



LEGISLATIVE BRIEF

Voucher Provision Cut from Health Care Reform Law

On April 15, 2011, after weeks of intense negotiations between Democrats and Republicans in Congress, President Obama signed a budget bill that would fund the federal government through the end of Sept. 2011 and avoid the threatened federal government shutdown.

The Department of Defense and Full-Year Continuing Appropriations Act, 2011 (H.R. 1473) was passed by the House on a 260-167 vote and by the Senate on an 81-19 vote before being sent to the President for his signature.

The budget bill also affects part of the Patient Protection and Affordable Care Act (PPACA), the health care reform bill that was passed in March 2010 and has been the object of repeal and revision efforts ever since. Just recently, Congress voted to repeal the health care reform rule expanding businesses' Form 1099 reporting obligations.

The newest change **eliminates PPACA's free choice voucher provision**, which was set to take effect in 2014. This Park Row Associates Legislative Brief discusses the voucher program and its repeal. Please read below for more information.

Free Choice Vouchers

Under PPACA, "offering employers" would have been required to provide free choice vouchers to "qualified employees" to purchase health care coverage through a state exchange beginning in 2014.

A qualified employer was one that offers minimum essential coverage to employees and pays any portion of the premium. A qualified employee was defined as an employee:

- whose required contribution to the employer plan for self-only coverage is greater than 8 percent and less than 9.8 percent of the employee's household income for the taxable year;
- whose household income is not greater than 400 percent of the FPL for the relevant family size; and
- who does not participate in the plan offered by the employer.

Beginning after 2014, the 8 percent and 9.8 percent would be indexed by the rate of premium growth over the rate of income growth.

The voucher was to be equal to the monthly amount that the employer would have contributed toward the plan for which the employer pays the largest portion of plan costs, for either self or, if elected by the employee, family coverage.



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The exchange was to credit the amount of the voucher to the monthly premium of an exchange plan in which the qualified employee was enrolled, and the employer would pay the exchange the credited amount. If the amount of the voucher exceeded the premium, the excess was to be paid to the employee.

An individual receiving a free choice voucher would not have been eligible for the exchange premium credits or cost-sharing subsidies. Also, no penalty would have been imposed on an employer under PPACA's employer responsibility provisions with respect to any employee who was provided with a voucher.

Effect on Employers

The free choice voucher provision was intended to assist lower-income employees obtain health care coverage. It would have permitted them to purchase more affordable policies through an exchange, while still taking advantage of the employer's contribution to a health plan.

However, employers would have faced a potentially significant cost impact in providing the vouchers. They may have had to pay contributions for employees that otherwise would have decided against participating in the employer's plan. Thanks to this change, employers may be able to save money on contributions to their health plan.

Park Row Associates will continue to monitor developments related to the health care reform law.

This Park Row Associates Legislative Brief is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel for legal advice.

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