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# Wal-Mart Cuts Some Health Care Benefits

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After trying to mollify its critics in recent years by offering better health care benefits to its employees, **Wal-Mart** is substantially rolling back coverage for part-time workers and significantly raising premiums for many full-time staff.

Citing rising costs, Wal-Mart, the nation's largest private employer, told its employees this week that all future part-time employees who work less than 24 hours a week on average will no longer qualify for any of the company's **health insurance** plans.

In addition, any new employees who average 24 hours to 33 hours a week will no longer be able to include a spouse as part of their health care plan, although children can still be covered.

This is a big shift from just a few years ago when Wal-Mart expanded coverage for employees and their families after facing criticism because so many of its 1.4 million workers could not afford or did not qualify for coverage — rendering many of them eligible for **Medicaid**.

Under pressure from states saddled with rising Medicaid costs and from labor unions and community groups, Wal-Mart had agreed to offer part-time employees, even those averaging less than 24 hours a week, health care insurance after a year on the job, shaving a year off the eligibility requirement. Wal-Mart also said that it was offering health plans that cost its employees about \$250 a year for family

coverage.

At the time, the moves were considered a departure from some of its major rivals and large employers, more than half of whom offer no company-sponsored health plan for part-time workers.

On Thursday, the company would not say what percentage of its work force was part time or worked fewer than 24 hours a week. Greg Rossiter, a Wal-Mart spokesman, said the decision to deny coverage to new part-time employees resulted from the company's revamping of its health care offerings in light of rising costs.

"Over the last few years, we've all seen our health care rates increase and it's probably not a surprise that this year will be no different," Mr. Rossiter said. "We made the difficult decision to raise rates that will affect our associates' medical costs. The decisions made were not easy, but they strike a balance between managing costs and providing quality care and coverage."

The company said the changes were not a result of the new [federal health care law](#). But the higher rates along with steep spikes in premiums for other plans this year are likely to stoke the national debate over the year-old legislation that has pitted President Obama and Democrats against Republicans opposed to the changes. Challenges to the law by several states are now before the Supreme Court.

These moves are also occurring in a postrecession period when Wal-Mart has been struggling to regain its footing after months of disappointing or flat sales. And with unemployment still hovering around 9 percent, employers may feel less compelled to offer expansive benefits to people desperate for work.

Nationwide, employer-sponsored health premiums are up 9 percent, and increases of 5 percent or more are predicted for next year, with workers shouldering higher burdens on premiums and deductibles.

In 2009, Wal-Mart said 52 percent of its employees obtained health coverage through it, but on Thursday it declined to give the percentage.

Documents on Wal-Mart's health and other benefit offerings were obtained by The New York Times from the Organization United for Respect at Walmart, a union-backed group of Wal-Mart employees that is seeking to pressure the company to improve wages and benefits.

In Wal-Mart's 2012 health offerings, premiums will increase for some plans by more than 40 percent, although many of their workers pay relatively low premiums in comparison to more generous plans offered by other employers. But many Wal-Mart employees complain that their low premiums are accompanied by high deductibles that sometimes exceed 20 percent of their annual pay.

Wal-Mart's new health offerings will require many employees who smoke to pay a significant penalty. They will be required to pay an extra \$10 to \$90 each pay period — \$260 to \$2,340 a year — if they want health coverage.

Several other large employers have begun charging higher premiums to employees who smoke, according to Mercer, a benefits consulting firm. Among the largest employers, about 28 percent vary their premiums based on [tobacco use](#).

Mr. Rossiter defended the penalty for smokers, saying, "Tobacco users generally consume about 25 percent more health care services than nontobacco users."

In its health care brochures, Wal-Mart told its employees that diseases caused by tobacco result in \$96 billion in extra health care costs nationwide. And it noted that some other prominent companies, including Home Depot, Macy's and PepsiCo, charge smokers more as part of their health plans.

Tammy Yancey, a \$9.50-an-hour gas attendant at a Sam's Club in Pinellas Park, Fla., complained that she would no longer be able to afford health insurance from the company. Ms. Yancey, a smoker, said her premiums would jump to \$127.90 every two weeks — or \$3,325 a year — up from \$53.80 at present, when she earns \$12,000 a year from her job.

"I won't be able to afford the insurance," she said. "And I really can't go without insurance because I have a heart problem."

Dan Schlademan, director of Making Change at Walmart, a union-backed campaign, condemned the changes.

“No wonder people are protesting in the streets,” he said. “This is another example of corporations putting profits ahead of what’s good for everyday Americans. It’s outrageous and damaging to many hard-working families that the biggest corporation in America is increasing health care costs for many employees by 40 percent.”

Wal-Mart says that its health care plans are affordable and competitive compared with those of its competitors. “We are proud to be among a few companies that continue to offer an affordable associate-only medical option for about a dollar per day or \$15 per pay period,” Mr. Rossiter said. He noted that many companies offer health plans that start at \$75 a week or more for each two-week pay period.

Companies frequently do not offer coverage to part-time workers. About 42 percent of large employers offer benefits to part-time employees, according to the 2011 survey by the Kaiser Family Foundation, which tracks changes in benefits. And some of Wal-Mart’s competitors, like Home Depot, do not offer their part-time workers the same health plans they offer full-time workers. Instead, those employees can enroll in plans that sharply limit the amount of coverage.

Wal-Mart also significantly reduced the amount of money it contributes to the savings accounts workers can use to pay for medical bills that are not covered under their plan. Last year, the company put \$1,000 into accounts for families but it will cut the amount by half for next year to just \$500. Companies typically put more money into these accounts as a way of encouraging employees to choose these plans, which cost employers less than traditional policies.

While Wal-Mart defends its decision to reduce these contributions, few companies have made similar cuts, according to Mercer. Companies are continuing to try to do what they can to encourage employees to enroll in these plans, said Beth Umland, who oversees the company’s benefits research.

Barbara Collins, a sales associate at the Wal-Mart in Placerville, Calif., said that the premiums for the H.M.O. plan for herself and her 5-year-old son would rise to \$18 every two weeks from \$10. Her big concern, she said, was that her deductible would jump to \$5,000 a year, from \$1,000 — a daunting amount considering she earns \$19,000 a year. “I don’t know how I’ll be able to afford it if I go to a doctor or to [physical therapy](#),” she said.



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