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The Wal-Mart Tax: A Review of Studies Examining Employers' Health Care Cost-Shifting

AFL-CIO

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Abstract

[Excerpt] As job-based health coverage declines and employers shift ever-growing health costs onto employees, workers increasingly must turn to taxpayer-funded programs like Medicaid to get health care for themselves and their families. Meanwhile, Medicaid is wrestling with explosive cost growth, increasing 56 percent since 2000. Medicaid is the second largest expense for most states, accounting for around 16 percent of state budgets, on average. States' spending on the program is expected to grow almost 12 percent this year, four times faster than the increase in states' general fund spending.

Recent studies in 13 states have examined the extent to which employers' workers utilize public health programs to secure health coverage for themselves and their families. As the following summary of those analyses reflects, **in each one of these states, Wal-Mart ranks at or near the very top of the list of employers that are shifting to the public the cost of providing health care for their workers**. In so doing, Wal-Mart is directly contributing to the nation's Medicaid crisis.

Keywords

health care, entitlement spending, cost, Wal-Mart, AFL-CIO, union, health coverage, decline, Medicaid, states, spending, shifting coverage, public spending

Comments

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THE WAL-MART TAX:
A REVIEW OF STUDIES EXAMINING
EMPLOYERS' HEALTH CARE COST-SHIFTING

March 31, 2005

As job-based health coverage declines and employers shift ever-growing health costs onto employees, workers increasingly must turn to taxpayer-funded programs like Medicaid to get health care for themselves and their families. Meanwhile, Medicaid is wrestling with explosive cost growth, increasing 56 percent since 2000. Medicaid is the second largest expense for most states, accounting for around 16 percent of state budgets, on average. States' spending on the program is expected to grow almost 12 percent this year, four times faster than the increase in states' general fund spending.

Overall health care costs, particularly for prescription drugs and hospital care, are growing, so it is not surprising that Medicaid costs would rise too. What sets Medicaid apart, however, is that increased enrollment in the program also plays a decisive role in driving cost increases. A number of factors account for growing caseloads, but one reason is that employers—including some that are highly profitable—are shifting onto taxpayers the costs of insuring their workers.

Recent studies in 13 states have examined the extent to which employers' workers utilize public health programs to secure health coverage for themselves and their families. As the following summary of those analyses reflects, **in each one of these states, Wal-Mart ranks at or near the very top of the list of employers that are shifting to the public the cost of providing health care for their workers**. In so doing, Wal-Mart is directly contributing to the nation's Medicaid crisis.

That Wal-Mart should play such a prominent role in the Medicaid crisis is unjustifiable by any measure. Wal-Mart rakes in profits at the rate of $20,000 per minute; last year, its profits were $10 billion, the largest amount in its history. The 2004 compensation package for Wal-Mart's CEO Lee Scott was almost $23 million. Five members of the Walton family who are major company stockholders have a combined net worth exceeding $90 billion, making them half of the 10 wealthiest Americans. And over the last two decades, Wal-Mart has benefited from at least $1 billion in economic development assistance from state and local governments, including several states featured in this report.

Plainly Wal-Mart can—and should—do better by its workers and the consumers it professes to serve.

ALABAMA

A review of state records found Wal-Mart first among 46 major Alabama employers with workers whose children receive health care through the state's Medicaid program. Altogether, 3,864 children of Wal-Mart employees were on the Medicaid rolls, representing 1 in 5 of the Medicaid-insured children whose parents worked for the major employers identified in the state's analysis. Wal-Mart accounted for more than twice as many children on Medicaid as McDonald's, the next highest-ranking employer, which had 1,615 Medicaid kids.

The cost to taxpayers of providing health care to children of Wal-Mart's workers in Alabama was between $5.8 million and $8.2 million. The Wal-Mart share is slightly more than 20 percent of the total cost ($27 million to $38 million) for Medicaid coverage for 18,000 children of 46 major Alabama employers.

Wal-Mart has benefited from more than $38 million in taxpayer-financed economic assistance in Alabama since 1983, with the bulk of the benefits accruing over the last five years.[1]

Alabama has identified Medicaid as one of the top fiscal issues it will have to address in the 2005 legislative session. Over the last two years, the state has taken several steps to rein in Medicaid costs, including cuts in benefits and eligibility.[2] The state may need an additional $127 million from its general fund to meet Medicaid demands. Meanwhile, the state is predicting a budget shortfall of $300 million to $400 million (5 percent to 7 percent of its 2005 general fund spending) for fiscal year 2006.

ARKANSAS

A headcount of Arkansas public assistance recipients and their employers placed Wal-Mart at the top of the list of companies whose workers must rely on public programs to meet their health care needs. According to the state's Human Services Department, 3,971 of Wal-Mart's 45,106 employees—8.8 percent—are enrolled in public assistance programs, mostly in Medicaid and primarily to provide health care for their children. The Department estimates that the average annual Medicaid cost per recipient is $4,083. That means that providing health care coverage to Wal-Mart's employees and family members in the corporate giant's home state costs taxpayers as much $16.2 million per year, a 40 percent share of the total maximum Medicaid spending for workers and their family members identified in the state's analysis.

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[1] See Appendix I for a breakdown of taxpayer financed economic assistance Wal-Mart has received in the 13 states reviewed in this report.
[2] See Appendix II for a breakdown of the Medicaid cost-containment measures the 13 states in this report imposed in fiscal years 2004 and 2005.

Wal-Mart benefited from more than $350,000 in taxpayer-financed infrastructure assistance and state tax credits for distribution centers in 1989 and 1993 and additional state tax credit assistance (of an unknown amount) in 2000.

Arkansas has identified projected cost increases under Medicaid as one of the top three fiscal problems it must deal with this year. The state is facing a $200 million increase in Medicaid spending over the next two years. Arkansas's Medicaid caseload has almost doubled since 1999, and the governor says one reason for the growth is the rising number of uninsured workers.

CALIFORNIA

A 2004 study by the University of California at Berkeley Labor Center found that Wal-Mart employees' reliance on public assistance programs, including public health care programs, costs the state $86 million annually, with health-related costs accounting for $32 million. According to the study, 23 percent fewer Wal-Mart employees participate in the company's health care plan than is typical for employees of large retailers in general. And families of California's Wal-Mart employees utilize 40 percent more in taxpayer-funded health care services and an estimated 38 percent more in non-health public services (food stamps, EITC, subsidized schools lunches and housing) than the average for families of all large retail employers.

The study concluded that if other California retailers followed Wal-Mart's example when it comes to wages and benefits, it would cost California taxpayers an additional $410 million annually to provide public assistance to workers.

Since 1991, Wal-Mart has benefited from at least $48.5 million in taxpayer financed economic assistance in California.

California's projected budget shortfall for fiscal year 2006 is $6.7 billion to $8.6 billion, an 8 percent to 11 percent share of the state's 2005 general fund spending. Over the last two years, California has cut Medicaid benefits and eligibility and taken a variety of other steps to rein in Medicaid costs.

CONNECTICUT

Wal-Mart tops the list of Connecticut employers with workers or children of workers getting health coverage through the state's HUSKY A (Medicaid) and HUSKY B (SCHIP) programs. According to a February 2005 report, 1028 Wal-Mart employees—more than 11 percent of the company's workforce in the state—participate in the programs, including 824 Wal-Mart workers and an unreported number of their children who are insured under the HUSKY A program. In addition, the children (or wards) of 204 Wal-Mart workers get health coverage under the state's HUSKY B program. Wal-Mart workers participating in the HUSKY programs put in substantial work hours: at least 70 percent work more than 30 hours per week.

Wal-Mart workers' reliance on the state's Medicaid and SCHIP programs cost Connecticut taxpayers $5.4 million a year, or 13 percent of the $43 million tab for the top 25 employers whose workers and children get health coverage under the state's programs.

Connecticut faces a fiscal year 2006 budget shortfall that is reportedly as great as $1.2 billion. Over the last two years, Connecticut has cut Medicaid benefits and eligibility and taken a variety of other steps to rein in program costs.

FLORIDA

Wal-Mart ranks first among Florida employers whose workers are eligible for Medicaid for themselves and/or their dependents. According to the state's Department of Children and Families, 12,300 Wal-Mart employees or their dependents qualify for Medicaid, though the precise number using Medicaid as their primary health care source is unknown. Wal-Mart is one of five large Florida employers that receive economic incentives from the state at the same their workers qualify for Medicaid for themselves or their dependents. Altogether, these five employers account for roughly 29,000 Medicaid-eligible individuals (employees or dependents), with Wal-Mart's share representing 42 percent of that group.

Wal-Mart has benefited from at least $54.1 million in taxpayer-financed economic assistance in Florida since 1992, with more than 70 percent of that benefit projected to accrue in 2004 and 2005.

Florida ranks Medicaid costs among the top three fiscal issues it must address in the 2005 legislative session. The state's Medicaid costs have more than doubled over the last 10 years, rising from around $6 billion in the 1995-1996 fiscal year to more than $14 billion now. Medicaid spending reportedly accounts for 25 percent of the state's budget. Over the last two years, Florida has cut Medicaid benefits and taken other measures to rein in the program's costs.

GEORGIA

A 2002 review by the Georgia Department of Community Health placed Wal-Mart at the top of the list of employers whose workers' children receive health coverage through PeachCare for Kids, the state's health care program for low income children. More than 10,261 Georgia kids—6.2 percent of <u>all</u> Georgia children who participate in PeachCare—had parents working for Wal-Mart. PeachCare coverage for the Wal-Mart kids reportedly costs state taxpayers $10 million per year. The number of Wal-Mart children in PeachCare was more than

14 times greater than the next highest-ranking employer, Publix Supermarket, whose employees had 734 children in the program. And the ratio of children participating in PeachCare per number of employees was far greater for Wal-Mart than for the three next highest-ranked employers. Wal-Mart had approximately one child in PeachCare for every four workers (that is, 10,261 children and 42,000 workers in Georgia). For Publix Supermarkets, the ratio was one child in PeachCare for every 22 employees; for Shaw Industries, it was one child for every 30 employees; and for Mohawk, it was one child for every 26 employees.

Wal-Mart has benefited from almost $20 million in taxpayer-financed economic assistance in Georgia since 1987.

Last year, rate hikes and other cost-cutting measures forced 45,000 Georgia children off PeachCare. Some of those children have subsequently returned to the program, but the legislature and governor are considering new measures likely to result in coverage loss for many children. Georgia's Medicaid program must close an $80 million deficit, making Medicaid one of the top three fiscal problems the state must address this year. Over the last two years, Georgia has cut Medicaid benefits and eligibility and imposed other cost-containment measures to rein in Medicaid spending.

IOWA

Wal-Mart leads Iowa employers in the number of workers on Medicaid, according to an analysis by the state's Department of Human Services. Approximately five (5) percent of Wal-Mart's Iowa employees—845 workers—received health care under the state's Medicaid program last year. Wal-Mart accounted for more than twice as many Medicaid participants as the state's largest employer, supermarket chain Hy-Vee, Inc., which had 361 of its 24,500 employees (1.5 percent) on the Medicaid rolls. The remaining three employers among the top five with workers on Medicaid also had fewer than half Wal-Mart's number: 388 employees of Tyson Fresh Meats were participating in Medicaid, as were 371 employees of Casey's General Stores and 217 employees of Access Direct Telemarketing.

Wal-Mart has benefited from almost $17 million in taxpayer-financed economic assistance in Iowa since 1985.

Iowa faces a $221 million budget shortfall in fiscal year 2006 and a $170 million Medicaid deficit over the next 18 months. The state ranks Medicaid as one of the top three fiscal problems it must address this year. Over the last two years, Iowa has cut Medicaid eligibility and imposed other cost-containment measures to rein in spending on the program.

MASSACHUSETTS

In February, the Massachusetts Executive Office of Health and Human Services issued its first annual report on state employers with 50 or more employees using public health assistance. The analysis covers participants in the state's Medicaid and SCHIP program, MassHealth, and in the Uncompensated Care Pool (UCP), which reimburses certain hospitals and community health centers for services they provide to low income uninsured and under-insured people. Wal-Mart ranked first in the number of workers' dependents insured under MassHealth and third in the total number of workers and dependents receiving public health assistance. Of the 2,914 public health participants associated with Wal-Mart, 823 employees and 1656 dependents participate in MassHealth and 435 workers and/or their dependents are covered under the UCP program.

The total cost to Massachusetts taxpayers for providing health care to Wal-Mart workers and their dependents is $2.9 million—5.5 percent of the $53 million tab taxpayers pick up to provide health care to 55,286 individuals who are employees or dependents of 138 state employers.

The study also reported on the share employers pay toward the health care premiums of their employees. Here, too, Wal-Mart ranks as one of the state's worst employers. Wal-Mart paid only 52 percent of covered workers' health insurance premiums, considerably less than the average employer contribution of 70 percent—and less than K-Mart's 66 percent payment, Target's 68 percent contribution, and the sizable 80 percent share paid by Sears. Wal-Mart's shifting of large premium costs onto its employees is one reason so many Wal-Mart workers and their family members rely on public health assistance.

Massachusetts anticipates a fiscal year 2006 budget shortfall of $300 million to $800 million. Medicaid and health care cost containment are rated as one of the top three fiscal problems the state must deal with this year. Massachusetts has cut Medicaid eligibility and imposed other cost-containment measures over the last two years to rein in Medicaid spending.

TENNESSEE

Wal-Mart ranks first among Tennessee employers with workers participating in TennCare, the state's expanded Medicaid program. One in every four Wal-Mart employees—9,617 employees of 37,000 employees statewide—gets his or her health coverage through the program. The second ranked company—Randstad Staffing Services—accounted for 6,389 TennCare participants. The 20 employers with the most workers covered through

TennCare accounted for 68,000 program participants, roughly 15 percent of whom work for Wal-Mart.

Wal-Mart has benefited from $11.6 million in taxpayer-financed economic assistance in Tennessee since 1983, with two-thirds of that coming in since 1997.

Tennessee's governor has proposed to eliminate TennCare coverage for as many as 323,000 adults and to reduce benefits for 396,000 others, changes he says are essential to avoid "bankrupting the state." Absent such changes or alternative cuts elsewhere, Tennessee will have to find an additional $650 million for TennCare, according to the state's Finance Commissioner. Tennessee cut Medicaid benefits and eligibility and imposed other cost-containment measures over the last two years to limit spending on the program.

TEXAS

Wal-Mart also tops the list of employers in Texas whose workers must rely on public programs to get health care for their kids. According to data from the Texas Health and Human Services Commission, 4,339 children of Wal-Mart workers were in the state's CHIP program in February 2005, three times more than the number of children whose parents work for the Houston Independent School District, the second highest-ranking employer on the list. Children of Wal-Mart workers are 30 percent of all the children participating in CHIP whose parents work for the top 20 employers on the state's list.

Wal-Mart has benefited from more than $100 million in taxpayer-financed economic assistance in Texas since 1983, including a $19 million property tax exemption for a new distribution center slated to open next month in Baytown, Texas.

Texas faces a fiscal year 2006 budget shortfall of $4.9 billion, an amount exceeding 16 percent of its 2005 general fund spending. The state ranks Medicaid as one of the top three fiscal problems it must deal with this year. Over the last two years, Texas has cut Medicaid benefits and eligibility and imposed other measures to rein in spiraling program costs.

WASHINGTON

An analysis released in February 2003 by the Washington Health Care Authority placed Wal-Mart at the top of the list of Washington employers with workers in the state's Basic Health Plan, which covers low income working families. Wal-Mart had 341 workers participating in the plan, followed by Catholic Community Services, with 265 employees in the plan, and Del Monte, with 253 participants. The following year, Wal-Mart still led the list, with 261 participating employees, followed by Del Monte, with 165 participants, and Target, with 68.

Wal-Mart benefited from $1 million in publicly financed infrastructure assistance for a distribution center that opened last year in Grandview, Washington.

Washington needs to come up with $695 million in additional funding over the next two years to maintain current levels of health care services for low income residents. Over the last two years, the state has cut Medicaid benefits and eligibility and taken other steps to rein in Medicaid costs. Washington reportedly faces a fiscal year 2006 budget shortfall of roughly $2 billion.

WEST VIRGINIA

The West Virginia Bureau for Children and Families disclosed in December 2004 that 452 Wal-Mart employees get health coverage for their children through the State's Children Health Insurance Program (SCHIP). Wal-Mart has more than three times as many employees with children covered by SCHIP than the next highest-ranked employer, Asplundh, which had 146 employees with children participating in the plan.

Wal-Mart has benefited from more than $9.7 million in taxpayer-financed economic assistance in West Virginia since 1989, with most of the benefit accruing since 1998.

Medicaid is one of the top three fiscal problems West Virginia must address this year. In November 2004, West Virginia was reported to be facing a fiscal year 2006 Medicaid deficit of $320 million. Over the last two years, the state has imposed several cost-containment measures to rein in Medicaid spending.

WISCONSIN

Wal-Mart accounts for 3,765 individuals—workers and other family members, including children—participating in Wisconsin's public health care programs. BadgerCare, the state's health program for low income working families, covers 1,175 Wal-Mart employees and adult dependents and 638 children. Another 1,952 children participate in the state's Medicaid program. The estimated annual cost to taxpayers for insuring Wal-Mart workers and their family members under these programs is $4.75 million.

Wal-Mart has benefited from $21.8 million in taxpayer-funded economic assistance in Wisconsin since 1993, with almost all of the benefits accruing since 2000.

Wisconsin anticipates a fiscal year 2006 budget shortfall of $810 million to $940 million. Funding for Medicaid is one of the top three fiscal problems the state must address this year. Wisconsin has cut Medicaid eligibility and imposed other cost-containment measures over the last two years to rein in program costs.

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APPENDIX I

Taxpayer-Financed Economic Development Assistance Benefiting Wal-Mart, 1982-2005

(Subsidies and industrial revenue bond issues for Wal-Mart or Developers of sites where Wal-Mart is building or expanding)

State	Subsidies for Retail Stores ($ in millions)	Industrial revenue bond issues ($ in millions)	Subsidies for Distribution Centers ($ in millions)	Total
Alabama	19.6		19.2	38.8
Arkansas			0.4	0.4
California	34.5		14.0	48.5
Connecticut				
Florida	1.7	2.6	49.8	54.1
Georgia		4.8	14.7	19.5
Iowa	1.2	5.5	10.0	16.7
Massachusetts				
Tennessee		3.7	7.9	11.6
Texas	1.3	29.2	77.1	107.6
Washington			1.0	1.0
West Virginia	9.7			9.7
Wisconsin	6.7		15.1	21.8

Source: "Shopping for Subsidies: How Wal-Mart Uses Taxpayer Money to Finance Its Never-Ending Growth," ***Good Jobs First,*** May 2004. The ***GJF*** report provides state-by-state information on subsidies and other taxpayer-financed assistance that benefited Wal-Mart either as a direct recipient of aid or because the company was anchoring a new development project that received assistance. The types of subsidies covered by the report include free or reduced-price land, infrastructure assistance, tax increment financing, tax breaks (property, corporate income and sales taxes), enterprise zone (and other zone) status, job training and worker recruitment funds, tax-exempt bond financing (industrial revenue bonds) and general grants.

According to the ***GJF*** report, Wal-Mart has benefited from at least $1 billion economic development assistance since 1982. The ***GJF*** report, while thorough, is not comprehensive since state and local recordkeeping and reporting on corporate subsidies is spotty and incomplete. As a result, the ***GJF*** finding understates, perhaps substantially, the total amount of economic development assistance benefiting Wal-Mart.

The table above extracts data for the 13 states covered in our report.

APPENDIX II

Medicaid Cost-Containment Measures:
Fiscal Year 2004 Or Fiscal Year 2005

STATE	BENEFIT CUTS	ELIGIBILITY CUTS	OTHER MEASURES
Alabama	X	X	X
Arkansas			X
California	X	X	X
Connecticut	X	X	X
Florida	X		X
Georgia	X	X	X
Iowa		X	X
Massachusetts		X	X
Tennessee	X	X	X
Texas	X	X	X
Washington	X	X	X
West Virginia			X
Wisconsin		X	X

Source: "The Continuing Medicaid Budget Challenge: State Medicaid Spending Growth and Cost Containment in Fiscal Years 2004 and 2005: Results from a 50-State Survey," ***Kaiser Commission on Medicaid and the Uninsured,*** October 2004. The report contains national and state-by-state data on a number of factors related to the Medicaid crisis, including the types of cost-containment steps states have taken. According to the ***Kaiser*** report, every state imposed one or more cost-containment measures over the last two years, including benefit cuts (in 22 states) and eligibility restrictions (in 30 states). As used in the above table, "other measures" include reductions in provider payments, pharmacy controls, higher co-pays, expansion of managed care options, greater controls on fraud and abuse, implementation of disease and case management techniques, and long-term care savings initiatives. This table includes steps taken in either fiscal year 2004 or 2005; the ***Kaiser*** survey reports each fiscal year separately.

The table above extracts data for the 13 states covered in this report.