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WEBINAR

What the One Big Beautiful Bill Act Means for Your 2027 Benefits Strategy

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Agenda

1. Compliance Update
2. Direct Primary Care in Practice
3. Absence Management
4. Trump Accounts – what we know now
5. Key Takeaways & Next Steps

Compliance Update

Common Pittfalls

Telehealth Now Permanent: Implementation Considerations

What Employers Can Do

- Charge fair market value for telehealth visits, or
- Reduce or eliminate cost-sharing entirely
- Apply retroactively to plan years starting after Dec 31, 2024
- Mid-year implementation is possible but complex – forward implementation is simpler
- HSA eligibility is preserved regardless of how telehealth is priced

Strategic Considerations

- Telehealth is now a baseline expectation – not a differentiator
- Opportunity: pair telehealth with DPC for a coordinated access story
- Vendor landscape: evaluate third-party vs carrier/TPA-embedded solutions
- Communications: employees may not realize their coverage changed – proactive outreach matters

HSAs and Direct Primary Care

What Changed

- Effective January 1, 2026
- Individuals in a qualifying Direct Primary Care Arrangement (“DPC”) individually or through their employer can contribute to an HSA
- HSA eligibility rules still apply – enrollment in qualified HDHP coverage and no other disqualifying non-HDHP medical coverage
- Fixed periodic fee for DPCA services cannot exceed $150/month for individuals or $300/month for more than one individual

What this Means for Employees

- Direct Primary Care (“DPC”) fees can now be paid with HSA funds – starting January 1, 2026
- Change only amends §223 of the IRC, which governs HSAs
- Does not amend §213(d), which is the general definition of medical expenses for virtually all tax purposes
- Likely beneficial for individuals who have HSA balances but no health coverage

HSAs and Direct Primary Care: Compliance Pitfalls

The $150/$300 monthly fee cap controls two separate questions: whether fees exceed the cap determines HSA contribution eligibility, while whether the arrangement qualifies as a DPCSA determines whether HSA funds may reimburse the fees; employees and DPC practices are routinely conflating these two distinct thresholds (IRS Notice 2026-05)

The fee cap is an aggregate limit across all DPC arrangements an individual holds; an employee with two DPC memberships totaling more than $150 per month loses HSA contribution eligibility for the year even if each membership individually appears to be within limits

A qualifying DPCSA must provide primary care services only and accept solely a fixed periodic fee; any arrangement that also bills through insurance for covered visits, or bundles services beyond permitted primary care, does not qualify and disqualifies the employee from HSA contributions

Result: Employers who add DPC as a group benefit without vetting the arrangement take on HSA compliance liability; HSA funds also cannot reimburse DPC fees already paid by the employer or through cafeteria plan salary reductions

Employers offering DPC as part of an HDHP benefit are responsible for confirming HSA compatibility; for individual-level DPC arrangements employees engage on their own, employers are not responsible, but should communicate the fee cap rules so employees do not inadvertently lose HSA eligibility

2026 Dependent Care FSA Contribution Limit Update

Limit increases to **$7,500** ($3,750 if MFS) starting January 1, 2026

Helps families with high childcare costs

Adjustment doesn't match inflation ($5,000 in 1986 is equal to **$14,665** in 2025)

May increase discrimination testing failures for employers

Nondiscrimination rules remain unchanged

Dependent Care FSAs: Annual Testing Pitfalls

Many employers offering a Dependent Care FSA skip annual nondiscrimination testing entirely, unaware it is required under the IRC each plan year

The Dependent Care Assistance Program rules require three separate tests: the 55% Average Benefits Test, the Eligibility Test, and the 5% Owners Concentration Test

Failing any test triggers income inclusion for Highly Compensated Employees, meaning benefits contributed pre-tax become taxable after the fact

Result: Employers that skip testing or fail without correction face payroll tax liability, amended W-2s, and potential employee relations fallout

Corrective options exist but are time-sensitive; employers should test during the plan year and work with their TPA or advisor if results are borderline

Permanent Student Loan Repayment Benefit

Employers can offer tax-free student loan repayment under Section 127

Made permanent by the One Big Beautiful Bill Act (OBBBA)

Additionally, the limit of $5,250 (2025) will be indexed for inflation moving forward

Section 127 Student Loan Repayment: Compliance Pitfalls

Employers may provide up to $5,250 per year in student loan repayment assistance tax-free under Section 127; amounts above that threshold are includable in the employee's gross income (use-it or lose-it rules apply)

A written Educational Assistance Program plan document is required, and employees must be notified the benefit is available; failure to comply means all payments are taxable regardless of amount and the employer loses the exclusion entirely

The program must not discriminate in favor of Highly Compensated Employees, and no more than 5% of annual benefits may go to owners or their dependents

Result: Employers offering student loan repayment without a compliant Section 127 plan document are inadvertently creating taxable income for employees and payroll tax exposure for themselves

Now that the benefit is permanent under SECURE 2.0, employers should confirm plan documents are in place, nondiscrimination testing is being conducted, and payroll is coding payments correctly

Direct Primary Care in Practice

Real-world implementation strategies

Direct Primary Care (DPC)

Geography & Access

- DPC is highly regional – strong in urban/suburban markets
- Practices in nearly every state
- Virtual DPC options expanding national reach
- Map provider networks against employee zip codes first

Workforce Health Goals

- Ideal for populations focused on preventative care
- Reduces cost barriers – encourages earlier care-seeking
- Strong fit for chronic condition management strategies
- Pairs well with wellness program incentive structures

Plan Structure & Funding

- Self-funded employers: clearer path to measurable savings
- Fully insured: ROI harder to quantify – start with pilot
- Voluntary or cost-share model is a lower-risk first step
- Require outcome data & utilization reporting from vendors

Telehealth vs Direct Primary Care

Mutual aspect is that both can be accessed virtually.

Telemedicine

- Broad term including various remote healthcare services
- Scope: broader, encompassing various remote healthcare services
- Focus: more immediate care
- Not a multi-session, follow up model
- Footprint: 78% of hospital systems incorporate telehealth. Lots of third-party solutions available.
- **Fees:** Typically acquiring fees per visit

Direct Primary Care

- Delivery of primary care services remotely or in person
- Scope: primary care
- Focus: on continuity of care and more comprehensive health management
- Access care as needed
- Footprint: more localized, and varies by region
- **Fixed Fees:** capped at the membership rate regardless of utilization

Benefits of Direct Primary Care

Preventative medicine benefits

- Reduce chance of chronic conditions
- Better management of disease conditions
- Better Quality of life
- Improve treatment outcomes

Cost Savings

- Addressing disease states earlier can help avoid more costly treatments
- Cost effectiveness of the DPC can help address cost as a barrier to care

Personalized Care

- Access to longer and more frequent appointments make it easier for the employee to connect to their provider to improve outcomes.

Direct primary care

Healthcare business model in which patients purchase a membership that allows them unlimited access to certain primary care services

Easier for people to see their doctor

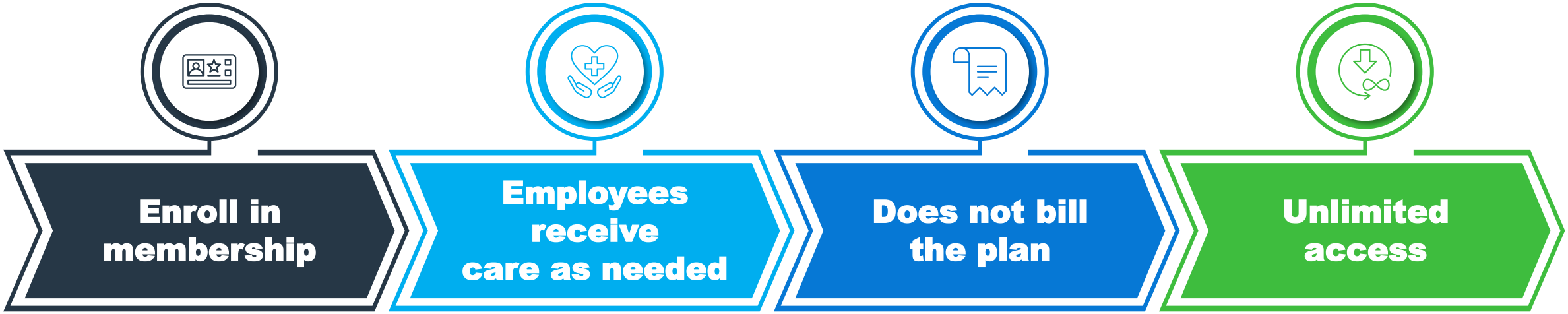
Longer one-on-one time with them during appointments

Receive primary care as needed without any additional costs

Still need major medical coverage for non-primary care

Sources: 1. https://www.healthinsurance.org/glossary/direct-primary-care/ 2. https://www.cms.gov/priorities/innovation/key-concepts/preventive-care

How Does Direct Primary Care Work?



Membership costs

Memberships can range depending on the solution. Typically run $50 to $150 per month.

Primary Care Services

Varies by solution, but many include in-person and virtual visits. Some offering text-based ways to connect as well. Scope of practice will guide the service offerings.

Additional Costs

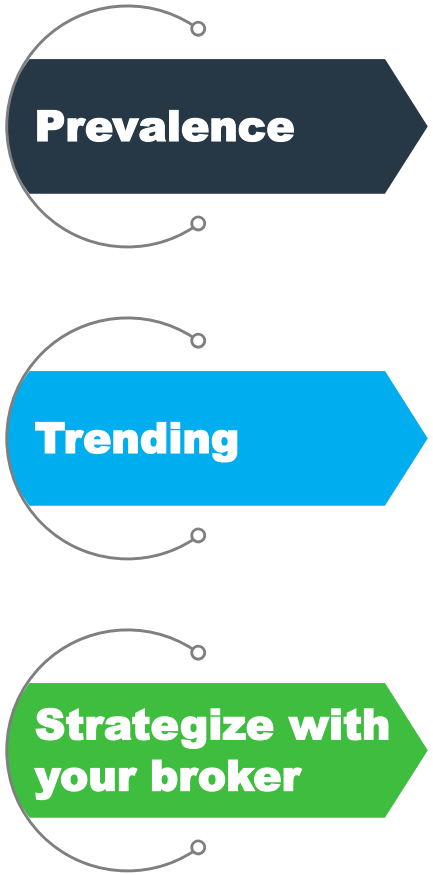
Anything not covered by the monthly membership fee can typically be paid directly from the employee as an out-of-pocket expense. Not involving billing, the plan.

Access to Care

Removing the barrier of the cost of care can greatly encourage your employees to utilize the direct primary care model.

Source: https://www.healthinsurance.org/glossary/direct-primary-care/

Incorporating Strategy: Direct Primary Care



As of 2026, there are more than **3,087** direct primary care practices, operating in nearly every state in the U.S.[1]

Solutions include virtual based direct primary care options and direct onsite care options.

As healthcare costs continue to rise, direct primary care (DPC) models offer a more flexible and cost-effective approach to employee health care.[2]

Addressing barriers such as access to care, cost of care and time to care. Some DPC options can be bundled with mental health and virtual urgent care options.

Source:1. https://mapper.dpcfrontier.com/ 2. https://www.shrm.org/enterprise-solutions/insights/direct-primary-care-alternative-way-to-curb-health-care

Absence Management

OBBBA provisions that touch leave & disability

Paid Leave Tax Credit (§45S): Policy Background

Federal tax credit for paid family and medical leave

Premium Coverage

Now includes employer-paid premiums for leave insurance policies.

Tenure Flexibility

Minimum service requirement reduced from one year to six months.

State Program Clarity

Employers are eligible for the credit even if they have employees in states with mandatory Paid Family and Medical Leave (PFML)

Paid Leave Tax Credit (§45S): Why It's Worth It

You're already paying for the leave — §45S helps you pay for it with pre-tax dollars.

1 Recover Cost You're Already Spending

Paid family and parental leave is one of the most-requested benefits §45S returns a slice of leave wages as a federal credit — improving the ROI on spend you're already making.

12.5%–25% of leave wages

2 Permanent & Easier to Claim

OBBBA made the credit permanent, so finance can plan around it. It added a premium-based method (claim even in low-leave years) and lets employers open eligibility at 6 months instead of a full year.

Permanent as of 2026

3 Multi-State Top-Ups Now Count

Employers in mandatory PFML states can now claim the credit on employer-funded leave that exceeds the state benefit — e.g., topping a 60% state wage replacement up to 100%. A win for multi-state employers.

Employer top-ups now qualify

Paid Leave Tax Credit (§45S): How the Credit Works

Credit calculation examples

Wage Replacement Level	Credit Rate
50% (minimum)	**12.5% (base rate)**
60%	**12.5% + (10 × 0.25%) = 15.0%**
75%	**12.5% + (25 × 0.25%) = 18.75%**
100% (maximum)	**12.5% + (50 × 0.25%) = 25.0%**

Summary

Employers receive a federal tax liability reduction equal to the credit-rate percentage of qualified paid-leave wages — capped at 25% for up to 12 weeks per employee annually.

Paid Leave Tax Credit (§45S): Eligible Leave Types

It is important to remember that the credit ONLY covers the same leave categories as the Family and Medical Leave Act (FMLA)

Parental Leave	Caregiving Leave	Medical Leave
○ Birth and care of a newborn child ○ Placement for adoption or foster care	○ Care for a spouse, child, or parent with a serious health condition	○ Employee's own serious health condition preventing them from performing job functions

Note: FMLA also includes military caregiver and military exigency leave.

Paid Leave Tax Credit (§45S): Requirements vs Limitations

REQUIRED TO QUALIFY

Written Policy

- A compliant written policy must be in place before the leave is taken.
- Must cover all qualifying employees — minimum of 6 months tenure.
  - Employer's policy must include employees working at least 20 hours per week.

Leave Amount

- At least 2 weeks of paid family & medical leave for full-time employees, prorated for part-time, at 50% or more of normal wages.
- Credit scales from **12.5%** to **25%** as wage replacement rises from **50%** to **100%**, capped at 12 weeks of leave per employee per year.

PROGRAM LIMITATIONS

Compensation Limit

Credit applies only to wages for employees earning ≤ $96,000 (60% of the HCE threshold; changes annually).

Tax Liability

Nonrefundable general business credit — employer needs a federal income tax liability to use it.

State PFML

No credit for state-paid amounts, but employer-funded top-ups above the state mandate now qualify (2026).

Recordkeeping

Employer must maintain detailed leave and pay records to substantiate the claim.

§45S as amended by the One Big Beautiful Bill Act, effective for tax years beginning in 2026. The $96,000 compensation figure is indexed and adjusts annually.

Bringing It Together: Your Absence Strategy

Six considerations that pull the OBBBA opportunity into a coordinated leave and disability program.

01

Capture the §45S Credit

Make your written policy 45S-compliant and claim the credit on employer-funded leave — including top-ups above state PFML benefits.

02

Integrate the Full Leave Program

Coordinate all eligible paid leave benefits and wage replacements as one system. The credit and new benefits sit on top of the program you already run.

03

Right-Size Wage Replacement

Decide where to set replacement between 50% and 100%, balancing employee value against the 12.5%–25% credit you capture.

04

Leverage OBBBA Benefits

Use §127 student-loan repayment, the $7,500 dependent-care FSA, and permanent telehealth to ease the pressures behind unplanned leave.

05

Engage Stakeholders

Discuss this new provision with tax professional(s) within your organization this year so you are ready for 2026 tax season.

06

Measure the ROI

Track the financial-wellness-to-absenteeism link and model reduced-absence ROI to justify continued investment to leadership.

Retirement

Trump Accounts – what we know now

Baby Bonds

Reduces Wealth Inequality

Gives all children a financial foundation, helping to close the wealth gap.

Encourages Savings

Introduces families to saving and financial planning early on.

Boosts the Economy

More savings and investment could lead to long-term economic growth.

3.6 million babies born in the U.S. each year

Baby Bonds

- Pilot Program – July 4th implementation date

  https://trumpaccounts.gov/ - Download the App

- Creates a government funded IRA account for all US citizens born between Jan 1, 2025 and Dec 31, 2028
- No income limitations
- Parents can add up to $5,000 per year
- Employers can add $2,500 per year (non taxable as income) (Section 128 Coordination)
- Non-Profits, Tribal Organizations and State Governments can contribute

Baby Bonds – Details

- Cannot be liquidated until age 18
- Must be created by parent or guardian (responsible party)
- Only 1 account per child
- Must be invested in an index fund or ETF with fees less than 0.10%
- The IRS has contracted with certain approved investment providers
- Created as an IRA
  - No penalty for purchase of home or educational expenses, including trade school
  - Will be treated as a pre-tax contribution
  - Deposits are not tax deductible
  - Tax deferred growth of account

Baby Bonds – Details

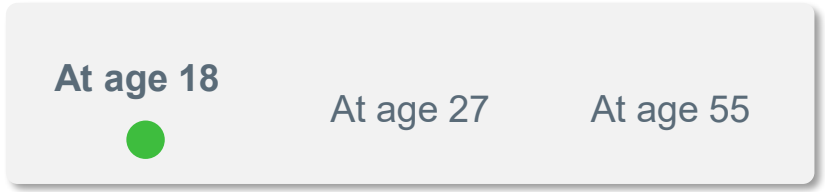
- **National Giving Campaign:**
  - Dell – The first 25 million American children age 10 and under living in ZIP codes with median incomes below $150,000 will receive an additional $250.

    https://investamerica.org/dell/

Sign Up via TrumpAccounts.Gov

- Download the App
- Sign up:
  - Parent or guardian full legal name (must match 1040 filing)
  - Social Security Number of parent/guardian
  - Name of child
  - Social Security number of child
  - ID verification of parent/guardian
  - Selfie upload

Growth at Age 18



$6K

Contributing **$0/year**

$19K

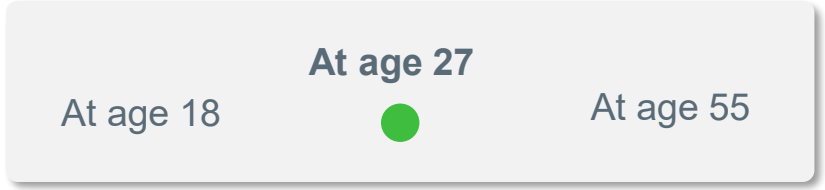
Contributing **$250/year**

$271K

Contributing **$5,000/year**

Estimates are for illustration only and are based on an account opening at birth with $1,000 opening deposit and are derived from historical S&P 500 averages. Actual results may differ and are not guaranteed.

Growth at Age 27



$15K

Contributing **$0/year**

$51K

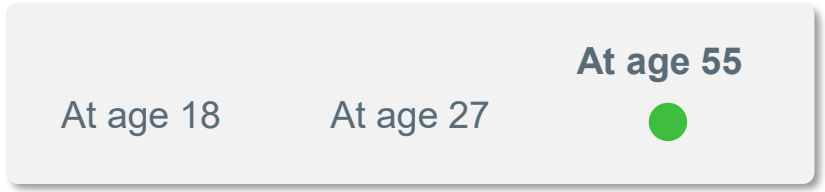
Contributing **$250/year**

$742K

Contributing **$5,000/year**

Estimates are for illustration only and are based on an account opening at birth with $1,000 opening deposit and are derived from historical S&P 500 averages. Actual results may differ and are not guaranteed.

Growth at Age 55



$243K

Contributing **$0/year**

$878K

Contributing **$250/year**

$13M

Contributing **$5,000/year**

Estimates are for illustration only and are based on an account opening at birth with $1,000 opening deposit and are derived from historical S&P 500 averages. Actual results may differ and are not guaranteed.

Baby Bonds – Status Update

Still Unresolved

- Will IRS contract with 1 or 2 additional custodian institutions? Early indication is the Treasury will be partnering with Robinhood and Bank of New York.
- When and how are the initial government deposits made?
- How to employer contributions flow operationally – through payroll? Direct?
- How would parents apply for nonprofit deposits or will it be automatic?
- Will the accounts allow for Bonds, International or other categories of investments in the future?
- How will "means tested" programs be affected by a Baby Bond? (SNAP, FAFSA, Medicaid)

Baby Bonds – The Employer Opportunity

Despite pending guidance, forward-thinking employers can begin planning now.

Family-Friendly Signal

Employer contributions to Trump Accounts ($2,500/year) are a visible, tangible statement of investment in employee families – particularly compelling in family-forward culture strategies.

Financial Literacy Platform

Baby Bonds introduce the concept of investing and tax-advantaged savings to families early. Employers who pair contributions with financial education amplify the benefit's impact.

Compliance Watch: Nondiscrimination

Once mechanics are finalized, employers will need to access nondiscrimination implications if contributions vary across the workforce. Plan ahead.

Employer Action Now

Survey employee interest. Brief leadership on the concept and potential cost. Consider allowing payroll deduction options for employees to fund the account

Key Takeaways & Next Steps

Key Takeaways

Compliance pitfalls are emerging — act before your next renewal.

Confirm your Direct Primary Care arrangement meets the HSA fee cap rules and that your Section 127 plan document is in place. Nondiscrimination testing on the expanded dependent-care FSA limit deserves attention now, not at year-end.

Trump Accounts are a pilot with real momentum — begin the internal conversation now.

The mechanics are still being finalized, but employers who are prepared when IRS guidance lands will have a meaningful advantage.

Direct Primary Care success is built on design and communication, not just the vendor contract.

Map your population by zip code first. Require utilization data contractually. Build your own enrollment messaging.

OBBBA's financial wellbeing provisions have a direct line to absence outcomes.

Permanent student loan repayment, the expanded dependent-care FSA and permanent telehealth reduce the financial pressures that drive unplanned absence — and that connection has measurable ROI.

Most employers providing paid family and medical leave are not claiming the Section 45S tax credit.

Review your written policy against the qualification requirements now — documentation must be in place before leave is taken, not after.

Compliance is the floor, not the ceiling.

The employers who benefit most from OBBBA will use these provisions as a catalyst to modernize plan design, strengthen financial wellbeing and differentiate their benefits in a competitive talent market.

Next Steps

COMPLIANCE

Confirm your arrangements are structured correctly before your next renewal

- Confirm your Direct Primary Care arrangement meets HSA fee cap rules and that your Section 127 plan document is compliant and in place.
- Run dependent-care FSA nondiscrimination testing before year-end and model the impact of the new $7,500 limit on your population.

DIRECT PRIMARY CARE

Assess fit before committing – geography and plan structure come first

- Map your employee population by zip code against available Direct Primary Care provider networks.
- Engage your broker on a feasibility assessment before your next renewal – geography, workforce health goals and plan funding structure.

ABSENCE MANAGEMENT

The Section 45S credit is available now – most employers are not claiming it

- Review your paid family and medical leave written policy against the Section 45S qualification requirements.
- Engage your tax advisor now – Section 45S documentation must be in place before leave is taken, not after.

RETIREMENT

Begin the internal conversation now so you are ready to move when guidance lands

- Make employees aware of the benefit of the Baby Bonds program and consider potential employer contribution.
- Monitor IRS guidance closely; your HUB advisor will keep you informed as it develops.

Q&A

UPCOMING EVENTS

hubinternational.com/events/

WEBINAR – Employee Benefits

From Projections to Planning:

Making the Most of HUB's Benefits Cost Trends Report

Wednesday, July 22 | 12 PM CT

WEBINAR – Employee Benefits

Beyond Fully Insured:

Alternative Benefits Strategies for Small- and Mid-Sized Employers

Wednesday, July 29 | 12 PM CT

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APPENDIX

Glossary of Terms

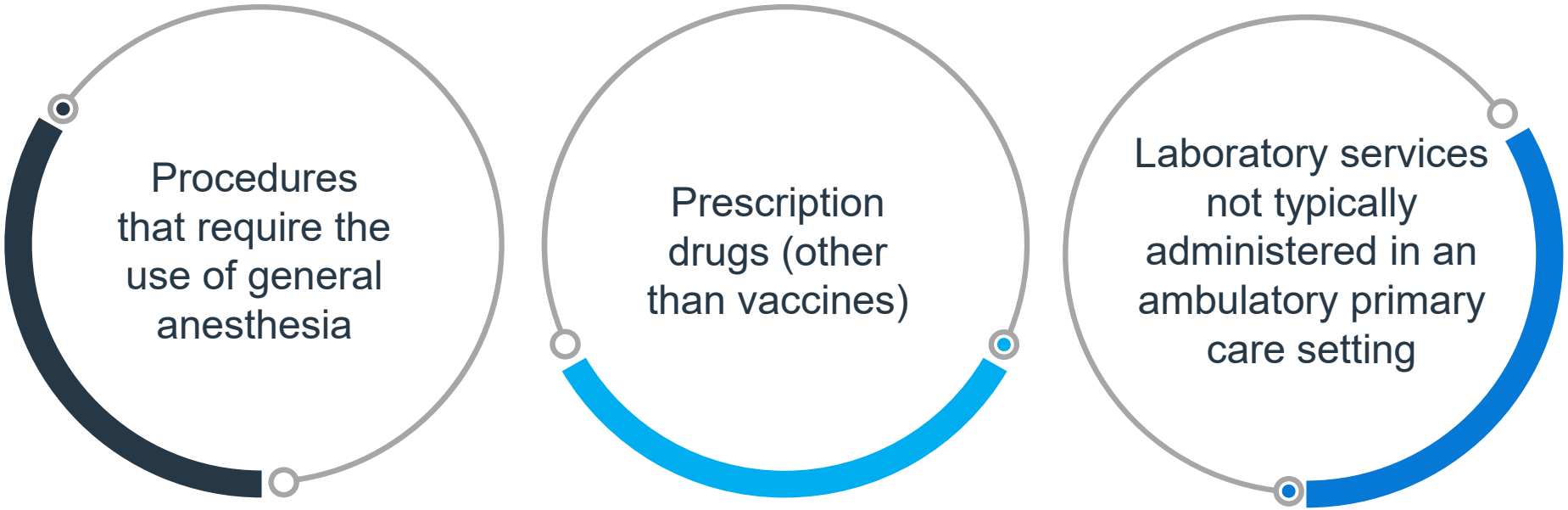
- **ADA** — Americans with Disabilities Act; federal law prohibiting discrimination against individuals with disabilities, including requirements for reasonable workplace accommodations
- **CARES Act** — Coronavirus Aid, Relief and Economic Security Act
- **DCFSA** — Dependent Care Flexible Spending Account
- **DOL (Department of Labor)** — The U.S. federal agency responsible for administering and enforcing laws governing workplace standards, including the Family and Medical Leave Act (FMLA)
- **DPC** — Direct Primary Care Service Arrangement; a fixed-fee membership model in which patients purchase a membership that allows them unlimited access to certain primary care services for a fixed periodic fee
- **ERISA** — Employee Retirement Income Security Act; federal law that sets minimum standards for most voluntarily established retirement and health plans in private industry
- **ETF (Exchange-Traded Fund)** — A pooled investment security that tracks an index, sector, or asset class and trades on a stock exchange. Trump Accounts require contributions to be invested in an index fund or ETF with an expense ratio below 0.10%
- **FMLA** — Family and Medical Leave Act; federal law entitling eligible employees to up to 12 weeks of unpaid, job-protected leave per year for specified family and medical reasons
- **FSA** — Flexible Spending Account
- **HDHP** — High-Deductible Health Plan
- **HCE (Highly Compensated Employee)** — An IRS classification for employees who own more than 5% of a business or earn above a defined compensation threshold (currently $155,000 for 2026). The §45S credit compensation limit is set at 60% of the HCE threshold and adjusts annually
- **HRA** — Health Reimbursement Arrangement
- **HSA** — Health Savings Account
- **IRA** — Individual Retirement Account
- **IRS (Internal Revenue Service)** — The U.S. federal agency responsible for tax collection and enforcement of the Internal Revenue Code, including administration of employer tax credits such as §45S and guidance on benefits-related provisions of OBBBA
- **LTD** — Long-Term Disability; employer-sponsored insurance providing partial income replacement for employees unable to work due to a qualifying disability for an extended period
- **OBBBA** — One Big Beautiful Bill Act
- **PFML (Paid Family and Medical Leave)** — A state or employer-sponsored program providing wage replacement to employees taking leave for qualifying family or medical reasons. Several states have mandatory PFML programs; OBBBA clarifies that employers in mandatory PFML states may still claim the §45S federal tax credit on employer-funded leave that exceeds the state benefit

Glossary of Terms

- **ROI (Return on Investment)** — A measure of the financial benefit of an initiative relative to its cost. In benefits management, used to evaluate the effectiveness of programs such as paid leave, DPC adoption, and financial wellness benefits
- **RTW** — Return to Work; the process of reintegrating an employee back into the workforce following a leave of absence, illness, or injury
- **STD** — Short-Term Disability; employer-sponsored insurance providing partial income replacement for employees temporarily unable to work due to a non-occupational illness or injury
- **Telehealth / Telemedicine** — The use of electronic information and telecommunications technologies to support remote clinical health care
- **TPA (Third-Party Administrator)** — An organization that processes insurance claims or administers benefit programs on behalf of an employer. In the context of telehealth, TPAs may offer embedded telehealth solutions as an alternative to standalone third-party vendors
- **Trump Accounts** — Government-funded IRA pilot program (also referred to as Baby Bonds) for U.S. citizens born January 1, 2025 – December 31, 2028
- **§45S** — Section 45S of the Internal Revenue Code; a permanent federal tax credit (as of 2026) for employers who provide paid family and medical leave. The credit ranges from 12.5% to 25% of qualified leave wages depending on the wage replacement rate offered, capped at 12 weeks per employee per year
- **§127** — Section 127 of the Internal Revenue Code; governs employer educational assistance programs, including student loan repayment benefits
- **§213(d)** — Section 213(d) of the Internal Revenue Code; the general definition of medical expenses for tax purposes. DPC fees do not qualify as medical expenses under §213(d) but were designated as HSA-qualified expenses under §223 by OBBBA effective January 1, 2026
- **§223** — Section 223 of the Internal Revenue Code; governs Health Savings Accounts

Direct Primary Care – Definition

Direct Primary Care Service Arrangement means, with respect to any individual, an arrangement under which such individual is provided medical care consisting solely of primary care services provided by primary care practitioners if **the sole compensation for such care is a fixed periodic fee**. For purposes of this definition, “primary care services” shall **not** include:



Look to DPC providers to confirm if their offerings meet these requirements