

FEDERAL PBM REFORM IS HERE: UNPACKING KEY PROVISIONS OF THE LANDMARK LEGISLATION

On February 3, 2026, after years of false starts, federal regulation of pharmacy benefit managers (“PBMs”) became reality when the [Consolidated Appropriations Act, 2026](#) (the “Act”) was signed into law by President Trump. For the first time, the Act imposes federal requirements on PBMs related to compensation, transparency, reporting and other matters to be addressed via contracting requirements between PBMs and plan sponsors. This landmark piece of federal legislation follows years of increased state regulation of PBMs, and has significant implications for PBMs, health plans, pharmacies, rebate aggregators and group purchasing organizations (“GPOs”), given PBMs’ central role as intermediaries in the pharmaceutical supply chain.

At a high level, this law will have far-reaching implications for PBMs, plan sponsors (including Medicare Part D plan sponsors, commercial and self-funded health plans) and pharmacies (both community and chain).

SECTION-BY-SECTION SUMMARY AND KEY INSIGHTS

The Act contains four sections relevant to PBMs—two applicable to PBMs servicing Medicare Part D plans and two applicable to PBMs servicing group health plans or health insurance issuers offering group health insurance coverage. Below is a concise overview of these sections along with key insights.

1) Section 6223 — Assuring Pharmacy Access and Choice for Medicare Beneficiaries

Section 6223 amends Medicare Part D’s “any willing pharmacy” rules. For plan years beginning January 1, 2029, Medicare Prescription Drug Plan (“PDP”) sponsors must allow any pharmacy that agrees to standard contract terms and conditions to participate in the plan’s pharmacy network. Those terms must be “reasonable and relevant” according to standards established by the Secretary of the Department of Health and Human Services (the “Secretary”), no later than April 3, 2028. Additionally, the law requires the Secretary to publish reports every two years that provide information on “essential retail pharmacies,” which are pharmacies that are not PBM affiliates and which are located in areas with no other retail pharmacies within a set distance. Finally, PDPs and Medicare Advantage Prescription Drug plan sponsors must submit to the Secretary information on incentive payments and other fees paid to pharmacies to the extent such payments are not otherwise reported. Taken together, these provisions provide independent and retail pharmacies with increased leverage and transparency in negotiating access to PBM-managed pharmacy networks for Medicare Part D plans, which are often dominated by PBM-affiliated pharmacies.

2) Section 6224 — Modernizing and Ensuring PBM Accountability (Medicare Part D)

Section 6224 effectively creates a new Part D PBM regulatory regime. Specifically, for plan years beginning on or after January 1, 2028, this section will:

- Prohibit PBMs and PBM affiliates from deriving any remuneration related to services provided in connection with the utilization of covered Part D drugs, other than “bona fide service fees” which must be flat dollar amounts and cannot be based on or contingent upon drug prices, discounts, rebates, fees for covered drugs, or coverage or formulary placement decisions;
- Require PBMs, or their affiliates, to pass through to PDP sponsors all rebates, discounts and other price concessions received from manufacturers;
- Require PBMs to provide annual reports to PDP sponsors and the Secretary containing detailed claims, dispensing channel, pricing and rebate data, as well as information on affiliated pharmacies and any brokers, consultants and advisors receiving compensation from the PBM;
- Require PBMs and their affiliates to submit a written explanation to the PDP within 30 days of finalizing a contract with a manufacturer that provides for rebates, discounts or other financial incentives;

- Provide PDP sponsors with an annual audit right of the PBM using the PDP's auditor of choice and require PBMs to produce data and records related to such audit within a specified timeframe;
- Establish mechanisms for manufacturers, PDP sponsors, pharmacies and other entities to report alleged PBM violations to the Secretary; and
- Require PDP sponsors to complete an annual certification of compliance.

Transparency and PBM accountability are key themes of the above provisions, as are the new requirements for PBMs to fully pass through rebates and "delink" PBM compensation from the price of a drug.

3) Section 6701 – Oversight of Pharmacy Benefit Management Services (Commercial/ERISA)

Section 6701 extends federal PBM oversight to PBMs servicing self-funded ERISA group health plans and health insurance issuers offering group health insurance coverage. Similar to the Part D requirements under the Act, PBMs contracted with group health plans and health insurance issuers must submit routine reports to such plans disclosing a wide variety of drug pricing, net spending, affiliate relationships and remuneration information. PBMs must also provide group health plan sponsors with a comprehensive summary document to assist these plans in the selection of PBM services. Additionally, each plan year, group health plans must provide to their beneficiaries a written notice of this PBM reporting requirement.

The creation of these new reporting and disclosure obligations for PBMs is significant. This is especially so for those PBMs operating in the commercial market, as many states already require regular comprehensive reporting by licensed PBMs. Coordinating and preparing such reports on both a multi-state and now federal level may be challenging for PBMs, particularly for smaller PBMs with limited administrative resources.

4) Section 6702 – Full Rebate Pass-Through; Innocent Fiduciary Exception

Section 6702 implements rebate pass-through provisions, requiring PBMs to remit 100% of rebates, fees, alternative discounts and other remuneration received that are related to utilization of drugs or drug spending under a health plan to the group health plan or health insurance issuer. Such rebates, fees, alternative discounts and other remuneration must be remitted on a quarterly basis. Rebates, fees and alternative discounts must be fully disclosed, and any rebate underpayments for prior quarters must be remitted to the group health plan no later than 90 days after the notice of underpayment. Records of rebates, fees, alternative discounts and other remuneration, as well as rebate contracts with rebate aggregators or drug manufacturers, must be available for audit by the plan. Finally, to ensure that a PBM is able to meet the above requirements related to payment of rebates, the Act requires rebate aggregators and GPOs to remit rebates to a PBM no later than 45 days after the end of each quarter.

Health plan sponsors have long criticized PBMs for opaque rebate practices. Requiring PBMs to implement a full pass-through rebate model and disclose rebate arrangements to their health plan clients now gives those clients significant leverage, particularly when negotiating the financial terms of new PBM agreements or undertaking PBM audits. The law goes a step further by placing rebate payment requirements on the previously unregulated rebate aggregators and GPOs. Taken as a whole, the Act's rebate pass-through requirements will likely cause PBMs to update their health plan contracts to include more transparent pricing models with fixed fees, as retaining rebates is no longer an option.

PRACTICAL TAKEAWAYS AND NEXT STEPS

This landmark PBM legislation has significant implications not only for PBMs, but for the entities that contract with them, including pharmacies, health plans, manufacturers, GPOs and rebate aggregators. While the law gives increased leverage to pharmacies and health plans by reshaping compensation and rebate arrangements, requiring detailed PBM reporting and transparency and taking steps to level the playing field between independent pharmacies and PBM-affiliated pharmacies, it remains to be seen whether the market will see the overall cost of prescription drugs go down as a result of these reforms. Hall Render routinely works with pharmacies, PBMs, health plans and other entities in the pharmaceutical supply chain. We will continue to monitor developments in this area, including forthcoming regulations related to the Act.

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