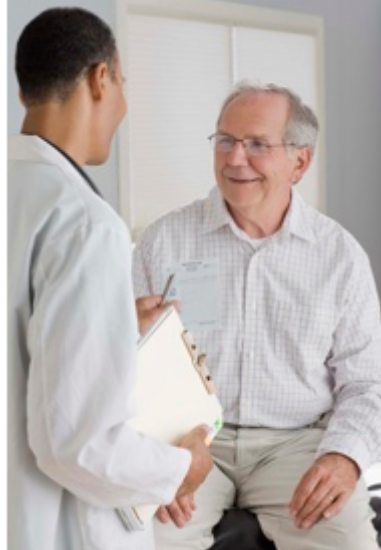




Written by [Brian Koenig](#) on August 10, 2011

ObamaCare “Glitch” Adds \$50 Billion per Year to the Deficit

The true costs of ObamaCare continue to rise, as budget projections under the healthcare law are being understated by as much as \$50 billion per year, according to a new report from Cornell economist Richard Burkhauser and his colleagues from Cornell and Indiana University. This alarming revelation is due to official budget forecasts that neglect to account for employees’ spouses and children — which could result in hundreds of billions more in taxpayers’ dollars over the next 10 years.



"The Congressional Budget Office has never done a cost-estimate of this [because] they were expressly told to do their modeling on single [person] coverage," Burkhauser alleged. "A very large number of workers" will have access to federal subsidies, "dramatically increasing the cost" of ObamaCare.

The *Daily Caller* [reported](#):

In May a congressional committee set the accounting rules that determine who will qualify for federal health care subsidies under the 2010 Patient Protection and Affordable Care Act. When the committee handed down the rules to the Congressional Budget Office, its formula excluded the health care costs of millions of workers’ spouses and children. The result was a final estimate for 2010 that hides those costs.

The contention lies with the "firewall" provision of the healthcare law, which [applies](#) to employer-based insurance plans with premiums totaling more than 9.5 percent of an employee’s income. Any health plan with premiums surpassing this amount would be deemed "unaffordable," allowing the worker to obtain subsidized health insurance on the federal exchanges.

On May 4, 2010, the Joint Committee on Taxation advised the Congressional Budget Office to *omit* family members from its projections when determining whether employees pay more than 9.5 percent of their income for health insurance. Daniel Graulich, on the Heritage Foundation’s blog, [explained](#) further:

Obamacare proponents argued that the premium for a family plan — higher than an individual plan — could be used in determining whether employer-sponsored insurance is "affordable," but the Joint Committee on Taxation (JCT) scored the bill using individual premiums only. If a worker was offered an "affordable" individual policy (regardless of how "affordable" the family policy was), JCT figured, he would buy insurance from the employer, because he would still have to



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comply with the individual mandate and wouldn't have access to the generous premium subsidies in the health insurance exchanges.

To prevent middle-class families from accruing high insurance costs, or be subjected to penalties for not purchasing health insurance, Graulich predicts that the Department of Health and Human Services will "interpret the law to include the price of family coverage in its application of the firewall provision." This plays right in to Burkhauser's research. A family policy costing more than 9.5 percent of an employee's income would prompt eligibility for the entire family to be subsidized.

Burkhauser's research concluded that because of the law's skewed incentives, an additional 12.7 percent of all workers would benefit from adding themselves and their families to the federal exchanges. Burkhauser argues that the arrangement of ObamaCare breeds questionable motives, because employers and employees may rearrange compensation to benefit from federal subsidies.

For example, he explained, an employee can ask his employer to raise the price of company-provided insurance in exchange for an equal increase in salary. In many cases, that would boost the share of his income spent on health insurance to a percentage above the 9.5 percent threshold.

Such an arrangement, Burkhauser added, would make the employee, his spouse, and his children all eligible for federal health care subsidies while enriching both the employer and employee — even after the Treasury Department collects fines from U.S. workers.

As government spending continues to climb, and discussions over the federal budget unfold, this startling new discovery may bring ObamaCare to the top of the fiscal agenda. "This study shows yet another way that ObamaCare's cost will be much, much higher than supporters led the American people to believe," [suggested](#) Michael Cannon of the Cato Institute. "Anyone who's serious about the federal debt should make ObamaCare's trillion-plus dollars of new entitlement spending the first item to put on the chopping block."



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