Group Health Plan Changes in the "One Big Beautiful Bill"

July 8, 2025

President Trump's "One Big Beautiful Bill" Act (the "OBBB" or the "Act") was passed by Congress on July 3, 2025. The OBBB is not generally considered a benefits bill, but it does contain a few helpful provisions for employers and other plan sponsors. Earlier versions of the OBBB contained more expansive provisions related to Individual Coverage HRAs (ICHRAs). However, employers and plan sponsors will want to pay attention to the changes that made it into the final Act, addressing health savings accounts (HSAs), dependent care flexible spending accounts (FSAs), student loan repayment assistance, and newly created "Trump Accounts."

Health Savings Accounts

The OBBB expands HSA access and utilization in three primary ways:

1. First-dollar telehealth coverage is revived and made permanent,
2. All bronze and catastrophic plans available on the Exchange are considered qualifying high deductible health plans (HDHPs) for HSA purposes.
3. Enrolling in direct primary care will not disqualify the individual from HSA eligibility.

Telehealth Coverage

The CARES Act and subsequent legislation temporarily allowed HDHPs to cover telehealth and other remote care services before the deductible was met – without affecting participants' eligibility to contribute to an HSA. This flexibility, however, only applied to plan years starting before January 1, 2025. As a result, HDHPs with plan years beginning in 2025 were required to reinstate the minimum deductible for telehealth services to preserve HSA eligibility. The OBBB offers permanent relief by allowing HDHPs to provide telehealth and remote care services on a first-dollar basis starting with plan years that begin after December 31, 2024. This permanent change resolves years of uncertainty and is a significant win for employers and benefit providers.

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Bronze and Catastrophic Level Plans

To be eligible to open or contribute to a health savings account (HSA), an individual must (1) be covered by a qualified HDHP, (2) have no disqualifying health coverage, (3) not be enrolled in Medicare, and (4) not be claimed as a dependent on another person's current-year tax return.

The OBBB introduces a major shift by automatically classifying all Bronze and Catastrophic plans offered on the Exchange as HDHPs for HSA purposes, even if these plans don't meet the usual HDHP criteria. This expansion is particularly significant because many existing Bronze plans offer certain non-preventive benefits before the deductible is met, and many Catastrophic plans fail to align with required out-of-pocket maximum limits that previously disqualified them from HSA compatibility.

Direct Primary Care

Direct primary care (DPC) arrangements have long presented challenges for HSA compatibility, as their fixed monthly fees typically cover non-preventive services, like office visits for chronic or acute care, before a deductible is met, conflicting with the HSA requirement that no other plan provide such first-dollar coverage.

Starting in 2026, the OBBB resolves this issue by explicitly exempting DPC arrangements from being considered disqualifying coverage, making them compatible with HSA participation. To qualify, DPC fees must not exceed $150 per month for individuals or $300 for families, with these limits indexed for inflation. Additionally, the Act clarifies that DPC fees are considered qualified medical expenses, allowing them to be paid tax-free from an HSA.

Dependent Care FSAs

Since 1986, the dependent care FSA limit has remained fixed at $5,000, with no adjustments for inflation. The OBBB brings the first meaningful update in four decades, raising the limit to $7,500 (or $3,750 for married couples filing separately) for plan years starting in 2026. While the new cap is still not indexed for inflation and falls short of prior legislative proposals such as the Build Back Better bill, it still represents a meaningful improvement to the current limit.

Unfortunately, many employers struggle to provide dependent care FSAs with sufficient participation to pass the burdensome 55% Average Benefits Test, causing many highly paid employees to be excluded from the tax benefits. This increased limit may actually make it even harder to pass the test.

Student Loan Repayment Assistance

Employers can provide up to $5,250 per year in tax-free educational assistance to employees through a qualified educational assistance program (QEAP), which must be outlined in a formal written plan and made available to all eligible employees. Unlike work-related education benefits, QEAPs can cover non-job-related education, offering broader flexibility. The CARES Act temporarily allowed employers to use this benefit to cover student loan repayments through the end of 2020, and the Consolidated Appropriations Act later extended that provision through 2025.

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The OBBB now makes this student loan repayment feature a permanent part of QEAPs and introduces annual increases to the QEAP current limit of $5,250 beginning in 2026. The $5,250 cap has remained the same since 1979.

"Trump Accounts"

Before the OBBB, advocates had been pushing for the creation of "Invest America" accounts, which were described as investment vehicles designed to give every child a financial stake in the markets from birth, with the goal of fostering early financial literacy, long-term asset growth, and a shared investment in the nation's economic future.

The OBBB formalizes this concept under the new name "Trump Accounts." Starting in 2026, families can contribute up to $5,000 per year per child, and children born between 2025 and 2028 will receive a $1,000 federal seed contribution. These accounts function much like IRAs, with tax-deferred investment growth. The OBBB also allows employers to offer Trump Accounts as a benefit, contributing up to $2,500 annually (indexed) to accounts for employees or their dependents on a tax-free basis. To offer this benefit, employers must adopt a written plan and comply with nondiscrimination rules such as those governing dependent care FSAs.

ICHRAs

Individual Coverage Health Reimbursement Arrangements (ICHRAs), which have allowed employers since 2020 to reimburse employees tax-free for individual market health coverage, were poised for a significant upgrade in the original House version of the OBBB. However, none of the proposed enhancements made it into the final legislation. Among the scrapped provisions were plans to rebrand ICHRAs as "CHOICE Arrangements," formally codify and expand existing ICHRA regulations, require employers to report ICHRA amounts on employees' W-2s, permit employer pre-tax premium payments through a Section 125 cafeteria plan for Exchange policies, and establish a tax credit for employers offering ICHRAs. The exclusion of these changes leaves ICHRAs unchanged for now, despite widespread support for these changes.

Employer Action Items

- Consider whether to retroactively implement HSA telemedicine changes. Employers who have already changed their benefits administration and plan terms for plan years beginning in 2025 should consider whether to adopt the HSA changes for telemedicine. Implementing the change retroactively could create issues with deductibles and out-of-pocket expenses already incurred. Given the timing of the relief, many calendar-year employers may choose to implement the telemedicine coverage prospectively.

- Update plan documents and enrollment materials to reflect expanded HSA eligibility, if desired, and consult with insurers and administrators of the group health plan and HSA regarding implementation of the changes for first-dollar telehealth coverage, HSA compatibility for all Exchange Bronze and Catastrophic plans, and inclusion of direct primary care arrangements starting in 2026.

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- Prepare for the increased dependent care FSA limit of $7,500 (or $3,750 for married couples filing separately) effective in 2026 by working with your FSA administrator to amend plan documents and update open enrollment materials, as well as modeling nondiscrimination testing to see the impact on the 55% Average Benefits Test.
- Amend your §127 educational assistance plan to include student loan repayment benefits and prepare for the indexed increase to the $5,250 annual limit beginning in 2026.
- Consider offering Trump Accounts as a tax-free benefit to employees starting in 2026. The Trump Accounts will require written plan documentation, compliance with nondiscrimination rules, and employee communications to implement the up to $2,500 annual employer contribution opportunity to employees.

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