Benefits for the Domestic Partners of Gay and Lesbian Employees at Lotus Development Corporation

Catherine Iannuzzo and Alexandra Pinck

Simmons College Graduate School of Management
November, 1991

Introduction

It is 1991 and health care costs are out of control. As a result, health insurance costs are skyrocketing and corporations are restructuring employee benefit plans to reduce corporate costs. The AIDS epidemic rages in an atmosphere of fear, public hysteria, and government neglect. In the midst of this environment, Lotus Development Corporation announces the extension of health care and other benefits to the "spousal equivalents" of gay and lesbian employees. Why?

Ultimately, the answer is simple: "We did this because we felt it was fair and equitable," said Russell Campanello, Vice President of Human Resources at Lotus. This decision by Lotus is a bold step that recognizes some of the realities of American family life in the twentieth century and demonstrates a willingness to accept and validate the diversity of its employees. In leading the way with this decision, Lotus had to struggle with many tough issues. The cost of such a program, the fear of AIDS, and the possible business backlash were all concerns that had to be addressed.

Corporate Values

Based in Cambridge, Massachusetts, Lotus Development Corporation is one of the world's leading independent software companies. They are best known for creating 1-2-3, the popular spreadsheet program that was largely responsible for making the IBM personal computer such a success. Lotus was founded in 1981 and has grown since then to a corporation of 3,100 employees, with revenues of $556 million in fiscal year 1989.

The new policy decision by Lotus is grounded in a tradition of corporate values that reaches back to the founding of the company. From the beginning, Lotus's policy of equal employment opportunity has included non-discrimination on the basis of sexual orientation. This is part of an overall attitude that as a high-technology company, Lotus's chief wealth lies in its "intellectual capital". Creating an environment in which employees of all genders, ethnicities and cultural backgrounds can work together for a company that they feel is "worthy of their extra effort" is an important principle at Lotus. They are proud of being among the top 100 companies for women and have recently submitted their data to be considered for a similar honor from Black Enterprise magazine. Lotus hopes to see itself as the "employer of choice" for talented people of every description.

Lotus sees valuing the diversity of its employees as making good business sense for the company. "Our point in all of this is that there is a return for being able to attract and retain the best people that you can," Mr. Campanello says. "Lotus is a place where you have to treat people well. You cannot just turn up a bunch of dials or throw more things down a chute to increase productivity. You have to treat people in the light of what their values are."

In 1989 a group of gay and lesbian employees at Lotus decided it was time that the company represented their values more fully. Polly Laurelchild, Ann D. Canavan, and Margie Bleichman prepared a proposal for extending benefits to domestic partners. The proposal presented the issue as a matter of equal compensation. Since benefits can be as much as 40% of an employee's total compensation in a modern corporation, gay and lesbian employees as a group were being categorically denied the same level of compensation as other employees. In the light of Lotus's values of non-discrimination, such a denial was unfair, discriminatory, and contrary to company policy. The process of recognizing gay and lesbian family relationships was set in motion.

Defining the Family

Now that the "traditional" American family (two married parents and their children) accounts for only 27% of American households, Americans seem to be adopting a looser definition of family. Legal institutions are usually slow to adapt to social developments, but even the courts are recognizing changing realities. In *Braschi v. Stahl Associated*, the New York State Supreme Court recently ruled that the longtime companion of a deceased tenant could not be evicted from the rent-controlled apartment the gay couple had shared for 11 years. Judge Vito Titone wrote that protection from eviction "should not rest on fictitious legal grounds or genetic history but instead should find its foundation in the reality of family life."

Where to draw the line around what constituted a family for benefit purposes was one of the first questions that Lotus needed to answer. The lesbian task force that presented the proposal thought that all employees should have the option of extending benefit coverage to any significant person in their lives. This method is certainly the most flexible and least judgmental view of "family," but fears of employees nominating their sickest friend made it completely impractical. The proposal was quickly defined in terms of "spousal equivalents" and much internal debate followed on whether unmarried heterosexual couples should be covered along with homosexual couples.

The corporation decided that the goal was to provide equitable compensation to homosexual employees. Heterosexual couples that want family benefits have the ability to obtain them through marriage. Because they do have this choice, Lotus did not feel that domestic partner coverage was necessary for heterosexual couples. Legally recognized marriage between members of the same sex is not available anywhere in the United States. Because of this, Lotus decided that they could achieve parity for homosexuals by creating an equivalent avenue for claiming family benefits. If the State of Massachusetts (where Lotus is based) were to recognize same-sex marriages, this policy would no longer be considered necessary for its Massachusetts employees.

The policy covers the same-sex "spousal equivalents" of employees as well as the children of either partner. Spousal equivalency is rigorously defined as an exclusive relationship in which the partners share a residence and financial obligations and intend to do so indefinitely. The relationship is attested by an affidavit which must be filed with the Human Resources Department.

Lotus has taken an essentially conservative position on "family," although including gay and lesbian partners in the definition is very progressive. Applying computer industry terms to the policy, Ms. Laurelchild says, "it has the look and feel of marriage." Not all gay activists think that emulating conventional marriage is the most desirable thing for the gay and lesbian community. Some view life on the outside of acceptable society as an opportunity to create new kinds of meaningful relationships and explore new territory in human possibility. The Lotus policy does not address any of these adventurous alternatives.

Some unmarried heterosexual couples object that they are not included in the policy. Ironically, it was the lesbian activists that argued most strongly for including them. It is the gay and lesbian movement that has taken the risks and pushed most aggressively for recognition of domestic partners, but it is overwhelmingly heterosexuals that have taken advantage of the benefits when they have been offered.

Benefits for heterosexual couples is not the same thing as benefits for homosexual couples. Homosexuals have no other option. Without recognition of domestic partners, their relationships are institutionally invisible. If they choose to exercise it, heterosexuals have the option of marrying and acquiring an enormous amount of institutional support and recognition of their relationship. Choosing not to be married is not the same thing as not being able to marry. Lotus's decision has made the distinction very clear, and in doing so they have been brave enough not to hide equity for gay and lesbian people under a blanket of generic domestic partnerships.

Cost and Feasibility

"This is not a money issue, it is a moral issue," said Mr. Campanello. "The cost issue should be off the table for a lot of reasons." Nevertheless, in a time where containing costs is the primary directive of many human resource managers, cost loomed as one of the major concerns. Health insurance is not the only benefit covered by the policy, but it is by far the most expensive. Although it is the first Fortune-500 corporation to do so, Lotus is not the first entity to institute coverage of domestic partners. In order to assess the possible impact of insurance costs, Lotus investigated the experiences of other groups with this type of coverage.

Perhaps because they are more directly subject to public pressure through legislation, municipalities have been significant leaders in providing benefits to domestic partners. These range from very low cost benefits like bereavement leave to full-scale health insurance. The cities of Seattle, West Hollywood, Berkeley, Santa Cruz, and Laguna Beach all have health benefits for domestic partners of city employees. Appendix A gives a more detailed list of municipalities with insurance coverage for domestic partners.

In the private sector, there are several organizations that have been quietly providing domestic partnership coverage for many years. As a result of union negotiations, The Village Voice newspaper has been covering spousal equivalents since 1982. The American Psychological Association and ACLU/San Francisco have both covered spousal equivalents since 1983. The American Friends Service Committee has had these benefits since 1987, and Ben and Jerry's Homemade, Inc., the Vermont-based ice cream company, instituted them in 1989. Appendix B gives a listing of some private organizations offering domestic partnership benefits.

Use of Benefits

The experience of both public and private organizations has been similar with regard to employee use of the benefits. These groups all offer domestic partnership coverage to both heterosexual and homosexual couples, with heterosexuals far outweighing homosexuals in signing up for these benefits. In 1989 the City of Berkeley, California had 1,550 employees, of which 110 took advantage of domestic partnership coverage. Only 23 of these employees were covering same-sex partners. Six of the 125 employees of the City of West Hollywood enrolled domestic partners. Most of the partners are heterosexual, even though 40% of the employees identify as homosexual. Of 650 employees in Santa Cruz, 30 have signed up for domestic partner benefits, and only one is a same-sex couple. In Laguna Beach, two heterosexual couples out of the 560 employees enrolled a domestic partner. Since instituting domestic partner coverage for its 10,000 employees in April, 1990, the City of Seattle has registered 361 affidavits of domestic partnership, about one-third of them from homosexual couples. Of these, 172 partners are enrolled in medical plans and 187 in dental. Of the children of domestic partners, 20 are enrolled in medical plans and 29 in dental.

Private organizations have been no different from municipal ones in their experience. In 1991, The Village Voice reported 18 couples were enrolled, five of them same-sex. The American Psychological Association's 1,500-member plan has 10 couples using the benefit, five of them gay or lesbian. At Ben and Jerry's, 15 of its 300 employees have enrolled domestic partners, only one of which is a same-sex couple. The American Friends Service Committee reports only five of its 350 employees use their domestic partner benefit.

So far, Lotus's experience has been consistent with these numbers. Since announcing its policy in September 1991, only twelve of its 3,100 employees have signed up for domestic partner benefits. This is only 6% of an estimated population of 310 gay or lesbian employees.

The reasons why few people make use of the benefits vary. Domestic partners are often employed and are covered by their own benefits. Gay and lesbian people are still frequently reluctant to identify themselves, even though the affidavits are confidential. The definition of a "spousal equivalent" is very close to conventional marriage and not all relationships come within those guidelines. All of these factors taken together indicate that fear of being flooded by uninsured gay partners is simply not justified.

Catastrophic Claims

Because gay men in the United States have been hard-hit by the AIDS epidemic, fear of catastrophic claims due to AIDS often motivates those opposed to insurance of homosexual partners. Assertions that such coverage will be prohibitively expensive are common. In reality, it is probably more expensive to cover female heterosexual spouses. Maternity costs are among the biggest budget items in many insurance pools, but no one has seriously proposed eliminating dependent wives from eligibility. Homosexuals are the only group for whom cost is considered to justify discrimination.

The experience to date does not indicate any increase in catastrophic claims due to domestic partnership coverage. The City of West Hollywood's medical plan has only been in effect since the beginning of 1989, but so far domestic partner claims are much lower than the group average. Claims for domestic partners in the City of Seattle's indemnity plan have also been better than that for spouses. After almost ten years of coverage, Jeffrey Weinstein, an editor of The Village Voice and shop steward of UAW Local 65, reports that "We've had no problem with either the administration of the plan or excessive claims on the plan." According to Milt Freudenheim of the New York Times, the American Psychological Association, the American Friends Service Committee, and ACLU/San Francisco have all reported no change in rates, risk, or expense over ordinary spousal coverage. Of 17 health benefit plans examined by the Bureau of National Affairs (BNA), not one has ever had an AIDS-related claim filed by a partner of an employee.

The final report prepared by San Francisco's Mayor's Task Force on Family Policy concludes that cases of AIDS among domestic partners are eventually inevitable. Using a fairly pessimistic methodology, they predicted 18 new cases of AIDS each year among the 2,104 domestic partners that would be enrolled in their proposed coverage. It was predicted that 38 of these partners would probably be taking AZT (a very expensive drug used to treat AIDS) at any one time. The average total health care costs of a person following an AIDS diagnosis is estimated at $50,000 (considerably less than the expense of illnesses such as heart disease or cancer). The cost of AZT maintenance for HIV+ individuals is placed at $112,800 for all domestic partners in all plans for a year. Spreading these costs evenly over 31,000 active city employees, the estimated HIV-related costs for domestic partners amounted to $2.71 per employee per month. These costs are not extreme even when based on pessimistic assumptions about the population of one of the American cities hardest hit by the epidemic.

The City of Berkeley began providing benefits to domestic partners through its own indemnity plan in 1985, the first city in the United States to do so. Because of the lack of statistical data for domestic partners, the Kaiser Permanente and HEALS HMO plans that are also offered by the city delayed coverage until 1987, and would extend it only if an additional 2% "rate loading" was added to the normal premiums. This surcharge was discontinued in 1989, after four years of domestic partner coverage without any claims for AIDS or other catastrophic illness, although one heterosexual couple did have a $300,000 baby.

Sally Fox, the benefits manager for the City of Seattle, says, "People kept telling us to worry about AIDS, but AIDS is not the highest ticket item on our medical. Our biggest ticket items are high-risk pregnancies and C-sections." The relatively low rate of childbirth among homosexual couples might be considered a significant cost advantage to this population.

The lack of statistics is often used by insurers as justification for refusing coverage or demanding wild surcharges. However, as Mr. Campanello of Lotus points out, "these people are already in the numbers". With 10% of the American population commonly estimated as homosexual, a significant number of people already in the actuarial tables of every population group are in fact partners in homosexual relationships. The 1990 census collected information on same-sex couples for the first time in history, and census officials estimate that 1.6 million of the nation's 91 million households involve couples of the same sex.

The fear of disastrous costs that is raised in any discussion of benefits for gay and lesbian partners is largely the result of misinformed hysteria about AIDS. In his lifetime, a person with AIDS is likely to cost as much to treat as a single coronary. Although the drugs can be expensive, the disease does not usually involve intensive hospitalization or expensive procedures. The cost of AIDS is overestimated, and the likely incidence of it among the pool of domestic partners is overestimated, too.

The focus on AIDS ignores the fact that lesbians are half of the homosexual population and may even represent a larger percentage of those who use the benefits. Group Health Cooperative of Puget Sound, one of the HMOs that insures the City of Seattle, reports that 75% of the same-sex couples in their program are women. Lesbians as a group have one of the lowest incidence of AIDS.

As an issue, cost should indeed be "off the table." Even if one could morally justify excluding a group of people from coverage because of cost, in fact gay partners cost no more than heterosexual spouses and may even cost less.

Fraud and Abuse

Concern about fraudulent claims or abuses of the system are common fears about domestic partnerships. Like many other fears, this one does not seem to be based on experience. None of the 17 health plans reported on by the Bureau of National Affairs reported any cases of abuse among domestic partners. Indeed, many studies have pointed out that heterosexuals claiming to be married are not usually required to submit any proof of that fact. There are doubtless many cases of unmarried heterosexual couples claiming to be married for the sake of insurance benefits. Heterosexual marriages on paper for the sake of immigration, insurance, and other benefits are certainly not unknown. The stigma often attached to homosexual relationships is in sharp contrast to the social respectability of marriage; homosexual "marriages of convenience" would not seem to be a very major threat. The study conducted by the City of Seattle concluded that "the financial benefits to be gained would not begin to outweigh the emotional deterrent" for many homosexual couples.

Many insurers fear that homosexuals will sign up their sickest, uninsured neighbor or friend as a domestic partner for the sake of providing them insurance coverage. As a result, many plans covering domestic partners have even more stringent requirements for partner status than they do for marriage. The Village Voice is typical in requiring a notarized affidavit and a one year waiting period. Jeffrey Weinstein says, "There has been remarkably little partner switching, and most of them have been the heterosexuals. We have not had one single problem from domestic partner coverage."

On the other hand, Ben and Jerry's decided against requiring either affidavits or a waiting period. It was the recommendation of their insurer, Consumers United Insurance Company, that employees could be trusted to designate only committed, long-term partners. Consumers United is one of the few insurance companies with experience covering domestic partners.

Fear of a constantly changing dependent pool is another chief objection of insurance carriers. “Our greatest concern is the frequency of change from one domestic partner to another,” says Mary O’Keefe, a spokesperson for Principal Financial Group in Des Moines, Iowa. “It is very difficult for our actuaries to figure a group’s risk if the pool of dependents keeps changing.” Because homosexual relationships are not regulated by the state, it is a common belief that they are inherently more unstable than heterosexual marriages. One study has found that 60% of lesbians and 40% of gay men are in long-term relationships. Another found that many homosexual couples lead stable lives, some being considerably happier and better adjusted than heterosexuals as a whole. An informal survey of its readership by OUT/LOOK magazine found 400 couples reporting that their relationships averaged seven years in duration for men and five years for women. The median longevity of a heterosexual marriage is seven years. The experience of groups like The Village Voice would seem to indicate that a homosexual lifestyle of revolving partners is another myth.

Lotus opted for a signed affidavit as the equivalent of a marriage certificate for homosexual relationships. They stress that such an affidavit is a legal document that could have implications for community property in a “palimony” suit, giving it some of the weight of marriage in financial terms. There is no waiting period, since married spouses are covered immediately. In dealing with the termination of relationships, Lotus decided to draw as close a parallel to divorce as possible. An employee can file for termination, with a 31-day waiting period in which to reverse the decision. At this point the partner is notified and offered the option of continuing benefits under COBRA. A typical no-fault divorce in the state of Massachusetts takes about one year to be final, so a one year waiting period was instituted before a new partnership could be covered.

Exhibit 2 shows a copy of the affidavit used by Lotus for declaring spousal equivalency. This affidavit requires that spousal equivalents live together in the same residence–a requirement not shared by married couples. By setting a very distinct set of guidelines for recognized domestic partners, Lotus has effectively addressed the anxiety insurance experts have that a domestic partner could be “anyone the employee knows who needs health insurance.”

Structuring Insurance

Insurance companies have been resistant to the idea of insuring domestic partners. As Diane Cotting, president of D.C. Cotting Co., an employee benefits consulting firm, states, “With the rising cost of health care in this country, insurance companies are reluctant to accept any risk that could affect their bottom line.” Statistical unknowns are naturally full of terror to insurers and it would be highly unrealistic to imagine that bias has not been a factor. Finding an insurer willing to provide this kind of coverage has been one of the biggest roadblocks to coverage for most of the groups seeking to implement domestic partnership benefits. The City of West Hollywood was turned down by 18 insurers when it sought these benefits. The city finally chose to insure itself. Combining a flexible benefits plan with the domestic partner benefits, the city put together an even richer benefits package than it had before. Costs in the first half of 1989 dropped to $35,000 from the estimated

$100,000 the city would have paid its commercial carrier for less benefits. In this case, the intractability of insurance companies saved the city money.

Like the City of West Hollywood, many of the groups offering domestic partner coverage are self-insured. There are only a few insurance companies offering such insurance, but as the actuarial base grows, this list is likely to grow. The American Psychological Association's domestic partner benefits have been underwritten by the Liberty Mutual Insurance Company. The APA is the only group to which Liberty Mutual currently provides this coverage, but according to Lambda they consider this coverage a "successful experiment" and would be willing to consider doing it again. The American Friends Service Committee insures its 350 employees through the Independence Blue Cross Association in Philadelphia and the John Hancock Life Insurance Company, but both of these companies claim this is a unique circumstance. The leader in underwriting domestic partnership plans is Consumer's United Insurance Company, which offers three such plans. One of their largest commercial clients is Ben and Jerry's. Appendix C lists the insurance companies that have underwritten plans for domestic partners, and Appendix D lists other resources from which more information about insurance coverage may be obtained.

Lotus Development Corporation has a self-insured plan (administered by Employee Benefit Plans Administrators), which gave the company considerable flexibility to extend coverage as it chose. Lotus's own plan has a liability of $140,000 per employee, with claims over this limit covered by a stop-loss carrier. Lotus also offers an HMO option, which has been selected by approximately 10% of its total workforce.

Negotiations with the stop-loss carrier were a significant part of implementing the policy. Lotus was committed to offering the coverage only through its own plan if necessary, although the difference in coverage limits would be clearly discriminatory. Eventually, the Lotus researchers were able to obtain anecdotal data from an insurance company that had been quietly providing this coverage for a number of years. This, plus data that shows the relative cost of AIDS to be well within Lotus's own plan limit, was enough to convince the insurance carrier that Lotus, rather than the carrier, would probably end up with the burden of any AIDS cases. This alleviated the carrier's greatest fear, therefore encouraging them to take the risk.

The HMO had additional concerns about adverse selection. HMOs are legally restricted from imposing any clauses on pre-existing conditions so the fear of being selected by clients in the greatest need of services is understandable. Most of the HMOs providing domestic partnership coverage around the country have responded to adverse selection by adjusting their rates upward by one or two percent. The HMOs with the longest experience covering domestic partners, the Kaiser Permanente and the HEALS plan, dropped their rates after four years of satisfactory claim experience. Other HMOs taking the plunge for the first time seem to prefer to amass their own claims experience. The HMO working with Lotus eventually decided to provide the coverage. They adjusted Lotus's rate to account for the unknown risk, much like other HMOs when first faced with this new dependent pool.

In total, Lotus is paying about $30,000 in annual premiums for the twelve spousal equivalents currently registered.

Because it is the nature of their business to be conservative and avoid risk, insurance companies are the biggest hurdle in developing plans for domestic partner benefits. The hurdle is not insurmountable, but requires dedication and creativity on the part of employers. Self-insured employers have a great advantage in this area, and as the City of West Hollywood proved, self-insurance can end up being the best solution for everyone.

Tax Implications

The City of Seattle was the first employer to seek an IRS ruling about the tax status of its domestic partner benefits. At the time that the city was conducting its investigation, Section 89 of the tax code raised the possibility that all employee benefits might be taxable if any of them were paid to domestic partners. This statute was eventually repealed in the fall of 1989.

In May, 1990 the IRS returned a ruling to the city deciding that all benefits provided to domestic partners are taxable as income, unless the partner is recognized as a common-law spouse by the state or can qualify as a dependent under the tax code. To the IRS, a dependent is defined as someone who depends on the employee for more than half his or her income. Though this is a private ruling, not intended as a precedent, it is a good indication of the view the IRS is likely to take in other situations. In May, 1990 the IRS required that these benefits be taxed at market rate, but in December, 1990 they revised that ruling and decided that the benefits could be taxed at the group rate.

So as not to endanger the tax status of their other plans, Lotus created a separate insurance plan for domestic partners. The employee contribution is deducted after taxes. At the end of the year, the value of the group rate premium paid by Lotus is added as taxable income to the employee's W2 form. The participating employees are paying about $1,350 in taxes on the $30,000 total value of the benefit premiums.

The Public Response

When Lotus announced its new policy on September 3, 1991, the news clearly touched a public nerve. All the major news media picked up on the story. Russell Campanello, Polly Laurelchild, Ann D. Canavan, and Margie Bleichman found themselves momentary media stars. In various combinations, they found themselves on ABC's Good Morning America, Cable News Network, National Public Radio, CBS radio, and the Boston-area Channel 7. They were interviewed in feature articles in *Business Week* and *The Wall Street Journal*. Copies of the announcement flew around the electronic networks that connect most high-technology companies. The story was reported around the world, and letters came in from England, Belgium, and Australia.

Lotus crafted their policy with the intention of serving as a role model to other companies. They were prepared for a response, but not quite prepared for the national and international attention.

Shareholders, customers, and complete strangers contacted Lotus, often with strong statements to make. Some sent back shredded software disks to express their displeasure. Mr. Campanello received at least one threatening phone call from someone wanting to "teach him a lesson." Although the homophobic responses were sometimes intimidating, 80% of all the feedback Lotus has received have been positive expressions of support and commendation. Customers like the one that promised to discourage clients from investing in a company that "hires queers" were more than offset by customers like the computer chain salesman who said, "I represent a number of products, and it gives me great pleasure to represent yours, because I know the values your company stands for."

The Lotus employees who were the focus of this attention can all tell very positive and uplifting stories about the responses they have received. After one article was published, Ms. Laurelchild received a telephone call from a representative of a west coast company. He reported that they had been in the process of evaluating software from Lotus and one of its competitors for purchase by their company. After reading the article, the company selected Lotus's product "because we like your values." Mr. Campanello has another anecdote about an executive for a large, midwestern financial institution. The executive felt the need to remain anonymous and shut the door of his office in order to make the phone call. He told Mr. Campanello, "I have been in the closet all my life, but I can't tell you how great it was to hear your company do this. It means there is hope. I have a say in what kind of products we buy, and rest assured that I will be advocating for your company."

Employee reactions

A few weeks after the policy announcement was made, Lotus held an employee information meeting to discuss it. About 60 employees attended. A few were quite vocally opposed to the policy, but the vast majority were overwhelmingly positive and supportive. Ms. Laurelchild recalls being very touched by married, heterosexual employees making statements like "this has made me the proudest I have ever been to work for this company."

Lotus recognizes that for some people, accepting the homosexuality of others is a difficult task. Mr. Campanello is realistic about this. "This policy is not perfect. The hope is that the structure actually creates some change. What we put through was a stake in the ground around our willingness to value dimensions, every dimension." These issues will continue to be dealt with in an ongoing way through the company's diversity training, which gives employees the opportunity to discuss their differences openly, ask questions, and confront their own prejudices and discomforts.

The Future

How has the Lotus policy shaped the future for employers and insurers? The company's hope to be model for others seems well on its way to fulfillment. Since the announcement, over 80 companies have contacted the Human Resources Department at Lotus to find out how they can do the same thing. Three gay and lesbian employee groups have contacted the women at Lotus who started the process to find out how they can start the same change in their companies. Because of the electronic information network, the announcement has had an especially big impact on high-technology companies. Members of Silicon Valley High-Tech Gays, an employee group in one of the major high-technology regions of the country, have begun to organize quite vigorously to get this benefit in their own companies.

Sue van Hattum works for the Institute for Global Communications, a small, progressive non-profit organization. She heard about the policy through one of the electronic mail networks and brought the information to her executive director. They now have partner benefits written into their affirmative action policy. Implementation will be a matter of time, but without Lotus proving that it was possible, it would never have happened.

Denise Hurley, a member of the Committee for Valuing Differences at Digital Equipment Corporation's Marlboro site, says that many people have been asking, "If Lotus can do it, why can't we?" Digital prides itself on its own "valuing differences" philosophy and has had an active gay and lesbian policy committee for years. Although Digital has been hard pressed financially over the last year, Denise says, "There has been lots of support and talk about the business issues. It makes good business sense to keep good people here. We are really looking at it, and I think it may happen soon."

Although the process of bringing this policy to fruition took Lotus two years, Mr. Campanello says that implementation could be complete in about six months "if the corporate values are there." As a trailblazer, Lotus had to spend a lot of time on research and resolving its own internal conflicts about some individuals' commitments to valuing its gay and lesbian population. Education has taken time. When the proposal was first presented to a group of senior managers (all married men), one of them couldn't understand why anyone would need such a thing. The invisibility of gay lives, a well-learned survival strategy for an often-persecuted people, takes courage to overcome. A willingness to take risks is required on all sides.

Not one of the least groups being asked to take risks is the insurance industry. A survey by the International Foundation of Employee Benefit Plans found that 30% of the benefits specialists expected coverage of domestic partners to increase among employers. Tom Revis, the general sales director for Group Health Cooperative of Puget Sound (one of the HMOs covering the domestic partners of Seattle city employees), has said, "This is uncharted ground. But I do think it is the wave of the future." Nevertheless, insurance companies seem to prefer that someone else be the first to explore this new territory. Ms. Cotting praises Lotus for making "a move towards breaking the barriers of discrimination in the workplace," but emphasizes that their level of self-insurance puts the burden of risk on the company, rather than the insurance carrier. She sees little change in insurance industry practices unless "companies are forced through public pressure or legislation to accept the perceived health risk of domestic partners." It may be up to organizations with the moral commitment to accept this burden to lead the way.

Conclusion

Lotus did not make its decision for business or financial reasons, but because it was the right thing to do. It has a set of corporate values that make recognizing the different human dimensions of its employees a priority. The objections usually raised about cost and catastrophic AIDS claims have been shown to be completely unjustified in experience. By defining a procedure and criteria for recognition of a domestic partner relationship, Lotus avoids rampant abuse of the system. Lotus has proven that obtaining insurance is not an insurmountable obstacle. Insuring themselves gives Lotus great flexibility, and as the data accumulate even other insurance companies can be persuaded that the risk is manageable. As part of a discriminatory legal machine, the IRS imposes restrictions, but Lotus has managed these effectively. Although the policy is controversial for some, the overwhelming majority of customers, employees, and the general public are understanding and supportive.

The Lotus policy directly affects very few people, but as a symbol it is very significant. Benefits for gay and lesbian partners is not an issue of cost or insurability, as we have shown. It is an issue of values. No one denies that families are the basic unit of human welfare in society. The question is whether the families of gay and lesbian people are valued like other families, and whether their lives count as much as other lives. Lotus has said that they do. In recognizing the lives of its gay and lesbian employees, Lotus has created a safer and more welcoming workplace. This can only benefit Lotus in its search for "the best and brightest" that will make it successful in the complex and diverse world of the next millennium.

Appendix A

Cities that have enacted domestic partnership legislation to provide health benefits as of October, 1990. The list does not include cities that offer other benefits (sick/bereavement leave, registration) but do not offer health coverage.

West Hollywood, CA., Feb. 1985
health benefits, sick/bereavement leave, registration (provides hospital/jail visitation)
contact: Kevin Fridlington, Personnel Dept. 8611 Santa Monica Blvd. West Hollywood, CA 90069 (213) 854-7305

Berkeley, CA, Apr. 1985
health benefits sick/bereavement leave
contact: Steve Replogle, City Manager's Office Martin Luther King, Jr. Civic Center Bldg. 2180 Milvia Street, 5th floor Berkeley, CA 94704 (415) 644-6580

Santa Cruz, CA, May 1986
health benefits contact:, sick/bereavement leave
contact: Erwin Young, Director, Personnel Dept. 337 Locust Street Santa Cruz, CA 95060 (408) 429-3685

Seattle, WA, Mar. 1990
health benefits Sep. 1989
sick/bereavement leave
contact: Everett Rosmith, Personnel Director Dexter Horton Bldg, 4th floor 710 Second Avenue Seattle, WA 98104 (206) 684-7888

Laguna Beach, CA, Jun. 1990
health benefits to city employees (not legislation, City Council policy)
contact: Robert Gentry, City Councilmember 505 Forest Avenue Laguna, Beach, CA 92651 (714) 856-7758

Ithaca, NY, Aug. 1990
registration, benefits under consideration
contact: Pat Kennedy, City Staff Attorney City Hall, 108 E. Green Street Ithaca, NY 14850

Courtesy Lambda Legal Defense and Education Fund.

Appendix B

Sample of private organizations that offer domestic partnership benefits:

Lambda Legal Defense and Education Fund 666 Broadway New York, NY 10012 (212) 995-8585

The Village Voice (since July, 1982) 842 Broadway New York, NY 10003 (215) 241-7107

American Friends Service Committee (since 1987) 1501 Cherry St. Philadelphia, PA 19102 (215) 241-7107

National Organization for Women 1000 16th Str., N.W., Suite 700 Washington, DC 20036 (202) 331-0066

American Psychology Association (since October, 1984) 1200 17th St., N.W. Washington, DC 20036 (202) 955-7600

ACLU/San Francisco (since 1983) Mission St. San Francisco, CA (415) 621-2488

Seattle Mental Health Institute 1600 E. Olive St. Seattle, WA 98122 (206) 281-4300

Country Transit District (public transportation for Santa Cruz) P.O. Box 1742 Santa Cruz, CA 95601 (408) 426-6143

Albert Einstein College of Medicine / Montefiore Medical Center Belfer Building, Room 501 1300 Morris Park Avenue Bronx, NY 10461 (212) 430-3583

Courtesy Lambda Legal Defense and Education Fund.

Appendix C

Insurance companies that have underwritten plans for domestic partners:

Consumer's United Marketing Department 2100 M Street, N.W. Washington, DC 20037 (202) 872-5213

Liberty Mutual Insurance Attn: Special Risks Group Insurance Department 175 Berkeley Street Boston, MA 02117 (617) 357-9500

APA Insurance Trust 888 17th Street, N.W. Washington, DC 20006 (202) 955-7780

John Hancock Mutual Life 1 Hancock Place Boston, MA 02217 (800) 922-5050

Independent Blue Cross 1333 Chestnut Street Philadelphia, PA 19107 (215) 564-2100

Courtesy Lambda Legal Defense and Education Fund.

Appendix D

Resources for information about insurance coverage and plans currently in operation:

Lambda Legal Defense and Education Fund 666 Broadway, 12th Floor New York, NY 10012 (212) 995-8585

National Center for Lesbian Rights 1370 Mission Street, 4th Floor San Francisco, CA 94103 (415) 621-0674

Berkeley City Manager's Office Steve Replogle 2180 Mivia Street, 5th Floor Berkeley, CA 94704 (415) 644-6580

Madison Institute for Social Legislation 953 Jenifer Street Madison, WI 53703 (608) 244-3345

National Organization for Women 1401 New York Avenue, N.W., Suite 800 Washington, DC 20005 (202) 347-2279

Office of Intergovernmental Relations 1350 Pennsylvania Avenue, N.W. Washington, DC 20014 (202) 727-5829

City of West Hollywood Personnel Department 7377 Santa Monica Boulevard West Hollywood, CA 90046 (213) 854-7494

Village Voice 842 Broadway New York, NY 10003 (212) 475-3300

Courtesy Lambda Legal Defense and Education Fund.

Bibliography

Blumenfeld, Warren J. and Raymond, Diane. *Looking at Gay and Lesbian Life*. Boston: Beacon Press, 1989.

Celis III, William. “Benefits for Live-In Mates of Workers Face Obstacles”, *The Wall Street Journal*, July 25, 1989.

Dinan, Jim and Beecken, Tom. “Covering Domestic Partners,” *HMO Magazine*, September/October 1991.

District of Columbia Commission on Domestic Partnership Benefits for D.C. Government Employees. *Final Report and Recommendations*. Washington, D.C., July,1990.

Freudenheim, Milt. “Rising Worry on ’Partner’ Benefits,” *The New York Times*, August 16, 1989.

Hammonds, Keith H. “Lotus Opens a Door for Gay Partners,” *Business Week*, November 4, 1991.

Isaacson, Walter. “Should Gays Have Marriage Rights?” *Time*, November 20, 1989.

McDonald, Martha. “Domestic partner benefits changes.” *Business & Health*, October 1990.

National Center for Lesbian Rights. “Changing Family Policy,” *NCLR Newsletter*, Fall/Winter 1990.

Rule, Sheila. “Rights for Gay Couples in Denmark,” *New York Times*, October 2, 1989.

Sit, Mary. “The best workplaces for women,” *The Boston Globe*, September 6, 1988.

Sorge, Rod. “Gay couples defined as ‘family’.” *Gay Community News*, July 16, 1989.

Stoddard, Tom and Ettelbrick, Paula. “Legalizing Gay Marriage.” *OUT/LOOK*, Fall 1989, Vol. 6.

Wojcik, Joanne. “Few offer benefits to unwed couples.” *Business Insurance*, March 11, 1991.

*—*Approaching 2000: Meeting the Challenges to San Francisco’s Families*. San Francisco: The Mayor’s Task Force on Family Policy, June, 1990.

—*Domestic Partnership Benefits Under the Seattle Fair Employment Practices Ordinance*. Seattle: The Mayor’s Lesbian/Gay Task Force, March, 1988.

—*Domestic Partner Benefits Fact Sheet*. Seattle: City of Seattle, 1991.

*—*Domestic Partnership: Issues and Legislation*. New York: Lambda Legal Defense and Education Fund, 1990.

—"Questions for Couples." *OUT/LOOK*, Vol. 2, No. 1, Summer 1989.

*—*Recognizing Lesbian and Gay Families: Strategies for Obtaining Domestic Partners Benefits*. San Francisco: National Center for Lesbian Rights, 1989.

—"Recognizing Non-Traditional Families." Special Report #38. Washington, D.C.: The Bureau of National Affairs, 1991.

Our thanks to Christopher Norris, aide to Councillor David Scondras, Boston City Council, for his assistance and cooperation.

*These references contain especially valuable analyses and resources for anyone researching the issues of domestic partnership. The San Francisco report is available from the National Center for Lesbian Rights.

Footnotes

[Unfortunately, footnote indications were lost from the original text during electronic trasnmission.]

Mary Sit, “The best workplaces for women,” The Boston Globe, September 6, 1988.

Martha McDonald, “Domestic partner benefits changes,” Business & Health, October 1990.

Walter Isaacson, “Should Gays Have Marriage Rights?,” Time, November 20, 1989.

McDonald. In a poll commissioned by Massachusetts Mutual Life Insurance Co. 22% of the population defined “family” as “a group related by blood, marriage, or adoption”; 74% defined “family” in terms such as “a group that love and care for each other.”

Rod Sorge, “Gay couples defined as ’family’,” Gay Community News, July 16, 1989.

Sheila Rule, “Rights for Gay Couples in Denmark,” New York Times, October 2, 1989.

Denmark became the only country in the world to recognize gay marriage on October 1, 1989.

Tom Stoddard and Paula Ettelbrick, “Legalizing Gay Marriage,”OUT/LOOK, Fall 1989, Vol. 6.

Lambda Legal Defense and Education Fund, “Domestic Partnership: Issues and Legislation,” New York, 1990.

Lambda

Joanne Wojcik, “Few offer benefits to unwed couples,” Business Insurance, March 11, 1991.

The Bureau of National Affairs (BNA), “Recognizing Non-Traditional Families,” Special Report #38, Washington, D.C., 1991.

BNA

City of Seattle, “Domestic Partner Benefits Fact Sheet,” Seattle, 1991.

Wojcik

Milt Freudenheim, “Rising Worry on ’Partner’ Benefits,” The New York Times, August 16, 1989.

BNA

Lambda

Lambda

Wojcik quoted in BNA report

Freudenheim

BNA

The Mayor's Task Force on Family Policy, "Approaching 2000: Meeting the Challenges to San Francisco's Families," San Francisco, 1990.

Lambda quoted in McDonald article

Warren J. Blumenfeld and Diane Raymond, Looking at Gay and Lesbian Life, Boston: Beacon Press, 1989, pp. 79-90.

McDonald

Jim Dinan and Tom Beecken, "Covering Domestic Partners," HMO Magazine, September/October 1991.

The Mayor's Lesbian/Gay Task Force, "Domestic Partnership Benefits Under the Seattle Fair Employment Practices Ordinance," Seattle, 1988.

quoted in BNA report

quoted in McDonald article

Blumenfeld and Raymond, p. 374 op. cit., p. 373.

"Questions for Couples," OUT/LOOK, Vol. 2, No. 1, Summer 1989.

Lambda

McDonald

William Celis III, "Benefits for Live-In Mates of Workers Face Obstacles", "The Wall Street Journal," July 25, 1989.

estimated lifetime costs of an HIV+ diagnosis is $50,000, plan limit is $140,000.

See Dinan and Beecken for a description of the calculations and assumptions used by Group Health Cooperative to rate the City of Seattle's domestic partners.

Keith H. Hammonds, "Lotus Opens a Door for Gay Partners," Business Week, November 4, 1991.
ibid.

McDonald

quoted in McDonald article

Partner registration refers to a civil procedure analogous to obtaining a marriage certificate. The recognition of the relationship implied by such registration varies with the municipality. In the City of West Hollywood, residents as well as non-residents are welcome to register and will be treated as spouses by the city while within the city limits.