

UNFAIR: Wal-Mart Fails to Pay its Fair Share Leaving Employees to Rely on Taxpayer Programs for Health Care

Wal-Mart is the largest private employer in the United States, with over 1.3 million "associates," yet the company's health insurance fails to cover over half of its employees. In a disturbing nationwide trend, the burden for the remaining Wal-Mart employees is falling on taxpayers. More states continue to reveal that Wal-Mart employees top the recipient list of taxpayer-funded health benefits.

IN THEIR OWN WORDS: WAL-MART EXECUTIVES KNOW ABOUT HEALTH CARE FAILURE

Wal-Mart "Secret" Memo Revealed the Truth About the Company Health Plan and Employee Reliance on Public Aid. On October 26, 2005 the New York Times reported a "secret" memo written by Susan Chambers, Wal-Mart Executive Vice President for Benefits, for the Wal-Mart Board of Directors. The memo shatters Wal-Mart's healthcare mythology and revealed that the company knows its employees are forced to rely on public programs for health benefits:

"Wal-Mart's critics an easily exploit some aspects of our benefits offering to make their case; in other words, our critics are correct in some of their observations. Specifically, our coverage is expensive for low-income families, and Wal-Mart has a significant percentage of associates and their children on public assistance." [Wal-Mart Secret Memo, Page 5, <http://walmartwatch.com/memo>; New York Times, 10/26/05, emphasis added]

"We also have a significant number of Associates and their children who receive health insurance through public-assistance programs. Five percent of our Associates are on Medicaid compared to an average for national employers of 4 percent. Twenty-seven percent of Associates' children are on such programs, compared to a national average of 22 percent (Exhibit 5). In total, 46 percent of Associates' children are either on Medicaid or are uninsured." [Wal-Mart Secret Memo, Page 6, <http://walmartwatch.com/memo>; New York Times, 10/26/05, emphasis added]

Wal-Mart CEO Sees Public Health Care Programs as "Lucrative." "There are government assistance programs out there that are so lucrative it's hard to be competitive, and it's expensive to be competitive," [Wal-Mart CEO Lee] Scott said. [St. Louis Post Dispatch, 04/06/05]

BACKGROUND ON WAL-MART'S HEALTH INSURANCE COVERAGE

- **Wal-Mart Less than Half of its Employees.** According to the company's website Wal-MartFacts.Com, the company provides health care benefits about to 620,000 of Wal-Mart's 1.3 million associates in the United States. Based on Wal-Mart's own figures, the company covers only 48 percent of its workforce. [<http://www.walmartfacts.com/newsdesk/wal-mart-fact-sheets.aspx> (accessed 1/03/06)]
- **Wal-Mart Offers Substandard Coverage.** Wal-Mart provides health-care options to their employees and families that have a deductible of \$1,000. Wal-Mart employees must endure long waits to qualify for benefits: six months for full-time employees and two years for part-time employees. [Wal-Mart, 2005 Associate Guide, Summary Plan Description, Effective January 1, 2005]
- **Wal-Mart Under-Spends on Benefits.** In September 2003 the Wall Street Journal reported, "Last year, average spending on health benefits for each of the company's roughly 500,000 covered employees was \$3,500, almost 40% less than the average for all U.S. corporations and 30% less than the rest of the wholesale/retail industry, according to estimates by Mercer Human Resource Consulting, a unit of Marsh & McLennan Cos." [Wall Street Journal, 9/30/03]
- **Wal-Mart Health Care Lags Far Behind National Standards on Percent of Employees with Company Health Insurance.** Nationally, 68 percent of workers in large firms (200 employees or more) receive their health benefits from their employer. For example, 82 percent of Costco workers are covered by the company plan. [Kaiser Family Foundation and Health Research and Educational Trust, Employer Health Benefits 2004 Annual Survey, Exhibit 3.2, New York Times, 5/4/05]

STATE BY STATE: EXAMPLES OF WAL-MART EMPLOYEES ON TAXPAYER PROGRAMS

State	Year Of Analysis	Public Program Providing Benefits	Number Of Wal-Mart Workers And/Or Dependents Receiving Benefits	Estimated Annual Cost To The State
Alabama ¹	2005	Medicaid	3,864 children of Wal-Mart employees	Between \$1.7 million and \$2.4 million
Arkansas ²	2005	Public Assistance (vast majority Medicaid)	3,971 employees	Up to \$4 million
Arizona ³	2005	Medicaid	Almost 2,800	--
	2005	KidsCare (CHIP)	450 children of Wal-Mart employees	--
Connecticut ⁴	2004	Medicaid	824 employees	--

	2004	Medicaid	204 employees had children in plan	--
Florida⁵	2005	Medicaid	12,300 employees or their dependents	--
	2005	Healthy Kids and KidCare (CHIP)	1,375 children of Wal-Mart employees	\$468,936
Georgia⁶	2002	PeachCare (CHIP)	10,261 children of Wal-Mart employees	--
Iowa⁷	2003-4	Medicaid	845 employees	--
Maine⁸	2005	Medicaid	751 employees	--
Massachusetts⁹	2004-5	MassHealth (Medicaid) and Uncompensated Care Pool	2866 people	\$7.9 million
Montana¹⁰	2004	CHIP	193 children of employees	--
Nebraska¹¹	2005	Medicaid	684 employees	
New Hampshire¹²	2005	Medicaid and CHIP	487 employees (lists for each program added together)	--
New Jersey¹³	2005	FamilyCare (CHIP)	71 adults and 538 children	--
Tennessee¹⁴	2004	State health insurance program for the poor, uninsured and disabled	9,617 employees	--
Texas¹⁵	2004	CHIP	2,611 families	--
	2005	CHIP	2,333 families	--
Utah¹⁶	2004	Medicaid	234 employees	--
Vermont¹⁷	2005	Medicaid	286 employees	--
Washington¹⁸	2004	Basic Health Plan for low-income residents	456 employees	
	2004	State funded medical assistance, including Medicaid	3,180 employees	
West Virginia¹⁹	2004	SCHIP	452 employees	--
Wisconsin²⁰	2004	BadgerCare (State health insurance program for working families)	1,813 employees and their relatives (1,175 adults and 638 children)	\$1.8 million to cover a total of 3,765 people
		Medicaid	1,952 children of employees	

	2005	BadgerCare (State health insurance program for working families)	1,252 employees and their relatives (809 adults and 443 children)	\$2.7 million to cover total of 1,252 people
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ASSOCIATES HEALTH PLAN: FACTS ON THE QUALITY OF WAL-MART'S PLAN

WAL-MART RHETORIC: Our Health Care Plans Are Affordable. In the corporation's recent two-page advertisement in the New York Review of Books, the text read: "Associate premiums begin at less than \$40 a month for an individual and \$155 a month for family coverage, no matter how large." [Wal-Mart Advertisement/Open Letter from Lee Scott, New York Review of Books, 4/7/05]

FACTS: Wal-Mart's Health Plan is Fraught with Hidden Charges. The Wal-Mart 2005 Associate Guide details the specific policies of the Associate Medical Plan (AMP) and reveals that the plan is filled with additional charges.

- **Emergency Room \$100:** According to page 49 of the 2005 Associate Guide, "There is a \$100 Deductible for each emergency room visit. This Deductible is in addition to the annual Deductible and Coinsurance." [Wal-Mart 2005 Associate Guide, page 49]
- **Ambulance \$100:** According to page 49 of the 2005 Associate Guide, "There is a \$100 Deductible per ambulance use. This Deductible is in addition to the annual Deductible and Coinsurance." [Wal-Mart 2005 Associate Guide, page 49]
- **Spousal Charge: \$25 per Week:** According to page 30 of the 2005 Associate Guide, "If your spouse has access to medical coverage through his or her employer or former employer (other than Wal-Mart), there will be at \$50 bi-weekly pay period surcharge (\$25 per week if you pay period is weekly) if you elect to cover your spouse under the AMP." [Wal-Mart 2005 Associate Guide, page 49]

HEALTH SAVINGS ACCOUNTS: WAL-MART'S PLAN HURTS EMPLOYEES

IN THEIR OWN WORDS: WAL-MART EXECUTIVES REVEAL MOTIVATION FOR HSAs

The Chambers Memo to the Wal-Mart Board of Directors discusses the reasons for promoting HSAs.

- **Reduce Costs:** "Move all Associates to 'progressively designed' consumer-driven health plans to help control cost trends while allowing Associates to build up savings in Health Savings Accounts. ... The primary reason for making this transition would be to reduce future benefits costs, and those savings would be significant: \$400 million to \$700 million in FY2011, all from reduced trend." [Wal-Mart Secret Memo, Page 8-9, <http://walmartwatch.com/memo>; New York Times, 10/26/05, emphasis added]
- **Eliminate Sick Workers:** "The first recommendation in this section, moving all Associates to consumer-driven health plans, will help achieve this goal because these plans are more attractive to healthier Associates." [Wal-Mart Secret Memo, Page 10, <http://walmartwatch.com/memo>; New York Times, 10/26/05, emphasis added]

Wal-Mart Announced Introduction of Health Savings Accounts for 2006: According to Wal-Mart's 2006 OE [Open Enrollment] Magazine, the company will introduce Health Savings Accounts (HSAs) as an option for its employees beginning in January 2006. [Wal-Mart OE Magazine, January 2006]

- **Health Savings Account:** The "HSA Qualified Plans" provide Wal-Mart employees with a "tax-exempt savings account used to pay medical expenses." HSAs are available for Wal-Mart employees who have been covered by the company plan for at least 12 consecutive months. The savings accounts are matched \$1 by Wal-Mart for each \$1 contributed by employees through payroll deductions, up to legal limits (In 2005, the individual limit was \$2,650; the family limit was \$5,252). [Wal-Mart OE Magazine, Page 13-14, January 2006]
- **Deductibles:** The HSAs are paired with high-deductible insurance plans. After an employee has reached the deductible, employee expenses are "generally payable at 80% of covered charges." Deductibles for individuals range from \$1,250 to \$3,000. For families the deductible range is \$2,500 - \$6,000. [Wal-Mart OE Magazine, Page 13, January 2006]
- **Other Key Features:** According to the summary of Wal-Mart's "HSA Qualified Plans" the mammogram benefit, pap smear benefit and well-child benefit are not applied toward the annual deductible. In addition the summary says, "you pay the **full retail price** of prescription drugs until your annual deductible is met." [Wal-Mart OE Magazine, page 13, January 2006, emphasis added]

Less Healthy Workers Pay More. Families USA says about HSAs, "Employees who are not in perfect health cannot afford the high out-of-pocket costs of HSAs; given a choice, they would be likely to remain in traditional plans, while many of their healthier coworkers would switch to HSAs. Thus, less healthy employees will be grouped together in traditional plans, which will result in increased rates for those plans." [Families USA Issue Brief, January 2005, http://www.familiesusa.org/assets/pdfs/HSAs_Jan20055dd2.pdf]

Workers Forced to Delay Preventative Care. "HSAs put consumers in the position of choosing between keeping money in their pockets or paying to see the doctor. Research has repeatedly shown that even modest increases in cost-sharing lead to consumers using fewer preventive and necessary services. Low-income people are even less likely to seek care if they must pay the full bill. When consumers wait until they are very sick to seek treatment, health care costs rise significantly." [Families USA Issue Brief, January 2005, http://www.familiesusa.org/assets/pdfs/HSAs_Jan20055dd2.pdf]

Families Hurt by High Deductibles. According to an issue brief on Health Savings Accounts by the Employee Benefit Research Institute, "HSAs are likely to be more attractive to individuals than to families, particularly if some members of the family are significantly healthier than others. Under a high-deductible family plan, no one in the family can have a separate deductible lower than the minimum family deductible." [EBRI Issue Brief, <http://www.ebri.org/pdf/briefspdf/0904ib1.pdf>]

Wal-Mart HSA Qualified Family Plans Have Deductibles of Up To \$6,000. The Wal-Mart HSA Qualified Plans have family deductibles of up to \$6,000. According to the Wal-Mart plan, "the Family deductible must be met before claims are paid for any individual participant. [Wal-Mart OE Magazine, Page 13, January 2006]

Executives Benefits from HSA Tax Shelters. In 2004, Gail Shearer, Director of Health Policy Analysis at Consumers Union testified before the Joint Economic Committee about the impact of HSAs. According to Shearer's testimony, "[t]he wealthy, with higher tax brackets, benefit disproportionately because the tax savings are larger at higher tax brackets than lower tax brackets." [Shearer Testimony Before the Joint Economic Committee, 2/25/04, <http://www.consumersunion.org/pub/0225JECTestimonyNoSummary.pdf>]

VALUE PLAN: WAL-MART'S NEW PLAN COSTS LESS AND PROVIDES LESS CARE

Wal-Mart Worker Cannot Afford the Company's High Deductible Health Care. Wal-Mart's new "Value Plan" health insurance benefit has a \$1,000 deductible for individuals and \$3,000 for families. These amounts are a struggle for the company's notoriously low-income workers. According to Wal-Mart's own facts, a "full time" employee at 34 hours per week, making the Wal-Mart average wage of \$10.11 per hour, will earn just \$ 17,874.48 per year. [Wal-Mart OE Magazine, January 2006; 2005 Wal-Mart Benefits Guide, pg 27; <http://www.walmartfacts.com>]

Value Plan Health Insurance Maximums are Overly High. Wal-Mart's new "Value Plan" health insurance benefit has a Coinsurance maximums of \$5,000 for an individual and \$10,000 for a family. Associates must spend this amount out-of-pocket before the Wal-Mart health insurance takes over completely. [Wal-Mart OE Magazine, January 2006; 2005 Wal-Mart Benefits Guide, pg 27]

Wal-Mart "Value Plan" Is Fraught with Hidden Charges. The Wal-Mart "Value Plan" has the following hidden charges.

- **Exempted Services.** The following standard services are not applied towards the standard deductible: office visit copays, ER and Ambulance deductibles, per event deductibles, pharmacy copays, mammogram benefit, pap smear benefit, and well-child benefit.
- **Pharmacy Deductible:** Wal-Mart employees who enroll in the "Value Plan" are subject to a \$300 pharmacy deductible, in addition to the standard deductible. (Plan allows 3 generic prescriptions before imposing pharmacy deductible.)
- **Hospital, Surgery Deductible.** "Value Plan" enrollees must also pay a \$1,000 in-patient facility deductible per visit and a \$500 out-patient surgical facility deductible per visit. [Wal-Mart OE Magazine, January 2006]

Wal-Mart "Value Plan" Favors Healthier Workers Over Sick Employees. According to the Wal-Mart brochure introducing its "Value Plan," the typical worker enrolling would be healthy. "I don't go to the doctor much, so I don't spend a lot of money on my deductible. But if something catastrophic happens I would like to be covered." Says Wal-Mart Employee "Cainon" about the "Value Plan." The New York Times reported, "analysts cautioned that the new insurance plan would prove a better fit for workers who are young and healthy than those who are older and more vulnerable to illness." [Wal-Mart OE Magazine, January 2006; New York Times, 10/24/05]

¹ Montgomery Advertiser, "Health Plans Not Family Friendly," 2/22/05; Federal Medical Assistance Percentages, Fiscal Year 2004 Estimate, <http://aspe.hhs.gov/health/fmap04.htm>

² Arkansas Democrat-Gazette, "Top 9 employers in state have 9,698 getting public aid 3,971 of them work at Wal-Mart," 3/17/05; Federal Medical Assistance Percentages, Fiscal Year 2004 Estimate, <http://aspe.hhs.gov/health/fmap04.htm>

³ Arizona Republic, "Nearly half of poor in AHCCCS hold jobs," 7/30/05; Arizona Republic, "Working Poor Swell AHCCCS Rolls," 1/01/05

⁴ Associated Press, "Report shows large firms relying on state health plan for poor," 3/3/05; <http://www.huskyhealth.com/about.htm>

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- ⁵ St. Petersburg Times, “Lured employers now tax Medicaid,” 3/25/05; Enhanced Federal Medical Assistance Percentages, Fiscal Year 2004 Estimate, <http://aspe.hhs.gov/health/fmap04.htm>
- ⁶ Atlanta Journal-Constitution, Wal-Mart stands out on rolls of PeachCare, 2/27/04
- ⁷ Associated Press, “845 Wal-Mart employees on Medicaid in Iowa,” 3/4/05
- ⁸ Institute for Local Self-Reliance Press Release, 6/28/05, http://www.newrules.org/retail/news_slug.php?slugid=311
- ⁹ Executive Office of Health and Human Services, “Employers Who Have 50 or More Employees Using Public Health Assistance,” 2/1/06; List of Companies, http://www.mass.gov/Eeohhs2/docs/dhcfp/pdf/50+_ee_2006_report.pdf; Table, http://www.mass.gov/Eeohhs2/docs/dhcfp/pdf/50+_ee_2006_table.pdf; Boston Globe, 2/2/06
- ¹⁰ Great Falls Tribune, “State insurance for kids going to employees you might not expect,” 6/26/05
- ¹¹ Omaha World-Herald, “Many with jobs are on Medicaid rolls,” 10/19/05, http://www.omaha.com/index.php?u_pg=1642&u_sid=2047614
- ¹² Associated Press, State, retail workers high on list of needing health-care subsidy, 5/12/05
- ¹³ New Jersey Policy Perspective, http://www.njpp.org/rpt_familycare.html
- ¹⁴ Chattanooga Time Free Press, “On the Job and on TennCare,” 1/20/05
- ¹⁵ Good Jobs First by Center for Public Policy Priorities. <http://www.goodjobsfirst.org/pdf/texaschip.pdf>.
- ¹⁶ Salt Lake Tribune, “Utahns foot insurance bill,” 2/5/06
- ¹⁷ Vermont Guardian, Employees at Vermont’s Top Companies Enrolled in Medicaid Health Plans, 4/18/05, <http://www.vermontguardian.com/local/0105/MedicaidEmployees.shtml>
- ¹⁸ Seattle Times, “Over 3,100 Wal-Mart workers got state health aid,” 1/24/06
- ¹⁹ Charleston Gazette, “Wal-Mart Culture: Wal-Mart Tops State CHIP list; Retailer Stands Out in Program for Uninsured Kids,” 12/26/04
- ²⁰ The Capital Times, “Wal-Mart Workers Need State Health Aid,” 11/4/04; Milwaukee Journal Sentinel, “Big companies fill BadgerCare rolls,” 5/24/05