EXTENDING HEALTH INSURANCE GROUP MEMBERSHIP
TO THE SIGNIFICANT OTHERS
OF SAN FRANCISCO CITY AND COUNTY EMPLOYEES

Lisa Brill
Caroline McCall
Marian Mulkey

The authors conducted this study as part of their education in the Graduate School of Public Policy. This paper is submitted in partial fulfillment of the course requirements for the Master of Public Policy degree. The judgments and conclusions are those of the authors, and are not necessarily endorsed by the School, the University, or the agency whose cooperation facilitated this study.

Introductory Policy Analysis
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EXECUTIVE SUMMARY

BACKGROUND
Currently the San Francisco Board of Supervisors is considering two ordinances to extend employee benefits to significant others. Supervisor Britt has introduced an ordinance defining and extending benefits to an employee's "domestic partner." Supervisor Nelder's proposed ordinance would offer benefits to "extended family members" of an employee.

PROBLEM DEFINITION
This paper will examine the two proposed ordinances, in terms of their implications for extended health benefits, by focusing on both feasibility and implementation questions. What type of benefit plan is feasible in terms of actuarial soundness, legality and cost? What kind of political and practical issues will be central to the implementation of a meaningful policy?

CRITERIA
Assessment of the proposed ordinances and associated implementation questions will consider the following criteria:

- **Equity:** Ensure that the distribution of costs and benefits under the proposed plan is similar to the distribution of costs and benefits under the plans currently offered.

- **Access to care:** Increase access to care for people who are currently denied enrollment specifically because benefits are based upon marital status.

- **Cost to the City and employees:** Minimize costs to the City and employees, and maintain the fiscal solvency of the Health Service System.

- **Distribution of risks to insurers:** Devise an acceptable distribution of risks to insurers, so that no insurer discontinues contracting with the City.

- **Political costs:** Minimize the political costs of passing and implementing an ordinance so that the above criteria can be met.

FEASIBILITY
Feasibility may be constrained by actuarial, legal and cost considerations. In order to minimize adverse selection, insurers require a careful definition of those to whom the benefit would be extended, a waiting period between removal of one partner and addition of another, and a limited sign-up period. All insurers contracting with the City must provide enrollment to significant others, so that no insurer is at a competitive disadvantage. The support of the Health Service System Board is essential, since it must take the legal initiative to implement extended health benefits. The main cost constraints are the City's self-insurance
fund requirements and, to a lesser extent, the number of employees who add significant others. The burden of increased costs falls primarily on employees. It will be important to accurately project the size of these costs and their distribution across employees.

IMPLEMENTATION

Insurers will respond more favorably to coverage of significant others if their suggestions to limit adverse selection are incorporated into the ordinance. At this time, insurers with experience covering significant others report that minimal premium increases accompany extended coverage plans.

It is difficult to ascertain to what extent the Mayor, members of the Board of Supervisors, the Health Service System Board, unions, and the general public will unite behind one ordinance. The more united their support, the more smoothly implementation of extended benefits will occur.

CRITICAL DETERMINANTS OF SUCCESS

Three scenarios are presented to represent the best, most likely and worst case projections of how passage and implementation of extended benefits may occur. Three critical determinants of success must be considered when developing strategies to implement a specific plan. First, the degree of unity among the Board of Supervisors and the members of the task force will determine the quality of the ordinance, and the degree of support it generates. Second, the proposal must limit the level of risk, so that neither insurers nor the Health Service Systems Board actively resists its implementation. Third, even if all progresses well and a plan is implemented, overly strong disclosure requirements could act as a disincentive to participation, thereby rendering the extension of benefits meaningless.

RECOMMENDATIONS

Care should be taken to choose diverse members for the task force, including representatives of insurance companies, unions, and the gay/lesbian and minority communities. Information should be gathered about projected costs to the City and employees, expected Health Service System fiscal requirements, and the experience of other plans which offer extended benefits to significant others. This information should be used to generate support, develop coalitions among interested groups, and refute misstatements about the ordinance.
BACKGROUND

Numerous employee benefits are extended to an employee's spouse and minor children. These include health and dental insurance, parenting or funeral leave, pension benefits, recreational passes and sick leave to care for children or a spouse. Access is based upon the marital or parental relationship of the employee and the dependent in question. Lesbian and gay couples cannot legally marry, and many heterosexual couples choose not to marry. Employees in non-spousal relationships are denied access to employee benefits dependent on marital status alone. Because employee benefits are part of the "wage package," extending benefits to persons based upon criteria which are analogous to marriage or parentage is a means of ensuring "equal pay for equal work."

Recently, efforts have been made to recognize the validity of non-traditional family relationships. A small number of municipalities and organizations have extended health and/or dental coverage and other employee benefits to a person designated by the employee as the beneficiary.(1)

In 1982, a "domestic partnership" ordinance was introduced by Supervisor Harry Britt to the San Francisco Board of Supervisors. It would have provided for registration of domestic partners, urged the San Francisco Health Service System to offer group membership to domestic partners of City employees, and

1 The City of Berkeley, the Village Voice and the American Psychological Association are a few.
would have urged the Civil Service Commission to provide for sick and bereavement leave for employees on behalf of their domestic partners.

The Board of Supervisors passed the legislation twice, but each time Mayor Feinstein vetoed it. In response to the negative reaction within the gay community, Mayor Feinstein appointed a task force to examine the health benefits issue and make recommendations. The task force concluded that covering any designated beneficiary was infeasible, because the San Francisco Health Service System, which administers the City's self-insured plan, is limited in size. The task force felt that problems caused by adverse selection might seriously undermine the City's fiscal ability to ensure adequate coverage. (2) The task force unanimously recommended that domestic partner coverage be extended only to gay and lesbian couples, and that the City pay at least a portion of a dependent's premium. The recommendation met with resistance from the Mayor, from the religious community which felt that it condoned non-marital relationships, and from some members of the gay community who felt it discriminated against heterosexual unmarried couples. The legislation never passed. (See Appendix 1.)

In the spring of 1988 two ordinances to extend specific employees' benefits to people other than the traditionally defined spouse and minor children were introduced to the San

2 See pages 6-8 for an extensive discussion of adverse selection.
Francisco Board of Supervisors. Supervisor Harry Britt introduced an ordinance which would extend certain benefits to "domestic partners" of employees. Supervisor Wendy Nelder introduced an ordinance which would offer benefits to "extended family members." Because of the way each ordinance defines who qualifies for benefits, the consequences of implementing these two proposals are significantly different. Both ordinances have been referred to committee. A task force will be formed this summer to examine the feasibility of offering health insurance benefits to those described in the ordinances, and to make a recommendation to the Board of Supervisors and the Mayor.

Supervisor Britt's Proposal

Supervisor Harry Britt's proposed ordinance would amend the City's administrative code by permitting two people to sign an affidavit declaring that they are one another's domestic partner. An affidavit of domestic partnership would entitle a city or county employee to bereavement leave upon the death of a domestic partner, hospital visitation rights as the designated domestic partner, and leave to care for the child of a domestic partner. The ordinance would also request the Mayor to "establish a task force to examine the creation of health care benefits and retirement benefits for the domestic partners of City employees and their dependent children and consider the creation of a pilot program for domestic partners." (See Appendix 2.) The nature of the pilot program is not specified.
Britt’s proposal provides a limited definition of domestic partnership. The important points in this plan are that, in order to qualify, two people

- must not be married;
- must not be related in any way which would bar marriage in California;
- must reside together and share basic living expenses; and
- neither one may have signed a declaration that he or she has had a different domestic partner within the previous six months. (3)

Supervisor Nelder’s Proposal

Supervisor Nelder’s proposal calls for a wider range of people to be covered by employee benefits. One of its purposes is to recognize the diversity of non-traditional households in which people establish living arrangements. Broadly, it provides for expanding the definition of dependent to include anyone living in a "familial relationship" with a City or County employee, whether they are related by blood, marriage or are declared by the employee to be the person with whom they "share the necessities of life on a permanent basis." Specifically, the proposal would urge the Health Service System to expand dependent status to

3 In this context, "Reside together" means that two individuals share the same living quarters, although one or both may have additional separate living quarters. The title to the shared living quarters need not be in both names. "Sharing basic living expenses" means that they each contribute to the total cost of their food and the cost of utilities for shared living quarters. They need not contribute equally.
include extended family members,(4) provide for a ballot resolution in November 1988 calling for a City charter amendment to entitle an employee to name a beneficiary for survival benefits in the event that no surviving spouse or minor children exist,(5) and call for the Mayor to establish a task force to examine information concerning extended family benefits in other communities, as well as actuarial information pertinent to extended family health insurance coverage. (See Appendix 3.)

These two ordinances extend benefits to different groups of people important in an employee’s life. We will refer to the general group of people defined in both ordinances as "significant others."

The Health Service System

The Health Service System administers the City’s self-insurance plan and the trust fund which finances this plan. It is also responsible for contracting with the other insurance plans the City offers to its employees.(6) Under the City charter, the

4 Extended family members include persons who “reside with an [employee] in a familial relationship,” who are “related to the [employee] by blood or marriage,” and/or “who are declared in May of each year by the [employee] to be the person with whom the [employee] shares the necessities of life.”

5 This beneficiary would be someone with “whom the employee shares the basic necessities of life on a permanent basis.” Although it is unclear how many beneficiaries could be designated by an employee, for the purpose of this paper we will assume that an employee is limited to only one designated beneficiary.

6. The other providers are six health maintenance organizations (HMOs): Kaiser, French Hospital, Heals, Bay Pacific, Childrens, and Maxicare.
Health Service System also determines the scope of insurance coverage available to employees. If either of the two ordinances is passed and extended health benefits are approved by the Health Service System Board, the Health Service System will be responsible for implementing the new policy under the self-insurance plan and ensuring that this policy is offered by insurance companies contracting with the City.

Adverse Selection

Adverse selection occurs when persons who know they have extensive health care needs are provided -- intentionally or unintentionally -- an opportunity to enroll in or to retain their coverage; at the same time persons who have reason to believe they have few health needs are given -- intentionally or unintentionally -- incentives to drop their coverage. (7)

As this happens, the pool of enrollees in an insurance plan tends to have an increasing percentage of persons who anticipate high health care needs. Therefore, there is decreasing opportunity to pool risk across individuals with differing levels of health care usage. The usual response is to increase premiums to cover increased costs. As premiums increase, the plan becomes less desirable to people who are healthier and anticipate using fewer medical services; as they leave the plan, the percentage of bad risk enrollees increases again. The process of adverse selection has been set in motion, and can quickly worsen.

San Francisco health benefits coverage is particularly conducive to adverse selection. The City pays only the employee's premium. If an employee wishes to include a dependent, she must pay the entire premium for dependent coverage. Because the cost of a dependent's premium is now borne by the employee, employees are less likely to add significant others unless there is a greater likelihood that the dependent will utilize services. Younger, healthier dependents are more likely to forego insurance, purchase private plans at a lower cost, or enroll for health benefits with the spouse's employer. Older dependents or dependents of retirees (who may have health problems and need two plans) are willing to stay in a plan in which the entire cost for their coverage is paid for by the employee.

Health insurance coverage for the populations defined under the Nelder and Britt proposals is subject to the possibility of adverse selection because the cost of dependent coverage is borne by the employees. In the Britt proposal, a dependent partner is defined by criteria that are as close to marriage as possible. These criteria are more likely to limit group enrollment to people who are similar in age and health status to the employee. People are not likely to assume the responsibilities of shared residences and expenses merely to take advantage of health insurance benefits.

In contrast, Nelder's ordinance increases the chance of

8 Here we use the word "dependent" to refer to a spouse or child of the employee.
compounding adverse selection because an employee’s dependent could be to any blood relative residing in the same household. This relative could easily be someone who differs significantly in age and health status from the employee. An opportunity exists for employees to designate as a significant other a member of their family primarily because they anticipate increased medical service usage.(9)

In this paper we will examine the health benefits implications of the two proposed ordinances by focusing on both feasibility and implementation questions. Specifically, what type of benefit plan is feasible in terms of actuarial soundness, legality and cost, and what kind of political and practical issues will be central to the implementation of a meaningful policy?

CRITERIA

Important considerations for judging the effectiveness of either proposal are the following:

- **Equity:** Ensure that the distribution of costs and benefits under the proposed plan is similar to the distribution of costs and benefits under the plans which are currently offered by the City.

- **Access to care:** Increase access to insurance coverage for persons who are not currently covered specifically because benefits are defined based upon marital status. Include definitions of alternative family partnerships

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9 If more than one family member can be designated as a significant other at one time, the number of people with increased anticipated use will rise more quickly under Supervisor Nelder’s ordinance, exacerbating the problem of adverse selection already inherent in San Francisco’s system.
flexible enough that persons in a variety of alternative family arrangements can take advantage of extended benefits. Ensure that the definitions themselves do not establish barriers which keep those currently discriminated against from applying for benefits.

- Cost to the City: Minimize the cost to the City. Ensure that the Health Service System's Contingency Fund remains solvent.

- Cost to the employees: Minimize the costs of increased premiums and bureaucratic hassle in application for benefits.

- Distribution of risks among insurers: Structure the ordinance so that risk is distributed among the insurers so that no insurance company will discontinue contracting with the City, or suffer unduly from adverse selection.

- Political costs: The public discussion of extending insurance benefits can become a politically sensitive or highly polarized issue. Minimize political costs so that the above criteria do not become obscured by political battles which have little to do with the merits of the proposed ordinance.

**FEASIBILITY**

The possibility of opening the group plans to significant others may be limited by the willingness of insurers to participate in such a plan, legal constraints, and the cost to be borne by employees and the City in the form of increased premiums. Exploring these constraints will set the stage for a discussion of the circumstances most conducive to the implementation of a plan for extended coverage.

**Actuarial Viability**

The feasibility of a plan to extend coverage depends upon the participation of insurers. Insurers require that two
principle conditions be met. First, a limited and explicit
definition of those eligible for participation must be developed.
Secondly, insurers' exposure to adverse selection must be
limited.

Specifically, requirements urged by the insurers with whom
we spoke include the following:

- A careful definition of those to whom the benefit would
  be extended, preferably including some external
documentation such as a written affidavit;

- An interval, such as six months, between removal of one
  partner and addition of another; and

- A limited time period, such as one month each year,
  over which partners may sign up for coverage.

In addition, some insurers suggested a waiting period after sign-
up before benefits are effective and exclusion of pre-existing
medical conditions. These provisions would lessen adverse
selection. Several insurers also adamantly specified that they
would participate only if all other contracted insurance plans
participated. This would ensure that no one insurer would be at a
competitive advantage; if one raised rates to compensate for
increased risks or administrative costs associated with
significant others, it would not lose business to other insurers
who could charge less in the absence of those costs.

Increased risk from the AIDS epidemic is not of major
concern to insurers. Insurers of San Francisco employees already
face this risk among the pool of employees, both heterosexual and
homosexual. Insurers indicate that the additional enrollment of
significant others is unlikely to increase this risk.
significantly.

Without a definite proposal, few insurers are willing to give a firm indication of whether or not they will agree to extended benefits. The definition of the population to which coverage is extended will be very important to the insurers' decisions. For most of the insurers, the Britt proposal, which defines a group similar to that currently covered under spousal benefits, is more acceptable than the Nelder proposal. The reason for this preference is actuarial rating. Whether the groups community rate or experience rate (10), age and health parameters are the key components of rating. The Nelder proposal allows dependents of any age group or health status. Aging parents and grandparents represent far worse risks than the employees themselves. This makes a consistent rating for the group impossible.

The Britt proposal calls for a pilot project offering group membership to a limited group of significant others. Insurers are hesitant to participate in such a program. They would have to continue coverage of those enrolled in a pilot program even after that program had been discontinued. Federal law (COBRA)(11) holds insurers responsible for offering group membership to individuals for eighteen months beyond the end of their relationship with a

10 Insurers who community rate charge all of their subscribers the same premium, regardless of the experience of the group. Insurers who experience rate differentiate group premiums based upon historical expenditures of groups with similar age and health status.

group. Insurers also question the ethics of offering and then revoking group membership.

Legal Constraints

One legal constraint surrounding this issue is the fact that the authority for extending health care benefits rests in the Health Service Systems Board. This body functions both in the capacity of administrator for the City's self-insurance fund and as the primary policy-making body for City health benefits in general. As such, it must take the legal initiative for extending group membership. Furthermore, the HSSB would have to initiate any movement to begin paying for dependents' (including spouses, children, and significant others, if added) premiums. Although such a change would reduce the adverse selection problem the City faces in all of its group plans, it is extremely unlikely at present. This change would require a charter amendment, and would be difficult to fund given San Francisco's current budget shortfalls.

The issue of whether or not significant others are generally recognized as dependents is not likely to be a hurdle to the plan. Although the state insurance code states that only spouses and dependents may be covered under group plans, the State does not police the definition of dependent. Rather, it is up to the employer and the insurer to decide whom they will include. Employers or insurers may eventually apply more stringent definitions of dependents as a mechanism to limit access to
significant others. (12)

Cost Constraints

The cost of any proposal will likely be a central issue for City policy-makers, union leaders, employees, and insurers. The determination of the degree to which premiums might increase, if at all, is complex. Based on 1987 estimates of the number of San Francisco City and County employees, their health insurance plan choices at that time, and premium costs, we projected the cost of adding significant others to group plans. The methodology employed along with our simplifying assumptions and results are presented in Appendix 4.

The financial burden of any premium increases will likely fall predominately on employees rather than on the City. In addition, because the City's self-insured fund is likely to require relatively large amounts of money to offer broader membership, its premiums will increase more rapidly than those of the HMOs. This increase may result in members moving away from the City plan to the HMOs, with adverse financial consequences for the City fund. Finally, the number of employees who add significant others is an important determinant of increases in employees' expenditures. However, over the range we consider likely, these expenditure increases probably will not rule out extended coverage.

12. For example, financial dependency could follow the more stringent definition used by the Internal Revenue Service.
Employees will pay the greatest portion of premium increases under all of the health care plans. Two factors protect the City treasury from most of the burden of increased premiums. First, the City uses a formula approach to set its contribution to employees' health insurance premiums and therefore effectively caps its financial liability. Secondly, as noted above, the City does not contribute anything toward the premiums of dependents or others in the group health plans. The only additional expense the City bears results from increases in the rates of HMOs which now charge below the City's ceiling. This represents a one to four percent increase over current City expenditures.

Some representative percentage increases in employees' expenditures are listed in Table 1. We believe it

<table>
<thead>
<tr>
<th>Percent of Employees Adding Significant Other</th>
<th>Percent Increase in HMO and City Fund Premiums</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>1%</td>
</tr>
<tr>
<td>5%</td>
<td>5.2%</td>
</tr>
<tr>
<td>10%</td>
<td>24.6%</td>
</tr>
<tr>
<td>15%</td>
<td>48.9%</td>
</tr>
</tbody>
</table>

unlikely that employees will accept an increase of more than 50% in their total contribution over the course of the first year of an extended program, especially since increases are borne disproportionately by different groups of employees. For example, under the assumptions that 10% of all individual employees add
significant others, non-City premiums increase by 5%, and the City's self-insurance fund requirement is $1,000,000, payments by those in individual plans increase more than 200% while payments by those in family plans increase by 17%. (See Appendix 4-3.) Therefore, factors which will increase employee expenditures by more than 50% in the aggregate may make the program infeasible.

The projections presented in Table 1 are based on the assumption that the City's self-insurance fund will increase its rates at the same percentage as that used by HMOs. This may not occur. Based on conversations with Randy Smith, Executive Director of the Health Service System, we believe that the City's current need for additional money in contingency reserves will result in substantially greater rate increases for participants in the City plan than for HMO members. (13) Increases in the self-insurance fund seem inevitable in the near future. (14) It will be difficult to judge whether additional funds required at the time of an extended coverage plan stem from needs which already exist or are related to perceived higher risks among significant others.

According to insurers contacted, there is no reason at present to expect greater risks among the significant others of

13 Randy Smith, Executive Director, San Francisco Health Service System, 4/15/88.

14 Smith reported that the self-insurance contingency fund held $4.8 million two years ago. On June 30, 1986, the level had fallen to $3.3 million; on June 30, 1987, $2.2 million; and the level projected for June 30, 1988 is under $1 million. Actuaries for the fund believe that its ideal level is $5 million.
those in the City plan than in any of the HMOs. However, since the self-insured plan is unable to spread its risk beyond its 13,000 members, it may be at a rating disadvantage relative to a large HMO such as Kaiser. Regardless of the reason, City plan premiums are likely to rise more rapidly than those of HMOs.

Some projections of employee expenditures resulting from City fund contribution increases are presented in Table 2.

Table 2: Percent Increases in Employees' Expenditures As City Fund Requirements Vary

Assuming HMO rates increase by 5% and 25% of employees add significant others:

<table>
<thead>
<tr>
<th>City Fund Requirement</th>
<th>Percent Increase in Employees' Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 250,000</td>
<td>41.8</td>
</tr>
<tr>
<td>1,000,000</td>
<td>79.6</td>
</tr>
<tr>
<td>2,000,000</td>
<td>129.9</td>
</tr>
<tr>
<td>3,000,000</td>
<td>180.2</td>
</tr>
</tbody>
</table>

Assuming HMO rates increase by 5% and 10% of employees add significant others:

<table>
<thead>
<tr>
<th>City Fund Requirement</th>
<th>Percent Increase in Employees' Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 250,000</td>
<td>26.5</td>
</tr>
<tr>
<td>1,000,000</td>
<td>64.2</td>
</tr>
<tr>
<td>2,000,000</td>
<td>114.6</td>
</tr>
<tr>
<td>3,000,000</td>
<td>164.9</td>
</tr>
</tbody>
</table>

Assuming that the HMOs increase their premiums by a uniform 5% and 25% of employees add significant others, percentage increases in employee expenditures range from 42% to 180% as City fund contributions rise from $250,000 to $3,000,000. Under alternate
assumptions. If HMOs increase premiums by 5% and only 10% of employees add significant others, percentage increases range from 27 to 165%. Once again, City expenditure increases are very limited, at about 2.5%. This assumes that, as before, the City is able to maintain its contribution to employees' premiums at the level described by formula. Furthermore, it assumes that increases in City fund requirements are distributed only among members of that insurance plan. These results suggest that large City fund requirements will rapidly lead to prohibitive increases in employees' contributions. A plan to add significant others will be feasible only in an environment of limited City fund requirements.

Over the range we explored, expenditure increases to employees (and to the City) are not very sensitive to changes in the number of individuals who add significant others. For example, if the City fund requirement is limited to $250,000 and HMOs increase rates by 5%, as many as 30% of employees could add a significant other without exceeding our limit of a 50% increase in employees' expenditures. Based on reports from other employers that have instituted coverage for significant others, it is unlikely that a domestic partner plan in San Francisco would generate a response this large. It is harder to judge the response to an extended family measure, but it still may not be prohibitive. (See discussion in Appendix 4 for further details.) While the degree of response is relevant to a plan's feasibility, it is less likely to preclude a program than is the City's fund
requirement.

The experience of other employers also suggests that HMO premium increases will not be prohibitive, especially in the first year of the program. Other employers that have provided coverage for significant others report rate increases of zero to 2.5%. Our estimates show that San Francisco employee expenditures will be relatively insensitive to HMO rate increases between zero and 10%.

The main cost constraints, then, on San Francisco's ability to offer group health plan membership to significant others are the City's self-insurance fund requirements and, to a lesser extent, the number of employees who add significant others. Because the burden of increased costs falls primarily on employees, the size of these costs and their distribution will be relevant to the feasibility of either ordinance.

IMPLEMENTATION: THE PARTICIPANTS

Extension of San Francisco employees' health coverage to significant others would require cooperation from many different groups, including the Mayor, the San Francisco Board of Supervisors, the San Francisco Health Service System Board, the employees of the City and County, the insurers with whom the city contracts, and the public.

San Francisco Board of Supervisors and the Mayor

Support for the current proposals varies among the members
of the Board of Supervisors and is difficult to predict. The Britt proposal is especially sensitive to the relationship between the supervisors and the gay/lesbian community. Although the Gay and Lesbian Democratic Clubs have wielded considerable power in the past with endorsement of specific candidates, issues, or referendums, they may face a political challenge in the near future. Some members of the gay/lesbian community worry that supervisors who have relied on their support in the past feel they no longer need to do so. Supervisor Kennedy is one example. Though she courted the gay/lesbian community in the past, she recently has retreated from them. If she makes little effort to affiliate herself with gay/lesbian issues during her 1988 re-election bid, and nevertheless proves successful, other supervisors may feel less obligated to respond to gay/lesbian issues.

The population covered under the Nelder proposal will probably generate more support on the Board of Supervisors. Several members have constituencies which would benefit from its broader definition. Supervisors Kennedy and Hsieh, for example, depend upon the support of the Black and Asian communities respectively. These minority groups, for whom extended family networks are common, are likely to support an ordinance which would recognize the importance of these networks. Other supervisors may prefer the Nelder proposal in order to shy away from addressing benefits coverage as a strictly gay/lesbian issue.
It would take the vote of only four of the seven board members to put this issue on the ballot for referendum. The result of this action would be determined by the political organization and acuity of the interested parties.

It is difficult to ascertain to what extent Mayor Agnos will support either ordinance. He supports issues important to the gay/lesbian community, and promotes a wide variety of family arrangements. Relying on a broad base of support, he must respond to a wide spectrum of constituents. Given the right circumstances, he may support either ordinance.

Health Service System Board

If either the Britt or the Nelder ordinance were passed, the implementation of extended health benefits would then fall into the hands of the Health Service System. Although the Executive Director of the Health Service System is currently apprehensive about the two proposals, it is likely, because of the political affiliations and needs of the board, that extended health benefits, strongly supported by the Board of Supervisors would be approved by the Health Service System Board.

The Health Service System's primary consideration in implementing extended benefits coverage would be the effects of such a policy on the City's self-funded plan. Executive Director Randy Smith emphasizes that to be acceptable, a provision for the coverage of significant others would have to be effective across the board, for all contracted insurers as well as the City's own
plan. (15) The City's self-funded plan already has too small a population for effective risk spreading and suffers from the adverse selection inherent in the San Francisco benefits plans. If it were to take on the entire significant other population, Smith feels that its relatively poor situation would be made far worse. In particular, Smith is concerned about the potential cost from an increase in the number of AIDS-related conditions which could occur under City coverage of significant others. Smith states that perhaps as few as 25 such cases cost the fund $500,000 in the last fiscal year.

The City's contingency fund is currently at only one fifth the level thought appropriate by city actuaries. Any additional bad risks or adverse selection could easily force this fund into insolvency. Plans to infuse money into this fund through premium increases and benefit reductions are already being considered. Adding coverage of significant others is likely to further increase HSSB funding requirements. A great deal of risk accompanies the large increase in City plan premiums. As City plan rates rise, HMOs will look relatively more desirable and employees can be expected to abandon the City plan for HMOs. Increasingly, those remaining on the City plan may have special needs which make them worse risks than those that switch to HMO coverage. Escalating rates and the accompanying adverse selection may further undermine the self-insurance fund's already weak position. This, the administrators of the City's self-insurance

15 Personal communication with Randy Smith, 4/7/88.
fund are justified in concerns about the effects of either proposed plan on fund solvency.

City and County of San Francisco Employees

Twenty-four thousand City and County employees are represented by unions. The United Public Employees International Local 790 is the largest, representing 8,000 clerical, janitorial, hospital workers and librarians. This union together with the Hospital Workers' Local 250, and the Social Services Employees' Union Local 535, represents just over half of San Francisco's unionized employees.

These unions can potentially play an important role in generating support or resistance to extended benefits coverage. Currently, their top priority is the wage freeze or lay-offs proposed by the City in response to the budget deficit. If either of the proposed ordinances raises employees' premiums, or is merely expected to raised premiums, there is a strong likelihood that the unions will oppose it. Some unions may decide that it is more important to have the City pay the premiums for dependents than to expand the definition of who qualifies as a dependent. None of the unions contacted would take a firm position on extended coverage, since they have not seen either ordinance. (16)

Unions represent a range of people with a diverse set of political beliefs and personal values. It is difficult,

(16) The unions contacted were United Public Employees, the Firefighters' Union and the Hospital Workers' Union.
therefore, to predict which ordinance a union might endorse or how actively it would promote an ordinance's passage. In most of the unions, the decision process involves discussions and voting at the chapter level, making support among local union membership important. The United Public Employees' Union did support the previous attempt at domestic partner coverage. In addition, Supervisor Britt has had strong union support. Thus union support may be forthcoming, provided the issues are presented clearly and do not threaten current union priorities.

Contracted Private Insurers

San Francisco employees may choose insurance coverage under one of several HMO plans or the City's self-insured plan. Insurers expressed a range of concerns and requirements necessary for them to consider participation. These include carefully specifying those individuals newly eligible for group membership under the plan; avoiding individuals who are either very high risks or unknown risks with regard to health coverage; and limiting the extent to which they are exposed relative to other insurers.

Insurers with experience covering domestic partners generally respond more favorably to the current proposals than insurers who have never offered extended coverage. Kaiser participates in Berkeley's domestic partner coverage and is willing to participate in a similarly designed program in San Francisco. Among San Francisco insurers, however, Kaiser's rates
are uniquely insulated from the effects of high risk individuals. Kaiser insures about two million Californians and community rates. Therefore, additional costs for San Francisco significant others would be spread over rates for the entire two million person base. Smaller insurers are less able to spread risk and have greater exposure if significant others turn out to be higher risks than spouses and dependents. Since they must pass on these costs to a smaller group, their prices might rise relatively more than Kaiser's. Kaiser would become more attractive, and adverse selection would be an increasing problem for the other groups.

In spite of these concerns, however, smaller plans that have insured significant others report favorable experiences. (See Appendix 5 for details regarding the experiences of other extended benefits plans around the country.) Therefore, we expect that the smaller San Francisco HMOs will be able to successfully participate in a similar plan.

Public Opinion

Public support for extended benefits coverage will be important in two ways. First, and most obviously, the individuals initiating and implementing the proposals are elected officials and their appointees. For the Board of Supervisors and the Mayor, the opinions of constituents will be quite important. Second, if the proposed ordinances reach referendum, public opinion, at least of those who vote, will decide the issue.

Support by the gay and lesbian community will be crucial for
the success of either proposal, but especially for the Britt proposal. Nelder's proposal caters toward other groups such as ethnic groups for whom extended families are common. Members of gay and lesbian organizations have indicated that there is little current knowledge or specific activity regarding the issue. If the issue does enter public discussion, though, the gay/lesbian community will certainly provide a reservoir of support. The possibility exists that other minority communities will support extension of benefits to significant others. It is difficult to predict to what extent these two communities will cooperate.

In order to generate adequate support for extended benefits coverage, the interested communities will have to unite. In the first attempt to pass a gay/lesbian supported domestic partnership ordinance, the Black community favored an expanded definition of dependents which would have incorporated extended family networks. Problems will persist as long as these two communities and the Asian community differ, or are perceived to differ, about extending family coverage or limiting it to domestic partners only. The gay and Black communities have increased communication and unity in response to the AIDS epidemic. Perhaps these new linkages will be maintained and expanded to build support for one of the ordinances.

General public support will also be important and will most likely be shaped by the manner in which the issue is portrayed by members of the Board of Supervisors and the minority and gay/lesbian communities.
BROADER IMPLICATIONS

Extending health care benefits to significant others may have implications which extend beyond the immediately apparent costs and benefits. Hidden costs may include additional expenditures to ensure that employees' rights are preserved and additional benefits are granted. Additional benefits include decreased City costs for uncompensated care and the symbolic value of providing deserved benefits to individuals previously discriminated against. Furthermore, San Francisco has the opportunity to set an example for other employers who may be unwilling to institute extended benefits without seeing the results of a large-scale program.

Hidden costs of the program include the costs of delivering benefits to significant others. Examples are the cost to the City of granting leave for care of an ill significant other or her child, or for a funeral, or the extension of an employee's retirement benefits to her significant other. Defining a relationship, whether it is that of a "domestic partner" or an "extended family member," may have implications much broader than those simply associated with employment. Because the City is involved in many activities which use family relationships as a criterion for participation, it must consider the implications of broadening the definition of those relationships.

Since the County hospitals serve as the provider of last resort, uninsured individuals can be costly to the City. If the City currently subsidizes the care of uninsured significant
others, providing health insurance benefits may reduce City costs. Unfortunately, the amount of uncompensated care provided to uninsured significant others is difficult or impossible to determine.

Many other benefits also accompany a broader definition of family relationships. Extending rights to those who have been denied them offers greater protection of all our rights, following the tradition of civil rights protection. Furthermore, San Francisco has the opportunity to serve as an example of benefits extension to significant others. Its activities may serve as a catalyst for other employers to broaden their benefits. Although several other employers have provided benefits to significant others, these efforts have been limited in scope.

Although the proposals to extend benefits to significant others must primarily be judged on their own merits, they will have spillover effects, both positive and negative. These effects may be important in crafting a successful plan.

**IMPLEMENTATION: POSSIBLE SCENARIOS**

There are many possible ways in which the implementation of extended employee health benefits may occur. A best case scenario would involve cooperation and support from all interested parties, resulting in a meaningful policy. The most likely scenario differs somewhat from the best case, but may still result in an effective policy. Finally, the political and practical complications of the issue may result in a failure.
The Best Case

An effective task force will be instrumental to the ideal implementation of either the Britt or Nelder ordinance. The task force should be composed of representatives from large insurers, public and private employers and the gay/lesbian and other minority communities. Ideally, members will work well together and unite behind one ordinance. They will need to work with the Health Service System to develop accurate projections of the impact of benefits extension on the City and employees. This information should be used to familiarize constituents and generate support. Developing this support and the necessary coalitions between minorities, unions, and the gay/lesbian community ought to be well underway before the task force recommends one of the ordinances to the Board of Supervisors.

In this best case world, the ordinance recommended by the task force would be passed with strong support by a majority of the Board of Supervisors. The proposal will need to include provisions protecting insurers against unreasonable adverse selection, without being so stringent or intrusive to act as a disincentive for enrollment. Support from the Health Service System Board would also be forthcoming. In addition, the Health Service System will objectively assess its previously recognized need for funds, and keep this independent of any projected premium increases resulting from the new ordinance. Once the restrictions are specified, the insurance companies can rate the
covered group and set any new premiums or loading fees. If all insurers agree without resistance to provide coverage as stipulated by the ordinance, coverage could be offered at the beginning of the next enrollment period.

Concurrent to the development of the insurance specifications, affidavits of relationship would be developed, to allow employees to declare the individual to whom the extended benefits would apply. This type of affidavit is included in the current Britt proposal (see Appendix 2), and would have to be modified if group membership is made available to extended family members. The affidavit would be available to all employees far enough in advance of the insurance enrollment period that benefit coverage may be obtained.

The Most Likely Case

The process of group membership extension will probably not run as smoothly as that envisioned above. In a more likely scenario, the diverse interests of the task force members will result in difficulty arriving at a consensus. Eventually, the group will settle on one of the two ordinances. Due to delays and dissension within the task force, the projections of cost to the City and employees will not be well researched or organized. The information which does emerge may be produced too late to generate support and build coalitions before the task force makes its recommendation to the Board of Supervisors. Alternatively, even if the information were produced in a timely fashion, it may
not be well utilized to inform minority and gay/lesbian communities, unions, insurers or the general public about the pertinent issues. Dissension will probably not be limited to the task force. Full support by the Board of Supervisors is unlikely for either the Britt or Nelder proposal. If a compromise cannot be reached, it is likely that one of the proposals will be put up for referendum. Once the ordinance is on the ballot, its success will depend on the how well the information presented supports the merits of the ordinance. If preliminary projections are inaccurate, opponents will use the projections' shortcomings to their advantage.

Assuming that the ordinance is passed by the voters, it will still need clear support from the Mayor, union membership and at least some Health Service System Board members, in order to be approved by the Health Service System Board. After approval, negotiations with insurers by the Health Service System would be undertaken to determine the requirements and acceptability of the new coverage. If all insurers are willing to provide this coverage without being so restrictive as to make it an empty offer, provision of extended group membership may be possible, beginning in the next enrollment period. This availability will of course be contingent upon the timely development of method for identification of significant others.

The Worst Case

There are a number of critical points in the implementation
processes described above. If the process breaks down at any one of these, it is almost guaranteed that the attempt to extend group membership to significant others will be a failure.

First, dissension among members of the task force and the Board of Supervisors could lead to a ballot initiative on a proposal without strong merits, and without support from outside organizations. In this case the initiative will not pass. Secondly, a proposal passed by either the Board of Supervisors or by initiative could be either too risky for insurance companies to accept or so limited that availability of enrollment for significant others would be merely an illusion. Alternatively, a plan passed by the Supervisors or the public could meet either active or passive resistance by the Health Service System. This sort of resistance could be manifest in inadequate negotiations with private insurers, or more subtly by misrepresenting the funds currently needed for solvency as expenses of the new policy. Finally, an implemented plan with overly strong disclosure requirements could pose an undue burden upon employees wishing to use the benefits, thus acting as a disincentive for enrollment by any but the most adversely selective groups.

**RECOMMENDATIONS**

San Francisco policy-makers and others interested in furthering a provision to extend group health plan membership to significant others should organize their activities carefully in order to improve the chances of the provision's success.
Beginning immediately, information should be gathered and the task force appointed. Later in the summer, coalitions should be nurtured and facts made available to the public. With careful planning and coordination, an effort to extend benefits is likely to succeed whether or not it reaches a ballot initiative.

Immediate concerns begin with appointment of a task force. The task force should reflect the wide variety of interested groups and include representatives of the gay/lesbian community, minority communities, labor groups, insurers, and the legal community. Representatives should be chosen not only on the basis of membership in groups but also on the basis of their ability to compromise and respond openly to different viewpoints. Individuals who have not yet formed a definite opinion on the issue may be good candidates for task force membership, in that they will reflect differing concerns, infuse new ideas, and force the task force to address these concerns. The resulting consensus will be stronger as a result.

Another immediate task is to gather and organize information from other employers who have experience with an extended plan, with an eye toward its application to San Francisco’s situation. This task has been partially performed through the various resources associated with this report (See Bibliography, Persons Interviewed, and Appendix 5). The position of the Health Service System’s contingency fund should also be assessed immediately. An independent evaluation of the fund’s viability and funding needs, both with and without an extended coverage provision,
should be made. Finally, the concerns and requirements of San Francisco's insurers should be investigated. This effort should be started immediately, although it will continue as the task force develops specific proposals to which insurers are better able to respond.

After this initial fact gathering and as the task force gets under way, a broader effort to build consensus will be needed. A representative of the Mayor's office should monitor activities and progress. Information about experiences elsewhere and projections of the effects extended group membership on the City and its employees should be collected and organized. Accurate, accessible information about the consequences of proposed changes should be disseminated to the public by way of the media, labor groups, Gay and Lesbian Democratic Clubs, and other interested groups. A resource person in the Mayor's office should be available to answer questions and address concerns as they arise. These information resources may also be useful in refuting the misstatements of opponents or uninformed commentators on the plan.

Careful planning and accomplishment of these activities should generate a viable plan to extend health care benefits to significant others. If support among interested groups is strong and evidence regarding the effects of the plan is solid and accessible, the plan should succeed whether or not it is challenged by ballot initiative.
PERSONS INTERVIEWED
(in chronological order)


Randy Smith, Executive Director, Health Service System. San Francisco. Phone Conversations. April 7 and 15, 1988.


Bud Dougherty, Staff Director, United Public Employees' International Union, Local 790. Phone conversation. April 11, 1988.

Areva Gould, Director of Marketing, Children's Hospital Health Plan, San Francisco. Phone conversation. April 12, 1988.


Peter Groom, Attorney, State Department of Insurance, San


Sue Oxley, Alameda County Risk Manager. Phone conversation. April 15 and 20, 1988.


John Mehring, Member of the Harvey Milk Gay and Lesbian Democratic Club, and Member of the Hospital and Health Care Union, Local 250. Phone conversation. April 19, 1988.
BIBLIOGRAPHY


City and County of San Francisco Health Service System. "Comparison of Health Plans Available to Active and Retired Employees and Eligible Dependents: Digest of Rules and Regulations." July 1, 1987.


APPENDIX 1

Report to the Mayor from the Mayor's Health Benefits Task Force

July, 1984
REPORT OF THE MAYOR'S HEALTH BENEFITS TASK FORCE

Mayor Dianne Feinstein in the early months of 1983 appointed a Task Force to investigate the feasibility and to make recommendations to the Mayor for the extension of health benefits to designated beneficiaries of the City employees regardless of whether related by marriage, blood or at all. The existing coverage of health benefits for City employees is that the City pays for the health coverage of employees but that with some few exceptions (e.g. employees of the school system) employees may cover their spouses and minor children only, and then only upon payment of the fees set each year by the Health Services Board. The City and County does not pay the premiums for coverage of spouse or minor children; this is paid by the employee.

The first meeting of the Task Force was held on May 26, 1983 in the Mayor's Office, and at other locations after that. Composition of the Task Force follows:

Hon. Herbert Donaldson, Chairperson
Municipal Court Judge

Louis Giraudo, Attorney
Coblenz Law Firm

Naomi Gray, President
Naomi Gray Associates, Inc.

F. Walter Johnson, Commissioner
Health Service System Board

Robert Katz, Commissioner
Health Service System Board

Phyllis Lyon, Chairwoman
Human Rights Commission

Connie O'Connor
Lieutenant, Sherriff's Department
Alice B. Toklas Lesbian and Gay Democratic Club
HEALTH SERVICE SYSTEM

I History

The Health Service System was established by Charter Amendment (now Charter Section 3.680) in March, 1937, and has been conducting business officially since October, 1938. The Health Service became a fully budgeted department of the City and County of San Francisco in 1961.

The System was unique when it was established because it provided for a self-funded medical plan and today it is one of the few county or municipal plans in the United States which handles its medical program as a self-funded and self-administered basis.

II Administration

The Health Service System is administered by the Health Service Board through its Executive Director, Randall B. Smith, who serves at the pleasure of the Board (Charter Section 3.682).
Health Service Board:

The Health Service Board is entrusted with the responsibility of adopting a health plan or plans for the rendering of medical care to members of the system with the ideal of providing the best medical coverage at the most reasonable cost to all its members. The Health Service Board is composed of seven members: three members elected from the membership at large, two ex-officio members from City government, and two members, appointed by the Mayor, who represent expertise from the insurance and medical fields. Current members of the Board are:

Employee Members:  
Joseph A. Gaggero  
Recreation and Park  
F. Walter Johnson  
Retirement System  
Harry Pareto  
San Francisco Fire Department

Ex-Officio Members:  
Victoria Hobel, Deputy City Attorney  
Representing George Agnost, City Attorney  
Honorable Louise H. Renne, Chairman  
Finance Committee, San Francisco Board of Supervisors

Appointed Members:  
Abraham Bernstein, MD  
Practicing Physician  
Robert Katz  
Representative of Blue Cross

Medical Plans

Members of the System may elect to participate in any one of five different plans providing hospital, medical, and surgical benefits.

Under Plan I — (Also referred to as the City Administered Plan.)

Basic and Major Medical Benefits, plan — specified basic and Major medical benefits are paid directly by the System to members, hospital, and physician.
Under Plan II through V, benefits are provided through Health Maintenance Organization Plans (HMO's).

The HMO's include:
Plan II - Kaiser Foundation
Plan III - Children's Hospital Health Plan
Plan IV - French Hospital Health Plan
Plan V - Bay Pacific Health Plan

The System's function under the HMO plans is to collect, reconcile, and disburse premiums to the various health plan contractors.

**Contribution**

The cost of benefits provided by the System is paid from contributions received from members and the City and County.

City and County contributions are determined annually in accordance with Charter requirements (Charter Section 8.423). The contribution is based on similar contributions made by the ten populous counties in California.

Contributions for retired members vary depending on additional sources of health care benefits (such as Medicare). Contributions by the City and County are not made for member's dependents; the City and County's contribution is for the employee only; this contrasts with the fact that the other ten most populous counties in the State are subsidizing employees, the City and County's liability for providing health care benefits is limited to its annual contribution. Members' contributions are determined annually by the Health Service Board and approved by the Board of Supervisors. Member contribution rates are established to generally pay the difference between the City and County's contribution and the cost of providing benefits under each of the five plans; contribution rates, therefore, vary between plans and the class of members (i.e., active, retired, etc.). Contribution rates for Plan I - Basic and Major Medical Benefits are established by an outside Actuary. Member contributions do not accumulate or vest.
Reserves

The System's Plan I - Basic and Major Medical Benefits program is a self-funded plan. Should expenses of the Plan I program exceed related revenue and reserves, the System would be required to seek additional funds from members. The City and County is not legally obligated to provide additional funds under these circumstances. At the end of the fiscal year 1982-83, the net assets available for health benefits were allocated to reserve accounts as follows:

<table>
<thead>
<tr>
<th></th>
<th>1983</th>
<th>1982</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserved for budget commitments</td>
<td>$23,713</td>
<td>$34,394</td>
</tr>
<tr>
<td>Unreserved net assets</td>
<td>734,788</td>
<td>2,903,004</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$758,501</td>
<td>$2,937,798</td>
</tr>
</tbody>
</table>

"Reserved for budget commitments" represents administrative cost billed to City and County departments and collected by the System that will eventually be transferred to the City and County's administrative account to fund the operations of the System. "Unreserved net assets" are available to be used as directed by the Health Service Board and may be used to minimize the impact of possible future adverse experience.

CHRONOLOGY OF DELIBERATIONS

The Task Force met beginning on May 26, 1983 at which time the mandate was given to the Task Force. The first meeting after that date was held on June 9, 1983 and with few exceptions each two weeks on Thursday afternoons. Attendance was generally good but necessarily depended on the personal schedule of the individuals. There were certain of the interested members, however, who attended each meeting without exception.
The initial meetings after June 9th were given over to acquainting members with the background of the San Francisco Health Service System, including the authority for the System and the basic health benefit options which are available to the City employee.

The mandate of the Mayor to the Task Force was to explore the feasibility of covering any designated beneficiary of a City employee with health coverage under the Health Service System. The Task Force interpreted this mandate to mean just what it said — "any designated beneficiary" of a City employee, whether related by blood, marriage, or unrelated at all, of whatever age or sex.

The Task Force felt that in order to satisfactorily make any judgment as to the feasibility there would have to be some indication of what response would be made by City employees to the opportunity to cover individuals, other than a spouse and minor children. To this end, three full meetings and portions of other meetings were devoted to devising a questionnaire to be sent to a random sampling of City employees, both active and retired. Peter Nardoza who was both a member of the Task Force and also formed the liaison with the Mayor's Office was able to give yeoman service both in arranging for the cover letter from the Mayor to the random sampling, but also for the mailing of the letter and questionnaire to the random sampling. He obtained suggestions from various experts in the field including Mervyn Field in helping the Task Force devise a questionnaire which would be brief and yet give maximum information to the Task Force.

Marked Exhibit "I" and attached is a copy of the Questionnaire which was sent out to 2,000 City employees (active and retired) and the cover letter from the Mayor. It was at this point, some four meetings down the line that the concept of "adverse selection" or "anti selection" came to have meaning to all the members of the Task Force.
Adverse selection is the process in which persons who know they have extensive health care needs are provided -- intentionally or unintentionally -- an opportunity to enroll or to retain their coverage; at the same time persons who have reason to believe they have few health care needs are given -- intentionally or unintentionally -- incentives to drop their coverage. A major element of adverse selection under the Health Service System is the fact that the employee must pay all of the cost of dependent coverage if he/she wishes to cover dependents. Thus, there is a careful, "selective" decision on the part of the employee as to whether or not to cover his/her dependents. Healthy (generally younger) dependents are not enrolled. Unhealthy dependents (or those who are more likely to use care) are enrolled. If both adults in the City employee's family are working, the adverse selection process is even easier: most employers pay some or all of the cost of dependents coverage. The young and healthy dependents are invariably drawn to private industry health plans which, because of their age and health, can offer coverage at a lower cost and are partially or totally paid for by the employer. The older dependents, without another choice, such as dependents of retirees (and dependents with health problems who may need two health plans) are willing to stay in a plan in which the entire cost for their coverage is paid for by the employee. This element of adverse selection, not found in most employer plans is already at work in the City's program; the health carriers objected to increasing adverse selection even more.

The actuarial and insurance talent of some of the members of the Task Force provided a reservoir of information on the feasibility of coverage of any designated beneficiary. During the month of September the Task Force members unanimously agreed that it was not feasible to cover any designated beneficiary because of the adverse selection process and the limited size of the San Francisco Health Service System and its ever-lessening fund available for coverage.
The Task Force then concentrated on the feasibility of coverage for gay and lesbian employees' partners, and arrived at a definition as follows:

"Principal partner of the same sex with whom there is a continuing financial and emotional involvement, residing in the same household."

The results of the Questionnaire were returned the latter part of November. Results are contained in Exhibit "II" attached to this report.

Before discussing some of the possible conclusions to be drawn from the results of the Questionnaire, there are several points upon which there was a general consensus of opinion among those Task Force members in attendance.

First, of the many reasons the Mayor had for appointing this Task Force, one of the overriding reasons was a climate of opinion in the gay and lesbian community of San Francisco over the veto of the Partnership Bill which had been passed by the Board of Supervisors in late 1982. Aside from the registration of relationships at City Hall (of which this Task Force was not mandated to explore), there was the feature of Health Coverage for the partners of gay men and lesbians who are employees of the City. As the City Charter reads, the Board of Supervisors can not legislatively order the Health Service System to provide coverage, this being solely entrusted to the Health Service Board.

The Task Force felt that the concept of equal pay for equal work was a concept which was difficult to quarrel with, and that so long as heterosexual employees were given the benefit of coverage for their spouses under the City Health Service and gay men and lesbian employees were denied their live-in partner's coverage there was not equal pay for equal work. Thus, after arriving at a definition which seemed to cover the situation of gay men and lesbians' partners, the Task Force set to work to try to analyze the results of the Questionnaire to see whether in fact there was a feasible way to cover the partners of gay men and lesbian employees, who might elect such coverage.
Certain statistics stand out from a total of 566 respondents:

(a) Of 547 respondents, only 44 live with a partner other than spouse, or 8%.

(b) Of 547 respondents, only 24 share households with unrelated other, or 5%.

(c) If you add the 44 live-in partners and the 24 share households, you have a total of 68 of 547 respondents who have either a live-in partner or unrelated other living in the house, or 12%.

(d) If you assume that as many as one-half of the respondents are gay or lesbian (a generous assumption), still only 34 of the 547 respondents have either a live-in partner or unrelated other living in the house, or 6%.*

(e) Of the total responses, 566, only 40 desired to cover a live-in partner. Thus, only 7% wished to cover a live-in partner. And of the 487 individuals who indicated sexual preference less than 10% were gay, lesbian or bi-sexual. Ten percent of those individuals wishing to cover a live-in partner would, of course, number only 4 individuals, or far less than one percent of the city work force.

The above statistics indicate that a very small percentage of the city employee work force would be affected by enacting provisions to cover the partners as previously defined of gay men and lesbians. Yet at the same time it would apply the concept of equal pay for equal work to the health benefits of a large number of employees. Even more important are the symbolic implications of such coverage which would enable and encourage employers in the City to follow the lead of the City in extending such coverage to partners of gay men and lesbians.

This type of health coverage has never before occurred. Some short twenty years ago, the concept of private industry covering the health needs of its employees was still an emerging idea. Indeed, a short fifty years ago it was a radical concept for an employer to cover employees with health insurance. Social Security coverage was still to be instituted. In 1984 such items as dental coverage, ophthalmology, psychiatric counselling, psychological counselling, and other health care needs are rapidly developing as routine fringe benefits.

* In fact, the number of respondents who indicated sexual preference was as follows:

- 440 heterosexual
- 25 gay
- 6 lesbian
- 16 bi-sexual

Thus, of the 487 individuals who indicated sexual preference only a total of 47 are either gay, lesbian or bi-sexual, or less than 10%.
It may be argued that extending health coverage to the partners as defined herein tends to favor gay men and lesbians over heterosexuals who choose to live together without benefit of marriage. One answer to that is that if heterosexuals so choose they may be married and avail themselves of this benefit; gay men and lesbians are not free to marry under existing legislation and thus are effectively denied any way of obtaining these equal benefits for equal work.

Additionally, it may be argued that extending health coverage to the partners as defined herein would give rise to abuses in obtaining health coverage, but the answer to this argument is that abuses are now possible in the existing health coverage if one is determined to abuse it, through the device of marriage of convenience.

Juan Rael, a member of the Task Force, did a comprehensive analysis of the results of the survey which was taken of the City employees. Attached as Exhibit III is a copy of his memorandum of analysis. This memorandum was discussed extensively before the final recommendation with conditions which reasonably must be required if the recommendation of the Task Force is followed.

RECOMMENDATIONS

It became apparent early in the discussions of the Task Force that a major barrier to any constructive recommended changes to the City’s health benefits program is the fact that there is no employer contribution toward the cost of coverage of the City worker’s dependents. Therefore, the Task Force recommends that the necessary action be taken whereby the City may contribute toward payment of a portion of the cost of coverage for dependents. In the present state of the Charter, inclusion of “any designated beneficiary” is not feasible and therefore not recommended.
At a fully attended meeting of the Health Benefit Task Force, it was unanimously voted that the Task Force recommend to the Mayor that health benefits of the City and County of San Francisco Health Services System be extended to:

Principal partner of City employees of the same sex with whom there is a continuing financial and emotional involvement residing in the same household.

The health benefit, in order to be feasible, would have to be under the following conditions for the City Administered Plan:

1. A special classification would have to be set up which must stand on its own; i.e., it must not be subsidized by other Health Service reserves.

2. In future years, the class would be rated separately and the contribution requirement would depend entirely on the experience of the group.

3. It is estimated that the probable anti-selection is expected to be 25% of the ordinary spouse contribution requirement.

4. It is estimated that if the Health Service System approves coverage for this new class, a 25% loading for anti-selection (i.e., $17.50 per month) with the understanding that at the conclusion of each year, an analysis would be made, and based upon experience the premium would be adjusted either upward or downward.

5. It is recognized that the Health Service System might require during the initial first years of coverage that the City and County of San Francisco commit itself to underwrite any deficits, or that in lieu of such commitment on the part of the City and County there be a requirement that at the conclusion of each year, any deficits be assessed the following year against those Health Service members covering their live-in partners.

6. Because HMO's operate under different laws and principles than the City Administered Plan, different but parallel provisions can be designed to make the coverage feasible under the HMO's.

6-5-84
CF:la
City Employee Health Coverage Questionnaire

1. Are you currently covered by the City's Health Service System?  
   Yes  
   No  
   If no, skip to question #10.

2. Under which of the five system plans are you covered?  
   City Plan  
   Kaiser Plan  
   Children's Hospital  
   French Hospital  
   Pacific Bay Plan

3. Are you covered by any other health insurance plan?  
   Yes  
   No

4. What other kind of health insurance coverage do you have?

5. Do you have any children covered under the City system?  
   (If so) how many?  
   Yes, children covered  
   No, children not covered

6. Are you presently married?  
   Yes, married.  
   No, not married.

IF MARRIED
7. Is your spouse also covered by the City system?  
   Yes, also covered.  
   No, not covered.

IF NOT MARRIED OR SPOUSE IS NOT COVERED
8. If you had the right to pay to include one other individual on your City health plan at your expense, would you do so?  
   Yes, would include another.  
   No, would not.

IF YOU WOULD INCLUDE ANOTHER
9. What other person would you include?  
   Parent  
   Brother, Sister  
   Grandparent  
   Live in partner  
   Live in partner's child  
   Child -

   What is this person's age  
   sex ?
Now, to finish up, please answer the following to help us in our statistical analysis of the survey results. None of this data will be used for identification purposes.

10. What is your age? __________

11. Sex?
   Male 1
   Female 2

12. Your living arrangement?
   Live alone 1
   Live w/ spouse & children 2
   Live w/ partner other than spouse 3
   Share household w/ unrelated others 4
   Live with other relatives 5

13. Your sexual preference:
   Heterosexual 1
   Gay 2
   Lesbian 3
   Bi-sexual 4

14. Number of years employed by the City? __________

Please use the space below to comment on any aspect of your health coverage.

______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________

Thank you very much for your time and cooperation.

Please do not sign.
APPENDIX 2

Draft: Britt Proposal

Spring, 1988
(Domestic Partnership)

REQUESTING THAT THE MAYOR ESTABLISH A TASK FORCE TO EXAMINE THE
CREATION OF HEALTH CARE BENEFITS AND RETIREMENT BENEFITS FOR THE
DOMESTIC PARTNERS OF CITY EMPLOYEES AND THEIR DEPENDENT CHILDREN
AND CONSIDER THE CREATION OF A PILOT HEALTH CARE PROGRAM FOR
DOMESTIC PARTNERS

WHEREAS, The Board of Supervisors has found that the
relationships of San Francisco’s domestic partners are important
and deserving of official recognition; and

WHEREAS, It is the policy of the City and County of San
Francisco that domestic partners should enjoy equal access to
those employment benefits which are available on the basis of
marital status; and

WHEREAS, The Board of Supervisors recognizes that domestic
partners are in dependency relationships with city employees of
importance to those city employees and are deserving of adequate
health insurance and retirement benefits; and

WHEREAS, The Board of Supervisors finds it desirable to
provide a health insurance plan for domestic partners of city
employees which is actuarially and financially sound; and

WHEREAS, In order to provide experience which will show
whether a system of health care coverage for domestic partners
is actuarially and financially sound it may be necessary to
establish a pilot program with a limited number of city
employees participating; now, therefore, be it

RESOLVED, That the Board of Supervisors urges the Mayor to
establish a Task Force to develop plans for the inclusion of the
domestic partners of city employees and their dependent children

BOARD OF SUPERVISORS
in the city's health benefits and retirement benefits program; and be it

FURTHER RESOLVED. That the Mayor's Task Force consider the
creation of a pilot program of health coverage for domestic
partners of city employees which includes a limited number of
participants in order to determine if a larger program would be
actuarially and financially sound.
DRAFT

AN AMENDING THE SAN FRANCISCO ADMINISTRATIVE CODE BY ADDING CHAPTER ** THERETO, PROVIDING FOR DOMESTIC PARTNERSHIPS AND DECLARATIONS OF DOMESTIC PARTNERSHIPS

Be it ordained by the people of the City and County of San Francisco:

Section 1. The San Francisco Administrative Code is hereby amended by adding Chapter ** to read as follows:

CHAPTER **. DOMESTIC PARTNERSHIP DECLARATIONS

§ 24.1

Sec 24.1. DEFINITIONS.

(a) Domestic Partnership. As used in this Charter, two individuals are domestic partners if:
   1. Neither is married;
   2. They are not related to each other in any way which would bar marriage in California;
   3. Neither is acting under fraud or duress, and both are competent to contract;
   4. They reside together and share basic living expenses;
   5. Each declares in writing, either under oath or under penalty of perjury, that she or he is the other's domestic partner;
   6. Neither has, within the last six months, signed a declaration that she or he has a different domestic partner;
   7. They are both 18 years of age or older.

(b) "Reside Together." "Reside together" means that two individuals share the same living quarters. It is not necessary that the quarters be in both names. Two individuals may reside together even if one or both have additional separate living quarters so long as the two share at least one set of living quarters.

(c) "Share Basic Living Expenses." "Share basic living expenses" means that two individuals both contribute to the total cost of their food and the cost of utilities for shared living quarters. Two individuals need not contribute equally so long as both contribute.

Sec. **.2 DECLARATION OF DOMESTIC PARTNERSHIP

(a) Declaration by Filing Statement. Two individuals may declare themselves to be domestic partners by filing a Statement of domestic partnership with the County Clerk.

(b) Use of Form is Mandatory. To file a statement of domestic partnership with the County Clerk, the form set out in Sec. **.7(a) must be used.

(c) Amendments to the Statement. Partners may amend a Statement of domestic partnership filed with the County Clerk at any time to reflect any address changes. To amend, a partner must use the form set out in Sec. **.7(b).

Sec. **.3 TERMINATION OF DOMESTIC PARTNERSHIPS

(a) Termination By Filing Statement. Any member of a domestic partnership may end the domestic partnership by filing a statement of Termination with the County Clerk and by mailing a copy to the other partner at the address shown on the Statement of domestic partnership or, if it has been amended, on the most recent amendment to it.

(b) Use of Form is Mandatory. To file a statement ending the domestic partnership, an individual must complete the Termination Form set out in Sec. **.7(c).

Sec. **.4 NEW STATEMENTS OF DOMESTIC PARTNERSHIP

A person who has filed a statement of domestic partnership may file another statement of domestic partnership until six months after a statement of termination ending the previous partnership has been filed with the County Clerk.

Sec. **.5 LEGAL EFFECT OF DECLARATION OF FAMILY PARTNERSHIP

A domestic partnership created under this Chapter shall create no legal rights or duties of one of the parties to it toward the other, other than:

(a) the legal rights and duties specifically created by this Chapter or other ordinances or resolutions of the San Francisco Board of Supervisors which specifically refer to domestic partnership;

(b) legal rights and duties which the partners agree in writing they will owe to each other, provided the agreement is otherwise legally enforceable.

Sec. **.6 RECORDS, COPIES AND FILING FEES

(a) County Clerk's Records. The County Clerk will keep a record of all Statements of domestic partnership, Amendments to Statements of domestic partnership and all Statements of Termination. The file will be arranged so that Amendments and Statements of Termination are filed with the Statements of domestic partnership to which they apply.

- 2 -
b. Filing Fees
The County Clerk will charge a fee of ten dollars ($10) for filing the Statement of domestic partnership. There will be no charge for filing Amendments or Statements of Termination.

(2) Copies
(1) Statement of Domestic Partnership
When an individual files a Statement of domestic partnership, she or he is entitled to have two copies of the Statement certified by the Clerk without further charge.

(2) Other Statements or Additional Copies at Time of Filing
When an individual files an Amendment to a Statement of domestic partnership, or a Statement of Termination, she or he may have the Clerk certify copies at a cost of three dollars ($3) each. The same charge will apply to certification of additional copies of a Statement of domestic partnership at the time of filing.

(3) Copies at Other Times
At any time other than the time of filing, the County Clerk will charge four dollars ($4) each for certified copies of Statements of domestic partnership and Statements of Termination.

Sec. 22.7 FORMS
a. Form Statement of Domestic Partnership

STATEMENT OF ALTERNATIVE FAMILY PARTNERSHIP

WARRANTS.

(1) Public Record
When filed with the San Francisco County Clerk, this Statement becomes a PUBLIC RECORD. This means that anyone may get to see it and may get copies. This also means that, although the partnership may be ended (see below), there is no way to remove this Statement from the public records or to destroy it.

(2) Legal Effect
It is possible that this Statement could be interpreted as evidence that the Partners have taken on financial or other obligations to each other. San Francisco law says that Statements of domestic partnership have very limited effect, but state law might give it other, broader effects. If you are worried about this possibility, get legal advice on the effect of this statement and ways to control its effect.

(3) Termination
To end the domestic partnership created by this Statement, one of the partners must file a Statement of Termination with the County Clerk and mail a copy to the other partner.

To be sure that you get notice if your partner files a Statement of Termination, you must file an Amendment any time your addresses change.

(5) When Termination is Required
If any of the below Statements which you swear are true in the future, you must file a Statement of Termination.

FORM
We declare under penalty of perjury:
1. Neither of us is married;
2. We are not related to each other in any way that would bar marriage in California;
3. Neither of us is acting under fraud or duress, and both of us are competent to contract;
4. We reside together (see below for definition) at
5. We are each other's domestic partner;
6. Neither of us has, within the last six months, signed a Declaration that he or she has a different domestic partner;
7. We are both 18 years of age or older.
We both promise that if any of these statements cease to be true, we will file a Statement of Termination of the domestic partnership.
I declare under penalty of perjury under the laws of the State of California that the Statements above are true and correct.
Signed on _____________. 19__ in
Signature _______________________
Print _______________________
Address for Mail _______________________

I declare under penalty of perjury under the laws of the State of California that the Statements above are true and correct.
Signed on _____________. 19__ in
Signature _______________________
Print _______________________
Address for Mail _______________________

IMPORTANT DEFINITIONS
"Reside Together" Defined
In this Chapter, "reside together" means that two individuals share the same living quarters. It is not necessary that title to the quarters be in both names. Individuals may reside together even if one or both have additional separate living quarters so long as the two share at least one set of living quarters.

"Share Basic Living Expenses" Defined
In this Chapter, to "share basic living expenses" means that two individuals both contribute to the total cost of their food and the cost of utilities for shared living quarters. Two individuals need not contribute equally long as both contribute.
b. Form for Amendments

AMENDMENT TO STATEMENT OF
DOMESTIC PARTNERSHIP
I am filing this Statement to (check at least one of the following boxes):
1. [ ] Change the address at which my partner and I reside and I reside together. Our new address is:
2. [ ] Change the mailing address shown for me on the Statement of domestic partnership which I filed. The new address is:

I declare under penalty of perjury under the laws of the State of California that the statements above are true and correct.

Signed on ____________________, 19_.

Signature ________________________
Print Name ________________________
Address for Mail ____________________

FORM STATEMENT OF TERMINATION OF DOMESTIC PARTNERSHIP

I declare under penalty of perjury under the laws of the State of California that the statements above are true and correct.

Signed on ____________________, 19_.

Signature ________________________
Print Name ________________________
Address for Mail ____________________

(1) Fill in the name of the individual who you declared was your domestic partners on a Statement of domestic partnership.
(2) Fill in the month, day and year.

AMENDING THE SAN FRANCISCO ADMINISTRATIVE CODE BY ADDING SECTION ** THROUGH ** ABOUT BEREAVEMENT LEAVE, CHILD CARE LEAVE AND HOSPITAL VISITATION.

Be it ordained by the people of the City and County of San Francisco:

Sec. 1. The San Francisco Administrative Code is amended by adding Sections **.8, **.9 and **.10, to read as follows:

Sec. **.8 BEREAVEMENT LEAVE
(a). Employers with Bereavement Leave Policies
Any employer in the City and County of San Francisco which allows employees (or any class or group of employees) leave upon the death of a parent or child of a spouse, must allow employees the same leave on the same terms upon the death of a Domestic Partner or a child or parent of a Domestic Partner.
(b). City Contractors
Any contract in which Chapter 128 or 12C of the San Francisco Administrative Code requires a non-discrimination provision will also contain a provision requiring the contractor, if it allows employees (or any class or group of employees) leave upon the death of a parent or child of a spouse, to allow employees the same leave on the same terms upon the death of a Domestic Partner or a child or parent of a Domestic Partner.
(c). Proof of Alternative Family Partnership
(1). Statement. Any employer covered by subsections (a) or (b) of this section may require its employees to submit proof of a Domestic Partnership in the form of a written statement of Domestic Partnership, signed by both partners under penalty of perjury. The Statement shall be substantially the same as the form set out in Sec. **.7(a) of this code, deleting the "Warnings." Any employer who requires a Statement as proof of a Domestic Partnership must accept (but may not require the employee to submit) a copy of a Statement of Domestic Partnership which shows that it has been filed with the County Clerk.
(2). Alternate Compliance. Any employer covered by subsections (a) or (b) of this Section may fully comply if it allows all unmarried employees to name one individual upon whose death the employee will be permitted to take bereavement leave. The employer may require the employee to give the address of the individual, but it may not require any other information. The employer must allow employees to substitute one individual for another and to make a new designation if the individual dies.
(3). Time. An employer covered by subsections (a) or (b) of this Section may require that to be eligible for leave, an employee must have submitted the statement (if subsection (c)(1) applies) or made the designation (if subsection (c)(2) applies) at either the time
the employee was hired or at least three months before the death, whichever period is shorter.

Sec. **.9 CHILD CARE
(a) Employers which allow child care leave
Any employee in the City which allows employees (of any class or group of employees), other than the mother of a child, leave or other accommodation to care for a child, must allow employees the same leave or other accommodation on the same terms to care for a domestic partner's child.
(b) City Contractors which allow child care leave
Any contract in which Chapter 128 or 12C of the San Francisco Administrative Code requires a non-discrimination provision will also contain a provision requiring the contractor, if it allows employees (of any class or group of employees), other than the mother of a child, leave or other accommodation to care for a child, to allow employees the same leave or other accommodation on the same terms to care for a domestic partner's child.
(c) Proof of Domestic Partnership
(1) Statement. Any employer covered by subsections (a) or (b) of this section may require its employees to submit proof of a Domestic Partnership in the form of a written statement of Domestic Partnership, signed by both partners under penalty of perjury. The statement shall be substantially the same as the form set out in Sec. **.7(a) of this code, deleting the "Warnings." Any employer who requires a Statement as proof of a Domestic Partnership must accept (but may not require the employee to submit) a copy of a Statement of Domestic Partnership which shows that it has been filed with the County Clerk.
(2) Time. An employer covered by subsections (a) or (b) of this Section may require that to be eligible for leave, an employee must have submitted the statement (if subsection (c)(1) applies) or made the designation (if subsection (c)(2) applies) at either the time the employee was hired or at least three months before child care leave or other accommodation is first requested, whichever period is shorter.

Sec. **.10 HOSPITAL VISITATION.
(a) Patient Designation.
All hospitals shall allow any patient to whom visiting is restricted to name those individuals whom the patient wishes to allow to visit, unless:
1. No visitors are allowed;
2. The hospital decides that the presence of a particular visitor named by the patient would endanger the health or safety of a patient or patients, or would endanger the primary operations of the facility.
(b) Domestic Partners of Patients who Do Not Make Designations.
If a patient to whom visiting is restricted has not made
APPENDIX 3

Draft: Nelder Proposal

Spring, 1988
URGING THE HEALTH SERVICE SYSTEM BOARD TO INCLUDE AS A DEFINITION ELIGIBLE FOR BENEFITS PERSONS RESIDING WITH A MEMBER OF THEIR FAMILY IN A FAMILIAL RELATIONSHIP AND RELATED BY BLOOD OR MARRIAGE OR DECLARED "IN MARRIAGE" TO EACH Other PERSON WITH WHOM THE MEMBER SHARES THE NECESSITIES OF LIFE ON A PERMANENT BASIS, AND REQUESTING THE CITY ATTORNEY AND THE CITY AND COUNTY OF SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM TO SUBMIT TO THE BOARD, IN A MANNER SUFFICIENTLY TIMELY TO ALLOW PRESENTATION TO THE VOTERS ON THE NOVEMBER, 1988, ELECTION BALLOT, A CHARTER AMENDMENT WHICH WOULD PROVIDE THAT WHERE THERE IS: (A) NO SURVIVING SPOUSE OR MINOR CHILDREN TO RECEIVE THE NORMAL SURVIVOR BENEFITS, THE EMPLOYEE WOULD BE EMPOWERED TO NAME ANOTHER BENEFICIARY WITH WHOM THE EMPLOYEE SHARES THE NECESSITIES OF LIFE ON A PERMANENT BASIS, WHICH DESIGNATION WOULD BE MADE ON A FORM TO BE PROVIDED BY THE CITY AND COUNTY OF SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM, AND URGING THE SYSTEM TO STUDY A TASK FORCE TO ENABLE IT TO ACQUIRE ADEQUATE AND Timely information THE BOARD AND TO THE MAYOR AND COUNCIL FOR THE PURPOSE OF ESTABLISHING RETIREMENT BENEFITS PURPOSES IN OTHER COMMUNITIES THROUGHOUT CALIFORNIA AND ANY OTHER STATE, AND IN MAJOR BUSINESSES, AND (2) ACTUARIAL DATA FOR THE EXPLICIT PURPOSE OF ESTABLISHING APPROPRIATE PREMIUMS AND CONTRIBUTIONS TO MAINTAIN THE STABILITY AND AVAILABILITY OF CURRENT BENEFIT FUNDS.

WHEREAS, Health care costs have soared to the point that only the most wealthy in this society can afford health care without insurance; and

WHEREAS, Persons and families confronted with staggering

SUPERVISOR NELDER
BOARD OF SUPERVISORS
health care costs are often bankrupted by the burden; and

WHEREAS, The City and County of San Francisco, as a matter of law, are mandated to provide health care to all who cannot afford care under their own resources; and

WHEREAS, Health insurance spreads the risks and burdens of health care costs across society in a more equitable manner; and

WHEREAS, The high cost of living and longer life spans on the effects of our mobile society have resulted in many people living with their parents, sharing the blood relations other than their own children; and

WHEREAS, In our modern complex society, persons not related by marriage often reside together in a familial relationship, sharing the necessities of life, and

WHEREAS, The conscientious and affectionate wage-earner in a given household in today's economy is concerned not only with the costs of health insurance to assure proper and necessary health care for members of his or her household, but also with the on-going living expenses for those surviving members of his or her household in the event of his or her death; and

WHEREAS, There currently exist in the San Francisco Charter certain references which provide for automatic city-funded continuation benefits for "surviving spouses", which, in light of the many non-traditional households in the City and County of San Francisco, should now appropriately be extended to other

SUPERVISOR NELDER

BOARD OF SUPERVISORS
individuals with whom the employer shares the necessities of life on a permanent basis; and

WHEREAS, The Health Service System Board is vested under the Charter with the power to determine eligibility of dependents; and

WHEREAS, It is equitable and practical to expand the categories of eligible dependency lest those persons become obligations of the City as the health care provider of last resort; now, therefore, be it

RESOLVED, That the health service system board include as a dependent eligible for benefits or persons residing with a member of the system in a familial relationship and related by blood or marriage or declared in May of each year, the member to be the person with whom the member shares the necessities of life on a permanent basis, and be it

FURTHER RESOLVED, That this Board requests the City Attorney and the City and County of San Francisco Employees' Retirement System to submit to the Board in a manner sufficiently timely to allow the presentation to the voters on the November, 1988, election ballot of a Charter Amendment which would provide that where there is (are) no surviving spouse or minor children to receive the normal survivor benefits, the employee would be empowered to name another beneficiary with whom the employer shares the necessities of life on a permanent basis, which designation would be made on a form to be provided by the City and County of San Francisco Employees' Retirement

SUPERVISOR NELDER
BOARD OF SUPERVISORS
System, and be it

FURTHER RESOLVED, That this Board of Supervisors, in the Mayor, to establish a Task Force to acquire, analyze, and transmit to this Board and to the Mayor (1) all available information concerning extended family coverage for health insurance and retirement benefits purposes in other communities throughout California and any other state, and in major businesses, and (2) actuarial data for the explicit purpose of establishing appropriate premiums and contributions to maintain the stability and availability of current benefit funds; and be it

FURTHER RESOLVED, That upon approval of this Resolution by his Honor the Mayor, the Clerk of the Board is directed to present a copy of this Resolution to the President of the Health Service System Board

SUPERVISOR NELDER
BOARD OF SUPERVISORS
APPENDIX 4

Numerical Projections
Using data from the San Francisco Department of Public Health(1) and 1987 employee benefit data,(2) we developed projections regarding the first year costs of adding significant others to San Francisco's group health plans. We estimated first-year costs only because we feel that short term costs will be of most interest in the political debate, and because experience elsewhere is limited. Few other employers have offered coverage for significant others for more than two or three years, so it is difficult to make long term projections. We based our projections on many simplifying assumptions.

For simplicity and because we were unable to obtain accurate rates, we ignored 2,067 employees with Medicare coverage (out of a total of 42,580 employees). Therefore, our estimates are slight exaggerations of the effects on individual employees, since costs will actually be spread over a somewhat larger pool. Total effects and the distribution of costs between the City and the employees as a group, however, should not be affected.

We assumed that all individuals adding a significant other would move from the individual to the individual + 1 rating category. Although in a few cases an employee might move from the individual + 1 category to family (e.g., in the case of an employee with a child who wishes to add a domestic partner), we expected the size of this effect to be small.

We assumed that the distribution of employees among the various health plans would not change as a result of adding significant others. In fact, slight shifts might be anticipated, since currently the distribution of employees in the individual + 1 category differs from that in the individual category. The direction and magnitude of these shifts is hard to predict however, and was not central to our analysis. For an attempt to project these switches, see the San Francisco Department of Public Health Draft, "Analysis of Costs of Adding Significant Others to Employee Health Coverage."(3)

We assumed that all HMOs would increase rates based on a fixed percentage of their current rates and, for simplicity, assumed that this rate would be the same across the six HMOs and across all rating categories. Obviously, this is unlikely.


2 City and County of San Francisco, "Comparison of Health Plans Available to Active and Retired Employees and Eligible Dependents," July 1, 1987.

We assumed that the City would maintain its current cap on contributions at $106.13. The City currently will pay up to $106.13 for individual coverage. If individual coverage is priced lower than this amount, that price is the City's contribution to an employee’s health coverage, regardless of whether the employee has dependents. The City makes no contribution to the coverage of dependents under any circumstances and similarly, we assume, would not contribute to the coverage of significant others. (This contrasts with the apparently mistaken assumption in the San Francisco Department of Public Health report mentioned above.) Therefore, cost estimates from that report should not be used without modification.

We assumed, for simplicity, that increases in the City fund requirements would be distributed in equal dollar amounts across all the employees insuring through the City's self-insured plan. Thus, if the City's requirement were $1,000,000 and 15,000 employees insured through that plan (the total of individuals, individuals +1, and families), each rating unit would experience a rate increase of $67. It is possible, instead, that rate increases would be proportionate to the old premium, in which case individuals +1 and families would experience a greater increase and individuals a smaller increase. However, far more of the City plan members fall into the individual category and insurers typically rate so that individual subsidize dependents. It is not clear how City fund requirements would be passed on to employees.

We further assumed that City fund requirements could only be passed on to members of the City health plan. We believe, but were unable to confirm, that legal constraints would prevent the Health Service System from increasing HMO rates to support the City's fund requirements.

Based on these assumptions, we calculated the increases in City and employees' expenditures that would result from a plan adding significant others to group plans. First we assumed that the City plan would raise its rates by the same percentage as the HMO plans and allowed the number of employees adding significant others and the percentage rate increase charged by the insurers to vary (Appendix 4-1). We then relaxed the constraint on the City rate increase and allowed the City's fund requirement to vary as well (Appendix 4-2). We calculated absolute and percentage expenditure increases to the City and employees as a group. Because we were concerned about the distribution of rate increases across groups, we also estimated the percentage increase to the different rating categories which would result from the City plan increase (Appendix 4-3).

4 Ibid.
We based the range of HMO rate increases, percentage of employees adding significant others, and City fund requirements on evidence from previous programs and the responses of key players, when available.

We allowed HMO rate increases to vary between 1 and 10% at 1% intervals. HMO rate increases have been observed to be quite small in the City of Berkeley (1 to 2.5%) (5) and the American Psychological Association (0%) (6). It is unlikely that San Francisco's HMOs, some of which also cover Berkeley employees, would raise rates beyond 10%.

We allowed the number of medically single employees adding a significant other to vary between 5% and 50% at 5% intervals. "Medically single" employees are those who, at the time of the plan, obtain health insurance through the individual category. Many of them may be married, with their spouses obtaining health coverage elsewhere. About 10% of Berkeley's medically single employees added significant others.(7) The American Psychological Association and the Village Voice had responses of less than 1% and 3%, respectively.(8,9) Although San Francisco's large gay population may make a larger response seem likely, the relatively unattractive provision of group membership without subsidization will work in the opposite direction. If an extended family plan is adopted, of course, a larger group might be expected to add significant others. Our assumption that this would still allow only one addition per employee, however, makes additions beyond 50% unlikely.

The City's self-insurance fund requirement is harder to estimate. We used the range of $250,000 to $3,000,000 at roughly $500,000 intervals. This is based on the conservative response of Randy Smith, Health Service System Board Administrator.(10) Smith asserted that the addition of significant others would increase funding requirements, although he did not say by how

5 Personal communication, Sue Oxley, City of Berkeley, 4/20/88.

6 Personal communication, Steve Young, Liberty Mutual Insurance, 4/16/88.

7 Personal communication, Sue Oxley, 4/20/88.

8 Personal communication, Margaret Bogie, Executive Administrator of American Psychological Association Insurance Trust, 4/13/88.

9 Personal communication, Larry Morgan, Fund Administrator, District 65 UAW (for the Village Voice), 4/15/88

10 Personal communication, Randy Smith, Administrator, Health Service System Board, 4/15/88.
much. The Village Voice provides coverage for significant others through a self-insurance fund administered by the District 65 UAW. When this plan incorporated a provision for significant others, the $220,000 fund was increased to $280,000.(11) Although the fund administrator cautioned that this increase was by no means due only to the addition of significant others, we took this 27% increase as one estimate of San Francisco City fund requirements. If the San Francisco fund's ideal level is $5 million, as reported by Smith, this would suggest an increase of roughly $1.4 million. These estimates are very rough; there is no particular reason to assume that the Voice fund requirements should be extrapolated linearly to San Francisco's situation. Our point in making these estimates, however, is to note how sensitive expenditure increases are to changes in the City's fund requirements, not to project exactly what those changes will be.

These projections are based on our best guesses at this time regarding how the City Health Service System, insurers and employers would respond to additions of significant others to group health plans. The projections are based on strong assumptions and are intended to illustrate important issues rather than provide definitive answers. Nevertheless, we believe that as proposals are clarified and bargaining positions are revealed, a similar modeling process would improve the quality of the debate by explicitly incorporating concerns and methodically comparing the consequences of various approaches.

11 Personal communication, Larry Morgan, 4/15/88.
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Total Employees' Exp, all three categories: $1,986,267
Total City Expenditures, all three categories: $3,998,301
Total Exp/All Payers, all three categories: $5,984,568
### PROJECTED DISTRIBUTION OF EMPLOYEES AND COSTS OF INSURANCE

**ASSUMPTIONS:** Percent No. of Individuals Adding Partner: 10%
Percent Increase in Rates: 5%

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<th>City Contrib.</th>
<th>Employee Contrib.</th>
<th>Cost to City</th>
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**Total Employees' Expenditures, all three categories** $2,385,230
**Total City Expenditures, all three categories** $4,104,875
**Total Expenditures/All Payers, all three categories** $6,490,104
**Absolute Increase in Employees' Expenditures** $398,962
**Percent Increase in Employees' Expenditures** 20.1%
**Absolute Increase in City Expenditures** $106,574
**Percent Increase in City Expenditures** 2.7%
## PERCENT INCREASE IN EMPLOYEES' EXPENDITURES UNDER VARIOUS ASSUMPTIONS

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## ABSOLUTE INCREASE IN EMPLOYEES' EXPENDITURES UNDER VARIOUS ASSUMPTIONS

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## ABSOLUTE INCREASE IN CITY EXPENDITURES UNDER VARIOUS ASSUMPTIONS

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## ABSOLUTE INCREASE IN CITY EXPENDITURES UNDER VARIOUS ASSUMPTIONS

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APPENDIX 4-2
### Individual

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### Individual +1

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<th>Employee Contrib.</th>
<th>Cost to Employee</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
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<td>$106.13</td>
<td>$230.84</td>
<td>$248,344</td>
<td>$788,504</td>
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<tr>
<td>Kaiser</td>
<td>4326</td>
<td>$237.96</td>
<td>$96.67</td>
<td>$141.29</td>
<td>$418,194</td>
<td>$1,029,421</td>
</tr>
<tr>
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<td>596</td>
<td>$247.07</td>
<td>$100.59</td>
<td>$146.48</td>
<td>$59,952</td>
<td>$147,251</td>
</tr>
<tr>
<td>French</td>
<td>199</td>
<td>$231.50</td>
<td>$96.10</td>
<td>$135.40</td>
<td>$15,124</td>
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<td><strong>Total</strong></td>
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<td></td>
<td></td>
<td></td>
<td>$2,271,757</td>
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</table>

- Total Employees' Expenditures, all three categories: $3,262,354
- Total City Expenditures, all three categories: $4,104,875
- Total Expenditures/All Payers, all three categories: $7,367,229
- Absolute Increase in Employees' Expenditures: $1,276,087
- Percent Increase in Employees' Expenditures: 64.2%
- Absolute Increase in City Expenditures: $106,574
- Percent Increase in City Expenditures: 2.7%
### Percent Increase in Employees' Expenditures Under Various Assumptions

<table>
<thead>
<tr>
<th>% Indiv. Adding</th>
<th>City's Self-Insurance Fund Requirement</th>
</tr>
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<tr>
<td>$250,000</td>
<td>$500,000</td>
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<tr>
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<tr>
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<td>20.0%</td>
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<td>40.0%</td>
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### Absolute Increase in Employees' Expenditures Under Various Assumptions

<table>
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### Absolute Increase in City Expenditures Under Various Assumptions

<table>
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<th>% Indiv. Adding</th>
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<tbody>
<tr>
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</tr>
<tr>
<td>50.0%</td>
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</table>
## PROJECTED DISTRIBUTION OF EMPLOYEES AND COSTS OF INSURANCE

### ASSUMPTIONS:
- Percent of Individuals Adding Sgl Other: 10.0%
- % Increase in Non-City Rates: 5.0%
- City’s Self-Ins. Fund Requirement: $1,000,000

### INDIVIDUAL

<table>
<thead>
<tr>
<th>Health Plan</th>
<th>Number</th>
<th>Premium Cost</th>
<th>City Contrib.</th>
<th>Employee Contrib.</th>
<th>Cost to City</th>
<th>Cost to Employee</th>
<th>Total Cost</th>
</tr>
</thead>
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</table>

City Plan % Increase in Total Indiv Rate: 53.3%
City Plan % Increase in Employee Paid Rate: 315.8%

### INDIVIDUAL +1

<table>
<thead>
<tr>
<th>Health Plan</th>
<th>Number</th>
<th>Premium Cost</th>
<th>City Contrib.</th>
<th>Employee Contrib.</th>
<th>Cost to City</th>
<th>Cost to Employee</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
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<td>$1,948,862</td>
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</table>

City Plan % Increase in Total Indiv+1 Rate: 34.1%
City Plan % Increase in Employee Paid Rate: 72.7%

### FAMILY

<table>
<thead>
<tr>
<th>Health Plan</th>
<th>Number</th>
<th>Premium Cost</th>
<th>City Contrib.</th>
<th>Employee Contrib.</th>
<th>Cost to City</th>
<th>Cost to Employee</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Plan</td>
<td>2340</td>
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<td>$106.13</td>
<td>$230.84</td>
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<td>$141.29</td>
<td>$419,194</td>
<td>$611,227</td>
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<td>$247.07</td>
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<td>$146.48</td>
<td>$59,952</td>
<td>$87,299</td>
<td>$147,251</td>
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<td>199</td>
<td>$231.50</td>
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<td>$135.40</td>
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<td>$26,945</td>
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<td>$103.93</td>
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City Plan % Increase in Family Total Rate: 25.3%
City Plan % Increase in Employee Paid Rate: 41.8%
**Summary of Distributional Effects of Adding Significant Others**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Total Employees' Expenditures, all three categories</td>
<td>$3,262,354</td>
</tr>
<tr>
<td>Total City Expenditures, all three categories</td>
<td>$4,104,875</td>
</tr>
<tr>
<td>Total Expenditures/All Payers, all three categories</td>
<td>$7,367,229</td>
</tr>
<tr>
<td>Absolute Increase in Employees' Expenditures</td>
<td>$1,276,087</td>
</tr>
<tr>
<td>Percent Increase in Employees' Expenditures</td>
<td>64.2%</td>
</tr>
<tr>
<td>Absolute Increase in City Expenditures</td>
<td>$106,574</td>
</tr>
<tr>
<td>Percent Increase in City Expenditures</td>
<td>2.7%</td>
</tr>
<tr>
<td>Abs. Increase in Employee Exp., Individuals</td>
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<tr>
<td>% Increase in Employee Exp., Individuals</td>
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<td>Abs. Increase in Employee Exp., Indiv+1</td>
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<tr>
<td>% Increase in Employee Exp., Family</td>
<td>16.9%</td>
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</tbody>
</table>
APPENDIX 5

Descriptions of Experiences of Other Employers Offering Health Benefits to Significant Others
A number of organizations and municipalities currently offer group membership for health insurance to the domestic partners of their employees. Of these organizations we contacted three, the City of Berkeley, the Village Voice, and the American Psychological Association. In general, these groups report no major cost or premium increases as a result of the additional coverage. The history and outcome of these three plans are summarized below.

The City of Berkeley

The effort to have the City of Berkeley extend health insurance coverage to domestic partners began in 1979 when Tom Brougham attempted to sign his partner up for health benefits. It was not until coordination between Brougham and the East Bay Lesbian/Gay Democratic Club made the issue a public priority in 1982 that the City began serious consideration of coverage extension. In 1983, the Human Relations and Welfare Commission held a public hearing on "examining the use of Marriage to Determine Benefits and Liabilities in Berkeley -- and the Alternatives," and in 1984 this commission recommended that the City institute a domestic partnership policy. This recommendation was endorsed by the City Council in July of 1984.

Because of political and administrative delays, the first phase of the benefits extension to domestic partners did not become effective until April 1, 1985. This phase included the availability of dental coverage and bereavement leave. These benefits were made available first because they are controlled and administered by the City itself. As of July 1, 1985 medical coverage became available under the City of Berkeley Indemnity Health Plan. This is the City's self-insured plan. Negotiations with the private insurers with whom Berkeley contracted took quite some time, but those advocating this policy on the basis of "equal pay for equal work" were not satisfied with coverage limited to the City plans. In the process of negotiation with their contracted plans, Berkeley dropped one of them for its unwillingness to participate. As of January 1, 1987 group membership under Berkeley's contracted plans with both Kaiser and Heals has been available to domestic partners of City employees.

Currently 105 affidavits of domestic partnership are on record at the Berkeley City Hall. To qualify as domestic partners, two individuals must meet criteria similar to those in the Britt proposal. Specifically, they must reside together, share the basic necessities of life, have been domestic partners for at least six months, be unmarried and at least 18 years of age. Ninety-six of the 105 employees have signed their partner up on their dental plan and 76 have used available health benefits. Of these individuals, over three quarters are involved in heterosexual domestic partnerships. Although the two HMOs with which Berkeley contracts felt that it was necessary to add a small "loading fee" their premiums, neither the City plan nor the HMOs report any extraordinary expenses because of the additional
coverage.

The *Village Voice*

The *Village Voice* newspaper in New York City has offered its employees a "spousal equivalent" insurance program since July, 1986. This program is offered under a self-insured plan owned by the *Village Voice* and administered by the District 65 UAW. In order to qualify for the benefit, employees and their partners must have completed a one year cohabitation period and sign an affidavit attesting to their partnership. The benefits offered include health, dental, disability and life insurance.

Initially, only six or seven of the newspaper's 180 employees signed up for extended benefits. Although the costs of these employees have not yet been analyzed, the union does intend to break out their experience after sufficient time has elapsed and data have accumulated. When the plan was originally negotiated, the insurance fund administrator was careful to increase premiums to increase the size of the self-insurance fund. This increase brought the fund from about $220,000 to $280,000. Larry Morgan, the Fund Administrator points out that this increase was only in small part due to the partnership provision. The depleted position of the fund necessitated an added cushion based on higher medical care costs, the addition of spousal equivalents and the increased risk of AIDS.

The American Psychological Association

The APA began offering its spousal equivalent benefits to employees in 1980. These benefits were originally offered under a three year pilot project, but are now part of the official benefits package available to employees. The APA offers this coverage through the American Psychological Association Insurance Trust, in contract with Liberty Mutual Insurance Company. These benefits are offered based on partnership criteria similar to those in the other plans, with the additional requirement that the partner provide proof of good health. Of the 3,000 members in the insurance program, four are enrolled with spousal equivalents. There has not been any increase in premiums attributable to the additional coverage.