



HEALTH CARE REFORM

REPEAL OF FREE CHOICE VOUCHER PROVISION IS GOOD NEWS FOR EMPLOYERS

By Alice Eastman Helle / helle@brownwinick.com

Website: www.brownwinick.com

May 25, 2011

A budget bill signed on April 15 included the repeal of all provisions of PPACA relating to “free choice vouchers.” The voucher provision would have gone into effect in 2014. It required all employers (not just large employers) who offered a group health plan and paid part of their employees’ premium cost to provide “free choice vouchers” to each “qualified employee.”

Qualified employees were to be those who had income of less than 400% of the federal poverty level and whose share of the premium cost for the employer’s plan was between 8% and 9.8% of the employee’s family income. The free choice voucher provided by the employer would have been in an amount equal to the employer’s contribution for the plan (or the plan for which the employer paid the greatest contribution, if it sponsored more than one plan). The employee could then use the voucher to obtain health coverage by enrolling in a state exchange. The voucher amount was deductible by the employer and was not taxable to the employee to the extent it was used to purchase coverage. Employers would have been subject to substantial penalties for failure to provide vouchers to qualified employees.

The voucher provision was added to PPACA at the request of an Oregon Senator who was concerned that some lower-income employees would not be able to afford coverage under their employer’s plans. The provision was touted as creating a less expensive option for those employees, at no additional cost to their employers.

While the required vouchers themselves would have cost no more than the contribution the employer would have made on behalf of the employee under the group plan, the promise of “no additional cost” was illusory. The provision was complex and would have been difficult and expensive for employers to administer. Furthermore, there was concern that the vouchers would have had an adverse impact on underwriting of employer plans, assuming younger, healthier, lower-paid workers would be the most likely to drop out of the employer’s group and purchase coverage through the exchange

instead. The repeal of the free choice voucher requirement is good news for employers in terms of both costs and administrative complexity.

Alice E. Helle is a member of BrownWinick and practices primarily in the areas of pensions and employee benefits. You may reach Alice at 515-242-2407 or helle@brownwinick.com.

This article is intended solely for general information purposes and should not be construed as, or used as a substitute for, legal advice with respect to specific transactions. Such advice requires a detailed analysis of applicable requirements and an evaluation of precise factual information. We do not undertake to keep recipients advised as to all relevant legal developments.