



## New Law Demands Prescription Drug Pricing Transparency from Pharmacy Benefit Managers

Feb. 17, 2026

The recently-enacted [Consolidated Appropriations Act, 2026](#) (CAA 2026) promises to significantly shift the information advantage between pharmacy benefit managers (PBMs) and group health plans by requiring semiannual disclosure of vast amounts of prescription drug cost, pricing, utilization, and compensation data. While this law should create much more transparency and insight for employers, plan sponsors and fiduciaries should be prepared to address and analyze new contractual provisions covering the disclosure mandate, regularly review and act upon disclosure material, and document prudent decisions in the selection and maintenance of plan service providers. The effective date is not until 2029, but employers should take the opportunity to evaluate current arrangements and prepare for the requirements.

### Overview of Major Requirements

At a high level, the law ensures plan sponsors and fiduciaries (as well as participants, to a degree) have access to critical information about PBM operating expenses, fees, and margins. The following information generally must be disclosed:

- A list of all drugs for which claims were filed
- Contracted compensation paid by the plan to the PBM for each drug and by the PBM to a pharmacy for each drug
- The price “spread” between the price received and paid by the PBM for each drug
- The mechanism for dispensing the drug (e.g., retail, mail-order, specialty pharmacy)
- Brand/generic information, including wholesale price/cost, price for a certain quantity, and price per unit
- The total out-of-pocket amount spent by plan participants and beneficiaries on each drug
- The total amount expected to be received by the PBM in rebates, fees, alternate discounts, and other remuneration

The law will also require detailed disclosure of drug information by therapeutic class. PBMs must disclose utilization of each drug on the formulary, net spending, expected rebates, fees, discounts, and other remuneration, and total out-of-pocket expenses by participants. Generally, for the 50 highest-selling drugs under the plan, the PBM must list all other drugs of the same therapeutic class, provide a rationale for placement on the formulary, and disclose any changes in formulary placement during the last year.

A new provision amends the ERISA prohibited transaction rules to require PBMs to pass through the entirety of any rebates to the plan. Under the new rule, any contract between a plan and PBM which does not include a provision requiring the PBM to pass through 100% of all rebates, fees, and other remuneration received to the plan is automatically unreasonable, triggering a prohibited transaction.

Group health plans are required to offer annual notice to participants and beneficiaries regarding the mandate to PBMs to regularly report this information. Plans must also provide summary data reported by PBMs, including detailed information regarding specific claims related to the participant or beneficiary.

The law expands an existing provision—which previously required brokers and consultants to disclose some compensation metrics—to include third-party administrators, PBMs, stop-loss insurance carriers, and other vendors and service providers.

Pharmacy benefit managers must make the disclosures at least every six months, while some plans may request disclosures as frequently as quarterly. These provisions take effect 30 months after enactment of the law (Jan. 1, 2029, for calendar-year plans).

## Employer Action Items

- **Prepare to draft and review PBM contracts for compliance with the CAA 2026.**  
Under the law, plans are prohibited from entering into contracts where the disclosure and other provisions are absent, limited, or restricted. Plans should carefully review existing, renewal, and new agreements to ensure PBM obligations are properly documented.
- **Implement regular review of PBM disclosures at routine meetings.**  
Delegate authority and responsibility for reviewing PBM disclosure reports to an individual or group (e.g., fiduciary committee). Amend committee charters and internal checklists to include PBM report review and monitoring. Prepare to address incomplete or problematic disclosures, whether raising concerns with the PBM, seeking vendor changes, or otherwise.
- **Plan to make effective annual participant disclosures.**  
Create a process for making available the required PBM documents to participants and beneficiaries, including upon request and as a separate document or part of other regular disclosures.
- **Monitor the proposed regulations addressing PBMs.**  
The Department of Labor recently proposed new rules which would significantly increase the scope of PBM compensation disclosure, would provide audit rights to plans, and would impose similar compliance challenges. The comment period will close on March 31, 2026.

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