

**FISCAL ESTIMATE FORM**

1999 Session

- ORIGINAL                       UPDATED  
 CORRECTED                       SUPPLEMENTAL

**LRB # 99 - 3704/1**

**INTRODUCTION # 99 AB 609**

Admin. Rule #

**Subject**

Providing coverage for domestic partners under the health care coverage and long-term care insurance policies offered by the Group Insurance Board

**Fiscal Effect**

State:  No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

Increase Costs - May be possible to Absorb Within Agency's Budget  Yes  No

- Increase Existing Appropriation                       Increase Existing Revenues  
 Decrease Existing Appropriation                       Decrease Existing Revenues  
 Create New Appropriation

Decrease Costs

Local:  No local government costs

1.  Increase Costs  
 Permissive       Mandatory  
2.  Decrease Costs  
 Permissive       Mandatory

3.  Increase Revenues  
 Permissive       Mandatory  
4.  Decrease Revenues  
 Permissive       Mandatory

5. Types of Local Governmental Units Affected:  
 Towns                       Villages                       Cities  
 Counties                       Others \_\_\_\_\_  
 School Districts                       WTCS Districts

**Fund Sources Affected**

- GPR     FED     PRO     PRS     SEG     SEG-S

**Affected Ch. 20 Appropriations**

**Assumptions Used in Arriving at Fiscal Estimate:**

AB 609 provides that domestic partners of employees and annuitants are eligible dependents under programs administered by the Department of Employee Trust Funds, including all insurance plans offered by the Group Insurance Board (Board) to state and participating local government employees. It further provides that the Board may not promulgate rules excluding domestic partners from any insurance plan that includes coverage for dependents. This bill will have a fiscal effect to the extent that it increases costs for health insurance premiums paid by the state and participating local governments. These costs are estimated to be \$7.9 to \$10.3 million annually for the state and \$750,000 to \$1.1 million for local governments.

Under the proposed bill, domestic partners must be unmarried, 18 years of age, not involved in more than one domestic partner relationship and not related by blood in a way that would prohibit marriage. They must also consider themselves to be part of each other's immediate family and agree to be responsible for each other's basic living expenses. This definition of alternative families is vague and may result in individuals with above average risk becoming eligible for health insurance coverage. As proposed, domestic partner relationships will be more difficult to verify than other legally recognized dependent arrangements (e.g., marriage, natural and adopted children and legal wards). For example, it does not offer definitive criteria for determining the beginning and ending dates of coverage. In addition, providing dependent status if the individuals consider themselves to be part of the immediate family appears to be sufficiently broad to allow for other types of relationships, such as friendships or roommates. It also does not appear to require that they live in the same household. As a result, in some cases, a domestic partner relationship may be created when medical care is needed.

Continued (see page 2)

**Long-Range Fiscal Implications:**

On-going.

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Date

12/30/99

Domestic partner coverage is a relatively rare benefit and credible experience is not widely available. However, Berkeley, CA has had longer-term experience with the benefit. It has provided this option since 1984. It reports that 8.2% percent of employes have filed domestic partner affidavits. Health insurance premiums have increased 2.3% as a result of the additional number of dependents with no apparent adverse effect on claims experience. However, the Berkeley definition and enrollment requirements for domestic partner status are stricter than this proposed law and under California law this may constitute a legal contract with respect to financial obligations of the couple. Therefore, based on the information provided by the consulting actuary to the Group Insurance Board, there could be an additional premium required to compensate for a 30% risk load on the domestic partner contracts. Using the Berkeley experience to estimate the low end and adding thirty percent to estimate the high, the state share of health insurance premiums could increase approximately 2.3 to 3 percent, or \$7.9 to \$10.3 million annually in year 2000 dollars.

The Department also administers health insurance on an optional basis for approximately 200 participating local governments covering approximately 7,500 employes and annuitants. Using the method above for state costs, we estimate that this bill will increase health insurance for these local governments approximately \$750,000 to \$1.1 million, assuming that the requirement has no impact on the number of participating local governments.

This bill will also result in domestic partners and their children being covered under the spouse and dependent component of the life insurance program and the long-term care program. We estimate no fiscal effect, since neither the state nor participating local governments pay a share of the premium for these programs.

**FISCAL ESTIMATE WORKSHEET**

Detailed Estimate of Annual Fiscal Effect

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**I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):**

**II. Annualized Costs:**

A. State Costs by Category	Annualized Fiscal impact on State funds from:	
	Increased Costs	Decreased Costs
State Operations - Salaries and Fringes	\$	\$ -
(FTE Position Changes)	( FTE)	(- FTE)
State Operations - Other Costs	\$7.9 – 10.3 million	-
Local Assistance		-
Aids to Individuals or Organizations		-
<b>TOTAL State Costs by Category</b>	<b>\$ 7.9 – 10.3 million</b>	<b>\$ -</b>
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$ 3.6 – 4.6 million	\$ -
FED		-
PRO/PRS	\$ 4.3 – 5.7 million	-
SEG/SEG-S		-
State Revenues	Increased Rev.	Decreased Rev.
<small>Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</small>		
GPR Taxes	\$	\$ -
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$ -</b>

**NET ANNUALIZED FISCAL IMPACT**

STATE

LOCAL

NET CHANGE IN COSTS                      \$ 7.9 – 10.3 million                      \$ \_\_\_\_\_  
NET CHANGE IN REVENUES                      \$ \_\_\_\_\_                      \$ \_\_\_\_\_

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