

# WAL-MART AND HEALTH SAVINGS ACCOUNTS

## WAL-MART'S NEW HEALTH BENEFIT WILL HURT ITS WORKERS MORE THAN IT HELPS

*Beginning in January 2006, Wal-Mart will introduce Health Savings Accounts (HSAs) as health coverage option for its 1.3 million employees in the United States. These plans are aimed at saving money for the employer, while threatening the care of low-income and less healthy workers. HSAs are tax-exempt accounts that are used to pay for regular health care expenses, in lieu of traditional insurance. As a supplement, HSA users purchase catastrophic health insurance (with deductibles of at least \$1,250 for individuals and \$2,500 for families) to provide coverage if he or she encounters major health expenses. Wealthy workers have the potential to exploit HSAs as a tax shelter.*

### HEALTH SAVINGS ACCOUNT FACTS:

- Wal-Mart set to introduce Health Savings Accounts for Employees in 2006
- Health Savings Accounts Save WAL-MART Money, Help Wealthy Shelter Savings Tax Free
- Health Savings Accounts Threaten Coverage Of Poorer, Less Healthy Workers

## WAL-MART INTRODUCES HEALTH SAVINGS ACCOUNTS FOR EMPLOYEES

**Wal-Mart Announced Introduction of Health Savings Accounts for 2006:** According to Wal-Mart's 2006 OE [Open Enrollment] Magazine, the company will introduce Health Savings Accounts (HSAs) as an option for its employees beginning in January 2006. [Wal-Mart OE Magazine, January 2006]

## IMPACT: EXPERTS HOW HEALTH SAVINGS ACCOUNTS HURT WORKERS

**BOTTOM LINE: HSAs Will Save Wal-Mart Money.** CNN Money reported, "Victoria Craig Bunce, director of research and policy at the Council for Affordable Health Insurance, said employers can save between 25 percent and 30 percent on health premiums by switching to an HSA." Note: Unpublished estimates say that Wal-Mart has spent over \$1.4 billion on health and welfare plans in 2003.

[[http://money.cnn.com/2005/10/13/news/economy/health\\_savings\\_accounts](http://money.cnn.com/2005/10/13/news/economy/health_savings_accounts)]

**Less Healthy Workers Pay More.** Families USA says about HSAs, "Employees who are not in perfect health cannot afford the high out-of-pocket costs of HSAs; given a choice, they would be likely to remain in traditional plans, while many of their healthier coworkers would switch to HSAs. Thus, less healthy employees will be grouped together in traditional plans, which will result in increased rates for those



plans.” [Families USA Issue Brief, January 2005, [http://www.familiesusa.org/assets/pdfs/HSAs\\_Jan20055dd2.pdf](http://www.familiesusa.org/assets/pdfs/HSAs_Jan20055dd2.pdf)]

**Workers Forced to Delay Preventative Care.** “HSAs put consumers in the position of choosing between keeping money in their pockets or paying to see the doctor. Research has repeatedly shown that even modest increases in cost-sharing lead to consumers using fewer preventive and necessary services. Low-income people are even less likely to seek care if they must pay the full bill. When consumers wait until they are very sick to seek treatment, health care costs rise significantly.” [Families USA Issue Brief, January 2005, [http://www.familiesusa.org/assets/pdfs/HSAs\\_Jan20055dd2.pdf](http://www.familiesusa.org/assets/pdfs/HSAs_Jan20055dd2.pdf)]

**Families Hurt by High Deductibles.** According to an issue brief on Health Savings Accounts by the Employee Benefit Research Institute, “HSAs are likely to be more attractive to individuals than to families, particularly if some members of the family are significantly healthier than others. Under a high-deductible family plan, no one in the family can have a separate deductible lower than the minimum family deductible.” [EBRI Issue Brief, <http://www.ebri.org/pdf/briefspdf/0904ib1.pdf>]

**Wal-Mart HSA Qualified Family Plans Have Deductibles of Up To \$6,000.** The Wal-Mart HSA Qualified Plans have family deductibles of up to \$6,000. According to the Wal-Mart plan, “the Family deductible must be met before claims are paid for any individual participant. [Wal-Mart OE Magazine, Page 13, January 2006]

**Executives Benefits from HSA Tax Shelters.** In 2004, Gail Shearer, Director of Health Policy Analysis at Consumers Union testified before the Joint Economic Committee about the impact of HSAs. According to Shearer’s testimony, “[t]he wealthy, with higher tax brackets, benefit disproportionately because the tax savings are larger at higher tax brackets than lower tax brackets.” [Shearer Testimony Before the Joint Economic Committee, 2/25/04, <http://www.consumersunion.org/pub/0225JECTestimonyNoSummary.pdf>]

## **DETAILS: EXPLANATION OF WAL-MART HEALTH SAVINGS ACCOUNTS**

- **Health Savings Account:** The “HSA Qualified Plans” provide Wal-Mart employees with a “tax-exempt savings account used to pay medical expenses.” HSAs are available for Wal-Mart employees who have been covered by the company plan for at least 12 consecutive months. The savings accounts are matched \$1 by Wal-Mart for each \$1 contributed by employees through payroll deductions, up to legal limits (In 2005, the individual limit was \$2,650; the family limit was \$5,252). [Wal-Mart OE Magazine, Page 13-14, January 2006]
- **Deductibles:** The HSAs are paired with high-deductible insurance plans. After an employee has reached the deductible, employee expenses are “generally payable at 80% of covered charges.” Deductibles for individuals range from \$1,250 to \$3,000. For families the deductible range is \$2,500 - \$6,000. [Wal-Mart OE Magazine, Page 13, January 2006]
- **Other Key Features:** According to the summary of Wal-Mart’s “HSA Qualified Plans” the mammogram benefit, pap smear benefit and well-child benefit are not applied toward the annual deductible. In addition the summary says, “you pay the **full retail price** of prescription drugs until your annual deductible is met.” [Wal-Mart OE Magazine, page 13, January 2006, emphasis added]

