

Legal Alert

Employee Benefits Provisions in the One Big Beautiful Bill Act

On July 3, 2025, Congress passed a reconciliation bill (the “Reconciliation Act”) previously named the One Big Beautiful Bill Act, but subsequently redesignated “An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14.” The text of the Act can be found [here](#).

The most notable impacts of the Reconciliation Act on health and welfare benefit plans are as follows:

The Expansion of HSA Compatibility:

- **Telehealth and Other Remote Care Services**

The Reconciliation Act resurrects and makes permanent the pandemic-related relief previously provided under the CARES Act, which was extended by the CAA 2022 and CAA 2023, and allows HDHPs to provide first-dollar coverage of telehealth and other remote care services prior to satisfying the HDHP deductible (and regardless of whether such services were preventive services) while maintaining HSA eligibility. This provision is effective retroactively to plan years beginning after December 31, 2024 (i.e., when the last extension of the relief expired). Employers seeking to take advantage of this relief may amend their plans to provide for no-cost telehealth services.

- **Primary Care Service Arrangements**

The Reconciliation Act has resolved the unsettled question relating to the viability of HSA coverage for individuals with a direct primary care service arrangement (i.e., a contract



between an individual and one or more primary care physicians to receive certain medical care in exchange for a fixed periodic fee). Effective for months beginning after December 31, 2025, a direct primary care service arrangement will not be considered disqualifying coverage (and therefore will not preclude an employee from qualifying for HSA coverage), as long as the fixed periodic fee for the direct primary care service arrangement is no more than \$150 per month for the individual, indexed for inflation (or \$300 per month if the arrangement covers more than one individual, indexed for inflation). In addition to satisfying this dollar limit, the direct primary care service arrangement must not include coverage for: 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. Finally, the Reconciliation Act confirms that the fixed periodic fees payable for the direct primary care service arrangement are qualified medical expenses that may be paid on a tax-free basis from the individual's HSA.

- **Bronze Level and Catastrophic Health Plans**

In order for an individual to be HSA-eligible, the individual must be covered under a qualified high deductible health plan (HDHP). (Note: The individual also must have no other disqualifying health coverage, must not be enrolled in Medicare, and must not be able to be claimed as a dependent on someone else's current-year tax return.) The Reconciliation Act provides that, effective for months beginning after December 31, 2025, all bronze and catastrophic level plans available on the individual market through the Exchange will be treated as HDHPs – and will, therefore, be HSA-compatible – even if those plans do not otherwise meet the standard HDHP requirements (e.g., by providing pre-deductible coverage of non-preventive services, failing to conform to out-of-pocket maximums, etc.).

Increase in DCAP Limit:

The Reconciliation Act increases the amount that may be excluded from an employee's taxable income for benefits paid under a dependent care assistance program ("DCAP"). For plan years beginning on or after January 1, 2026, the excludable amount will increase from \$5,000 for unmarried employees and married employees filing a joint tax return (\$2,500 for married employees filing separately) to \$7,500 for unmarried employees and married employees filing a joint tax return (\$3,750 for married employees filing separately). Like the current DCAP limit, the new limit is not indexed for inflation. Employers desiring to offer this newly available benefit increase in 2026 should work with their benefits advisors to amend their cafeteria plans and revise their benefit summaries and open enrollment materials, as necessary.

Student Loan Repayment Assistance:

The Reconciliation Act extends and makes permanent the pandemic-related relief previously provided under the CARES Act and CAA 2021 that was otherwise set to expire at the end of 2025. These provisions allow an employer to pay for or reimburse up to \$5,250 of an employee's student loans on a tax-free basis under a Code Section 127 educational assistance program. Such a program must be maintained pursuant to a separate written plan document, and the employer must provide reasonable notification of the availability and terms of the program to all eligible employees. The Reconciliation Act also indexes the \$5,250 limit for inflation starting after 2026.

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*STATISTICS ACCURATE AS OF MARCH 31, 2025.

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