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EMPLOYEE BENEFITS COMPLIANCE RECAP



UBA EXPERT COMPLIANCE RESOURCES

Compliance Recap | August 2025

Sept. 5, 2025

In August, North Carolina's Governor signed the SCRIPT Act into law, regulating PBM transparency and strengthening consumer and pharmacy protections. Texas extended the time for new parents to enroll their newborns in coverage from 31 to 60 days from the date of birth. Employers prepare to send out Medicare Part D Creditable Coverage letters to applicable individuals. Illinois expands dependent coverage rules to eligible dependent parents and stepparents of insured employees.

North Carolina Passes New PBM Law

On July 10, 2025, North Carolina Governor Josh Stein signed into law the Act Supporting Community Retail Pharmacies and Improving Transparency ("the SCRIPT Act"). The sweeping law regulating pharmacy benefit managers (PBMs) in North Carolina is designed to improve transparency, strengthen consumer protections, and support community pharmacies. While most provisions take effect October 1, 2025, others will be phased in through 2026 and 2027.

Key elements of the law:

- Participants have the freedom to use any in-network pharmacy. PBMs cannot limit access, reduce reimbursements, impose extra costs, or force members into mail-order programs.
- Starting October 2026, organizations that negotiate on behalf of independent pharmacies must avoid restrictive practices, such as steering pharmacies to certain wholesalers.
- PBMs will face detailed reporting requirements on rebates, fees, and pricing practices. Reports must be submitted to the state insurance commissioner for contracts effective October 1, 2025.
- PBMs cannot pay independent pharmacies less than affiliated pharmacies for the same services. Pharmacies in underserved areas must receive at least acquisition cost reimbursement.



- Effective January 1, 2027, 90% of manufacturer rebates must be passed directly to patients at the point of sale. Carriers must submit annual compliance attestations.
- Drug manufacturers must disclose major price increases beginning January 2026 and notify interested parties of the cost of any new drug as soon as it becomes available.

The SCRIPT Act applies broadly to state-regulated health plans, including fully insured coverage. However, the extent to which these rules apply to self-funded ERISA plans remains uncertain. Recent court rulings highlight that states may regulate pharmacy reimbursements but cannot dictate plan design.

Employer Considerations

No immediate action is needed for fully insured plans. Insurance carriers will ensure compliance with the law.

Employers with self-funded plans should work with their PBM or third-party administrator to understand whether any changes will be necessary given the evolving ERISA preemption landscape.

Texas Extends Newborn Coverage Enrollment Period

Texas enacted a law that expands the automatic coverage period for newborns under Texas medical plans. The current law automatically covers a newborn child for 31 days from the date of birth. Effective for plans issued or renewed on or after January 1, 2026, parents will now have 60 days from their child's date of birth to enroll their newborn and secure ongoing coverage.

The new law is designed to ease the burden on families during the critical first weeks after birth by giving parents more time to take action. This change helps ensure newborns maintain continuous medical coverage without gaps.

The law applies to fully insured Texas medical plans and to multiple employer welfare arrangements (MEWAs) covering Texas residents. Self-funded plans (other than MEWAs) are not subject to this rule.

To continue coverage after the initial 60 days, parents must provide notice of the birth and pay any required additional premium.

Employer Considerations

- Carriers will update certificates of coverage to reflect the new mandate, and in some cases may even extend coverage beyond the law's requirements. Employers must notify employees of the new enrollment window so they understand their rights.
- Forward any employee notices and premium payments to the carrier in a timely manner.
- Update cafeteria plan documents before the change takes effect (by December 31, 2025, for calendar year plans).



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Medicare Part D Annual Notice Reminder for Employers

Each year, all employers that offer prescription drug coverage must provide a Medicare Part D notice to all Medicare-eligible individuals—including retirees, active employees, dependents, or COBRA participants—by October 15, the start of Medicare’s open enrollment period. Most employers choose to send this notice to their entire covered population to simplify compliance. This applies to employers regardless of size, funding type, or plan design.

With the Inflation Reduction Act lowering Medicare’s out-of-pocket maximum to \$2,000 in 2025 (from \$8,000 in 2024), some employer plans—especially high-deductible health plans—may no longer meet the creditable standard. Further updates in 2026 may also affect determinations.

The Centers for Medicare & Medicaid Services (CMS) provides [model notices](#) (in English and Spanish). Notices can be mailed, included in enrollment packets, or sent electronically—though strict consent and access rules apply for electronic delivery. Employers must also post non-personalized electronic notices on their websites.

Employer Considerations

- Confirm with your insurance carrier or TPA whether your prescription drug coverage is creditable for 2025, meaning that, on average, it provides coverage as good as Medicare Part D.
- Distribute the Medicare Part D notice to participants before October 15.
- Report to CMS within 60 days of the start of your plan year (by March 1 for calendar year plans) whether coverage is creditable or not.

Illinois Expands Dependent Coverage Rules for Fully Insured Plans

Starting January 1, 2026, Illinois will require fully insured health plans issued in the state to extend coverage to eligible dependent parents and stepparents of insured employees, if they live within the plan’s service area.

Self-funded or level-funded plans, Medicare supplements, hospital-only and accident-only plans, or specified disease policies are excluded.

This does not apply to policies issued outside Illinois, even if they cover employees in Illinois.

To qualify, a parent or stepparent must meet the IRS definition of a “qualifying relative” under §152(d), which means:

- They are a parent or stepparent of the employee.
- Their annual income is below the exemption amount (\$5,050 for 2025).
- The employee provides more than half of their financial support.
- They are not considered another taxpayer’s qualifying relative.



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Employer Considerations

Employers sponsoring fully insured plans in Illinois should:

- Coordinate with carriers to update plan documents and confirm compliance.
- Adjust internal processes to track dependent parent and stepparent eligibility, which may include requiring an attestation or affidavit from employees.
- Clearly communicate the income limits and support requirements during open enrollment and onboarding to help employees understand who may qualify.

Question of the Month

Q. An individual is on COBRA and had planned to enroll in his wife's plan when he exhausts 18 months of COBRA coverage at the end of October 2025 but was served divorce papers in May. Does this create a second qualifying event that triggers a COBRA extension from 18 months to 36 months?

A. The divorce is not a second qualifying event that would extend the former employee's 18 months of COBRA. For a divorce to extend COBRA, the divorce must be a second qualifying event. This means the divorce would have caused a loss of coverage if the former employee was not already on COBRA. That is not the case here since the divorce would not impact the employee's eligibility under his former employer's plan (only his spouse's eligibility). As a result, the former employee is not entitled to extended COBRA due to his divorce.

Answers to the Question of the Week are provided by Kutak Rock.

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