Health Benefits Compliance

# Consolidated Appropriations Act of 2026: New Federal PBM Reforms

On February 3, 2026, the Consolidated Appropriations Act of 2026 (CAA 2026) was signed into law, a federal funding package containing a broad range of healthcare provisions, including significant PBM industry reforms. CAA 2026 added new section 726 to the Employee Retirement Income Security Act (ERISA) and parallel provisions to the Public Health Services (PHS) Act and the Internal Revenue Code (IRC), so the PBM reforms apply to both ERISA and non-ERISA plans.

## Background

Pharmacy Benefit Managers (PBMs) are third parties that manage most health plan prescription drug benefits. Employers that sponsor a group health plan commonly rely on PBMs to process prescription drug claims, design pharmacy networks and negotiate rebates from drug manufacturers. The PBM industry generally has faced growing scrutiny amid questions from stakeholders regarding lack of PBM transparency and certain PBM practices that increase prices.

The **federal government** has made efforts to address concerns about PBM practices. Congressional action includes provisions in the Consolidated Appropriations Act of 2021 (CAA 2021) and the Transparency in Coverage Final Rule (TiCFR 2020). These are collectively referred to as the Transparency rules. In addition, the Inflation Reduction Act (2022) also allowed the federal government to negotiate Rx pricing which would indirectly help pricing overall. U.S. Presidents over the last decade have also issued various Executive Orders to provide more guardrails.

Multiple **state governments** have also passed laws in attempts to address concerns about PBM practices. In response, the Pharmaceutical Care Management Association (PCMA) filed lawsuits, claiming states don't have the ability or authority to regulate PBMs because federal ERISA preempts those laws. The PCMA continues to respond with lawsuits when states pass PBM laws. Litigation has created mixed results, and some cases are still ongoing and pending.

More recently, on January 28, 2026 just prior to the CAA 2026, the **Department of Labor (DOL)** issued a proposed rule that would establish new PBM fee-disclosure obligations, further underscoring the federal government's increasing focus on regulatory oversight of the industry. *See the last section of this resource for more information on this separate proposed rule.*

## CAA Bill Highlights

The CAA 2026 includes comprehensive PBM industry reforms. Key highlights for health plan sponsors and health insurance issuers include the following:

### Mandatory PBM Reporting

PBMs must provide group health plans and health insurance issuers detailed prescription drug spending data at least twice per year, or quarterly if requested. PBMs must also supply drug spending summary documents that plans can share with participants and beneficiaries upon request.

### Group Health Plan Notice Requirements

Each year, group health plans must provide participants and beneficiaries with a written notice explaining that their PBM is required to submit prescription drug spending reports. This notice may be incorporated in plan documents or provided separately to individuals. Upon request, plans must also furnish:

- The PBM's summary document; and
- For large plans, information showing the difference between what the plan paid the PBM and what the PBM paid the pharmacy for a covered drug associated with the requesting participant or beneficiary's claim.

### Full Rebate Pass-through to Plans

As background, ERISA requires covered service providers to disclose specified information about their services and all expected direct and indirect compensation to ensure plan fiduciaries have the information necessary to evaluate the reasonableness of service contracts. The CAA 2026 **expands ERISA's "covered service provider" definition specifically to encompass PBM services**, along with other health plan-related services.

In order for their contracts to be considered reasonable under **ERISA section 408(b)(2)** compensation disclosure rules (and qualify for a prohibited transaction exemption), PBMs must pass on **100% of all rebates, fees, alternative discounts and other remuneration** to group health plans and issuers. These rebates, fees and alternative discounts must generally be paid on a quarterly basis, fully disclosed and enumerated to the group health plan or issuer, and returned to the PBM if an audit by a plan sponsor, issuer or designated third party indicates overpayment to the plan. If a PBM fails to remit required rebates, plan fiduciaries will be treated as violating ERISA unless they satisfy certain requirements.

### Effective Date

The PBM **reporting requirements** and related group health plan participant notice obligations apply to **plan years beginning on or after August 3, 2028.**

- Federal agencies must issue regulations establishing a standard reporting format for PBMs no later than August 3, 2027. To the extent practicable, the format must align with existing Prescription Drug Data Collection (RxDC) reporting requirements. More information on RxDC reporting can be found here.

The PBM **rebate pass-through requirements** apply to PBM contracts that are entered into, renewed, or extended for **plan years beginning on or after August 3, 2028.**

### Penalties

Failure to provide the required information by a PBM or group health plan may result in a civil monetary penalty of $10,000 for each day the information is not reported. Additional penalties (up to $100,000) may apply if false information is provided. Penalties may be waived for good-faith efforts to comply.

### Medicare Part D Reforms

In addition, the bill contains several Medicare Part D-related reforms, including:

- Prohibiting PBM compensation in Medicare Part D from being tied to the manufacturer's list price of a drug;
- Requiring the Centers for Medicare & Medicaid Services (CMS) to define and enforce "reasonable and relevant" Medicare Part D contract terms, including reimbursement and dispensing fee information, with enforcement authority to impose monetary penalties; and
- Authorizing CMS to track pharmacy payment trends and pharmacy inclusion in PBM networks, including a designation of "essential retail pharmacies."

## Separate DOL Proposed Rule

On **January 28, 2026** just prior to the CAA of 2026, the DOL issued a proposed New **PBM Fee-Disclosure Rule** based on an April 2025 Executive Order aimed at improving employer health plan transparency regarding PBM compensation. The DOL's proposed rule would significantly expand PBM disclosure obligations under ERISA's compensation disclosure provisions.

Specifically, PBMs would be required to provide compensation disclosures to fiduciaries of ERISA-covered self-insured group health plans, enabling those fiduciaries to assess the reasonableness of PBM compensation in fulfilling their fiduciary duties under ERISA. The proposal would require PBMs to disclose the following information:

- **Rebates and other payments** from drug manufacturers;
- **Compensation** received when the price paid by the plan for a prescription drug exceeds the amount reimbursed to the pharmacy; and
- **Payments recouped from pharmacies** in connection with prescription drugs dispensed to the plan.

The proposed rule would also allow plan fiduciaries to audit the accuracy of PBM disclosures and provide additional relief for plan fiduciaries if their PBM fails to meet its obligation.

While the proposal **excludes fully insured group health plans**, the DOL stated that disclosure obligations for these plans are being reserved for future action and specifically requested public comments on this issue. Public comments on the proposal are due on or before **March 31, 2026**.


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