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Key Benefit Provisions of the "One Big Beautiful Bill" Act

On July 4, 2025, President Donald Trump signed into law the "One Big Beautiful Bill Act" (OBBBA), a sweeping $3.4 trillion tax and spending package extending the tax cuts introduced in the previous Trump Administration's "Tax Cuts and Jobs Act of 2017" (TCJA). The OBBBA also eliminates $1.5 trillion in spending from federal programs, including Medicaid and includes significant funding provisions for border security. The legislation also introduces key changes impacting health and welfare benefits.

While the OBBBA includes a host of economic and policy provisions, there are a number of key provisions of note for HealthEquity's members and clients:

Permanent Extension of Telehealth and Remote Care Service Relief
Effective Date: January 1, 2025 (retroactive)

OBBBA retroactively makes permanent the pandemic-era provision allowing Health Savings Account (HSA)-qualified high-deductible health plans (HDHPs) to cover telemedicine and other remote care service expenses before the deductible is met with no effect to a participant's ability to continue to contribute to their HSA.

Direct Primary Care Arrangements
Effective Date: January 1, 2026

OBBBA provides that arrangements under which individuals are provided only primary medical care services provided by primary care practitioners for a fixed periodic fee (capped at $150/month for an individual and $300/month for multiple individuals[1]) are not disqualifying coverages for eligibility to make contributions to a Health Savings Account (HSA). These primary medical care services do not include procedures that require the use of general anesthesia, prescription drugs (other than vaccines), and laboratory services not typically administered in an ambulatory primary care setting.

OBBBA also clarifies that Direct Primary Care Service Arrangement fees are treated as medical expenses.

Bronze and Catastrophic Plans and HSAs
Effective Date: January 1, 2026

OBBBA treats bronze[2] and catastrophic[3] plans available through Affordable Care Act Exchanges as HSA-compatible High-Deductible Health Plans (HDHPs).

Employer Payments of Student Loans
Effective Date: January 1, 2026

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[1] Indexed for annually for inflation in the case of taxable years after 2026
[2] Health plan categories: Bronze, Silver, Gold & Platinum | HealthCare.gov
[3] Catastrophic health plans | HealthCare.gov

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OBBBA permanently extends the $5,250 exclusion from income for employer-provided education assistance (originally scheduled to sunset December 31, 2025), indexed annually for inflation in the case of taxable years after 2026.

Bicycle Commuting Reimbursement
Effective Date: January 1, 2026

Prior to enactment of the TCJA, up to $20/month in qualified bicycle commuting reimbursements could be excluded from an employee's gross income. This was suspended by the TCJA for 2018 through 2025 such that any reimbursement of this expense would be taxable. However, the taxable reimbursement is currently deductible by employers. OBBBA permanently eliminates this as a qualified transportation fringe benefit (i.e., taxable to employees) and makes it non-deductible for employers.

Dependent Care Assistance Program (DCAP) Annual Maximum Contribution Increase
Effective Date: January 1, 2026

OBBBA increases the Internal Revenue Code § 129 maximum exclusion amount to $7,500 from the current $5,000 ($3,750 for married employees filing separately).

HealthEquity will update its DCAP administrative system to make this increased maximum available for applicable client plans. Employers sponsoring a DCAP should consider reviewing and revising any relevant DCAP collateral prior to the January 1, 2026, effective date and advise their employer populations accordingly.

The preceding general summary is intended to educate employers and plan sponsors on the potential effects of government guidance on employee benefit plans. This summary is not and should not be construed as legal or tax advice. As always, we strongly encourage employers and plan sponsors to consult competent legal or benefits counsel for all guidance on how the actions apply in their specific circumstances.