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Wal-Mart's Health Care Options Offer Low Rates, Big Deductible;

Like other employers, retail giant hopes staff will curb medical costs

By Vance Cariaga

Somewhere along the way the word "cheap" took a wrong turn. It used to mean you could get a product or service for not much money. Today it implies that something is shoddy, second-rate, just this side of worthless.

So when a company offers up a cheap product, it trots out the word "value" instead. "Value" is the kind of word you can trust -- it's a wise old grandpa of a word.

A little more than a year ago Wal-Mart Stores announced its Value health care program for employees. Launched in January, the program offers monthly premiums as low as \$11 per pay period.

The cheapest plans come with high deductibles, though the first three doctor visits and prescriptions can be handled through nominal co-pays.

A year later Wal-Mart's Value Plan continues to receive attention -- good and bad -- for its potential impact on health care programs at other U.S. firms.

"Big companies understand the marketplace, and they understand that workers can't afford expensive health plans," said Devon Herrick, a senior fellow at the free-market National Center for Policy Analysis. "Wal-Mart understands this more than most."

Around 70,000 Wal-Mart workers who previously waived health care coverage signed up for the Value Plan, said company spokesman Dan Fogelman. The world's largest private employer now provides health coverage to about 615,000 of its 1.3 million U.S. employees.

"Consumer-Driven"

The new program is part of an overall effort to give employees more options while giving Wal-Mart a bigger stake in the health care arena. In September the retailer announced drastic price cuts on selected generic drugs sold at its stores. It continues to add more in-store clinics to serve customers and workers.

Wal-Mart also will increase its contribution to employee Health Savings Accounts, dubbed Freedom Plans. Next year it will contribute up to \$2,400 per plan. That's double the current figure.

"The common denominator is consumer-driven health care," Fogelman said. "We believe when users of health care know and understand the full cost, it will help to put downward pressure on the price of health care."

He won't get an argument from health care experts who contend that one reason medical costs rise so fast is that patients don't pay much out of pocket, so they have little incentive to find the best price.

Free-market reformers tout HSAs and high deductible plans as a way to prod consumers to weigh their spending carefully while still giving them coverage.

Wal-Mart Critics Not Happy

Not everyone is pleased. Wake-Up Wal-Mart, a union-

backed watchdog group, has accused the retailer of actually reducing its number of health care options.

According to the group's data, beginning Jan. 1 Wal-Mart will offer new hires only two health packages in which the monthly premium can be as low as \$11 but the deductible can reach \$6,000.

Wal-Mart's two other benefit plans, which have lower deductibles, will no longer be offered to new staff. The plans will remain available to current employees who choose to renew coverage.

"Wal-Mart is effectively out of the health care business," Paul Blank, campaign director for WakeUpWalMart.com, said in a Sept. 26 statement. "This sends a terrible message to every responsible corporation that is trying to do the right thing for employees."

It's no shock that Wal-Mart is catching flak. The retailer could probably close up shop and move to the next galaxy and still be greeted by little green men bearing picket signs.

Some Wal-Mart defenders say the retailer is just doing what it

does best: letting market forces dictate policy.

"If someone's earning \$25,000 a year, he can't afford to spend \$10,000 on health care," Herrick said. "Wal-Mart compensates them with policies they can afford."

While Wal-Mart grabs the headlines, plenty of other companies are trying to figure out how to lower health costs while keeping workers happy.

"I think it's less a matter of employers taking the reins than it is of employers saying, 'Employees, we want you to take the reins. We want to engage you in helping us solve it,'" said Melinda Beeuwkes Buntin, co-director of Rand Corp.'s Bing Center for Health Economics.

Many companies see HSAs and Health Reimbursement Arrangements (HRAs) as the best way to do that. These accounts work like 401(k)s, with employees given tax incentives to save money. One advantage is that workers can budget health care spending according to individual needs.

The Treasury Department estimates that 3.2 million U.S. individuals were covered by

HSA-based plans at the end of 2005. That was a sevenfold increase from November 2004. An estimated 3.9 million U.S. workers have HRA accounts.

A recent Treasury report predicts the number of Americans enrolled in HSA-based plans could reach as high as 45 million by 2010.

No Turning Back

The rise of HSAs might have a domino effect on other areas of health care, Herrick said.

"I wonder if HSA accounts are leading to these innovative and competitive activities like in-store clinics and lower drug prices, because they give consumers a chance to save money," he said. "We're also seeing some lab services that are catering to HSA orders."

What few expect to see is a return to the days when workers demanded comprehensive -- and cheap -- health coverage.

"Health benefits are not manna from heaven," Herrick said. "Being aware of trade-offs is good for the worker and employer."