

# Ideas In Action

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**Washington  
Citizen  
Action**

Washington Citizen Action (WCA)



Northwest Federation of  
Community Organizations (NWFCO)

## Not Our Job: Employers Abandon Health Care Coverage, Leaving Washington Families and the State with the Bill

### Summary

As large businesses cut health benefits or shift costs to employees, more and more workers must forego coverage. This trend means that employment is losing its status as the gateway to health care for working families, who must use publicly funded coverage or go without entirely. When employers leave their workers — especially low-wage employees — without coverage, they are maximizing their profits at the expense of workers and the state. Washington State has the power to level the playing field for working families. Lawmakers should tell large companies that making an appropriate health insurance investment is a condition of doing business in Washington State.

### Big businesses should make a fair investment in the health of working families

For most people in the United States, one's own employment or the employment of a family member is the source of health insurance. Yet, in recent decades, the system of employer-sponsored coverage has begun to erode, and many workers can no longer count on employment to equal access to health coverage.

This shift has implications for the entire health care system in the country and the state. Many large, profitable employers are reducing or severely limiting their health care investments, setting the bar for other companies. If businesses fail to provide health coverage, this encourages other companies — their competitors — to do the same, raising the prospect of a downward health care spiral. It also means that the overall relative investment in health care is at risk, placing a strain on the health care system upon which all Washington residents depend.

When employers fail to provide health coverage to their employees, they maximize their own earnings and shift those costs to workers and the state, because low-wage workers are not paid enough to be able to purchase insurance out of their own pocket. Consequently, access to publicly funded and administered health coverage has become increasingly important for workers and their families. Without the expansion of public health insurance plans, there would be many more uninsured people in the United States and Washington State. If the trend away from

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*In 2002, over eight in ten  
people without health  
coverage were members  
of working families.*

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employment-based insurance continues, even more people will need publicly funded coverage.

Washington State can take action to grapple with this trend. Lawmakers can require large employers to make an appropriate investment in workers' health — rather than shift costs to the state and encourage other large employers with good health coverage practices to reduce their health care commitments.

## **Health insurance: it's a matter of fairness**

An estimated 43.6 million people in the United States — 15.2 percent of the entire population — went without health coverage for all of 2002, up from the 2001 uninsured rate of 14.6 percent.<sup>1</sup> According to the U.S. Census Bureau, this increase was driven by a drop in employer-sponsored coverage, which fell from 62.6 percent of the population in 2001 to 61.3 percent in 2002.<sup>2</sup>

Lack of health care coverage has serious consequences for the uninsured, including poorer health.<sup>3</sup> Furthermore, the problem of uninsurance reflects numerous inequalities related to race, citizenship status, income, and other factors. The uninsured are disproportionately people of color, and immigrants are over twice as likely as the native-born to lack health coverage.<sup>4</sup> Ensuring health care equity requires confronting the problem of uninsurance.

### *The employer-sponsored insurance system is eroding*

Employment — commonly viewed as the gateway to health insurance — is no guarantee of coverage. Between 1979 and 1998, the proportion of U.S. workers with insurance through their own employer dropped from two-thirds (66 percent) to just above half (54 percent).<sup>5</sup>

Even when a business offers coverage to employees, the insurance may be too costly for workers and their families. Between 1999 to 2002, the percentage of employers paying the full cost of premiums decreased, while the percentage of employers making no contribution toward coverage increased.<sup>6</sup> According to the Urban Institute, the trend toward higher costs for employees is a factor in the declining percentage of workers who participate in employer-sponsored health plans.<sup>7</sup> It is not surprising, then, that the ranks of the uninsured include many members of working families. In 2002, over eight in ten people without health coverage were members of working families, including almost 70 percent from families with at least one full-time worker and 12 percent from families with part-time workers.<sup>8</sup>

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### *Low-income workers are losing out*

Loss of access to employer-sponsored coverage is particularly acute for low-income people, who are half as likely as higher-income people to be covered through employer-sponsored insurance.<sup>9</sup> According to the Urban Institute, in 1999, 34.6 percent of low-income workers were uninsured, including both full-time and part-time workers: 34.4 percent and 34.9 percent, respectively.<sup>10</sup> Uninsurance among workers is particularly acute in agriculture and construction, where over

half of low-income workers were uninsured in 1999. These are followed by retail, finance, and the service industry, in which approximately one third of low-income workers lacked health coverage that year.<sup>11</sup>

### *Large employers: reducing their health care investment*

Contrary to common belief, a significant proportion of the uninsured (26 percent) work at (or have a family member who works at) a large company.<sup>24</sup> The rate of uninsured workers at large firms increased by 57 percent between 1987 and 2001, greatly outpacing the growth in uninsured rates for small- and medium-sized businesses.<sup>25</sup> Low-income workers at large firms are much more likely than higher-income employees to be uninsured. In fact, over two out of five low-income workers at large firms experienced lack of insurance in 1998.<sup>26</sup> Only 67 percent of low-income workers at large firms are even offered coverage by their employers.<sup>27</sup>

### *Publicly funded insurance is covering more adults*

Nationally, the Urban Institute estimated that in 1997 approximately 16 percent of adults enrolled in Medicaid were employed full-time and 11.5 percent were employed part-time. (These rates were even higher for uninsured adults eligible for Medicaid but not enrolled: approximately 30 percent and 14.5 percent, respectively.)<sup>28</sup> Children covered by publicly funded insurance are even more likely than adults to be members of working families, because income eligibility levels generally are higher for children than for adults.

Publicly funded and administered health care has taken up some of the slack left by the erosion of employer-sponsored coverage in recent years. According to the Urban Institute, employer-sponsored coverage among adults fell from 72.2 percent to 70.5 percent from 1999 to 2002. During the same years, public coverage of adults rose from 4.7 percent to 5.7 percent.<sup>29</sup> Without the increased availability of publicly funded and administered coverage, an even greater proportion of families would be left without access to health coverage.

## **Employment at Wal-Mart: no benefits attached?**

One might expect the retail giant — with recent annual sales of \$244.5 billion and profits of \$8 billion<sup>12</sup> — to ensure quality health care benefits for all its employees. Yet Wal-Mart provides health benefits to only a relatively small portion of its workforce. By imposing long waiting periods and pricing the coverage too high for low-wage employees, Wal-Mart keeps its coverage rates down. As a result, fewer than half of Wal-Mart workers participate in the company's health plan, far lower than the national average of 66 percent among employees of large employers.<sup>13</sup> Many of these workers in Washington State must turn to public insurance plans for adequate health coverage.

Full-time workers must wait six months to be eligible for coverage, and part-time workers (those working fewer than 34 hours a week) must wait two years.<sup>14</sup> Once workers become eligible for coverage, they must pay a very high portion of the costs. In 2001, employees were required to pay an estimated 42 percent.<sup>15</sup> (In 2003, the average employee contribution to premium costs was about 15 percent for single coverage and about 27 percent for family coverage.)<sup>16</sup> The AFL-CIO has estimated that, under Wal-Mart's less expensive plan, family coverage costs range from about 12 percent to 21 percent of pre-tax annual pay for a full-time worker earning \$8.00 an hour, an estimated typical wage for an hourly Wal-Mart worker.<sup>17</sup>

The contrast between the pay of Wal-Mart's CEO and the pay of Wal-Mart's workers is drastic. According to one estimate, Wal-Mart's CEO pay increased 1,767 percent between 1995 and 2003,<sup>18</sup> reaching an estimated \$29.9 million<sup>19</sup> — while Wal-Mart's U.S. workers are estimated to earn an average of \$7.50 to \$8.50 an hour.<sup>20</sup> This wage is lower than the average hourly wage of about \$10.00 for non-supervisory retail workers in general. It also leaves a full-time worker earning below-poverty wages for a family of three or four (\$15,260 and \$18,400 a year, respectively)<sup>21</sup> — in stark contrast to CEO H. Lee Scott's multi-million dollar compensation package.

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## **Brande Balas, Everett, WA**

I work 35 hours a week at Skipper's Restaurant in Everett and earn \$7.75 an hour. I've worked there for about a year. I asked my supervisor about health insurance, and she told me I can't afford it. She's right. It's too expensive and it doesn't cover what I need. There are four parts to my work insurance: medical, hospital, vision, and dental coverage. If I pay for all of that, it's \$80.76 a month, and still I would be able to get only five doctor visits a year and there are caps and limits on services that I need.

I have bipolar disorder, which means I should take three medications, schedule appointments with psychiatrists and counselors, and have a blood test every three months to make sure the medication is at the right level. But there is no mental health coverage in my employer's health plan, and it pays only \$500 for diagnostics procedures. I don't qualify for Medicaid. I got an

application for Basic Health, but they've got thousands of people on a waiting list already. So, right now, I just have to do without coverage.

Having no coverage affects my job. I haven't been on my meds for months now. About 25 percent of the time it's really hard to work, especially seeing customers. It would make me a better worker if I had health care — so if I had insurance I would be better off and my store would benefit, too. Right now the only options are to pay for health care out of my own pocket or go without. And since I can't afford it I'm going without.

### **Employment at Wal-Mart: no benefits attached?**

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Publicly funded coverage is often the only affordable source of coverage. In Washington State, compared to other employers, Wal-Mart has had high numbers of employees covered through publicly funded coverage: 453 employees enrolled in Medicaid at one point in 2002, and 281 employees enrolled in Basic Health (BH) as at one point in 2003.<sup>22</sup> According to former managerial employees, Wal-Mart actively encourages managers to reduce health care costs, including by assisting low-wage workers in applying for health coverage such as Medicaid.<sup>23</sup>

Yet many Wal-Mart employees in Washington are not able to get coverage through Medicaid or BH, due to eligibility limitations and the waiting list for BH coverage. Those workers must put off care until they no longer can — and then receive treatment in the emergency room. When employers like Wal-Mart leave workers with no source of health care except the emergency room, they are maximizing their profits and shifting costs to workers, hospitals, and the state. ■

### *Benefits of health coverage to employers*

Health problems among workers and their family members have a cost for families, the public, and employers. It is estimated that employee health problems resulted in a \$226 billion cost to employers in 2002, with approximately 70 percent of those losses arising from lower productivity and 23 percent resulting from absences.<sup>30</sup> Access to publicly funded coverage is important not only for families, but for their employers, who benefit from families receiving quality health services on a timely basis. Yet employers — even those that are large and profitable — do not always make a fair contribution to the cost of covering working families.

### **Washington State follows the national trend**

#### *Too many Washington jobs have low wages and no benefits*

In Washington, as in the rest of the country, many people are shut out of the employer-based insurance system. Approximately 71 percent of Washington residents under age 65 in 2000 received their health

coverage through employment<sup>31</sup> — leaving nearly 30 percent to find health coverage elsewhere. This is particularly true for people of color, who are far less likely than white people to have coverage through employment.<sup>32</sup>

Too many Washington workers are segregated in low- or no-benefit jobs. In 2002, nearly one quarter of Washington businesses did not offer health coverage to full-time employees, and over three quarters of firms did not offer health coverage to part-time employees. Employer-sponsored coverage for workers' family members was even harder to find, with only 69 percent of employers offering insurance to the dependents of full-time employees.<sup>33</sup>

In Washington State, three quarters (75.4 percent) of the uninsured in 2000 were members of working families.<sup>34</sup> The lower the wages of a worker, the less likely he or she is to have access to employment-based coverage.<sup>35</sup> Fully 33 percent of low-income working families experienced lack of insurance at some point during 1997;<sup>36</sup> in 1999, this was true for nearly 30 percent of low-income working families. About half of low-income construction workers, 34 percent of low-wage retail workers, and nearly 20 percent of low-wage service workers experienced uninsurance in 1999.<sup>37</sup> And an alarming 74 percent of low-income agricultural workers were uninsured in 1999.<sup>38</sup>

Too many Washington jobs pay workers less than what is needed for a family to meet its basic needs<sup>39</sup> — and lack of insurance and employment in a low-wage industry often go hand-in-hand. Significantly, many of those industries with high rates of employee uninsurance also have high concentrations of minimum-wage workers: retail sales, agriculture, accommodation, and food services, among others. As of January 1, 2004, the Washington State minimum wage is \$7.16 an hour, still well below what families need to meet their basic needs. In addition, the vast majority of minimum wage workers have less than full-time employment, which is also associated with the unavailability of health insurance.<sup>40</sup>

### *Washington employers benefit from publicly funded coverage*

Medicaid, the Children's Health Insurance Program (CHIP), and the Basic Health plan provide health care coverage to many working families. This is particularly true for low-income children, who may be eligible for one of these programs as long as their family income does not exceed 250 percent of the federal poverty level.

Workers who come with their own health care coverage, such as Medicaid, are a boon to large employers of low-wage workers — including Wal-Mart, Jack in

### **Jack in the Box: health coverage not included?**

Jack in the Box, Inc. serves fast-food hamburgers in 17 states, feeding a half billion diners a year.<sup>41</sup> Combined with other operations, this resulted in system-wide restaurant sales of \$2.2 billion and earnings of \$93 million in 2002.<sup>42</sup> Yet the company joined a group of about 60 fast-food restaurants in supporting changes to the federal minimum wage law that would have essentially eliminated this basic wage protection.<sup>43</sup>

Jack in the Box employs about 44,000 workers and the company takes pride in having lowered turnover among hourly restaurant workers in 2002.<sup>44</sup> But health coverage is not one of the contributors to reduced turnover among entry-level, front-line employees. Restaurant crew members earn an hourly wage and are eligible for discounted meals at work and a discount meal card for friends and family, among other benefits — but not health insurance.<sup>45</sup> At one point that year, 240 company employees received health insurance through Washington's Medicaid program.<sup>46</sup>

In July 2003, the Seattle Times profiled a Jack in the Box's worker considered a model employee. After two years at a Lynnwood restaurant, Angelica Ibarra was earning \$9.40 an hour, 35 hours a week, amounting to only about \$17,000 a year — and she still was not eligible for health coverage through Jack in the Box.<sup>47</sup> ■



## Andi Kaufmann, Kent, WA

I've been working at a Van's store since April 2003, and I earn \$8.80 an hour. I'm a manager at my store, but because of the position I have, I can't work any more than 28 hours a week. That'll change when I get promoted, and hopefully that will happen pretty soon, since I keep getting really good reviews. In order to qualify for health insurance through my job, I need to work at least 28 hours every week. But since I can't work more than 28, I usually wind up working 25 or so, even though I'd like to work more.

Right now I have Medicaid, because I'm still 18. Soon I won't qualify anymore. I have some health issues that will require treatment. My gums are receding, and I'll need periodontal work. I also have a heart problem because I was born with an extra heart muscle. They took out the muscle when I was 11, but sometimes I still have palpitations. If I begin to get them more often, I'll need have a doctor check it out. I am going to try to get the treatment I need before my Medicaid runs out, because I'm not certain that I'll have insurance through work.

It doesn't make sense. I know this company has stores all across the world, and they still can't afford health coverage for their employees?

## Target: targeting health care for cuts

The retailing giant Target recorded 2002 revenues of \$43.9 billion and profits of \$1.7 billion.<sup>51</sup> That year, chief executive Robert Ulrich received compensation valued at \$19.2 million,<sup>52</sup> making him the highest paid executive in Target's home state of Minnesota.<sup>53</sup> But at the same time, Target is reducing its investment in workers' health coverage.

Target is one of the few retailers that offers health benefits to part-time workers. Yet last May, Target announced that employees working fewer than 20 hours a week would lose their health coverage. The need to remain competitive was cited by a company spokesperson as the reason for the scaling back.<sup>54</sup> With Wal-Mart as a major competitor, Target appears to be feeling the pressure to downsize on health care.

There are 29 Target stores in Washington,<sup>55</sup> and at one point in 2002, about 160 Target employees in Washington were covered through Medicaid.<sup>56</sup> ■

the Box, McDonald's, Safeway, LiveBridge (a call center provider), and other firms that have hired WorkFirst participants.<sup>48</sup> (WorkFirst is Washington's welfare-to-work program, which includes eligibility for Medicaid.) As one analyst has written, "[h]aving job candidates who will not be looking for immediate health care coverage from their employer may make welfare recipients more attractive to certain employers."<sup>49</sup> For example, about ten percent of those recruited to work at Walla Walla's new Wal-Mart store at its opening in early 2001 were WorkFirst participants.<sup>50</sup>

Without coverage such as Medicaid, CHIP, and Basic Health, many families would have no gateway to quality health care. And yet publicly funded coverage still does not reach many people — including members of working families that accounted for over three quarters of uninsured Washington residents as of 2000.

## Washington workers and their families need a solution

Health care is a basic need and Washington's uninsured rates are alarming. Too many Washington

families are subsisting on low-wage employment that provides no health coverage or inadequate coverage — resulting in poorer health and lower quality of life for Washington workers and their families.

Uninsurance among working families indicates that businesses employing Washington residents and making profits in the state are often not providing a fair return to Washington families or the public in general. Large businesses should be making a fair investment in the health of Washington workers — and Washington lawmakers should make this investment a condition of doing business in the state.

## Endnotes

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## About the organizations releasing this report

**Northwest Federation of Community Organizations (NWFCO)** is a regional federation of four statewide, community-based social and economic justice organizations located in the states of Idaho, Montana, Oregon, and Washington: Idaho Community Action Network (ICAN), Montana People's Action (MPA), Oregon Action (OA), and Washington Citizen Action (WCA). Collectively, these organizations engage in community organizing and coalition building in 14 rural and major metropolitan areas, including the Northwest's largest cities (Seattle and Portland) and the largest cities in Montana and Oregon. 1265 South Main Street Suite #305, Seattle, WA 98144, Voice: (206) 568-5400, Fax: (206) 568-5444, Web: <http://www.nwfcu.org>.

**Washington Citizen Action (WCA)** is a statewide, grassroots organization. With over 50,000 members, we are the largest consumer advocacy group in the state. We work on a range of issues with the broad aim of bringing about greater economic justice in our state and the country. Our board represents a coalition of groups, including labor, senior, faith, and community organizations. Our field and telephone canvasses do education, activation, and fundraising with our members. Our strength as an organization depends on our members' involvement. 3530 Bagley Avenue North, Seattle, WA 98103, Voice: (206) 389.0050, Fax: (206) 568.5444, Web: <http://www.wacitizenaction.org>.