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Roundup of selected state health developments, fourth-quarter 2025

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In this article

Last year ended with a flurry of paid family and medical leave (PFML) developments, even though no states passed a new PFML mandate. California and New York City amended their paid sick and safe leave (PSSL) mandates. New California and Illinois laws focused on pharmacy benefit managers (PBMs), while Iowa's law faced additional legal challenges. California also restricted prior authorizations, expanded the services covered by its benchmark plan to include fertility services, took action against an unlicensed health plan, and adjusted the state's tax code. New Mexico passed laws on vaccines and enhanced premium tax credits (EPTCs) in a special session. New York addressed cost-sharing requirements for high-deductible health plans, and Washington clarified long-term care insurance requirements.

PFML

California, Connecticut, Hawaii, Massachusetts, New York, Oregon, Rhode Island, and Washington announced their contribution rates and other thresholds. California and New York passed legislation expanding the scope of their PFML laws. The quarter saw regulatory activity in Colorado, Delaware, and Oregon. For a full review of all PFML laws, see State paid family and medical leave contributions and benefits (February 6, 2026). For a full review of PFML taxation, see IRS clarifies taxation of state and DC PFML contributions, benefits (January 13, 2026).

California

The state announced 2026 rates and expanded PFML eligibility.

Rates. Here are the State Disability Insurance (SDI) and PFL rates:

SDI/PFL rates	2025	2026
Required employee contributions (% of wages)	1.2%	1.3%
Voluntary plan assessment rate (14% of employee contribution rate)	0.168%	0.182%
Maximum annual wage base	None	None
Maximum weekly benefit	$1,681	$1,765
Minimum weekly benefit	$50	$50

The state does not require an employer contribution.

Eligibility. Under 2025 Ch. 772 (SB 590), the paid family leave (PFL) definition of a family member will include a designated person, described as a "care recipient related by blood or whose association with the individual is the equivalent of a family relationship." Employees must identify the designated person and attest to designated person status. The law will take effect on July 1, 2028.

Colorado

The Family and Medical Leave Insurance (FAMLI) Division amended several sets of regulations, now in effect, including those required to implement SB 25-144, which added 12 additional weeks of PFML for a covered individual with an infant receiving inpatient treatment in a neonatal intensive care unit (NICU) starting on January 1. Here are highlights of the amended regulations:

- **Neonatal care leave.** The NICU definition excludes well-baby nurseries, pediatric intensive care units, and units not classified by the treating facility as NICU. This leave is distinct from leave to care for a new child and does not reduce a claimant's other leave benefits. The rules also clarify the parameters for this leave, including documentation.
- **Family leave.** Care for a family member includes assistance with basic medical, hygienic, nutritional, safety, transportation needs, physical care, or psychological comfort.
- **Coordination of benefits.** An employer may require exhaustion of FAMLI leave as a condition to STD, LTD, or another separate bank of leave benefits for the purpose of family and medical leave. An employer cannot require an employee to exhaust available FAMLI leave or begin

FAMLI leave as a condition to access leave that it is otherwise required to provide, like FMLA, state-mandated paid sick leave or any other leave an employee is entitled to under the terms of the policy. Employees are not required to exhaust STD, LTD, or other separate bank of leave benefits for the purpose of family and medical leave in order to access FAMLI benefits. Actions by employers suggesting otherwise may constitute unlawful interference.

- **Private plans.** Annual attestation is no longer required. Private plan benefits are not subject to Colorado income tax.

Connecticut

Here are the 2026 rates:

PFML rates	2025	2026
Required employee contributions (% of wages)	0.5%	0.5%
Maximum annual wage base	Social Security maximum wage base (SS max, $184,500 in 2026)	SS max
Maximum weekly benefit	$981	$1,016.40

The state does not require an employer contribution.

Delaware

A few weeks before benefits started on January 1, the Delaware Department of Labor amended its PFML regulations, focusing on benefit duration, coordination of benefits, and private plans. Here are the highlights:

- **Duration.** Employees may take up to six weeks of medical, family caregiving, and qualified exigency leave over a 24-month period. The rules clarify that the 24-month period starts on the first day of requested leave.
- **Coordination of benefits.** Employers cannot require employees to use paid time off (PTO) before PFML. Topping off the PFML benefit with PTO or an employer-provided disability or paid leave policy requires mutual employer-employee agreement and cannot exceed 100% of wages.

- **Private plans.** Private plans cannot collect employee contributions at a higher rate than the public plan rate. Approved private plans will take effect on the first day of the next quarter if the submission of documentation is provided at least 30 days in advance of the effective date.
- **Voluntary enrollment.** An employer who enrolls in any line of coverage voluntarily (i.e., a small employer), whether with the state or a private PFML plan, may not pass on any premium contribution obligations to employees.
- **Child support obligations.** A 2025 law requires employees to disclose child support obligations. The rules reduce the PFML benefit by the amount of those obligations, capped at 50% of the PFML benefit.
- **Definitions.** An application year is the 12-month period measured from the first day of leave. Temporary employees eligible to waive coverage and contributions are defined as those whose employment is expected to last less than 12 months. For purposes of determining the state where an employee primarily works, the standard is based on wages earned, not hours worked. To be eligible for Delaware PFML, the employee must earn at least 60% of wages in Delaware each quarter.

Hawaii

Here are the 2026 Temporary Disability Insurance (TDI) rates:

TDI rates	2025	2026
Maximum weekly employee contributions (0.5% of maximum weekly wage base)	$7.21	$7.50
Maximum weekly wage base	$1,441.72	$1,500.21
Maximum weekly benefit	$837	$871

The state does not mandate PFL benefits.

Massachusetts

Here are the 2026 rates:

PFML rates	2025	2026
Required employer contributions (% of wages)		
• 25 or more Massachusetts employees (medical leave portion only)	0.42%	0.42%
• Fewer than 25 Massachusetts employees	0.0%	0.0%
Required employee contributions	0.46%	0.46%
• Family leave portion	0.18%	0.18%
• Medical leave portion	0.28%	0.28%
Maximum annual wage base	SS max	SS max
Maximum weekly benefit	$1,230.39	$1,170.64

New York

The Department of Financial Services increased the maximum weekly PFL benefit from $1,177.32 (2025) to $1,228.53 (2026).

Eligibility for the PFL law requires at least 26 consecutive work weeks with the current employer for full-time employees, 175 workdays for part-time employees. Under 2025 Ch. 651 (AB 4727), construction employees not meeting those standards will be eligible for PFL benefits if they are covered by a collective bargaining agreement (CBA) and they worked at least 26 of the last 39 weeks with any employer that is a party to the CBA. Construction employees are those "who perform construction, demolition, reconstruction, excavation, rehabilitation, repairs, renovations, alterations, or improvements." The law will take effect on January 1, 2027, per an FAQ (corrective legislation was enacted on February 13).

Oregon

Oregon announced the 2026 rates and issued regulations, now in effect, to align with recently enacted legislation under its Paid Leave Oregon (PLO) program.

Rates. Here is a summary:

PLO rates	2025	2026
Required employer contributions (% of wages)		
• 25 or more employees nationally	0.4%	0.4%
• Fewer than 25 employees nationally	0.0%	0.0%
Required employee contributions	0.6%	0.6%

PLO rates	2025	2026
Maximum annual wage base	SS max	SS max
Maximum weekly benefit		
• From Jan 1 through June 30	$1,568.60	$1,636.56
• From July 1 through Dec. 31	$1,636.56	TBD

Regulations. The rules conform to changes from three laws — SB 913 (in 2023) and SB 69 and SB 858 (both in 2025) — were incorporated. The Oregon Employment Department (OED) clarified who may act on behalf of incapacitated or deceased claimants and described the program's actions if a claimant started a leave benefit year under an equivalent plan prior to applying for benefits from the state. The term "in loco parentis" was defined to be based on the "totality of the circumstances." These laws limit leave to care for a child to those under age 18 or with a limiting physical impairment and also disqualify employees receiving unemployment benefits during leave.

Rhode Island

Here are the 2026 Temporary Caregiver Insurance (TCI)/TDI rates:

TCI/TDI rates	2025	2026
Maximum annual wage base	$89,200	$100,000
Required employee contributions (% of wages)	1.3%	1.1%
Maximum annual contribution amount	$1,159.60	$1,100.00
Maximum weekly benefit		
• From Jan 1 through Jun 30	$1,070	$1,103
• From Jul 1 through Dec 31	$1,103	TBD

Washington

The Employment Security Department (ESD) published 2026 PFML rates and issued final PFML regulations, consistent with legislation enacted in 2025.

Rates. Here is a summary:

PFML rates	2025	2026
Total contribution rate (% of wages, up to SS max)	0.92%	1.13%

PFML rates	2025	2026
Required employer contributions:		
• 50 or more Washington employees nationally (28.57%)	0.26202%	0.32284%
• Fewer than 25 employees nationally	0.0%	0.0%
Required employee contributions (71.43%)	0.65798%	0.80716%
Maximum weekly benefit	$1,542	$1,647

Regulations. The rules, now in effect, implement portions of HB 1213 regarding benefit eligibility requirements, employer sizing, small business grants, employment restoration rights, notices, and continuation of health benefits. Highlights include:

- Reduction in the minimum leave taken during the seven-day waiting period, from eight to four consecutive hours; leave taken during the waiting period is noncompensable and does not reduce the maximum duration of available leave
- Revised process for determining employer size for employment protection requirements and new notice requirements
- Documentation requirements for small business assistance grants

Other types of leave

California and New York City broadened the permitted uses of their leave laws. For more information on all PSSL laws, see Roundup: State accrued paid leave mandates (July 23, 2025).

California

State PSSL and unpaid leave laws were amended for additional permitted uses, as a result of 2025 Ch. 148 (AB 406), now in effect. Employees may use PSSL or unpaid leave if they or a family member are a victim of specified crimes and are attending any judicial proceeding related to that crime. "Victim" is defined as a person against whom a violent felony, serious felony or felony theft, or embezzlement is committed. Victims also include those who suffer direct or threatened harm because of specified crimes or delinquent acts. Two additional PSSL reasons already covered under the unpaid leave law will apply: appearing in court as a witness to comply with a subpoena or other court order and serving on an inquest jury or trial jury. These provisions will expire on January 1, 2035.

New York — New York City

The city amended the Earned Sick and Safe Time Act to add these permitted uses: providing care for a child or care recipient, attending a legal proceeding for subsistence benefits or housing, and responding to a public disaster or workplace violence. The law also provides an additional 32 hours of unpaid safe/sick time, available upon hire and on the first day of each calendar year. This allotment replaces the two days previously provided by the Temporary Schedule Change Act. Employees may still request temporary changes to their work schedule subject to employer approval. The law's effective date is February 22.

Rx

California passed two major laws aimed at controlling prescription drug costs. Illinois expanded a 2024 PBM law to self-funded ERISA plans. Litigation continues in Iowa over a PBM law enacted last summer.

California

California enacted laws restricting PBM activities and capping insulin cost sharing.

PBM law. Governor Gavin Newsom signed 2025 Ch. 605 (SB 41), a comprehensive PBM law generally applicable to fully insured plans and health care service plans (including HMOs). Here is a summary of other provisions:

- Spread pricing ban
- 100% rebate pass-through to the payer (i.e., plan sponsor) or program
- Prohibition on calculating a participant's cost sharing at a greater amount than the actual rate paid by the plan or insurer, or the net price paid by the PBM, for a prescription drug
- Requirement that a participant's payment of the retail price must apply to the plan's cost sharing
- Prohibitions against a PBM requiring use of only an affiliated pharmacy and imposing requirements, conditions, or exclusions that discriminate against a nonaffiliated pharmacy
- Mandated PBM compensation de-linking, where PBM income must come solely from a management fee in a pass-through pricing model
- Quarterly PBM reporting to fully insured plan sponsors

SB 41 contains this exclusion to the PBM definition: a "fully self-insured employee welfare benefit plan under the Employee Retirement Income Security Act." The only provision applicable to self-funded ERISA plans is a PBM fiduciary duty to "be fair and truthful toward the client, to act in the client's best interests, to avoid conflicts of interest, and to perform its duties with care, skill, prudence, and diligence." In early January, the Pharmaceutical Care Management Association challenged this fiduciary provision in federal district court, alleging ERISA preemption.

The law will generally take effect for plan years starting in 2026. For additional information on this and other recent PBM laws, see Some states look to strengthen PBM standards (September 25, 2025).

With a few exceptions (like domestic partner coverage), California generally does not apply its insurance laws on an extraterritorial basis to fully insured plans issued in another state, as long as both an employer's principal place of business and a majority of employees are located outside of California. For a discussion on extraterritoriality, see Beyond state lines: A primer on insurance law extraterritoriality (March 26, 2025).

Insulin law. Under 2025 Ch. 737 (SB 40), fully insured plans and health care service plans in the large group market cannot impose cost sharing on insulin exceeding $35 for a 30-day supply, effective for 2026 plan years. The same requirement will apply to small group market plans and individual plans, starting in 2027. Step therapy is permissible if a plan covers at least one insulin in each drug type without step therapy. The law does not affect self-funded ERISA plans.

Illinois

Illinois amended the Insurance Code to address vaccine access and impose restrictions on PBMs in 2025 Pub. Act 104-0439 (HB 767):

- **Vaccines.** The law empowers the state Department of Public Health to establish vaccine guidelines via the Immunization Advisory Committee (IAC), replacing the federal Advisory Committee on Immunization Practices. The law also expands youth vaccine access in pharmacies. Fully insured plans must cover IAC-recommended vaccines, medical countermeasures, and related administration without cost sharing. An exception exists for grandfathered plans, excepted benefits, and short-term, limited duration plans. These provisions took effect December 2.
- **PBMs.** The Prescription Drug Affordability Act imposes PBM restrictions on fully insured plans (e.g., bans on spread pricing and steerage to affiliated pharmacies, and 100% rebate pass-through to the plan sponsor), all of which took effect in 2025. See Roundup of selected state health developments, third-quarter 2025 (October 21, 2025). HB 767 generally applies these rules to self-funded ERISA plans, with an exception for self-funded multiemployer union plans.

Iowa

Iowa's Department of Insurance and Financial Services issued Bulletin 25-6, which provides its interpretation of the scope of SF 383 — enacted in June 2025 — and a July 2025 preliminary injunction that stopped several provisions from taking effect. Specifically, the bulletin clarified that the preliminary injunction applies only to the named plaintiffs in the lawsuit — i.e., members of the Iowa Association of Business and Industry (ABI), plus their PBMs, contractors, and agents only "when acting on behalf of those plaintiffs."

Two more lawsuits were filed later by Wellmark (aka Blue Cross and Blue Shield of Iowa) and United HealthCare/OptumRx. In both cases, the insurance commissioner stipulated to preliminary injunctions similar to the one granted in the ABI case, which is currently on appeal to the 8th Circuit.

Insurance

California passed two significant insurance laws and finalized regulations. In a special session, New Mexico passed an insurance law addressing vaccines. A New York insurance law addressed cost sharing.

California

New laws addressed prior authorization and expanded benchmark plans. The Department of Managed Health Care (DMHC) finalized provider directory regulations applicable to health care service plans (including HMOs).

Prior authorization law. Under 2025 Ch. 408 (SB 306), health insurers and health care service plans must provide detailed prior authorization reports to DMHC and the Department of Insurance, respectively, by July 1. These departments will identify services approved at least 90% of the time and publish a list by July 1, 2027. No later than January 1, 2028, the published services will not be subject to prior authorization (a practice commonly referred to as gold carding), except for situations of fraud or clinically inappropriate care. Unless extended, the law will expire on January 1, 2034. The law does not affect self-funded ERISA plans.

Benchmark plans. As a result of 2025, Chs. 680/739 (AB 224/SB 62) — if approved by the federal Centers for Medicare & Medicaid Services — fully insured plans and health care service plans must add three covered services to the state's 2027 benchmark plan for essential health benefits under the Affordable Care Act (ACA): fertility treatment, durable medical equipment, and annual hearing exams and hearing aids once every three years. DMHC filed the application to update the benchmark plan with CMS on May 5, 2025. The law does not affect self-funded or large-group market fully insured ERISA plans, unless they use California as a benchmark state. The addition of

fertility coverage in the benchmark plan is consistent with the state's mandate for insured plans, currently in effect. See Roundup of selected state health developments, second-quarter 2025 (August 5, 2025).

Provider directory regulations. The provider directory rules offer needed clarifications to a 2015 law, long in effect. The regulations define key terms (e.g., defining the term "accepting new patients"), address telehealth providers and mandate how and when directories are updated. The health care service plan is responsible for compliance; DMHC has authority to issue penalties. The effective date is April 1. The rules do not apply to other fully insured or self-funded ERISA plans.

New Mexico

Under 2025 Ch. 5 (SB 3, Spec. Sess. 1), the state set vaccine guidelines for children and adults, requiring vaccines acquired through the Statewide Vaccine Purchasing Program to be recommended by the state Department of Health (DOH). Fully insured plans cannot impose cost-sharing for DOH-recommended vaccines. The law is in full effect. New Mexico generally does not apply its insurance laws on an extraterritorial basis to fully insured plans issued in another state. Other than access, the law does not directly affect self-funded ERISA plans.

New York

Under 2025 Ch. 625 (AB 5367), now in effect, any insurance cost-sharing mandate in the individual or group market applies only after the minimum deductible has been met, to the extent necessary to maintain the plan's status as an HSA-qualifying high-deductible health plan. The law aligns with a November 2023 resolution by the National Council of Insurance Legislators. New York generally does not apply its insurance laws on an extraterritorial basis to fully insured plans issued in another state. The law does not affect self-funded ERISA plans.

Other benefit-related issues

California updated its tax laws and enforced its health plan licensing requirements against an Employee Assistance Program (EAP) vendor. San Francisco added some flexibility to the Healthy Airport Ordinance (HAO) requirement. New Mexico passed a law addressing EPTCs for qualified health plans in the Health Insurance Marketplace (HIM). Washington clarified long-term care insurance requirements.

California

A new law — 2025 Ch. 231 (SB 711) — made changes to California's Revenue and Taxation Code to conform with years of changes made to the federal Internal Revenue Code (IRC) that was in effect

on January 1, 2025. California doesn't automatically conform to changes in the federal tax code and instead must enact legislation. The last major update was in 2015. Not all federal changes were adopted, however. Only certain changes made by the 2017 Tax Cuts and Jobs Act were adopted, and last summer's One Big Beautiful Bill Act (Pub. L No. 119-21) was not addressed.

California continues to treat HSAs and Qualified Small Employer Health Reimbursement Arrangements (QSEHRAs) differently. HSA contributions and earnings continue to be taxable under state law. Similarly, payments or reimbursements from a QSEHRA are taxable under state law. QSEHRAs are available only to small employers not subject to the ACA's employer shared-responsibility provisions. QSEHRAs can pay for individual health insurance premiums and qualified medical care expenses.

Also, California law requires health care service plans to register with DMHC or obtain an exemption. DMHC announced a $2 million settlement agreement with an EAP vendor offering short-term mental health services to an estimated 140,000 employees. The vendor agreed to cease operations as an unlicensed plan and transfer all subscribers to a licensed plan. Last year, another EAP vendor paid a fine for similar reasons; see Roundup of selected state health developments, fourth-quarter 2024 (February 20, 2025).

California — San Francisco

Late last year, San Francisco changed the Healthy Airport Ordinance (HAO) by providing a third method of meeting the Quality Standards Program (QSP), which requires certain employers to provide health coverage meeting minimum standards. The amendment takes effect on February 26.

Prior to the amendment, covered employers (i.e., subject to the QSP, adopted by the San Francisco Airport (SFO) Commission) could comply with the HAO in one of two ways:

- Offer qualifying health benefits (i.e., no cost self-only medical coverage with an actuarial equivalence of at least 90%)
- Make an annually adjusted contribution to the City Option Program

Under the amendment, a covered employer can choose to adopt the "Irrevocable Health Care Expenditure" tiered approach. Under the tiered approach, employers must meet minimum spending levels (annually adjusted), based on employees' household size:

- **Employee-only:** $6.17/hour (capped at $246.80/week)
- **Employee + one dependent:** $12.33/hour (capped at $493.20/week)
- **Employee + two or more dependents:** $17.44/hour (capped at $697.60/week)

Dependents include children and a spouse or registered domestic partner. Covered employees are those working at least 20 hours per week for contractors, subcontractors, and tenants. No minimum hours requirement applies to SFO service employees.

To be considered an Irrevocable Health Care Expenditure, the employer payment cannot be retained, recovered, or returned to the employer. The actuarial value of self-funded ERISA plan coverage qualifies as an Irrevocable Health Care Expenditure.

From February 26, 2026, through December 31, 2026, employers can comply under any of the three methods. Starting in 2027, the tiered approach will be the only available option for HAO compliance.

For other details on HAO requirements, see San Francisco contractor-lessee health plan standards, pay rates updated (September 5, 2025).

New Mexico

The state enacted 2025 Ch. 1 (HB 2, Spec. Sess. 1), creating a healthcare affordability fund to help state residents with costs, targeting reductions in premiums in the HIM and support for uninsured residents. Specifically, if the ACA is repealed in full or in part, invalidated by the US Supreme Court, or administered by HHS in a way that alters eligibility criteria for the EPTC, causing significant coverage loss, the state's healthcare authority has the power to minimize loss of coverage by expanding eligibility, subject to available funds. The law took effect on October 3. By early 2026, other states had taken similar measures.

Washington

ESD finalized regulations, now in effect, clarifying long-term care (LTC) legislation passed in 2025. Specifically, the rules implement parts of SB 5291, which amended the state's LTC coverage mandate (known as WA Cares). Here are the highlights:

- Automatic exemptions for holders of a nonimmigrant visa for temporary workers
- Voluntary exemptions for off-duty civilian employment for active-duty service members
- The process for rescinding an exemption through June 30, 2028
- Removal of the requirement that qualified individuals cannot have a break of five or more consecutive year

Related resources

Mercer Law & Policy resources

- State paid family and medical leave contributions and benefits (February 6, 2026)
- IRS clarifies taxation of state and DC PFML contributions, benefits (January 13, 2026)
- Roundup of selected state health developments, third-quarter 2025 (October 21, 2025)
- Some states look to strengthen PBM standards (September 25, 2025)
- San Francisco contractor-lessee health plan standards, pay rates updated (September 5, 2025)
- Roundup of selected state health developments, second-quarter 2025 (August 5, 2025)
- Roundup: State accrued paid leave mandates (July 23, 2025)
- Beyond state lines: A primer on insurance law extraterritoriality (March 26, 2025)
- Roundup of selected state health developments, fourth-quarter 2024 (February 20, 2025)

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