



**City of Seattle Equal Benefits Program
Contractor Compliance Guidelines
Health Insurance**

FACT SHEET

Adopting a medical insurance program that provides for the equal treatment of employees with spouses and employees with domestic partners is an important part of a City contractor's efforts to end discrimination in the workplace. Since most employers are seeking information on the extension of benefits to domestic partners, the information below is written with that focus. However, the concept of equal benefits applies mutually, and where domestic partner benefits exist, spousal benefits must be extended in order to provide equal benefits.

How does the provision of equal health insurance benefits work?

If an employer offers health insurance coverage to the spouses of its employees, in order to provide equal benefits, the employer must also offer health insurance coverage to the domestic partners of its employees. Where health insurance coverage is available for the children of employees' spouses (such as step children), such benefits must be extended to the children of employees' domestic partners.

Can I offer different plans to spouses and domestic partners?

To offer equal benefits to the spouses and domestic partners of employees, the benefits offered must be the same. For instance, if an employer gives the spouses of its employees the option to choose between an HMO plan or a PPO plan, but only offers the HMO option to domestic partners, the provision of benefits would not be equal. Likewise, where dental and vision coverage is available to spouses, it also must be available to domestic partners.

How will offering domestic partner benefits affect the cost of a benefits plan?

Most employers and municipalities who have instituted domestic partner health insurance benefits have experienced minimal costs associated with the extension of benefits. The two factors that influence costs are the number of people who enroll and the impact they have on the plan's claim experience.

Enrollment

Employers who have instituted domestic partner benefits have found that, on average, only 1% of their employees will actually apply for coverage for their domestic partners. It is believed that these low enrollment rates are due to reluctance on the part of some employees to disclose their sexual orientation, as well as to the fact that many domestic partners already have coverage through their own employers. In addition, since tax laws currently do not provide income tax exemptions for domestic partner coverage, the tax burden placed on the employee can deter the employee from electing domestic partner coverage.

Claims Experience

The experience of the employers and municipalities who have provided domestic partner health coverage is that claims filed by domestic partners tend to be **less costly** than those filed by spouses. There has been no evidence to support the concern that the cost of covering the health insurance claims of same-sex domestic partners will be higher because of a higher incidence of HIV disease. Instead, employers have found that the cost of covering same-sex domestic partners is no higher than coverage for the general population, which routinely receives treatment for heart disease, cancer and premature child births. In fact, because both same-sex and opposite-sex domestic partners tend to have fewer dependents than married couples, there are significantly lower maternity and dependent health care costs associated with their coverage.

How hard is it to find insurance providers willing to offer domestic partner health insurance?

It is getting easier for employers to find insurance providers willing to provide domestic partner health insurance. Now that actuarial data is available to demonstrate the absence of added risk, more providers are entering this market. As this is a rapidly changing market, we suggest that you contact insurance providers directly to determine whether they will cover domestic partners.

Is continuation coverage available to domestic partners?

Yes. While the law governing the continuation of health insurance coverage for employees, their spouses and dependents does not require such coverage for domestic partners, there appears to be nothing in the law to prohibit the extension of continuation coverage to domestic partners. In order for an employer to eliminate discrimination in the provision of benefits, such coverage should be extended to domestic partners on the same basis, and at the same rates as is required for spouses and dependents.

What about retiree health benefits?

As with other health coverage, any retiree health benefits offered to an employee with a spouse must also be offered to an employee with a domestic partner. This includes the domestic partner's ability to continue benefits in the event the retired employee dies.

Under a Cafeteria Plan, can a domestic partner be included as a "family member" for purposes of family status change rules?

The family status change rules set out the various events affecting employees, their spouses or dependents, which allow the employee to make plan election changes. For example, if an employee's spouse loses his or her job, the spouse can be enrolled in the cafeteria plan's health benefits even outside the open enrollment period. Because these rules do not define spouse or dependent, it is unclear whether domestic partners may be included. However, in the absence of an Internal Revenue Service ruling on point, the employer may be allowed to make its own reasonable interpretation of who is "family" for purposes of the family status change rules.

The information contained in this document is not intended as legal advice and should not be relied on as such.