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Group Health Plan Sponsors: What to Watch for in Washington

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As a new presidential administration begins, plan sponsors are wondering how legislative and regulatory developments will affect health benefit plans. We anticipate a flurry of activity early in 2025, particularly as Congress will need to enact legislation extending government funding, which expires March 14, 2025.



The impact on health benefit plans may be either direct through regulation of plan operations, or indirect through modifications to the Affordable Care Act, tax code and/or other public insurance programs.

This article explores the potential health policy priorities for the new administration and how both legislative and regulatory activity could impact group health plans.

Tax, spending and the budget will take center stage

Now that the new administration is in office, action will occur in several areas: executive orders, approval of cabinet nominations, potential use of the Congressional Review Act to reverse regulations issued during the previous administration and use of budget reconciliation to pass tax and spending legislation. However, the number one issue for the new Congress will likely be tax policy, because of the December 31, 2025, expiration of the tax cuts in the 2017 Tax Cuts and Jobs Act. Republicans are expected to make those tax cuts permanent, while Democrats have other tax priorities, including extending the ACA enhanced premium assistance tax credits past 2025.

In general, Congress may approach tax reform through a budget reconciliation process. However, the reconciliation process is limited — it can only address tax, spending and budget-related items. To fund tax cuts and other budget priorities, Congress may look to healthcare policies, including seeking cuts to Medicaid, particularly the ACA Medicaid expansion funding, and Medicare.

There are also likely to be renewed discussions about capping the tax exclusion for employment-based health coverage, as a means for paying for other priorities. In 2024, the House Republican Study Committee [recommended](#) capping this tax exclusion. Additional proposals could be made that are reminiscent of the so-called “Cadillac Tax” on high-cost health plans that was passed as part of the ACA and subsequently repealed in 2019. In the context of a high-stakes tax and spending debate, the tax exclusion may be an important item to watch this year.

Pharmacy benefit manager (PBM) transparency efforts may continue

Congress may continue its focus on the PBM industry, including increasing transparency and regulation of PBM arrangements. Significant changes could include requiring PBMs to disclose rebate information, pass through 100 percent of rebates and ban spread pricing. Proposals also include requirements for plan sponsors to ensure that PBM contracts contain certain disclosure requirements. (The American Relief Act of 2025, which funds the government through March 14, 2025, did not ultimately contain new transparency requirements for PBMs despite such requirements in earlier proposals, as we discussed in our [December 24, 2024 insight](#).) States also continue to enact PBM regulations, making compliance difficult for plan sponsors with workers in multiple states.



In addition to congressional activity, the U.S. Federal Trade Commission (FTC) launched an inquiry into PBMs in 2022 and in July 2024 released an interim staff report called *Pharmacy Benefit Managers: The Powerful Middlemen Inflating Drug Costs and Squeezing Main Street Pharmacies*. A second interim report dealing with PBM contracting practices, *Specialty Generic Drugs: A Growing Profit Center for Vertically Integrated Pharmacy Benefit Managers*, was released on January 14, 2025. While it is unclear what policies a Republican-led FTC would pursue, there is bipartisan interest in addressing prescription drug costs.

Ongoing ACA issues need to be addressed

While Congress will focus on tax, spending and prescription drug issues, the administration will have to closely evaluate how it will address the ACA. Despite previous rhetoric, it is unlikely that the administration or Congress will try to completely overturn the ACA because some of its provisions, particularly the elimination of preexisting condition exclusions and extension of coverage to dependents through age 26, are wildly popular. In addition, CMS recently [announced](#) that approximately 24 million people enrolled in Marketplace coverage for 2025 — an all-time record.

However, there are continuing issues regarding ACA implementation that the administration may weigh in on, including coverage of preventive drugs (including contraceptives and PrEP for HIV, which has been challenged in court), coverage of over-the-counter medications and regulations concerning ACA out-of-pocket maximums that affect prescription drug copayment accumulator programs. The U.S. Supreme Court has also agreed to hear the case of *Becerra v. Braidwood Management*, which challenges whether plans have to cover preventive services that are recommended by the U.S. Preventive Services Task Force.

If the administration cannot easily enact policies using executive orders, it may begin notice and comment rulemaking to overturn existing rules. One regulation likely to be revisited and repropose is the ACA Section 1557 regulation preventing discrimination in healthcare on the basis of race, color, national origin, age, disability, or sex. The current regulation has been stopped by federal courts to the extent it affects discrimination on the basis of gender identity or requires coverage of gender-affirming care.

Medicare Part D and Medicare Advantage

The Inflation Reduction Act has resulted in a significant restructuring of the Medicare Part D prescription drug benefit, including a \$2,000 out-of-pocket maximum. Guidelines for 2026 Part D plans were released January 10, 2025 and will be finalized in April 2025. For plan sponsors, the changing definition of "Creditable Coverage" should be closely watched, as it may affect whether a group health plan's prescription drug benefit is equal to or better than the Medicare Part D program. It will be important to examine how the new administration addresses the expansion in Part D benefits and continues efforts to ensure that Part D premiums remain affordable.



Similar challenges exist with respect to Medicare Advantage plans, which are popular options. Revisions to reimbursement requirements are possible. Proposals have included making Medicare Advantage a default enrollment option for Medicare beneficiaries or increasing opportunities for plans to offer supplemental benefits.

For the first time in 2026, Medicare will negotiate prices for certain high-cost drugs. The next set of 15 drugs is set to be announced in February 2025. While the program may not be significantly changed for the first year, the new administration's policy priorities will likely impact the process for future years.

Options for expanding health coverage

It seems possible that the new administration may revisit issues affecting access to health insurance, including:

- Expanding Association Health Plans
- Increasing the use of short-term limited duration insurance programs
- Expanding Health Savings Accounts and high-deductible health plan coverage

Some proposals could also consider expanding the use of Individual Coverage Health Reimbursement Arrangements (ICHRA), which allow employers to subsidize coverage for employees who enroll in an ACA health insurance Exchange plan. That type of program will require that the ACA exchanges provide affordable and comprehensive health coverage.

The fate of the ACA enhanced premium subsidies, which expire at the end of 2025, will also be key in affecting how individuals obtain health coverage and could affect some group health plan sponsors, particularly those who have considered whether an ICHRA would be beneficial. The subsidies were successful in expanding coverage in the Exchange plans. However, if the enhanced subsidies are not renewed, Marketplace premiums could increase by an average of 79 percent and enrollment could drop from 22.8 million in 2025 to 18.9 million in 2026, according to an [estimate by the Kaiser Family Foundation](#).

Improvements to the No Surprises Act

The No Surprises Act, which limits when a patient can be balance billed for out-of-network care, has faced numerous implementation challenges, including an overburdened Independent Dispute Resolution (IDR) system and multiple lawsuits. Regulations proposed to overhaul the IDR process are not yet finalized.

In addition, the Departments of Health and Human Services, Labor and Treasury (collectively, the Departments) continue to review the multiple court decisions affecting payment methodologies. Other aspects of the law, such as the requirement to issue Advanced Explanation of Benefits forms, have not yet been implemented.

Improving the No Surprises Act so it better functions as intended is likely to be an important policy issue in 2025.

Mental health parity

The current Mental Health Parity and Addiction Equity Act (MHPAEA) regulations were finalized in 2024, with effective dates in 2025 and 2026. Prior to issuance of the final regulations, the proposed rules were subject to robust commentary, including comments from stakeholders raising significant challenges and concerns. The new administration may impact those regulations through executive order or by issuing new or revised proposed rulemaking. However, such activities may be delayed until the relevant agency appointees are in place, including the Assistant Secretary for the Department of Labor's Employee Benefits Security Administration.



With respect to enforcement, it is possible that the new administration might consider providing the requested enforcement relief as plans, issuers and their service providers work to implement the complex requirements under the final regulations. Moreover, the Departments have been expected to issue a report to Congress on MHPAEA implementation. If it is not released before January 20, that report could also be delayed.

Site-neutral payment policies

Congress has considered enacting legislation to create site-neutral payment reform, which aligns payment rates for certain medical services across the physical sites where patients receive outpatient care: hospital outpatient departments, ambulatory surgical centers and freestanding physician offices. Policies that support care delivery in lower-cost settings for both the Medicare population and group health plans are likely to be a significant factor in any proposed health legislation.

Family policies

Issues related to family health coverage and support may also be considered in 2025. Congressional proposals have been made to offer caregivers a nonrefundable tax credit to cover certain qualified long-term care expenses.

The new administration has discussed addressing coverage for in vitro fertilization.

Implications for plan sponsors

Plan sponsors will have a variety of challenges in 2025 as they navigate healthcare policies. An important lodestar for plan sponsors will be to ensure that employment-based healthcare retains its tax-free status. Providing employment-based health coverage is vital to avoid additional tax burdens on workers and to ensure that the purchasing power of group health plans continues to help manage healthcare costs.

When looking at specific healthcare policies, Congress will have a significant role this year. Plan sponsors will need to know whether Congress will take action, for example, in passing PBM regulations, or whether plans will continue to face the confusing patchwork of state PBM legislation. If state laws are not preempted by ERISA, they could require plan sponsors to offer different prescription drug benefit plans to workers based on the state in which they live, rather than providing a uniform network of benefits throughout the workforce.

Affordability and access to healthcare may also affect plan sponsors. The ACA Marketplace/Exchange and Medicaid expansion together cover close to 45 million people. However, if enrollment in the ACA or Medicaid expansion states decreases, an increase in the number of uninsured may affect employer-sponsored coverage, as group health plans may face higher costs. Additionally, the availability of affordable and comprehensive coverage in the Marketplace could affect coverage options for some workers or retirees, such as those in ICHRAs.

Finally, plan sponsors will need to monitor litigation, as there continue to be challenges to laws such as the ACA and the No Surprises Act, which may result in changes to implementation rules.

Moving forward, plan sponsors should keep abreast of healthcare policy and legislative developments and consider them while designing plan benefits and making cost projections.

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