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Consumers Say Mandate Penalty Won't Work

Nearly two-thirds of consumers surveyed by Health Pocket, a website that compares and ranks health plans, said the IRS health penalty won't motivate them to buy insurance. Only 8 percent of respondents said the penalty would motivate them, and nearly 30 percent were unsure. Beginning in 2014, consumers will be required to buy health insurance under the Patient Protection and Affordable Care Act (PPACA). An IRS tax penalty will be levied on consumers who fail to purchase health insurance, with few exceptions. The tax penalty for not buying 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," Health Pocket CEO Bruce Telkamp said.

The poll confirms what some have been arguing all along; that the 2014 penalty won't be sufficient enough to motivate the uninsured to buy health insurance.

The poll of roughly 1,000 consumers 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 those ages 18 to 24 and 55 percent for those ages 25 to 34. 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, Health Pocket researchers said.

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