

Publications

One Big Beautiful Bill – Plan Sponsor-Related Health and Welfare Provisions

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On July 4, President Trump signed into law the [*One Big Beautiful Bill Act \(the “OBBB”\)*](#). Below we outline the key provisions impacting plan sponsors related to their health and welfare plans. Many of these provisions are effective beginning January 1, 2026, but plan sponsors interested in adopting changes will need to take action to amend their plans before the end of 2025.

HSAs

Telehealth

- *Current Rule:* A high deductible health plan (“HDHP”) generally cannot cover telehealth pre-deductible, and an individual is not eligible for HSA contributions if he/she is covered by a telehealth arrangement outside the HDHP (unless, for example, the telehealth is limited to preventive care). There was prior statutory relief allowing a safe harbor for this, but that relief expired for plan years beginning on or after January 1, 2025.
- *OBBB Change:* An HDHP can cover telehealth and other remote care services pre-deductible, and an individual is eligible for HSA contributions if he/she is covered by a telehealth/other remote care services arrangement outside the HDHP.
- *Effective Date:* Plan years beginning after 12/31/24.

GROOM INSIGHT: Although this provision is effective retroactively to the beginning of the 2025 plan year, it may be difficult to retroactively amend the plan because that would require that the plan re-adjudicate the 2025 telehealth claims and adjust the amounts accumulated towards the deductible. Thus, plan sponsors may wish to make this provision effective prospectively beginning with the 2026 plan year.

Neither the statute nor the IRS has defined “telehealth and other remote care services,” so it is not entirely clear which services are included. However, it appears that this term would not include services resulting from the telehealth visit, such as prescription drugs, lab tests, scans, or in-person follow-up care (unless for preventive care). Some plan sponsors may wish to adopt limited telehealth arrangements, such as those related to GLP-1 drugs or physical therapy.

Direct Primary Care Service Arrangement

- *Current Rule 1:* An individual is generally not eligible to contribute to an HSA if he/she is covered by another “health plan.” The IRS issued proposed regulations in 2020 and took the position that a direct primary care service arrangement (“DPCSA”) would be a disqualifying “health plan” unless it was limited to permitted coverage (e.g., dental or vision) or preventive care.
- *OBBA Change 1:* A DPCSA is not a disqualifying “health plan.” For this purpose, a DPCSA means:
 - An arrangement under which the individual is provided Code section 213(d) medical care consisting solely of primary care services provided by primary care practitioners, if the sole compensation for such care is a fixed periodic fee.
 - The aggregate monthly fees for all DPCSAs under which the individual is covered must be (1) \$150 or less for a DPCSA that only covers the individual or (2) \$300 or less for a DPCSA that covers more than one individual (adjusted for inflation).
 - “Primary care practitioners” is defined by reference to Social Security Act section 1833(x)(2)(A), which defines that term to mean an individual who is a:
 - physician who has a primary specialty designation of family medicine, internal medicine, geriatric medicine, or pediatric medicine; or
 - nurse practitioner, clinical nurse specialist, or physician assistant.
 - “Primary care services” does not include:
 - procedures that require the use of general anesthesia;
 - prescription drugs (other than vaccines); or
 - laboratory services not typically administered in an ambulatory primary care setting.
 - The statute directs IRS/Treasury to consult with HHS and issue guidance regarding this provision.
- *Current Rule 2:* With certain exceptions, an HSA cannot pay for health insurance without adverse tax consequences.
- *OBBA Provision 2:* An HSA can pay DPCSA fees on a tax-free basis.
- *Effective Date for Both Provisions:* January 2026.

GROOM INSIGHT: Although the statute defines what “primary care services” does not mean, it does not define what the term does mean. Since the statute directs IRS/Treasury to issue guidance, we may receive guidance on this provision. Notably, unlike the telehealth provision, the OBBA only amended the definition of a disqualifying “health plan” to exclude DPCSAs and did not also amend the HDHP definition to allow an HDHP to cover a DPCSA on a pre-deductible basis. Thus, it appears that the DPCSA must be provided outside of the HDHP.

Plan sponsors may be interested in adopting DPCSAs to help individuals with chronic conditions manage their conditions. However, the services that the DPCSA can provide are likely to be limited due to the small monthly dollar limits.

HSA-Compatible Individual Coverage HDHPs

- *Current Rule:* To be eligible for HSA contributions, an individual must be covered by an HDHP with a certain minimum deductible and maximum out-of-pocket limit. Some, but not all, bronze plans offered through the ACA Marketplace or bronze-equivalent plans offered outside the ACA Marketplace meet these requirements. Catastrophic plans generally do not meet these requirements.
- *OBBA Provision:* Individual coverage bronze and catastrophic plans available as individual coverage through the ACA Marketplace are HSA-compatible HDHPs, even if they do not meet the minimum deductible or maximum out-of-pocket limit that otherwise apply to HSA-compatible HDHPs.
- *Effective Date:* January 2026.

GROOM INSIGHT: This provision does not impact employer-sponsored HDHPs, but plan sponsors may be interested since they can make HSA contributions for employees even if the employee is not enrolled in the employer-sponsored HDHP.

Under the ACA, carriers that offer a plan through the ACA Marketplace are required to offer the same plan outside the ACA Marketplace. It is not clear whether, by referencing “plans available . . . through” the ACA Marketplace, Congress intended the OBBA rule to only apply to a plan that someone enrolls in through the ACA Marketplace or to also apply to the same plan that is available through the Marketplace but is enrolled in outside the ACA Marketplace. Note that the provision does not apply with respect to SHOP coverage. Although certain bronze plans can now qualify as an HDHP without meeting the statutory HDHP out-of-pocket maximum, the ACA out-of-pocket maximum continues to apply.

Dependent Care Assistance Programs

- *Current Rule:* The annual tax exclusion for dependent care assistance program benefits is limited to \$5,000 (\$2,500 if the employee is married and files a separate tax return).
- *OBBA Change:* Increases the exclusion to \$7,500 (\$3,750 if the employee is married and files a separate tax return).
- *Effective Date:* Taxable years beginning in 2026.

GROOM INSIGHT: Many dependent care assistance programs have trouble passing nondiscrimination testing and must limit the benefit amount for highly compensated employees. Thus, plan sponsors may be limited in their ability to adopt this increased benefit amount, at least for highly compensated employees, because that could increase the risk that the plan does not pass testing or that the highly compensated employees’ benefits will be taxed.

Educational Assistance Programs

Exclusion Amount

- *Current Rule:* The annual tax exclusion for educational assistance program benefits is limited to \$5,250. This amount is not indexed.
- *OBBA Change:* Indexes the exclusion amount based on the cost-of-living.
- *Effective Date:* Payments made after 2025.

Student Loan Payments

- *Current Rule:* Educational assistance programs can pay/reimburse qualified student loan payments, but only for payments made by December 31, 2025.

- *OBBA Change*: Makes this provision permanent such that programs can continue to pay/reimburse qualified student loan payments after December 31, 2025.
- *Effective Date*: Payments made after 2025.

GROOM INSIGHT: Some plan sponsors did not adopt this provision since it was set to expire at the end of this year. These plan sponsors may wish to adopt this provision starting in 2026 since now it is permanent. This provision is welcome news for employers that adopted or were considering adopting an “employee choice arrangement” that includes a student loan payment choice. See our prior alert on the private letter rulings that we secured for clients [here](#).

Qualified Transportation Fringe Benefits

- *Current Law*: Employees used to be able to exclude from income the value of qualified bicycle commuting benefits provided by their employer, up to certain monthly limits. The Tax Cuts and Jobs Act suspended the income exclusion through the end of 2025.
- *OBBA Change*: Makes this suspension permanent such that bicycle commuting reimbursements are not tax-free.
- *Effective Date*: Tax years beginning in 2026 or after.

GROOM INSIGHT: Although these reimbursements are taxable at the federal level, state law may vary, especially in states that have special commuting ordinances.

Note that the OBBA made minor changes to the overall qualified transportation fringe benefit indexing formula.

Other Fringe Provisions

- *Paid Family and Medical Leave Credit* – The OBBA made this credit permanent and made certain other changes, effective for tax years beginning in 2026.
- *Moving Expenses* – The OBBA makes the suspension of the income exclusion of employer-paid moving expenses permanent, except in the case of certain members of the Armed Forces and the intelligence community, effective for tax years beginning in 2026 or after.