

Health Care Reform equals more power to IRS?

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There's been a lot of discussion about the new and powerful federal agencies that would be created by the passage of a national health care bill. The Health Choices Administration, the Health Benefits Advisory Committee, the Health Insurance Exchange — there are dozens in all.

But if the plan envisioned by President Barack Obama and Congressional Democrats is enacted, the primary federal bureaucracy responsible for implementing and enforcing national health care will be an old and familiar one: the Internal Revenue Service. Under the Democrats' health care proposals, the already powerful — and already feared — IRS would wield even more power and extend its reach even farther into the lives of ordinary Americans, and the presidentially-appointed head of the new health care bureaucracy would have access to confidential IRS information about millions of individual taxpayers.

In short, health care reform, as currently envisioned by Democratic leaders, would be built on the foundation of an expanded and more intrusive IRS.

Under the various proposals now on the table, the IRS would become the main agency for determining who has an "acceptable" health insurance plan; for finding and punishing those who don't have such a plan; for subsidizing individual health insurance costs through the issuance of a tax credits; and for enforcing the rules on those who attempt to opt out, abuse, or game the system. A substantial portion of H.R. 3200, the House health care bill, is devoted to amending the Internal Revenue Code of 1986 in order to give the IRS the authority to perform these new duties.

The Democrats' plan would require all Americans to have "acceptable" insurance coverage (the legislation includes long and complex definitions of "acceptable") and would designate the IRS as the agency charged with enforcing that requirement. On your yearly 1040 tax return, you would be required to attest that you have "acceptable" coverage. Of course, you might be lying, or simply confused about whether or not you are covered, so the IRS would need a way to check your claim for accuracy. Under current plans, insurers would be required to submit to the IRS something like the 1099 form in which taxpayers report outside income. The IRS would then check the information it receives from the insurers against what you have submitted on your tax form.

If it all matches up, you're fine. If it doesn't, you will hear from the IRS. And if you don't have "acceptable" coverage, you will be subject to substantial fines — fines that will be administered by the IRS.

Under some versions of health reform now circulating on Capitol Hill, the IRS would also be intimately involved in how you pay for insurance. Everyone would be required to buy coverage. The millions of Americans who can't afford it would receive a subsidy to pay for it. Under the version of the plan currently under negotiation in the Senate Finance Committee, that subsidy would come through the IRS in the form of a refundable tax credit. Under the House plan, the subsidy would come directly from the Health Choices Administration.

In either scenario, the IRS would be the key to making the system work. Before you could receive any subsidy, whether through the IRS or not, the Health Choices Administration would have to determine whether you are eligible for it. To do so, the bills under consideration would give the Health Choices Commissioner the authority to demand sensitive, confidential information from the IRS about individual taxpayers. The IRS would have to provide it.

Under current law, it is a felony for a government official to release taxpayer information in all but the most limited of circumstances. One such exception is for law enforcement; the IRS is allowed to give taxpayer information to prosecutors in criminal cases. The information can also, in some instances, be released to the Social Security Administration and the Veterans' Administration for the determination of benefits. The health care bills would change the Internal Revenue Code to permit the IRS to give similar information to the vast, new health care bureaucracy.

That means the personal tax information of millions of Americans would enter the system whether they want it to or not. "There's a mandate to buy insurance," says one Republican House aide. "You have to buy it. You have millions of people who can't buy it without a subsidy, so they will have no choice but to accept the subsidy in order to buy insurance, and then the Health Choices Commissioner will have access to their tax records."

"How many hands would this information go through?" asks a GOP source in the Senate. "What are the quality controls?"

This increases the risk of misusing this information."

Some versions of the bill even permit the release of confidential taxpayer information for decidedly less pressing reasons. In H.R. 3200, the IRS would be required to provide taxpayer information to the Social Security Administration for the purpose of helping Social Security officials find qualifying seniors who can then be encouraged to enroll in the prescription drug program. "There is no precedent for using taxpayer information for the purpose of identifying people to go out and advertise to them," says the House expert.

So far, there has been little substantive public debate about the integral role of the IRS in nearly every aspect of the various national health care proposals. But people who are closely involved with the process are deeply concerned about what they view as a massive, and in some senses unprecedented, expansion of the Internal Revenue Service.

First, they wonder whether the IRS can handle the new demands. "There is a sense at the IRS that their purpose is to collect revenue and not to implement all sorts of other programs," says a second Senate GOP aide. "Also, the IRS isn't necessarily great at doing what it does already. How is it going to determine whether 300 million people have health insurance?"

Second, they are concerned about anticipated abuse of the system. "You're going to have lots of fraud," says the House source. "People claiming lots of affordability credits or refundable tax credits. The IRS is not going to have the resources and expertise to police this stuff."

Finally, there is a third concern, more fundamental than questions of whether the IRS can handle the job: Should the IRS be involved in health care enforcement in the first place? As seen in the town halls across the country in August, many Americans are concerned about the coercive nature of the proposed national health care system. Handing the IRS the power to monitor every American's place in the system worries them even more.

Backers of the Democratic bills are betting that the handouts involved — giving people money to buy health insurance — will outweigh concerns about privacy and coercive government. Perhaps. But before Congress makes any decision on national health care, voters should know just what it will involve.