‘ONE BIG BEAUTIFUL BILL’ EMPLOYEE BENEFITS PROVISIONS

The massive budget reconciliation bill—known as the “One Big Beautiful Bill Act” (“OBBB”)—was signed into law by President Trump on July 4, 2025, Like other budget bills, there were multiple changes to employee benefits provisions, including health savings accounts (HSAs), dependent care assistance programs (DCAPs), student loan payments under educational assistance programs, qualified transportation plans, new Trump Accounts, and employer tax credits for paid family and medical leave expenditures.

Most of the OBBB changes for employee benefit plans are effective in 2026 and do not require immediate employer action. The permanent telehealth relief extension for HDHPs is effective retroactively for the 2025 tax year, so plan sponsors may need to choose how to handle charges for telehealth benefits received prior to satisfaction of the deductible this year.

Health Savings Accounts (HSAs)

The OBBB expands HSA access and utilization in three significant areas.

1. Telehealth – For plan years beginning in 2025, telehealth may be offered with no cost-sharing without impacting HSA eligibility.
2. Direct Primary Care – For plan years beginning in 2026, certain direct primary care (DPC) arrangements may be offered with no cost-sharing without impacting HSA eligibility. Additionally, HSA funds can now be used to reimburse any fees paid for such arrangements.
3. Marketplace Plans – Beginning in 2026, bronze-level and catastrophic individual plans purchased through the Marketplace will be treated as high-deductible health plans (HDHPs) and allow for HSA eligibility, regardless of plan design.

HDHP Telehealth Exception: First-Dollar Telehealth Coverage Revived and Made Permanent

The CARES Act, CAA 2022, and CAA 2023 all provided relief in light of the pandemic from the minimum deductible requirement for telehealth and other remote care services—regardless of whether such services were preventive. That legislation allowed individuals to maintain HSA eligibility even where their high deductible health plan (HDHP) waived the deductible for any telehealth or other remote care.

However, this telehealth relief only extended to plan years beginning before January 1, 2025. For plan years beginning in 2025, HDHPs were required to resume imposing the standard minimum statutory deductible for telehealth and other remote care services for covered participants to maintain their HSA eligibility.

The OBBB now provides permanent relief, allowing HDHPs to provide first-dollar telehealth and other remote care services. This change is effective retroactively to plan years beginning after December 31, 2024 (i.e., when the last extension expired). Making the relief permanent is a big win for employers that have had to deal with the on-again/off-again nature of these HSA telehealth rules for years.

Direct Primary Care Not Disqualifying Coverage and a New HSA-Eligible Expense

It has never been entirely clear how direct primary care (DPC) models of coverage can be integrated with HSA eligibility. In a typical DPC arrangement, the monthly fee covers services like office visits for acute illnesses or chronic condition management—services that an HDHP can cover only after the deductible is met. Most DPCs therefore effectively provide first-dollar coverage for these non-preventive services, which conflicts with the HSA eligibility requirement that no other plan cover such expenses before the deductible.

The OBBB changes the law as of 2026 to specifically exclude DPC arrangements from being a form of disqualifying coverage, thereby allowing the DPC approach to be HSA-compatible. DPC fees cannot exceed $150/month (indexed) for an individual or $300/month (indexed) for family coverage to qualify for the exemption. The OBBB also provides that such DPC fees are a qualified medical expense that can be paid tax-free from the HSA.

All Bronze and Catastrophic Plans Available on Exchange as HDHPs

HSA eligibility is required for any individual to establish an account and make or receive HSA contributions. Individuals must satisfy the following four requirements to be HSA-eligible:

- Be covered by a qualified high deductible health plan (HDHP);
- Have no other disqualifying health coverage;
- Not be enrolled in any part of Medicare; and
- Not be able to be claimed as a dependent on someone else's current-year tax return.

The OBBB automatically treats as an HDHP all Bronze and Catastrophic level plans that are available on the individual market through the Exchange. This will open access to HSAs for those enrolled in a Bronze of Catastrophic plan, even if those plan options would not otherwise meet the standard HDHP requirements.

This change is significant for Exchange policies because many Bronze-level plans currently do not qualify as an HDHP because they provide pre-deductible coverage of non-preventive services (e.g., prescription drugs and office visits), and many Catastrophic plans do not qualify as an HDHP because their structure does not conform to the maximum permitted out-of-pocket maximums.

Because this change only affects individual policies, it will have little impact on most employer plans other than those employers offering an ICHRA or QSEHRA.

Dependent Care Assistance Programs (DCAPs)

Beginning in 2026, the maximum annual reimbursement limit is increased from $5,000 to $7,500 (or $3,750 for married individuals filing separately). This amount is still not indexed for inflation, meaning it will remain at $7,500 until Congress changes the limit again.

Employers that want to offer this newly available increased limit in 2026 should work with their FSA TPA to make any needed cafeteria plan amendments and revisions to summary benefit materials. The increase should also be an open enrollment communications priority to ensure employees are aware of the new $7,500 limit.

Note: plans that have previously struggled to pass dependent care FSA nondiscrimination testing rules will likely continue to have testing issues, as those currently electing the maximum will likely continue to elect the increased maximum amount.

Student Loan Repayment Assistance

Employers can offer programs to provide employees with undergraduate or graduate-level educational assistance. Educational assistance programs can pay for employees' books, equipment, supplies, tuition and other fees. Also, these programs can pay principal and interest on employees' student loans.

Tax-free benefits under an educational assistance program had been limited to $5,250 per employee per year. Typically, educational assistance provided above this level is taxable as wages. The annual limit for all eligible expenses is now set to be indexed annually.

Beyond 2025, employer student loan payments or reimbursements of up to $5,250 (indexed annually) will continue to qualify for tax-favored treatment as a type of §127 educational assistance program.

Qualified Transportation Plans

Beginning in 2026, the ability to reimburse employees for bicycle commuting expenses on a tax-favored basis under §132 is permanently removed.

Employers wishing to provide any form of bicycle commuting assistance can always continue to do so on a taxable basis.

Trump Accounts

Prior to the OBBB, there was a large push by various groups to create the concept of "Invest America" accounts. The idea has been to provide a financial stake in the capital markets for all children starting at birth so they will learn about investing, benefit from compound growth, and share a common interest in the broad success of American industries.

These "Invest America" accounts have been codified in the OBBB under as "Trump Accounts".

Effective in 2026, Trump Accounts will operate similarly to individual retirement accounts, or IRAs, where earnings grow tax-deferred. In general, annual contributions are limited to $5,000 per child (indexed beginning after 2027). OBBB provides that children born in 2025-2028 may be eligible to receive a special $1,000 contribution from the federal government.

Trump Accounts will also be available as an employee benefit. Employers may contribute up to $2,500 per year (indexed) to the Trump Accounts of employees or their dependents on a tax-free basis. This will require a written plan document, and the program will have to comply with similar nondiscrimination rules that apply to dependent care FSAs.

Paid Family and Medical Leave Employer Tax Credit

Finally, the OBBB makes permanent paid medical leave and the tax credit under §45S, initially put in place by the 2017 Tax Cuts and Jobs Act, and broadens its coverage to voluntary PFML insurance premiums and leave taken by newer employees than previously allowed, among other changes.

OBBB amends the tax credit in other ways, including by allowing employers to take the credit for a percentage of not just wages, but also of any PFML insurance premiums they pay. As part of a growing trend, states have begun allowing insurance carriers to sell employers policies that cover the cost of PFML provided voluntarily.

Family leave benefits which are either mandated by State or local law or paid by State or local government cannot be considered for purposes of this credit, nor can the employer take both a business deduction for family leave insurance premiums and apply the credit under §45S.

In addition to covering a portion of employees' wages while on leave, the credit will be available for a percentage of PFML insurance premiums, regardless of whether employees take leave.

Employers that choose to offer paid family and medical leave can offset the costs of this benefit with credits against wages up to a percentage of the employee's wages covered by the employer. This provision is effective for taxable years beginning after December 31, 2025.

Summary

Importantly, the OBBB neither changed the tax incentives for retirement savings nor capped the tax exclusion for employer-sponsored health insurance. Through our relationships in Washington, D.C., The Partners Group has been continually advocating on behalf of our clients to maintain these tax benefits.

Although the OBBB's scope is far broader than the narrow employee benefits impacts addressed here, they will provide meaningful new options for employers to consider heading into 2026. TPG will continue to monitor any additional reconciliation bill efforts and regulatory changes that may impact your employee benefit plans.

Questions? Contact your TPG consultant.