

**PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS**

AGENDA ITEM SUMMARY

Meeting Date: October 3, 2006

<input type="checkbox"/>	Consent	<input checked="" type="checkbox"/>	Regular
<input type="checkbox"/>	Ordinance	<input type="checkbox"/>	Public Hearing

Submitted By: Administration

I. EXECUTIVE BRIEF

Motion and Title: Staff requests Board direction regarding:

1. The funding method for health insurance premiums for domestic partners of County employees for Plan Year 2007,
2. The extension of Domestic Partner Continuation of Benefits Coverage (in lieu of COBRA)

Summary: At its October 18, 2005 Board meeting, the Board directed staff to extend health insurance benefits to domestic partners of County employees with the full cost of coverage to be borne by the employee. COBRA benefits were not extended to domestic partners because they are not considered eligible dependents under federal law. The Board directed staff to return in 12 months to revisit the matter. Staff is requesting Board direction on the funding mechanism for domestic partner benefits for plan year 2007, and the extension of continuation of benefits coverage, in lieu of COBRA, for domestic partners that are terminated from the health plan. Countywide (TKF)

Background and Justification: At May 17, 2005, Board meeting, the Board directed staff to survey the practices of other entities and provide cost estimates of extending health insurance benefits to the domestic partners of County employees.

Staff returned to the Board on September 13, 2005 having surveyed other local employers currently offering domestic partner benefits. Among others, Broward County and The City of West Palm Beach reported that they offered benefits to the domestic partners of their employees. Based on available statistics, staff estimated that the annual cost to extend the health insurance program to domestic partners could be somewhere in the range of \$460,000 - \$920,000. This estimate represents approximately 1% - 2% of the total annual cost of the health plan and is the best estimate based on the limited information available. The Board directed staff to return in 30 days with more specific information, including a proposed implementation plan, and answers to some of the Board members' concerns about adverse cost and fraud implications associated with this matter.

Staff returned to the Board on October 18, 2005 having contacted other employers who offer benefits to the domestic partners of their employees, and that research indicated that the issues of concern raised by some members of the Board had not been experienced by these employers. Based upon research, staff felt that control regarding the benefits could be maintained. **(continued on Page 3).**

Attachments:

1. Eligibility and Implementation Document

Recommended by: Nancy L. Bolha 9/20/06
 Department Director Date

Approved by: Balemin 9/20/06
 Assistant County Administrator Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2007	2008	2009	2010	2011
Capital Expenditures					
Operating Costs	\$690,000	920,000	920,000	920,000	920,000
External Revenues					
Program Income (County)					
In-Kind Match (County)					
NET FISCAL IMPACT *					

ADDITIONAL FTE POSITIONS (Cumulative) _____

Is Item Included In Current Budget? Yes _____ No X

Budget Account No: Fund _____ Dept _____ Unit _____ Object _____

B. Recommended Sources of Funds/Summary of Fiscal Impact:

* This amount represents the maximum cost based on the actuarial report to provide coverage to domestic partners of County employees. The Net Fiscal Impact will be determined based on the Board's recommendation - either a portion of the premium paid for by the County or the entire premium borne by the employee. The claims activity has been low over the past year for the persons currently enrolled in this program.

C. Department Fiscal Review: atwillhite for gary kapalka

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Dev. and Control Comments:

 9-13-06 OFMB atn 9-11-06 09/11/06	 9/14/06 Contract Development & Control G. James 9/13/06
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B. Approved as to Form and Legal Sufficiency:


 9/18/06
 Assistant County Attorney

C. Other Department Review:

 Department Director

Background and Justification (continued from Page 1) A proposed Implementation Plan was presented to the Board, which contained two options for the Board's consideration. Under Option I, health insurance benefits would be extended to the domestic partners of County employees (and their eligible dependents), with the full cost of the coverage borne by the employee. Under Option II, the domestic partner premium (and that of their eligible dependents) would be supplemented by the Board in the same manner as it is for employees with a spouse and/or children. Because domestic partners are not considered eligible dependents for the purpose of the IRS, the value of the benefits would be considered "imputed income" and the employee would be taxed on that value. No continuation of benefits coverage was offered to Domestic Partners for the current Plan Year. A final motion was made to move forward with the first cost option (Option I) and to revisit the matter in 12 months.

Six County employees have enrolled Domestic partners into the health plan since the effective date of January 1, 2006. To date, none of the Domestic partners have incurred large losses, which staff considers claims that reach \$25,000 or more. Approximately 20 employees have inquired about the benefits. Should the Board supplement premiums for domestic partners at the same level of supplement provided for spouses, the cost for the first year (plan year 2007) would likely be much closer to 1% of the total cost of the plan or less, (with research indicating that employers can expect the cost to lie between 1% and 2% of the total cost of the plan). Because the anticipated group is small, and therefore statistically not creditable, direct costs will only be determined by the actual claims incurred by the individuals.

Domestic Partner Benefits – Eligibility and Implementation

Benefits Extended

In the event the Board directs staff to continue to extend employee benefits to Domestic Partners and their eligible child(ren), the following benefits will continue to apply (effective January 1, 2007):

- Health Insurance (& vision)
- Dental
- Long Term Disability (Dependent Death Benefit Only)
- Dependent Life Insurance
- Employee Assistance Program (EAP)
- Inclusion in Merit Rule 9 under the definition of “family member” for employee use of sick and bereavement leave

Benefits Excluded

Domestic Partners and their eligible child(ren) are not eligible to participate in the following (Federal mandate) benefits:

- COBRA*
- Flexible Spending Account (Section 125 Plan)
- Family Medical Leave Act (FMLA) benefits
- Any other Federal benefits covered by the legal definition of spouse or qualified beneficiary

***Domestic Partner Continuation of Coverage (in lieu of COBRA)**

Domestic partners and/or their dependents are not eligible under COBRA law; however, the Board may choose to extend continuation of group health and/or dental coverage to employees' domestic partners and their dependents for up to a period of 18 months effective Plan Year 2007, if one of the events listed below should occur:

- Employee's termination or reduction of hours of employment
- Death of the employee
- Employee becomes entitled to Medicare
- Dissolution of the domestic partnership
- Dependent child ceases to qualify as a “dependent child” as defined by the insurance plan.

No additional time extensions would be available under this continuation benefit. Should the employee and the domestic partner or their dependents want continuation coverage because of the same event, the employee would apply separately for COBRA and the domestic partner and their dependents would apply for DP continuation benefits.

Eligibility

A "Domestic Partner" is defined as a person of the same or opposite sex with whom the employee has established a Domestic Partnership. A "Domestic Partnership" means a relationship between the employee and one other person of the same or opposite sex, which meets all of the following eligibility requirements:

1. Both individuals are each other's sole Domestic Partner, neither is married to or partnered with any other spouse, spouse equivalent or Domestic Partner, and intend to remain so indefinitely; and
2. Individuals are not related by blood to a degree of closeness (e.g., siblings) that would prohibit legal marriage in the state in which they legally reside; and
3. Both individuals are at least 18 years of age, and are mentally competent to consent to the Domestic Partnership; and
4. Both individuals are financially interdependent and currently reside together in the same residence and intend to continue to reside together indefinitely; and
5. The employee has submitted to the County a copy of a fully executed, notarized, and recorded Declaration of Domestic Partnership form as required by Palm Beach County, Florida Ordinance 2006-002.

Eligible Dependent Children

Dependent child(ren) of a Domestic Partner are eligible to be enrolled in the County's employee benefit plan(s), if they are:

- Unmarried,
- A natural or adopted child of the Domestic Partner,
- Living with the employee and Domestic Partner in the same principal residence for more than one-half of the calendar year in a regular parent-child relationship, and
- Prior to the end of the calendar year in which the child reaches age 19; or age 25, if the child is of the employee or the child is a full or part time student.

The child(ren) will be eligible for coverage under the County health plan if he or she qualifies as a "dependent" of either the employee or the enrolled Domestic Partner under the Internal Revenue Code. To be a "dependent," a child must generally receive over one-half of his or her support during the calendar year from either the employee or the enrolled Domestic Partner. The County, in its discretion, may require proof (such as copies of federal tax returns or birth certificates) to establish that a child is eligible to be enrolled in the County health plan, and the employee must furnish such proof as a condition of the child's eligibility for enrollment.

Cost Options and Taxable Rates

The IRS allows the employee to receive “tax free” insurance subsidies for themselves and their eligible dependents as defined under IRS guidelines, but excludes those amounts attributable to coverage of a Domestic Partner and/or eligible dependents of a Domestic Partner.

There are two options available for the extension of dependent premium costs of the health plan to participating employees:

1. The Board could continue to shift the cost of the full dependent portion of the premium attributable to the Domestic Partner to the employee. The premium would be paid on an after-tax basis. This option has been in effect since January 1, 2006 based on the Board’s direction at its October 18, 2005 meeting.
2. The Board could supplement dependent premiums in the same manner as it currently supplements coverage for dependents of employees. If this option is chosen, “imputed income” would be applied to the portion of the premium attributable to the Domestic Partner. Imputed income is defined by the IRS as monies that are taxable to the employee when received as a benefit in relation to covering a Domestic Partner or eligible dependent(s) of a Domestic Partner. The value of these benefits would appear on the employee’s year-end W-2 Form as taxable income.

The following examples (for the HMO plan) represent the 2006 plan year premiums (subject to change for plan year 2007) for health insurance, including after-tax amounts for which an employee would be responsible based on their tier of coverage:

Option I – Full Cost of Dependent Coverage borne by employee

Plan	Coverage Tier	Total Monthly Payroll Ded.
HMO	Employee + 1 (DP)	\$440.97
	Family (DP + DP’s child(ren))	\$756.09

Option II– Dependent Premium is Supplemented by Board – “Imputed Income” applies

Plan	Coverage Tier*	Monthly Imputed Income to EE	Total Monthly Payroll Ded
HMO	EE + 1 (DP)	\$349.16	\$ 91.81
	Family (DP + DP’s children)	\$601.73	\$154.36

Imputed income and payroll deduction amounts for both options will vary, depending on the plan chosen, the tier of coverage, and the relationship of the enrollees to the employee (i.e. employee's children vs. domestic partner's children, etc.) Final figures will be provided by the plan actuary.

There will be no imputed income to the employee for a Domestic Partner's coverage under the Dental, LTD (death benefit only) or Dependent Life, because these coverages are voluntary and the County does not contribute to them. However, premiums paid for these coverages on behalf of the Domestic Partner will be applied after tax, as is Option I above. There is no taxable cost or imputed income to the employee for Domestic Partner participation in the Employee Assistance Program.

Cost

If the Board elects to subsidize the premiums of Domestic Partner benefits by shifting to Option II for plan year 2007, the corresponding premium cost would be based on the number of employees who enroll Domestic Partners. For illustration, if 50 employees enroll Domestic Partners into the HMO Employee + 1 tier, the Board would supplement \$264,582 in annual premium costs. This figure would change according to the number of employees who enroll Domestic Partners, and which plan they choose.

Enrollment

Employees or retirees are permitted to request Domestic Partner enrollment during the open enrollment period or upon the loss of other coverage by the Domestic Partner during the plan year. To enroll, the employee or retiree must submit the following form to the Palm Beach County Risk Management Department:

1. A fully executed, notarized, and recorded Declaration of Domestic Partnership form as required by Palm Beach County, Florida Ordinance 2006-002.
2. Applicable Enrollment/Change Forms provided by Insurance Carrier or Provider
3. If requested, proof (such as copies of federal tax returns or birth certificates) to establish that a Domestic Partner's child(ren) is eligible to be enrolled in the County health plan.

Employees and retirees who fail to enroll a Domestic Partner or a Domestic Partner's child(ren), if applicable, when first eligible, may enroll them during the next available open enrollment period, or within 30 days of a qualified change during the year (i.e. loss of other health insurance coverage).

Effective Date of Domestic Partner Enrollment

Coverage for Domestic Partners enrolled during the open enrollment period will be effective January 1 for the following year. Thereafter, enrollment documents must be submitted within 30 days of a qualified change. All forms should be submitted to the Palm Beach County Risk Management Department. Changes can also be made during each annual open enrollment.

Changes During the Year

Qualified mid-year changes are as follows:

- Initial declaration of a Domestic Partnership (see attached Affidavit)
- Birth or legal adoption of a Domestic Partner's child
- The loss of a Domestic Partner's employment and/or health care coverage
- Death of the Domestic Partner or Domestic Partner's child(ren)
- Termination of the Domestic Partnership (see attached form)

Financial Liability of an Employee with a Domestic Partner

The employee is responsible for maintaining accurate enrollment status with the Palm Beach County Risk Management Department. Failure to notify Palm Beach County Risk Management of the termination of the Domestic Partnership shall make the employee liable for any and all additional expenses incurred by the Domestic Partner and/or a Domestic Partner's enrolled child(ren), if applicable.

Termination of Domestic Partnership

If the Domestic Partnership ends or the Domestic Partners no longer share a common residence, the employee must cancel all benefits coverage for the Domestic Partner within 30 days of the termination of the partnership. Coverage for children of the Domestic Partner, enrolled as economically-dependent child(ren) under the Domestic Partnership must also be terminated once the Domestic Partnership dissolves. A completed Declaration of Termination of Domestic Partnership form must be sent to the Palm Beach County Risk Management Department. The Declaration of Termination of Domestic Partnership form will affirm that the Domestic Partnership status is terminated, and that all coverages will be terminated as of the end of the month in which the partnership ended. Failure to provide notification of the dissolution of the Domestic Partnership within 30 days may result in additional costs.

Termination of Coverage for Enrolled Child(ren) of Domestic Partners

Coverage for enrolled child(ren) of Domestic Partners will end the last of the month in which any of the following events occur:

- The child reaches the end of the calendar year in which s/he turns age 19; or 25 if still dependent and a part or full time student
- The child marries
- The Domestic Partners no longer share a common residence
- The Domestic Partnership is terminated

To end coverage for a Domestic Partner's enrolled child(ren), employees must submit the appropriate change forms to Palm Beach County Risk Management Office within 30 days of the event. Failure to provide these forms timely may result in additional costs to the employee.

Continuation After Coverage Ends

Under the IRS, a COBRA-qualified beneficiary is defined as a spouse and/or dependent child. Domestic Partners and their Child(ren) may not be considered eligible for COBRA coverage continuation. However, if the Board extends Domestic Partner Continuation of Coverage as described above, terminated partners may choose to extend continuation of group health and/or dental coverage for themselves and their dependents for up to a period of 18 months