



Written by [Bob Adelman](#) on May 30, 2014

## Large Employers Face Huge Fines for Not Complying With ObamaCare Rules

A ruling [by the Internal Revenue Service](#) threatens to upend various employer-sponsored health plans and ultimately cost employees more for coverage — coverage they often won't be using. The IRS ruling back in September negates an option that many employers with more than 50 employees were considering: canceling their plans and just reimbursing their employees with funds to go buy their own coverage on the ObamaCare exchanges.



This option, according to the IRS, would cost employers \$100 per day for each employee as penalties for exercising what heretofore was not only a reasonable option but an increasingly popular one. The [New York Times](#) quoted a tax attorney who clarified that “an employee cannot [any longer] use tax-free contributions from [his] employer to purchase an insurance policy sold in the individual health insurance market, inside or outside an exchange.”

But, according to the attorney, Christopher Condeluci, a former advisor to the Senate Finance Committee, the company is free to give additional financial assistance to its employees by paying them more, but that increase would be taxable. Bottom line: Employees get to pay more for plans containing mandated benefits (such as mammograms) that they may not need or could never use in the first place.

The *Times* also quoted expert Andrew Biebl, a tax partner at a large Midwestern accounting firm, who said:

For decades employers have been assisting employees by reimbursing them for health insurance premiums and out-of-pocket costs.

The new federal ruling eliminates many of these arrangements by imposing an unusually punitive penalty.

Many political and health market observers have noted that in the past Obama's actions and words have indicated he is supportive of the United States adopting nationalized single-payer healthcare, so on the surface it doesn't seem to make sense that his administration would want to compel employers to keep providing health insurance to employees. But single payer healthcare is a long-term goal, while his administration's present actions are meant to alleviate short term political stumbling blocks. Robert Wenzel, writing at his Economic Policy Journal blog, saw immediately that the strategy was designed to reduce resultant voter backlash as employees tried to wrestle with the exchanges just prior to national elections:

With the Nov. 4 midterm elections looming, the Obama administration could not allow massive waves of employer cancellations before Democrats face an already angry electorate.

So the IRS ruled it would slap any employer with a \$100 tax penalty per day per worker that used tax-exempt health insurance monies to cut workers a lump check and dump them on the



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Obamacare exchanges.

Companies that do not drop the provision of health insurance will face higher costs for providing health coverage and will likely be forced to cut back payrolls and shrink their workforces.

What's left of the free market, however, continues to devise creative ways around the new ruling. Zane Benefits, for example, has created an alternative, called a "self-insured Medical Reimbursement Plan" whereby the employer, after discarding a plan that he might have had in place for decades, makes contributions to the new plan on a before-tax basis, which employees may then draw on to cover their healthcare expenses, including insurance premiums.

However, as implementation of ObamaCare continues, employers are faced with more and more restrictions and limitations on what they may offer, while their employees will ultimately be required to pay more for their healthcare.

This is just one of the myriad problems facing the new head of Health and Human Services. The *Washington Post* noted that ObamaCare remains controversial especially as the upcoming elections in November draw ever closer. The technical difficulties in operating the exchanges are far from over. New premium structures and rates are expected to be announced this summer, with most observers expecting huge spikes over last year. Small business owners will be facing expensive decisions on their own as well, while insurance companies are working overtime to keep up with the ever-changing ObamaCare landscape.

It's all part of the cost of allowing the government into a place where it has no business, and certainly no skill set, in its never-ending quest to control citizens under the guise of controlling their healthcare costs.

*A graduate of Cornell University and a former investment advisor, Bob is a regular contributor to The New American magazine and blogs frequently at [www.LightFromTheRight.com](http://www.LightFromTheRight.com), primarily on economics and politics. He can be reached at [badelman@thenewamerican.com](mailto:badelman@thenewamerican.com).*





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