Compliance Recap | June 2025

July 5, 2025

June saw the Supreme Court uphold and affirm the authority of the Department of Health and Human Services (HHS) to appoint and oversee members of the body that evaluates and recommends preventive treatments as part of the Affordable Care Act. Employers can review their options should they receive a medical loss ratio rebate from their carrier. The HHS updated 2026 cost-sharing limits, and the Supreme Court upheld Tennessee's ban on gender-affirming care for minors.

Supreme Court Affirms Preventive Care Protections Under the ACA

The U.S. Supreme Court has upheld a critical component of the Affordable Care Act (ACA), reinforcing the requirement that health insurers provide coverage for preventive services recommended by a federal expert panel. The decision ensures that Americans will continue to have access to early detection and disease prevention.

The ruling affirmed the authority of the U.S. Department of Health and Human Services (HHS) to appoint and oversee members of the U.S. Preventive Services Task Force (USPSTF), the independent body that evaluates and recommends preventive treatments that receive high grades for effectiveness—such as cancer screenings and HIV prevention drugs like pre-exposure prophylaxis (PrEP).

The case originated from a legal challenge by a small business in Texas and a group of individuals who opposed mandatory coverage of PrEP, claiming it conflicted with their religious beliefs and moral values. They also contended that the USPSTF's structure was unconstitutional, asserting that its members wielded too much influence without being appointed by the President or confirmed by the Senate.

The Supreme Court disagreed, concluding that because the HHS secretary supervises the task force and holds power to appoint or dismiss its members, Senate confirmation is not required.

Although the Trump administration had often criticized the ACA, it surprisingly joined the Biden administration in defending the law's preventive care provisions before the Court. That bipartisan front ultimately contributed to preserving a central element of the ACA's public health mission.

Employer Considerations

- Confirm that your health plans—whether fully insured or self-funded—still cover all USPSTF-recommended services without co-pays, deductibles, or coinsurance.
- Work with third-party administrators or insurers to verify that summary plan descriptions and other materials reflect up-to-date preventive care coverage. There is no need to adjust coverage offerings for preventive care in light of the ruling.
- Reassure plan participants that preventive services will remain accessible and covered, potentially boosting engagement with routine care and screenings.

Preparing for Medical Loss Ratio Rebate Disbursements

The Affordable Care Act (ACA) contains a Medical Loss Ratio (MLR) provision that mandates health insurance companies allocate a minimum percentage of premium dollars toward medical care and health care quality improvement activities. Specifically, insurers are required to spend at least 80% of premium revenues in the individual and small group markets and 85% in the large group market on these services. If insurers fail to meet these thresholds, they must issue rebates to policyholders.

Who Receives the Rebate?

Insurers must submit a report each year to the U.S. Department of Health and Human Services (HHS) showing how much the insurer spent on health care and activities that improved care in the past year. Each year's report is due by July 31 of the following year. Rebates are issued by insurance carriers to the employers who sponsor the group health plans. It's important to note that MLR requirements do not apply to self-funded group health plans.

The rebate amount is calculated based on the insurer's overall spending in a particular state market segment, not on an individual employer's claims.

Notification Process

Carriers must notify both policyholders and plan participants about the rebate. While the notice to participants may not specify the rebate amount, it will inform them that a rebate has been issued to the policyholder and that they may be entitled to a portion of it.

Employer Considerations

Employers must determine the appropriate use of the rebate, especially if employees contributed to premium payments. According to the Department of Labor, any portion of the rebate attributable to employee contributions is considered a plan asset and must be used for the benefit of plan participants.

Options include:

- Providing a cash refund to employees
- Reducing future premium contributions
- Enhancing plan benefits

Employers should consult the U.S. Department of Labor's Technical Release 2011-04 for detailed guidance on handling MLR rebates.

Revised 2026 Annual Limitation on Cost-Sharing

The U.S. Department of Health and Human Services (HHS) has revised the methodology for calculating the "premium adjustment percentage," a key metric used to set various parameters under the Affordable Care Act (ACA). This adjustment aligns with premium trends and has led to an increase in the maximum annual limitation on cost-sharing for the 2026 benefit year.

Updated 2026 cost-sharing limits:

- Self-only coverage: $10,600
- Other than self-only coverage (e.g., family coverage): $21,200

These revised limits supersede the previously announced 2026 limits of $10,150 for self-only coverage and $20,300 for other than self-only coverage.

The cost-sharing limits apply to all non-grandfathered health plans, including those offered through the ACA Marketplace and employer-sponsored plans. It's important for plan sponsors to review and adjust their plan designs to ensure compliance with these updated limits for the 2026 plan year.

Supreme Court Upholds Tennessee's Ban on Gender-Affirming Care for Minors

The U.S. Supreme Court upheld Tennessee's law restricting gender-affirming medical treatments for minors, applying the most deferential constitutional standard, because the law classifies only based on age and medical condition—not sex. The majority found Tennessee had legitimate interests, including concerns over the risks and uncertainties surrounding puberty blockers and hormone treatments for youth.

Employer Considerations

- The decision does not mandate change in states where gender-affirming care is legal or protected. It instead confirms states' authority to impose or lift restrictions, reinforcing the role of democratic processes.
- Lawsuits in states like Alabama, Georgia, and Indiana that had been on hold pending this decision may now proceed, but additional legal arguments may still come into play.

Compliance Question of the Month

Q. An employer has both union and non-union employees. There are fewer than 20 non-union employees, but after adding union employees, the employee count is above 20. Would COBRA apply to the employer since the total employee count is above 20?

A. Yes, COBRA would apply to your client. For COBRA purposes, you look at all employees, union and non-union.

Answers to the Question of the Week are provided by Kutak Rock.