Compliance Bulletin

Health Coverage for GLP-1 Drugs: Employer Considerations

Glucagon-like peptide-1 (GLP-1) medications have evolved from their initial use in managing Type 2 diabetes to becoming widely popular treatments for obesity. Their high cost, combined with the large number of people who might benefit and the potential for long-term use, has intensified employers' concerns about the financial burden of covering GLP-1 medications for weight management.

Employers may be facing difficult decisions about whether to broaden health plan coverage for GLP-1 medications to include weight loss, as well as determining what conditions or limitations should apply to that coverage. Although federal law does not require health plans to cover GLP-1 medications for obesity treatment, the legal landscape is still developing regarding how such exclusions may be viewed under federal nondiscrimination rules, including the Americans with Disabilities Act (ADA), the Affordable Care Act (ACA), the Health Insurance Portability and Accountability Act (HIPAA), and the Mental Health Parity and Addiction Equity Act (MHPAEA).

Employers can also consider contributing to tax-advantaged accounts—such as health flexible spending accounts (FSAs), health reimbursement arrangements (HRAs) or health savings accounts (HSAs)—to help employees offset the cost of these medications. These tax-advantaged accounts can reimburse (or pay for) GLP-1 drugs if the weight loss is a treatment for a specific disease diagnosed by a physician, such as obesity or heart disease. They cannot reimburse expenses if the purpose of the weight loss is the improvement of appearance, general health or sense of well-being.

Action Items

Employers should ensure that plan documents accurately reflect their health plan's coverage of GLP-1 drugs. Any changes to coverage should be clearly communicated to plan participants through an updated summary plan description (SPD) or a summary of material modifications (SMM). Benefit guides and enrollment materials should also be reviewed for accuracy and consistency. Employers should regularly

GLP-1 Coverage Statistics

KFF's 2025 Employer Health Benefits Survey shows that:

- Nearly 20% of large employers (200+ employees) cover GLP-1 drugs when used primarily for weight loss;
- The largest employers (5,000+ employees) are the most likely to provide this coverage, at 43%;
- 34% of the employers offering this coverage require enrollees to meet with a dietician, case manager or therapist, or participate in a lifestyle program to receive the medication; and
- Many employers (as high as 66% of employers with 5,000+ employees) said this coverage had a "significant" impact on their health plan's prescription drug spending.

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review plan operations to ensure they align with the plan's written terms and are applied consistently to similarly situated participants.

Health Plan Coverage

There is no broad federal mandate requiring employer-sponsored health plans to cover GLP-1 drugs for the treatment of diabetes or obesity. In general, employers have discretion in deciding what benefits to cover under their health plans, subject to specific coverage mandates, such as the ACA's market reforms and MHPAEA's parity requirements for mental health and substance use disorder (MH/SUD) benefits. Employers with fully insured health plans often have less flexibility in shaping their plan design because they must choose from options that comply with state insurance mandates.

While some states require their Medicaid and state employee health plans to cover GLP-1 drugs for obesity treatment, other states have eliminated this coverage due to cost and budget concerns. For employer-sponsored fully insured health plans, North Dakota became the first state to require coverage for GLP-1 drugs for obesity by adding this benefit to its essential health benefits benchmark plan, effective for 2025. This benefit mandate applies only to small employers with fully insured health plans; it does not apply to larger employers or to employers with self-insured health plans. Although several state legislatures have considered measures to require GLP-1 coverage in the private insurance market, none of those efforts have been enacted so far.

In addition, indication-based coverage for GLP-1 drugs (i.e., covering GLP-1 drugs for diabetes treatment but not for treatment of obesity or other conditions) may raise discrimination concerns under federal law. Because this is an evolving area of the law, employers should carefully consider the risks involved with such coverage exclusions on an ongoing basis. While no federal law specifically bars discrimination based on weight, employers should consider their obligations under the following laws:

- **ADA:** The ADA, which applies to employers with 15 or more employees, prohibits employment discrimination on the basis of disability. While the ADA broadly defines "disability," most courts have held that obesity is not a protected disability under the ADA, unless it is the symptom of an actual or perceived underlying physiological disorder or medical condition. However, a minority of courts have taken a broader view, ruling that obesity can be a disability even without an underlying health condition. Also, the Equal Employment Opportunity Commission has filed disability-related lawsuits in the past on behalf of employees who are morbidly obese;

- **ACA Section 1557 Nondiscrimination:** Section 1557 of the ACA prohibits covered entities from discriminating in certain health programs and activities based on disability, which is defined as a physical or mental impairment that substantially limits one or more major life activities as evidenced by a permanent or substantial impairment. In early 2026, the U.S. Court of Appeals for the 1st Circuit affirmed the dismissal of proposed class-action lawsuits alleging that a coverage exclusion for weight loss drugs violated Section 1557 (see, e.g., *Holland v. Elevance Health, Inc.*). Although this claim was unsuccessful, it is possible that another court could reach a different conclusion, depending on the specific facts involved;

- **HIPAA**: HIPAA prohibits group health plans and group health insurance issuers from discriminating against individuals with regard to eligibility, premiums or coverage based upon a health status-related factor, which includes an individual's health status, medical condition or disability. A group health plan may exclude coverage for a specific disease or for certain treatments or drugs if the exclusions are the same for all similarly situated individuals and the employer is not targeting specific individuals with a particular medical condition; and

- **MHPAEA**: MHPAEA generally prevents group health plans that provide MH/SUD benefits from imposing less favorable limits on those benefits than on medical and surgical coverage. MHPAEA's parity requirements may be violated if a health plan strictly limits GLP-1 coverage to medical conditions (e.g., diabetes) and excludes coverage

for similarly evidenced reasons related to MH/SUD treatment or imposes utilization management techniques for these drugs that are more restrictive for MH/SUD uses than for medical conditions.

Employers that provide GLP-1 coverage through **lifestyle or wellness programs** should review those programs to ensure they meet applicable nondiscrimination requirements, such as HIPAA's rules for health-contingent wellness programs and the ADA's rules for wellness programs that make disability-related inquiries or require medical exams. A GLP-1 wellness program that asks about family medical history, such as diabetes, heart disease or obesity, must also comply with the Genetic Information Nondiscrimination Act.

Tax-advantaged Health Accounts

Employers that do not offer health plan coverage of GLP-1 drugs for weight loss may consider contributing to a tax-advantaged health account to help employees pay for this medication, such as a health FSA, HRA or HSA. These accounts are subject to different rules regarding eligibility and contributions, as highlighted below:

- **Health FSA**: Employees can set aside pre-tax dollars, and employers can opt to contribute to these accounts to help employees pay for eligible medical expenses that are not covered by their health plan. Employee contributions are limited to **$3,400** for plan years beginning in 2026. Only employees who are eligible for the employer's group health plan can participate in a health FSA. Unused funds in the health FSA are forfeited at the end of the year, unless the plan provides for a grace period or allows carryovers of up to 20% of the annual contribution limit ($680 for 2026 plan years);

- **HRAs**: Employers can contribute to these accounts to help employees pay for eligible medical expenses that are not covered by their health plan. Employees are not allowed to contribute. HRAs must be integrated with other health coverage, which means that only employees (and their spouses and dependent children) who are enrolled in non-HRA group health coverage can participate in the HRA. Unused funds can be carried over from one year to the next, depending on the HRA's design;

- **Excepted Benefit HRAs (EBHRAs)**: Employers can contribute to this special type of HRA to help employees pay for eligible medical expenses that are not covered by their health plan. For plan years beginning in 2026, contributions are limited to **$2,200**. Employees are not allowed to contribute. These accounts are not subject to the same integration rules as regular HRAs, although employees must be offered coverage under the employer's group health plan to be eligible for the EBHRA, regardless of whether they enroll. Unused funds can be carried over from one year to the next, depending on the HRA's design; and

- **HSAs:** Employees can set aside pre-tax dollars and employers can opt to contribute to these individually-owned accounts to help employees pay for eligible medical expenses that are not covered by their health plan. For 2026, contributions are limited to **$4,400** for individuals with self-only coverage under a high deductible health plan (HDHP) and **$8,750** for individuals with family HDHP coverage. Employees must be covered under an HDHP to be eligible for HSA contributions. Unused funds carry over from one year to the next.

These tax-advantaged accounts can only be used to pay out-of-pocket costs for qualified medical expenses that are not covered by a health plan. Qualified medical expenses must be incurred primarily to alleviate or prevent a physical or mental defect or illness. **Expenses that are merely beneficial to general health are not qualified medical expenses.** In general, weight loss drugs are not qualified medical expenses if the purpose of the weight loss is the improvement of appearance, general health or sense of well-being. However, if the weight loss is a treatment for a **specific disease diagnosed by a physician** (e.g., obesity, diabetes, hypertension or heart disease), these costs may be considered qualified medical expenses that can be reimbursed tax-free through a health FSA, HRA, EBHRA or HSA.