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April 19, 2010

Benefit for Uninsured May Still Pose Hurdle

By RONI CARYN RABIN

William Mann of Pittsburgh earns just enough to get by. He is 46, doesn't own a car, hasn't taken a vacation in three years and hasn't had [health insurance](#) for most of his adult life.

He is just the kind of person who should benefit from the health care overhaul, and he is, in fact, eligible for heavily subsidized insurance that will [cost him](#) an estimated \$1,845 a year, while the government contributes about \$2,756.

But Mr. Mann says he still can't afford it. He lives too close to the edge, and won't be buying insurance, even though he will face a fine under a provision called the individual mandate, which penalizes most Americans who don't buy coverage starting in 2014. The requirement is one of the most controversial aspects of the overhaul.

"I just can't put that kind of money out for a 'maybe' — maybe I'll get sick and use it," said Mr. Mann, who makes just over \$25,000 a year as an administrative assistant at a small wine distribution company. "That's a lot of money."

"The people who make all these decisions don't live like the way I do," Mr. Mann added, echoing other uninsured people in his income group. "They don't live like the rest of us."

Legal questions about the individual mandate aside, the choices made by people like Mr. Mann are crucial. One reason the individual mandate was created was to attract as many healthy people as possible to the individual market to offset the demands of the many sick people who will be buying in, and who have medical needs that drive up costs.

Yet no one really knows which way the Mr. Manns of the nation, people struggling in a tough economy, will go.

"Given the choice, a lot of people are going to purchase coverage rather than pay the penalty —

they simply want the security of having health insurance,” said Jennifer Tolbert, principal policy analyst at the [Kaiser Commission on Medicaid and the Uninsured](#), an initiative of the Kaiser Family Foundation (not associated with Kaiser Permanente, the health insurance company). She said that had been the experience in Massachusetts under a similar initiative. But she added, “The key is to make coverage affordable.”

According to the [Congressional Budget Office](#), some 32 million more Americans will have insurance by 2019 under the new law, about half of whom will be buying health insurance on the individual market for the first time (the other half will be covered for the first time under [Medicaid](#), which is being expanded to include more of the poor).

But Edmund F. Haislmaier, senior research fellow of health policy studies at the [Heritage Foundation](#), a conservative research group, said he was skeptical that so many uninsured people would actually start buying insurance. “We’re premising all this on the idea that we’ll cross-subsidize older, sicker people with a lot of young healthy people, whom we assume will buy the coverage,” he said. “But what if they don’t?”

Many of the uninsured in America are in the same economic boat as Mr. Mann. Some 60 percent of the uninsured earn less than 200 percent of the federal poverty level (\$21,660 for a single person and \$44,100 for a family of four), according to Sara R. Collins, of the [Commonwealth Fund](#), a health care research group. As earnings increase, people are more likely to be insured, experts say.

A recent study by the fund said that about one-third of people who tried to buy health insurance on their own were turned down or charged more because of a medical condition. But three-quarters walked away for other reasons, and most cited price; 60 percent said it was either “difficult” or “impossible” to find an affordable plan, said Ms. Collins, vice president for the fund’s [Affordable Health Insurance Program](#).

Jacqui Brownstein, 63, a freelance copy editor and proofreader, said she moved to Lancaster, Pa., from New Jersey in 2004 primarily because health insurance was more affordable there. But she can’t afford it anymore; the last time she bought insurance, she paid \$4,300 a year, but the rate quoted last year was \$5,700. “There was no way I could afford it, so I dropped it,” said Ms. Brownstein, a smoker who has [Type 2 diabetes](#) and a family history of [ovarian cancer](#).

[Premium subsidies](#), which will be available to people who buy insurance through the exchanges being established, are supposed to address that problem, experts say. A 40-year-old in a medium-

cost geographic area who earns \$21,660 (200 percent of the federal poverty level) and whose annual premium is \$3,500, for example, would receive a subsidy of \$2,135 that goes directly to the insurer, while he or she pays \$1,365. A family of four with an income of \$44,100 would pay \$2,778 while the government subsidizes the plan to the tune of \$6,656.

The proportion of income people at this level have to pay for insurance is capped at no more than 6.3 percent of their earnings.

As income increases, the subsidy drops; families earning 300 to 400 percent of the federal poverty level are expected to pay up to 9.5 percent of their income, an amount that ranges from \$6,284 to \$8,379 per year; the federal subsidy is from \$3,150 to \$1,056. At the same time, however, a provision states that anyone who cannot find a premium that costs less than 8 percent of their income is exempted from the penalty.

It's hard to predict whether the carrots and sticks of subsidies and penalties will suffice to bring people into the system, when there are so many unemployed or underemployed people, many earning less in today's economy than before and worried about job security and prospects.

From a pure dollars-and-cents point of view, it is cheaper for people just to pay the penalty. Even when fully implemented in 2016, the penalty is limited to no more than 2.5 percent of taxable income, and it starts out even lower, with a penalty of \$95 or 1 percent of income in 2014.

“It's hard to analyze because people are making health decisions based on their wallets,” said Sara Horowitz, who founded the Freelancers Union, a nonprofit organization that offers health insurance to freelancers.