# US health care “individual mandate” will leave 30 million uninsured

**By Kate Randall**
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The US government on Wednesday released new details on implementation of the “individual mandate” provision in the health care legislation signed into law by President Obama in March 2010. Beginning in 2014, the Patient Protection and Affordable Care Act (ACA) requires that most individuals obtain health care insurance or pay a fine to the Internal Revenue Service (IRS).

As with much of the health care law, the regulations surrounding the individual mandate are convoluted and complex, with a number of aspects of the provision still being finalized. However, new guidelines issued by the IRS and the Department of Health and Human Services (HHS) related to the mandate provide confirmation that the legislation has nothing in common with providing universal, affordable, quality health care to American families and individuals.

In a fact sheet on the new rules, HHS says the mandate penalty “applies only to the limited group of taxpayers who choose to spend a substantial period of time without coverage despite having ready access to affordable coverage.” The penalty for those going without coverage will be $95 in 2014, rising to $695 by 2016, unless individuals qualify for an exemption. The Congressional Budget Office (CB0) projects that less than 2 percent of the American public will have to make a penalty payment under the mandate.

The new guidelines make much of the fact that a wide range of exemptions are available for those who choose not to purchase coverage or cannot afford it. What White House officials are not choosing to emphasize is that those who qualify for these exemptions may not be required to pay a penalty—but they will not have health care coverage. The CBO projects that in 2016, 30 million people—or about one in nine—will be uninsured and 6 million of them will pay penalties.

Most of the exemptions will apply to those individuals and families that cannot afford the coverage. Households with incomes below the minimum threshold for filing taxes will be exempt from penalties for not obtaining health care coverage. The IRS does not require individuals under 65 who earn less than $9,750 annually and married couples earning less than $19,500 to file taxes. Such incomes fall below HHS poverty guidelines for 2012.

Those individuals who lose their insurance due to unemployment or other circumstances will be exempt if their gap in insurance is less than three consecutive months during the year. In fact, people will be considered as having minimum coverage for a month as long as they are covered for at least one day during that month, meaning they technically qualify as “insured” but in reality have substandard coverage.

Members of federally recognized Indian tribes, undocumented immigrants and prisoners are also exempt from paying penalties for going without coverage. The unstated implication in the HHS fact sheet is that substantial numbers of these exempted individuals and their families are expected to be without insurance coverage.

One of the major exemptions from penalties is what is referred to as the “unaffordable coverage option.” An individual qualifies for this if the minimum cost for health care premiums is more than 8 percent of household income.

The health care legislation provides for subsidies to help individuals and their families purchase insurance on the “exchanges” or “marketplace” if they meet certain income guidelines. The law considers employer-sponsored insurance unaffordable if an employee’s share of the premiums is 9.5 percent of that individual's household income.

One of the latest revelations about the health care bill is that the IRS calculation of what is affordable will only be based on the cost of the employee's individual or "self-only coverage," and not what the worker would have to pay to insure his family. This will lead to millions of children of workers being shut out of employer-sponsored coverage as well as subsidies to purchase coverage on the exchanges.

The cost of employer-sponsored coverage has exploded in recent years. A 2012 survey by the Kaiser Family Foundation found total premiums for employer-sponsored health insurance averaged $5,615 a year for single coverage and $15,745 for family coverage. The average employee share of the premium was $951 for individual coverage and a staggering $4,316 for family coverage.

This means that a household making $35,000 a year would not qualify for subsidies even though this family would have to pay $360 a month—or more than 12 percent of its income—for full coverage under the employer-sponsored plan. If the family were unable to come up with the money to purchase insurance coverage, either from the employer or on the insurance exchange, they would also be subject to financial penalties.

There are no meaningful mechanisms in the health care overhaul to limit the premiums private insurers can charge—either for employer-sponsored plans or on the insurance exchanges. In advance of full implementation of the law in 2014, health insurance companies across the US are already raising rates for many customers, in some cases seeking and receiving double-digit increases in premiums from state regulators.

Another unexpected consequence of the implementation of the ACA has emerged in the form of a rift between the Obama administration and number of unions, which have overwhelmingly supported Obama and Democrats and for the most part backed the health care legislation.

Some 20 million Americans are covered by health care plans that are jointly managed by unions and employers, mostly in small companies in industries such as construction, trucking and hotels. As a result of provisions in the health care bill, such as those that eliminate caps on medical benefits and prescription drugs, and allow children under 26 to stay on their parents' plans—costs will rise for these union/employer-run plans.

Big unions such as the Teamsters, United Food and Commercial Workers, and Unite Here want their lower-paid members to be able to receive federal subsidies while remaining on their plans. As originally written, the health care bill only calls for subsidies for low-income workers to help them buy private insurance on the exchanges.

The unions want a piece of the pie as payment for their political support for Obama. Union plans covering 2.3 million mostly low-paid workers were already granted waivers from some of the law's early requirements, including allowing them to place limits on annual coverage. According to the *Wall Street Journal*, Obama administration officials say the issue of permitting subsidies to go to union plans is still subject to regulations being written.