

Proposal: Revise the Regulations Governing Health Insurance Coverage for State Employees to Offer Coverage for An Otherwise Qualified Adult Residing in the Employee's Household

(OFFER STATE EMPLOYEES THE CHOICE OF INCLUDING IN EMPLOYEE PLUS ONE COVERAGE EITHER A SPOUSE OR AN OTHERWISE QUALIFIED ADULT DOMICILED IN VIRGINIA AND LIVING IN THEIR HOUSEHOLD)

PROPOSED LANGUAGE¹:

Under the Other Qualified Adult (OQA) program, an employee who does not already enroll a spouse in the health plan may enroll one adult individual for benefit coverage if all of the following eligibility criteria are met:

1. The employee is eligible for benefits;
2. The Other Qualified Adult, at the time of proposed enrollment, i) shares a primary residence with the employee and has done so for the previous 12 continuous months; ii) is domiciled in the Commonwealth of Virginia; iii) is not employed by the employee; and iv) is not a boarder, renter or tenant of the employee; and
3. The employee pays the full cost of extending coverage to the OQA.

Dependent children of an Other Qualified Adult may also be enrolled if they meet the eligibility requirements and the employee agrees to pay the cost of insurance.

POSITIVE POLICY REASONS FOR OFFERING SUCH COVERAGE

- This proposal permits would permit employees an additional choice of health insurance coverage available at their expense.
- If offered, health insurance coverage would be available to some adults and children who might otherwise be uninsured.
- Offering such benefits will bring state agencies and higher education institutions in line with prevailing benefits practices of employers of choice in Virginia and across the nation, and enhance recruiting and retention of the

¹ This language is carefully crafted to conform to the opinion to President John Casteen rendered by Attorney General Bob McDonnell (attached) upholding the University of Virginia's plan to offer gym benefits to employees and one adult in their households. The key to the benefit plan's validity is that it does not involve "relationship recognition" that could be precluded by the Virginia marriage amendment.

best and the brightest. 66% of the top private employers in Virginia offer such benefits (see, Workplace Fairness Policies of Virginia's 50 Largest Employers, attached). Almost 60% of the Fortune 500 companies choose to offer such expanded benefits to their employees. At least 12 Virginia-based Fortune 500 or Fortune 1000 companies offer such benefits including: Altria Group, Capital One, CarMax, Dominion Resources, Gannett, Genworth, MCI Group, MeadWestvaco, Owens & Minor, Philip Morris USA, SprintNextel, and SLM Corp. (Sallie Mae) (see, Workplace Fairness Policies of Virginia-Based Businesses on the Corporate Equality Index, attached, and the 2010 Corporate Equality Index, www.hrc.org).

- Sixteen (16) state governments, including Alaska, Arizona, Connecticut, Maine, New Jersey, New York, Pennsylvania, Rhode Island and Vermont, and one hundred and fifty two (152) city and county governments offer domestic partner health insurance benefits to their employees. Included among the local governments offering benefits are 9 cities and counties in Maryland, including Baltimore and several localities in the DC area, 5 in North Carolina and the City of Atlanta and close in counties.
- Three hundred and eight (308) colleges and universities offer expanded benefits either to domestic partners specifically or to otherwise qualified adults, including Hollins, Sweet Briar and Washington and Lee in Virginia and public and private research universities such as Brown, Columbia, Cornell, Dartmouth, Emory, Georgetown, George Washington, Harvard, Johns Hopkins, Michigan State, NYU, Ohio State Penn State Princeton, Stanford, SUNY Vanderbilt, Wake Forest, Yale, and the Universities of Alabama, Alaska, California, Chicago, Colorado, Connecticut, Florida, Illinois, Indiana, Louisville, Michigan, Minnesota, Oregon, Pennsylvania, Pittsburgh, and Washington. In addition, Phi Beta Kappa has announced that whether a university offers benefits will be considered as a factor in chapter recognition.
- Of Fortune Magazine's "Top 20" companies to work for, 18 offer expanded health insurance coverage to employees.

NO PUBLIC COST

- Concerns about costs of this proposal, due largely to perceived consequences of self-selection, are unfounded. The proposal is based on the requirement that the full premium cost be paid by the employee (in contrast to the cost to the employee for current coverage for spouses and family members).
- Limited numbers of employees will choose this benefit. The fact that the value of any Otherwise Qualified Adult coverage would be taxable to the

employee as ordinary income has had a significant downward effect on the numbers of employees who choose this benefit. In addition, the requirement that the Otherwise Qualified Adult be domiciled in Virginia and in continuous residence in the household of the employee for 12 months will limit coverage to persons who are bona fide residents of employee households and taxpaying Virginians.

- Premium rates for this coverage would be negotiated with insurers just as coverage for any other employee health insurance offering.
- Experience has shown that the cost of coverage for any persons who would qualify as Otherwise Qualified Adults would be de minimis, even if not borne entirely by the employee. For example, studies by HR consultants and professional associations have found that the effect on employer benefit costs of domestic partner coverage ranges from no increase to less than 2%. A 2005 Hewitt study found that 65% of employers reported that benefits extension added less than 1% to benefit costs and 88% reported costs of less than 2%. A 1997 study by the Society of Human Resource Management found that 85% of employers experience no cost increase. Finally, the Congressional Budget Office has estimated that extending such benefits to federal employees would increase the cost of benefit programs by less than one-half of 1%. When Arlington County offered expanded benefits to employees through its self-insured program, the financial value of the premiums paid by the two dozen employees who chose the benefit exceeded the cost of coverage.
- Private corporations whose benefit packages provide this election either pass any cost along to their employees through premium charges or to absorb it as a business decision because the ROI of their decision was favorable.