

Compliance Alert

2011 Budget Compromise Eliminates Free Choice Vouchers

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On Friday April 15th President Obama signed the 2011 budget compromise worked out by Congress. Officially called the Department of Defense and Full-Year Continuing Appropriations Act of 2011 (H.R. 1473), but commonly called the continuing resolution (CR), the compromise makes a number of changes to provisions contained in the Patient Protection and Affordable Care Act (ACA).

Free Choice Vouchers Eliminated

The most notable change for employers is the elimination of free choice vouchers. The ACA originally required employers to provide a voucher to employees with household incomes of less than 400% of federal poverty level, whose cost to participate in the employer's plan is between 8.0% - 9.8% of their household income. The employee could then use the voucher to purchase individual insurance from an exchange instead of participating in the employer's plan. Between 200,000 and 300,000 people nationwide were expected to qualify for the voucher program, which had been scheduled to take effect in 2014.

Funding Reduced for Co-ops

The CR also reduces the amount of funds available in 2011 for the creation of health insurance cooperatives. The Consumer Operated and Oriented Plan (CO-OP) program was set up to provide seed money to assist in the development of non-profit health insurance cooperatives designed to compete with for profit health insurance companies offering coverage through an Exchange.

Co-ops are not to be confused with health insurance exchanges scheduled to begin operation in 2014. Funding contained in the ACA available to states to assist with the development of state based exchanges was not impacted by the budget compromise.

Other Health Reform Related Provisions in the CR

The CR also contains a couple of other relatively minor changes to the ACA:

- The CR requires the U.S. Government Accountability Office (GAO) to report to Congress on the costs and implementation of the ACA.
- The Centers for Medicare & Medicaid Services (CMS) is required to submit an analysis of how applying certain ACA requirements will impact Medicare premiums.

More to Come

A number of other health reform and Medicare related provisions are expected to be part of the 2012 budget negotiations. One of the most notable is a proposal by House Budget Committee Chairman Paul Ryan (R-WI) to change Medicare from its current form into a system of vouchers. Individuals eligible for Medicare would use the voucher to purchase private insurance from a newly established "Medicare exchange", which would operate in a similar manner to state-based insurance exchanges contained in the ACA. Stay tuned.

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