Keeping Up With Compliance Quarterly

1st Quarter 2026

Keeping up with compliance developments can be difficult and time-consuming. This quarterly update highlights recent legal developments to help your organization stay on top of new requirements and minimize compliance risks.

For more information on these topics, please contact [B_Officialname].

Recent Federal Developments

DOL Announces New Minimum Wage for Federal Contractors

On Feb. 9, 2026, the U.S. Department of Labor's (DOL) Wage and Hour Division announced that the applicable minimum wage rate for workers performing work on or in connection with federal contracts covered by Executive Order (EO) 13658 will increase to $13.65 per hour and the required minimum wage cash wage that generally must be paid to tipped employees performing work on or in connection with covered contracts will increase to $9.55 per hour. The new minimum wage rates take effect on May 11, 2026. Additionally, the DOL stated that EO 13658 does not apply to contracts awarded, renewed or extended after Jan. 29, 2022. Employers should closely monitor this area, as litigation, DOL rule updates and new laws could continue to clarify and alter minimum wage requirements for workers performing work on or in connection with federal contracts covered by EO 13658.

Major Federal PBM Reforms Enacted as DOL Proposes New PBM Fee-disclosure Rule

Federal oversight efforts directed at the pharmaceutical benefit manager (PBM) industry have expanded in recent years, culminating in several significant actions. On Feb. 3, 2026, the Consolidated Appropriations Act (CAA) of 2026 was signed into law, a funding package containing a broad range of health care provisions, including significant PBM industry reforms. Key highlights of the CAA for health plan sponsors and health insurance issuers include mandatory PBM reporting, group health plan notice requirements, penalties for failing to provide the required information by a PBM or group health plan, and full rebate pass-through to group health plans and issuers. These reforms take effect beginning in August 2028. Separately, the DOL announced on Jan. 28, 2026, a proposed rule that would establish new PBM fee-disclosure obligations, further underscoring the federal government's increasing focus on regulatory oversight of the industry.

Group Health Plan Cost-sharing Limits for 2027 Plan Years Are Released

On Jan. 29, 2026, the U.S. Department of Health and Human Services (HHS) released the maximum limits on cost sharing for 2027 plan years under the Affordable Care Act (ACA). For 2027, the maximum annual limitation on cost sharing is $12,000 for self-only coverage and $24,000 for family coverage. This represents an approximately 13.2% increase from the 2026 cost-sharing limits of $10,600 for self-only coverage and $21,200 for family coverage. As background, the ACA requires most health plans to comply with annual limits on total enrollee cost sharing for essential health benefits. These cost-sharing limits are commonly referred to as out-of-pocket maximums. The ACA's cost-sharing limits apply to all non-grandfathered health plans, including self-insured health plans, level-funded health plans and fully insured health plans of any size. Employers should review their plan designs each year to ensure they comply with the ACA's cost-sharing limits.

Increased Civil Penalty Amounts for SBC, MSP, HIPAA Violations

On Jan. 28, 2026, the HHS published a final rule increasing key penalties affecting group health plans. HHS adjusts these penalty amounts for inflation each year to maintain their effectiveness and deterrent value (although the last adjustment occurred in 2024). The adjusted penalty amounts relate to the ACA's requirement that group health plans and issuers provide participants and beneficiaries with a summary of benefits and coverage (SBC), the Medicare Secondary Payer (MSP) prohibition on offering incentives to discourage employees from enrolling in a group health plan that would be the primary payer, and violations of the Health Insurance Portability and Accountability Act's (HIPAA) privacy and security rules. Because these penalties are substantial, employers with group health plans should periodically review their benefit plan administration protocols to ensure full compliance.

Court Approves $18.5 Million Settlement in USERRA Leave Case

The parties in Huntsman v. Southwest Airlines, a class-action lawsuit brought by employees of the airline, have agreed to a settlement of $18.5 million. The workers alleged that Southwest violated the Uniformed Services Employment and Reemployment Rights Act (USERRA) by denying them paid leave for absences from work due to military service. Under the agreement, Southwest will also provide service member employees with up to 10 days of paid short-term military leave annually. In recent years, federal courts have begun to recognize a right under USERRA to paid military leave when the absence is short-term and the employer provides compensation for comparable short-term leaves, such as bereavement leave, sick time and jury duty. Settlements over USERRA paid leave rights have been reached in cases in other jurisdictions and involving other industries as well. Employers that provide paid short-term leave for purposes such as bereavement, jury duty and sick time should revise their handbooks, policies and practices to offer compensated leave for short-term military service.

EEOC Rescinds Enforcement Guidance on Harassment in the Workplace

On Jan. 22, 2026, the U.S. Equal Employment Opportunity Commission (EEOC) voted to rescind its Enforcement Guidance on Harassment in the Workplace (Enforcement Guidance). The Enforcement Guidance was most recently updated on April 29, 2024, during former President Joe Biden's administration, to expand protections against harassment on the basis of an employee's sexual orientation and gender identity, among other changes. On May 15, 2025, a federal District Court vacated the provisions of the Enforcement Guidance related to sexual orientation and gender identity protections. Although the EEOC's rescission of the Enforcement Guidance does not alter federal law, it does eliminate informal guidance regarding the EEOC's enforcement of federal harassment laws, which could lead to uncertainty for employers in complying with such laws. The EEOC did not specify whether it will issue new guidance, but employers should monitor for updates.

DOL Clarifies FMLA Use During Snow Days and Similar Closures and for Medical-related Travel

The DOL's Wage and Hour Division issued Opinion Letter FMLA2026-1, addressing the use of leave under the federal Family and Medical Leave Act (FMLA) when an employer is closed for part of a week. Under the DOL's interpretation, leave during the closure is counted against the employee's FMLA leave if the employee took the entire week as FMLA leave, or the employee was scheduled and expected to work during the period and used FMLA leave for that time. The letter responded to a school employer's question of how to count FMLA leave used during weather-related school closures. In another opinion letter, the DOL's Wage and Hour Division advised that employees may use FMLA leave to travel to or from medical appointments for a serious health condition. This opinion letter also says medical certifications supporting FMLA leave need not provide an estimate of travel time. DOL opinion letters do not have the force of regulations, laws or court rulings and apply only to the specific situation submitted. However, the letters are useful to employers as an indication of the DOL's interpretation of the laws and regulations it enforces.

DOL Confirms Bonus Payments Must Be Included in Employees' Regular Rate of Pay

On Jan. 5, 2026, the DOL issued Opinion Letter FLSA2026-2, responding to an employee's question regarding whether Section 7(e) of the Fair Labor Standards Act (FLSA) permits an employer to exclude certain bonus payments from an employee's regular rate of pay. The question concerns an employer's bonus plan that allows employees to earn supplemental performance-based bonuses for each pay period. If earned, these bonuses would apply to all hours worked in that pay period. The DOL advised that the employer must include the bonus payments in the regular rate of pay in any workweek for which they are earned because the bonus payments are calculated using a predetermined plan to incentivize certain work performance.

Federal Agencies Propose Improvements to Health Plan Transparency Requirements

On Dec. 19, 2025, federal agencies released a proposed rule to improve price transparency disclosure requirements for non-grandfathered group health plans and health insurance issuers. The proposed changes mostly relate to the existing requirement that health plans and issuers post detailed pricing information in machine-readable files on a public website. The proposed rule also addresses the existing requirement to make cost-sharing information available to participants, beneficiaries and enrollees through an internet-based, self-service price comparison tool. These changes are in proposed form and have not been finalized. However, given the Trump administration's focus on improving transparency, it is likely that these changes (or similar ones) will be implemented in the future.

IRS Issues Guidance on the OBBBA's Expansion of HSAs and Trump Accounts

On Dec. 9, 2025, the IRS issued Notice 2026-5, providing guidance on the expanded availability of health savings accounts (HSAs) under the One Big Beautiful Bill Act (OBBBA), which was signed into law by President Donald Trump on July 4, 2025. The OBBBA's changes expand the availability of HSAs by permanently extending the ability to receive telehealth and remote care services before meeting the high deductible health plan (HDHP) deductible while remaining HSA-eligible; allowing individuals enrolled in certain direct primary care (DPC) arrangements to contribute to HSAs and use their HSA funds tax-free to pay periodic DPC fees; and designating bronze and catastrophic plans available through an ACA Exchange as HSA-compatible, regardless of whether they satisfy the requirements for HDHPs.

The IRS also issued Notice 2025-68 announcing upcoming regulations and providing initial guidance regarding Trump Accounts. Created by the OBBBA, Trump Accounts are a new type of tax-favored savings account for children under the age of 18 that will be available starting July 4, 2026. Employers can make tax-free contributions to the Trump Accounts of their employees or their employees' dependents through a Trump Account Contribution Program. The annual limit for employer contributions is $2,500 per employee (adjusted for inflation after 2027). Also, a Trump Account Contribution Program may be offered via salary reduction under a Section 125 cafeteria plan if the contribution is made to the Trump Account of the employee's dependent.

Recent State Law Developments

Colorado Amends Rules on Pay During Paid Sick Leave

The Colorado Department of Labor and Employment has revised the rules for calculating pay during employee leave under the Healthy Families and Workplaces Act, the state's paid sick leave law. The amended rules address specific scenarios, such as when employees are paid by commission, piece rate, salary or a combination, and when employees work at multiple rates. The amendments took effect Feb. 1, 2026.

New York Law Requires Employers to Carry Opioid Antagonist in First-aid Kits

New York recently enacted Senate Bill 5922A (S5922A), amending the state's Labor Law to add Section 27-F, which requires OSHA-covered workplaces that maintain first-aid supplies to include an opioid antagonist in those materials. Under existing OSHA standards, private employers are required to maintain adequate first-aid supplies when a clinic or hospital capable of treating injured employees is not in close proximity to the workplace. S5299A applies to those employers by requiring opioid antagonists to be included in those first-aid materials. S5922A goes into effect on June 10, 2026.

California Updates Employment Status and Reimbursement Rules for Vehicle Use

On Oct. 11, 2025, California enacted Senate Bill (SB) 809, which reaffirmed that mere ownership of a vehicle—personal or commercial—used by a person providing labor or services for remuneration does not make that person an independent contractor. The law took effect on Jan. 1, 2026. California's three-pronged ABC test establishes the standard for most employers to determine whether a worker is an employee or an independent contractor. SB 809 reaffirms that ownership of a vehicle used by a person performing labor or services does not make that person an independent contractor.

New York Expands Paid Family Leave for Construction Workers

New York has enacted a bill amending the state's paid family leave (PFL) law to provide coverage for certain collectively bargained workers in construction and related trades. Assembly Bill A4727, which amends the PFL law, establishes a new eligibility standard for construction employees who work for multiple employers pursuant to a collective bargaining agreement. These employees will become eligible for PFL if they have been in employment for at least 26 of the last 39 weeks with a covered employer that is signatory to a collective bargaining agreement. This means that construction employees may be eligible even if their weeks of work were with different employers and not fully consecutive. The amendments take effect in January 2027.

New Jersey Significantly Amends Family and Medical Leave Rights

New Jersey has enacted amendments to its Family Leave Act (FLA) that apply the law to smaller employers and reduce eligibility requirements for employees. The amendments also add job protection for employees receiving benefits under the state's temporary disability insurance and family leave insurance programs. The changes are contained in Assembly Bill (AB) 3451 and take effect July 17, 2026. Currently, the FLA applies only to employers with 30 or more employees during at least 20 work weeks in the current or preceding calendar year. AB 3451 changes the definition of "covered employer" under the law, applying its requirements to employers with 15 or more employees. AB 3451 also changes the definition of "eligible employee" for FLA leave to include employees who have worked for their employer for only three months, and for just 250 hours during the 12 months before leave.

New York Restricts Use of Credit History in Employment Decisions

On Dec. 19, 2025, New York passed a law restricting the use of an employee's credit history in making employment decisions in most circumstances. Under the new law, employers are prohibited from requesting or using the consumer credit history of an applicant or employee for employment purposes, or otherwise discriminating against an applicant or employee in regard to hiring, compensation, or the terms, conditions or privileges of employment based on their consumer credit history. The law is scheduled to take effect on April 18, 2026.

New York Bans Stay-or-Pay Agreements

On Dec. 19, 2025, New York passed the Trapped at Work Act, which bans employers from entering into stay-or-pay agreements with workers. The law went into effect immediately. It prohibits employers from requiring any worker or prospective worker to enter into an agreement, as a condition of employment, that requires the worker to pay the employer, or the employer's agent or assignee, a sum of money if the worker leaves employment before the passage of a stated period of time (commonly referred to as a stay-or-pay agreement).

Update: On Feb. 13, 2026, New York amended the Trapped at Work Act. The amendment clarifies the Act's scope, expands exceptions to the Act and delays the effective date until Feb. 13, 2027.

Pennsylvania Enacts CROWN Act

On Nov. 25, 2025, Pennsylvania amended the Pennsylvania Human Relations Act to prohibit employers from discriminating against individuals on the basis of traits historically associated with race or religious creed, such as hairstyles and head coverings. The amendment took effect on Jan. 24, 2026. Such legislation has gained popularity in recent years and is commonly referred to as Creating a Respectful and Open Workplace for Natural Hair (CROWN) Act legislation.