FactSHEET

Individual Mandate

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Talking about the Individual Mandate

The Supreme Court has upheld the "individual mandate" in the Affordable Care Act, and, in response, conservatives are suddenly claiming that the health care law is a massive tax increase. The truth is, *no one's taxes are going to suddenly go up. The Affordable Care Act does not impose a new tax on the middle class.*

Instead, a few Americans—about 2 percent—may have to pay a penalty for refusing to purchase health insurance.

The individual mandate requires that, in 2014, people either have health insurance or pay a penalty. Because of the way the penalty is assessed and collected, the Supreme Court upheld it as being constitutional under Congress's authority to tax.[1] This penalty wasn't a tax increase in the days before the Supreme Court decision, and it isn't one now.

▶ The vast majority of Americans will never have to pay a penalty.

If you have insurance now, you can keep it, and you won't have to pay a penalty. That includes health insurance you get through an employer, as well as coverage through Medicare, Medicaid, or the VA. It also includes insurance that you may be able to purchase through the new insurance exchanges that will make it easier and more affordable for people to get coverage. These exchanges will be up and running in 2014 when the law is fully in effect. It's estimated that the penalty will affect only about 2 percent of all Americans.

▶ If you have health insurance, you won't have to pay a penalty.

It's easy to avoid paying a penalty: Have health insurance. And in 2014, it will be much easier to get insurance. That's because insurance companies won't be able to deny you coverage if you have health problems or charge you more if you're sick. And right now, thanks to the Affordable Care Act, insurers can no longer cancel your coverage if you get sick.

▶ And millions of people will get financial help to buy insurance.

About 28.6 million people will be eligible for tax credits to help cover the cost of insurance. That will make health insurance much more affordable for middle-class families. These tax credits will be available to families on a sliding scale based on income.

Even if you don't have insurance, there are many situations where penalties won't apply.

People are exempted from the requirement to have insurance—and, therefore, the need to pay a penalty—if they meet any of the following criteria:

- if they have a low income
- if they choose not to buy insurance because of religious beliefs
- if buying insurance would be a financial hardship

The requirement to buy insurance is based on the idea of individual responsibility.

Right now, it's hard for many people to afford to buy insurance—but they still get sick and need care. Often, they can't pay for the care they get. The cost of this care is passed along, raising health care costs and insurance premiums for everyone else. Once the Affordable Care Act is fully in place and insurance is more available and affordable, people who can afford to buy insurance shouldn't continue to shift the cost of their care onto everyone else.

The Affordable Care Act is paid for—it doesn't raise the deficit.

The Affordable Care Act includes programs that reduce health care costs and some that raise revenue. That's why it doesn't increase the deficit. Most of the increased revenue comes from fees or taxes on insurance or drug companies or through reductions in payments to some health care providers. Most of these businesses can expect to make up those amounts through the increased business they will see when more people have insurance. Very little of the revenue will come from penalties for not buying insurance.

The Bottom Line

The Supreme Court decision didn't change the insurance market reforms that are in the Affordable Care Act, and regardless of what you call it, it didn't change the penalty. People who can afford to buy insurance will have to either have insurance or pay a penalty so that the cost of their care doesn't get passed on to everyone else. That's only fair. And the Supreme Court decision didn't change the fact that the penalty won't affect the vast majority of Americans.

[1] The annual penalty is the greater of a flat fee or a percent of income. For an individual adult, the penalty amount is $95 or 1 percent of income in 2014, increasing to $695 or 2.5 percent of income in 2016. It stays at this level, with the flat amount adjusted annually for inflation. If someone is without coverage for only a part of a year, the penalty will be prorated.

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