

The Financial Impact of Domestic Partner Benefits in New Hampshire

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NOTICE: This version corrects a calculation error in an
earlier version of this study released in December 2006.

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What would be the financial implications of offering domestic partner benefits to state employees in New Hampshire? Recent scholarly research and information from government agencies lead to the following findings:

1. *Health insurance benefits are an important form of compensation, and employers are important sources of health care coverage.*
2. *Employers are increasingly offering the same health care benefits to the same-sex domestic partners of their employees as are offered to spouses of employees.*
3. *Health care costs for the State and local employers would increase by a small amount.*
4. *Some of the added cost to the State will be offset by lower spending on Medicaid and uncompensated health care, and by lower training and recruitment costs.*

Below we present calculations and summaries of studies that generate these claims.

1. **Health insurance benefits are an important form of compensation, and employers are important sources of health care coverage.**

Health insurance is a common form of compensation offered by employers to their employees. In 2006, 70% of workers in the private sector were offered health insurance through their employers (U.S. Bureau of Labor Statistics, 2006). The strong link between health insurance and compensation derives from the historical development of compensation practices, not from family policy (Badgett, 2001). Wage and price controls during World War II led to the provision of health benefits for a family's wage earner instead of direct pay increases (see Badgett, 2001 for further discussion).

The historical linkage of health insurance and employment has led to a reliance on employer-provided health coverage in this country. In the United States, almost 60% of people under 65 get health insurance through their own employment or the employment-based health insurance of a family member (Mills, 2002).

Without access to family coverage, the same-sex partners and children of gay, lesbian, and bisexual employees are vulnerable to a lack of coverage. Indeed, a recent study demonstrates that 20% of people in same-sex couples lacked health insurance (Ash & Badgett, 2006). People in same-sex couples were twice as likely as married people to be uninsured (Ash & Badgett, 2006).

2. **Employers are increasingly offering the same health care benefits to the same-sex domestic partners of their employees as are offered to spouses of employees.**



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Increasingly, U.S. employers are also covering the same-sex domestic partners of employees in the same way that spouses are covered. In 1990, only a handful of employers offered domestic partner benefits, but the number increased dramatically through the 1990s into this decade (Badgett, 2001). In 2006, one organization that tracks employer policies lists 9,384 employers offering health benefits to the domestic partners of employees (Human Rights Campaign, 2006). Recent surveys of U.S. employers find that 14% to 56% of employers now provide health care coverage to partners (Luther, 2006). More than half of the Fortune 500, or 264 firms, offer domestic partner benefits (Human Rights Campaign, 2006).

The same trend is clear in New Hampshire. Many New Hampshire employers already offer domestic partner benefits to employees, including C&S Wholesale Grocers, Inc., Dartmouth College, Fisher Scientific International, Sigarms, Inc., and Timberland Co. (Human Rights Campaign, 2006). The University System of New Hampshire (USNH) also offers health, dental, and life insurance benefits to the same-sex domestic partners of its employees. USNH has developed a set of criteria, affidavit forms, and information that allow employees to designate and enroll a domestic partner.

A recent tally by Gay and Lesbian Advocates & Defenders of the largest private service sector and manufacturing employers in New Hampshire confirms that domestic partner benefits are common. Data was available for 29 of the top 40 service sector companies, and 28 of the top 40 manufacturing employers in the state. Sixteen manufacturing employers accounting for 70% of employees (in the 28 companies) offer domestic partner benefits. Twenty-two service sector employers accounting for 67% of employment (in the 29 companies with data) offer domestic partner benefits.

From another perspective, New Hampshire's government peers increasingly cover their own employees. Thirteen states (California, Connecticut, Illinois, Iowa, Maine, Montana, New Jersey, New Mexico, New York, Oregon, Rhode Island, Vermont, and Washington) and the District of Columbia, along with 137 cities and counties, provide coverage to domestic partners of state or local government employees (Human Rights Campaign, 2006).

Overall, the State of New Hampshire's public sector peers and labor market competitors in government and the private sector are increasingly likely to offer domestic partner benefits to same-sex partners of employees.

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3. Health care costs would increase by a small amount.

State spending on health care and dental benefits for state employees' dependents would rise slightly if the state covered the domestic partners of employees. To calculate the cost increase to the state, this report uses FY 2007 working rates and enrollment figures (Dept. of Administrative Services Risk Management Unit, 2006). Based on the experience of other employers, approximately 0.5% of New Hampshire active and retired state employees who receive health care benefits, or 102 people, are likely to sign up a domestic partner (Badgett, 2000; Ash & Badgett, 2006). Also, I assume that the employees with domestic partners are spread out across the various plans in the same way that current employees and retirees are distributed. By using the above numbers I calculate that the State would see a total increase in health care and dental costs of \$880,000. Compared with total spending on medical and prescription coverage of \$214 million, the cost increase is a very small 0.4% rise. Spending in the retirement system would be unlikely to increase, since employees can already designate anyone as a beneficiary for retirement and death benefits.

4. Some of the added cost to the state will be offset by lower spending on Medicaid and uncompensated health care and by lower training and recruitment costs.

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 & Badgett, 2006). One in five people with a same-sex partner are uninsured, as noted earlier. That study also finds that if employers offer domestic partner benefits, some people who are currently uninsured are likely to receive insurance. Therefore, it is likely that the state is already responsible for at least some of the costs associated with uncompensated care for the uninsured (Hadley & Holahan, 2003). Similarly, some members of same-sex couples who receive Medicaid might become eligible for a partner's state health insurance and will shift to such coverage. Both effects will tend to offset the cost of providing coverage to the domestic partners of state employees.

The state will also likely see lower costs associated with worker turnover when offering domestic partner benefits. A recent study shows that the extension of partner benefits has the effect of reducing gay, lesbian, and bisexual employee turnover and increasing their commitment to firms (Ragins & Cornwell, forthcoming). The authors of this study also conclude that domestic partner benefits are likely to be a powerful recruiting tool for employers that will help offset the cost of providing the benefits.

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In order to remain attractive to current or potential employees who have or might someday have domestic partners, the State of New Hampshire will need to offer comparable benefits. Some recent 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%).

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 employers, although the cost varies from job to job (Tziner & Birati, 1996). For example, one recent study calculated the training, vacancy, hiring, and recruiting costs for a registered nurse to be \$62,000 to \$67,000 (Jones, 2005). Since partner benefits are expected to reduce turnover and to make state employment more attractive, turnover costs are likely to fall, offsetting at least some of the added expenses.

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