



Eligible Americans Turn Down Obamacare Tax Credits

Some consumers are ditching subsidies out of principle, opting to pay more for health insurance.

By Kimberly Leonard

January 12, 2015

Grace Brewer says she never thought she would be without [health insurance](#) at this stage of her life. "I'm a casualty of Obamacare," says Brewer, 60, a self-employed chiropractor in the Kansas City, Kansas, area.

She wanted to keep the catastrophic health insurance plan she once had, which she says fit her needs. But under the [Affordable Care Act](#), the government's health care reform law, the plan was discontinued because it did not comply with the law's requirements, and her bills doubled to more than \$400 a month. "I wanted a minimal plan and I'm not allowed to have it," she says. "That seems like an encroachment on my freedom."

The Affordable Care Act requires everyone to buy insurance or pay a [penalty](#). Government subsidies can reduce costs for low- and middle-income Americans and without them, many say they could not afford insurance. Americans qualify for subsidies if they are under the age of 65 and have an annual income of up to \$46,680 as an individual, or up to \$95,400 for a family of four.

Though Brewer could pay less for a plan if she were to accept a subsidy from the federal government, she refuses. "I want to pay my own way," she says. "I will not take a handout."

Her sentiment is unusual, but brokers say they do hear from clients who are eligible for subsidies – which are based on [household income](#) and not assets – but want no part of them. Health officials have been [boasting that 6.6 million people have enrolled in health coverage](#) through state or federal marketplaces created under the Affordable Care Act, but in sharp contrast stands a small group of Americans who say they want nothing to do with the plans, even if they would save money. Their reasons vary: Some are protesting Obamacare, while others simply feel it's unethical to accept taxpayer dollars to pay for health insurance.

"It's almost a philosophical or political statement," says Gerry Wedig, a professor at the University of Rochester's Simon Business School.

For Brewer, buying a plan on her own would mean she would not have enough to pay for housing, she says, so she chose not to be insured this year and will have to pay a penalty in her 2016 tax filing that is likely to be 2 percent of her income. She has no dependents, is healthy, does not use prescriptions and says she has been careful about her health choices, not overusing medical care.

"I am frustrated. I am angry. And I say 'no' to the exchanges," she says. "Somebody has to stand up and this is the only way I can do it. I will not be signing up under duress. I'm taking care of myself."

Dave Klemencic, 55, also has chosen to go without [health insurance](#). He could receive a tax subsidy, but says on principle [he will not](#), adding that he does not believe it's in the best interest of the country.

Klemencic, the sole proprietor of Ellenboro Floors in Ritchie County, West Virginia, says he sees the federal subsidy program as welfare, which he does not believe in. He also does not think the government has the constitutional authority to offer the subsidies.

"I take care of myself fine," he says. "I'm not going to increase the debt or take money from a taxpayer."

Klemencic's total spending on health care last year amounted to \$200 for dental checkups, he says, and he plans to continue paying for doctor visits out of pocket. He may have to pay a penalty for that choice, but first he is waiting on a [Supreme Court case](#) challenging the government's provision of subsidies in states that did not create their own insurance exchanges. The outcome of the case could exempt him and millions of others from the penalty.

Klemencic, who is a plaintiff in [another Supreme Court case](#) challenging the subsidies, says he has prepared for possible emergencies by adding medical coverage to his car insurance and setting aside funds.

"I'm not going to take money off the taxpayer for something that may or may not happen that all the odds are stacked against," he says.

Complicating the ethical question is that some people who qualify for subsidies based on their income could afford to pay their own way. "There is no question that we are enrolling people through these programs who would otherwise be considered middle-class or even affluent," says Ed Haislmaier, a senior research fellow for health policy studies at the right-leaning Heritage Foundation think tank. "We are seeing people with enrollment in these programs that have significant assets, but for whatever reason – usually a temporary reason – fall below the income line."

Those reasons could range from early retirement to a midcareer job change. But whatever the case, some of those who are turning down subsidies are aware others are gaming the system, and they think it's wrong.

"I won't be a part of it," Brewer says. "I don't think it's right. I don't think it's ethical, but the system has gotten so complicated that people can take advantage of those things."

Louise Norris – a writer for HealthInsurance.org whose husband, Jay, is a broker for Colorado Health Insurance Insider – says some clients wonder whether it's ethical to take subsidies, and about two clients per month tell Jay they are not interested in receiving them. Of those who have a low income but high net worth, she says: "Technically they are well within the law to [receive subsidies]. Some people are not necessarily opposed to the Affordable Care Act, but they realize they are not the demographic of someone the law was supposed to target."

In the early days of open enrollment, the Norrises worked with a couple in their early 60s from a small town in eastern Colorado whose income was about \$60,000, which made them eligible for a subsidy of roughly \$830 a month. The couple refused the subsidy, calling it a government handout.

The fact that the subsidies are causing controversy among the very people they're intended to help is "evidence that the government doesn't do charity very well," says Michael Cannon, director of health policy studies at the libertarian Cato Institute think tank.

"Prior to Obamacare, the federal government was subsidizing all sorts of people who did not need health insurance subsidies," he adds, referring to services like the Children's Health Insurance Program, Medicaid and [Medicare](#), the government's health program for seniors. "With Obamacare, we are subsidizing even more people who don't need assistance."

Jessica McCarron, a spokeswoman for Enroll America, a nonprofit that helps people sign up for health coverage, says the majority of people her organization works with who qualify for a tax subsidy are not in a position to turn it down. "Most of the consumers who seek in-person assistance from a navigator or other certified assister aren't interested in the politics of the law and aren't familiar with the details – they want the facts about how the law can help them and their families," she says.

But Steve Morgan, a self-employed insurance agent from Faribault, Minnesota, says he and his family pay more for private health insurance because he had a negative experience with the exchange website.

"I had a strong feeling of distrust and absolutely no faith in this government program," Morgan, 61, tells U.S. News in an email. His family pays \$14,000 a year in premiums and \$2,600 in deductibles. If he were to take the subsidies, he could save a couple hundred dollars a month. "Yes, maybe I am lucky to afford these premiums, but we have cut donations to worthy causes and certainly do not go out very often."

Ed Anderson, an account manager at the Hawkins Insurance Group in Edina, Missouri, says he has clients who say they don't want anything to do with Obamacare. "They think it's inappropriate for the government to be involved in the first place," he says.

But often, when they see how much they can save, clients think twice about refusing subsidies and ultimately enroll in coverage. About 80 percent of Anderson's clients qualify for subsidies, he says.

Beverly Gossage, president of HSA Benefits Consulting in Eudora, Kansas, says she's also had clients tell her they had to go against their beliefs to take what they consider to be welfare. "They swallowed hard but filed for the subsidized plan," she says.

Still, some say the benefits of the Affordable Care Act outweigh its loopholes.

"It's not perfect," says Karen Pollitz, a senior fellow for health reform and private insurance at the Kaiser Family Foundation. "There are people here and there who won't fit the profile. But there are many fewer gaps than there used to be to more affordable health insurance."

Judy Solomon, vice president for health policy at the Center on Budget and Policy Priorities, says even those who choose not to accept subsidies are benefiting from the Affordable Care Act. For example, if they want to buy health insurance on their own, they will not be discriminated against for a pre-existing condition.

They also can keep their children on the family policy until they are 26 years old, and common preventive care measures – like vaccinations, screenings for certain mental and physical health issues and some types of counseling – are covered without a co-payment.

"We're all paying taxes, and the taxes go to a lot of different things," Solomon says, pointing out that citizens may take issue with a range of government spending, whether it be on defense, education, crime or welfare.

The health care reform bill passed without a single Republican vote, and GOP lawmakers have sought to challenge [portions of the bill](#) or repeal it entirely. Wedig wonders whether the politics surrounding the law have come back to bite proponents.

"The process made the country implacable to the bill whether they understood it or what's in it," he says.

Norris agrees. "If it hadn't been such a big political brouhaha, I wonder whether these conversations would even come up," she says.