

Health-Care Law Changes

The government has recently changed the law regarding health insurance benefits, and your company will need to comply with the changes. The law requires that all full time employees have affordable and adequate health insurance coverage. Since there is no employee contribution toward the health-care benefits you are already providing, the coverage passes the "affordable" test. However, the law also requires that coverage be at least the equivalent of the Tier 3 plan, and that a Prescription Drug Plan be included. If you do not provide adequate coverage, your company will be fined.

The penalty for inadequate coverage is \$3,000 per year for employees who opt out of the company plan and qualify for a government subsidy to purchase their own coverage. It is not known what percentage of employees will opt out, but health-care consultants have estimated that 65% would do so if the company offered the Tier 1 Plan at the wages you started with in period 0. That percentage should be lower at higher wage levels and better health care benefits.

For this incident, you will need to evaluate your health care coverage and bring it into compliance with the law. If you do not provide benefits of at least the Tier 3 Health Care Plan along with the Prescription Drug Plan, you will see a one-time charge against your budget next quarter. The charge will be based on your current benefit and wage decisions, and shown under "Incident Cost" on the Budget Analysis.

- 1) Comply with the law.** Be sure you have selected either the Tier 3, or Tier 4 Plan for health benefits, as well as the Prescription Drug Plan.
- 2) Pay the fine.** The cost of \$750 for each employee that opts out of your health-care plan will be charged against next quarter's budget. As with benefit increases, the firm will absorb future costs.