

Up to six million face Obamacare penalties for 2014

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February 15 marked the final day to sign up for a health insurance plan for 2015 on the Federal Health Insurance Marketplace or on one of the state-run exchanges set up under the Affordable Care Act (ACA). With limited exceptions, uninsured people who failed to sign up by this deadline face substantial fines for failure to obtain coverage in 2015.

According to projections released last month by federal officials, as many as six million people will have to pay a penalty for going without health insurance in 2014, the first year of Obamacare coverage. This means that between two and four percent of all taxpayers lacked medical coverage for all or part of 2014. Another 15 million to 30 million people were uninsured but qualified for an exemption.

Under the “individual mandate” of the legislation, popularly known as Obamacare, individuals and families who do not have insurance through their employer or through a government program such as Medicare or Medicaid—and have not enrolled in a plan that meets the Minimum Essential Coverage requirements (MEC) of the ACA—face a tax penalty.

The penalties are up substantially this year, rising from \$95 or one percent of income in 2014, to \$325 or two percent of income in 2015, whichever amount is greater. The fee, referred to by the Internal Revenue Service (IRS) as the “Individual Shared Responsibility Payment,” will automatically be taken from tax refunds or added to the tax owed, unless an exemption is met.

While there are reportedly over 30 exemptions, the most common include having a gap in coverage that is less than three months and conditions of economic hardship, in which annual premiums available for purchase exceed eight percent of household income.

The fee for not having health insurance is calculated as either a flat dollar amount or as a percentage of

income over a certain threshold, whichever is greater. Using the flat dollar method, a family will be charged \$325 per adult and \$162.50 per child, up to a maximum of \$925.

For a married couple with two children with a household income of \$75,000 filing taxes jointly, the threshold for 2015 is set at \$20,600, leaving \$54,400 to be charged at the two percent rate—a \$1,088 penalty.

Marisa Bowlden told a local California ABC news station, “I was fined over \$300 for myself not having insurance and over \$300 for my husband. ... I just want to know who did I hurt by not being covered? Am I truly a criminal and NEED to be “fined” ... ? really crazy government we have. I can’t stand how the working family gets hurt.”

“Open enrollment” for Obamacare plans began November 15, 2014, and ended February 15 in most states. Although millions of working families and individuals have yet to file their taxes for 2014, and have not yet seen the effect of the new tax penalties, it may also be too late to avoid the penalties for 2015.

Stan Dorn of the Urban Institute told the *Washington Post*, “It’s the fact that if you didn’t apply by February 15, you have no way of escaping the penalty in 2015. ... It’s not something a lot of people have necessarily thought through.”

As in 2013 and early last year, the federal HealthCare.gov web site faced technical glitches again during the last week of 2015 enrollment. According to the web site, many individuals were unable to complete the enrollment online or faced extended hold times and were unable to enroll over the phone before the deadline. As a result, the site states that enrollment for these individuals only—who must verbally attest to meeting one of the stipulated conditions—will be allowed until February 22 to complete their sign-up.

Many of the state exchanges had similar issues and have followed suit, extending their deadlines by one week for those experiencing difficulties. The state of Washington has decided to extend the enrollment period for another two months to encourage more sign-ups.

In describing the “Individual Shared Responsibility Provision,” the IRS web site states, “It is important to remember that choosing to make the individual shared responsibility payment instead of enrolling in minimum essential coverage means you will also have to pay the entire cost of all your medical care. You won’t be protected from the kind of very high medical bills that can sometimes lead to bankruptcy.”

In other words, if you cannot afford health insurance and seek medical care, you will be charged for the health services *and* you will be fined by the government.

Compounding the economic hardship for working families and individuals, those who did purchase a plan and received a premium subsidy from the federal government must now go through a reconciliation with the IRS. If an individual or family ended up earning more money than reported when applying for health insurance, they may now owe back part or all of the subsidy they received to help pay for the health plan. The Treasury Department estimates that 4.5 million to 7.5 million people received Obamacare subsidies in 2014.

Households were told to estimate their projected income for the year when they initially signed up for coverage, a task made difficult for some families due to fluctuating incomes and periods of joblessness. Households were instructed to report changes in income, but unemployment, multiple part-time jobs, or self-employment oftentimes make it difficult for families to calculate their annual earnings until they complete their tax filings.

Janice Riddle told CNN that when she filed taxes, she was forced to pay back \$470 for each month she received the subsidy in 2014 due to forgetting to report her new job to have the subsidy reduced. After stating that she did not even use the health coverage, she exclaimed, “I was blindsided that the subsidy has to be paid back.”

Adding to the public’s bewilderment, the IRS has issued three new forms for individuals who bought

health insurance through an exchange or did not have minimum essential coverage. These individuals will need to fill out the Health Insurance Marketplace Statement (1095-A), Premium Tax Credit (Form 8962) and/or Health Coverage Exemptions (Form 8965). The three forms include 28 pages of instructions and additional calculations for determining the tax refund or payment. Many individuals and families who file their taxes with the simplest 1040EZ form will no longer be able to use it if they get a tax credit.

Many people who count on tax refunds to make payments on credit cards, home repairs or other necessary household spending may be shocked to find their entire tax refund absorbed by the IRS due to the new method of linking taxes to the health care system.

The White House currently claims that over 11.4 million have signed up for private health coverage as a result of ACA. In the coming year, many will begin to understand the implications of Obamacare and its goal of undermining the entire health system in the United States.

The reality of the health care overhaul is coming home for millions of Americans in the form of these tax penalties and subsidy repayment demands. Those who have actually purchased coverage have also discovered that legislation touted by the Obama administration as providing “near universal,” quality health care often comes with annual deductibles in excess of \$5,000 and other high out-of-pocket costs.

The central aim of the health care overhaul is to dragoon millions of ordinary Americans—under threat of financial penalty—into purchasing cut-rate policies from private insurance companies, who are profiting from the new stream of cash-paying customers. The legislation is also aimed at providing the framework for businesses and the public sector to end employer-sponsored health insurance and foist the responsibility for obtaining health coverage more squarely on the backs of the working class.



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