State/Local Compliance Update: August 2025

A brief update on what happened the prior month in group health plan compliance at the state and local level, listed alphabetically.

California

- **San Francisco 2026 HCSO expenditure rates posted.** San Francisco has posted the 2026 minimum healthcare expenditure (HCE) rates under the San Francisco Health Care Security Ordinance (HCSO). The HCSO applies to employers that must obtain a San Francisco business registration certificate and have at least 20 employees in any location if at least one works in the city/county of San Francisco. The HCE is the minimum amount covered employers must spend on healthcare for each hour worked by a covered employee. Employers subject to the HCSO also need to submit an annual reporting form by each April 30 and comply with notice posting requirements. Also note that self-insured employers have until February 1 each year to top-off expenditure rates for the prior year if the employer failed to make the required healthcare expenditures during the prior year.

Delaware

- **Delaware modifies state paid family and medical leave program.** HB 128 was signed by Governor Meyer on July 31 and modifies the state's paid family and medical leave program (Delaware Paid Leave) before benefits become available on January 1, 2026. The modifications under HB 128 include the following:
    - Delaware Paid Leave is the primary payor of benefits. So, an employer's disability insurance benefits may be offset by Delaware Paid Leave, per the terms of the disability policy. Other available income replacement benefits must be coordinated with Delaware Paid Leave benefits according to the terms of the policy or procedure governing other available benefits.
    - Rescinds a provision that allowed an employer to require an employee to use accrued paid time off before accessing Delaware Paid Leave benefits. Instead, the law now provides that an employer may not require use of accrued paid time off prior to receipt of Delaware Paid Leave benefits. HB 128 also confirms that use of accrued paid time off to "top off" or supplement Delaware Paid Leave benefits requires both the employer and employee to agree to the top off.
    - Employers may satisfy their obligations to comply with Delaware Paid Leave through a private plan. Prior to HB 125, employers were required to apply for and renew private plans between September 1 and December 1 of each year. The Delaware DOL is now required to accept applications for approval of an employer's use of a private plan on a rolling basis, with effective dates of January 1, April 1, July 1, or October 1. Employers with self-insured private plans may begin collecting contributions as of July 30, 2025. Although there are fewer requirements imposed on employers with fewer than 25 employees in Delaware, if an employer with fewer than 25 employees in Delaware with a private plan voluntarily elects to provide coverage for any reason that is not required by the law, all the provisions of the law will be applied as if the employer were a

covered employer. Finally, employers with private plans no longer need to provide claim documentation to the state, unless there is an appeal, complaint, audit, or specific inquiry from the state.

Illinois

- **Illinois adopts certain paid military funeral leave.** On August 1, Governor Pritzker signed SB 220 that amends (effective immediately) the state's Military Leave Act to require employers with 51 or more employees to provide certain covered employees with up to eight hours of paid leave per month (or up to 40 hours of paid leave per calendar year) when serving on a military funeral honors detail. This leave is in addition to other paid leave an employer already provides to its employees, whether due to legal requirements (e.g., under the Illinois Paid Leave for All Workers Act) or as a voluntary company benefit.
- **Illinois enacts job-protected leave requirements for parents with newborns in intensive care.** On August 15, Governor Pritzker signed HB 2978 (the "Neonatal Intensive Care Leave Act") that will require employers with 16 or more employees to provide certain amounts of unpaid leave (depending on the size of the employer) to all employees while any child of the employee is a patient in a neonatal intensive care unit (NICU). Employers with 16 to 49 employees must provide up to 10 days of unpaid leave. Employers with 50 or more employees must provide up to 20 days. This neonatal leave is in addition to leave under FMLA—that is, FMLA is used first and then the additional 20 (or 10) days must be allowed if the child is still in a NICU. This law goes into effect June 1, 2026.