# White House threatens to cut off Obamacare subsidies to 360,000

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The Obama administration announced Monday that it will cut off government subsidies to about 360,000 people if they do not offer proof of their income within the next two weeks. Administration officials will send out final notices this week to individuals who enrolled in Obamacare plans with income levels that do not match government records.

Those who do not confirm their income levels could lose their tax credits, meaning they could face higher premiums and deductibles. Nearly 90 percent of the 8 million people who signed up for plans through the Affordable Care Act (ACA) exchanges have qualified for government subsidies.

Many of the income verification problems are traced to technical problems on the HealthCare.gov web site, which experienced a raft of technical problems when it was rolled out last October. The federal government is still missing income information for nearly a half-million people who signed up for insurance over the past year.

An administration spokesman stressed that people would not be cut off from coverage, but they would have to pay the higher premiums to retain it. The administration had already warned that it would end coverage for close to 1 million people whose immigration status could not be confirmed by the government.

News of the threatened cutoff of subsidies comes as the second enrollment season for Obamacare is just two months away. A host of potential problems await consumers, and this is particularly true for the approximately 8 million people who signed up for coverage during the health care overhaul's inaugural enrollment period.

HealthCare.gov, the federal web site set up to sell coverage by private insurers on the exchanges under the ACA, is still plagued by technical glitches. Additionally, the November 15-February 15 open enrollment window will be half as long as the 2013-14 sign-up period and will overlap the holiday season.

While the Obama administration has set up automatic renewal of coverage for individuals and families who signed up last enrollment period, the process may be far from smooth. CMS has sent out notices to exchange-plan enrollees and their current insurers about their options for renewal for next year.

CMS announced this month that if the previously insured take no action, they will be automatically enrolled in the same plan for 2015. This could pose many problems for consumers if they do not reexamine their plan options.

First, insurers may have changed their plans. People may find that their plan's network may have changed and their doctor or hospital is no longer included. Second, changes to a plan's drug formulary might mean that a drug previously covered is no longer included.

Some people will also find that they must pay a significantly higher premium unless they switch to a different plan. Because insurers will be changing their rates for 2015, not only will many premiums rise, but the government subsidies available to offset the cost of premiums will also be recalculated in most insurance markets.

In addition, if a person's income has risen in 2014, even minimally, and they do not provide the insurance exchange with this updated information, they may receive too large a subsidy (in the form of a premium tax credit), and may have to repay the Internal Revenue Service for the excess amount.

Losses in income could pose a particularly cruel problem for low-paid workers who discover they have fallen into the “Medicaid gap” in their state of residence. As originally conceived, the ACA expanded the Medicaid program, which is jointly administered by the federal government and states, to cover adults under age 65 with incomes up to 133 percent of the federal poverty level, instead of the traditional 100 percent.

While the US Supreme Court ruled the ACA constitutional in 2012, it also ruled that states could not be compelled to expand their Medicaid programs, and more than 20 states are currently not doing so. This means that nearly 5 million poor people with incomes above the poverty level, but not enough to qualify for Obamacare subsidies, may be uninsured because they cannot afford to pay the steep premiums without the subsidies.

Low-paid workers, particularly those in service industries who have had their hours cut, may face the double-edged sword of being both paid less and having no affordable health care coverage options. Adding insult to injury, because employers are not required under the ACA to offer health coverage to part-time employees working less than 30 hours a week, some businesses are cutting workers’ hours, potentially tossing them into the Medicaid gap.

The estimated 5 million people who sign up for new coverage will also likely face problems. Because the first round of enrollees was comprised of a disproportionate pool of less-healthy individuals taking advantage of the ACA’s ban on excluding those with preexisting conditions, insurers are expected to hike premiums to counteract the associated costs. This means that the premiums this time around will be higher.

This year, for the first time, those who choose to remain uninsured also face the threat of fines in the form of tax penalties. Under Obamacare’s individual mandate, those who are not insured through their employer or a government program such as Medicare or Medicaid are required to pay a penalty unless they qualify for an exemption. Penalties begin at $95 for an individual plus $47.50 per child, or 1 percent of family income, whichever is greater. These penalties are set to steadily rise over the next decade.

The technical problems that accompanied the rollout of HealthCare.gov have also not been thoroughly ironed out. The Government Accountability Office told Congress in July that the back-end system that links the web site to insurers and distributes the subsidies is still not operational.

Increasing confusion and financial hardship for consumers, government officials and health care experts have also warned that thousands, and possibly millions, of insurance policies may be canceled over the next several months because they do not include all of the mandates put in place by the Affordable Care Act.