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Wal-Mart: An Example of Why Workers Remain Uninsured and Underinsured

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Abstract

[Excerpt] A ground-breaking new study by The Commonwealth Fund, *The Growing Share of Uninsured Workers Employed by Large Firms*, sheds important light on a previously unexplored dimension of the health care crisis —the decline in coverage and rising uninsured rates among employees of large firms. According to the study, a surprising percentage of uninsured *individuals* — more than one in four — works for or has family members who work for large firms. In addition, the share of uninsured workers employed by large, private-sector firms rose substantially between 1987 and 2001, from 25 percent of all uninsured workers to 32 percent, and the share of large-firm employees with health coverage through their jobs fell from 71 percent to 66 percent.

The phenomenon described in The Commonwealth Fund study is not simply or even largely because large employers are not providing *any* coverage. More to the point, some large employers maintain health plans so laden with restrictions and so costly to employees that few workers end up with coverage under the plans. As a recent *Wall Street Journal* feature article suggests, Wal-Mart leads the pack among such large employers that fail to provide adequate and affordable health coverage for their employees.

Keywords

Wal-Mart, health insurance, employee benefits, uninsured workers, underinsured workers, health care

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Executive Summary

Recent reports have highlighted the severity of the renewed national crisis in health care. Several years of double-digit health care inflation with no end in sight have induced many employers to reduce or eliminate health coverage for their workers or pass along greater costs to them. Along with the economic recession and ongoing jobless recovery, these spiraling health care costs have swelled the ranks of the uninsured and reduced the share of all Americans who have employment-based insurance.

A ground-breaking new study by The Commonwealth Fund, *The Growing Share of Uninsured Workers Employed by Large Firms,* sheds important light on a previously unexplored dimension of the health care crisis —the decline in coverage and rising uninsured rates among employees of large firms. According to the study, a surprising percentage of uninsured *individuals*—more than one in four—works for or has family members who work for large firms. In addition, the share of uninsured *workers* employed by large, private-sector firms rose substantially between 1987 and 2001, from 25 percent of all uninsured workers to 32 percent, and the share of large-firm employees with health coverage through their jobs fell from 71 percent to 66 percent.

The phenomenon described in The Commonwealth Fund study is not simply or even largely because large employers are not providing *any* coverage. More to the point, some large employers maintain health plans so laden with restrictions and so costly to employees that few workers end up with coverage under the plans. As a recent *Wall Street Journal* feature article suggests, Wal-Mart leads the pack among such large employers that fail to provide adequate and affordable health coverage for their employees.

Nationally, two-thirds (66 percent) of workers at large firms get health insurance from their own employer. But at Wal-Mart, fewer than half of the company's employees actually are insured under the company plan—between just 41 and 46 percent, according to information reported by the *Wall Street Journal* and an analysis of Wal-Mart filings with the Internal Revenue Service and U.S. Department of Labor. Wal-Mart has implemented plan changes in recent years that materially narrow eligibility for benefits, increase workers' out-of-pocket costs and reduce health benefits. These factors raise particular concerns about Wal-Mart's employees because most are low-wage workers who likely lack the necessary resources to otherwise provide for adequate, reliable medical coverage.

The relatively low health care plan participation rates by Wal-Mart employees compared with employees of the typical large company likely result, in part, from Wal-Mart's benefit policies, which specifically deny employees coverage or make it relatively expensive to purchase. Wal-Mart requires workers to wait relatively long periods of time—six months for most full-time employees and two years for part-timers—before they become eligible to buy into a Wal-Mart medical plan. Wal-Mart also restricts access to family coverage: Part-time employees *never* can buy coverage under the Wal-Mart plan for their family members, and family coverage disappears if a worker slips from full-time to part-time status.

The costs of participating in the Wal-Mart plan are also prohibitive for many of the company's employees, who earn, on average, $7.50 to $8.50 per hour. In addition to paying premiums ranging from $143.54 to $249.71 per month for family coverage and $33.04 to $72.04 per month for single coverage, workers must meet annual deductibles (which are between $350 and $1,000 per person) and also must satisfy potentially costly co-payments. And Wal-Mart imposes a substantial surcharge on employees who elect to cover their spouses under the company's plan, if the spouse works for an employer that provides health insurance—even if the spouse is unable to participate in the employer's plan. A single Wal-Mart employee choosing the cheapest coverage available may have to spend as much as $6,396.50—about 45 percent of annual wages for a full-time (34 hours per week) Wal-Mart worker making average wages—before receiving any benefits under the plan.

Beyond the necessity of scaling major participation and cost barriers to coverage, workers insured under the Wal-Mart plan face significant gaps in covered benefits. These range from lack of insurance for important preventive care to big out-of-pocket expenses. As a result, workers must seek supplemental coverage elsewhere or pay for those costs out-of-pocket.

It is not Wal-Mart employees alone, though, who pay the price for the company's failure to provide adequate and affordable health insurance—we all do. Costs are passed on to other employers in the form of higher premiums they must pay in order to compensate for skimping by Wal-Mart and other large employers that shortchange their employees' health care coverage. Employers that maintain adequate health benefits for their workers face enormous business pressures from those companies that are bent on getting a competitive upper hand by providing substandard health benefits for their employees. Competition that puts health benefits in play roils labor relations in work places where health benefits have been good and threatens to propel a race to the bottom, in which everyone suffers. Finally, federal, state and local governments—American taxpayers—must pick up the multi-billion-dollar tab for employees and dependents, especially children, of large and profitable employers who are forced to rely on public hospitals and other public health programs for care and treatment they need but cannot obtain under their employers' health plans.

Wal-Mart is the nation's largest company, largest private employer and a highly profitable corporation. For better or worse, it must be seen as a leader on benefits—and indeed, the company views itself as a standard-setter in the area of health care. The Wal-Mart model turns on severe coverage restrictions, large costs for workers and gaps in benefits. That this model could become the one other employers follow is cause for concern for all of us.

Wal-Mart

An Example of Why Workers Remain Uninsured and Underinsured

The nuts and bolts explanations for America's renewed health care crisis are laid out in a series of recent reports that document steep cost hikes for employers and their employees, a decline in job-based coverage and a sharp rise in the ranks of the uninsured. Tens of thousands of striking union members in southern California, Missouri and West Virginia, like union members who struck General Electric this year and Hershey Foods last year, are bringing that crisis into vivid and sharp relief.

Last month, the Henry J. Kaiser Family Foundation and the Health Research and Education Trust ("the Kaiser survey") reported that employers' health care premiums rose 13.9 percent in 2003 on average, marking the third straight year of double-digit cost hikes; [1] similar average increases are projected for next year. Many companies report that yearly increases have been 20, 30, 40 or more percent each of the last three years. Employers have responded to spiraling costs by eliminating coverage, reducing benefits and passing along ever-greater costs to workers—all of which contribute to growing numbers of the uninsured and a decline in the share of Americans with employment-based health coverage.

According to the U.S. Census Bureau, almost 44 million Americans were uninsured in 2002, a stunning increase of nearly 5 million in just two years.[2] During the same period, the share of Americans with employment-based coverage dropped by almost 3 percentage points, from 64.1 percent to 61.3 percent.[3] The Urban Institute likewise has found a multi-point decline in employment-based coverage between 1999 and 2002, which it attributes to, among other things, reduced employer contributions to workers' health care premiums. Regardless of establishment size, the percent of employers paying the full premium for their workers' health plans has fallen, while the share paying none has grown.[4] In related fashion, the Kaiser survey found that employee costs for their share of premiums for family coverage grew by almost 50 percent over the past three years.[5]

Higher costs are a major reason the share of workers in private industry who elect to participate in their employers' health care plans has fallen sharply, from 63 percent in 1992–1993 to only 45 percent in March 2003, according to the U.S. Department of Labor.[6]

The erosion of employment-based coverage has significant consequences. Working families rely heavily on health insurance from their employers. For many families, job-based insurance is the only likely source of affordable, reliable coverage.

More than half (55.2 percent) of American workers (ages 18-64) are covered by health insurance from their own jobs.[7] More Americans—more than three-in-five (61.3 percent)—get health insurance from employment-based plans than all other sources, including private individual policies and government programs, combined.[8] This group includes workers themselves, their spouses and their children, as well as retired workers and their spouses receiving retiree benefits. For example, more than three-in-five (63 percent) American children under 18 are covered under job-based health insurance plans.[9]

Despite the central role employer-provided health coverage plays, its costs—and the determination to hold them down—place employment-based insurance on the chopping block. Employers that provide good—and costly—health benefits face enormous bottom-line economic pressures to bring their practices in line with those companies that skimp on coverage. This is especially true in low-wage industries, where employers' capacity to compete through lower wages is constrained by federal and state wage and hour requirements. No similar constraints limit employers' ability to place health care benefits in competition.

A ground-breaking new study by The Commonwealth Fund sheds important light on a previously unexplored dimension of the health care crisis and the fall-off in employer-based coverage—the decline in coverage and rising uninsured rates among employees of large firms. According to the study (*The Growing Share of Uninsured Workers Employed by Large Firms*), a surprisingly large share of uninsured *individuals*—more than one in four—works for or has family members who work for large firms.[10] Moreover, the share of uninsured *workers* employed by large, private-sector firms rose substantially between 1987 and 2001, from 25 percent of all uninsured workers to 32 percent.[11] Correspondingly, during that period the share of large-firm employees with health coverage through their jobs fell from 71 percent to 66 percent, while the share of small- and medium-sized employers' workers with own-job coverage was unchanged.[12]

The failure of large, often highly profitable employers to maintain and extend adequate and affordable health coverage to employees and their families has enormous repercussions. Workers often are forced to choose between doing without health coverage so they can meet other basic needs or paying more than they can afford for coverage they simply must have. For state governments already struggling against the worst fiscal tides in decades, large employers' failure to provide affordable coverage translates into even greater demands for these public health care programs that already are strapped by budget shortfalls and by higher caseloads because of job loss. Employers that try to do the right thing and provide affordable health care for their employees get a double whammy when other large employers fail to provide adequate and affordable health care. They pick up the tab, in the form of higher costs, for employers that shortchange their employees, and they operate at a competitive disadvantage with those companies—not unlike the competitive disadvantage U.S. manufacturers face when competing with companies in such countries as China.

The statistical evidence presented in the Commonwealth Fund study is supported and enhanced by what is going on at the individual company level. It is not simply that large employers are providing no coverage at all; some are covering few of their employees and offering relatively expensive and inadequate benefits. For example, an examination of recent government filings by Payless ShoeSource, Inc., the nation's largest shoe retailer, suggests that only about one-third of its employees are covered under the company's health plan.[13] As information reported in a recent front-page *Wall Street Journal*[14] article suggests, however, Wal-Mart leads the pack in the world of large employers that do not provide adequate and affordable health coverage for their employees. Fewer than half of Wal-Mart employees actually get coverage from the Wal-Mart plan. Those who do may be underinsured, covered only for high-cost, catastrophic events and not for the routine care needed to keep workers and their families healthy.

Wal-Mart's failure to provide affordable coverage has implications well beyond its own workforce. As the nation's largest private employer and the dominant employer in the retail industry, Wal-Mart has a significant impact on the kind of health insurance coverage, if any, other employers provide. Indeed, Wal-Mart is the invisible party at the bargaining table in the current strike by United Food and Commercial Workers members against southern California supermarkets. Though the supermarkets and the union customarily have bargained good health benefits for their employees, the supermarkets now argue they have no choice but to shift more costs to workers to counter the cut-throat competition they face from Wal-Mart.

Its pre-eminent role in the world of employment-based health care is not lost on Wal-Mart. As one of the company's executives recently proclaimed, Wal-Mart is "setting the standard" for providing health care benefits and limiting corporate health care outlays.[15] If that is the case, it is important to take a close look at the kind of standard Wal-Mart is setting.

Wal-Mart

As a retailer, Wal-Mart is known as an industry leader and innovator. To consumers, it is the deep discount chain with everyday low prices that will sell you just about everything you need and want in your daily life, from car batteries to corn flakes. To retail industry analysts, it is the company that has invested hundreds of millions of dollars in behind-the-scenes technology designed to squeeze every efficiency out of the business of selling and that uses its position as the country's largest retailer to squeeze its suppliers for the lowest price possible, and then some.

The company describes itself this way:

> *Wal-Mart is in the business of serving customers....We have built our business by offering our customers quality merchandise at low prices. We are able to lower the cost of merchandise through our negotiations with suppliers and by efficiently managing our distribution network. The key to our success is our ability to grow our base business. In the U.S. we grow*

> *our base business by building new stores and by increasing sales in our existing stores....We intend to continue to expand both domestically and internationally.*[16]

Probably the most recognized retail chain in the world, Wal-Mart operates 3,400 stores in all 50 states. It operates discount stores, supercenters and neighborhood markets under the Wal-Mart name and membership warehouse clubs under the Sam's Club name. The company also operates nearly 1,300 stores internationally in places as varied as Germany and China.[17]

Wal-Mart is huge by any standard. The company posted revenues of $246.5 billion last year, more than any other company in history and an increase of 12.2 percent over the prior year despite the poor economy.[18] It is no wonder that *Fortune* magazine recently called Wal-Mart "the world's most powerful company"[19] and that Wal-Mart now occupies the *Fortune* 500's top spot, ahead of corporate behemoths General Motors, ExxonMobil, Ford Motor Co. and General Electric.[20]

Wal-Mart is also a very profitable company. On an after-tax basis, Wal-Mart's net income totaled $8.04 billion last year, or more than $7,300 for every employee on its payroll. This represented a 20.5 percent increase over the prior year.[21]

Wal-Mart's financial success has translated into extraordinary wealth for the family of Wal-Mart's founder, the late Sam Walton. Walton's widow and four children control 38 percent of Wal-Mart. With an estimated net worth of $20.5 billion *each* (or $102.5 billion as a family), they account for five of the 10 wealthiest Americans. They tie for fourth on *Forbes* magazine's list of the 400 richest people in America, behind only Bill Gates, Warren Buffett and Paul Allen.[22]

Part of Wal-Mart's business strategy is relentless expansion of its operations. According to the company, it plans to open 45 to 55 new Wal-Mart stores and 60 to 70 additional supercenters this year alone.[23] Wal-Mart has benefited from millions of dollars in public, taxpayer-financed subsidies negotiated with state and local governments to support its expansion efforts. For example, in 1999 it was reported that a developer received a tax incentive of up to $38.9 million for a construction project including a Wal-Mart and a Sam's Club in Olivette, Mo.—more than a third of the projected total cost of the project.[24] In 1998, it was reported that the city of Chesterfield, Mo., was supplying $25.5 million in tax incentives toward the construction of a $100 million-plus mall with a Wal-Mart as one of its anchors.[25] In 2001, Ohio approved $10 million in tax credits and other assistance for Wal-Mart for the opening of two distribution centers and an eyeglass manufacturing facility.[26]

As the size and omnipresence of the company suggest, Wal-Mart is popular with consumers. In its 2002 annual report, the company cites independent surveys showing that a plurality of Americans say Wal-Mart is their favorite store and that nearly three in five children ages 8 to 18 name Wal-Mart as their favorite place to shop for clothes.[27]

Wal-Mart's aggressive expansion, however, does not come without controversy. In many parts of the country, community advocates and local business owners have been critical of Wal-Mart's effects on local establishments and some of its business tactics. One researcher found that Wal-Mart has affected small-town businesses in Iowa significantly, with 45 percent of hardware stores and 23 percent of drugstores disappearing after Wal-Mart started doing business in the state in 1983.[28] Also, as the company has started adding gas pumps to its stores, independent gas station owners have grown concerned about whether Wal-Mart's practices would drive them out of business. In Virginia, for example, Wal-Mart has been selling some gas below cost, according to a statement reported to have been made by a Wal-Mart official.[29]

Wal-Mart's Workers

As of Jan. 31, 2003, Wal-Mart employed approximately 1.1 million workers in the United States,[30] making it the largest private employer in the country. The bulk of the company's employees are front-line workers who perform the everyday jobs that make the stores run. They staff the cash registers, stock the shelves and work the sales floor, among other tasks. Other in-store workers include store managers (known as "management associates") and pharmacists. Company employees also work at distribution centers, as truck drivers, in manufacturing facilities and at corporate offices.

By a number of benchmarks, the front-line positions are low-wage jobs. Starting pay for many jobs is not much greater than the federal minimum wage. According to one estimate, the average hourly wage at Wal-Mart is between $7.50 and $8.50 per hour. [31] A full-time worker (which Wal-Mart defines as 34 hours per week[32]) earning $8 per hour makes $272 per week, or $14,144 per year. By comparison, average hourly earnings of nonsupervisory retail trade workers were $10.04 in 2002, and their average weekly earnings—based on a 29-hour average work week—were $291.16 (or $15,140.32 annualized).[33]

Poverty Line. Full-time workers earning $8 per hour at Wal-Mart make well below the poverty guidelines for a family of three and a family of four.

- The 2003 poverty guideline for a family of three is $15,260—leaving a full-time, $8-an-hour Wal-Mart worker $1,116 below the poverty guideline for a family of three.
- For a family of four, this worker is left even further below the poverty guideline. The 2003 poverty guideline for a family of four is $18,400, $4,256 more than the $14,144 in earnings a full-time Wal-Mart worker earns at $8 per hour.[34]

Food Stamps. Wal-Mart's average hourly wage is so low that a full-time worker at Wal-Mart earning $8 per hour could be eligible for food stamps.

- In 2003, a household of three with a gross income of $19,838 or less could be eligible for food stamps[35]—$5,694 more than a full-time worker at Wal-Mart earning $8 per hour would earn in a year.
- A household of four with a gross income of $23,920 or less could be eligible for food stamps[36]—$9,776 more than a full-time, $8-an-hour Wal-Mart worker would earn in a year.

Self-Sufficiency. The official poverty measures do not accurately measure how much income a family needs to be self-sufficient,[37] and many families that are not considered poor under federal guidelines still do not have adequate income for basic expenses—such as child care, health care, housing and other important needs—without public or private assistance. Compared with a basic needs standard, full-time workers earning $8 per hour at Wal-Mart clearly earn less than what it takes for families to be self-sufficient. For example:

- In *Carthage, Miss.*, a full-time worker supporting an infant and a preschooler by working for $8 per hour at Wal-Mart Supercenter Store #305 would fall $8,669 short of the $22,813 in annual earnings needed to be considered self-sufficient in 2003. Even having two adults in a family work at Wal-Mart will not solve the problem. Two full-time workers supporting an infant and a preschooler by working for $8 per hour at that store would fall $3,197 short of the $31,485 needed for self-sufficiency. [38]
- In *Harahan, La.*, a full-time worker supporting an infant and a preschooler by working for $8 per hour at Wal-Mart Supercenter Store #1353 would fall $17,166 short of the $31,310 needed for self-sufficiency. Nor would two adults working low-wage jobs at Wal-Mart earn enough to make ends meet. Two full-time workers supporting an infant and a preschooler by earning $8 per hour at that store would fall $10,431 short of the $38,719 needed for self-sufficiency. [39]
- In *Birmingham, Ala.*, a full-time worker supporting an infant and a preschooler by working at Wal-Mart Supercenter Store #762 for $8 per hour would fall $20,287 short of the $34,431 needed for self-sufficiency. Two full-time workers supporting an infant and a preschooler by working at that store for $8 per hour would fall $15,030 short of the $43,318 needed for self-sufficiency. [40]

Wal-Mart's Health Insurance

Wal-Mart offers a health insurance plan for eligible employees and certain family members in some cases. Generally, the plan covers medical and mental health care and prescription drugs,[41] with some important exceptions and limitations.[42]

Wal-Mart sums up its benefits philosophy in the following way: "Wal-Mart offers you, as an eligible associate, a benefits package which includes a workplace with a culture that promotes a family atmosphere and a good working environment." Furthermore, "Wal-Mart offers benefits to support your health today and help you plan for tomorrow."[43]

To be protected by the plan, eligible workers must elect to participate in it and pay a substantial part of the cost of coverage out of their paychecks. The premium price charged to a worker then is based on the kind of coverage, the deductible level the worker selects and, in the case of a full-time worker, whether any dependents of the worker are receiving coverage.

All eligible workers (those who have worked for Wal-Mart long enough) are offered two kinds of coverage under the Associates' Medical Plan. Under the option with the lower premium costs for workers (*Network $ Saver*), all medical care is to be provided through the plan's network of doctors and hospitals if a worker wants to receive the maximum reimbursement, 80 percent of charges. Out-of-network care is reimbursed at a 60 percent rate. The more expensive option (*Network*) allows workers to use out-of-network doctors and be reimbursed for 80 percent of the cost, but they must use in-network hospitals.[44] In certain areas of the country, workers are offered alternative coverage through HMO/POS[45] plans. The HMO/POS option requires higher premium contributions from workers and provides more comprehensive benefits than the other two kinds of coverage.

Within the two primary kinds of coverage, workers choose among four different deductible levels. A deductible is the threshold amount of money that a worker must pay out of pocket each year for medical care that is otherwise covered under the health plan. Only after the worker has paid out the deductible amount does the plan cover any of the costs of medical care. Under the Wal-Mart plan, workers can elect coverage with per-person deductibles of $350, $500, $750 or $1,000.

Part-time workers can elect coverage for themselves only. Full-time workers can elect coverage for their spouses and dependent children, too.

Coverage of Wal-Mart Workers

Nationally, two-thirds (66 percent) of workers at large firms get health insurance from their own employer.[46] At Wal-Mart, fewer than half of workers actually are insured under the company plan—somewhere between just 41 percent[47] and 46 percent[48], according to information reported in a recent *Wall Street Journal* article and a separate analysis of Wal-Mart filings with the Internal Revenue Service and U.S. Department of Labor.

The health insurance participation gap between Wal-Mart and the typical large employer appears to result, in part, from Wal-Mart's benefit policies, which specifically deny employees coverage or make it relatively expensive to purchase.

Restrictions and Exclusions Limiting Coverage for Workers and their Families. Wal-Mart requires workers to wait relatively long periods of time before becoming eligible to buy into a Wal-Mart medical plan. These waiting periods are particularly important for holding down the company's health cots because turnover rates appear to be very high among hourly Wal-Mart store employees. At some stores, turnover may well be more than 100 percent per year.

Wal-Mart requires its employees to wait substantially longer periods to become eligible to buy coverage than typical similarly situated companies. At very large firms, the average waiting period is just 1.3 months, and at retail companies the average period is 2.5 months.[49] By contrast, Wal-Mart imposes the following eligibility waiting periods:

- *Full-time workers:* After doubling its health insurance waiting period in 2002, Wal-Mart now requires a full-time worker to wait *six months* to buy into the company's basic health plan.[50]
- *Part-time workers:* A part-time worker must wait *two years* to get into the plan. At Wal-Mart, part-time status means working fewer than 34 hours per week. Wal-Mart recently expanded the class of workers who are treated as part-timers. Prior to 2002, employees were classified as part time if they worked 28 or fewer hours per week. Wal-Mart also must be a part-time worker's primary employer in order for the worker to be eligible to participate in the plan.[51]
- *Other workers:* Certain workers are exempt from these waiting periods or have to satisfy shorter waiting periods. For example, full-time management employees are eligible to buy into the plan on their *date of hire*.

During the waiting periods, workers may have access to a very limited plan that only pays out up to $1,000 per year and that appears to be funded entirely with worker premium payments.[52]

Wal-Mart also restricts access to family coverage. Part-time employees never can buy coverage under the Wal-Mart plan for their spouses and children, and family coverage disappears if a worker slips from full-time to part-time status. Still, the company cited "the fact that Wal-Mart is one of only a few companies that offer health benefits to part-time employees" as a reason that it once made *Fortune* magazine's list of "100 Best Places to Work"[53] (although the company is not on the most recent list).

The Cost of Coverage. Wal-Mart's worker premium contribution requirements are a significant barrier to health care access given that its workforce almost entirely consists of low-wage workers. Wal-Mart requires its workers to make large contributions to health care costs. In 2001, Wal-Mart workers paid 42 percent of the total cost of the company health plan, up from 36 percent in 1999.[54] In contrast, the typical employee at large companies pays only 16 percent of the total premium for single coverage and 25 percent for family coverage.[55] At unionized food retail operations, workers typically are not required to contribute anything toward the premium.[56]

Starting in January 2004, workers' premiums in the less expensive *Network $ Saver* plan will increase between 13 percent and 17 percent over the 2003 rates. Since 2000, employee premium contributions for that plan will have increased dramatically across the board, from 77 percent for family coverage with a $350 deductible to 135 percent for worker-only coverage with a $1,000 deductible. The company has told employees the premium increases are the result of rising health care costs, new drugs and technologies and the costs of government mandates and regulations.

ESTIMATED 2004 MONTHLY WORKER PREMIUM, BY COVERAGE TYPE WAL-MART *NETWORK $ SAVER*[57]				
Deductible	Worker Only	Worker & Spouse	Worker & Children	Family
$350	$72.04	$222.63	$180.92	$249.71
$500	$61.75	$197.17	$158.71	$215.58
$750	$47.13	$166.29	$131.63	$174.42
$1,000	$33.04	$137.58	$107.79	$143.54

Source: Wal-Mart Stores, Inc., *Benefits At A Glance*, Effective January 2004. Monthly premiums are calculated as follows: (bi-weekly premium x 26 weeks)/12 months.

The amount of money Wal-Mart employees must pay for health care coverage makes obtaining coverage difficult for most low-wage workers. Required employee contributions can represent a significant share of a Wal-Mart worker's pre-tax wages.

2004 *NETWORK $ SAVER* ANNUAL PREMIUMS AS A SHARE OF PRE-TAX ANNUAL PAY OF FULL-TIME EMPLOYEE EARNING $8 PER HOUR[58]				
Deductible	Worker Only	Worker & Spouse	Worker & Children	Family
$350	6.1%	18.9%	15.3%	21.2%
$500	5.2%	16.7%	13.5%	18.3%
$750	4.0%	14.1%	11.2%	14.8%
$1,000	2.8%	11.7%	9.1%	12.2%

Source: Wal-Mart Stores, Inc., *Benefits At A Glance*, Effective January 2004. Assumes the full-time worker works 34 hours per week, 52 weeks per year.

- Coverage for a family under Wal-Mart's *Network $ Saver* option, with a $350 deductible, will cost $249.71 per month for a Wal-Mart worker as of January 2004.[59] Assuming the Wal-Mart employee works 34 hours per week at $8 per hour, nearly all of one week's *pre-tax* wages (92 percent) would go toward paying the premium for family health insurance each month.
- It would cost the same Wal-Mart worker more than two months' *pre-tax* wages to pay for a year's worth of family health care coverage (assuming coverage with a $350 deductible).
- Even with the highest deductible—$1,000 per year—it would require almost a month and a half worth of *pre-tax* earnings to pay for a year's worth of family coverage. And because the deductible is so high, the worker would have to pay $1,000 in medical expenses before the health insurance kicked in—nearly four weeks worth of pay.

- In some cases, workers must pay extra premiums to cover spouses. In particular, full-time workers hired in 1998 or later who want to cover their spouses under the Wal-Mart plan must pay an extra $50 surcharge every two weeks—$1,300 per year—to buy such coverage for any spouse who "is eligible for medical coverage through his or her employer."[60] The $50 spouse surcharge alone represents 9 percent of annual earnings for the typical Wal-Mart employee working 34 hours per week. Put differently, the surcharge approximately doubles the premium cost of spousal coverage under the least expensive plan (*Network $ Saver*), depending on the deductible elected.

IMPACT OF SPOUSAL SURCHARGE ON WAL-MART WORKERS' 2004 *NETWORK $ SAVER* ANNUAL PREMIUMS AS A SHARE OF PRE-TAX ANNUAL PAY OF FULL-TIME EMPLOYEE EARNING $8 PER HOUR[61]				
Deductible	Worker & Spouse No Surcharge	Worker & Spouse w/ Surcharge	Family No Surcharge	Family w/ Surcharge
$350	18.9%	28.1%	21.2%	30.4%
$500	16.7%	25.9%	18.3%	27.5%
$750	14.1%	23.3%	14.8%	24.0%
$1,000	11.7%	20.9%	12.2%	21.4%

Source: Wal-Mart Stores, Inc., *Benefits At A Glance*, Effective January 2004. Assumes the full-time worker works 34 hours per week, 52 weeks per year.

While the $50 spousal surcharge may not appear unreasonable at first, it is important to keep in mind that the surcharge applies for virtually any type of employer plan at the spouse's present or former job, regardless of the plan's adequacy or cost to the employee. The surcharge includes:

- **Spouses who are not actually eligible to participate in their own employer's plan because they have not satisfied the employer's waiting period.** For example, a spouse working for an employer with a two-year waiting period, like the one that applies to part-time Wal-Mart workers, would have to pay the extra $50 every two weeks even during the two-year period in which the spouse was ineligible to participate in his or her employer's plan.
- **Spouses who are in the armed services.**
- **Spouses who have only so-called medical savings accounts at work**, even though such accounts may be entirely funded by workers and provide only catastrophic insurance with very high deductibles.
- **Spouses who are eligible for COBRA coverage from a past employer** because they lost their job within the past 18 months, even though the

spouse may be required to pay the entire premium for coverage up to 102 percent of the cost to the plan.

Underinsured Wal-Mart Workers

Getting covered under the Wal-Mart plan is only part of the story. Once workers are covered under it, they face significant gaps in coverage. Those gaps range from lack of insurance for important preventive care to big out-of-pocket expenses.

Uninsured and Underinsured Medical Care. The Wal-Mart plan entirely excludes or limits coverage for certain kinds of medical care. As a result, workers have to seek supplemental coverage elsewhere or pay for those costs out-of-pocket.

Most significantly, the Wal-Mart plan does not cover the costs of either preventive or wellness care, except under limited circumstances.[62] In the case of children, this means that such important care as regular well-child checkups for infants and older children are not covered at all. The Wal-Mart plan stands in stark contrast to those sponsored by other employers. Nearly all (98 percent) workers covered by their employers in Preferred Provider Organization-type plans, the kind of plan most like the Wal-Mart plan, are insured for so-called well baby visits.[63] The Wal-Mart plan also does not pay for childhood immunizations for such diseases as measles, mumps, rubella and tetanus, which are recommended by the American Academy of Pediatrics as "the best available defense against many dangerous childhood diseases"[64] and which by law children may be required to receive before attending schools and day care facilities.[65] For adults, it means that such things as regular checkups and cholesterol tests are not covered. In addition, it appears that such routine screenings as colonoscopies and prostate exams are not covered.

Companies generally place stricter limits on mental than physical health benefits. The Wal-Mart plan described in the "2003 Associates Benefits Book" constructively limits benefits for out-patient coverage to $1,000 per year, covering only 50 percent of the costs of visits, up to $50 per visit for up to 20 visits per year.[66] The 20-visit limit is particularly restrictive compared to other large employers: just one-in-five (21 percent) large companies limits coverage for outpatient visits to 20 or fewer per year.[67] Benefits for in-patient treatment constructively are limited to $15,000 per year, covering only 50 percent (40 percent in a non-network hospital) of the costs up to a maximum of $500 per day with a limit of 30 days per year.[68] Limiting covered in-patient treatment to 30 days appears to be somewhere in the mid-range of what other employers are doing. Just over a third (37 percent) of employers limit in-patient treatment to 21 to 30 days per year. A third (34 percent) cover more days and 13 percent cover fewer days.[69]

Particular benefit restrictions apply during the first year of participation in the Wal-Mart plan. (This year is counted from the date the participant first joins the plan and is in addition to any waiting period, such as six months for full-time workers and two years for part-time new hires.) For new hires, medical benefits are limited to $25,000 per participant during the first year.[70] A limit this low can be of particular consequence to someone who requires intensive medical care, such as surgery or prolonged hospitalization. Workers and their covered family members are not eligible for any organ transplant benefits during their first year of participation in the plan,[71] and beginning with workers first hired in 2004, transplant benefits will be limited to $100,000 during the second year in the plan.[72] Women who have not been covered under the plan for at least one year do not receive any benefits for mammograms, pap smears or pelvic exams.[73]

New participants also get less prescription drug coverage than longer term employees. During their first year of coverage, new hires must pay 50 percent of the usual, customary and reasonable cost (UCR) rather than a fixed-dollar co-payment. In subsequent years, they pay the greater of $10 or 20 percent for generic drugs and the greater of $30 or 20 percent for brand name drugs so long as they fill their prescriptions at a Wal-Mart or Sam's Club pharmacy. In addition to the same co-pay/co-insurance rates that new hires get during their second year in the plan for prescriptions filled at a Wal-Mart store, longer-term employees are reimbursed 80 percent of the UCR (once the deductible is met)for prescriptions filled at non-Wal-Mart pharmacies.[74]

Deductibles. Wal-Mart workers are confronted by large health care costs they must pay in full out of their own pockets, known as deductibles, which they must meet before receiving any benefits out of the plan. A worker who chooses the Wal-Mart plan with the cheapest premium ($396.50 per year for single coverage) must meet a $1,000 annual deductible. This potentially translates into $1,396.50 in out-of-pocket expenses before the Wal-Mart plan pays for any of the employee's health care expenses. That means a full-time, average-wage worker at Wal-Mart who is earning about $8 per hour must spend nearly $1 out of every $10 she earns on health care before getting anything back.[75]

The effect of deductibles is even more serious for family coverage, particularly for workers earning Wal-Mart wages. For family coverage, the plan deductible applies separately to each person covered under the plan (for example, $1,000 per person), though the total deductible for a family is capped at three times the per-person deductible (for example, $3,000 maximum family deductible for the $1,000 deductible option).[76]

A $1,000 deductible represents 7 percent of the earnings from working 34 hours per week. According to a recent study by The Commonwealth Fund, only 16.3 percent of families spend more than 5 percent of their income on out-of-pocket medical costs; 7.4 percent spend 10 percent or more.[77]

Co-Insurance. Even after a worker has incurred big enough health care expenses to satisfy the deductible requirement, the plan does not provide full coverage. In fact, a full-time, average-wage worker could face annual total out-of-pocket expenses that amount to nearly half of a year's wages.

For most covered expenses, workers still must pay 20 percent of the cost of health care received from network providers. This is called co-insurance, because the worker is self-insuring part of the cost of health care. Out-of-pocket co-insurance costs are capped under the plan. For worker-only coverage, the co-insurance caps range from $1,750 for the $350 deductible option to $5,000 for the $1,000 deductible option. For family coverage, the caps range from $3,500 for the $350 deductible option to $10,000 for the $1,000 deductible option.

If a single worker with the $1,000 deductible option hits the $5,000 co-insurance maximum, the worker has incurred $26,000 in covered medical expenses during the year and paid $6,396.50 out of pocket (including $396.50 in premium contributions to the Wal-Mart health plan). That worker's covered care would be completely paid for by the plan only after she spends $6,396.50 out of pocket in a year—about 45 percent of annual wages for a full-time, average-wage worker at Wal-Mart.

The Costs of Too Little Care: The Effects of Narrowed Eligibility, Lack of Affordability and Limited Benefits under Employer Health Plans

Wal-Mart's status as the country's largest company and largest private employer, with more than 1 million workers in the United States, as well as its high level of success and profitability, make it a particularly interesting case study of what is going on at the employer level. Given its position, Wal-Mart's health benefit policies have important spillover effects, at a minimum, on other retail industry employers and companies that sell consumer goods to Wal-Mart. More broadly, Wal-Mart's approach to health benefits raises important questions about the overall direction of the employer-based health insurance system and whether other large employers will be committed to providing adequate and affordable health coverage for their workers in the long term.

As the above description and analysis of Wal-Mart's plan suggests, Wal-Mart does not offer a comprehensive plan designed to cover even a majority of its employees. Fewer than half of Wal-Mart workers actually are covered under the plan. The Wal-Mart plan also leaves significant gaps in coverage, with employees required to pay out of pocket for substantial deductibles and co-insurance payments as well as for uncovered medical care, particularly preventive care—strategies that can end up costing more in the long term.

Plans that have significant coverage gaps—in terms of both the number of workers without any coverage and level of care left uncovered by the plan—have important consequences for the rest of society.

Some of the costs of uncovered care may be shifted directly to the workers themselves, who might go without any coverage and run the risk that they will be hit with large, financially devastating costs for medical care. Workers also may delay getting medical care or not seek preventive care. A recent study found that "[i]ncreasingly, the uninsured are more likely to be hospitalized for an 'avoidable condition'—problems that could have been prevented had a person received appropriate and timely outpatient care. In 1998, 12 percent of the uninsured compared to 8 percent of the privately insured were hospitalized due to a preventable health problem."[78]

Some workers are able to rely on a spouse's plan for family coverage, but the availability and adequacy of that option may decline over time as more and more employers follow Wal-Mart, raising costs and erecting barriers for spousal coverage. Moreover, coverage of a Wal-Mart employee under a spouse's health plan merely means that another employer is absorbing the health care costs for Wal-Mart workers.

Some workers will qualify for government programs for the poor and near-poor, imposing the costs of coverage on taxpayers instead of the employer. The children of some Wal-Mart workers qualify for government benefits under Medicaid and the State Children's Health Insurance Program (S-CHIP) because most Wal-Mart employees are low-wage workers.

- In *Georgia,* more than 10,000 children of Wal-Mart employees were enrolled in the state public health insurance program for children, PeachCare, according to a 2002 state government examination. The number of Wal-Mart employees' children far exceeded the number of children of any other employer. Publix Super Markets had the next highest number, 734.[79] Wal-Mart's failure to cover these children cost federal and state taxpayers an estimated $6.6 million.[80]

- In *Washington*, Wal-Mart also has the largest number of employees' children enrolled in Medicaid, according to a government examination of records in July 2002. Wal-Mart had 453 employees' children on the rolls at that time. The second-highest number for a single company was 332 children.[81]

Childhood immunizations also provide a useful example of the cost shifting that occurs when workers and their families are either uninsured or underinsured. According to the Institute of Medicine, "[i]mmunization of children and adults against life-threatening diseases represents one of the great triumphs of the public health system in the United States, and one of the best bargains in medicine in terms of cost-effectiveness."[82] Yet, just more than half (55 percent) of children age 5 and younger are covered by private insurance that pays for immunizations. For the remainder, either the government picks up the tab, individuals pay the significant out-of-pocket expenses or the children are not immunized adequately. A third of children (34 percent) automatically are eligible for taxpayer-funded vaccines because they are Medicaid-eligible, uninsured, Native Americans/Alaska Natives or receive vaccines at federally qualified health centers (FQHCs). One in 10 children (11 percent)—like those covered under the Wal-Mart plan—have private insurance that does not pay for immunizations and therefore are not eligible directly for taxpayer-funded vaccines, though they may receive them by going to a FQHC.[83]

- *Government Pays:* Unless they are receiving immunization coverage provided by some other employer or a privately purchased health policy, Wal-Mart employees' children are among those who are eligible to receive taxpayer-funded vaccines. Immunizing children of uninsured or underinsured workers represents a substantial cost: The federal government spends more than $1 billion per year to purchase vaccines for children who lack private coverage and additional funds to cover the costs of administering vaccines.[84]

- *Worker Pays Out of Pocket:* Ironically, Wal-Mart employees' children covered under the Wal-Mart plan have a greater barrier to getting immunized that those who are not covered. They can get taxpayer-funded vaccines only if they visit an FQHC (that is, not from their personal physician in a private practice). In the alternative, their parents could pay out of pocket for immunizations, but total charges to individual workers for childhood immunizations administered according to the American Academy of Pediatrics' recommended schedule (up to age 5) easily can amount to nearly $1,000 for the immunizations alone, not counting the costs of office visits and additional charges for vaccine administration. As a consequence, children covered by such plans as Wal-Mart's (that lack free preventive care) are substantially more likely not to be properly immunized.[85]

More broadly, governments pick up the costs of uncompensated care. A recent Kaiser Commission on Medicaid and the Uninsured report found that in 2001, "uninsured people received $35 billion in uncompensated care treatment" with federal, state and local governments covering potentially as much as 80-85 percent of that.[86]

Finally, workers who lack coverage and cannot afford medical care often rely on public hospitals for treatment because those hospitals provide care without proof that the patient can pay. Such reliance shifts health care costs from employer plans to public hospitals. A 2001 study of the Las Vegas public hospital system found that uncompensated care made up 12.5 percent of total operating costs.[87] One-third of that care went to employed persons who were disproportionately in nonunion jobs in the wholesale and retail trade, construction and casino sectors. The study's author concluded that the bill for this kind of uncompensated care ultimately is paid for by many of us: taxpayers through higher taxes, employees with job-based coverage through higher premiums and lower wages, self-pay patients who have to pay higher prices, hospitals that are forced to absorb a portion of the costs and patients themselves, whose quality of care is negatively affected as a result.

Conclusion

Although substantial numbers of Americans—particularly some of the aged, people with disabilities and the poor—are insured under such government programs as Medicare and Medicaid, the United States traditionally has relied to a large degree on the private provision of health insurance for workers and their families through employer-sponsored health benefit plans. The federal government, by exempting employee compensation in the form of health insurance benefits from taxation, forgoes substantial income tax revenue in order to provide a strong incentive for the provision of health coverage through these plans. As a result, the shape and structure of such employer health plans as Wal-Mart's matter a great deal, and the public has a real interest in how well they are working at delivering reliable and affordable coverage to working families.

Since Wal-Mart is the nation's largest company and largest private employer as well as a highly profitable corporation, it must be seen as a leader on benefits, for better or worse. A look at Wal-Mart's plan shows it provides benefits to relatively few Wal-Mart workers, with plan eligibility restrictions and premium costs serving as significant barriers to participation. In addition, significant benefit limitations mean that even workers who are covered under the plan face potentially large out-of-pocket expenses to secure even the most basic health care services. Furthermore, Wal-Mart has been implementing changes in recent years that materially narrow eligibility for benefits, increase workers' out-of-pocket costs and reduce benefits under the plan. These factors raise particular concerns about Wal-Mart's employees because most are low-wage workers who likely lack the necessary resources to otherwise provide for adequate, reliable medical coverage. That the Wal-Mart model could become the model for other employers raises concerns for all of us.

ENDNOTES

[1] Kaiser Family Foundation and Health Research and Educational Institute, *Survey of Employer-Sponsored Health Benefits: 2003 Annual Survey*, 2003, p. 20, exh. 1.1.
[2] U.S. Dept. of Commerce, Bureau of the Census, *Health Insurance Coverage in the United States: 2002*, Sept. 2003, p. 2, t. 1.
[3] *Id.*
[4] John Holahan, "Changes in Employer-Sponsored Health Insurance Coverage". No. 9, *Snapshots of America's Families III*, Urban Institute; Sept. 17, 2003, fig. 1.
[5] Kaiser Family Foundation, *Employer-Sponsored Health Benefits*, p. 75, exh. 6.1.
[6] U.S. Dept. of Labor, Bureau of Labor Statistics, "National Compensatory Survey," press release, Sept. 17, 2003. p 1, t. 1.
[7] U.S. Dept. of Commerce, *Health Insurance Coverage*, p. 8.
[8] U.S. Department of Commerce, Bureau of the Census, Consumer Population Survey: March Supplement, t. HI01, *http://ferret.bls.census.gov/macro/032002/health/h01_001.htm* (data accessed 10/20/03).]
[9] U.S. Department of Commerce, Bureau of the Census, Consumer Population Survey: March Supplement, t. HI02, *http://www.census.gov/hhes/hlthins/historic/hihistt2.html* (data accessed 10/20/03).]
[10] Sherry Glied, et. al., *The Growing Share of Uninsured Workers Employed by Large Firms*, The Commonwealth Fund, Oct. 2003, p. 3.
[11] *Id.*
[12] *Id* at 5.
[13] Estimated from the 2001 Payless ShoeSource, Inc., informational tax filings (Form 5500) with the Internal Revenue Service and U.S. Department of Labor for the plan year ended Mar. 31, 2002, and SEC Form 10-K, filed by Payless ShoeSource, Inc. for the fiscal year ended Feb. 2, 2002. Plan includes health benefits and life insurance benefits. As of Mar. 31, 2002, 8,407 Payless ShoeSource, Inc., employees were active participants in the health plan. On Feb. 2, 2002, Payless ShoeSource, Inc., employed approximately 26,100 employees in the U.S.
[14] Bernard Wysocki, Jr. and Ann Zimmerman, "Wal-Mart Cost-Cuttings Finds Big Target in Health Benefits: Restrictions, Tough Stance on Basic Claims Keep Its Outlays below the U.S. Average," *Wall Street Journal*, Sept. 30, 2003, p. 1.
[15] Thomas Lee, "Grocery Pact Sought Tradeoff on Health Benefits, Wage Hikes; But Small Raises Didn't Satisfy Workers," *St. Louis Post-Dispatch*, Oct. 5, 2003, p. A1.
[16] SEC Form 10-K, Ex. 13, filed by Wal-Mart Stores, Inc. for the fiscal year ended Jan. 31, 2003.
[17] *Wal-Mart 2003 Annual Report*, p. 16.
[18] *Wal-Mart 2003 Annual Report*, p. 30.
[19] Jerry Useem, "One Nation Under Wal-Mart," *Fortune*, Mar. 3, 2003, p. 64.

[20] *Fortune*, April 14, 2003, p. F1.
[21] *Wal-Mart 2003 Annual Report*, p. 16.
[22] Forbes.com, "The Forbes 400: The Richest People in America," Sept. 18, 2003, <http://www.forbes.com/home/2003/09/17/rich400land.html >.
[23] *Wal-Mart 2003 Annual Report*, p. 25.
[24] St. Louis, Missouri *Riverfront Times*, June 2, 1999.
[25] *St. Louis Post-Dispatch*, Oct. 27, 1998, p. C6.
[26] Zach Schiller, *Wal-Mart Special: Ohio Job Tax Credits to America's Richest Retailer*, Policy Matters Ohio, July 2002.
[27] *Wal-Mart Annual Report 2002*, p. 3.
[28] Jim Hopkins, "Big Business Can't Swallow These Little Fish," *USA Today*, March 27, 2002, p. 1B.
[29] Dina El Boghdady, "The High Price of Cheap Gas; Discounter Wal-Mart Takes on Va.'s Independent Stations," *The Washington Post*, Feb. 1, 2002, p. E1.
[30] SEC Form 10-K, Ex. 13, filed by Wal-Mart Stores, Inc. for the fiscal year ended Jan. 31, 2003.
[31] "Unaffordable Health Care, Low Wages, Sexual Discrimination—the Wal-Mart Way of Life," http://www.ufcw.org/workplace_connections/retail/industry_news/index.cfm, Oct. 10, 2003.
[32] Under Wal-Mart's health plan eligibility requirements, an employee working at least 34 hours per week is considered full-time. Wal-Mart Stores, Inc., "2003 Associate Benefits Book," (effective Jan. 2003), p. 7.
[33] U.S. Department of Labor, Bureau of Labor Statistics. *Employment and Earnings*, Vol. 50, No. 1, Jan. 2003, p. 47, t. B-2,.
[34] U.S. Department of Health and Human Services, *The 2003 HHS Poverty Guidelines*, http://aspe.hhs.gov/poverty/03poverty.htm. These poverty guidelines are for the 48 contiguous states and the District of Columbia. Guidelines for Alaska and Hawaii are substantially higher.
[35] U.S. House of Representatives, Committee on Ways and Means, *2000 Green Book*, Oct. 6, 2000, p. 873. One of the food stamp eligibility requirements is that a household's gross income not be more than 130 percent of the federal poverty guidelines.
[36] *Id.*
[37] Self-sufficiency, as used in this section, is from the Self-Sufficiency Standard created by Diana Pearce for Wider Opportunities for Women. This standard "measures how much income is needed for a family of a given composition in a given place to adequately meet their basic needs—without public or private assistance." Diana Pearce with Jennifer Brooks, *The Self-Sufficiency Standard for Louisiana*, Sept. 2003, p. 1.
[38] An adult supporting an infant and a preschooler in Leake County, Mississippi., where Store #305 is located, needs annual earnings in 2003 of $22,813 to be considered "self-sufficient," or able to make ends meet without public or private assistance, according to a recent study. Two adults with an infant and a preschooler need annual earnings in 2003 of $31,485 to be considered "self-sufficient." Diana Pearce with Jennifer Brooks, *The Self-Sufficiency Standard for Mississippi*, Diana Pearce and Wider Opportunities for Women, March 2003, *http://www.sixstrategies.org/files/Full%20final%20report%202-26.pdf*. An adult supporting a preschooler in Leake County, Mississippi, needs annual earnings in 2003 of $18,224 to be considered "self-sufficient.". A full-time worker supporting a preschooler by working for $8 per hour at the Wal-Mart Supercenter Store #305 in Carthage, Mississippi, would fall $4,080 short of self-sufficiency.
[39] An adult supporting an infant and a preschooler in Jefferson Parish, Louisiana., where Store #1353 is located, must earn $31,310 in 2003 in order to be "self-sufficient." Two adults supporting an infant and a preschooler must earn $38,719 in 2003 to be "self-sufficient." Diana Pearce with Jennifer Brooks, *The Self-Sufficiency Standard for Louisiana*, Diana Pearce with Wider Opportunities for Women, Sept. 2003, *http://www.sixstrategies.org/files/LA-Full%20Report_FINAL.pdf*. An adult supporting a preschooler in Jefferson Parish, Louisiana., must earn $26,487 per year in order to be considered "self-sufficient." A full-time worker supporting a preschooler by earning $8 per hour at the Wal-Mart Supercenter Store #1353 in Harahan, Louisiana, would fall $12,343 short of self-sufficiency.
[40] In Birmingham, Alabama, a worker supporting an infant and a preschooler needed to earn $34,431 in 2003 to be "self-sufficient." Two adults supporting an infant and a preschooler need annual earnings of $43,318 in 2003 to be "self-sufficient." Diana Pearce with Jennifer Brooks, *The Self-Sufficiency Standard for Alabama*, Diana Pearce and Wider Opportunities for Women, Feb. 2003, *http://www.sixstrategies.org/files/AL%20FULL%20FINAL%20with%20MAP.pdf*. An adult supporting a preschooler needs $27,269 in annual earnings to be "self-sufficient." A full-time worker supporting a

preschooler by working at Wal-Mart Supercenter Store #762 in Birmingham, Ala., and earning $8 per hour falls $13,125 short of self-sufficiency.

[41] Although the body of this report does not describe the pharmacy benefit, an explanation of it follows here. As of Jan. 1, 2003, the prescription drug plan includes a so-called special pharmacy benefit, under which participants pay the greater of $10 or 20 percent of the retail price for generic drugs and the greater of $30 or 20 percent for brand name drugs when a prescription is filled by a Wal-Mart or Sam's Club pharmacy. For full-time workers who join the plan on or after April 1, 2001, and part-time workers who join the plan on or after Jan. 1, 2003, the "special pharmacy plan" that covers them after the first year requires that prescriptions be filled by a Wal-Mart or Sam's Club pharmacy. A special $5,000 out-of-pocket maximum applies for prescriptions filled under the special pharmacy plan that applies after the first year of participation. Most other Wal-Mart employees have the option of using non-Wal-Mart pharmacies, with the plan paying 80 percent of usual, customary and reasonable costs after the plan deductible is met. Wal-Mart Stores, Inc., "2003 Associate Benefits Book," (effective Jan. 2003), p. p. 24–25.

[42] Eligible workers also are offered a dental plan separate from the health plan. Eligibility requirements for the dental plan generally are the same as for the health plan. As of January 2004, eligible Wal-Mart employees can purchase the dental coverage for $6.50 per month for single coverage and approximately $20.58 per month for family coverage. Wal-Mart Stores, Inc., *Open Enrollment News* (September 2003).

[43] Wal-Mart Stores, Inc., "2003 Associate Benefits Book," (effective Jan. 2003), p. 1.

[44] Participants with *Network $ Saver* coverage face a benefit reduction if they see a non-network doctor or hospital—non-network benefits are payable at 60 percent of eligible charges, compared with 80 percent in-network. In contrast, the *Network* plan restricts hospital choices only—benefits are reduced to 60 percent of eligible charges if a non-network hospital is used. Wal-Mart Stores, Inc., "2003 Associate Benefits Book," (effective Jan. 2003), pp. 21–22.

[45] HMO stands for Health Maintenance Organization. An HMO is a "pre-paid medical group practice plan that provides a comprehensive predetermined medical care benefit package….HMOs are both insurers and providers of health care." International Foundation of Employee Benefit Plans, *Employee Benefit Plans: A Glossary of Terms,* 9th Edition, Judith A. Sankey, Ed., 1997, p. 72. POS stands for Point-of-Service plan. A POS plan "combines HMO features and out-of-network coverage with economic incentives for using network providers. A POS plan offers members the option to choose to receive a service from participating providers. Generally, the level of coverage is decreased (or cost-sharing is increased) when services are received from non-participating providers." Henry J. Kaiser Family Foundation, *Trends and Indicators in the Changing Health Care Marketplace, 2002,* May 2002, p. 88.

[46] Glied, Sherry, et al., *The Growing Share of Uninsured Workers Employed by Large Firms*, The Commonwealth Fund, Oct. 2003, p. 5. *The Growing Share of Uninsured Workers Employed by Large Firms* defines a large firm as one that employs 500 or more employees.

[47] Calculated from Bernard Wysocki, Jr. and Ann Zimmerman, "Wal-Mart Cost-Cuttings Finds Big Target in Health Benefits: Restrictions, Tough Stance on Basic Claims Keep Its Outlays Below the U.S. Average," *The Wall Street Journal*, Sept. 30, 2003, p. 1.

[48] United Food and Commercial Workers, analysis of Wal-Mart's 2001 informational tax filings (Form 5500) with the Internal Revenue Service and U.S. Department of Labor. This estimate may overstate the share of Wal-Mart workers receiving medical benefits. Some of these workers may have been receiving only dental benefits, not medical benefits.

[49] Kaiser Family Foundation, *Employer Health Benefits,* p. 60, exh. 3.9. The Kaiser survey defines a very large firm as a company that has 5,000 or more employees.

[50] Wal-Mart Stores, Inc., "2003 Associate Benefits Book," (effective Jan. 2003), p. 7. . Full-time workers hired prior to 2002 have to wait only 90 days. Several categories of full-time hourly employees continue to have a 90-day waiting period, including field logistics associate, pharmacist and field supervisor in stores and clubs. Wal-Mart Stores, Inc., "Benefits at a Glance" (effective Jan. 2004).

[51] If a worker was classified as full-time prior to Jan. 1, 2002, she will be classified as full-time if she works at least 28 hours per week. Wal-Mart Stores, Inc., "2003 Associate Benefits Book," (effective Jan. 2003), p.7.

[52] Beginning in 2002, Wal-Mart employees can sign up for a limited medical plan, Starbridge, during the waiting period before becoming eligible to join the core company plan. As of Jan. 1, 2004, the cost of single coverage is about $32.37 per month. Wal-Mart Stores, Inc., "Benefits at a Glance" (effective Jan.

2004). Starbridge provides a basic medical coverage benefit (no preventive care) per person of up to $1,000 at an 80 percent co-insurance rate after a $50 deductible is met and with physician office visits for sickness or accident costing participants $15 per visit. It also provides limited pharmacy coverage, with covered prescriptions being reimbursed at a 50 percent rate. A worker with two dependents pays about $108 per month and a worker with one pays about $70 per month**.** Participation in the Starbridge plan does not count toward the year requirement for elimination of the $25,000 benefit maximum for new hires. Wal-Mart Stores, Inc., "Wal-Mart, Starbridge Sickness and Accident Plan" (two-page fact sheet).

[53] *Wal-Mart Annual Report 2002*, p. 13.

[54] United Food and Commercial Workers analysis of Wal-Mart's 2001 informational tax filings (Form 5500) with the Internal Revenue Service and U.S. Department of Labor. A Wal-Mart spokesman has asserted that its workers pay only one-third of the cost of its health plan—an amount that still far exceeds the 16 percent and 25 percent share paid by the typical large company employee. Bernard Wysocki, Jr. and Ann Zimmerman, "Restrictions, Tough Stance on Basic Claims Keep Its Outlays Below the U.S. Average," *The Wall Street Journal*, Sept. 30, 2003, p. 1.

[55] Kaiser Family Foundation, *Employer Health Benefits*, p. 83, exh. 6.1. The Kaiser survey defines a large company as one that has 200 or more employees.

[56] United Food and Commercial Workers.

[57] Premiums rates are effective for Jan. 1, 2004. Analysis by AFL-CIO Public Policy Department using data from Wal-Mart Stores, Inc., "Open Enrollment News," Sept. 2003. Data was given per pay period. According to a July 23, 1998, *Bangor Daily News* article (Catherine Ivey, "Legislator urges repeal of 1916 payroll law—Some businesses must pay workers weekly"), Wal-Mart pays its workers on a biweekly basis. Premium increases take effect annually Jan. 1. The contribution figures were calculated by multiplying the contributions per pay period by 26 pay periods to get an annual contribution. The annual contribution was divided by 12 months to get a monthly contribution.

[58] Full-time worker earns $8 per hour and puts in 34 hours per week.

[59] Premiums rates are effective for Jan. 1, 2004. Analysis by AFL-CIO Public Policy Department using data from Wal-Mart Stores, Inc., "Open Enrollment News," Sept. 2003. Data was given per pay period. According to a July 23, 1998, *Bangor Daily News* article (Catherine Ivey, "Legislator urges repeal of 1916 payroll law—Some businesses must pay workers weekly"), Wal-Mart pays its workers on a biweekly basis. Premium increases take effect annually Jan. 1. The contribution figures were calculated by multiplying the contributions per pay period by 26 pay periods to get an annual contribution. The annual contribution was divided by 12 months to get a monthly contribution.

[60] Surcharge applies to workers who were hired after Jan. 1, 1998. Wal-Mart Stores, Inc., "2003 Associate Benefits Book," (effective Jan. 2003), p. 10.

[61] Full-time worker earns $8 per hour and puts in 34 hours per week.

[62] Wal-Mart Stores, Inc., "2003 Associate Benefits Book," (effective Jan. 2003), pp. 22–34.

[63] Kaiser Family Foundation, *Employer Health Benefits*, p. 110, exh. 8.3. PPOs are the type of plan most similar to the Wal-Mart *Network $ Saver* plan. PPO means Preferred Provider Organization. A PPO is a "fee-for-service health plan that contracts with providers of medical care to provide services at discounted fees to members. Members may seek care from nonparticipating providers but generally are financially penalized for doing so by the loss of the discount and subjection to co-payments and deductibles." Henry J. Kaiser Family Foundation, *Trends and Indicators in the Changing Health Care Marketplace, 2002*, May 2002, p. 88.

[64] American Academy of Pediatrics, "Immunization Protects Children: 2002 Immunization Schedule," *http://www.aap.org/family/parents/immunize.htm*, Nov. 11, 2002.

[65] See, e.g., Cal. Codes, Health and Safety Code, Sec. 120335(b).

[66] Wal-Mart Stores, Inc., "2003 Associate Benefits Book," (effective Jan. 2003), p. 29. The restrictions on mental health coverage under the Wal-Mart plan implicate questions addressed by the Mental Health Parity Act (MHPA). It is possible that the Wal-Mart summary plan description cited here and on which the description in this report is based, was drafted prior to the extension of the MHPA. Generally, plans subject to the MHPA that provide mental health benefits are not permitted to set annual or lifetime dollar limits on those benefits that are lower than the benefits for medical or surgical benefits. The U.S. Department of Labor has cited "constructive dollar limits" as violating the MHPA. According to the Department, a plan has a constructive dollar limit "when [it has] a combination of a fixed limit on the number of visits per year and a fixed limit on the payment per visit that effectively imposed a ceiling on

annual mental health benefits that was lower than for medical/surgical benefits. For example, suppose a plan has no dollar limit on medical/surgical benefits, but has a 30-visit limit per year on mental health benefits coupled with a $100 maximum payment by the plan per visit. The plan, in effect, has a $3,000 annual limit on mental health benefits while having no such limit on medical/surgical benefits. In situations such as these, violations of MHPA's annual dollar limit were cited." U.S. Dept. of Labor, Pension and Welfare Benefits Administration, *Health Disclosure and Claims Issues: Fiscal Year 2001 Compliance Project Report*, Jan. 2003, p. 11. It is possible that Wal-Mart's plan either is not subject to the MHPA or that it is providing benefits that are consistent with the Department of Labor's interpretation of the MHPA. According to the Department, "any group health plan whose costs increase 1 percent or more due to the application of MHPA's requirements may claim an exemption from MHPA's requirements." U.S. Department of Labor, Employee Benefits Security Administration, "Frequently Asked Questions about Mental Health Parity," http://www.dol.gov/ebsa/FAQs/faq_consumer_mentalhealthparity.html (accessed Oct. 20, 2003). The Wal-Mart Stores, Inc., "2003 Associates Benefits Book," which was effective beginning January 2003, may have been drafted prior to Congress's adoption of an amendment extending the sunset date for the MHPA from Dec. 31, 2002 to Dec. 31, 2003. See the U.S. Department of Labor's notice of its mental health parity interim final rule. 68 Fed. Reg. 18047 (Apr. 14, 2003).

[67] Kaiser Family Foundation, *Employer Health Benefits*, p. 115. The Kaiser study defines a large company as one that has 200 or more employees.

[68] Wal-Mart Stores, Inc., "2003 Associate Benefits Book," (effective Jan. 2003), p. 29.

[69] Kaiser Family Foundation, *Employer Health Benefits*, p. 121, exh. 9.7. Sixteen percent of surveyed employers did not know what, if any, limit their plan place on annual in-patient mental health days.

[70] The limit applies to full-time workers with coverage effective April 2, 2001, or later and part-time workers with coverage effective Jan. 2, 2003, or later. Wal-Mart Stores, Inc., "2003 Associate Benefits Book," (effective Jan. 2003), p. 22.

[71] Wal-Mart Stores, Inc., "2003 Associate Benefits Book," (effective Jan. 2003), p. 26.

[72] Wal-Mart Stores, Inc., "Open Enrollment News," Sept. 2003, p. 4.

[73] After one year, women 40 and over are covered for one mammogram up to $60 per year and all women are covered for one Pap smear and one pelvic exam up to $60. These exams and procedures are not subject to the annual deductible. Wal-Mart Stores, Inc., "2003 Associate Benefits Book," (effective Jan. 2003), p. 23.

[74] Wal-Mart Stores, Inc., "2003 Associate Benefits Book," (effective Jan. 2003), pp. 24–25. This applies to full-time workers who joined the plan on or after April 2, 2001, and part-time employees who join on or after Jan. 1, 2003. While they can fill prescriptions outside of Wal-Mart during the first year of participation, new participants are eligible for only 50 percent reimbursement for of prescription drugs filled at a non-Wal-Mart pharmacy. Also, during the first year, new participants face unlimited expenses because they are not protected by the $5,000 cap on out-of-pocket expenses that applies to all other workers in the plan

[75] Wal-Mart Stores, Inc., "2003 Associate Benefits Book," (effective Jan. 2003), p. 20.

[76] Wal-Mart Stores, Inc., "Open Enrollment News," Sept. 2003.

[77] Mark Merlis, *Family Out-of-Pocket Spending for Health Services: A Continuing Source of Financial Insecurity* , The Commonwealth Foundation, June 2002.

[78] Kaiser Commission on Medicaid and the Uninsured, Henry J. Kaiser Family Foundation, *Access to Care for the Uninsured: An Update*, Sept. 2003, p. 6.

[79] Unpublished data provided by Office of the Governor, State of Georgia, 2002. Self-employed individuals were represented the most, with 12,789 children enrolled in PeachCare. Wal-Mart employee children covered under the program totaled 10,261.

[80] Estimate is based on PeachCare's average beneficiary cost in fiscal year 2002. Average beneficiary cost was calculated by dividing total net program costs ($143,135,879) by the number of children enrolled in the program at any time during the year (221,005). PeachCare for Kids, State of Georgia.

[81] Information supplied by Washington State Department of Social and Health Services Medical Assistance Administration during 2003 session, at request of Rep. Steve Conway, Washington State Legislature.

[82] Institute of Medicine, "Report Brief: Financing Vaccines in the 21st Century: Assuring Access and Availability," Aug. 2003, p. 1.

[83] Institute of Medicine, *Financing Vaccines in the 21st Century: Assuring Access and Availability*, Aug. 2003, p. 3–1.

[84] Institute of Medicine, “Report Brief,” p. 3.
[85] Institute of Medicine, *Financing Vaccines in the 21st Century*, pp. 3–7.
[86] Jack Hadley and John Holahan, “How Much Medical Care Do The Uninsured Use, And Who Pays For It?,” *http://www.healthaffairs.org/WebExclusives/2202Hadley.pdf*, Feb. 12, 2003, W3-66, W3-78.
[87] C. Jeffrey Waddoups, *Employer Sponsored Health Insurance and Uncompensated Care: An Updated Report on the Role of the University Medical Center in Clark County*, prepared for the Clark County Commission and the University Medical Center, Jul. 2001.