

# REFORM *Update*

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The Department of Defense and Full-Year Continuing Appropriations Act of 2011, sometimes referred to as H.R. 1473, was recently signed into law. This is the approved budget bill that averted a government shutdown.

The Appropriations Act officially eliminated the free choice vouchers that were a part of health care reform. The voucher program was quite confusing, and in some cases, would have resulted in an additional financial obligation for employers with employees qualified to receive a voucher.

While the details on free choice vouchers were unclear, it appears the program would have applied as follows:

- First, an employer must be considered an “offering employer,” meaning any employer who:
  1. Offered minimum essential coverage to its employees through an eligible employer-sponsored plan; and
  2. Paid any portion of the cost for that plan.
- Next, an employee must be “qualified” to receive a voucher, meaning:
  1. Any employee whose required contribution for essential coverage through an employer-sponsored plan fell between 8% to 9.8% of such employee’s household income for the taxable year which ends with or within the plan year.
  2. The employee’s household income for such a taxable year could not be greater than 400% of the federal poverty level for a family of that applicable size.
  3. The employee did not participate in a health plan sponsored by the “offering employer.”
- If the employer was considered an offering employer and the employee was qualified to receive a voucher, then the amount of the voucher was to equal the employer net cost of the most costly plan option offered by the employer.

The Exchange would credit the amount of the free choice voucher to the monthly premium of any qualified health plan in the Exchange in which the qualified employee enrolled. The employer was obligated to pay the Exchange any amounts credited to the premium due to a free choice voucher. Also, if an employee used the free choice voucher to purchase coverage, he or she would not be eligible to purchase coverage with premium credits through the Exchange.

For employees, the portion of the free choice voucher applied to the premium for a qualified health plan obtained through an Exchange was not considered taxable income. (If the amount of the voucher exceeded the premium credited, the employee was to receive the difference, which would be taxed as income.) For employers, the total amount of the free choice voucher was considered tax-deductible.

The elimination of the voucher program is great news for employers. It is one less financial penalty that could potentially apply to employers offering coverage when the market changes occur in 2014.

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