



Keeping Up With Compliance Quarterly

2nd Quarter 2025

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 Evolution of Benefits.

Recent Federal Developments

EEOC and DOJ Issue Guidance on DEI-related Discrimination

On March 19, 2025, the U.S. Equal Employment Opportunity Commission (EEOC) and the U.S. Department of Justice (DOJ) issued joint [guidance](#) on illegal and discriminatory diversity, equity and inclusion (DEI) practices. The EEOC also issued [frequently asked questions \(FAQs\)](#) regarding DEI-related discrimination. As background, President Donald Trump has issued executive orders (EOs) that seek to terminate all illegal DEI mandates, policies, programs, preferences and activities.

The EEOC and DOJ guidance states that DEI programs may be unlawful under Title VII of the Civil Rights Act if they are motivated, in whole or in part, by an employee's protected trait. Additionally, employers may not justify taking an employment action on the basis of a protected trait because they have a business interest in diversity. Although the guidance does not alter existing law (which has always banned consideration of an individual's protected trait in employment decisions), it provides insight into how such agencies will evaluate claims of DEI-related discrimination and how employers may prevent such claims.

Executive Order Revokes Federal Contractor Minimum Wage

On March 14, 2025, Trump issued an [EO](#) rescinding Biden-era [EO 14026](#). EO 14026 established a minimum wage rate for federal contractors (\$17.75 per hour, effective Jan. 1, 2025) and was generally applicable to contracts with the federal government that were entered into, extended or renewed on or after Jan. 30, 2022. [EO 13658](#), which has not been rescinded and remains in effect, generally applies to contracts with the federal government that were entered into, extended or renewed before Jan. 30, 2022. The March 2025 EO does not clarify whether federal contractors previously subject to EO 14026 will now be subject to EO 13658, which has a minimum wage rate of \$13.30 per hour (\$9.30 per hour for tipped employees). However, to the extent they are not, federal contractors must still pay workers the higher out of the federal minimum wage rate, state minimum wage rate, or any other applicable law or regulation.

New Wave of Lawsuits Target Health Plan Tobacco Surcharges

Numerous class-action lawsuits have recently been filed against employers alleging that health plan premium surcharges related to tobacco use violate federal compliance requirements. These lawsuits have been filed by current and former employees of major U.S. companies who have paid more in premiums due to their tobacco use. In general, the lawsuits assert that the health plans violated HIPAA's nondiscrimination rules by not offering a reasonable alternative standard to avoid the surcharge (or only applying the premium reduction on a prospective basis after completing the alternative standard) and not describing the availability of the alternative standard in all plan materials. The lawsuits request various forms of relief, including reimbursing employees who paid the surcharges with interest, disgorging any benefits or profits, and paying all attorney fees and costs. Given the recent wave of litigation, employers that impose tobacco surcharges should review whether their wellness programs are administered in accordance with HIPAA's requirements.

EO Directs Federal Agencies to Improve Health Care Price Transparency

On Feb. 25, 2025, Trump issued an [EO](#) directing federal agencies to issue new guidance to improve health care price transparency. As background, federal agencies issued a [final rule](#) in November 2020 that imposed new transparency requirements on group health plans and health insurance issuers, including a requirement to make an internet-based self-service tool available to participants, beneficiaries and enrollees to disclose the personalized price and cost-sharing liability for covered items and services. According to the EO, progress on health care price transparency at the federal level has stalled since the end of Trump's first term. Although most employers rely on their issuers or third-party administrators to satisfy many transparency requirements, employers should still monitor this topic for additional guidance from federal agencies.

IRS Issues ACA Reporting Guidance on Individual Statements

On Feb. 21, 2025, the IRS issued [Notice 2025-15](#), providing guidance on the alternative manner of furnishing statements to covered individuals and full-time employees using Forms 1095-B and 1095-C in accordance with the Affordable Care Act's (ACA) reporting requirements. To take advantage of the alternative reporting method, IRS Notice 2025-15 confirms that an employer must post a clear and conspicuous notice on its website stating that individuals may receive a copy of their statement upon request. The notice must be posted by the furnishing deadline and retained in the same location through Oct. 15 of the year following the calendar year to which the statement relates (e.g., Oct. 15, 2025, for 2024 statements). In addition, any request must be fulfilled by Jan. 31 of the year following the calendar year to which the return relates or 30 days after the date of the request, whichever is later.

Mental Health Parity Has Continued to Be a Top Enforcement Priority

On Jan. 17, 2025, the U.S. Department of Labor's Employee Benefits Security Administration (EBSA) released its annual enforcement report on the Mental Health Parity and Addiction Equity Act (MHPAEA). According to EBSA, MHPAEA compliance has remained one of its top enforcement priorities. MHPAEA is a federal law that prevents group health plans and health insurance issuers that provide mental health or substance use disorder (MH/SUD) benefits from imposing less favorable benefit limitations on those benefits than medical and surgical benefits. EBSA's enforcement efforts have focused on detecting and eliminating nonquantitative treatment limitations (NQTLs) that block parity for MH/SUD benefits.

According to EBSA's report, it has devoted nearly 25% of its enforcement program work to focusing on NQTLs. Generally, if violations are found by an EBSA investigator, the health plan must remove any noncompliant plan provisions and pay any improperly denied benefits. However, the future of EBSA's vigorous enforcement of MHPAEA is somewhat uncertain due to a few factors, including budget restraints and the new presidential administration.

Recent State Law Developments

Missouri Sample Paid Sick Leave Notice and Poster Are Available

The Missouri Department of Labor and Industrial Relations has posted a sample [employee notice](#) and [workplace poster](#) for the state's earned paid sick time (EPST) law, currently scheduled to take effect May 1, 2025. Most Missouri employers and workers are covered by the law, but existing employer leave policies may satisfy the EPST mandate. Employers must provide written notice of EPST to employees within 14 days of the start of employment or by April 15, 2025, whichever is later. In addition, employers must display a workplace poster about EPST in a conspicuous and accessible place also by April 15. Despite ongoing repeal efforts in the courts and state legislature, employers should prepare to comply with the law.

Iowa Removes Gender Identity Discrimination Protections

On Feb. 28, 2025, Iowa [amended](#) the Iowa Civil Rights Act (ICRA) to remove gender identity as a protected trait and define "gender" as either male or female, as observed or verified at birth, effective July 1, 2025. Iowa is the first state to remove protections for gender identity and reflects federal efforts to narrow the definition of "sex." Although the amendment removes gender identity discrimination protections under state law, federal law still prohibits most employers with 15 or more employees from discriminating against individuals on the basis of gender identity.

Michigan Enacts Changes to Minimum Wage and Paid Sick Time

The Michigan Legislature has passed bills altering increases to minimum wage and paid sick time that were ordered by the Michigan Supreme Court last year. The bills were signed by Gov. Gretchen Whitmer on Feb. 21, 2025, and took effect immediately.

The new [legislation](#) raises the state's standard minimum wage rate to \$12.48 an hour on Feb. 21, 2025; \$13.73 an hour on Jan. 1, 2026; and \$15 an hour on Jan. 1, 2027. The new law also changes the tipped minimum wage rate to 38% of the standard minimum wage rate on Feb. 21, 2025; 40% of the standard minimum wage rate on Jan. 1, 2026; and 42% of the standard minimum wage rate on Jan. 1, 2027. The tipped minimum wage rate equation continues to increase by 2% each year until it reaches 50% of the standard minimum wage rate in 2031.

The new [legislation](#) also delays the effective date of the paid sick leave requirement until Oct. 1, 2025, for businesses with 10 or fewer employees. The changes also allow these small employers to limit earned sick time to just 40 hours of paid sick leave per year, whereas the original law required them to provide an additional 32 hours of unpaid leave annually.

Deadline for California 2024 Pay Data Reporting Is May 14, 2025

Employers with 100 or more employees and/or 100 or more workers hired through labor contractors, in each case at least one of whom is in California, must file [annual workforce pay data reports](#) with the state Civil Rights Department (CRD). 2024 pay data reports are due on May 14, 2025. California law requires large employers to submit pay data reports to the CRD annually that outline pay, data on pay, hours worked, demographics and other workforce data. The CRD uses this data to identify wage patterns and effectively enforce equal pay and anti-discrimination provisions.

California Updates Employee Leave Law Poster

The California CRD has updated the workplace [poster](#) for family and medical leave and pregnancy disability leave. The California Family Rights Act (CFRA) requires employers with at least five employees to allow eligible employees to take unpaid, job-protected leave of up to 12 weeks annually to care for themselves or their family members with a serious health condition or to bond with a new child. The California Fair Employment and Housing Act (FEHA) requires employers with at least five employees to provide employees disabled by pregnancy with up to four months (more in some cases) of unpaid, job-protected leave.

For both CFRA and pregnancy disability leave, employers must post a workplace notice about the leave and include the notice in any employee handbook. In addition, for pregnancy disability leave, employers must give employees a copy of the appropriate notice as soon as practicable after the employee tells the employer of their pregnancy or sooner if the employee inquires about reasonable accommodation, transfer or pregnancy disability leave.

Cal/OSHA Issues Guidance for Worker Safety and Health During Fire Cleanup

The California Occupational Safety and Health Administration (Cal/OSHA) has issued [guidance](#) on worker safety and health during fire cleanup and reconstruction. Cal/OSHA requires employers performing cleanup and other work in areas damaged or destroyed by fire to identify and evaluate hazards; correct any unsafe or unhealthful conditions; and provide training and instruction to employees. This guidance provides information on potential hazards that could be encountered and the workplace health and safety standards that apply to all employees performing fire cleanup and reconstruction.

Illinois Eliminates Subminimum Wages for Disabled Employees

On Jan. 21, 2025, Illinois enacted the [Dignity in Pay Act](#), which phases out subminimum wage authorizations permitted under the Fair Labor Standards Act until they are completely eliminated in the state by Dec. 31, 2029. The Dignity in Pay Act creates a task force to oversee the transition and creates a transition grant program to provide financial support for employers to continue to employ workers with disabilities while paying them at least the minimum wage.

Ohio Enacts Wage Statement Law

On Jan. 8, 2025, Ohio enacted the [Pay Stub Protection Act](#), requiring employers to provide earning and deduction statements to each employee. The law became effective on April 9, 2025. It requires employers to provide written or electronic wage statements (or access to these statements) to every employee each pay period. The statement must include specific information for each pay period, such as the gross wages earned by the employee, net wages paid to the employee, and a listing of the amount and purpose of each addition to or deduction from wages. If employees are paid on an hourly basis, employers must also include the total number of hours the employee worked in the pay period, the hourly rate at which the employee was paid and the employee's hours worked in excess of 40 hours in one workweek in the wage statement.