



Written by [Michael Tennant](#) on February 26, 2013

Employers Dropping Spousal Coverage to Avoid ObamaCare Fees

With healthcare costs continually on the rise — a situation compounded by ObamaCare's new taxes and regulations — employers are looking for every means possible to keep those costs down. The healthcare law requires them to offer coverage to all full-time employees and their dependent children aged 25 and younger. The one person whose coverage it does *not* mandate, however, is the employee's spouse; spousal coverage, therefore, is increasingly on employers' chopping blocks.



According to [MarketWatch](#), since the passage of ObamaCare, companies have instituted various measures designed to discourage, if not outright exclude, individuals from obtaining health coverage via their spouses' employers. "Such exclusions barely existed three years ago, but experts expect an increasing number of employers to adopt them," reports Jen Wieczner.

"These 'spousal carve-outs,' or 'working spouse provisions,' generally prohibit only people who could get coverage through their own job from enrolling in their spouse's plan," Wieczner writes.

These provisions, which human resources firm Mercer says have already been adopted by about one-fifth of companies, take a variety of forms. Most companies simply charge extra for working spouses — \$100 a month, on average. Others add such high surcharges or reimburse such a small percentage of healthcare expenses that spousal coverage becomes unaffordable. Still others flatly prohibit working-spouse coverage: Mercer claims that six percent of large employers and four percent of very large employers (20,000 or more employees) excluded spouses in 2012, up from five percent and two percent, respectively, in 2010.

"While couples generally prefer to be on the same health plan, companies often find that spouses are more expensive to insure than their own employees," according to Wieczner. When a company stops covering spouses, it often saves more than just the cost of spousal coverage. Its employees sometimes choose to drop their own employer-based coverage and instead obtain coverage through their spouses' employers so that both partners can be on the same plan. Of course, this puts pressure on those employers to exclude spouses as well. The city of Terre Haute, Indiana, for example, is instituting a spousal carve-out this year because of an increase in the number of spouses seeking coverage under the city's plan after other local employers dropped spousal coverage.

Beginning this year, ObamaCare only makes spousal coverage even more expensive for employers. The law mandates that companies pay a fee of \$1 or \$2 for every individual they cover in 2013. Next year the fee shoots up to a whopping \$65 per covered person. Employers would be crazy *not* to try to shed covered persons any way they can, and spouses — especially those who can obtain coverage through their own employers — are a prime target.

"But experts say more firms are likely to drop spouses altogether, whether they work or not —



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especially when the new federal health-care exchanges open in 2014, providing an alternative for spouses left out in the cold,” Wieczner observes. “‘When there’s a place for people to go, employers won’t feel as beholden or compelled to cover the spouse,’ says Joan Smyth, an employee benefits consultant with Mercer.”

In other words, ObamaCare not only makes spousal coverage considerably less affordable but also makes the decision to drop it vastly easier — for employers.

For employees, losing spousal coverage can be quite “traumatic,” as Wieczner puts it. Even if both spouses are covered by their respective employers, they are likely under different plans with different rules, provider networks, and reimbursement rates. Then they have to decide whether to put their children all on one plan or split them between the two. Matters are only made worse if one spouse has no coverage at all.

These families have President Barack Obama and the Democrats in Congress to thank for their plight. By making health insurance more costly, ObamaCare has virtually guaranteed that employers will cut back on the number of people they cover to the extent the law permits. The Affordable Care Act is turning out not to be so affordable after all.



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