

Excerpt from Report of the Vermont Civil Union Review Commission  
January 2002

FINDING 13 – RECIPROCAL BENEFICIARIES RELATIONSHIPS

Act 91 provided that two related persons can establish a reciprocal beneficiaries relationship so they may receive certain limited benefits and protections granted to spouses, such as medical decision-making, simply by registering with the Department of Health and paying a \$10.00 filing fee. No one has registered for such a relationship.

The Commission was charged with examining reciprocal beneficiaries relationships and evaluating whether nonrelated persons over 62 years of age should be permitted to establish a reciprocal beneficiaries relationship, and whether the legal benefits, protections and responsibilities of a reciprocal beneficiaries relationship should be expanded.

The Commission invited representatives from the Coalition of Vermont Elders (COVE), the Vermont Chapter of the American Association of Retired Persons (AARP), the Vermont Chamber of Commerce, and the Vermont State Employees' Association to testify regarding expansion of reciprocal beneficiaries relationships, but they declined to take a position on the matter or to appear before the Commission at that time.

The Commission received testimony from Ms. Hughes from BISHCA, Mr. Tofferi of BC/BS of Vermont, and Kathy Callaghan, Director of Employee Benefits with the Department of Personnel, on the potential impact of expansion of insurance benefits to persons in reciprocal beneficiaries relationships. All three witnesses expressed concern about such a proposal.

The Commission was advised that such a proposal would have an adverse affect on the insurance markets in Vermont. The Vermont insurance market, which Ms. Hughes characterized as "small and fragile", has few carriers for individual and nongroup products. Vermont residency is not required to enter a reciprocal beneficiaries relationship, and it is very easy to enter and exit such a relationship. Therefore, it is difficult to calculate the number of people who may be interested in establishing such a relationship. According to this testimony, large unknowns make companies nervous, and initial reaction to the proposal from insurance companies was that pricing will dramatically increase and insurance products would need to be repriced. If repricing is too expensive, companies will be forced to stop writing insurance in Vermont.

These witnesses also testified that adverse selection would be likely to occur if insurance benefits were extended to reciprocal beneficiaries. Unlike a party to

a civil union, a person entering a reciprocal beneficiaries relationship is primarily doing so to obtain legal benefits. A person may enter a reciprocal beneficiaries relationship solely to obtain insurance benefits for an elderly or ill relative, and that could make insurance more expensive for everyone. If benefits were extended to reciprocal beneficiaries, insurers would expect to get a disproportionate number of persons who are a “bad risk”, requiring significant repricing. Ms. Hughes said companies that are concerned about extension of coverage to reciprocal beneficiaries did not have the same reaction to civil unions because they believed the numbers for civil unions would be small and the effect negligible.

House Bill 502, which passed the House in the spring of 2001 and is pending before the Senate, repeals the civil union law and replaces it with system of reciprocal partnerships under which two people who are prohibited from marrying could receive the same benefits, protections and responsibilities as married couples. This would be available to two related persons, such as a father and daughter or two brothers, or two persons of the same sex who are not related. Representative Peg Flory, Chair of the House Committee on Judiciary, testified in support of the bill before the Commission. Rep. Flory testified that most people who were interested in obtaining benefits through H.502 were interested in the health insurance benefits and the ability to own property as tenants by the entirety. Rep. Flory testified that few related couples would be likely to participate in an expanded reciprocal beneficiary status because of the responsibilities involved, and, therefore, there would be minor impacts on health insurance benefits.

Other than Rep. Flory, the Commission, which provided publicized opportunities for public comment, did not receive any correspondence or testimony in support of H.502 or in favor of expanding reciprocal beneficiaries relationships in any other way.

#### CONCLUSION 4 – NO INTEREST IN EXPANDING RECIPROCAL BENEFICIARY STATUS, AND COST CONCERNS

There appears to be little or no interest among Vermonters in expanding reciprocal beneficiaries relationships in any way. The Commission specifically sought out advocacy groups who might have a stake in expansion of reciprocal beneficiaries relationships, and such groups declined. The Commission publicized that it was holding a public comment period specifically on the expansion of reciprocal beneficiaries relationships, and no one attended that hearing.

Expansion of the benefits afforded to reciprocal beneficiaries relationships, especially health insurance, would be costly and difficult to administer. Adverse selection would occur, placing an additional burden on Vermont’s

insurance market. These costs would spread across various plans and likely increase insurance costs for many Vermonters.

RECOMMENDATION 4 – NO EXPANSION OF RECIPROCAL  
BENEFICIARIES RELATIONSHIPS

Considering there have been no reciprocal beneficiaries relationships established to date, the clear lack of interest among advocacy groups and the general public in expansion, and the likely increased costs and danger to the insurance market in Vermont, the Commission recommends that the reciprocal beneficiaries relationship not be extended to unrelated persons over 62 years of age, and that the legal benefits, protections and responsibilities of a reciprocal beneficiaries relationship not be expanded. If the reciprocal beneficiaries law continues to be unused, the General Assembly may want to consider its repeal.

