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Few offer benefits to unwed couples

By JOANNE WOJCIK

A very small—but growing—number of employers are opening their health care plans to employees' unmarried "domestic partners."

So far mostly West Coast cities have made the move, but two private employers also have expanded benefits to workers' heterosexual and homosexual unmarried partners.

Holding employers back are fears of adding to their high health care plan costs—all to date contribute to the cost of the coverage as they contribute to spousal coverage (see story, page 30).

Also, most group health insurers are reluctant to write the coverage, fearing adverse selection and catastrophic claims related to acquired immune deficiency syndrome—despite no such proof.

While fewer than a dozen employers today extend health care benefits to domestic partners and only a handful of insured plans are available, "some companies, particularly those with young, diverse workforces, are looking at domestic partner benefits," said Dorothy McNaughton, a consultant in the San Francisco office of Hewitt Associates.

"Employers typically want to do something for employees' domestic partners, but they're apprehensive about paying" for partners' health care coverage, said Jane R. Ginsberg, a consultant with The Wyatt Co. in San Francisco.

For example, while San Francisco-based Levi Strauss & Co. studied opening the company's self-insured health plan to 3,000 U.S. employees' domestic partners, it decided against it because of cost.

"There was one other issue to be resolved—whether to extend coverage to members of extended families," like relatives who live with the employee, a spokeswoman said.

While some firms are concerned that domestic partners may be a high-risk group, "they mostly don't want to increase the size of their health plan group," Ms. Ginsberg explained.

And, she asked: "How do you define what a domestic partner is? How many domestic partners can a person have? How can you prove that they're not an employee's neighbor or good friend who needs health insurance?"

Some employers define "domestic partner" in their plans. For instance, employees of Ben & Jerry's Home-made Inc., the ice cream maker in Waterbury, Vt., must show proof of cohabitation for at least three months to be eligible for benefits.

More employers are beginning to recognize domestic partners in their benefits programs through "time-off" plans, like sick leaves and bereavement leaves. For example, since 1985, Levi Strauss has offered bereavement leaves to employees for the death of domestic partners.

The question of how the Internal Revenue Service will treat employer contributions to domestic partners' health care plans also has stopped many from offering the coverage.

For example, in a May 1990 private letter ruling to the city of Seattle, the IRS said that if an employee receives health benefits for a domestic partner or such a partner's child and the partner or child is not a dependent as defined by the IRS, the employee must pay federal income taxes on the value of the benefit.

The IRS defined the taxable value of the health benefit as the amount it would cost the employee to obtain individual health insurance policies for his or her domestic partner and each of the partner's children.

However, in December 1990, the IRS revised its position and ruled that the city should withhold taxes based on the group cost of health benefits provided to non-dependent partners and children, as opposed to individual policy costs. The ruling was made retroactive, thus affecting both 1990 and 1991 tax years.

More domestic partner health care programs are expected as management attitudes and the makeup of the workforce changes.

"The impetus is the changing workforce composition," said Hewitt's Ms. McNaughton. "And some employees are asking for it."

According to the U.S. Census Bureau, 2.8 million of the nation's 93.3 million households contained so-called "POSSLQs," or "persons of the opposite sex sharing living quarters," as of year-end 1989, up 75% from 1.6 million in 1980 and five times the 523,000 in 1970.

Hewitt is compiling a research paper on domestic partner health care programs scheduled to be released later this month.

Some predict it is only a matter of time before state laws prohibiting discrimination against sexual orientation or marital status force employers to open health plans to domestic partners.

For example, California passed legislation last year, A.B. 1721, that prohibits discrimination in insurance underwriting based on sexual orientation, marital status or gender.

And, California's anti-discrimination movement already has helped change the state's workers compensation law to permit domestic partners to recover survivor benefits as long as the partner was "household dependent" on the employee killed on the job, said Thomas F. Coleman, a executive director of the city of Los Angeles' Family Diversity Project.

A California employee also can receive unemployment benefits if forced to leave because a domestic partner relocates, he added.

Two lawsuits pending in New York Superior Court could set legal precedent for domestic partners' benefits.

In one suit against the New York City Board of Education, the Gay Teachers Assn. argues that domestic partners of city employees should be treated as spouses for benefit purposes.

And, in a suit against American Telephone & Telegraph Co., a plaintiff alleges AT&T discriminated against her and her children by not paying death benefits after a female

AT&T employee with whom the plaintiff had a long-term relationship had died (BI, Sept. 17, 1990).

Employers already offering health care coverage for domestic partners recently have been deluged with inquiries from other employers.

"East Lansing (Mich.) and Boston are really into this, and they're calling every other day," said Sally Fox, benefits manager for the city of Seattle, which began offering health benefits to domestic partners last May.

Officials of those cities could not be reached for comment.

"I've received at least 12 or 13 phone calls in the last month" inquiring about Ben & Jerry's plan, said Kathy Chaplin, personnel operations manager.

One of those inquiries came from University of Iowa Professor Reta Noblett-Feld, who is spearheading a report on how much it will cost the Iowa City-based institution to provide domestic partner coverage to its 8,000 employees.

The city of San Francisco has contracted with TPF&C, the benefits consulting subsidiary of Towers, Perrin, Forster & Crosby Inc. in San Francisco, to conduct an actuarial study to determine "both the long- and short-term cost implications" of extending domestic partner benefits to its 33,500 active employees and 14,000 retirees, said Randy Smith, executive director of the city's Health Service Plan.

The study should be completed in May, and a July 1 target has been set for extending coverage.

The city decided to examine extending health benefits to employees' domestic partners following a June 1990 report by the Mayor's Task Force on Family Policy and last November's election when voters approved an ordinance permitting unmarried domestic partners to register with the city.

Health care coverage issues are particularly sensitive among the gay community, Mr. Smith added. Approximately 15% of the city's workforce is homosexual.

A random survey conducted by the Mayor's Task Force estimated that approximately 2,600 employees would enroll their domestic partners in such a plan, he said.

An earlier study by the Mayor's Task Force estimated that it would cost \$1.1 million per year, or \$3 per month for each enrollee, in administrative expenses to extend health benefits to city employees' domestic partners. The city will not contribute toward the cost of the coverage because it does not pay for other dependents' coverage, Mr. Smith said.

Officials at Pacific Gas & Electric Co. in San Francisco have been working with the National Leadership Coalition for Health Care Reform in Washington, D.C., to address domestic partners coverage on a national level, said a PG&E spokesman.

Other members of the employer coalition include AT&T, Chrysler Corp., Ford Motor Co., Lockheed Corp. and Xerox Corp.

Domestic partners

However, while PG&E has a formal domestic partner bereavement policy, "at this point we have not finalized anything regarding extending health benefits to domestic partners," the spokesman said.

And the San Francisco Chamber of Commerce, which already has endorsed a domestic partner bereavement policy for its members, is assembling a task force to discuss other domestic partner benefits, said Vp Jim Lazarus.

Insurers' unwillingness to underwrite domestic partner coverage is one reason so few employers offer it.

The city of West Hollywood, Calif., was forced to self-insure domestic partner health care coverage after failing to find an insurer to underwrite it. "We were turned down by 18 companies," said Janet L. Murphy, executive assistant and personnel officer in the city's Department of Administrative Services.

"Virtually no insurance company in the state will touch domestic partner coverage because there's no formal definition of what constitutes a domestic partner relationship," explained a spokesman for Blue Cross of California in Woodland Hills.

"If a state passed a law that said employer groups would have to provide coverage to domestic partners, our insurance companies would have to change the way they do business," said Harvie Raymond, a director of the Health Insurance Assn. of America in Washington, D.C.

But early claims experience from employers with domestic partner insurance programs have not borne out insurers' fears of adverse selection and catastrophic AIDS claims.

Hewitt's soon-to-be-released report concludes "the health of a non-working domestic partner is similar to that of a non-working spouse." None of the plans Hewitt studied reported any catastrophic AIDS claims, as had been feared since young, male homosexuals are the highest-risk group for the disease.

And, more than two-thirds of employees signing up for domestic partner coverage when it is available are involved in heterosexual relationships, Hewitt found.

The claims experience of the 350 domestic partners enrolled in the city of Seattle's indemnity plan has been "better than for spouses to date, and much less than what was budgeted," Ms. Fox said. For May through December 1990, domestic partner benefits cost the city \$225,000, or 1.1% of the city's total medical and dental coverage expenses of approximately \$20 million, she said.

Kaiser Foundation Health Plan Inc. of Oakland, Calif., lowered health maintenance organization premiums for the city of Berkeley after three years of experience failed to justify the need for a so-called "loading factor" to cover expected additional claims from domestic partners, a Kaiser spokesman said. If annual rate hikes are subtracted, the new premium—calculated using adjusted community rating—"is lower than it was three years ago," he said.

The loading factor was added because "there was a lot of concern by a lot of people about the lack of underwriting experience related to the city of Berkeley," he explained. "We didn't feel justified in spreading the risk across other insureds, so we added a loading factor for that particular group to be a hedge against any adverse selection."

In addition to Kaiser, some insurers and a few other HMOs have been more receptive to underwriting domestic partner coverage.

Consumers United Insurance Co. of Washington, D.C., offers three plans providing health benefits for domestic partners, said Marketing Director Steve Slaterbeck.

Two plans are available to members of affinity groups, while the third can be purchased either by individuals or on a group basis.

One of Consumers United's largest commercial clients is Ben & Jerry's.

Kaiser also has offered to underwrite the city of San Francisco's domestic partners plan and is submitting a bid on a union-sponsored plan in Sacramento, the spokesman said.

However, still concerned about the claims experience of domestic partners, Kaiser will add a "loading factor" as it did for Berkeley, which may be subtracted in later years.

Foundation Health Corp., an HMO in Sacramento, Calif., also is preparing to bid on the city of San Francisco's coverage, said a spokesman. ■