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One Big Beautiful Bill Act:

Health and Welfare Benefits Key Developments

AUGUST 14, 2025
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2025

FEDERAL TAX LAW CHANGES

The One Big Beautiful Bill Act (OBBA) enacted several tax changes affecting health and welfare benefits starting in 2025.

Topics Covered

- ACA Premium Tax Credits
- Telehealth Service
- Direct Primary Care Service Arrangement Compatibility for HSAs
- Bronze and Catastrophic Plan Compatibility for HSAs
- Dependent Care Assistance Plans (DCAP)
- Employer-Provided Child Care Credit
- Trump Accounts

ACA Premium Tax Credits

ACA Premium Tax Credits: Prior Law

Pre-Covid Rules

- Premium tax credit if: (i) income is 100-400% of FPL (ii) get health insurance from state exchange
- No income floor for new resident aliens
- If actual income exceeds expected income, duty to repay excess is capped

Covid Changes

- Temporary relaxation of income standards
- Temporary expansion of eligibility
- Low-income individuals may enroll at any time during the year (not only annual enrollment).

ACA Premium Tax Credits: New Law

Effective Date:

January 1, 2026

- Expiration of enhanced Covid premium tax credits
- Expiration of relaxed Covid eligibility standards
- Elimination of special enrollment period for low income (eff. 8/25/25)

January 1, 2027

Elimination of relaxed eligibility standards for resident aliens

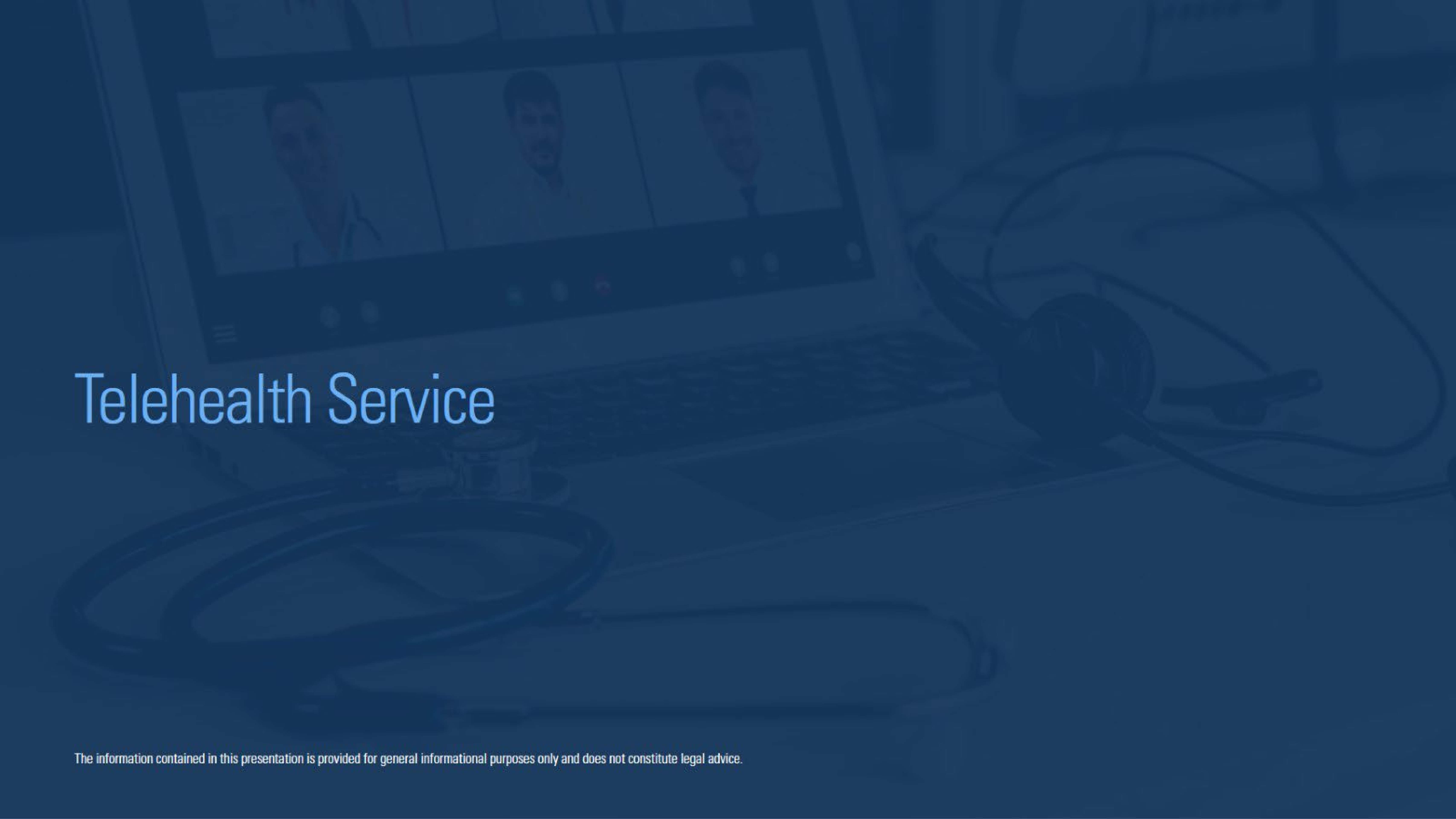
January 1, 2028

Enhanced annual verification rules (income, residence, family size, current health coverage, immigration status)

ACA Premium Tax Credits: Next Steps

Effective Date: January 1, 2026

In light of the anticipated increase in lower-income employees seeking employer health coverage, employers should review the eligibility and cost-sharing rules of their health plans to ensure they meet ACA requirements for these new potential enrollees.



Telehealth Service

The information contained in this presentation is provided for general informational purposes only and does not constitute legal advice.

Telehealth Service: Prior Law

Covid Safe Harbor

The CARES Act of 2020 created a safe harbor for high-deductible health plans (HDHP) to offer deductible-free telehealth without jeopardizing the pretax status of their health savings accounts (HSAs).

Expiration of Covid Rule

The CARES safe harbor technically expired on December 31, 2024, although many employers still offer deductible-free telehealth owing to its popularity.

Telehealth Service: New Law

Effective Date: January 1, 2025

Safe Harbor Extended

The OBBB retroactively makes the safe harbor permanent, so that employers offering HSAs may still offer telehealth and other remote care services without deductibles.

Telehealth Service: Next Steps

Effective Date: January 1, 2026

- Employers with HDHPs should consider whether to retain or add telehealth and other remote care services in light of the new flexibility to do so.

- Employers that currently offer telehealth services under an HMO or PPO should consider whether to extend that benefit to an HDHP.

Direct Primary Care Service Arrangement Compatibility for HSAs

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Direct Primary Care Service Arrangement Compatibility for HSAs: Prior Law

HSAs Under the ACA

HSA eligibility requires enrollment in an HSA-qualified high-deductible health plan that meets specific criteria outlined by the IRS (e.g., annual deductible requirements).

Disqualifying Benefits

Certain types of health coverage are **"disqualifying coverage"** for purposes of HSA eligibility, including HRAs, FSAs, and **direct primary care service arrangements**.

Direct Primary Care Service Arrangements

An individual pays a set monthly fee not in excess of an inflation-adjusted maximum ($150 per month for an individual or $300 per month for more than one individual), for access to primary care services provided through a primary care doctor (e.g., physical exams, vaccines, urgent care, lab testing).

Direct Primary Care Service Arrangement Compatibility for HSAs: Prior Law

Effective Date: Months beginning after 12/31/2025

No Longer Disqualifying Coverage

Direct Primary Care Service Arrangements will **no longer be disqualifying coverage** for individuals participating in HSA arrangements coupled with a high-deductible health plan (HDHP).

HSA Eligibility

An individual can participate in a Direct Primary Care Service Arrangement and still be **eligible to make or receive HSA contributions**.

An employer can also subsidize the arrangement, and those employees will remain HSA-eligible.

Direct Primary Care Service Arrangement Compatibility for HSAs: Prior Law

Effective Date: Months beginning after December 31, 2025

Employers that provide direct primary care benefits will want to **update health plan documents** to reflect that Direct Primary Care Service Arrangements are not disqualifying benefits for purposes of making contributions to HSAs.

Employers that provide direct primary care benefits will want to **communicate this change** to participants in 2026 open enrollment materials.

Bronze and Catastrophic Plan Compatibility for HSAs

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Bronze and Catastrophic Plan Compatibility for HSAs: Prior Law

HSAs Under the ACA		Bronze and Catastrophic Plans on Marketplace Exchanges
HSAs eligibility requires enrollment in an **HSA-qualified high-deductible health plan** that meets specific criteria outlined by the IRS (e.g., annual deductible requirements).	▶	Bronze and catastrophic plans available in the individual market on an exchange **must satisfy the requirements for a HDHP** to allow a covered individual to contribute to an HSA.

Bronze and Catastrophic Plan Compatibility for HSAs: New Law

Effective Date: Months beginning after December 31, 2025

Bronze and Catastrophic Plans are HDHP Compatible

Bronze and catastrophic plans offered in the individual market on an exchange are **HSA-compatible HDHPs**, regardless of whether the plan otherwise meets the definition for a HDHP.

HSA Eligibility

Individuals enrolling in bronze and catastrophic plans are **eligible to make and receive HSA contributions**.

Bronze and Catastrophic Plan Compatibility for HSAs: Next Steps

Effective Date: Months beginning after December 31, 2025

- No action required by employers. This change **does not have a direct impact on employers**.

- Employers that maintain Individual Coverage Health Reimbursement Arrangements (ICHRAs) may wish to inform employees about their eligibility to maintain an HSA if they enroll in bronze and catastrophic plans through an exchange.

Dependent Care Assistance Plans (DCAPs)

DCAPs: Prior Law

Annual Exclusion Limit

Employees and/or employers can contribute on behalf of an employee to an employer-sponsored DCAP on a tax-free basis of up to **$5,000 per plan year** for individuals or married couples filing jointly ($2,500 if married filing separately).

Tax-Free Benefit

This allows employees to pay—on a tax-free basis—for an employee's eligible **dependent care expenses,** such as **daycare**, **preschool**, **after-school care**, and **summer day camps** for eligible dependents.

Unchanged Since 1986

The **$5,000/$2,500 limit** had remained unchanged **since 1986**.

DCAPs: New Law

Exclusion Limit	Fixed Limit
The annual contribution limit is **increased to $7,500** per plan year (or **$3,750 if married filing separately**).	No cost-of-living adjustments will apply; **the limit will remain fixed,** unless modified by future legislation.

DCAP: Next Steps

Effective Date: Applies to taxable years beginning on or after **January 1, 2026**.

- **Evaluate whether to adopt the higher limit** based on past employee usage of DCAP benefits, employer's gain/loss experience, and compliance with non-discrimination testing (consider pro forma testing before increasing limit).
- **Review and update DCAP plan documents** before the start of 2026. Even if the employer chooses not to increase the limit, confirm that plan terms do not automatically incorporate that increase.
- **Update DCAP election forms for 2026 accordingly.** With Open Enrollment for 2026 approaching, **timing is critical.**
- Coordinate with payroll and benefits providers to **ensure withholding systems and W-2 reporting reflect the employer's adopted DCAP limits.**

Employer-Provided Child Care Credit

Employer-Provided Child Care Credit: Prior Law

Credits

Employers can claim a tax credit for providing childcare to employees up to **$150,000 per year**.

The credit is equal to **25%** of the qualified childcare facility expenditures, plus **10%** of the qualified childcare resource and referral expenditures paid or incurred during the tax year.

Qualified Childcare Facility Expenditures

Costs associated with acquiring, constructing, rehabilitating or expanding property used as a qualified childcare facility

Operating expenses, including amounts paid to support childcare workers through training, scholarship programs, and providing increased compensation to employees with higher levels of childcare training

Qualified Resource and Referral Expenditures

Amounts paid or incurred under a contract with a qualified childcare facility to provide childcare services to employees

Employer-Provided Child Care Credit: New Law

Effective Date: Amounts paid or incurred after December 31, 2025

Credits Increased

The annual childcare tax credit increased to **$500,000** per year (up to **$600,000** for small businesses).

Maximums will be indexed for inflation.

Qualified Childcare Facility Expenditures

The increased credit includes up to **40%** of qualified childcare facility expenses (**50%** for small businesses).

Qualified Resource and Referral Expenditures

The **10%** tax credit for qualified childcare resource and referral expenditures did not change.

Employer-Provided Child Care Credit: Next Steps

Effective Date: Amounts paid or incurred after December 31, 2025

- Employers who already provide childcare and take advantage of the credit should **account for the increased credit amounts** beginning in 2026.
- Employers that do not provide childcare may wish to evaluate whether it would be desirable to do so given the significantly increased tax credit and value to employees.

Trump Accounts

Trump Accounts: New Law

Establishes a **tax-advantaged children's savings program** similar to an IRA beginning in 2026 for **children under age 18 with valid SSN**

Similar to a traditional IRA

Annual contributions **permitted up to $5,000 (indexed)** per child. Eligible contributors include:

- Employers, up to $2,500 (unclear whether one-time or annual limit) per family tax-free
- Child and certain relatives

U.S. government will make **one-time $1,000 seed contribution,** but only for children born from 2025-2028 who are U.S. citizens and claimed as a dependent on tax return. This contribution is nontaxable and not subject to $5,000 limit.

Contributions **by child and relatives are** after-tax and subject to $5,000 limit.

Contributions made by other than the child apply toward the annual gift tax exclusion of the contributor.

Contributions **by employers for employees' children** are permitted, but applicable rules are unclear. Also, unclear whether **pre-tax employee contributions** are permitted. (IRS guidance needed.)

Trump Accounts must be **invested in U.S. index equity funds** with fee of 10 basis points or lower. **Earnings grow tax deferred.**

In year child reaches age 18, Trump Account becomes regular IRA.

Distributions from Trump Account generally not allowed before age 18.

Ordinary income taxes apply to distributions of amounts not already taxed. Also, 10% penalty applies unless (i) age 59½ or older, (ii) used for education expenses, first-time home purchase, or (iii) another exception applies.

Trump Accounts: Next Steps

Effective Date: January 1, 2026, but no contributions can be made until **July 4, 2026**.

Await IRS guidance. The laws governing Trump Accounts are vague and require significant clarification.

Consider Options. Trump Accounts could offer another vehicle to promote employer-provided family benefits.

Questions?

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