FOR IMMEDIATE RELEASE: April 18, 2013
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IRS HEALTH INSURANCE PENALTY WILL NOT MOTIVATE CONSUMERS TO BUY INSURANCE

$95 Tax Penalty Begins in 2014 Yet Most Say They Are Unswayed

Sunnyvale, CA—A new HealthPocket consumer survey (http://www.healthpocket.com/healthcare-research/surveys/obamacare-uninsured-penalty-not-expensive-enough#.UXAiS0qwWSp) found that most people don't feel a penalty for remaining uninsured will motivate them to buy insurance starting in October. When survey takers were asked, "Will the $95 IRS penalty motivate you to shop this October for an Obamacare health plan?" nearly two-thirds of consumers surveyed answered "No." Only 8 percent of respondents answered "Yes" and nearly 30 percent were unsure.

Beginning in 2014, consumers will be required to buy health insurance under the Affordable Care Act. An IRS tax penalty will be levied on consumers who fail to purchase health insurance, with some exceptions for people with financial hardships or religious beliefs that preclude them from purchasing health insurance, among others. The tax penalty for not purchasing health insurance will start at $95 per individual or 1 percent of household income, whichever is greater. By 2016, the penalty will rise to 2.5 percent of annual household income or a minimum of $695 per person, whichever is greater.

"From this new poll we now know that the penalty alone will not drive a large number of consumers to purchase a new health plan starting this October," said Bruce Telkamp, CEO of HealthPocket. "Therefore, the law will be most effective if consumers see real value in obtaining the insurance coverage. Only insurers that offer high quality and affordable health plans should expect to see significant new enrollments this fall."

The poll also found that the $95 tax penalty is as ineffective to compel younger respondents to buy health insurance as it was for survey respondents as a whole—61 percent for 18 to 24-year-olds and 55 percent for 25 to 34-year-olds. If younger, healthier populations choose to face the penalty and don't enter the insurance pool, insurance premiums for the entire market could rise due to the higher costs of coverage for the older and less healthy enrollees who remain in the pool.

Nearly thirty percent of respondents said they were "not certain" whether the penalty will motivate them to buy a health plan. According to Kev Coleman, head of Research & Data at HealthPocket and researcher of the poll, that uncertainty may stem from a lack of awareness that a tax penalty under Obamacare exists, or a lack of understanding of how that penalty amount will compare to the cost of a new Obamacare health plan.

The tax penalty is not the only strategy that Obamacare will use to promote enrollment. Some premium and out-of-pocket assistance is available for individuals making less than 400 percent of the federal poverty level or $45,960 in 2013 for individuals. When examining responses from consumers who fall in this income band, HealthPocket found that 63 percent still responded "no," indicating that an outreach program has to occur that speaks to this population.

The InfoPoll survey of 1,003 people was conducted between April 12 and April 16, 2013. The methodology to acquire survey respondents who approximate national statistics on age, gender, and region was implemented by Google. See our InfoPoll (http://www.healthpocket.com/healthcare-research/surveys/obamacare-uninsured-penalty-not-expensive-enough#.UXAiS0qwWSp) to review the full findings of HealthPocket's survey.

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