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Jul 2 2009, 9:30 am by Jeffrey Young

**Is Wal-Mart Using Health Reform To Target Target?**

This [intriguing blog post](#) by Michael Cannon, the libertarian Cato Institute's resident healthcare guy, got me thinking more about [the news Tuesday](#) that Wal-Mart supports a federal mandate that most employers provide health insurance. According to Cannon, it isn't all that surprising.

First, a recap: After a meeting with White House Chief of Staff Rahm Emanuel, Wal-Mart released a letter it delivered to President Obama backing the mandate. Wal-Mart President and CEO Mike Duke, Service Employees International Union (SEIU) President Andy Stern and Center for American Progress President John Podesta signed the letter.

Naturally, this raised some eyebrows in Washington. It also undoubtedly raised some folks' blood pressure in the corporate headquarters of Wal-Mart's competitors.

Speaking of those competitors, Cannon tells a story about a chat he had in a taxicab with an unnamed Wal-Mart lobbyist, who told him *two years ago* that the company wanted to see a so-called employer mandate on the books. (These days, Democrats are calling it "shared responsibility." I'll skip the Newspeak and stick with the old name).

So what's the giant retailer's ulterior motive? Why, screwing Target of course!

... [I]t all became clear when the lobbyist explained the reason for Wal-Mart's position: "Target's health-benefits costs are lower."

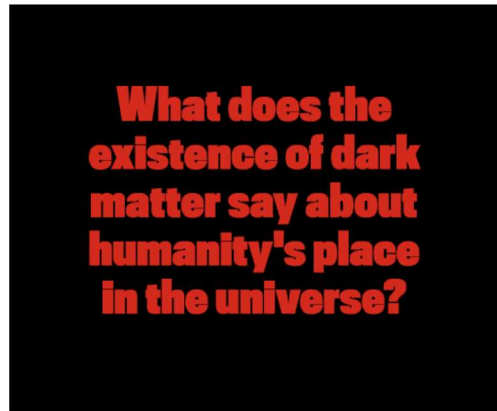
I have no idea what Target's or Wal-Mart's health-benefits costs are. Let's say that Target spends \$5,000 per worker on health benefits and Wal-Mart spends \$10,000. An employer mandate that requires both retail giants to spend \$9,000 per worker would have no effect on Wal-Mart. But it would cripple one of Wal-Mart's chief competitors.

That certainly would partially explain why America's second-biggest company and single largest employer (2 million workers!) would break away from the rest of the business community to support the employer mandate.

By the way, big business groups in Washington didn't take kindly to Wal-Mart breaking formation (and joining up with a labor union and a liberal think tank, no less).

The U.S. Chamber of Commerce took a pretty nasty swipe at Wal-Mart when I emailed them for a comment. Here's the statement the Chamber's press office sent me, attributed to James Gelfand, its senior manager for health policy: "Some businesses make the decision to use the government as

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a weapon against their competition. We do not agree with this method." Ouch.

The Chamber, of course, was not alone in its surprise and dismay. Neil Trautwein, a vice president at the National Retail Federation, of which Wal-Mart is obviously a member, [told the Wall Street Journal](#) that he was "flabbergasted" by Wal-Mart's maneuver.

Mr. Trautwein said an employer mandate is "the single most destructive thing you could do to the health-care system shy of a single-payer system," under which the government handles health-care administration. The mandate "would quite possibly cut off the economic recovery we all desperately need," he said. The group believes forcing companies to provide insurance will raise costs for its members.

Target doesn't seem keen on the employer mandate, judging by a [press release](#) issued in May. Pay close attention to the word "voluntary" in this excerpt:

Target believes that public and private partnerships are crucial to improve the health of our communities. The commitment by large employers and all sectors of society to continue providing voluntary coverage is contingent on legislation that contains rising costs, improves efficiency and value and increases overall quality with prevention and wellness as a priority.

Based on the axiom that nobody in business or politics acts strictly out of altruism, it's safe to assume that Duke and Wal-Mart's board of directors concluded that backing the employer mandate would provide the company with some kind of competitive advantage. When I originally reported the story, it wasn't immediately clear to me what that might be, though I suspected it must have had something to do with Wal-Mart's calculation of how much money the mandate would cost them relative to other retailers.

Wal-Mart is a massive, massive company, making it better able to shoulder the burden of additional healthcare costs compared to other companies, as Peter Suderman at Reason [notes](#). Wal-Mart's revenues were \$405.6 ~~million~~ billion last year. Target, the Fortune-ranked 28th largest company in America, took in \$65 ~~million~~ billion.

Not for nothing, but Wal-Mart is also one of the biggest drug stores in the United States. If universal health coverage means more prescriptions get filled, all the better for Wal-Mart. Bonus: [Sam's Club sells health insurance policies!](#)

Incidentally, I predict that Wal-Mart won't be the last company to come out in favor of the employer mandate. As you read this, some other corporation out there must be crunching the numbers to see how they'd fare.

It's worth noting that Wal-Mart -- which SEIU and other unions have viciously attacked over the years over wages, benefits, and working conditions -- now says more than 90 percent of its employees have some form of health coverage. (Many of those people are covered by their spouses' benefits or government programs like Medicaid and Medicare.) For companies that already offer health benefits, the mandate theoretically would level the playing field by forcing their competitors to spend money on healthcare, too. The Chamber and the retailers trade association clearly don't see it that way but maybe Wal-Mart does.

Wal-Mart also wins some big political points with the Obama administration and Democrats in Congress here, too. Here's [Jonathon Cohn's take](#) over at The New Republic:

By endorsing the idea of an employer mandate, Wal-Mart has made the idea more difficult to demonize. It has also -- and I can't stress this enough -- given some political cover to members of Congress who might be sympathetic to the idea of employer mandate but hesitate to take a vote that might be perceived as anti-business.

The next time the Chamber or a like-minded organization declares the the employer mandate will bring about the end of American capitalism, expect to hear Obama or another Democrat say, "How can that be true when one of America's leading corporations endorses it?"

*Jeffrey Young is a staff writer at The Hill*

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js3862

July 2, 2009 11:28 AM

It's the perfect marriage of an anti-capitalism administration and anti-competitive business practices. It's like a perfect storm that allows the administration and Wal-Mart to, in one piece of legislation, screw every competitor of Wal-Mart while also increasing the numbers of consumers buying bargain products at their stores. This would be because those consumers had either lost their wages because their employers could no longer afford to continue their employment or the increased prices of the competition to cover their costs would make them less competitive. Wal-Mart increases their profits and the government gets their poster child for why an employer mandate on health coverage is a good thing.

I have to wonder also if this isn't part of the administrations larger plan. Granted, this is an extrapolation concerning employer mandates, government control of business and how pro-union the current administration is, however, it may have some truth to it. I think Wal-Mart and the other businesses out there would be well advised to tread carefully here. While Wal-Mart is signing up for employer mandates they think will give them a competitive edge they may not like how quickly employer/union mandates come down the pipe. I wonder how quickly they would jump on that one? Better yet, how quickly would the smaller retailers band together on unionizing if the net result were to damage Wal-Mart? Now that Wal-Mart has fired the first shot it may be pretty tempting if unionizing could be positioned in a way that would give smaller competitors more of an equal playing field with WM.

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builder7

July 2, 2009 11:31 AM

You see how quickly all business sticks together to condemn Wal-mart for wanting to have health care for their employees? What is obvious here is that business has a union that goes all the way across business to stick it to the working stiff. Business should instead stick together against the outrageous costs that healthcare offers. If Wal-mart used the same pricing standards that big pharmaceutical, HMO's, and insurance companies use a loaf of bread would cost \$114. A tube of toothpaste would cost \$400 until the 14 year patent wore off, or your teeth fell out, whichever happened first. If business is so adamant about stomping out unions so that they can pay peanuts they ought to go after other costs too. Don't they realize that this is just another house of cards that is falling. If you don't pay your help a decent wage the whole house of cards will fall down permanently in this country. There needs to be a market of people to buy all of these goods that business makes their money off of, and if you think that China and India are those markets then you should move there and stay there. Let them pay the cost of protecting you, which is very high. That is one reason that you have to pay taxes. I think it is time to get back to honest business where business fights high costs together with the people that have to pay those costs. It is time to return to American values in the marketplace or lose the whole thing.

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brad

July 2, 2009 11:43 AM

Wal-Mart may be alone, irregardless of the Chamber of Commerce's swipe:

### CEOs Secretly Want Health-Care Reform

"CEOs overwhelmingly want out of this business," says Benjamin Sasse, an Assistant Secretary of Health & Human Services under President George W. Bush who's now an assistant professor at the University of Texas at Austin. "They just do not want to be seen as more willing to dump [benefits] than their competitors are." Sasse says many CEOs he has talked with would even pay a new tax if it got them out of the insurance business.

"CEOs are focused on the bottom line," says Len Nichols, director of health policy at the New America Foundation, another think tank. "They know high health-care costs put U.S. companies at a competitive disadvantage."

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