

More of the Same: Wal-Mart's 2009 Health Care Fails To Deliver for Associates

The release of the Susan Chambers memo in the fall of 2005 put Wal-Mart on the defensive regarding Wal-Mart's benefits strategy. Finally, critics and consumers alike had a firsthand look into the internal decision-making process of Wal-Mart's leadership – and the results were appalling.

Shockingly, Wal-Mart admitted “Wal-Mart's critics can 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.”¹

Despite widespread criticism of the strategy outlined in the memo and Wal-Mart's denial of plans to implement such a strategy, Wal-Mart has continued to follow Susan Chambers' advice. Wal-Mart's 2009 health care offering is part of a tactic to reframe the public's perception about the company's health care offering and make changes that appear to make the plans more affordable and accessible. To more fully comprehend the strategy behind Wal-Mart's newest health care offering, it should be viewed through the lens of the Chambers memo. Although the plan may be a small step up over its previous efforts, the retailer still has a long way to go.

The Susan Chambers Health Care Equation: More Part Time Workers + High Turnover = Fewer Employees Reaching Health Care Eligibility

Wal-Mart's refusal to disclose details regarding the premiums employees must pay for the various health care plans does not reveal the true cost to the average employee. In addition, the complexity of Wal-Mart's offering makes it nearly impossible to discern employee co-pays.

Wal-Mart Health Insurance Coverage Lags Far Behind National Average. Nationally, 64% of workers in very large firms (5,000 employees or more) receive their health benefits from their employer. Wal-Mart typically covers around 50% of its employees.²

Wal-Mart Fails To Retain Workers. Employee turnover at Wal-Mart is extremely high, even for the high-turnover retail industry. According to company reports, it has stood at around 50% for several years. Some critics have put Wal-Mart's annual employee turnover at closer to 70%. By comparison, annual turnover for the retail industry as a whole in 2004 was just over 29%.³

Wal-Mart Employees Still Wait Twice As Long For Health Care Coverage Than Workers At Other Retailers. The Wal-Mart average for full-time workers to qualify for benefits is six months, compared to the retail average of 2.6 months. Part-time employees must wait a full year before receiving benefits. Since the majority of workers do not stay a year, the majority never get health care.⁴

Wal-Mart Executives Admit They Are Shifting to More Part-Time Workers. “Wal-Mart executives have acknowledged that the retailer will also shift to a heavier reliance on part-time workers, who now account for roughly 20% of the work force, higher than the national average for retailers. A recent JP Morgan report said Wal-Mart plans to increase the ratio of its 1.2 million-member U.S. hourly work force on part-time schedules to 40% from 20%, meaning the hours of as many as 240,000 workers could be cut below 34 a week, the threshold to be considered full-time.”⁵

Analyst Predicts Wal-Mart's Use of Part-Time Workers is on the Rise. Citigroup analyst Deborah Weinswig predicted that Wal-Mart's proportion of full-time workers is declining. In a 60-page research report, she predicted, “Wal-Mart will reduce its ratio of full-time workers to 60 percent over the next year or two, with

the remaining 40 percent slated for part-time status. Wal-Mart's proportion of full-time U.S. workers - which currently stands at about 75 percent - could further fall to 50 percent in the future."⁶

Plan Specifics: More Choices Don't Equal Better Choices

Wal-Mart's health plan options are unaffordable for its employees. To get Wal-Mart's choice network family plan (associate + family) with a \$322.60 bi-weekly premium, \$700 annual deductible, \$500 health care credit, and \$4000 out-of-pocket medical expenses could potentially cost over \$12,000 a year and the average Wal-Mart employee makes approximately only \$20,000 a year.⁷

Employees With Pre-existing Conditions Must Wait At Least One Year For Treatment. After finally reaching eligibility after six months or one year, depending on employment status, an employee must wait an *additional* year to receive full coverage for a pre-existing condition.⁸

Wal-Mart Fails To Adequately Cover Preventive Care. According to Wal-Mart's most recent health plan, preventive care is 80% covered by the plan.⁹ Under the plan, women are not covered for preventative care cholesterol screening until age 45, whereas the American Heart Association recommends screening at age 20.¹⁰ This provision seems to fly in the face of Wal-Mart's "personal sustainability" program.

New Plan Excludes Spouses of Peak-Time and Part-Time Truck Drivers. This exclusion leaves the spouses of many Wal-Mart employees without a viable option for health insurance outside of public assistance. From the Wal-Mart's 2009 Associate Benefits Book, "Peak-Time associates and Part-Time Truck Drivers generally may not cover their spouses under the Plan."¹¹

Peak-Time Associates and Part-Time Truck Drivers Lose 60 Day Grace Period for Enrollment. Wal-Mart's 2009 Health Care plan states that peak-time associates and part-time truck drivers must enroll for the plan "60 days before the associate's one-year anniversary." Previously, the plan allowed for enrollment "within 60 days" of an associate's one-year anniversary.¹²

Wal-Mart Charges For Extra Emergency Room Visits. Wal-Mart charges an additional deductible of \$100 for emergency room visits. This re-occurring cost on top of the already high deductible devalues the effectiveness of insurance and punishes employees for severe illness and injury.¹³

Wal-Mart Lags Behind In Domestic Partnership Benefits. Wal-Mart lags behind the Fortune 500 as a whole concerning domestic partnership health care benefits for same-sex employees. Of the Fortune 500, eight of the top ten companies provide health care benefits to same-sex partners and 53% of the Fortune 500 overall provide these benefits, and 79% of the Fortune 100 provide such benefits.¹⁴

Wal-Mart's Plan Is Confusing. There are more than fifty ways for Wal-Mart associates to choose health care under the 2009 plan. Instead of offering a handful of quality choices, Wal-Mart chose to offer a significant number of choices in a Health Reimbursement Account System, which may in fact be confusing for most associates. As a result, it may dissuade Wal-Mart employees from getting health care.¹⁵

Employees Still Rely On Public Health Assistance

In Those States That Have Released Data On Companies With Employees Receiving State-Funded Health Care, Wal-Mart Tops The List. Twenty-five states have tracked and reported the number of employees and dependants that the largest employers within their borders have enrolled in state-funded health care programs, and in those states, Wal-Mart is at the head of the line for public assistance. In all states that have released such data - Alabama, Arizona, Arkansas, California, Connecticut, Florida, Georgia, Illinois, Iowa, Maine, Massachusetts, Montana, Nebraska, New Hampshire, New Jersey, Ohio, Oregon, Pennsylvania,

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Tennessee, Texas, Utah, Vermont, Washington, West Virginia and Wisconsin - Wal-Mart tops the list. In Arkansas, where Wal-Mart's own headquarters is located, 3,971 of Wal-Mart's 45,106 employees are on public assistance.¹⁶

Wal-Mart Has Admitted Many Of Its Workers And Their Families Rely On Public Programs. A memo written by Susan Chambers, Wal-Mart Executive Vice President for Benefits, for the Wal-Mart Board of Directors, said: "Specifically, our coverage is expensive for low-income families, and Wal-Mart has a significant percentage of associates and their children on public assistance."¹⁷ "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."¹⁸

Study Finds that Wal-Mart is Causing an Increase in Medicaid Spending. Michael Hicks, an economist at the Air Force Institute of Technology at the Wright-Patterson Air Force Base in Ohio, conducted a study analyzing state Medicaid data from 1978 to 2003 and found that Wal-Mart causes an increase in state Medicaid spending by as much as \$898 per person.¹⁹

¹ Wal-Mart Secret Memo, Page 5, <http://walmartwatch.com/memo>; *New York Times*, 10/26/05

² Employer Health Benefits 2008 Annual Survey, The Kaiser Family Foundation and Health Research and Educational Trust, "Wal-Mart Says More Than Half Its Workers Have Its Health Insurance," *New York Times*, 1/23/08.

³ Head, "Inside the Leviathan," Moira Herbst, "The Costco Challenge: An Alternative to Wal-Martization?," 2005; Bureau of Labor Statistics, "Job Openings and Labor Turnover Survey," 2005; Dan Bianchi and Dan Swinney, "Wal-Mart: A Destructive Force for Chicago Communities and Companies," 2004

⁴ Wal-Mart 2009 Associate Benefits Book; Employer Health Benefits 2008 Annual Survey, The Kaiser Family Foundation and Health Research and Educational Trust

⁵ *Wall Street Journal*, 4/11/06

⁶ *Associated Press*, 5/3/06

⁷ Wal-Mart 2009 Associate Benefits Book

⁸ Wal-Mart 2009 Associate Benefits Book

⁹ Wal-Mart 2009 Associate Benefits Book

¹⁰ "American Heart Association, http://www.americanheart.org/presenter.jhtml?identifier=3006030#Item_9 (accessed 1/9/09)

¹¹ Wal-Mart 2009 Associate Benefits Book

¹² Wal-Mart 2009 Associate Benefits Book

¹³ Wal-Mart 2009 Associate Benefits Book

¹⁴ State of the Workplace 2006-2007, Human Rights Campaign

¹⁵ *Salt Lake Tribune*, 9/20/07

¹⁶ [Decatur \(Ala.\) Daily](#), 2/23/05; [Arkansas Democrat-Gazette](#), 3/17/05; [Arizona Republic](#), 7/30/05 and 1/01/05; UC Berkeley Labor Center, 8/2/04; Federal Register [Source](#); [Associated Press](#), 3/3/05; [St. Petersburg Times](#), 3/25/05; Georgia Department of Community Health, 9/10/07; [Associated Press](#), 3/4/05; [Institute for Local Self-Reliance](#) 6/28/05; [Great Falls Tribune](#), 6/26/05; Montana Department of Public Health and Human Services, 1/16/07; [Omaha World-Herald](#), 10/19/05; Chicago Tribune, 10/07/06; [Associated Press](#), 5/12/05; [New Jersey Policy Perspective](#) 08/05; [Ohio Dept. of Job and Family Services](#) 3/1/06; [Philadelphia Inquirer](#), 3/2/06; [Chattanooga Times Free Press](#), 1/20/05; [Salt Lake Tribune](#), 2/5/06; Vermont Guardian, 4/18/05; Seattle Times, 1/24/06; Charleston Gazette, 12/26/04; The Capital Times, 11/4/04; Milwaukee Journal-Sentinel, 5/24/05; Boston Globe, 4/2/09; [Division of Health Care Finance and Policy study, April 2009](#); [Texas HHSC Center for Strategic Decision Support](#) 8/3/07; "The Food Stamp and Medical Employer Tracking Report," Oregon Department of Human Services, 1/13/09]

¹⁷ Susan Chambers Memo to the Wal-Mart Board of Directors, <http://walmartwatch.com/memo>; *New York Times*, 10/26/05

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¹⁹ *Business Week*, 10/26/05