

July 7, 2025

One Big Beautiful Bill brings changes for employee benefit plans

On July 4, 2025, President Donald Trump signed the One Big Beautiful Bill Act ("OBBB") into law. The almost 900-page bill is a sweeping tax and spending package that President Trump regards as a fulfillment of campaign promises. In addition to tax and spending cuts, the OBBB includes several provisions that will impact employee benefit plans. Thankfully, the OBBB does not eliminate the tax exclusions for employer-provided health coverage (many advocated against elimination of this exclusion, including Lockton on behalf of our employer clients).

Executive Summary

The OBBB's changes for employee benefit plans include enhancements for Health Savings Accounts (HSAs), permanent extension of the telehealth relief for high-deductible health plans (HDHPs), and an increase in the annual contribution limit for dependent care FSAs. 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 need to decide how to handle charges for telehealth benefits received prior to satisfaction of the deductible. This alert provides an overview of these and other changes below and how they may impact your employee benefit plans.

There are several employee benefit provisions that did not make the final cut of the OBBB – including additional HSA enhancements included in the House version of the bill, PBM reforms, and CHOICE HRAs that would have potentially made individual coverage health reimbursement arrangements (ICHRAs) more attractive to plan sponsors. The scope of our discussion here is limited to the OBBB employee benefit provisions. For additional information on the broader scope of the OBBB, [see our alert](#) from the Lockton Government Relations team.

Upcoming Webcast on July 15

[Register here](#) to join Lockton on Tuesday, July 15 from 2-3 p.m. CT for “One big, beautiful webcast: What the new act means for employers.” Scott Behrens, Laura Bibb, and Mark Holloway will discuss the OBBB and key provisions that could directly or indirectly impact health and welfare plan sponsors, what got left out of the OBBB, and what’s next for healthcare policy.

Enhancements for Health Savings Accounts

There are two notable enhancements for HSAs:

- Permanent extension relief for first dollar telehealth benefits. The latest iteration of this previously temporary relief (which was a product of the COVID-19 pandemic) expired for plan years beginning in 2025. Under the OBBB, this relief is now permanent retroactively to plan years beginning after Dec. 31, 2024. This allows plans to provide low or no-cost telehealth benefits prior to satisfaction of the deductible for those enrolled in a qualified HDHP without jeopardizing employees’ HSA contributions.
- Direct primary care services. Under the OBBB, direct primary care service arrangements are not disqualifying coverage for HSA account holders and certain expenses are HSA-eligible expenses effective for months beginning after Dec. 31, 2025. Generally, direct primary care services include a monthly fee that covers office visits prior to the satisfaction of the HDHP deductible. These monthly fees are now HSA-qualified expenses, provided they do not exceed \$150 per month for an individual or \$300 per month for family (indexed for inflation annually).

Lockton Comment: The permanent extension of telehealth relief is a huge win for plan sponsors and employees. Since this relief is retroactive to plan years beginning after Dec. 31, 2024, plan sponsors who began charging HDHP participants fair market value (FMV) for telehealth services received prior to the satisfaction of the deductible can either keep their decision in place or pivot by reimbursing the FMV assessments already charged with either cash or HSA contributions. Plan sponsors who decided not to charge for telehealth in hopes of extended relief can rely on the retroactive effect of this relief and do not need to take action. The direct primary care service enhancement is also good news for plan sponsors and employees. Since this change is effective for months after Dec. 31, 2025 (i.e., January 2026 and beyond), plan sponsors who provide direct primary care benefits may want to communicate this change with the 2026 open enrollment, so employees understand the HSA interaction and annual indexed limits.

Increased Dependent Care FSA Limits

Effective for tax years beginning after Dec. 31, 2025 (i.e., January 2026 and beyond), the dependent care FSA limit is increased to \$7,500 (\$3,750 for married couples filing separately). This limit is not indexed for inflation.

Lockton Comment: While this increase is not as substantial as working parents would like, it is welcome news given that the prior limits have been in place since 1986 (save for a temporary increase during the COVID-19 pandemic). Plans that have previously struggled to pass the 55% Average Benefits Test (under the 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. Plan sponsors will want to communicate these changes for 2026 open enrollment and ensure that their FSA vendor has updated plan documents/SPDs as well as the vendor's systems to accommodate this increased limit.

Fringe Benefits

There are two notable changes:

- Effective for payments made after Dec. 31, 2025, the OBBB makes permanent the tax-free nature for certain employer payments of employee student loans under educational assistance programs. The overall educational assistance program exclusion (currently \$5,250) is indexed for inflation.
- Creation of "Trump Accounts." The OBBB creates new tax-favored accounts for children effective for tax years beginning after Dec. 31, 2025. Trump Accounts can be established for children under the age of 18 and include a \$5,000 per year (indexed) contribution limit. Distributions are generally prohibited until the child turns 18. Employers can make up to \$2,500 in nontaxable contributions. Additionally, there will be a pilot program under which the Treasury Department will pay a one-time credit of \$1,000 to the Trump Account of U.S. citizen children born between 2025 and 2028. These accounts will operate similarly to IRAs with investments growing on a tax-deferred basis.

Lockton Comment: The ability of employers to contribute to Trump Accounts for employees' children may create another potential employee benefit opportunity to attract and retain employees.

Next Steps

Most of the OBBB changes for employee benefit plans are effective in 2026 and therefore do not require immediate employer action.

Some action items for employers to consider include:

- For HDHP/HSA with 2025 plan years, decide whether to continue to charge FMV for telehealth services received prior to satisfaction of the deductible or pivot and reimburse telehealth FMV charges incurred for the 2025 plan year.
- Work with the FSA vendor to implement the increase in dependent care FSA limits for the 2026 tax year and communicate the increased limit to employees during 2026 open enrollment.
- Consider whether to make any employee benefit plan changes in 2026 to take advantage of OBBB changes regarding tax-free employer student loan payments under educational assistance programs and employer contributions to the Trump Accounts.

Lockton will continue to monitor any additional reconciliation bill efforts and regulatory changes that may impact your employee benefit plans.

Laura Bibb, JD

*Assistant Vice President, ERISA Compliance Attorney
Compliance Consulting*

Not legal advice: Nothing in this alert should be construed as legal advice. Lockton may not be considered your legal counsel, and communications with Lockton's Compliance Consulting group are not privileged under the attorney-client privilege.

© 2025 Lockton Companies

Lockton Benefits | 444 West 47th Street | Suite 900 | Kansas City | MO | 64112