Legal Update | Major PBM Reforms Advance in Congress as DOL Proposes New PBM Fee-Disclosure Rule

Federal oversight efforts directed at the pharmaceutical benefit manager (PBM) industry have accelerated in recent weeks. On Jan. 22, 2026, the House of Representatives passed the Consolidated Appropriations Act (CAA) of 2026, a funding package containing a broad range of healthcare provisions, including significant PBM industry reforms. The Senate passed the legislation on Jan. 30, 2026, with amendments to different parts of the bill, so it will now return to the House for further action. Separately, the U.S. Department of Labor (DOL) announced on Jan. 28, 2026, 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.

Background

PBMs are third parties that manage most health plans' prescription drug benefits. Health plans generally rely on PBMs to process prescription drug claims, design pharmacy networks and negotiate rebates from drug manufacturers. In recent years, the PBM industry has faced growing scrutiny amid questions from stakeholders regarding lack of PBM transparency and certain PBM practices, such as retaining a share of drug manufacturer rebates and use of spread pricing. In response, state PBM laws have surged nationwide in the absence of federal regulations.

CAA Bill Highlights

To address these growing concerns, the CAA bill 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 and the PBM and what the PBM paid the pharmacy for a covered drug associated with the requesting participant or beneficiary's claim.

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 may apply if false information is provided. Penalties may be waived for good-faith efforts to comply.

Full Rebate Pass-through to Plans

In order for their contracts to be considered reasonable under the Employee Retirement Income Security Act (ERISA) compensation disclosure rules, 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 not be treated as violating ERISA as long as they satisfy certain requirements.

In addition, the bill **expands ERISA's "covered service provider" definition specifically to encompass PBM services**, along with other health plan-related services. 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.

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 manufacture'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"

DOL Proposal

Similar to the CAA bill, the DOL's proposed rule would significantly expand PBM disclosure obligations under ERISA's compensation disclosure provisions by implementing an April 2025 Executive Order aimed at improving employer health plan transparency regarding PBM compensation.

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 manufactures;
- **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**.

CAA Effective Dates

- The **PBM reporting and group health plan notice requirements** would become effective for plan years beginning on or after 30 months after the date of enactment.
- Regulations specifying **a standard format for PBMs to submit required reports** would be required no later than 18 months after the date of enactment. To the extent practicable, these regulations would need to align with current prescription drug reporting requirements.
- The **PBM rebate pass-through provisions** would become effective for contracts entered into, renewed or extended for plan years beginning on or after 30 months after the date of enactment.