Obamacare Penalty and Minimum Insurance Requirements

By Robert Longley

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By March 31, 2014, almost all Americans who can afford it will be required by Obamacare - the Affordable Care Act (ACA) -- to have a health insurance plan or pay an annual tax penalty. Here is what you need to know about the Obamacare tax penalty and what kind of insurance coverage you need to avoid paying it.

Note: On October 23, the Department of Health and Human Services made clear that all consumers who sign up for coverage by March 31, 2014 will not be required to pay a penalty.

If You Have Any Obamacare Questions

Obamacare is complicated. A wrong decision can cost you money. As a result, it is critical that all questions regarding Obamacare be directed to your health care provider, your health insurance plan or to your state's Obamacare Health Insurance Marketplace.

Questions can also be submitted by calling Healthcare.gov at toll-free 1-800-318-2596 (TTY: 1-855-889-4325), 24 hours a day, 7 days a week.

During the great Obamacare bill debate, Obamacare supporter Senator Nancy Pelosi (D-California) infamously said lawmakers needed to pass the bill "so we can find out what's in it." She was right. Nearly five years after it became law, Obamacare continues to confuse Americans in great numbers.

Also See: Yes, Obamacare Does Apply to Congress

So complicated is the law, that each of the state Health Insurance Marketplaces will employ Obamacare Navigators to help uninsured people meet their Obamacare obligation by enrolling in the qualified health insurance plan that best meets their medical needs at an affordable cost.

Minimum Insurance Coverage Required

Whether you have health insurance now or buy it through one of the Obamacare state Insurance Marketplaces, your insurance plan must cover 10 minimum essential health care services. These are: outpatient services; emergency services; hospitalization; maternity/newborn care; mental health and substance abuse services; prescription drugs; rehabilitation (for injuries, disabilities or chronic conditions); lab services; preventive/wellness programs and chronic disease management; and pediatric services.

If you have or buy a health plan that does not pay for those minimum essential services it may not qualify as coverage under Obamacare and you may have to pay the penalty.

In general, the following types of health care plans will qualify as coverage:

• Any plan purchased through one of the state Insurance Marketplace and employer-provided insurance plans, including plans for retirees;

• Medicare and Medicaid;

• Children’s Health Insurance Program (CHIP);

• Military TRICARE;

• Veterans health care programs and

• Peace Corps volunteer plans

Other plans may also qualify and all questions regarding minimum coverage and plan qualification should be directed to your state’s insurance Marketplace Exchange.

The Bronze, Silver, Gold, and Platinum Plans

Health insurance plans available through all Obamacare state Insurance Marketplace offer four levels of coverage: bronze, silver, gold and platinum.
While bronze and silver level plans will have the lowest monthly premium payments, out-of-pocket co-pay costs for things like doctor visits and prescriptions will be higher. Bronze and silver level plans will pay for about 60% to 70% of your medical costs.

Gold and platinum plans will have higher monthly premiums, but lower co-pay costs, and will pay for about 80% to 90% of your medical costs.

Under Obamacare, you cannot be turned down for health insurance or forced to pay more for it because you have an existing medical condition. In addition, once you have insurance, the plan cannot refuse to cover treatment for your pre-existing conditions. Coverage for pre-existing conditions begins immediately.

Once again, it is the job of the Obamacare Navigators to help you select a plan offering the best coverage at a price you can afford.

**Very Important - Open Enrollment:** Each year, there will be an annual open enrollment period after which you will not be able to purchase insurance through the state Insurance Marketplaces until the next annual open enrollment period, unless you have a "qualifying life event." For 2014, the open enrollment period is October 1, 2013 to March 31, 2014. For 2015 and later years, the open enrollment period will be October 15 to December 7 of the previous year.

**Who Does Not Have to Have Insurance?**

Some people are exempt from the requirement to have health insurance. These are: prison inmates, undocumented immigrants, members of **federally-recognized American Indian tribes**, persons with religious objections, and low-income persons not required to file federal income tax returns.

Religious exemptions include members of health care sharing ministries and members of federally-recognized religious sects with religion-based objections to health insurance.

**The Penalty: Resistance is Futile and Expensive**

Attention health insurance procrastinators and resisters: As time goes by, the Obamacare penalty goes up.

In 2014, the penalty for not having a qualified health insurance plan is 1% of your annual income or $95 per adult whichever is higher. Have kids? The penalty for uninsured children in 2014 is $47.50 per child, with a maximum per-family penalty of $285.

In 2015, the penalty increases to the higher of 2% of your annual income or $325 per adult.

By 2016, the penalty goes up to 2.5% of income or $695 per adult, with a maximum penalty of $2,085 per family.

After 2016, the amount of the penalty will be adjusted for inflation.

The amount of the annual penalty is based on the number of days or months you go without health insurance after March 31. If you have insurance for part of the year, the penalty will be prorated and if you are covered for at least 9 months during the year, you will not pay a penalty.

Along with paying the Obamacare penalty, uninsured persons will continue to be financially responsible for 100% of their health care costs.

The nonpartisan Congressional Budget Office has estimated that even in 2016, more than 6 million people will pay the government a combined $7 billion in Obamacare fines. Of course, revenue from these fines is essential to paying for many of the free health care services provided for under Obamacare.

**If You Need Financial Help**

To help make mandatory health insurance more affordable to people who can’t afford it in the first place, the federal government is providing two subsidies for qualifying low-income individuals and families. The two subsidies are: tax credits, to help pay monthly premiums and cost-sharing to help out-of-pocket expenses. Individuals and families can qualify for either or both subsidies. Some people with very low incomes may wind up paying very small premiums or even no premiums at all.

Qualifications for insurance subsidies are based on annual income and vary from state to state. The only way to apply for a subsidy is through one of the state insurance Marketplaces. When you apply for insurance, the Marketplace will help you calculate your **modified adjusted gross income** and determine if you qualify for a subsidy. The Exchange will also determine if you qualify for Medicare, Medicaid or a state-based health assistance plan.
Coming Doctor Shortage

One Quick Fix

By Atul Nakhasi

Ryan Scully wanted to be a doctor from the moment he began volunteering as a paramedic and firefighter during his freshman year of college. In medical school at George Washington University, he passed all of his preclinical and clinical requirements, as well as two national licensing exams required of all medical students. Just before graduation in 2012, though, he learned that he had not been accepted into a residency training program necessary for gaining his certification as a practicing physician. He would receive his M.D. degree in May with the rest of his class—but without a hospital training spot, he could not practice medicine.

Last year 1,761 M.D.s shared the same fate. And now the White House wants to set aside even less money for doctor training while reorganizing the nation’s insurance market. At a time when the new health-care law is expected to create a demand for more physicians, a proposed $11 billion budget cut over the next 10 years guarantees there will be fewer doctors. This could have a serious effect on the health of the nation.

On-the-job training of doctors is a long and complicated business, and since the introduction of Medicare in 1965, the federal government has assumed some of the cost of graduate medical education, particularly at the country’s teaching hospitals. The rationale for funding by Medicare, Medicaid, the Department of Veterans Affairs and others—nearly $12 billion a year—has been that the nation’s doctors and medical researchers will contribute to the public good, either by treating patients or contributing to advances in medicine.

But the number of federally supported training positions for doctors hasn’t changed since Congress passed the Balanced Budget Act in 1997—even while the demand for physicians has risen to meet an aging population. And now millions of new patients are set to enter the market. The uninsured can now—in theory—enroll in the newly created health-insurance marketplace, much to the credit of the Affordable Care Act. The Congressional Budget Office has estimated that the exchanges will cover 22 million Americans within the next three years. So the administration plans to slash $11 billion in funding for doctor training while adding 22 million new dependents.

According to a 2010 report from the Association of American Medical Colleges, the U.S. already has 16,000 fewer doctors than needed. The AAMC predicts that the shortfall will quadruple to nearly 63,000 over the next two years, reaching 91,100 by the end of the decade. By 2020, the U.S. will have 45,000 too few primary care physicians and 46,000 too few specialists.

The shortage will have noticeable consequences. Sick children could wait weeks instead of hours to see a pediatrician. Hip-replacement surgery could have a monthlong waiting list. And elective treatments like cardiovascular procedures could take years to get done. The shortage will ultimately produce more rationed care: longer wait times, delayed procedures and surgeries, less time spent with doctors, and quite possibly, more medical mistakes causing patients harm.

The medical community has tried to respond to the coming crisis, which has been developing for more than a decade. Seventeen new medical schools have started since 2005. First-year medical-student enrollment is projected to reach over 21,000 by 2017, a nearly 90% increase from just 10 years ago, the AAMC says, will result in an additional 7,000 graduates each year over the next decade. Yet without similar increases in funding for residency training, more medical students will simply mean more displaced doctors like Dr. Scully, with nowhere to earn their credentials.

Unlike medical students, residents can help meet the demand for care that the new law will create. Residents aren’t just fully-trained doctors in the making, but also play an important part in direct care, treating patients from some of our most vulnerable populations, including veterans, minorities and the poor. Moreover, teaching hospitals provide 40% of hospital charity care, although they constitute only 6% of all U.S. hospitals.

Ultimately, training new doctors serves every member of the public, which is why the federal government funds the endeavor. The Obama administration’s suggested cuts run counter to the basic principle of the Affordable Care Act: that health care is a universal right, not a luxury for the privileged. Congress will decide in the coming months as it negotiates a budget whether to allow the gutting of such a public service. But someone ought to remind the politics of a fundamental truth: if we’re going to offer medical services to millions more people, we will need doctors to provide them.

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