This curriculum module is recommended reading for students in civics, government and political science classes, grades 1l, 12 and college.

Huge Marriage Penalty in House, Senate Health Care Bills

by Allen Quist

At the time of this writing, there is a huge middle class marriage penalty hidden in the House and Senate health care bills. The penalty becomes evident by evaluating questions like the following: How much would two single people, each making $30,000 per year, pay for private health insurance if the Pelosi bill was in effect now? The answer is $1,320 per year for both individuals combined (based on the premium limits and subsidies outlined on the charts on p. 3). But how much would they pay for the same level of insurance under the Pelosi bill if they were to marry? Their combined cost would then be about $12,000 a year (the estimated cost for private insurance).

This extraordinary penalty people will pay, should they marry, extends all the way from a two-person combined income of $58,280 to $86,640, a spread of $28,360. A large number of people fall within this spread. As premiums for private insurance escalate, as expected, the marriage penalty will become substantially larger.

Once the income of Americans exceeds 400% of the Federal Poverty Level, there are no limits on the premiums they can be charged, and their premiums are no longer subsidized. The poverty level is much higher for two people living unmarried as compared to the same two people being married. That is why citizens in many cases will pay far more for insurance if they are married. Why should married people be subjected to financial discrimination?

The Senate bill also creates a marriage penalty, in this case by imposing a new tax on individuals who make $200,000 annually but it also applies to married couples making $250,000 each year. This marriage tax on the affluent, however, is just the tip of the marriage penalty iceberg in the Senate bill.

The Senate bill stipulates that two unmarried people, 52 years of age, with private insurance and a combined income of $60,000, $30,000 each, will pay a combined cost of $2,483 for medical insurance. Should they marry, however, they will pay a combined cost of $11,666 for insurance—a penalty of $9,183 for getting married (based on tables at: http://healthreform.kff.org/SubsidyCalculator.aspx).

This substantial marriage penalty applies to persons on individual insurance, but, as the Heritage Foundation's Bob Moffit said: "if an employer has a health care benefits package that is 12 to 13 percent of payroll, and they can solve their problem by paying an 8 percent payroll tax [into the Exchange], I think they're going to do it," (*New York Times,* 9-30-09). And Howard Dean said that, "Small businesses with payrolls of less than half a million dollars don't have to buy health insurance anymore for any of their employees."(FNS, 11-29-09).

Businesses will shed their employees and health care dollars into the Exchange, but the dollars that are paid back out will be directed only to those making less than 400% of the Federal Poverty Level. Those above the Poverty Level will receive none of their previous insurance benefits from businesses. For that reason the new system is income redistribution on steroids.

President Obama promised that only the top 5% of Americans would see tax increases if he was elected president. The truth, however is that all Americans dumped on private insurance who now have company-provided health insurance, which is 85% of the insured, will see horrendous increases in their health insurance premiums if their family incomes exceed 400% of the Federal Poverty Level. This is the case for 43% of all Americans. These 43% will receive none of their previous insurance benefits because those benefits will be diverted to those under the 400% level. Because buying insurance is required by law, those "premium" payments paid by the top 43% are really taxes. A tax by any other name is still a tax.

The biggest losers in these bills are middle class married people. They will pay the bills for everyone else. Millions of these families will be $10,000 per year poorer if the Health Care bills pass--$15,000 per year poorer if private insurance premiums go up by 50% as several studies suggest.

Some might say that the business can compensate by paying the insurance costs of those higher income employees directly to the employee. Not so. The businesses will already be paying their share of the insurance costs by "contributing" 8% of their payroll expenses into the Exchange. Don't expect businesses to pay their employees twice for insurance. Secondly, many employees will be on or off the subsidized system as result of the wages of their spouse. Can businesses pay employees with the same years of employment doing the same job differing wages depending on the salaries of the spouses? They cannot.

"Household" is defined in both bills as including those who can be claimed as dependents for federal income tax purposes thereby clarifying that adults can often avoid the marriage penalty by living together unmarried. The new system provides a huge incentive for doing so.

The bills additionally contain *De Facto* salary caps. How much would a married couple pay for private insurance under the House bill if their income was $58,000 per year? The answer is $2,088. But what if their income increased by $1,000? Their annual premium would then be about $12,000. In addition, only 50% of that premium is tax deductable. (Recent estimates suggest that premiums will increase by 50% more than that number.) The economic penalty for going off the subsidized system is so severe that it will be difficult for people to increase their earnings beyond 400% of Poverty Level. The Senate bill works essentially the same way.

Senior citizens and small businesses have already been identified as big losers in the health care bills. Married citizens in the middle class need to be added to the list.

Health insurance premium costs for two adults with equal incomes if the Pelosi bill was in effect now:

Combined yearly Income	Combined premium cost if single	Combined premium cost if married.	Change
$60,000	$1,320	$12,000	+$10,680
$70,000	$1960	$12,000	+$10,040
$80,000	$2,880	$12,000	+$9,120
$90,000	$12,000	$12,000	0

Sources: The numbers on the chart are based on (a) a chart provided by The Committees on Ways & Means, Energy & Commerce, and Education & Labor, October 29, 2009, see chart below; (b) the current Federal Poverty Levels; see charts below; and (c) the estimate that two adults would pay $12,000 annually for individual health insurance with average benefits if their income exceeds 400% of the Federal Poverty Level.

Official summary of premium limits and subsidy levels in the House bill*

Income	premium limit as % of income	% paid by individuals	Caps on out of pocket costs
Under 133 - 150% FPL	1.5 – 3%	3%	$500/$1000
150 - 200% FPL	3 – 5.5%	7%	$1,000/$2,000
200 - 250% FPL	5.5 – 8%	15%	$2,000/$4,000
250 - 300% FPL	8 – 10%	22%	$4,000/$8,000
300 - 350% FPL	10 – 11%	28%	$4,500/$9,000
350 - 400% FPL	11 – 12%	30%	$5,000/$10,000

Federal Poverty Levels now in use:

Single person = $10,830
Two person household = $14,570
Three person household = $18,310
Family of four = $22,050

400% of Federal Poverty Level:

Single person = $43,320
Two person household = $58,280
Three person household = $73,240
Family of four = $88,200

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* Chart provided by The House Committees on Ways & Means, Energy & Commerce, and Education & Labor, October 29, 2009. The table is based on H.R. 3962, TITLE III, Subtitle C, Sections 342-344. (http://docs.house.gov/rules/health/111_ahcaa.pdf)