Wal-Mart to eliminate health benefits for 30,000 workers

Andre Damon
9 October 2014

Wal-Mart, the world's largest retailer and the largest employer in the United States, announced in a blog post Tuesday that it would eliminate healthcare benefits for 30,000 part-time workers and increase healthcare costs for all employees.

The company is only the latest in a string of major retailers to slash benefits for their part-time employees after the implementation of the Affordable Care Act. Wal-Mart was a major corporate supporter of the Obama Administration's healthcare overhaul.

As a result of the announcement, all Wal-Mart employees who work less than thirty hours per week will now be ineligible for coverage. It is the latest in a series of actions by the company to slash its healthcare benefits.

The announcement will affect five percent of the company's part-time workforce, or 2 percent of its 1.3 million total employees. The affected workers include sales associates as well as logistics and corporate employees.

The company earned more than $4 billion in profits in the second quarter of this year, after sales jumped to a new record of $120 billion.

The company sought to justify the cuts, which will spell significant hardship for tens of thousands of people, on the ground that it cannot afford to pay for workers' healthcare. "Like every company, Wal-Mart continues to face rising health care costs," wrote the company's senior vice president of global benefits, in the post that announced the cuts. "This year, the expenses were significant and led us to make some tough decisions as we begin our annual enrollment."

Even as the company pleads poverty, it awarded its CEO, C. Douglas McMillon, a 168 percent pay increase last year, to $25.6 million.

Analyst Brian Yarbrough told Reuters that Wal-Mart's move would set a precedent for other retail companies, who are "trying to cut expenses, to keep things lean." He added, "at some point you start looking across the board, and this is probably the next place to start looking at cuts."

"Wal-Mart's change is not surprising and it does follow a number of retail employers who have moved in this direction since the Affordable Care Act," Brian Marcotte, head of the National Business Group on Health, told the *Washington Post*.

Wal-Mart had previously offered healthcare coverage to all part-time employees, but has been systematically slashing heath benefits following the passage of the Affordable Care Act. In 2011, it eliminated healthcare coverage for workers working under 24 hours per week, then followed up by eliminating healthcare for new employees working under 30 hours per week.

Wal-Mart follows a number of highly profitable retailers who have slashed their healthcare benefits in recent years, in each case using the implementation of the Affordable Care Act as the pretense for slashing billions of dollars from workers' healthcare.

In January the retailer Target announced it would stop providing healthcare coverage for part-time workers, after Home Depot and Trader Joe's announced that they would do the same at the end of last year. Earlier this year the shipping service UPS announced that it would cut off healthcare benefits to employees' spouses who had access to other healthcare plans.

In addition to the cuts for part-time workers, employees on its most popular plan will have their premiums increase by 20 percent beginning next year. The company also said that it would increase out-of-pocket costs for its employees because it will reduce the share of medical bills its healthcare coverage pays from 80 percent to 75 percent.

The share of large retailers who have eliminated healthcare benefits for part-time workers has increased significantly in recent years. Sixty-two percent of large retailers offered no health care benefits to part-time employees in 2013, up from 56 percent in 2009, according to a report by the labor consultant Mercer.

Another survey, conducted by the Kaiser Family Foundation and Health Research and Educational Trust, found that the share of companies that provide healthcare benefits to part-time workers dipped again in 2014.

"Autumn is typically when U.S. companies unveil changes to employee insurance plans," the *Washington Post* observed. "This is the first such enrollment period since employers could assess the full financial impact of the federal health-care overhaul, and it is a key moment as companies work to lower their spending ahead of looming taxes on the most generous plans."

These so-called "Cadillac plans" are being targeted by the Affordable Care Act, which directly encourages companies to slash high-quality plans.

The ACA also gives companies such as Wal-Mart a cover to cut plans to their poorest and lowest-paid employees on the pretense that they can apply for subsidies on the Affordable Care Act's healthcare exchanges. These workers, however, will be forced to choose between purchasing substandard health plans with enormous deductibles, or being forced to pay punitive fines under the so-called individual mandate.

Beth Umland, director of research for health and benefits at Mercer, told the *New York Times* that the Affordable Care Act provides employers with a significant incentive to slash health benefits for part-time workers. "Now employees can go somewhere else to get coverage... It's an easier decision to make than before."