

TO: Pam Martin 3 pages

SPECTRUM INSTITUTE

A Non-Profit Corporation Promoting Respect For Human Diversity

March 7, 1997

Matt Matsunaga and Avery Chumbley
Co-chairs, Senate Judiciary Committee

Thomas F. Coleman
Executive Director
Family Diversity Project

Re: Expected Costs to Employer in Offering
Health Coverage to Same-Sex Couples

Dear Senators:

You asked my opinion regarding any increase in costs to employers if they were required to offer health coverage to same-sex partners of employees.

Based on several studies, excerpts of which I have faxed to you, such employers could expect a negligible increase in health care costs.

Spectrum Institute's recent analysis of employers providing domestic partner health coverage to same-sex *and* opposite-sex couples shows that even with such broad coverage only about 1% of the workforce signs up. Costs are the same as or less than for spouses. Since employers have reported that less than 30% of these domestic partners are same-sex couples, it would appear that employers offering such coverage only to same-sex couples should expect an increase in health benefits premiums of about .3% -- that is, **one-third of one percent**.

Another barometer is the sign-up rate at employers offering domestic partnership health benefits to same-sex couples only. Taking the average of the 35,810 workers at the following employers offering only same-sex coverage, about .3% signed up. Again, the result is the same, costs increase by only **one-third of one percent**.

Apple Computer:	4,700 employees, 42 signed up = .9%
Montefiore Medical Center:	9,000 employees, 36 signed up = .4%
MCA/Universal:	15,000 employees, 15 signed up = .1%
Viacom International:	5,000 employees, 18 signed up = .4%
Boston Globe:	260 employees, 1 signed up = .4%
Seattle Times:	1,850 employees, 5 signed up = .3%

Obviously, there will be some price associated with adding same-sex partners onto a group health plan. No health care provider adds people without charging the employer any fee whatsoever. However, from all available data, the increase in cost -- one-third of one percent -- is negligible.

Furthermore, from the various studies I have reviewed, and from interviews with benefits managers at many employers, there have been no adverse financial consequences from adding domestic partnership health or dental benefits. Claims experiences have been very good, with the claims of same-sex partners being significantly *less than* the claims filed by married couples, mostly due to the fact that married couples sometimes have high costs associated with complicated pregnancies (a premature baby can cost hundreds of thousands of dollars).

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*Senators Chumbley
and Matsunaga
March 7, 1997*

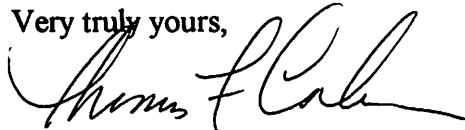
Hewitt Associates, one of the world's most prestigious employee benefits consulting firms, has reported: "Experience thus far indicates employers are at no more risk when adding domestic partners than when adding spouses. In fact, experience indicates the cost of domestic partner benefits is lower than was anticipated."

The International Foundation of Employee Benefit Plans has reported: "A related cost concern frequently expressed by employers is that an employee will falsely portray a domestic partnership to obtain health insurance coverage for a sick friend. This type of abuse, however, has not been reported among employers providing the benefit." The Foundation also has reported that employers have found that "domestic partnership coverage is the same as or less than spousal or other dependent coverage" when it comes to cost.

Your request for information was quite timely. This week I have been busy preparing a presentation about domestic partnership employment benefits for two business groups that are meeting in Indianapolis later this month. I will also be speaking to a large group of employers, insurers, and risk managers in Atlanta on the same subject this September.

If there is any other information that we can provide to the Legislature as it attempts to reach a decision on benefits for "reciprocal beneficiaries," please do not hesitate to call on us.

Very truly yours,

A handwritten signature in black ink, appearing to read "Thomas F. Coleman". The signature is fluid and cursive, with a large initial "T" and "C".

THOMAS F. COLEMAN

EMPLOYERS GIVING DOMESTIC PARTNER BENEFITS TO SAME-SEX AND OPPOSITE-SEX PARTNERS: COST ANALYSIS

Employer	Year DP Plan was Instituted	Total Eligible Employees in Workforce	Number Signed Up as DP's	Percent Signed Up as DP's	Information Reported Regarding Costs
Ben & Jerry's (VT)	1989	492	24	5.0%	No significant increase in costs
Berkeley City (CA)	1984	1,475	116	7.9%	DP's constitute only 2.8% of total health costs
Blue Cross of Massachusetts (MA)	1994	6,000	78	1.3%	Cost information not reported by research source
Borland International (CA)	1992	1,200	49	4.1%	Cost information not reported by research source
Cambridge City (MA)	1993	500	4	.8%	Cost information not reported by research source
International Data Group (MA)	1993	1,600	14	.9%	Cost information not reported by research source
Levi Straus & Co. (CA)	1992	23,000	690	3.0%	Costs are the same as <i>or less than</i> for spouses
Laguna Beach City (CA)	1990	226	6	2.7%	Costs are the same as for spouses
Los Angeles City (CA)**	1994	34,500	448	1.3%	Costs are the same as for spouses; no adverse experience
National Public Radio (Wash. DC)	1993	450	5	1.1%	Cost information not reported by research source
New York State**	1995	320,000*	2,000	.6%	State pays 25% of cost / no adverse experience / * includes retirees
Sacramento City (CA)**	1995	4,000	15	.4%	City doesn't pay for dp's; worker pays but gets benefit of group rate
San Diego City (CA)**	1993	9,300	50	.5%	City doesn't pay for dp's; worker pays but gets benefit of group rate
San Francisco City (CA)	1991	32,900	296	.9%	City doesn't pay for dp's; worker pays but gets benefit of group rate
San Mateo County (CA)**	1992	4,200	138	3.3%	Cost information not reported by research source
Santa Cruz City (CA)**	1986	800	23	2.9%	Costs are the same as for spouses / non-union not eligible
Santa Cruz County (CA)	1990	2,100	33	1.6%	Costs are the same as for spouses
Seattle City (WA)**	1990	10,000	500	5.3%	2.5% of total health costs / less than spouses; no adverse experience
Vermont State**	1994	9,000	280	3.1%	State pays 80% of cost for spouses and dp's; no adverse experience
Ziff Communications (NY)	1993	3,500	75	2.1%	Cost information not reported by research source
Total		465,203	4,844	1.0%	Costs are same <i>or less than</i> for spouses / no adverse consequences

** Employee benefits managers at these employers were personally interviewed by Spectrum Institute during March 5-7, 1997.

(Revised 3-7-97)

Other sources: "Domestic Partner Benefits: Employer Considerations," *Employee Benefits Practices*, Fourth Quarter 1994, International Foundation of Employee Benefits Plans; "Domestic Partners and Employee Benefits," *Research Paper*, November 1994, Hewitt Associates; "Domestic Partner Health Care Eligibility," *Report to the American Federation of Nurses*, January 1993, John M. Fickewirth and Associates; "Domestic Partner Benefits on the Upswing," *Employee Benefits Management*, Report No. 44, October 27, 1992, Commerce Clearing House; "Understanding the Domestic Partner Dilemma: Perspectives of Employer and Insurer," *Report*, October 1993, City of West Hollywood; "Other Employers with Domestic Partnership Benefits," *National Lesbian and Gay Journalists Assn.*, March 1997, www.journalism.sfsu.edu/www/nlgja/db-emplo.html; "Recognizing Non-Traditional Families," *Special Report #38*, February 1991, Bureau of National Affairs.