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Obamacare Impact: US Retail Giant Target Eliminates Health Coverage for Part-Time Workers

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Target has become the latest large retailer to eliminate health care benefits for its part-time workers. The Minnesota-based retail chain's decision follows similar moves at Home Depot, Trader Joe's and Forever 21. The move takes effect April 1.

In a statement on its web site, Target directly cites the launch of the Affordable Care Act (ACA) as the main driver of its decision. Its move is one more indication that the implementation of the health care overhaul commonly known as Obamacare is undermining the employer-sponsored health care system in the US—the means by which the majority of the population receives health benefits.

Target cynically claims that the company is doing its part-time employees a favor by dropping their insurance, stating, "The launch of Health Insurance Marketplaces [ACA] provides new options for health care coverage that we believe our part-time team members may prefer."

The retail giant claims that "by offering them insurance we could actually disqualify many of them from being eligible for newly available [ACA] subsidies that could reduce their overall health insurance expense." The statement also notes that "less than 10 percent of our total team member population participates in our part-time plan," arguing that the impact on the workforce will be minimal.

Target's statements are disingenuous at best. While the company does not publicly reveal the cost structure of its present health plan for part-timers, the fact that only 10 percent of the Target workforce is presently enrolled in the plan suggests that it is unaffordable for workers, the majority of whom earn $15 an hour or less.

Rather than improving the affordability of its health care coverage for part-timers, Target is seizing on the launch of Obamacare to dump these workers onto the health care exchanges. They are making this move in advance of an ACA rule set to go into effect in 2015 that will require companies with 50 or more employees to offer health insurance to all full-time workers, defined as those working 30 hours or more, but will exempt them from covering part-timers.

While employers will be under no obligation to cover part-time workers, under the ACA's "individual mandate," any worker—full- or part-time—who is not insured through his or her workplace or a government program such as Medicare or Medicaid must obtain insurance or pay a penalty. Companies such as Target that are dumping insurance for their workers are adding to the pool of individuals who are now required by law to purchase insurance from private insurers on the exchanges.

Target is offering an insulting one-time $500 cash payment to those part-time workers presently enrolled in their health plan to "enable a smooth transition for those team members most impacted." Workers shopping for coverage will discover that this amount will do little to offset the price of premiums and out-of-pocket costs for the least expensive "bronze" plans offered on the Obamacare exchanges.

As an example, the "window shopping" feature at the HealthCare.gov web site shows that one of the bronze plans available to a couple in their late fifties living in Dallas, Texas is priced at $680 a month and includes annual deductibles of $12,700 for the couple and $6,000 per individual. Another comes with a $1,019 monthly premium, $10,200 family deductible and a $5,100 individual deductible.

The government subsidies for low-income workers to purchase such policies are minimal. Sarah Kliff's *Washington Post* blog estimates that a "hypothetical 25-year-old Target sales floor leader, for example, who earns $15 an hour and works 29 hours per week would qualify for a monthly health care subsidy of $96 if Target does not offer insurance."

Additionally, people purchasing Obamacare plans are on the hook for a wide range of out-of-pocket expenses. Aside from annual wellness visits, some screenings and other "essential services," individuals and families will be required to pay their deductibles *in full* before services can even be accessed. This will inevitably lead to people forgoing care because they simply cannot afford it, despite the fact that they are "insured."

Another high out-of-pocket cost on the Obamacare exchanges is the outlay for certain prescription drugs. Drugs must be included in a plan's drug formulary in order to be covered. On the bronze plans, even if a drug is covered, the insured may be responsible for cost-sharing of as much as 40 percent of the price.

Networks of hospitals, doctors and other providers are also severely restricted on many plans. In a number of states, the Obamacare plans include only one or two hospitals and exclude some of the most prestigious research and teaching institutions.

It is inevitable that other big, low-wage employers will follow Target's lead and drop coverage for their part-time workers, if they have not done so already. In 2011, long before the launch of Obamacare, retail giant Walmart announced that it would stop health coverage for employees hired after February 1, 2012 who work less than 24 hours a week.

Other companies are dropping coverage for spouses of employees. Last August, United Parcel Service said it was dropping coverage for about 15,000 employees' spouses who are eligible for coverage through their own employers.

Employers have been shifting health care costs onto their workforces since at least the late 1980s. The Affordable Care Act is providing the impetus for making even more dramatic changes.

Companies are shifting more and more costs onto employees through increased cost-sharing in the form of higher deductibles and co-pays. Others are eliminating traditional plans and shifting their workers to private exchanges similar to Obamacare, where workers must fend for themselves in the selection of plans for sale by private insurers.

A substantial number of large businesses are expected to drop their coverage altogether, choosing to pay the minimal penalties imposed by ACA for not providing coverage. Of the

156 million people—more than half of the US population—who were covered through their employer in 2013, the Congressional Budget Office estimates that by 2016 some 6 million fewer people will receive employer-based health insurance.

These moves bring into focus the real aim of the health care overhaul, which has nothing to do with expanding access to high-quality, affordable insurance. Obamacare was devised from the outset as a means of dismantling the employer-based system of health insurance that for decades guaranteed a basic level of health care for tens of millions of Americans.

Touted as a plan that would promote "affordable," "near universal" health coverage, in reality the legislation is tailored to the profit interests of employers and the health care industry, while reducing and rationing care for the vast majority of workers and their families.