



Written by [Michael Tennant](#) on July 18, 2013

ObamaCare Subsidies Free for the Asking, Administration Rules

In an effort to prevent an ObamaCare “train wreck” — as retiring Sen. Max Baucus (D-Mont.) described the law’s impending implementation — and forestall future repeal efforts, the Obama administration has just opened the door to potentially widespread fraud by making it possible for people to obtain health-insurance subsidies for which they are ineligible under the law.



It all started on July 2, when the administration announced that it would delay the employer mandate until 2015. That created a major problem for the state insurance exchanges. In order to qualify for a subsidy when buying insurance on an exchange, an individual must attest that his employer is not offering him “affordable” coverage — that is, coverage that costs him no more than 9.5 percent of his household income. But if employers are now released from the mandate and its reporting requirements next year, there will be no way for exchanges to verify that individuals applying for subsidies are actually eligible for them.

The administration solved this dilemma in the same way it has solved so many other problems with ObamaCare. Three days later, when even fewer people were paying attention, it quietly ruled that exchanges could simply dispense with the verification process and hand out subsidies based on applicants’ say-so.

“For eligibility determination for insurance affordability programs that are effective before January 1, 2015, ... the Exchange may accept the applicant’s attestation regarding enrollment in an eligible employer-sponsored plan ... without further verification,” reads the [final rule](#).

On top of that, although the subsidies themselves are supposed to be tied to income, the administration also ruled that, for the most part, exchanges need not verify that applicants are earning the amount of money they claim. Exchanges now only have to audit a “statistically significant sample” of applicants; for everyone else, “the Exchange may accept the attestation of projected annual household income without further verification.”

In other words, pretty much anyone who asks for a subsidy will get one. “Those subsidies are expected to be worth some \$5,000 per person annually, and before this ... announcement were expected to total



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about \$23 billion next year,” reported Reuters.

By virtually guaranteeing that all applicants will receive subsidies, the administration has almost certainly increased the number of people who will get them — and the consequent cost to taxpayers. As the [Wall Street Journal](#) observed, “21% to 25% of Earned Income Tax Credits flow to people who aren’t eligible, according to the Treasury inspector general. The same error rate for ObamaCare would amount to as much as \$250 billion in improper payments in its first decade.”

The administration claims that it is relaxing the verification rules because of “legislative and operational barriers” and “a large amount of systems development ... which cannot occur in time for October 1, 2013,” when enrollment in the exchanges is scheduled to commence. Translation: Centrally planning the entire U.S. healthcare system is a much bigger task than Democrats ever expected it would be, and so they are now being forced to scale back their plans to what is manageable at the present time — to go into “triage mode,” as Washington and Lee University law professor Timothy Jost told the [Washington Post](#).

“They have tried to figure out what they need to do right now and what they can delay until later,” he elaborated. “And they are very low on resources.”

While there is undoubtedly some truth in the administration’s claim, it is probably not the whole story. ObamaCare mandates that insurers accept all applicants, provide them with a wide array of benefits, and charge them the same rates regardless of pre-existing conditions. This encourages the purchase of insurance by those who previously could not obtain or afford coverage because they present high risks to insurers. That, wrote *National Review’s* [Yuval Levin](#), presents another problem:

If not enough people sign up for the exchanges, the system could end up with an insufficient and unsustainable insurance pool — too few healthy people to balance the sick ones and fund the cost of their care. The premium shock — that is, the fact that relatively healthy people will face much higher insurance premiums under the new system than they face today — that looks likely to be prevalent in the exchanges in almost every state could well drive younger and healthier people away, the penalty for remaining uninsured (the so-called “individual mandate”) may not be high enough at first to keep them in the system, and many people may also be inclined to wait and see how the exchanges shape up before they join.

This concern is very high on the agenda of those implementing the law. It is why they are investing in a huge PR effort to drive enrollment. It is surely part of the reason for delaying the employer mandate — allowing some large employers to dump their workers into the exchanges without a penalty. And it seems very likely also to be a key factor behind the decision to allow people access to the exchange subsidies without proving they actually qualify for them.

Then there are good, old-fashioned politics involved, argued *Forbes’* [Avik Roy](#):

The goal here is plain as day. The Obama administration is laser-focused on making sure that enough Americans enroll onto Obamacare-subsidized health insurance platforms, because if they do, it will be politically impossible for Republicans to repeal Obamacare in the future.

Politics ain’t beanbag, they say. But deliberately encouraging tens of billions of dollars of waste, fraud, and abuse in order to achieve a political objective is profoundly immoral. It’s a breach of faith with the hard-working taxpayers whose paychecks are being harnessed to a cause many of them don’t support. Considering that the administration and its congressional allies disregarded the opinions of more than



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half of those “hard-working taxpayers” in passing ObamaCare in the first place — and continue to ignore them to this day despite [poll](#) after [poll](#) showing that Americans disapprove of the law and want it repealed — it would not appear that Democrats are much concerned about the immorality of their actions. Quite the opposite, remarked the *Journal*: “Now that they are discovering how difficult it is to remake one-sixth of the U.S. economy, they are rewriting the law as they go and telling Americans they have no choice but to live with the consequences.”



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