

balance sheets

A series of information sheets for employers interested in helping employees balance their work, family, and personal responsibilities

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Xsheets™

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“An employer’s initial decision whether to provide domestic partner benefits may also be the employer’s most difficult decision – and often the most intangible. It usually requires revisiting or, in some cases, establishing an organizational philosophy that encompasses multiple employee issues, e.g. nondiscrimination, compensation, recruitment, and retention. It also involves an examination of consistency between philosophy, written policy, and actual practice.” ISCEBS 1995 Survey

“Our decision to implement domestic partner programs demonstrates that we are committed to supporting the needs of a diverse workforce. And we’ve found that offering these benefits is not administratively complex or costly.”

Arthur Banks,
Senior VP of Human Resources,
BlueCross and BlueShield of MA

“Several major private research universities - - including Stanford, Harvard and MIT – began providing health benefits for same-sex domestic partners before many private sector employers. At Stanford, our definition of “family” reflects the value we place on the diversity of families that exist among faculty, staff, and students.”

Kathleen Sullivan,
Director of Work-Life Center,
Stanford University

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Domestic Partner Benefits

A domestic partner is a person of the same (or opposite) sex, unrelated to the employee by blood or marriage, who shares a household with the employee in an intimate and committed relationship. Domestic Partner Benefits (DPB) refer to any health and/or non-health benefits provided by an employer to an employee’s domestic partner (DP).

A GROWING RECOGNITION

In 1991, Lotus Development Corporation, based in Cambridge, MA, began offering a full range of family benefits to domestic partners (DPs) of gay and lesbian employees. By offering Domestic Partner Benefits (DPB) to the partners of its unmarried employees, Lotus provided them with the same employee benefits available to the spouses of its married employees. Lotus’ benefits analysts concluded that offering DPB to their demographic population would not result in significant extra cost risks to the company.

Apple Computer, in Cupertino, CA, started out by providing less expensive non-health care programs and services in 1992, such as access to their day care and fitness centers, as well as leave benefits to the same-sex and opposite sex DPs. In July of 1993 healthcare benefits were added for same-sex DPs.

Wainwright Bank, in Boston, MA, lobbied for two years to secure DPB for same-sex partners and was successful in 1994. Continued efforts resulted in opposite-sex, unmarried partner coverage, effective in 1996. As a result of Wainwright’s efforts, all 154 member banks of the Massachusetts Bankers Association and the 10,000 people employed by them are also eligible for DPB.

RELEVANT FINDINGS

- As of November 1995, more than 300 organizations in the US offer some form of DPB.
- In 1995, the International Society of Certified Employee Benefit Specialists (ISCEBS) surveyed 450 of its members, and found that 15% of them offered DPB. Of the respondents who offer DPB, 94% said they offer health care coverage, 64% said they offer health and non-health benefits, and 4% said they offer non-health benefits only.

- The ISCEBS survey identifies the top three reasons for offering DPB as: employee inquiries/requests (35%), corporate philosophy (27%) and consistency with employer non-discrimination policy (25%).
- A 1994 Hewitt Associates survey reveals that typically only 2-3% of employees elect DPB at organizations offering them. In planning for DPB, many employers assume enrollment rates of up to 10%.
- The Hewitt survey indicates that approximately 67% of the couples electing DPB are opposite-sex couples. This enrollment pattern lowers the risk of catastrophic claims anticipated with same (ibid) same-sex partners.

MODEL PROGRAMS

Non-Health Benefits-Same-and Opposite-Sex

The **Commonwealth of Massachusetts** signed Executive Order 340 in 1992, which awards leave benefits to managers and confidential employees fairly and equitably without regard to their sexual orientation. Individuals who demonstrate that they have a committed relationship will be afforded bereavement and sick leave after signing a "Relationship of Mutual Support Certification."

Full Health Benefits – Same-and Opposite-Sex

Levi-Strauss & Co., a retail company based in San Francisco, CA, became the first Fortune 500 company to offer DPB to both same and opposite-sex couples in 1992. Medical and dental benefits are offered to eligible unmarried couples and their eligible dependents for all its U.S.-based employees. Approximately 200 employees, or about 1% of their total U.S. workforce, have enrolled. About 60% of the enrollees are opposite-sex couples.

BlueCross and BlueShield of Massachusetts, and insurance company based in Boston, MA, began offering health and dental DPB to same and opposite-sex partners in January, 1994. All associates can obtain basic health coverage for a DP by showing proof that they have cohabited for at least six months and continue to live in a shared responsibility relationship. For the 1996 enrollment, there are 144 participants; that number doubled from the initial enrollment.

Millipore Corporation, a 3,000 employee, manufacturing firm in Bedford, MA, implemented DPB for same and opposite sex DPs in January, 1996. In addition to medical and dental benefits, DPs are offered life insurance, COBRA coverage, and partially-paid family care leave. The company requires employees to notify them by a Declaration of Termination, if the relationship ends. There is a twelve month waiting period before a new DP may be enrolled. Thirty employees elected coverage for 1996.

Full Health Benefits – Same-Sex Only

Banyan Systems, a high tech firm located in Westboro, MA, with 700 employees, began offering DPB to its U.S. employees in 1994. DPs and children of DPs may enroll in medical, dental, vision, and prescription drug plans. However, opposite-sex partners must choose a non-HMO plan if they want to utilize this benefit. Currently, the firm has only 5 participants.

Oracle Corporation, in Redwood Shores, CA has offered same-sex DPB for its 10,000 employees since July, 1993. This software company has found a continuing need to educate employees about its rationale for not making DPB available to opposite-sex DPs, and also the tax implications of DPB for same-sex partners.

RATIONALE

A Sense of Fairness.

Because gay and lesbian couples do not have the option to marry, they are excluded from benefits that are automatically available to married couples. Benefits can comprise about 40% of many compensation packages. By offering DPB to same-sex couples, an organization is not discriminating on the basis of sexual orientation. By including all unmarried couples, an organization is not discriminating on the basis of marital status.

A Diversity Initiative.

Providing DPB is a way of acknowledging the diverse needs of the workforce. It can be a concrete way to support diversity statements issued by an employer.

Employer of Choice.

Similar to work/family initiatives, DPB can be a way to attract and retain valuable employees. Some employers provide DPB not only because their employees desire them, but to raise the social consciousness of business and the community.

CONSIDERATIONS

Defining Domestic Partnership.

Most employers require the following core elements: partners must be of minimum age (usually 18); they must share a committed, intimate, and exclusive relationship, and they must be financially interdependent.

Scope of Coverage.

Coverage can range from lower cost non-health benefits such as: resource & referral, invitations to employer functions, EAP services, leave benefits, and child care, through comprehensive medical and dental coverage. DPB can be offered only to same-sex couples or can be extended to opposite-sex, unmarried couples too.

Documentation Required.

An affidavit of "spousal equivalency" is used by many employers to determine eligibility. Employees should also be notified of the consequences of providing false or misleading information in the affidavit.

A Controversial Subject.

DPB is a particularly controversial and sensitive subject. The largest obstacle for management to overcome is deciding to offer DPB. Management must consider external issues, such as the potential for alienating customers; and internal issues, such as creating friction among employees. These internal factors are similar to other work/family equity issues that often arise over benefits that address a specific workplace population; for example, tensions between employees with children and employees without children.

Cost.

DPB does not significantly increase costs. The average health care costs of a DP tend not to be higher than those of a spouse. Same-sex partnerships traditionally involve fewer costs related to children and childbirth, which is the number one insurance expense. The medical costs of treating AIDS, for example, are not nearly as high as the costs of cancer or organ transplants.

Utilization.

Participation rates in DPB, to date, have been very low, generally less than 5% of the workplace. This is attributed to many reasons including: a hesitation by the employee to make his/her sexual orientation known, a reluctance to sign a DPB affidavit because it seems binding, and the majority of same-sex partnerships involve two working adults, both of whom have insurance through their own employers.

Tax Implications.

Under current income tax law, if an employees; DP does not meet the tax definition of spouse or dependent, they will be taxed on any health care coverage paid for by the employer on behalf of the DP. Employees whose DP health benefits are taxable must report the fair market value of the health care coverage as imputed income on their W-2 forms.