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Special Interest "Health Care" Bills Bad Public Policy

- Won't Lower Health Care Costs; Could Cost Jobs and Hurt Economic Growth -

Employer mandates like recent special interest "health care" bills proposed in some state legislatures do nothing to help working families. In the end, they hurt working families. Not only will these bills fail to control the soaring cost of health care, they will cost jobs and slow economic growth. Sadly, legislatures that pass these bills and impose arbitrary mandates on large employers are making their states unfriendly for business.

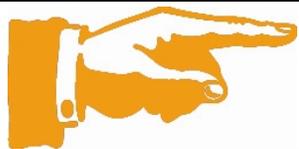
What to Know about Health Care in America and at Wal-Mart:

- Over **46 million Americans** live every day without the security of health insurance.
- Wal-Mart employs 1.3 million people, **more than three-fourths of whom have health insurance** -- either through a company plan, a spouse's plan or Medicare.
- Wal-Mart insures **more than 1 million associates and family members**, making it one of the largest private-sector providers of health insurance in the country.
- Wal-Mart associates -- both full and part-time -- can become eligible for health benefits **for as little as \$11 per month** in some areas of the country and as little as \$23 per month nationwide.
- In 2003, according to the Kaiser Family Foundation, **only 43.2 percent of firms with fewer than 50 employees offered health insurance** compared to 95.4 percent of firms with 50 employees or more.

Clearly, bills like these that target large employers are not about health care. They're about special interest politics. After one of these bills was unfortunately enacted in Maryland in January, editorial boards, business groups and health care organizations decried the move as a giant step backwards and a politically motivated ploy.

What Opinion Makers and Public Policy Experts are Saying About These Bills:

- Laura Tyson, the dean of the London Business School and a former economic adviser to President Bill Clinton said of the "Fair Share Health Care" approach, "**This is a Band-Aid, arbitrary, firm-specific solution to one of the most important policy problems of the United States.**" (*New York Times*, 01/16/06)
- Jason Furman, a New York University professor who was an economics adviser to the 2004 presidential campaign of Sen. John Kerry, said of the Maryland legislation, "...the legislation will **not help Wal-Mart workers in Maryland**, and my hope is that other states will see that **punitive efforts like this won't be successful.**" (*St. Louis Post-Dispatch*, 01/15/06)
- "This will accomplish very little, and this totally misses the mark, which is to take appropriate steps to slow the kind of double-digit health care increases we've seen. **This is so far off the mark it's incredible.**" (Bruce Josten, executive vice president of government affairs at the U.S. Chamber of Commerce, *USA Today*, 1/13/06)
- Josten said that roughly 25 million of the more than 45 million uninsured Americans work for companies with 10 or fewer employees. "**This in no way gets to the root of the problem,**" he said. (*Washington Post*, 1/13/06)



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- "This legislation makes **no attempt to control skyrocketing healthcare costs**, and it creates a hostile environment for Maryland retailers **leading to fewer jobs, reduced tax revenues and a weakened economy.**" (Retail Industry Leaders Association President Sandy Kennedy, *Press Release, 1/13/06*)
- Maryland Del. Herb McMillan, Anne Arundel County Republican, **called the bill "insane,"** saying that 30 percent of Wal-Mart's employees never had health care before they went to work for the company. "They're part of the solution, not part of the problem," Mr. McMillan said of Wal-Mart. (*Washington Times, 1/13/06*)
- **"This is a revenge bill. This isn't about health care,"** said Sen. E.J. Pipkin, R-Queen Anne's. (*Washington Post, 1/13/06*)
- The Virginia-based Retail Industry Leaders Association warned ... that the anti-Wal-Mart law actually **"punishes the retail industry** by imposing an unfair healthcare mandate on the state's largest and most successful employers." (*Press Release, 1/13/06*)
- Maryland Sen. Philip C. Jimeno [Democrat] said the AFL-CIO wrote him a letter saying it would not endorse him in the coming election if he voted against the override. He said he has received threats on other veto votes facing the Assembly. "It's just been a mean-spirited group of individuals contacting our office. **I guess they know it's an election year,** and they think they can use it as a hammer to persuade us to vote accordingly." (*Baltimore Sun, 1/13/06*)
- Gov. Bob Ehrlich told a group of Prince George's County businessmen that the bill will hurt his efforts to bring business to the state. "I just know when I walk into the boardroom of a business in the next 90 days, I will be asked by a CEO **'What does this mean for the business environment? Why should I bring my business to Maryland?'** And I'm not going to have a good answer." (*Baltimore Sun, 1/13/06*)
- "The message is, 'Don't come here,'" said Senator E. J. Pipkin, a Republican. **"This is an anti-jobs bill."** (*New York Times, 1/13/06*)
- In a passionate speech in the State Senate, J. Lowell Stoltzfus, a Republican, warned that the bill **"jeopardizes good employment for my people. It's going to hurt us very bad."** (*New York Times, 1/13/06*)
- Columnist Terry Savage wrote of the Maryland measure, **"...the logic of this kind of legislation escapes me."** (*Chicago Sun Times, 1/16/06*)
- Columnist Bill Virgin wrote of a similar measure in Washington State, "[I]f the proposed Fair Share Health Care Act had similar warnings and disclaimers [like prescription drugs] they might read like this: 'This bill is intended to publicly whack someone we don't like very much. **As for accomplishing anything about the underlying problem,** or worrying about loopholes in this legislation, or ways to get around it, or unintended consequences, **eh, we'll deal with that later.'**" (*Seattle Post-Intelligencer, 01/17/06*)

What Prominent Editorial Pages are Writing about These Bills:

- "...since when do states have the right to penalize firms simply because they are big and successful? The Maryland bill is a **legislative mugging masquerading as an act of benevolent social engineering...** In trying to address the national problems of health care and uninsured workers, lawmakers in Maryland and other states **could inflict on themselves a new set of problems while failing to solve the underlying one.**" (*Washington Post, 1/12/06*)



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- "There you have it. **It's about a socialized medicine agenda and the AFL's inability to sell itself to Wal-Mart employees.**" (*Charleston Daily Mail, 01/18/06*)
- "Union antipathy to Wal-Mart is no secret. Nor is the company's public assertion that rejecting organized labor is in its employees' best interests. So **unions are leaning on friendly legislators to hamstring the discount retailer...** If Colorado follows Maryland's lead, look for Wal-Mart to slow local expansion plans, and maybe raise prices. Low-income consumers who save hundreds of dollars a year at Wal-Mart would hardly call that fair. Nor would the entry-level workers who'll find fewer opportunities for meaningful employment as the hiring windows at Wal-Mart close. **And yet the union PR machines continue to bellow that organized labor is looking out for the little guy. Go figure.**" (*Rocky Mountain News, 01/19/06*)
- "The legislation really is about three things: 1) hurting the left's favorite bogeyman; 2) moving closer to universal health care; and 3) creating "living" wages.... But as with most misguided corporate mandates, this one **would cost jobs and raise prices.** It also makes the terrible mistake of substituting the judgment of individuals in the marketplace -- corporate executives, employees and customers -- for the judgment of lawmakers. That is **rarely a good idea, and this bill is no exception.**" (*Manchester Union Leader, 01/17/06*)
- "The law is **unfair because it targets only companies of a certain size...**" writes the *Des Moines Register*. The paper continues, "... that **rationale is misguided** because it assumes providing health care is the responsibility of employers. It shouldn't be." (*Des Moines Register, 01/17/06*)

These bills are the result of a multi-million dollar campaign being run by Washington, D.C. union leaders intent on attacking major employers. The American people want their legislators to resist special interest pressure and instead work with colleagues and businesses of all sizes to solve the health care challenges facing their states. The fact is every business and working family is struggling to deal with the soaring cost of health care. It's time for real solutions, not special interest favors.

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Current Wal-Mart Health Care Overview

Every business in America is dealing with the rising cost of health care and shares a concern about the number of Americans who are uninsured or relying on government-sponsored health programs. Millions of working Americans put their trust in us, and we take that trust very seriously. That's why we continue to work hard to find affordable, accessible health benefit solutions for our associates and our customers.

The health care demands placed on Wal-Mart are unique. Understanding the size and diversity of our workforce puts into perspective the range of choices and plans that we offer our associates.

- ✓ As the largest private employer in America, Wal-Mart employs approximately **1.3 million** people.
- ✓ The **majority of Wal-Mart's hourly associates are full-time**. (Fulltime at Wal-Mart is 34+ hours per week.) That's well above the 20% to 40% typically found in the retail industry.
- ✓ Many associates – such as **students** looking for work experience, **seniors** supplementing their retirement income and individuals **working a second job** – join Wal-Mart with existing health care benefits.

Wal-Mart's offerings are tailored to the needs of our diverse workforce, and associates are provided a great deal of choice.

- ✓ In some markets, associates can choose from as many as **18 medical coverage options**. This gives them the opportunity to tailor their benefits to their individual needs and the needs of their families.
- ✓ Wal-Mart offers **Health Savings Accounts (HSAs)** to our associates, which provide yet another option for families to gain access to health insurance and save for future health care needs. Wal-Mart **matches associates' contributions to their HSAs dollar-for-dollar** up to certain amounts, and associates own the accounts. *(The match ranges from \$250 to \$1,000, depending on coverage level selected.)*
- ✓ Based on input from associates, in 2006 Wal-Mart introduced a new Value Plan – specifically designed to provide more affordable access to health care coverage with some first dollar coverage for doctor visits and prescriptions – all before associates have to meet their deductibles.

Our plans have some very attractive features.

- ✓ Unlike the employees of many of our retail competitors, **both full- and part-time** Wal-Mart associates can become eligible for health coverage.
- ✓ After one year, there's **no lifetime maximum** on health care expenses—protecting employees and their families from catastrophic loss. Wal-Mart is one of few retailers to offer this benefit.



Current Wal-Mart Health Care Overview – Page 2

- ✓ After an annual deductible is met, Wal-Mart's medical plan typically covers 80% of charges for all services included in the plan. After an associate reaches an annual out-of-pocket maximum, the plan pays 100% of all eligible charges.

New offerings are making health care even more affordable for our associates.

- ✓ In some markets, premiums for the new Value Plans are as low as **\$11 per month and 30 cents more per day** for children, no matter how many children an associate insures. Nationwide, every eligible associate – both full- and part-time - has access to individual coverage for no more than **\$23 per month and 50 cents more per day** for children. Family coverage starts at **\$65 per month**.
- ✓ Prescription drugs for some common conditions are available for **as little as a \$3 co-pay**.
- ✓ Wal-Mart continues to set up "high-performance networks," which establish a competitive environment among health care providers and continue to **lower the costs of health care services and monthly premiums** for associates.

Our initiatives are working.

- ✓ During our recent open enrollment, **about 70,000 associates who had previously waived coverage** signed up for Wal-Mart plans.
 - Of these associates, **78% of those surveyed said they were previously uninsured**.
 - Over one-third of those associates, previously uninsured and recently electing coverage, selected the Wal-Mart Value Plan.
- ✓ Considering factors that include associates who left Wal-Mart, those that elected to drop coverage as well as those who recently became eligible, this growth in enrollment leaves Wal-Mart in January 2006 with **over 615,000 associates, (or over 1 million Americans, including spouses and dependants) on Wal-Mart health plans**.

Wal-Mart is also working on behalf of our customers.

- ✓ Currently, Wal-Mart is conducting a pilot project that puts **health clinics in our stores**. With an emphasis on affordability and convenience, these clinics will give the communities we serve access to quality care while providing an alternative to expensive emergency room visits.
- ✓ Wal-Mart is committed to **sharing our expertise** in supply chain management and technology to reduce costs and increase efficiency within the health care system.

These are bold, innovative, outside-the-box solutions that reflect our care for our associates and a desire to be a leader in our industry. They're just a start and much more is to come. We welcome partners in this effort to further these goals. Additional details on all Wal-Mart health plans can be found at www.walmartfacts.com.

The Washington Post

Shoplifting as Governance

Maryland Lawmakers' Unethical Grab at Wal-Mart's Revenue

By George F. Will
January 19, 2006

In 1786 the Annapolis Convention, requested by Virginia and attended by only four other states, called for a second gathering to revise the Articles of Confederation in order to strengthen the federal government. Some revision: The second meeting became the Constitutional Convention. It scrapped the Articles, partly because the Founders were alarmed by states legislating relief of debtors at the expense of creditors, often in ways not easily distinguished from theft.

Something not easily distinguished from theft recently occurred in Annapolis. In legislation ostensibly concerned with any company that has 10,000 employees but pertaining only to one, Maryland has said Wal-Mart must spend 8 percent of its payroll on health care or must give the difference to the state.

The Constitution's foremost framer, James Madison, understood the perils of democracy at the state rather than the national level of an "extensive republic": State legislatures have fewer factions competing for favors than compete for Congress's favors. States, being smaller than the nation, have legislatures more easily captured by overbearing majorities. Madison would have understood what Maryland has done.

Organized labor, having mightily tried and miserably failed to unionize even one of Wal-Mart's 3,250 American stores, has turned to organizing state legislators. Maryland was a natural place to begin because it has lopsided Democratic majorities in both houses of its legislature.

Labor's allies include the "progressives" who have made Wal-Mart the left's devil du jour. Wal-Mart's supposed sin is this: One way it holds down prices (when it enters a market, retail prices decline 5 to 8 percent; nationally, it saves consumers \$16 billion a year) is by not being a welfare state. That is, by not offering higher wages and benefits than the labor market requires. Labor's other allies are Wal-Mart's unionized competitors, such as, in Maryland, Giant Food, a grocery chain. These allies are engaging in what economists call rent-seeking -- using government to impose disadvantages on competitors with whom they are competing and losing.

Wal-Mart's enemies say Maryland is justified in expropriating some of the company's revenue because the company's pay and medical benefits are insufficient to prevent some employees from being eligible for Medicaid. Well.

Eighty-six percent of Wal-Mart employees have health insurance, more than half through the company, which offers 18 plans, one with \$11 monthly premiums and another with \$3 co-payments. Wal-Mart employees are only slightly more likely to collect Medicaid than the average among the nation's large retailers, which hire many entry-level and part-time workers. In the past 12 months, Wal-Mart, the largest private employer in the nation and in 25 states, estimates that it has paid its 1.3 million employees \$4.7 billion in benefits. That sum is almost half as large as the company's profits, which last fiscal year were \$10.3 billion -- just 3.6 percent -- on revenue of \$285 billion. Wal-Mart earns just \$6,000 per employee, one-third below the national average. Anyway, Wal-Mart's pay and benefits are sufficient to attract hordes of job applicants whenever it opens a new American store, which it does once every three days.

Maryland's new law is, *The Post* says, "a legislative mugging masquerading as an act of benevolent social engineering." And the mugging of profitable businesses may be just beginning. The threshold of 10,000 employees can be lowered by knocking off a zero. Then two. The 8 percent requirement can be raised. It might be raised in Maryland if, as is possible, Wal-Mart's current policies almost reach it.

This is part of the tawdry drama of state politics as governments grasp for novel sources of money. Forty-eight states are to varying degrees dependent on revenue from gambling. Forty-six states are addicted to their cut, to be paid out over decades, from the \$246 billion coerced from the tobacco industry by using the specious argument that smoking costs their governments huge sums. As a result, 46 states have a stake in the long-term profitability of tobacco companies.

Maryland's grasping for Wal-Mart's revenue opens a new chapter in the degeneracy of state governments that are eager to spend more money than they have the nerve to collect straightforwardly in taxes. Fortunately, as labor unions and allied rent-seekers in 30 or so other states contemplate mimicking Maryland, Wal-Mart can contemplate an advantage of federalism.

States engage in "entrepreneurial federalism," competing to be especially attractive to businesses. A Wal-Mart distribution center, creating at least 800 jobs, that has been planned for Maryland could be located instead in more hospitable Delaware.

Meanwhile, people who are disgusted -- and properly so -- about corruption inside the Beltway should ask themselves this: Is it really worse than the kind of rent-seeking, and theft torted up as compassion, just witnessed 20 miles east of the Beltway, in Annapolis?