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## **Positive Effects on the State of Alaska from Domestic Partnership Benefits**

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Including employees' domestic partners in public employers' health care and other benefits will have positive effects on state and local government employers in Alaska. The possibility of cost increases is usually high on the list of concerns, although a great deal of evidence suggests that cost increases will be small (Ash and Badgett, 2005; Badgett, 2000; Badgett, 2001; Badgett and Sears, 2005; Kohn 1999; International Society of Certified Employee Benefits Specialists, 1995). Just as important are the benefits that the State of Alaska will see if public employees' partners are eligible for benefits. Based on my own research and the research of other academics, I believe that the State of Alaska and other public employers will see the following benefits from offering benefits to same-sex and different-sex domestic partners:

1. **Spending related to Medicaid and uncompensated health care for uninsured people is likely to fall by \$0.8-1.1 million per year.**
2. **Current employees will be healthier, more satisfied, and less likely to leave their jobs.**
3. **Domestic partner benefits will increase the ability of public employers to recruit talented and committed employees.**
4. **In addition to the benefits, health care costs would increase by a small amount, and the increase would likely be shared by public employers and employees.**

Below I present some calculations and summaries of studies that support these claims.

1. **Spending related to Medicaid and uncompensated health care for uninsured people is likely to fall by \$0.8-1.1 million per year.**

Offering domestic partner benefits to public employees will likely reduce the number of people who are uninsured or who are currently enrolled in Medicaid and other government-sponsored health care programs. A recent study shows that people with unmarried partners—either same-sex or different-sex partners—are much more likely to be uninsured or on Medicaid than are married people (Ash and Badgett, 2005). That study finds that if employers offer domestic partner benefits, some people who are currently uninsured are likely to receive insurance. Overall, calculations using Census data and other government data suggest that the State of Alaska could save \$0.8-1.1 million dollars per year if public employers offer health care coverage to all domestic partners.

Census data show that 326 same-sex couples and 3398 different-sex unmarried couples in Alaska include one public employee (Census data analyzed by Gary Gates, Ph.D.). Those couples have a total of 4,500 children under 18 living with them. National data suggest that 14% of the same-sex partners and 23% of the different-sex partners will be uninsured, so Alaska will cut the

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number of uninsured by 1,300-1,800 people by offering partner benefits, depending on how many children of these couples are uninsured. If uninsured partners of public employees sign up for an employee's health plan, then the state will save money on state-supported health care programs since uninsured people still require health care but often cannot pay for it. The state and local government contribution to uncompensated care averaged \$276 per uninsured person according to a recent study (Hadley and Holahan, 2003, in 2005 dollars). Providing insurance to 1,300-1,800 people will reduce state and local expenditures for uncompensated care by one-third to one-half million dollars.

In addition, 2% of the same-sex partners and 4% of the different-sex partners are likely to be on Medicaid, suggesting that partner benefits could cut the number of Medicaid recipients by 242-333 people. Since the State of Alaska will pay half of the average Medicaid spending of \$2,927 per child and \$3,861 per adult, partner benefits could save the state \$0.5 to 0.6 million per year. (These figures come from State Health Facts, [www.kff.org](http://www.kff.org), and are adjusted for inflation.)

Putting the two effects together-less uncompensated care and fewer Medicaid recipients-shows that the state could save \$0.8 to 1.1 million per year in current health care-related expenditures. If the state covers only same-sex partners, the savings will be much smaller, approximately \$50,000 per year.

### **2. Current employees will be healthier, more satisfied, and less likely to leave their jobs.**

A growing body of research shows that offering domestic partner benefits has several positive effects on current employees. These effects on employees would likely benefit public employers in Alaska.

First, a supportive workplace climate and supportive policies, including domestic partner benefits, increase disclosure, or "coming out", of lesbian, gay, and bisexual employees. (Badgett, 2001; Button, 2001; Driscoll, Kelly, and Fassinger, 1996; Griffith & Hebl, 2002; Ragins & Cornwell, 2001; Ragins & Cornwell, forthcoming; Rostosky & Riggle, 2002)

Second, this increase in disclosure has positive benefits to worker health. Using different measures of general anxiety or anxiety in particular contexts, several studies found either that people who were more out reported lower levels of anxiety and less conflict between work and personal life, or that more closeted people reported higher levels of anxiety (Jordan & Deluty, 1998; Day & Schoenrade, 1997; Griffith & Hebl, 2002; Hall, 1989).

Third, lesbian, gay, and bisexual workers who are more out will be better workers. Several studies show that out workers report greater job satisfaction (Driscoll, Kelley, and Fassinger, 1996; Day & Schoenrade, 1997; Griffith & Hebl, 2002). In addition, Day & Schoenrade's survey participants who were more out also reported sharing their employer's values and goals more than workers who were more closeted. However, some studies looked for but did not find this link

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(Ellis & Riggle, 1995; Ragins & Cornwell, 2001). A study by Ellis and Riggle (1995) shows that more out workers report higher levels of satisfaction with their co-workers. Finally, partner benefits reduce gay, lesbian, and bisexual workers' turnover and increase their commitment to firms (Ragins and Cornwell, forthcoming).

### **3. Domestic partner benefits will increase the competitiveness of public employers in recruiting and retaining talented and committed employees.**

Many Alaskan employers already offer domestic partner benefits to employees, including Providence Health Systems Alaska, BP Exploration, Chevron, and Wells Fargo. Therefore, in order to remain attractive to employees who have or might someday have domestic partners, public employers will need to offer comparable benefits. In a national 2004 Harris Interactive/Witeck-Combs Communication poll, one third of heterosexual respondents believed that a law preventing employers from offering domestic partner benefits would have “quite a bit” or “a great deal” of an impact on employers' ability to recruit and retain the most qualified employees.

Indeed, evidence suggests that employees make decisions about job offers based on domestic partner benefits. A March 2003 poll by Harris Interactive/Witeck-Combs found that 6% of heterosexual workers reported that domestic partner benefits would be the most important factor in deciding to accept a new job—more than those who would look for on-site child care. In that study, almost half (48%) of lesbian, gay, and bisexual employees said that partner benefits would be their most important consideration if offered another job. Furthermore, 7% of heterosexual workers who actually changed jobs reported that partner benefits were the most important factor in that decision—a factor almost as common as changing jobs for better retirement benefits (12%).

Offering domestic partner benefits also sends an important positive signal to a much larger group of employees. A 2004 Harris Interactive/Witeck-Combs poll finds significant support for the principle of equal benefits for all employees: 64% of heterosexual employees agreed that “Regardless of their sexual orientation, all employees are entitled to equal benefits on the job, such as health insurance for their partners or spouses.” A recent study by Richard Florida found that heterosexual employees, even those without unmarried partners, often look for domestic partner benefits as a signal of an employer that values diversity and creativity. In a follow-up study, Florida argued that regions that do not embrace the benefits of diversity-friendly policies risk alienating the creative workforce that is the key to gaining a competitive edge in the global market. Public recognition of these benefits sends a strong signal to the private sector.

This evidence suggests that partner benefits will become increasingly important in competing for talented and committed employees of all sexual orientations. Recruitment and turnover are costly for public employers, therefore offering partner benefits could lower those costs.

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### 4. Health care costs would increase by a small amount, and the increase would likely be shared by public employers and employees.

The State of Alaska (and some local employers) provides employees with a “benefit credit” with which to pay for health insurance and other employee benefits. If an employee’s benefit costs exceed the credit, then the employee pays the difference. In 2005-6, the benefit credit ranged from \$705 to \$852 per month for state employees whose benefits were administered by the state rather than a union. This benefit credit was sufficient to pay for one of the health care plans offered by the state, but at least employees would need to pay some share of the premium. Most importantly, the state’s contribution (and the employee’s monthly health premium) does not depend on the number of dependents that the employee has. Therefore, in the short run, the state’s (and similar local employers’) extra cost for domestic partner benefits would be zero. Over time, though, as domestic partners and their children sign up for coverage, the state plan and union plans will incur additional expenses. Because the state’s Select Benefits medical plan is self-insured, the state plan would be responsible for paying those costs. The costs incurred by the state will depend on whether the state pays for the added costs by increasing the benefit credit or whether those added costs are shifted to employees by keeping the benefit credit fixed while premiums rise.

To estimate the total cost of providing health insurance coverage to the domestic partners of state and local government employees in Alaska, I use the State of Alaska Group Health and Life Fund (from FY2005 financial report) as a proxy for all public employees affected. In 2005, the average annual health care expenses in this fund were \$9,945 per employee. If each employee has on average two dependents, then the health care costs per person were \$3,315. Multiplying that cost per person by the number of predicted partners gives the total cost increase to state and local employers. To calculate predicted partners we multiply the census figure for partners described earlier by the likely take-up rates for partners and children--19% - 27% for same-sex partners and 26%-35% for different-sex partners (Ash and Badgett, 2005)-since some partners will already have health insurance and others might not take up the coverage because employees will be taxed on any costs borne by employers. The number of new adults and children covered would be 2,100-2,800, adding \$7-9 million in costs to state health care plans, which corresponds to a 5-6% increase in health care costs. If public employers extended health insurance benefits to domestic partners and children of same-sex employees only, the added costs would be \$400,000 to \$550,000, or a 0.3%-0.4% increase in health care costs.

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