

## Recent H&W Developments to Watch

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May 20, 2025

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**PRACTICES** Employee Benefits and Executive Compensation

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Employers, take note – there have been recent developments to two major areas of health plan compliance that could impact future federal agency enforcement:

### ***Mental Health Parity and Addiction Equity Act (“MHPAEA”) Enforcement Freeze***

Under the Biden Administration, the DOL, HHS, and Treasury Departments (the “**Departments**”) released final rules (the “**2024 Final Rules**”) to implement new requirements surrounding the MHPAEA, including a fiduciary certification of the non-quantitative treatment limitations comparative analysis and a “meaningful benefit” standard for covered mental health conditions and substance abuse disorders. The 2024 Final Rules have staggered effective dates beginning on January 1, 2025.

The ERISA Industry Committee recently challenged the 2024 Final Rules in a lawsuit against the Departments. On May 12, 2025, the U.S. District Court for the District of Columbia granted a motion to freeze the litigation proceedings while the Trump Administration reconsiders the 2024 Final Rules.

The Trump Administration announced on May 15th that it will not enforce the 2024 Final Rules or pursue enforcement actions based on a failure to comply with those rules that occurs prior to a final decision in this case, plus 18 months afterward.

The Trump Administration statement is available [here](#).

### ***Affordable Care Act (“ACA”) Penalties Challenge***

Under the ACA’s employer shared responsibility provisions, if an employer fails to offer minimum essential health coverage to its full-time employees and their dependents, the employer may be liable for an excise penalty tax assessed against it by the IRS. However, a recent case out of the U.S. District Court for the Northern District of Texas could invalidate the IRS’s authority to assess and collect these penalties.

In *Faulk Company, Inc. v. Becerra*, the plaintiff, Faulk Company, Inc. (“**Plaintiff**”), challenged an employer shared responsibility payment (“**ESRP**”) assessed by the IRS on the basis that the HHS did not have the statutory authority to delegate the enforcement of the penalties to the IRS.

In the Court’s analysis, the Court determined that nothing in the ACA or the Internal Revenue Code conferred any independent power to the IRS to issue a certification to an employer for an ESRP. Accordingly, the Court concluded that this delegation of authority by the HHS is void and unenforceable.

The HHS has appealed this ruling. In the meantime, if an employer has a pending ESRP assessment, it may be worth challenging it.

The *Faulk* Opinion and Order is available [here](#).