Compliance Alert

Benefit Provisions in the Budget Reconciliation Bill Signed into Law

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In the News:

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On July 4, 2025, President Trump met his goal and signed a massive budget reconciliation bill into law. Due to Senate rules, it is no longer officially named the One, Big, Beautiful Bill Act. However, the bill includes a number of provisions impacting health and welfare plan sponsors and participants.

Go Deeper:

The House's previous version of the bill included several provisions that addressed health savings accounts (HSAs), individual coverage HRAs (ICHRAs), and other benefits. The bill, as initially amended in the Senate, did not include any enhancements for HSAs or ICHRAs, but provided some enhancements to dependent care FSAs, education assistance, and tax credits for paid family and medical leave, adoption assistance, and employer-provided child care.

The bill, as signed into law by the president, saw some HSA updates added back to the bill, including a permanent fix for the issue of first dollar telehealth and HSA eligibility. These provisions are mentioned in more detail below and provide welcome relief to employers and employees. Bicycle commuter benefits, which were paused from 2017 through 2025, will not resume in 2026 as they are permanently removed from the tax code. The law also provides stronger enforcement of fraudulent employer retention tax credits which were provided during the pandemic and abused so heavily the program had to be paused for months. The law did not include any provisions to amend ICHRAs.

Benefit enhancements in the final law:

Permanent HSA compatibility with:

- **2025:** Low- or no-cost telehealth
  - This is effective retroactively to plan years starting after December 31, 2024
  - So there is no compliance gap for employers who continued this practice after the previous law expired.

WHAT'S NEW

Telehealth HSA Fix Finalized
First-dollar telehealth is now permanently HSA-compatible.

DPC & Exchange Plan Eligibility Added
Starting 2026, HSAs can pair with DPC and certain Exchange coverage options.

Trump Accounts Created
New tax-favored accounts allow $2,500/year per employee or child.

TAKEAWAY

Final law restores key HSA flexibilities and adds new benefit tools, but ICHRA reform remains on hold.

- **2026:** Direct primary care meeting certain restrictions on cost and services (and DPC fees will be reimbursable from HSAs)
  - DPC cost limits: $150/mo (double for a family), indexed in future years
  - Service limits: Primary care services provided by primary care providers, which specifically cannot include procedures that require the use of general anesthesia, prescription drugs other than vaccines, and laboratory services not typically administered in an ambulatory care setting
- **2026:** Bronze level or catastrophic Exchange coverage, even if they are not structured to be an HSA-qualified high deductible health plan (QHDHP)

Expanded tax credits for:

- **2025:** Adoption assistance
- **2026:** Paid family and medical leave (PFML)
- **2026:** Employer-provided child care

Dependent Daycare FSA increase:

- **2026:** The Dependent Care Assistance Program (DCAP) annual cap rises from $5,000 ($2,500 if married filing separately) to $7,500 ($3,750 if married filing separately)
- No indexing for inflation

Education assistance improvements:

- **2026:** Student loan repayments are permanently allowed to be reimbursed through education assistance programs (this had been set to expire at the end of 2025)
- **2027:** The $5,250 annual limit will be indexed for inflation

A new tax-favored employer-sponsored benefit is available starting in 2026:

IRS guidance will be needed first, but employers who are interested can start discussing plans to adopt tax-favored employer contributions to Trump Accounts, up to $2,500 per employee per year, subject to indexing in future years. These are individual retirement accounts similar to IRAs for employees and dependents under age 18. The law says “requirements similar to” those for Dependent Daycare FSAs will apply, including the nondiscrimination rules.

Potential Impact to Employers:

While improvements to ICHRAs and other HSA enhancements did not make the final cut, that does not mean those benefit modernizations are on hold forever. A lot of those efforts have broad bipartisan support and may make their way back into other bills.

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For now, employers now know what benefit changes the final law provides and can plan accordingly.

- Employers may want to amend their QHDHPs retroactively to allow for first-dollar coverage of telehealth.
- Employers may want to make plans to amend the QHDHP for plan years starting in 2026 to state that direct primary care (DPC) meeting certain cost and services criteria are not subject to the deductible.
    - Some employers may want to clearly state the $150 per month (double for a family) cost limit, and update it each year after for newly indexed amounts.
    - Other employers may want to just point to the Internal Revenue Code's indexing provision so that annual updates to the plan document are not necessary and can just be mentioned in annual enrollment materials.
- While qualifying DPCs "shall not be treated as a health plan" for HSA eligibility purposes starting in 2026, that does not necessarily change ERISA, COBRA, and Affordable Care Act rules which still treat an employer-sponsored DPC as a group health plan. So sponsoring and paying for DPC will take extra planning to ensure compliance with those other laws.
- Daycare FSA plan documents can be amended for 2026 to permanently begin allowing up to $7,500 per year (up to $3,500 for married filing separately).
    - This is a one-time amendment as the amount will not index in future years.
    - Employers do not have to allow the full $7,500, but these accounts do not have a way for employees to overdraw them and then leave employment, so most employers do adopt the full allowance.
- Education assistance programs are not required to allow student loan payments to be reimbursed, but if an employer wants to allow this, they will want to review plan language to see if amendment is necessary. Indexing of the $5,250 annual limit will not begin until 2027.
- Employers may consider adoption of the newly created tax-favored benefit toward Trump Accounts, but will need to stay tuned for additional guidance from the administration.

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