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DOL Finalizes PBM Fee Disclosure Rule for Certain Self-Insured Group Health Plans

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On November 2, 2026, the Department of Labor (DOL) published its final rule, *Improving Transparency Into Pharmacy Benefit Manager Fee Disclosure* (the **Final Rule**). The Final Rule establishes pharmacy benefit manager (PBM)-specific fee disclosure requirements under ERISA's reasonable compensation prohibited transaction exemption for certain self-insured group health plans.

The Final Rule applies to self-insured group health plans established or maintained by a specified large employer (Covered Plans). Generally, a specified large employer is one that employed an average of at least 100 employees on business days during the preceding calendar year and employs at least one employee on the first day of the current calendar year.

The Final Rule is intended to give responsible plan fiduciaries a more complete view of PBM compensation, including compensation and revenue streams that may not be reflected in a stated administrative fee. Plan sponsors and fiduciaries should review current PBM arrangements, upcoming renewals, and procurement processes in light of both the Final Rule and the broader PBM reforms enacted in the Consolidated Appropriations Act, 2026 (CAA).

Why the Final Rule Matters

PBMs perform central functions in the administration of prescription drug benefits. Depending on the arrangement, a PBM may design formularies, establish pharmacy networks, process prescription drug claims, negotiate with manufacturers and pharmacies, administer rebates and other manufacturer payments, operate or contract with specialty pharmacies, and assist with required reporting and participant disclosures.

PBM arrangements can be challenging for plan fiduciaries to evaluate because PBM compensation may derive from multiple sources. In addition to direct administrative fees paid by a group health plan or plan sponsor, a PBM and its affiliates may receive compensation through arrangements involving drug manufacturers, pharmacies, rebate aggregators, group purchasing organizations, specialty pharmacies, and other parties.

Under ERISA Section 408(b)(2), a plan may enter into a reasonable arrangement for necessary services only if no more than reasonable compensation is paid. The DOL has long relied on this framework to require service provider disclosures that allow fiduciaries to assess compensation and conflicts of interest. The Final Rule extends that approach specifically to PBM arrangements involving Covered

Plans.

Accordingly, PBM disclosure compliance is not merely a contractual issue. A PBM's failure to provide required information may affect the availability of the ERISA section 408(b)(2) exemption for the arrangement.

Required PBM Disclosures

The Final Rule is intended to enable fiduciaries to evaluate PBM compensation more comprehensively. A plan fiduciary's review should extend beyond the PBM's direct administrative fee and should consider the financial arrangements that may affect the PBM's incentives, pricing practices, and total compensation.

The Final Rule requires disclosures concerning PBM compensation and related financial arrangements associated with the plan's prescription drug benefits. These disclosures are intended to help fiduciaries understand the sources, recipients, and nature of PBM compensation, including remuneration that may be received from parties other than the plan.

The Final Rule does not require fiduciaries to select a particular PBM business model or achieve the lowest possible prescription drug prices. It does, however, reinforce the importance of a prudent and well-documented process for evaluating whether the PBM arrangement and compensation are reasonable

Timing, Contracting, and Oversight

Required information must be provided sufficiently in advance of a contracting decision to permit meaningful fiduciary review. Plan sponsors should confirm how the Final Rule applies to new agreements, renewals, extensions, and ongoing arrangements. A disclosure process that occurs only after a contract is executed may not allow the fiduciary to use the information effectively in selecting a PBM, negotiating contract terms, or evaluating the reasonableness of compensation.

Fiduciaries also should consider whether their contracts provide sufficient audit rights, data access, and enforcement mechanisms to evaluate the completeness and practical significance of PBM disclosures. This is particularly important where PBM services are provided through a third-party administrator or another intermediary. The parties should clearly identify who is responsible for making required disclosures and ensure that the plan has direct access to the relevant information.

PBM oversight should not end when a contract is signed. Compensation arrangements, formularies, manufacturer agreements, pharmacy networks, and specialty drug utilization may change over the life of an agreement. The Final Rule includes a mechanism addressing circumstances in which a PBM fails to provide required information. Plan fiduciaries should understand the Final Rule's correction procedures and should establish an internal process for responding to disclosure deficiencies.

Relationship to the CAA

The Final Rule follows the DOL's January 2026 proposed rule, discussed in our earlier article, " Proposed

Fee Transparency Rules and New Legislation for Group Health Plan PBMs." That article also addressed the CAA's broader PBM reforms, which become effective for plan years beginning on or after August 3, 2028.

The Final Rule does not displace the CAA. Once effective, the CAA will impose additional PBM reporting, participant notice, contracting, audit, and remuneration remittance requirements on PBMs and ERISA-covered group health plans. Among other things, the CAA generally requires PBMs to remit to plans 100% of rebates, fees, alternative discounts, and other remuneration received under the contract on a quarterly basis, subject to an exception for bona fide service fees.

Plan sponsors should therefore evaluate PBM arrangements with both regimes in mind.

Key Takeaway

The DOL's PBM disclosure regime, first proposed in January 2026, is now final and will apply to plan years beginning on or after July 1, 2027. Fiduciaries of covered self-insured group health plans should implement processes to obtain, evaluate, and document their review of PBM compensation disclosures and should use upcoming contracting opportunities to improve data access, audit rights, and transparency provisions. Those steps will also better position plans to comply with the CAA's additional PBM requirements.