



Written by [Michael Tennant](#) on October 20, 2015

## ObamaCare's Individual-mandate Penalty to Rise Sharply in 2016

ObamaCare's individual-mandate penalty just gets worse every year, and 2016 is no exception. Next year the penalty for not having government-approved health insurance increases to the greater of \$695 per adult — children incur only half the penalty — or 2.5 percent of taxable household income, with a family maximum of \$2,085.



That is a significant jump from this year's penalty of \$325 per person or two percent of income, which itself was a large hike from the 2014 penalty of \$89 per person or one percent of income. Before that, of course, there was no penalty, the federal government never before having mandated that Americans purchase a particular product, which anyone but Supreme Court justices can see is forbidden to do under the Constitution.

For 2014, 7.5 million households paid the ObamaCare penalty, to the tune of \$1.5 billion. Meanwhile, 12 million households claimed exemptions from the individual mandate for various reasons.

As is so often the case, bad news for taxpayers is good news for the Obama administration, which plans to use the threat of higher penalties to induce recalcitrant Americans to enroll in exchange coverage, something it has struggled to do up to now. That is partly because of the many technical glitches Healthcare.gov and other exchange websites have experienced, but even with most of those ironed out, enrollment is still sluggish and not expected to improve much. The administration announced last week that its goal for exchange enrollment in 2016 is around 10 million, up about one million from this year. By contrast, at the time the Affordable Care Act (ACA) became law, the nonpartisan Congressional Budget Office (CBO) [projected](#) that there would be 21 million enrollees in 2016, an increase of 8 million over the previous year; and just four months ago, the CBO [forecast](#) 20 million enrollees next year.

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In other words, exchange enrollment is only about half of the CBO's expectations. What's more, the administration isn't at all confident that it will reach its highly scaled-down objectives. "Our target assumes something that is pretty challenging, which is that more than one out of every four of the eligible uninsured will select plans," Health and Human Services (HHS) Secretary Sylvia Mathews Burwell [told](#) reporters.

"Chew on that for a minute," observed *Forbes'* [Avik Roy](#). "If Obamacare is so fantastic, why would it be considered 'challenging' for the exchanges to enroll only a quarter of the people eligible for their



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subsidies? Because, Burwell said, ‘the remaining uninsured have a lot of concerns about whether they can afford coverage.’ It goes without saying that the ‘Affordable Care Act’ was supposed to solve that problem.”

It didn’t, of course. In fact, as Roy pointed out, it actually made things worse:

Obamacare imposed thousands of pages of new federal regulations on the market for private-sector health insurance purchased by individuals. These regulations mandated that all plans had to pay for a wide range of services, even if policyholders didn’t want them. They forced young people to pay double, and sometimes triple, what they had been paying before for coverage. And plans were required to provide higher financial payouts than they previously had to.

All of these bells and whistles cost money. And so, in 2014 alone, in the average U.S. county, Obamacare drove up the price of individually-purchased health insurance by 49 percent. In 2015 and 2016, additional double-digit rate hikes have been common throughout the country.

ACA enthusiasts disputed the significance of this problem, arguing that taxpayer-funded subsidies would compensate for the higher premiums. But there were always several flaws with that argument. First, subsidies don’t fall from the sky; they’re paid for by imposing additional costs on taxpayers. Second, the subsidies are only large enough for people whose incomes are near the poverty line. Those in the lower-middle class and above don’t receive subsidies that are large enough to compensate for Obamacare-induced rate shock.

Thus, it’s no wonder the administration is turning to the penalty as its best last-ditch hope to boost enrollment. Administration spokeswoman Lori Lodes told the [Associated Press](#) that although the government’s primary emphasis will still be on the (alleged) benefits of coverage and the subsidies, “We need to be make [sic] sure that we are very clear and explicit about that \$695 penalty so people understand the choice they are making.”

Administration allies told the news agency they think HHS should emphasize the penalty even more:

“Given that the penalty is larger, it does make sense to bring it up more frequently,” said Ron Pollack, executive director of Families USA, a liberal advocacy group. “It’s an increasing factor in people’s decisions about whether or not to get enrolled.”

“More and more, people are mentioning the sticks as well as the carrots,” said Katherine Hempstead, director of health insurance coverage for the Robert Wood Johnson Foundation, a nonpartisan organization that has helped facilitate the insurance expansion under Obama’s law.

Hempstead says the message about penalties resonates with uninsured people, who are generally cash-strapped low- and middle-income workers.

A lot of people cite it as the main reason for signing up, she said. “It’s the law and they don’t want to pay the penalty.”

But if, as the law’s backers insist, ObamaCare is such a wonderful thing and exchange coverage is such a boon, why do people have to be forced to participate in it?



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