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The One Big Beautiful Bill Act: What Is Changing for Health and Welfare Plans?

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On July 4, 2025, President Trump signed into law the One Big Beautiful Bill Act, Public Law 119-21, (OBBBA), a sweeping legislative initiative that not only extends core tax provisions of the 2017 Tax Cuts and Jobs Act (TCJA) but also introduces significant reforms across multiple policy areas. While there has been plenty of focus on changes to border security, Medicaid funding, and energy infrastructure, one of the less-publicized but impactful areas for employers and their employees are updates and changes to the U.S. employee benefits landscape.

The OBBBA touches many aspects of health and welfare benefits by providing regulatory clarity, raising long-standing statutory limits, and launching entirely new programs like Trump Accounts. With these changes come new compliance requirements, expanded plan design opportunities, and strategic considerations for employers seeking to remain competitive in the benefits marketplace.

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This column provides an overview of key OBBBA provisions relevant to employer-sponsored benefit plans. It also outlines considerations for implementation and compliance, with a particular emphasis on practical steps employers should be taking now with their ERISA counsel to prepare for these changes to their employee benefit plan offerings.

HEALTH SAVINGS ACCOUNTS AND HIGH-DEDUCTIBLE HEALTH PLANS

The OBBBA expands access to Health Savings Accounts (HSAs) by providing a permanent allowance of telehealth benefits without cost-sharing, and by expanding the types of plans that can be regarded as high-deductible health plans (HDHPs) for purposes of HSA eligibility.

Permanent Extension of Telehealth Relief

The Coronavirus Aid, Relief, and Economic Security (CARES) Act temporarily allowed HDHPs to provide telehealth and other remote care services without cost-sharing – without jeopardizing a participant's eligibility to contribute to an HSA.[1] This temporary relief has already been extended twice, and is now made permanent under the OBBBA, effective retroactively to January 1, 2025.[2]

Unfortunately, the law does not specify the types of telehealth services that qualify for this relief. Consequently, further regulatory guidance will be necessary to define permissible services, particularly as remote healthcare delivery continues to evolve. Employers should proactively consult with legal and benefits advisors to consider the application of this provision, both retroactively and prospectively and to assess contractual relationships with telehealth vendors.

Bronze and Catastrophic Plans as Qualified HDHPs

The OBBBA expands the definition of an eligible HDHP to include certain bronze and catastrophic plans offered on the Affordable Care Act marketplaces, effective January 1, 2026.[3] This is expected to broaden access to HSAs for lower-income individuals and younger workers who may prefer purchasing coverage on an exchange. Employers should consult their ERISA counsel regarding how this change may impact plan design, including whether this makes individual coverage health reimbursement arrangements (HRAs) more attractive to employers and employees. In addition, employers could explore accommodating those employees who demonstrate they have an eligible HDHP outside the employer to make HSA contributions through the employer's payroll system.

Coverage of Direct Primary Care

Another change to HSAs under the OBBBA is that individuals who participate in a direct primary care service (DPC) arrangement may still be able to contribute to an HSA, effective January 1, 2026.[4] DPCs are an alternative to traditional insurance models and involve individuals paying a fixed periodic fee (e.g., monthly) to a primary care provider for a variety of health care services. In order for a DPC to be compatible with an HSA, the DPC must:

- Consist solely of primary care services provided by primary care practitioners and cannot include:
    - Procedures that require the use of general anesthesia.
    - Prescription drugs (other than vaccines).
    - Laboratory services not typically administered in an ambulatory primary care setting.
- Have a fixed periodic fee that does not exceed $150 per month (or $300 per month for arrangements covering more than one person) (this amount will be adjusted for inflation).[5]

Some employers may be interested in offering DPCs as a complementary benefit to traditional group health plans or as a stand-alone option. Employers that want to offer DPCs should engage their counsel to review their plan designs and prepare clear participant communications.

Other changes to HSAs that were proposed during the initial drafts of the OBBBA that did not make it into the final version of the OBBBA include:

- Providing access to HSAs for those on Medicare Part A;
- Increasing the annual contribution limits;
- Allowing rollovers of unused funds from HRAs and health flexible spending accounts into HSAs;
- Provide a safe harbor for individuals with access to on-site employer clinics to remain eligible for an HSA; and
- Expand HSA reimbursements for qualifying sports and fitness expenses.[6]

While these changes were not included in the OBBBA, they may be included in future legislation.

FRINGE BENEFITS AND FLEXIBLE SPENDING ARRANGEMENTS

In addition to changes to the HSA rules, the OBBBA makes updates to other tax-qualified employee benefits, including increasing the limits for a Dependent Care Assistance Program (DCAP) and eliminating qualified bicycle commuting reimbursements.

DCAP Limits Increased

Aside from a temporary change under the American Rescue Plan Act of 2021,[7] contributions under DCAPs have been limited to $5,000 annually for some time. The adjustment responds to long-standing inflationary erosion and rising childcare costs. Under the OBBBA, the DCAP limit will increase to $7,500 ($3,750 for married individuals filing separately), effective for tax years beginning after December 31, 2025.[8] However, unlike many other employee benefit provisions (e.g., HSA limits, 401(k) contributions, etc.), this new DCAP limit will not be adjusted for inflation.

These higher limits may not provide a meaningful benefit to an employee population if mostly highly compensated employees have made DCAP elections since the DCAP nondiscrimination testing rules have not been changed in connection with this enhanced limit.

Employers should coordinate with payroll administrators to accommodate the revised caps and have their ERISA attorneys update their cafeteria plan documentation.

Elimination of Certain Fringe Benefit Exclusions

The OBBBA permanently repeals the $20 per month exclusion for qualified bicycle commuting reimbursements (this benefit was temporarily suspended under the TCJA through the end of 2025).[9] There were no other changes to commuter benefits in the OBBBA.

The OBBBA also permanently eliminates the moving expense reimbursement exclusion for most employees (other than certain military personnel).[10] Similar to the qualified bicycle commuting reimbursements, the TCJA temporarily suspended the deduction and exclusion of moving expense reimbursements, but the suspension was set to lapse at the end of 2025.

Employers must update internal policies, payroll systems, and plan documentation to treat such reimbursements as taxable income. These changes may prompt some employers to reassess whether offering such benefits continues to make sense.

STUDENT LOAN AND RETIREMENT SAVINGS REFORMS

Student Loan Repayment Exclusion

For many years, employer payments of up to $5,250 toward an employee's qualified education loans have been excluded from gross income under Section 127 of the Internal Revenue Code (the Code).[11] The OBBBA makes this exclusion permanent and provides for annual inflation adjustments beginning in 2027.[12]

Importantly, this exclusion is separate from – but complementary to – the SECURE 2.0 Act of 2022 provision permitting employer matching contributions based on qualified student loan payments.[13] If an employer wishes to offer both programs, they should work closely with their payroll provider to ensure that the income exclusion under Section 127 of the Code does not get included for purposes of determine an employer's matching contributions based on qualified student loan payments. Careful drafting of 401(k) plans and clear communications to employees will be essential.

Introduction of Trump Accounts

The OBBBA introduces a new type of tax-advantaged savings account called "Trump Accounts."[14] These accounts are new investment vehicles for parents to set up for their minor children, and are modeled loosely after an individual retirement account and 529 college savings plans. To be an eligible beneficiary of a Trump Account, an individual must be less than 18 before the close of the calendar year in which an election is made to establish a Trump Account and have a social security number prior to the establishment of the account.[15] Generally, these accounts do not allow for distributions before the first day of the calendar year in which the child turns 18.

Starting in 2026, parents, relatives, guardians or certain other taxpayers can contribute up to $5,000 to a Trump account (indexed for inflation starting in 2027) until the child turns 18. The federal government will make an initial $1,000 federal deposit to a Trump Account established for a child born between January 1, 2025, and December 31, 2028.

Additionally, an employer may make contributions to Trump Accounts established for employees or dependents of employees by establishing a Trump Account contribution program. Under such a program, an employer can contribute up to $2,500 (indexed for inflation) on a tax-free basis. In order to establish such a plan, employers will need to adopt a written plan document and comply with nondiscrimination testing requirements similar to DCAPs.

Employer Trump Account contribution program may provide an opportunity for an employer to expand their family building benefits beyond providing the more traditional offerings (e.g., fertility benefits

or paid baby bonding leave). However, employers should engage their ERISA counsel to prepare the necessary plan documentation.

CONCLUSION

The OBBBA represents the most consequential federal legislation affecting employee benefits since the SECURE 2.0 Act. It reflects continued legislative emphasis on tax-favored health and savings programs, simplified care access, and family support. The OBBBA's employee benefit provisions are a mix of mandatory and permissive changes, with staggered effective dates and administrative implications.

While implementing some of these changes may be difficult for employers, the OBBBA offers meaningful opportunities for employers to tailor benefit strategies to meet modern workforce expectations. As regulatory guidance unfolds, employers that proactively prepare may be best positioned to use the OBBBA's tools to enhance engagement, improve financial wellness, and promote health equity.

Notes

1. CARES § 3701.
2. One Big Beautiful Bill Act § 71306.
3. One Big Beautiful Bill Act § 71307.
4. One Big Beautiful Bill Act § 71308.
5. One Big Beautiful Bill Act § 71308.
6. H.R. 1, 119th Cong. (2025) (as passed by House May 22, 2025).
7. American Rescue Plan Act of 2021 § 9632.
8. One Big Beautiful Bill Act § 70404.
9. One Big Beautiful Bill Act § 70112.
10. One Big Beautiful Bill Act § 70113.
11. CARES Act § 2206.
12. One Big Beautiful Bill Act § 70412.
13. Section 110 of the SECURE 2.0 Act of 2022.
14. Part IX of the One Big Beautiful Bill Act.
15. Section 530A(b)(2) of the Code.