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## Low Co-Pays, Every Day

Could Wal-Mart solve America's health-care crisis?

By Daniel Gross

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Is her health insurance good enough for you?

As part of its new public-relations effort, Wal-Mart is trying to become part of the solution to the societal ills it has come to symbolize—low wages, the trade deficit, the divorce of benefits from work—rather than part of the problem. But the company can't really raise wages much or significantly increase orders from U.S. manufacturers without cutting into its [already thin margins](#). It is trying to do something about the health-care insurance crisis, however. Fewer than half of Wal-Mart's 1.3 million employees are insured by the company, although Wal-Mart does offer a cheap bare-bones policy for employees

and their family members.

But Wal-Mart, which prides itself on low prices every day, hasn't really tried to do much to reduce the cost of health-care coverage for its customers, many of whom lack insurance. Yes, it has [pharmacies](#) and sells a huge amount of health-related products—cheaply. But it hasn't directly tried to intervene in one of the nation's most inefficient consumer markets. Until yesterday.

Under a [deal](#) with Utah-based [Extend Benefits](#), members of Sam's Club, Wal-Mart's warehouse store unit, will get a break on prices when they sign up with Extend Benefits. Extend Benefits, founded in 1999, is a sort of agent/outsourcer for small businesses and individuals who want to buy insurance. Employers who sign up decide how much they want to spend per employee per year. Employees then talk to Extend Benefits representatives, who lay out a range of options: HMOs, PPOs, HSAs, etc. "We work with all the name-brand insurers, like UnitedHealthcare, Aetna, Fortis, and PacifiCare," said Brian Tenner, vice president of sales at Extend Benefits. The products range from cheap—for a 30-year-old male in Springfield, Mo., a bare-bones plan with a \$5,000 annual deductible costs \$56 per month—to more expensive. For the same guy, a more traditional plan with a \$1,000 deductible and \$25 doctor co-payments would cost \$143 per month. If employees want something more comprehensive than what the employer is willing to pay for, they can dig into their own pockets.

Extend Benefits makes money by receiving commissions from insurers, as other brokers do, and by charging administrative fees to set up and run the programs. But like other suppliers, it is willing to accept lower margins from Wal-Mart because the chain provides a huge amount of volume. Extend Benefits normally charges customers a \$500 setup fee, plus an ongoing administration fee of \$5 per month per person. Sam's Club members will pay \$150 upfront and a \$4 monthly charge.

Sam's Club isn't offering discounted health insurance. It's offering discounted administration of health insurance and access to a greater range of choices than insurance purchasers might ordinarily have. Sam's Club makes money on membership fees. And cheap access to Extend Benefits' services is intended to make the \$35 annual fee seem more valuable. But down the road, its actions could help lower the price of insurance for individual and small-business purchasers. "Eventually, as you get more and more people in these markets, competition among insurers will grow in that arena," said Tenner.

That's good as far as it goes. And it's a nice service for small businesses that want to offer employees some form of health insurance. But Wal-Mart shouldn't stop there.

It's a fair bet that there's a pretty big overlap between people lacking health insurance and Wal-Mart's customer base. Clearly, low-income consumers of preventive health care and low-end insurance are underserved in many parts of the country, in much the same way lower-income rural retail consumers were underserved when Sam Walton built his first Wal-Mart in the 1960s.

Yes, there are dozens of reasons why Wal-Mart would have a tough time making money on health insurance, or on providing basic services like physicals, eye exams, and high-blood-pressure screening. There's reason to believe, as [Steven E. Landsburg argued](#), that people might not buy cheap health insurance, even if Wal-Mart promoted it heavily. And it's inherently more difficult to make labor-intensive services like health care run more efficiently.

But consider: Wal-Mart already has a distribution system that delivers goods and services more efficiently than its rivals. And as it grows and expands—and insures more employees—Wal-Mart will certainly learn more about how to acquire medical services or insurance for a large group of people on the cheap.

What's more, many reformers—particularly those on the right—believe that the key to health-care reform is to have more people and institutions think of insurance or health care as a consumer good, not as a fundamental human right. And who better than Wal-Mart, which sees itself as an agent for consumers, to bring that message to the market?

Finally, no insurer really has the kind of market power that Wal-Mart enjoys. The one entity that does—the federal government—doesn't use it effectively. It would be fun to watch Wal-Mart apply to physicians the same energy, ruthlessness, and ambition it now uses to squeeze costs out of suppliers. Imagine a radiologist from Seattle trekking to Bentonville, Ark., eager to get a contract to review X-rays for \$400 a pop. Purchasing

agents would laugh in his face and tell him to do it for \$50—or they'll find somebody in Oklahoma or India who will.

[From WalmartFacts.com] <http://www.walmartfacts.com/newsdesk/article.aspx?id=1581>

## Sam's Club Introduces Affordable Health Insurance Solution Nationwide

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### Sam's Club Introduces Affordable Health Insurance Solution Nationwide

**Bentonville, Ark., December 30, 2005** – According to the National Federation of Independent Business the high cost of health insurance continues to be the #1 issue facing business owners. However, thanks to a number of recent legislative changes affordable health care solutions are now available.

Effective January 4, 2006, SAM'S CLUB and Extend Benefits Group LLC will join forces to offer a new and innovative health insurance program for businesses. The ExtendChoice™ for SAM'S CLUB program leverages new employee benefit tax rules and the growing popularity and affordability of individual health insurance plans to provide employers and their employees with a broad choice of affordable individual health insurance plans from major carriers in all 50 states. Extend Benefits assists each employee in making the most effective use of this allowance to pay for an individual plan that best fits his needs and budget.

ExtendChoice™ is a defined contribution health care program that allows employers to provide their employees tax free dollars to be used to secure their own individual health insurance and/or pay for qualified medical expenses. Traditional employer-sponsored group plans can cost \$5,000- \$10,000 per worker per year with increasing out-of-pocket costs, deductibles and co-pays. The ExtendChoice™ solution allows the employee to pick an individual plan that best fits his needs and budget which typically results in substantially lower insurance costs. The employee selects from a wide range of plan designs (PPO, HMO and HSAs) with his personal doctors and local medical facilities included “in network”.

“We have been searching for an innovative and cost effective way for business owners to offer health insurance to their employees,” said Mark D. Goodman, SAM'S CLUB executive vice president Marketing, Membership and E-Commerce. “By individualizing

the health insurance program for each employee, ExtendChoice™ makes insurance practical and affordable.”

Commenting on the ExtendChoice™ program for SAM'S CLUB, Bryce A. Williams, President and CEO of Extend Benefits said, “Our joint focus groups with SAM'S CLUB resoundingly confirmed the need for a different approach to offering benefits. The vast majority of employers would like to contribute to their employees' health care, but the cost and inflexibility of traditional group-based plans has made it very difficult. With ExtendChoice™, employers will be able to assist their employees with their individual health care costs while controlling their monthly expense in doing so. An individual health insurance plan is permanent, portable and owned by the employee, independent of their job status.”

To learn more, visit [insurance.samsclub.com](http://insurance.samsclub.com) or [www.extendone.com/sams](http://www.extendone.com/sams)

#### **About SAM'S CLUB**

SAM'S CLUB ([www.samsclub.com](http://www.samsclub.com)), a division of Wal-Mart Stores, Inc. (NYSE:WMT) is the nation's largest warehouse chain in the United States serving small business owners and operators. The purchasing agent of choice, SAM'S CLUB provides every day low cost to more than 47 million entrepreneurs and consumers nationwide.

#### **About Extend Benefits Group LLC**

Extend Benefits Group LLC ([www.extendbenefits.com](http://www.extendbenefits.com)) is the leader in powering defined contribution health care plans for American corporations and small businesses. Majority owned by Revolution Health Group LLC ([www.revolution.com](http://www.revolution.com)) and based in Salt Lake City, Utah, the company was founded by leading health care and benefits professionals who share the vision of enabling Americans to own and manage their own health care plan independent of their employment status.