$117.60	$171.00	$191.00
1985	$10,400	1.2%	$124.80	$183.00	$229.00
1986	$11,000	1.1%	$121.00	$224.00	$280.00
1987	$1,400	1.0%	$14.00	$236.00	$295.00
1988	$12,000	1.0%	$120.00	$252.00	$315.00
1989	$12,800	1.0%	$128.00	$270.00	$337.00
1990	$22,500	1.0%	$225.00	$303.00	$393.00
1991*	$25,300	1.0%	$253.00	$342.00	$461.00
1991*	$12,650	1.3%	$164.45	$342.00	$461.00
1992	$38,000	1.3%	$494.00	$374.00	$504.00
1993	$38,000	1.3%	$494.00	$394.00	$531.00
1994	$38,000	1.3%	$494.00	$403.00	$544.00
1995	$38,000	1.1%	$418.00	$413.00	$557.00
1996	$38,000	1.1%	$418.00	$428.00	$577.00
1997	$38,000	1.2%	$456.00	$441.00	$595.00
1998	$38,000	1.2%	$456.00	$463.00	$625.00
1999	$38,600	1.3%	$501.80	$487.00	$657.00
2000	$40,600	1.4%	$568.40	$504.00	$680.00
2001	$42,000	1.4%	$588.00	$527.00	$711.00
2002	$44,000	1.5%	$660.00	$543.00	$733.00
2003	$45,300	1.7%	$770.10	$561.00	$757.00
2004	$46,800	1.5%	$702.00	$588.00	$793.00
2005	$49,000	1.4%	$686.00	$607.00	$819.00
2006	$50,600	1.4%	$708.40	$625.00	$843.00
2007	$52,100	1.3%	$677.30	$652.00	$880.00
2008	$54,400	1.3%	$707.20	$671.00	$905.00
2009	$56,000	1.5%	$840.00	$694.00	$936.00
2010	$57,900	1.2%	$694.80	$700.00	$945.00
2011	$58,400	1.3%	$759.20	$719.00	$970.00
2012	$60,000	1.2%	$720.00	$736.00	$993.00
2013	$61,400	1.2%	$736.80	$752.00	$1,015.00
2014	$62,700	1.2%	$752.40	$770.00	$1,039.00
2015	$64,200	1.2%	$770.40	-	-

*Taxable wage base was $25,300 and tax rate was 1.0% from Jan. to June 1991; taxable wage base was $12,650 and tax rate was 1.3% from July to December 1991

SOURCE: RI Department of Labor and Training

Table A-2
Rhode Island Benefit Payout Schedule

	Full Time Benefit Payout Schedule							Part Time Benefit Payout Schedule						
Hourly Wage	Annual Salary Pre-Tax	Hours to Qualify	Number of Weeks to Qualify	Weekly Pre-Tax Earnings	Weekly Benefit	Max. Weekly Benefit w/ 5 Dependents	Maximum Annual Benefit*	Annual Salary Pre-Tax	Hours to Qualify	Number of Weeks to Qualify	Weekly Pre-Tax Earnings	Weekly Benefit	Max. Weekly Benefit w/ 5 Dependents	Maximum Annual Benefit*
$9.00	$18,720.00	1200.0	30.0	$360.00	$213.00	$283.00	$8,490.00	$9,360.00	1200.0	60.0	$180.00	$109.00	$159.00	$4,770.00
$10.00	$20,800.00	1080.0	27.0	$400.00	$241.00	$321.00	$9,630.00	$10,400.00	1080.0	54.0	$200.00	$121.00	$171.00	$5,130.00
$11.00	$22,880.00	981.8	24.5	$440.00	$265.00	$355.00	$10,650.00	$11,440.00	981.8	49.1	$220.00	$133.00	$183.00	$5,490.00
$12.00	$24,960.00	900.0	22.5	$480.00	$289.00	$389.00	$11,670.00	$12,480.00	900.0	45.0	$240.00	$145.00	$195.00	$5,850.00
$13.00	$27,040.00	830.8	20.8	$520.00	$313.00	$418.00	$12,540.00	$13,520.00	830.8	41.5	$260.00	$157.00	$207.00	$6,210.00
$14.00	$29,120.00	771.4	19.3	$560.00	$337.00	$452.00	$13,560.00	$14,560.00	771.4	38.6	$280.00	$169.00	$224.00	$6,720.00
$15.00	$31,200.00	720.0	18.0	$600.00	$361.00	$486.00	$14,580.00	$15,600.00	720.0	36.0	$300.00	$181.00	$241.00	$7,230.00
$16.00	$33,280.00	675.0	16.9	$640.00	$385.00	$515.00	$15,450.00	$16,640.00	675.0	33.8	$320.00	$193.00	$258.00	$7,740.00
$17.00	$35,360.00	635.3	15.9	$680.00	$409.00	$549.00	$16,470.00	$17,680.00	635.3	31.8	$340.00	$205.00	$275.00	$8,250.00
$18.00	$37,440.00	600.0	15.0	$720.00	$433.00	$583.00	$17,490.00	$18,720.00	600.0	30.0	$360.00	$217.00	$292.00	$8,760.00
$19.00	$39,520.00	568.4	14.2	$760.00	$457.00	$612.00	$18,360.00	$19,760.00	568.4	28.4	$380.00	$229.00	$309.00	$9,270.00
$20.00	$41,600.00	540.0	13.5	$800.00	$481.00	$646.00	$19,380.00	$20,800.00	540.0	27.0	$400.00	$241.00	$321.00	$9,630.00
$21.00	$43,680.00	514.3	12.9	$840.00	$505.00	$680.00	$20,400.00	$21,840.00	514.3	25.7	$420.00	$253.00	$338.00	$10,140.00
$22.00	$45,760.00	490.9	12.3	$880.00	$529.00	$714.00	$21,420.00	$22,880.00	490.9	24.5	$440.00	$265.00	$355.00	$10,650.00
$23.00	$47,840.00	469.6	11.7	$920.00	$553.00	$743.00	$22,290.00	$23,920.00	469.6	23.5	$460.00	$277.00	$372.00	$11,160.00
$24.00	$49,920.00	450.0	11.3	$960.00	$578.00	$778.00	$23,340.00	$24,960.00	450.0	22.5	$480.00	$289.00	$389.00	$11,670.00
$25.00	$52,000.00	432.0	10.8	$1,000.00	$601.00	$811.00	$24,330.00	$26,000.00	432.0	21.6	$500.00	$301.00	$406.00	$12,180.00
$26.00	$54,080.00	415.4	10.4	$1,040.00	$625.00	$840.00	$25,200.00	$27,040.00	415.4	20.8	$520.00	$313.00	$418.00	$12,540.00
$27.00	$56,160.00	400.0	10.0	$1,080.00	$649.00	$874.00	$26,220.00	$28,080.00	400.0	20.0	$540.00	$325.00	$435.00	$13,050.00
$28.00	$58,240.00	385.7	9.6	$1,120.00	$673.00	$908.00	$27,240.00	$29,120.00	385.7	19.3	$560.00	$337.00	$452.00	$13,560.00
$29.00	$60,320.00	372.4	9.3	$1,160.00	$697.00	$937.00	$28,110.00	$30,160.00	372.4	18.6	$580.00	$349.00	$469.00	$14,070.00
$30.00	$62,400.00	360.0	9.0	$1,200.00	$721.00	$971.00	$29,130.00	$31,200.00	360.0	18.0	$600.00	$361.00	$486.00	$14,580.00
$31.00	$64,480.00	348.4	8.7	$1,240.00	$745.00	$1,005.00	$30,150.00	$32,240.00	348.4	17.4	$620.00	$373.00	$503.00	$15,090.00
$32.00	$66,560.00	337.5	8.4	$1,280.00	$769.00	$1,034.00	$31,020.00	$33,280.00	337.5	16.9	$640.00	$385.00	$515.00	$15,450.00
$33.00	$68,640.00	327.3	8.2	$1,320.00	$770.00	$1,039.00	$31,170.00	$34,320.00	327.3	16.4	$660.00	$397.00	$532.00	$15,960.00
$34.00	$70,720.00	317.6	7.9	$1,360.00	$770.00	$1,039.00	$31,170.00	$35,360.00	317.6	15.9	$680.00	$409.00	$549.00	$16,470.00
$35.00	$72,800.00	308.6	7.7	$1,400.00	$770.00	$1,039.00	$31,170.00	$36,400.00	308.6	15.4	$700.00	$421.00	$566.00	$16,980.00

NOTE: Full Time Schedule assumes 40 hour work week; Part Time Schedule assumes 20 hour work week

*With maximum 5 dependents

SOURCE: RI Department of Labor and Training; RIPEC Calculations