

Walmart Cuts Insurance for Part-timers

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When Walmart announced Oct. 7 that it would stop providing health care benefits to employees who worked less than 30 hours, some commenters on the blog attacked the corporation for being “greedy monsters” and “horrible human beings.”

But Walmart’s decision did not surprise experts who had been following the impacts of the Patient Protection and Affordable Care Act since its inception.

Four years ago Cato Institute Senior Fellow Mike Tanner, who focuses on health and entitlement policy, predicted how Walmart, Target, Home Depot, Trader Joe’s and other retailers would respond to the Patient Protection and Affordable Care Act.

In a 2010 post on Cato’s Web site, Tanner described Obamacare as a “disguised tax on employment,” noting “Employers will therefore offset the added cost by raising prices, reducing wages, reducing benefits, cutting hiring, shifting workers from full-time to part-time, or outsourcing.”

Today, Tanner is not surprised by the list of companies that Walmart joined by ending insurance for part-timers.

“There’s no doubt that this is part of a long term trend,” said Tanner, who is also author of the book *Bad Medicine: A Guide to the Real Costs and Consequences of the New Health Care Law*. “It preceded Obamacare, but has been accelerated by it. Businesses face a choice: pay for ever more expensive health care, the cost of which has increased under Obamacare, or drop coverage and let taxpayers foot the bill through subsidized insurance on the exchanges. Health insurance has long been seen by businesses as a recruitment and retention tool, but as costs rise, more and more will take option two.”

Obamacare imposes costs on employers

The Affordable Care Act requires businesses with 50 or more employees to provide insurance for its workers or face a fine in 2015 for some businesses and in 2016 for others. Bernie Marcus, the co-founder of Home Depot who started the nonpartisan Job Creators Network, warned in January 2014 that, “Most Americans haven’t gotten the blow they’re going to get from Obamacare.”

Jobs Creators Network President Alfredo Ortiz said with the Affordable Care Act’s employer mandate kicking in Jan. 1, Walmart had no choice but to cut benefits.

“And we will probably see more companies making the same tough decisions,” Ortiz told *Health Care News*. “The decision by Walmart to end health insurance coverage for 30,000 part time employees to obey a government mandate is yet another example of bad public policy hurting good people. The Affordable Care Act is pushing Americans into part-time employment and forcing employers to cut health care for the very same employees. The problem is not what the federal health law tried to do, but what it failed to do - control skyrocketing health care costs. The ACA is simply adding more people to a complicated, burdensome and expensive health care system that has been broken for decades.”

Walmart cites rising costs

Walmart said rising health care costs led to its decision. The New York Times reported that Walmart projects its health care costs to increase \$500 million this year, about \$170 million more than it previously projected.

“...[S]imilar to other retailers like Target, Home Depot, Walgreens and Trader Joe’s, we will no longer be providing health benefits to part-time associates who work less than 30 hours,” Walmart Senior Vice President of Global Benefits Sally Welborn wrote on the company’s blog on October 17. “This will impact about 2 percent of our total U.S. workforce. We will be working with a specialist, HealthCompare, to personally guide our associates through the process of finding the right, affordable health care.”

Saul Hoffman, a professor of economics at the University of Delaware, said the Walmart case was “very odd” and likely to be relatively rare. Hoffman said Walmart was already in compliance with the employer mandate provision of the Affordable Care Act but many of their employees were not carrying insurance.

“The individual mandate of the ACA apparently then caused many of them to take the insurance, thus increasing Walmart’s costs,” Hoffman said. “In discontinuing insurance for employees working less than 30 hours, Walmart is doing something that the ACA permits it to do.”