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## **New Federal Subsidies Marred by Marriage Penalty**

Written by Loren Heal

Analysis of President Obama's health care overhaul reveals its system of federal subsidies is structured in ways that reward cohabitation and discourage people from getting married.

Diana Furchtgott-Roth, a senior fellow at the Hudson Institute in Washington DC, says the effect will be felt most acutely by the poorest Americans.

"What's problematic is the interaction of the health affordability credits with the poverty line," said Furchtgott-Roth. "If you have one person in the family, the poverty line right now is \$10,830. With two people in the family, the poverty line is \$14,570."

According to the Department of Health and Human Services 2009 guidelines, the poverty line for a family increases at a rate of \$3,740 with each additional member of a household.

### **Disincentives Target Poor**

Furchtgott-Roth uses an example of two people living together, each with income at the poverty line of \$10,850, to illustrate the problem.

"If they decide to get married, their income would be around \$22,000. They would be counted as being in a two-person household and would be considered well above the poverty line, despite not having any more income," Furchtgott-Roth said. "They would immediately lose the affordability credits if they got married. And given that the tax credits under this legislation are computed by where you stand on the poverty line, and that these tax credits are going to get more valuable as health insurance becomes more expensive, the costs of getting married will only increase."

### **Older Americans Penalized Too**

Robert Rector, a senior research fellow at the Heritage Foundation, has studied this issue in detail.

"What I determined was that the largest penalties occurred to couples in their fifties and sixties, particularly if they didn't have children in the home, 'empty nesters,'" said Rector. "That's basically because the subsidies are highest for those older individuals, then they just kind of drop it off a cliff. So there's a significant penalty there."

He says middle-aged Americans experience a higher penalty, on the order of \$8,000 to \$10,000 per couple per year.

“It's kind of deliberate the way they did it, and it's very, very large,” Rector said. “It would create a very strong tendency for people to game the system by divorcing—if you do so, you could get an extra \$10,000 out of the government. Or at least if you're decent and honest, you're going to pay a penalty.”

### **Subsidies Inevitably Discriminate**

John Goodman of the National Center for Policy Analysis, who helped write legislation offered as an alternative to Obama's plan, said health subsidies inevitably discriminate, particularly against married couples.

“This almost always happens when you have subsidies like this. They never treat two single adults the same as a married couple,” Goodman said. “I don't think it's that they intentionally wanted to penalize marriage. It just sort of falls out of their plans because they don't focus on marriage at all.”

What makes things worse, Goodman says, is that marriage is a key element in avoiding poverty. “There are certain universal truths about poverty and lifestyle, and they are that the almost certain way not to be poor is to graduate from high school, get a job, and get married.

If you do those three things, it's really hard to be poor, or at least almost everyone who is poor did not do those three things,” Goodman said.

### **Cumulative Effect**

While the marriage penalty for health insurance may not seem large, Goodman argues the effect is cumulative.

“You have to remember that the entire welfare state penalizes marriage under the Earned Income Tax Credit, under Medicaid, most welfare benefit programs,” Goodman said. “So this is just one more thing that discourages marriage for those with low incomes.”

Kristina Rasmussen, executive vice president of the Illinois Policy Institute, says the penalty is consistent with Obama's approach to health policy.

“Once again, the government is picking winners and losers using bureaucratic incentives—a practice that is not only inefficient but unfair. Good health policy would put the consumer in charge and increase health care access for all citizens, not discriminate based on marital status or other personal factors,” Rasmussen said.