

September 23, 2013

HUFF
POST BUSINESS

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Trader Joe's To Drop Health Coverage For Part-Time Workers Under Obamacare: Memo

Posted: 09/11/2013 7:35 am EDT | Updated: 09/19/2013 6:39 pm EDT

After extending health care coverage to many of its part-time employees for years, Trader Joe's has told workers who log fewer than 30 hours a week that they will need to find insurance on the Obamacare exchanges next year, according to a confidential memo from the grocer's chief executive.

In the memo to staff dated Aug. 30, Trader Joe's CEO Dan Bane said the company will cut part-timers a check for \$500 in January and help guide them toward finding a new plan under the Affordable Care Act. The company will continue to offer health coverage to workers who carry 30 hours or more on average.

The law mandates that companies with 50 employees or more offer coverage to such full-time employees, though the Obama administration has chosen to [delay that rule](#) for a year.

Trader Joe's has [won kudos](#) for offering its health care, dental and vision plans to part-time workers at a reasonable price -- a rarity in an industry known for low pay and scant benefits. But with low-wage workers eligible for tax subsidies to buy health insurance next year, the company has apparently calculated that offering medical coverage to part-timers who work 18 hours or more is no longer worth the cost.

"Depending on income you may earn outside of Trader Joe's" -- i.e., another job -- "we believe that with the \$500 from Trader Joe's and the tax credits available under the ACA, many of you should be able to obtain health care coverage at very little if any net cost to you," Bane wrote in the memo.

The company told HuffPost it would not confirm or deny the existence of the memo. In a statement, a spokeswoman said, "We have made some changes to our healthcare coverage that we believe will be a benefit to all Crew Members working in our stores. We are committed to providing all our Crew Members with benefits that are among the best in our industry."

HuffPost readers: Are you an hourly worker who's been told by your company to expect changes next year with Obamacare? [Tell us about it.](#)

Many retailers do offer part-time employees health care coverage, but at [prohibitively expensive rates](#) that swallow much of a worker's paycheck. Trader Joe's wouldn't comment on how high the premiums are for its part-time employees or how much of its part-time workforce opts for the plan.

A current Trader Joe's worker described the coverage she'll likely lose as "one of the best parts about the job." (The employee requested anonymity since she isn't authorized to speak to the media.) She said she pays only \$35 per paycheck, or \$70 per month, for a plan that generally covers 80 percent of her medical costs, carries a reasonable \$500 deductible and includes prescription drug coverage.

"There are several folks I work with who are there for the insurance as much as anything, mostly folks with young families," she said. "I can say that when I opened and read the letter yesterday my reaction was pure panic, followed quickly by anger."

The employee said she averages about 28 hours per week and worries she won't make the cutoff for company-based coverage. Whether workers hit the 30-hour threshold and become eligible for the company plan will be determined by their work schedules over the course of the next three months, the memo explains. For those who may be on the cusp, the memo left little hope that they can pack in extra hours to meet the requirement.

"It is important to note ... we do not create our weekly schedules with healthcare eligibility in mind," Bane wrote. "Rather, we will continue to create weekly schedules that are solely focused on supporting the customer experience."

The worker, who took home less than \$20,000 last year, might be able to find a similar plan at a comparable cost under Obamacare, judging from a [subsidy calculator](#). But there's no guarantee, other than uncertainty.

"I still have so much anxiety over this, worrying will I have coverage, will it be equivalent, and how do I factor this into my budget," she said. "I'm a full-time student living alone. Everything in my budget is extremely tight. This is something that's throwing a wrench into everything."

While the stakes for workers aren't clear, the benefits to Trader Joe's under the new arrangement are obvious. The implementation of Obamacare provides an opportune moment for the company to get in line with less generous competitors, and the savings the company finds in dropping coverage for part-timers will almost certainly outstrip the \$500 it will give employees to defray what they end up paying on the exchanges.

An earlier memo to staff in May sounded a rosier note on health coverage. Bane said the company had "made a decision to make

minimal and only necessary changes to your costs" for health care until Obamacare regulations were finalized next year. He also noted that the company would give workers a 10 percent discount on their monthly coverage for the second half of the year.

He did, however, inform workers that corporate contributions to employee retirement accounts would be drastically scaled back, by a third for some and two-thirds for others. Bane argued that the company's "very generous" contribution rates had been too high for the industry.

"Whole Foods and Costco (two public companies) make retirement plan contributions that are significantly less than Trader Joe's," he wrote.