FACT SHEET

U.S. Department of Labor
Employee Benefits Security Administration
January 2026

Proposed Pharmacy Benefit Manager Fee Disclosure Rule

The U.S. Department of Labor released a proposal under the Employee Retirement Income Security Act (ERISA) to improve transparency in fees and compensation received by pharmacy benefit managers (PBMs) and their affiliates, including affiliated providers of brokerage and consulting services. The proposed rule would require providers of pharmacy benefit management services to make detailed disclosures to fiduciaries of employer-sponsored self-insured group health plans to satisfy ERISA's statutory prohibited transaction exemption for service arrangements.

The proposal carries out President Trump's directive to the Department in Executive Order 14273. It is one component of the administration's broader initiative focused on healthcare price transparency and drug pricing reform.

Background

President Trump's Executive Order 14273, *Lowering Drug Prices by Once Again Putting Americans First*, instructed the Department to propose regulations to improve transparency into the direct and indirect compensation received by PBMs. Prescription drug spending is a significant component of employer-sponsored healthcare costs, and EO 14273 aims to create a fairer and more competitive prescription drug market, lower costs, and ensure accountability across the healthcare system.

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 PBMs provide valuable services, their compensation arrangements are often complex, opaque, and difficult for plan fiduciaries to evaluate because compensation might not only come from the group health plan. Compensation might also come from arrangements with drug manufacturers, pharmacies, rebate aggregators, and others in ways that are not fully disclosed. This proposed rule would give plan fiduciaries an invaluable tool to address rising drug costs for American workers and businesses.

To implement EO 14273, the Department has proposed a regulation under ERISA section 408(b)(2) that would require providers of pharmacy benefit management services to provide specific initial and semiannual disclosures to plan fiduciaries of employer-sponsored self-insured group health plans. The proposal would also require PBMs to allow plan fiduciaries to audit the

disclosures to verify their accuracy. Finally, relief is proposed for plan fiduciaries in the event their PBM fails to meet its obligations under the regulation.

ERISA Section 408(b)(2)

ERISA generally prohibits transactions between employer-sponsored self-insured group health plans and "parties in interest," which includes service providers. ERISA section 408(b)(2) provides an important exemption that allows plans to enter into service contracts only if the services are necessary, the contract or arrangement is reasonable, and no more than reasonable compensation is paid.

In 2012, the Department finalized regulations under ERISA section 408(b)(2) requiring certain service providers to pension plans to make advance disclosures about services to be provided, fiduciary status of the covered service provider or its affiliates (if applicable), and reasonably expected direct and indirect compensation. The rule established specific disclosure obligations to ensure that responsible plan fiduciaries have the information they need to make better decisions when selecting and monitoring their plans' service providers.

In 2021, Congress amended ERISA section 408(b)(2) to add paragraph (B), which details the disclosures that certain brokerage and consulting service providers must make to group health plans. Paragraph (B) closely tracks the Department's regulation for pension plan arrangements.

The Department's proposed PBM fee disclosure rule follows a similar structure to the pension rule and the statutory provision in ERISA section 408(b)(2)(B). However, the proposal appropriately tailors the PBM disclosure requirements to give fiduciaries of self-insured group health plans the information that is necessary to evaluate PBM compensation arrangements, which pose unique complexities due to the structure of the pharmaceutical supply chain. The goal of this proposed rule is to ensure plan fiduciaries have access to clear information that helps them understand PBM compensation flows, identify conflicts of interest, and determine whether PBM contracts or arrangements are reasonable under ERISA section 408(b)(2).

Overview of the Proposed Regulation

The proposed regulation would require providers of pharmacy benefit management services as well as certain PBM-affiliated brokers and consultants ("covered service providers") to make specific disclosures to self-insured group health plans. Covered service providers are the entities that enter into contracts or arrangements with the self-insured group health plans to provide pharmacy benefit management services, regardless of whether the services will be performed directly or through affiliates, agents, or subcontractors.

Covered service providers would be required to provide initial disclosures to the plan fiduciary reasonably in advance of entering into, renewing, or extending a contract or arrangement. The initial disclosures would include a description of the pharmacy benefit management services as well as information on the direct compensation from the self-insured group health plan and compensation reasonably expected to be received from other arrangements, including:

- payments from drug manufacturers,

- spread compensation (i.e., when the price that the plan paid for a prescription drug exceeds the amount that is reimbursed to the pharmacy),
- payments recouped from pharmacies in connection with prescription drugs dispensed to the plan ("claw-backs"),
- price protection arrangements, and
- others.

The proposed rule would also require covered service providers to provide semiannual disclosures of the same compensation categories based on amounts actually received. This ongoing disclosure requirement is intended to support continued monitoring of service provider arrangements throughout the life of the contract or arrangement.

Finally, the proposed rule would require the covered service provider to permit the plan fiduciary to audit the disclosed information's accuracy.

Proposed Administrative Exemption for Plan Fiduciaries

The Department recognizes that there might be circumstances when a covered service provider fails to comply with its obligations under the regulation. In that case, the statutory exemption provided by ERISA section 408(b)(2) would not be available for the plan fiduciary.

For that reason, the proposal includes an additional proposed administrative exemption for plan fiduciaries who take certain steps when a covered service provider fails to comply, including notifying the Department if the covered service provider does not correct the failure.

Public Comment Period

The comment period runs for 60 days after publication in the Federal Register. The proposal includes instructions on submitting comments through www.regulations.gov. Commenters are free to express views not only on the proposal's provisions, but also on any issues relevant to the proposal's subject matter.

Contact Information

For questions about the proposed rulemaking, contact EBSA's Office of Regulations and Interpretations at 202-693-8500.

For questions about the proposed administrative exemption, contact EBSA's Office of Exemption Determinations at 202-693-8540.