

Bloomberg

Target to Drop Health Insurance for Part-Time Workers

By Alex Wayne - Jan 22, 2014

[Target Corp. \(TGT\)](#) will end health insurance for part-time employees in April, joining Trader Joe's Co., Home Depot Inc. and other U.S. retailers that have scaled back benefits in response to changes from Obamacare.

About 10 percent of part-time employees, defined as those working fewer than 30 hours a week, use Target's health plans now, according to a [posting](#) yesterday on the Minneapolis-based company's website. Target is the second-largest U.S. discount retailer by sales and had about 361,000 total employees last fiscal year, according to [data](#) compiled by Bloomberg.

The U.S. Patient Protection and Affordable Care Act is the largest regulatory overhaul of health care since the 1960s, creating a system of penalties and rewards to encourage people to obtain medical insurance. The law known as Obamacare doesn't require most companies to cover part-time workers, and offering them health plans may disqualify those people from subsidies in new government-run insurance exchanges that opened in October.

"You see a lot of retailers making adjustments in contemplation of the full effect of the employer mandate penalties in 2015," Neil Trautwein, a lobbyist with the National Retail Federation, a trade group in [Washington](#), said in a phone interview. "Even though it is not effective yet, it is already having an effect on the job market and putting companies where they would probably not otherwise want to be."

The move should also reduce the cost of Target's health benefits, Trautwein said.

Target fell less than 1 percent to \$59.98 in New York. The shares have declined 4.1 percent in the last 12 months.

New Options

The health law requires all companies employing 50 or more people to offer health insurance to those working at least 30 hours a week starting in 2015. Those that don't comply may be liable for fines of as much as \$3,000 per worker.

"Health-care reform is transforming the benefits landscape and affecting how all employers, including Target, administer health benefits coverage," Jodee Kozlak, Target's executive vice president of human

resources, said in yesterday's web posting. She cited "new options available for our part-time team, and the historically low number of team members who elected to enroll in the part-time plan."

No Target workers will see their hours cut as part of the change, she said. A Target spokeswoman, Jill Hornbacher, wouldn't say how many part-time workers the company employs, saying in an e-mail that the number "fluctuates often."

Affordable Plans

The company wouldn't disclose how much it spends on health benefits or how much the change would save, or what part-timers pay for their insurance, Hornbacher said.

The Affordable Care Act created new government-run [health insurance exchanges](#) to sell coverage to uninsured people, often with premiums discounted by federal subsidies. It disqualifies Americans for subsidies at the exchanges if they have an offer of "affordable" coverage from their employers, defined as an insurance premium less than 9.5 percent of their income.

Target plans a one-time \$500 payment to part-timers losing coverage and a consulting firm will help those workers sign up for new Obamacare plans. It said on its website that many part-time workers may prefer coverage from the health law's exchanges, and that by offering them insurance, "we could actually disqualify many of them from being eligible" for subsidies.

Coverage for Target employees who work fewer than 30 hours will end April 1, the company said. Open enrollment for 2014 under the Affordable Care Act closes a day earlier.

Hourly Threshold

Trautwein's organization is lobbying Congress to raise the threshold that determines whether workers must be offered insurance to 40 hours per week. Labor unions have also complained that the 30-hour limit may lead to reductions in hours for part-time employees, as companies seek to avoid offering them health insurance.

Employers had been dropping coverage for workers for more than a decade preceding passage of the Affordable Care Act, said Joanne Peters, a spokeswoman for the U.S. Department of Health and Human Services.

"But now, unlike before, employees have the option of shopping in the marketplace for quality, affordable coverage, where they may be able to qualify for a tax credit to help pay for the cost," Peters said in an e-mail.

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