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Employee Benefits Compliance

DOL Proposes to Expand Disclosures to Pharmacy Benefit Managers: The Impact on Plan Sponsors

Introduction

On January 30, 2026, the U.S. Department of Labor's (the Department) issued a [Notice of Proposed Rulemaking](#) (the Proposed Rule) that would significantly expand compensation disclosure obligations for pharmacy benefit managers (PBMs) and certain affiliated brokers and consultants that provide services to ERISA-covered self-insured group health plans. While this Proposed Rule does not directly impose requirements on group health plans, they would impact ERISA plan sponsors in their capacity as fiduciaries, resulting in more information for plan sponsors to evaluate in terms of whether their service provider arrangements—specifically PBM arrangements here—are reasonable. This impact is most significant for self-funded group health plans. Fully insured plans are not covered by the Proposed Rule at this time, although the Department has indicated that PBM disclosure requirements for insured plans may be addressed in future rulemaking.

Short Summary of the PBM Role

PBMs play a central role in managing prescription drug benefits by developing drug formularies, negotiating rebates and fees with drug manufacturers, establishing pharmacy networks, and processing prescription drug claims. While these services are core to pharmacy benefit administration, PBM compensation arrangements are often complex and opaque, and existing disclosure requirements do not consistently provide plan fiduciaries with full visibility into PBM compensation arrangements. The Proposed Rule would extend compensation disclosures to apply directly to PBMs and certain affiliated service providers. The stated goal of this expanded disclosure requirement is to ensure fiduciaries of self-insured group health plans receive more complete information on PBM compensation.

Brief ERISA Disclosure Reminder

A full discussion of ERISA fiduciary duties exceeds the scope of this Alert, but by way of reminder, ERISA generally requires that contracts with ERISA plan service providers must be for necessary services and must be reasonable with respect to the compensation paid for those services. Certain disclosure rules related to this requirement had been applicable to retirement plans for some time

and were extended to group health plans in 2021 by way of the Consolidated Appropriations Act. That extension, among other issues, required brokers, consultants and other plan service providers to disclose compensation to group health plans. This extension did not, however, specifically extend to PBMs and the range of compensation arrangements associated with PBM services. The Proposed Rule extends disclosure requirements specifically to PBMs, requiring more frequent disclosure, more detailed information, and confers on plan fiduciaries the right to audit those disclosures.

Overview of Proposed Rule

Under the Proposed Rule, plan sponsors that contract with a PBM to provide pharmacy benefits can expect to receive disclosures from their PBM, and from certain brokers and consultants with a PBM affiliation, which include:

- Initial disclosures "reasonably in advance of entering into, renewing, or extending" a PBM contract for plan services that includes a description of services and the nature and amount of compensation the PBM reasonably expects to receive in connection with the arrangement.
- Actual compensation earned every six months, including explanation of any differences in the estimate.
- Additional information upon request as needed for reporting and disclosure obligations.

The Proposed Rule requires a fairly high level of specificity as to the various types of PBM compensation that must be disclosed, in addition to requiring information on an aggregate and drug-specific basis. While a full review of the various types of compensation is overly technical for purposes of this discussion, note that the PBM disclosures must include the compensation the plan pays directly to the PBM, as well as third party payments the PBM receives from drug manufacturers, rebate aggregators, and other parties. In addition, the disclosures must include details on industry specific types of compensation that has been historically nontransparent, including "spread compensation" and "copay claw-back" compensation. Finally, the Proposed Rule provides self-insured group health plans with the right to audit PBM disclosures, while leaving the plan sponsor the discretion to decide whether such an audit is an appropriate component of its fiduciary compliance.

Takeaway for Employer Plan Sponsors

This rule is currently in proposed form, but it appears to be on a fairly fast regulatory track so impacted plan sponsors should begin reviewing PBM contracts to understand current disclosures,

audit rights, pricing models, and formulary controls, to identify gaps between the Proposed Rule and current PBM practices. Comments on the Proposed Rule are due March 31, 2026. If finalized, the rule would increase fiduciary oversight expectation while also strengthening plan sponsors' ability to negotiate and monitor PBM arrangements. The Department proposes applying the rule to plan years beginning on or after July 1, 2026, meaning non-calendar-year plans could be affected as early as 2026, while calendar-year plans would generally be affected in 2027.

Note also that additional PBM transparency and rebate-related reforms were enacted under the Consolidated Appropriations Act, 2026 just as this Alert goes to print. Those reforms will be implemented on a later timeline, and we will report more fully on those requirements shortly. Those provisions focus on increasing transparency in PBM compensation and limiting the ability of PBMs to retain rebate and discount revenue, while the Proposed Rule discussed here focuses on disclosure and fiduciary oversight of PBM arrangements. Together, these developments confirm the Administration's priorities and signal increased scrutiny of PBM compensation and contracting practices.

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