



**HR Reflections Regarding Public Discussion of
the NSHE Presidents' Proposal for the State Health Plan
to Offer Domestic Partner Health Insurance Coverage**

On Wednesday, June 20, 2007 the Public Employees' Benefit Program Board of Directors discussed a proposal from the presidents of each of the colleges and universities in the Nevada System of Higher Education (NSHE) to permit State employees to purchase health insurance for domestic partners (or "reciprocal beneficiaries"). The proposal was introduced by President David Ashley (UNLV) and supported in turn by President Carol Lucey (WNCC), Dean Richard Morgan (UNLV School of Law), and Chief Counsel Bart Patterson (NSHE). The NSHE petition based its request on the need to compete effectively for top quality faculty & staff in the national higher education labor market – in which NSHE institutions must compete against a number of public state university systems that offer such benefits – as well as the principals of equity, inclusion, and equal treatment of employees in compensation and benefit programs. Copies of the NSHE proposal may be found under "HR Items of Interest" at <http://hr.unlv.edu>.

Speaking in opposition to the proposal was Mr. Richard Ziser, chairman of Nevada Concerned Citizens and one of the leaders of the referendum process that resulted in adoption of an amendment to the Nevada Constitution that provides, "Only a marriage between a male and female person shall be recognized and given effect in this state." In comments to the LV Review Journal and the PEBP Board, Mr. Ziser raised a number of objections to the Presidents' proposal including his assertions that "They're trying to backdoor something that goes against the public policy that's already been established." and "Nevada voters do not want marriage benefits being given to something other than a legally married couple." The LVRJ article reflecting Mr. Ziser's comments may be found at <http://www.lvrj.com/news/8066942.html>.

The PEBP Board discussed a range of issues including the relevance of the State marriage amendment, the NRS provisions prohibiting employment discrimination on the basis of sexual orientation, the rule-making authority of the Board itself to expand the definition of dependent in the State Health Plan, the impact on subsidies for family member coverage, and implementation considerations. Following its discussion, the Board voted to submit a request for a formal opinion to the Attorney General's Office regarding legal issues and to direct the Program's plan consultant (AON Consulting) to develop cost estimates for (1) same-sex partners only; (2) same-sex or opposite-sex partners; and (3) any adult dependent living in the employee's household.

This discussion document has been prepared by UNLV Human Resources to address some of concerns voiced by UNLV faculty and staff regarding public comment and PEBP Board discussion of the Presidents' health insurance proposal. These observations are offered strictly from an HR perspective (and not a legal one). Further, they represent the opinions of the author and do not represent official positions of either UNLV or the NSHE. Questions or comments regarding this document should be directed to Sam Connally, Associate Vice President of Human Resources, UNLV, at 702-895-1043 or sam.connally@unlv.edu

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1. Are we talking about marriage or health insurance?

- The marriage amendment, obviously, settles any question regarding the definition of marriage in Nevada. No one is arguing that.
- The NSHE proposal before the PEBP Board deals only with access to health insurance by State employees with unmarried partners; not the issue of marriage.
- Employer-sponsored health insurance is NOT a benefit of marriage; it is a benefit of employment, itself.

2. Would providing health insurance to the unmarried partners of employees denigrate or dilute the institution of marriage or the term spouse?

- The proposal respects both the institution of marriage and the term spouse, by not attempting to change either one.
- Rather, the proposal would simply create a new coverage category, so employees could purchase health insurance for unmarried partners, as illustrated below:

<u>Current Categories</u>	<u>Proposed Categories</u>
Employee Only	Employee Only
Employee + Spouse	Employee + Spouse
	Employee + Partner
Employee + Children	Employee + Children
Employee + Family	Employee + Family *

* The Family coverage category would not need to be changed, but would obviously have to be construed as including either Spouse + Children OR Partner + Children.

3. Does public policy in Nevada prohibit the recognition of domestic partners?

The State of Nevada already recognizes domestic partners in a variety of ways:

- a. The State Department of Insurance approves every insurance policy sold in the State. Every major health insurance and life insurance company in NV has policy forms approved by the Department of Insurance that offer domestic partner coverage options to employers who ask for them on behalf of their employees.
- b. The State Retirement System (PERS) already permits employees to designate unmarried partners as their beneficiary to receive retirement funds.
- c. The State Department of Personnel already permits employees to designate unmarried partners as their beneficiary for unpaid compensation or annual leave payable to them in the event of their death.
- d. The State Health Plan (the Public Employees' Benefit Program (PEBP), the agency exploring the topic at hand), already permits employees to designate unmarried

partners to receive their “State Death Benefit” which is a state-funded benefit administered by PEBP (equivalent to term life insurance).

- e. Most of the supplemental insurance products available to state, university, and college employees through Central Payroll or the University Payroll systems already include options for employees to purchase insurance for domestic partners or unmarried partners:
 - i. PEBP Insurance Programs: Colonial Short Term Disability (but not Standard STD or Term Life or UNUM Long Term Care).
 - ii. NSHE Insurance Programs: Aetna Term Life; Hartford AD&D; American Fidelity Cancer Care; and AFLAC Personal Recovery/Hospital Indemnity (but not American Fidelity STD).
- f. In fact, the only material state or university benefit program that does not include explicit or implicit recognition of unmarried partners (other than short term disability products) is the State Health Plan.

4. “Don’t tax me to pay for your benefits.”

The tax dollars that citizens of the State effectively pay for health insurance are exactly the same for every employee, regardless of whether the employee is married or single or has an unmarried partner or has children or not, as discussed below.

- a. State Subsidy for Health Insurance. The state’s subsidy for health insurance is a fixed dollar amount that the legislature appropriates for each employee. It is an employee benefit that is equal across the board, as far as the legislative process is concerned.
- b. State agencies pay PEBP the same fixed dollar amount set by the legislature for every active employee (except those who decline coverage). This amount is currently \$500.20 per month and will increase to \$557.30 effective July 1, 2007.
- c. The PEBP Board, using its administrative authority, defines coverage categories and sets premium rates for various coverage categories, based on its cost estimates for each coverage category, as illustrated in the FY08 rate table below (for the State-wide PPO, low deductible option):

Category	State Subsidy	Actual Cost of Coverage	Part of Cost PEBP Pays	Part of Cost Employee Pays
Employee Only	\$557.30/mo	\$ 552.48/mo	\$524.86/mo	\$ 27.62/mo
Emp + Spouse	\$557.30/mo	\$1171.91/mo	\$989.43/mo	\$182.48/mo
Emp + Children	\$557.30/mo	\$ 607.16/mo	\$565.87/mo	\$ 41.29/mo
Emp + Family	\$557.30/mo	\$ 929.71/mo	\$808.78/mo	\$121.93/mo

- d. **State Subsidy Over Cost Subsidizes Family Coverage.** The actual cost of insurance for one adult employee is actually less than the subsidy that State agencies pay to PEBP for employee coverage. Correspondingly, the actual cost of each of the

family coverage categories is significantly more than the subsidy State agencies pay to PEBP. As illustrated above, the State pays PEBP \$557.30/mo for employee only coverage, but this coverage actually costs PEBP only \$552.48/mo – or \$4.82 less than it is paid by State agencies. This surplus is transferred among coverage categories to subsidize family coverage.

- e. **Employee Only Premiums Over Cost Subsidize Family Coverage.** In addition to applying the \$4.82/mo from the State subsidy to subsidize family coverage, PEBP also levies an employee premium in the Employee Only category (in excess of the actual cost of insurance) of \$27.62/mo. This represents a cost-shifting within the PEBP premium structure whereby employees with Employee Only coverage subsidize or help pay for family coverage.

5. “I’ll give you a raise, if you get married.”

The Nevada Revised Statutes that create the state health plan and the biennial appropriation bills that fund the State health insurance subsidy, authorize but do not require PEBP to use excess funds from the State employee subsidy to help pay for family member coverage. Given PEBP’s historical practice of subsidizing family health insurance (as documented above), the ability of employees to elect spousal health insurance – and so take advantage of the family member subsidy – effectively represents an additional component of total compensation available to married employees that is not available to unmarried employees. This essentially places State agencies, colleges, and universities in the position of discriminating against employees on the basis of marital status.

The portion of the cost of Employee + Spouse coverage that PEBP pays (in the State-wide PPO, Low Option Plan (which is the most populous plan), is \$464.57 per month (or \$5,575 per year) more than the portion of the cost that PEBP pays for Employee Only coverage. Given the State’s historical practice of subsidizing family coverage, employees with unmarried partners readily perceive the denial of access to State health coverage as inequitable treatment the administration of State benefit programs. These individuals would argue that the State health plan would be more equitable if equivalent benefits were made available to employees with unmarried partners.

6. “Coverage that money can’t buy ... “

Significantly more critical than the actual cost of coverage for the unmarried partners of employees is the access to employer-sponsored health insurance in the first place. We are all, of course, aware that health insurance is in crisis in the United States – not just in Nevada. Over 40 million Americans do not have health insurance, including some 200,000 citizens in Nevada.

Virtually all non-qualifying health insurance programs are employer based or government sponsored group insurance programs. While an employee whose unmarried partner is healthy can purchase private health insurance (albeit at significantly higher rates than the State’s group health plan), individuals with pre-existing medical conditions are often simply not able to purchase private health insurance at any cost. It is for these individuals that the recruitment and retention issues for faculty and professional staff are most pronounced and most likely to be determinative of whether an individual accepts or retains NSHE employment or seeks other jurisdictions where family health coverage is available to unmarried partners.

This discussion document was prepared by Sam Connally, Associate Vice President for Human Resources, University of Nevada, Las Vegas and has been submitted to the Public Employees Benefit Program Board of Directors for its consideration. While it reflects HR-related observations regarding health insurance eligibility in Nevada and includes a number of observations regarding the current structure of the State health plan, it does not represent a position statement on behalf of the University of Nevada, Las Vegas.

Please direct questions or comments to:

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