

Fuzzy math in health law formula

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(AP) -- Older adults of the same age and income with similar medical histories would pay sharply different amounts for private health insurance due to what appears to be an unintended consequence of the new health care law.

Aware of the problem, the administration says it is exploring options to address a potential disparity that could mean added controversy for President Barack Obama's [health care](#) overhaul. The law expands coverage to more than 30 million uninsured people and would require most Americans to carry insurance.

The glitch mainly affects [older adults](#) who are too young for a Medicare card but have reached 62, when people can qualify for early retirement from Social Security. Sixty-two is the most common age at which Americans start taking Social Security, although their monthly benefit is reduced.

As the health care law is now written, those who take early retirement would get a significant break on health insurance premiums. That's because part or all of their Social Security benefits would not count as income in figuring out whether they can get federal subsidies to help pay for coverage until they become eligible for Medicare at 65.

"There is an equity issue here," said Robert Laszewski, a former health insurance executive turned policy consultant. "If you get a job for 40 hours a week, you're going to pay more for your health insurance than if you don't get a job."

The Obama administration says it is working on the problem.

"We are monitoring this issue and exploring options that would take into account the needs of Social Security beneficiaries, many of whom are disabled or individuals of limited means," Emily McMahon, a top Treasury Department policy official, said in a statement to The Associated Press.

Other officials, speaking on condition of anonymity because the issue is politically sensitive, said the administration is concerned because the situation could create a perception that some people are getting a worse deal compared with their less-industrious peers.

McMahon doubted that what amounts to a hefty health care discount would start a stampede toward [early retirement](#) at a time when many experts are urging older Americans to stay on the job longer. Only a "limited number of individuals" would decide they're better off not working, she said.

To see how the Social Security wrinkle would work, consider a hypothetical example of two neighbors on the same block.

They are both 62 and have the same income of \$39,500 a year. But one gets all his income from working, while the other gets \$20,000 from part-time work and \$19,500 from Social Security.

Neither of them gets health insurance on the job. Instead, they purchase it individually.

Starting in 2014, they would get their coverage through a new online health insurance market called an exchange. Millions of people in the exchanges would get federal tax credits to make their premiums more affordable. Less-healthy consumers could not be charged more because

of their medical problems.

The neighbor who is getting Social Security would pay an estimated \$206 a month in premiums.

Half of his income from Social Security, or \$9,750, would not be counted in figuring his federal health insurance tax credit. On paper, he would look poorer. So he would get a bigger tax credit to offset his premiums.

But the neighbor who makes all his income from work would not be able to deduct any of it. He would pay \$313 for [health insurance](#), or about 50 percent more.

The estimates were produced using an online calculator from the nonpartisan Kaiser Family Foundation.

The disparities appear to be even greater for married couples and families in which at least one member is getting Social Security. With a bigger household, both the cost of coverage and the federal subsidies involved are considerably larger.

The glitch seems to be the result of an effort by Congress to make things simpler. Lawmakers decided to use the definition of income in the tax code, which protects Social Security benefits from taxation.

"The practical effect is if more of your income is in the form of [Social Security benefits](#), you are going to be eligible for bigger tax credits in the exchange," said Chapin White, a senior researcher at the nonpartisan Center for Studying Health System Change.

It's unclear whether the Obama administration can fix the problem with a regulation, or whether it will have to go back to Congress. In case of

the latter, it will have to deal with Republicans eager to repeal the health care law.

The decision to use the tax code's definition of income for the [health care law](#) has created other problems.

Medicare's top number-cruncher is warning that up to 3 million middle-class people in households that get at least part of their [income](#) from [Social Security](#) could suddenly become eligible for nearly free coverage through Medicaid, the federal-state safety net program for the poor. Chief Actuary Richard Fosters says that situation "just doesn't make sense."

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