OVERVIEW

Study of the Fiscal Impact of Providing Certain Benefits to Reciprocal Beneficiaries

Report No. 99-17, April 1999

Summary

Act 383, Session Laws of Hawaii 1997 (the reciprocal beneficiaries law) made available to people who cannot marry each other, some benefits that previously were available only to married couples. Many types of "couples" may declare a reciprocal beneficiary relationship. Examples are homosexual partners, or a widow and her son, or two brothers.

Pursuant to a directive in Section 73 of Act 383, we studied the fiscal impact of providing reciprocal benefits under the provisions of the act related to workers' compensation, the Hawaii Public Employees Health Fund, the Employees' Retirement System of the State of Hawaii, and prepaid health insurance.

We found that reciprocal beneficiaries make up a very small portion of the state's population. The Department of Health reported 435 reciprocal beneficiary relationships on file as of October 1998. With the numbers so small, we were not surprised to find that the reciprocal beneficiaries law has had little fiscal impact in the areas of workers' compensation, public employee health and retirement benefits, and prepaid health insurance. The limited fiscal impact is also due in part to the limited benefits granted by the law. Our findings include the impact on state government, county government, the private sector, and consumers in Hawaii.

The reciprocal beneficiaries law amended the workers' compensation law to include reciprocal beneficiaries as possible recipients of an employee's death benefits. But the Department of Labor and Industrial Relations was aware of no cases involving reciprocal beneficiaries as the payment recipient.

The reciprocal beneficiaries law also amended the law governing the Hawaii Public Employees Health Fund to establish a reciprocal beneficiary family coverage health benefits plan for public employees and retirees. But the state and county governments contributed less than $56,000 during FY1997-98 as their share of reciprocal beneficiary family coverage premiums under the health fund. The actual additional premium cost of the coverage to the State and counties may have been only about $12,000 in that year (compared with government's total contribution of more than $262 million as its share of health insurance costs for non-reciprocal beneficiary employees). We did find that special costs were incurred by some public employees who took advantage of the new reciprocal beneficiaries coverage.

In addition, the reciprocal beneficiaries law amended the law governing the Employees' Retirement System of the State of Hawaii to include reciprocal beneficiaries as eligible recipients of benefit payments upon an employee's death. However, officials of the retirement system informed us that a reciprocal beneficiary has been named as a death benefit recipient in only one case.

The reciprocal beneficiaries law did not amend the prepaid health care law but did amend the state Insurance Code in ways that could affect organizations providing prepaid health care coverage. However, the state attorney general has concluded that applicable provisions apply only to insurance companies and not to employers, health maintenance organizations, or mutual benefit societies. Privately run health care organizations see little impact from the reciprocal beneficiaries law.

We also concluded that the law's fiscal impact could change if more people become reciprocal beneficiaries or if the law is amended (or interpreted by a court) to require broader coverage. Finally, we noted that Section 2 of the law—which requires the Hawaii Public Employees Health Fund to establish a reciprocal beneficiary family coverage plan for any employee who is a reciprocal beneficiary and elects such a plan—will be repealed on June 30, 1999 unless the requirement is extended through legislation.

Recommendations and Response

We made no recommendations.

The Hawaii Public Employees Health Fund commented that lack of available reciprocal beneficiary information resulted in low enrollment in the health fund's reciprocal beneficiary health benefit plans. The fund believes that if the Legislature extends the law and modifications are made to collective bargaining agreements, more employees and retirees will enroll their reciprocal beneficiaries.

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