



Michigan Department of
Health & Human Services

Michigan Department of Health and Human Services
Health Services

MEMORANDUM

To: Prepaid Inpatient Health Plans (PIHP) Executive Directors

From: Kristen Morningstar *KM*

Date: October 3, 2025

RE: Earned Sick Time Act (ESTA) and Self-Determination

On February 21, 2025, the Michigan Earned Sick Time Act went into effect bringing expanded paid sick leave. The purpose of this memo is to provide PIHPs with guidance on application of the ESTA to Self-Determination arrangements. This is not legal advice, should not replace reviewing applicable laws, and is subject to change at any time. Please refer to Labor and Economic Opportunity (LEO) ESTA resources for more information:

<https://www.michigan.gov/leo/bureaus-agencies/ber/wage-and-hour/paid-medical-leave-act>

Program Role

- Ensure supports/care coordinator is working with Employer of Record (EOR) to ensure person-centered service plan has enough coverage for sick time.
- Budgets must not be reduced outside of the person-centered planning process.
- Have a general policy for back up plans and promote ready staffing for if a worker calls in sick. Plan for solutions to ESTA – on-call staff, back up agencies, substitute providers. NOTE: Employers CANNOT require the employee to find a replacement worker to be able to take sick leave.
- Train EORs on ESTA basics, ensure they understand that ESTAs purpose is for the employee to maintain employment when they use sick time. Train them on how to identify sick hours on a timesheet.
- Have a template document/example of what procedure an employee must follow to provide notice of what use of sick leave might look like. The leave can be used for mental or physical health needs for themselves or their family members (prior notice cannot be more than seven days from the date of the absence from work), otherwise the notice will be given as soon as possible.
- The individual's budget may need to be increased to be able to cover ESTA.
- Care coordinators, through the planning process, must ensure budgets are sufficient to cover ESTA when establishing medical necessity for direct care workers.

Employer Role

- Have a backup plan and ready staffing for if a worker calls in sick. NOTE: Employers CANNOT require the employee to find a replacement worker to be able to take their sick leave.
- Allow for workers to take sick time for either physical health or mental health; must maintain employment when workers use sick time.
- Use program template to make a procedure about use of ESTA. This will include the timeline and procedure for how to call-in sick so that ESTA can be used.

Financial Management Role

*** NEW EMPLOYERS who did not have employees before February 21, 2022, will have three years from the employee's date of hire to comply with ESTA rules. ***

- Determine what will be a benefit year.
- Include sick time hours in payroll up to forty hours, and unpaid sick time for 32 hours after that per year.
- Decide if sick leave will be front loaded or accrued over time – become familiar with the law and options that comply with the [ESTA](#).
- For employer with less than 10 employees in the last year – Starting February 21, 2025, place 1/30th of each hour into an administrative account until 40 hours are reached or frontload Paid Time Off (PTO).
- Keep accrued funds in an account for six months after an employee quits or is terminated.
- Must retain records that document the hours worked and earned sick time taken by employees for not less than three years.
- Make sure to adjust hours to meet the law if there is any carryover of sick leave from benefit year to benefit year.
- Must be up to date and understand the law and maintain documents and accounts to protect the employer from inadvertent non-compliance with the law.
- Have employers identify sick hours on a timesheet. NOTE: sick pay must be the same or greater than the full regular wage.
- Decide and document a policy for how long a worker needs to have been an employee before they can take sick leave, otherwise the employee will be able to take leave as it accrues. Along with this, decide the increments of time sick leave can be taken in (e.g. one hour, half hour, 15 minutes). Make sure this is communicated to the EOR, and they receive a copy of the policy for use in their place of business. This policy should also include acknowledgement that any sick time taken outside of earned sick time will be unpaid.

c: Belinda Hawks
Patty Neitman