Segal

PBM Transparency, Fiduciary Risk & Emerging Compliance Issues

A 2026 Update for Plan Sponsors

April 14, 2026 / Elena Lynett, Eileen Pincay and Julia Zuckerman

Agenda

Pharmacy Trends and Market Update

Recent Legislative and Regulatory PBM Reforms

Other Pharmacy Benefit Updates

Rx Strategies in Response to PBM Reform

Fiduciary Considerations

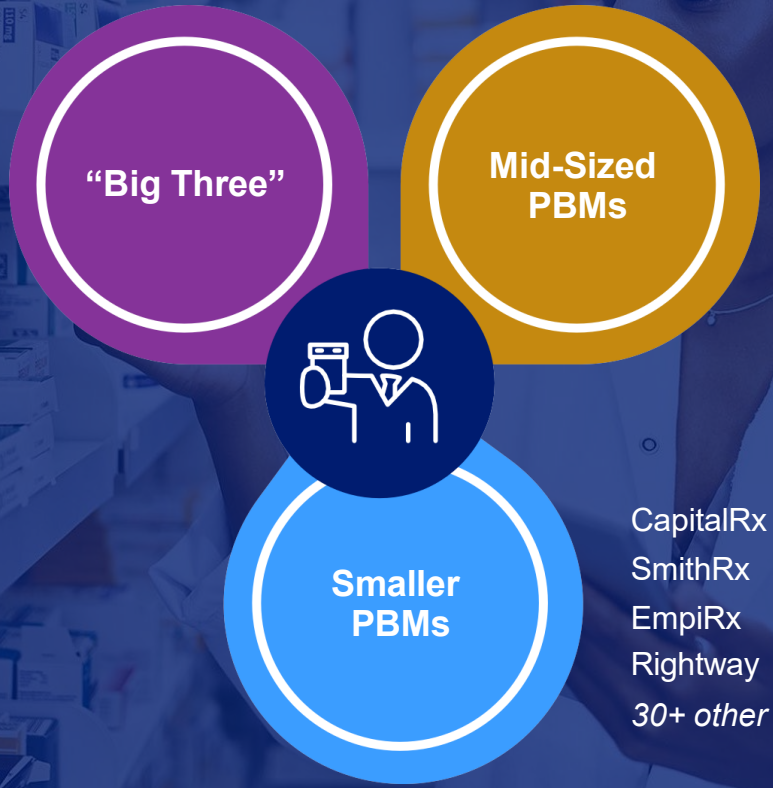
Plan Next Steps

Pharmacy Trends and Market Update

Pharmacy Benefit Manager Industry

The PBM Marketplace

CVS Health
(owns Aetna)
Express Scripts
(owned by Evernorth)
OptumRx
(owned by UHG)



Medimpact / Elixir & SavRx
Navitus
Prime Therapeutics / MagellanRx
CarelonRx
(owned by Elevance Health)

CapitalRx
SmithRx
EmpiRx
Rightway
30+ other niche PBMS

Pharmacy Industry Looking forward

Drug pipeline remains active: 46 new approvals in early 2026, concentrated in rare disease (54%) and oncology (30%).

Pricing volatility continues: Branded drug price increases rose 40% YoY in January 2026 (350+ drugs; ~4% average), alongside selective list-price cuts (25–85%) on 15 high-spend drugs.

Policy pathways accelerate launches: Manufacturers continue leveraging expedited approval and orphan incentives to reach market faster and sustain margins.

Chronic disease drives demand: Over 76% of U.S. adults have at least one chronic condition; GLP-1 and biosimilar utilization and spend continue to grow.

Rising fiscal pressure: Federal and state budget constraints are intensifying momentum for drug pricing and PBM policy action.

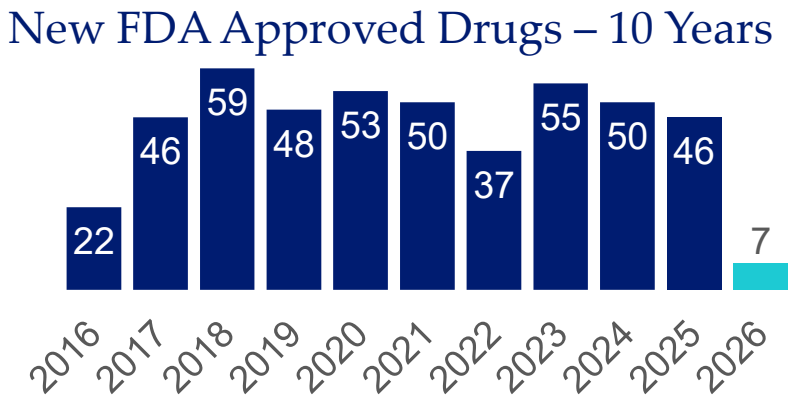
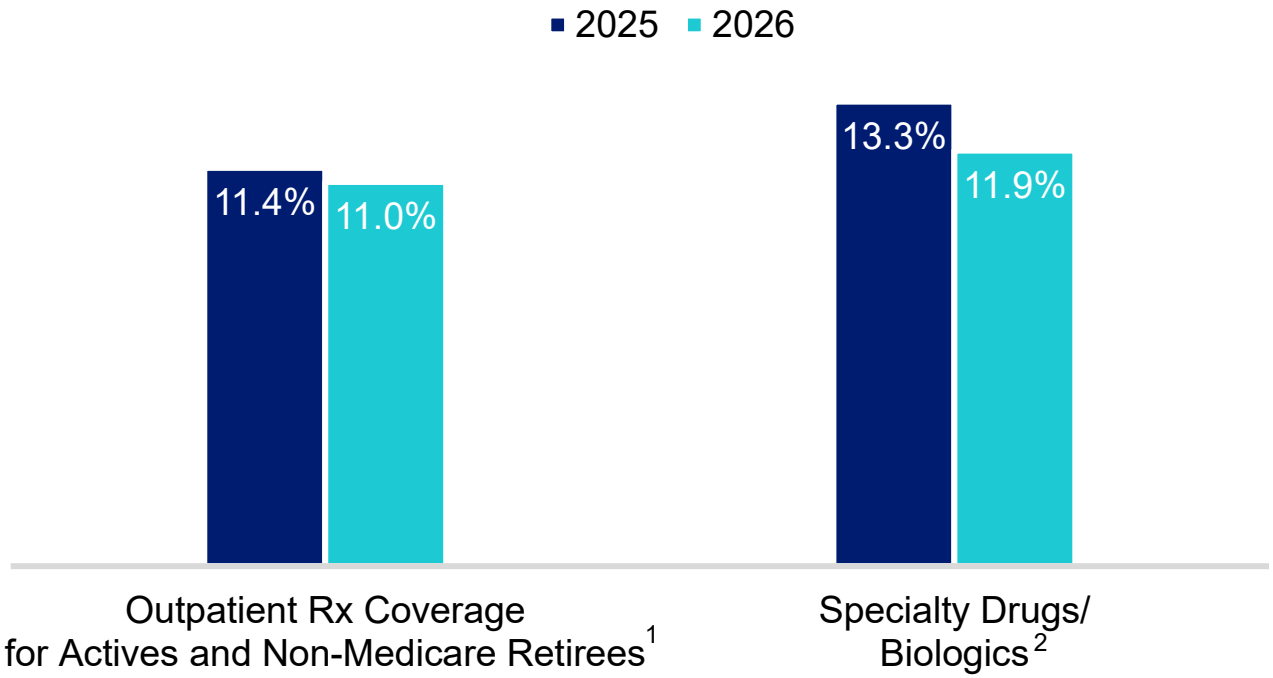


Chart is showing novel new drugs: Novel drugs are often among the more innovative products in the marketplace, and/or help advance clinical care by providing therapies never before marketed in the United States. Data updated through **March 17, 2026.**

FDA Commissioner Dr. Marty Makary (appointed April 2025) is advancing a "new FDA" focused on faster approvals, lower drug costs, and streamlined regulation, using AI and real-world data to shorten reviews to as little as 1–2 months for select therapies.

*FDA website, September 17, 2019

Projected Prescription Drug Trends
2025 and 2026



Source: 2026 *Segal Health Plan Cost Trend Survey*

[1] Outpatient Rx trend is for all prescription drugs (non-specialty and specialty drugs combined) for employer sponsored plans before PBM rebates.

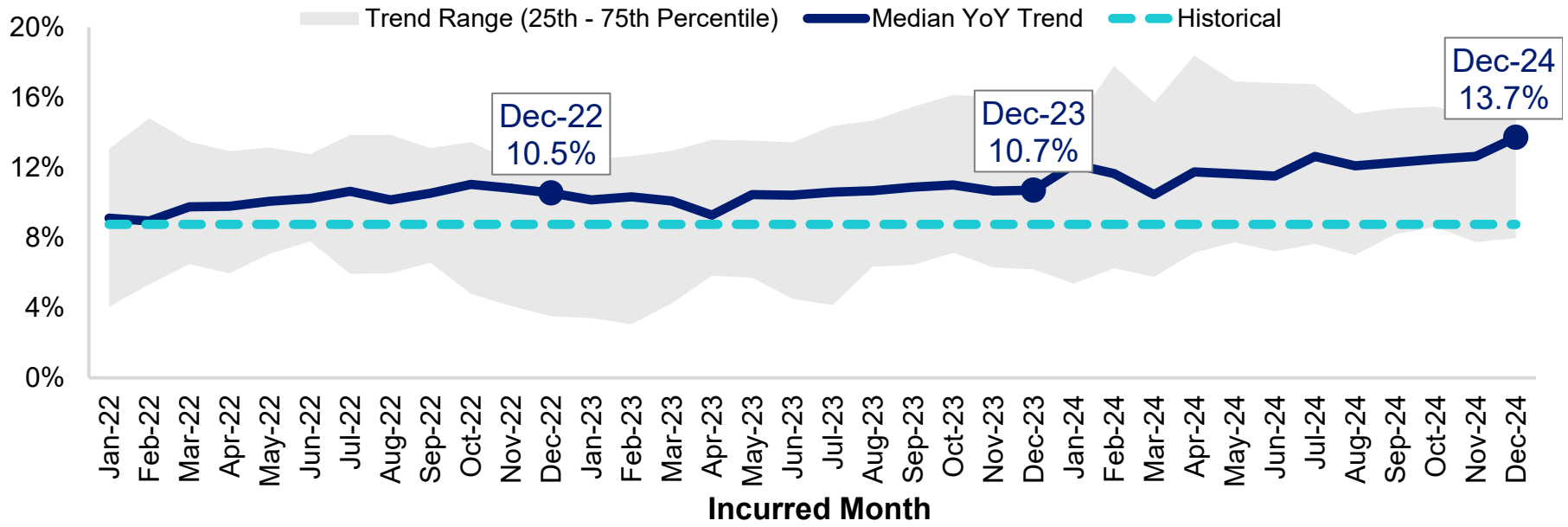
[2] Specialty drug/biologics trend is for outpatient specialty coverage. This data is for all coverage of specialty drugs for participants of all ages.

Prescription Drug Trend Summary

% Change in Allowed PMPM

Prescription Drug

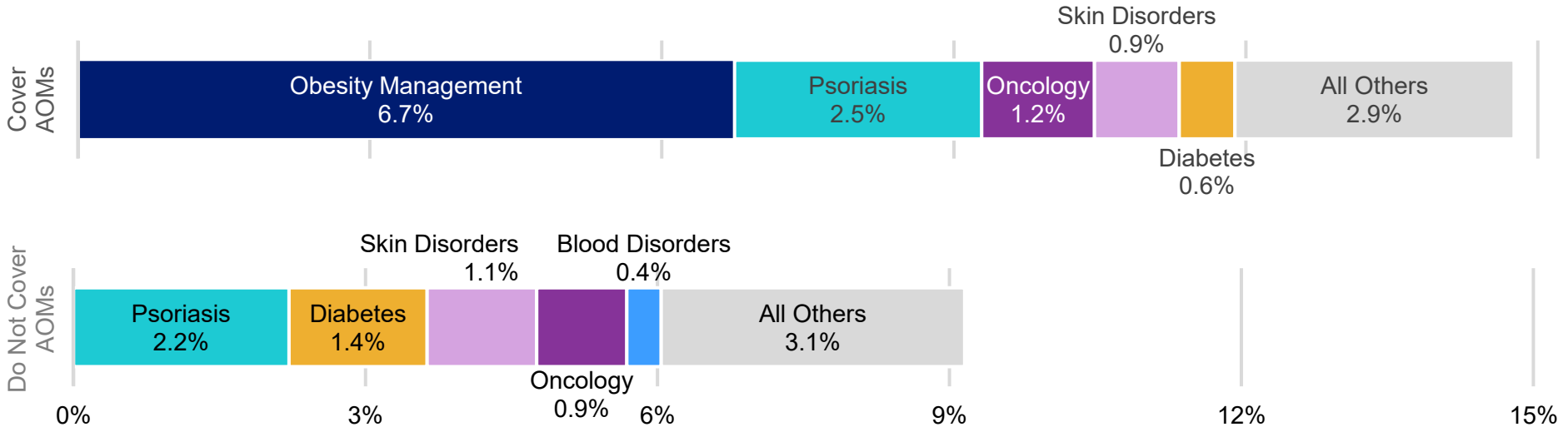
Rolling 12-Month Trend



Source: *SHAPE Data Warehouse; Historical trend represents annualized trend from CY 2018 – CY 2024*

Prescription Drug Trend Breakdown

By Disease Indication



Source: *SHAPE Data Warehouse*

Pharma Market Shifts

Innovation has shifted costs but also transformed outcomes—today's drugs prevent hospitalizations and extend lives.

How care has shifted

Drug innovation moved many treatments from **hospital** to **outpatient medications**.

Weight-loss care shifted from **bariatric surgery** to **injections**.

Outpatient Rx spend grew from **4%** → **25%** of total costs.

Hospital share dropped from **50%** → **30%**.

Why it's not all negative

Breakthroughs like **CRISPR** are redefining what's treatable.

Cystic fibrosis went from a fatal, high-cost hospital condition to a disease managed into a patient's 60s.

Pharmaceutical advances keep people **healthier and out of the hospital**.

CAA of 2026

Consolidated Appropriations Act of 2026

- The Consolidated Appropriations Act of 2026 (CAA 2026) was passed by Congress and signed by the President on February 3, 2026
- The Act funded five government agencies, including the Department of Health and Human Services
- The HHS portions contain significant new rules affecting pharmacy benefit managers

CAA 2026: Lowering Prescription Drug Costs

- Law amends ERISA, the Internal Revenue Code, and the Public Health Service Act to add requirements applicable to group health plans, insurers, and entities providing pharmacy benefit management services
- Effective for plan years beginning on or after August 2028 (January 1, 2029, for calendar year plans)
- $10,000 Civil Monetary Penalty/day for violations

CAA 2026: Lowering Prescription Drug Costs

Semiannual reports

PBMs must submit reports at least every six (6) months (or quarterly upon request) to large self-insured plans and employers with over 100 participants

Summary documents

PBMs must provide annual reports to all insured and self-insured plans regardless of size

Written disclosure

Plans must provide annual disclosure to participants about the PBM information and their rights to access claims information

Four Categories of Information Disclosure

1. A list of each drug for which a claim was filed during the reporting period
2. A list of each therapeutic class of drugs for which a claim was filed during the reporting period
3. High-cost drugs with gross spending exceeding $10,000 during the reporting period
4. Information regarding affiliated pharmacies or pharmacies under common ownership of the PBM

CAA 2026: Lowering Prescription Drug Costs

A list of each drug for which a claim was filed during the reporting period

- Compensation paid by plan to PBM, by PBM to pharmacy, and the difference
- Drug name, NDC, and dispensing channel
- For each dispensing channel, whether drug is brand or generic, price (WAC for brand and AWP for generic), total number of claims, participants, dosage units
- Net price to the plan after rebates, other remuneration
- Total amount of OOP spending by Participants
- Total net spending on the drug
- Total amount received by PBM in rebates, fees, other remuneration, including the amount related to utilization

CAA 2026: Lowering Prescription Drug Costs

A list of each therapeutic class of drugs for which a claim was filed during the reporting period

- Total gross spending by the plan before rebates, price concessions, discounts, or other remuneration
- Net spending in each class after rebates and other remuneration
- Total amount received by the PBM in rebates or other remuneration related to drug utilization or drug spend
- Average net spending by plan per 30- and 90-day supply
- Number of participants who filled a prescription for a drug in the class
- A description of formulary tiers and utilization management for the class
- Total OOP spending by participants

CAA 2026: Lowering Prescription Drug Costs

With respect to drugs for which gross spending exceeded $10,000 during the reporting period*

- A list of all other drugs in the same therapeutic class
- If applicable, the rationale for the formulary placement of the drug in that therapeutic class
- Any change in formulary placement compared to the prior plan year

* If gross spending exceeded $10,000 for fewer than 50 drugs, the information must be provided for the top 50 drugs with highest spend

CAA 2026: Lowering Prescription Drug Costs

For affiliated pharmacies or pharmacies under common ownership of the PBM, including mandatory mail and specialty home delivery programs, retail and mail auto-refill programs, and cost-sharing assistance incentives funded by the entity providing PBM services

- An explanation of all benefit design parameters that encourage using services
- The percentage of total prescriptions dispensed by affiliated pharmacies
- A list of all drugs dispensed by these pharmacies
  - The amount charged per dosage unit to the plan and to participants
  - The median amount and interquartile range per dosage unit, per 30- and 90-day supply, when the same drug is dispensed by other non-affiliated pharmacies that are in the network
  - The lowest cost per dosage unit, per 30- and 90-day supply, including amounts charged to plan and participant, that is available from any pharmacy included in the network of the plan

CAA 2026: Full Pass-Through of Rebates

- Only applies to ERISA plans, but could be useful to governmental plan sponsors
- Requires that contracts with PBMs must require the PBM to remit 100 percent of rebates, fees, alternative discounts, and other remuneration to the group health plan or insurer
- Rebates must be paid quarterly, within 90 days after the end of the quarter
- Records must be available for audit

CAA 2026: Full Pass-Through of Rebates

Responsible plan fiduciaries that did not know the fees were not remitted or upon discovering, request the fees in writing, and if there is no compliance, notify the Secretary of the failing, are considered “Innocent Plan Fiduciaries”

Effective for new contracts or renewals entered into for plan years beginning on or after August 2028 (January 1, 2029, for calendar year plans)

CAA 2026: Fee Disclosure

CAA amends ERISA Section 408(b)(2) to require PBMs, TPAs and any other entity providing services to group health plans to disclose all direct and indirect compensation received by the service provider to the group health plan sponsor

CAA 2026 Additional Provisions

Additional PBM reforms would apply to **Medicare** and **Medicaid**

For **Medicare Part D** law contains delinking provision preventing PBMs from receiving compensation based on drug prices or rebates

Extends existing **public health programs** and funding for programs such as **pediatric cancer research** and **HIV prevention**

CAA 2026 Additional Provisions

Extends coverage of **telehealth services** for Medicare

Contains site neutral reforms that require billing with **separate National Provider Identifier numbers** for services in **separate facilities**

Would **speed generic drug reviews** by the FDA

Plan Sponsor Action Needed to Comply with CAA 2026

Important to have fiduciary monitoring processes in place – the new law makes it clearer what the processes must include

- Exercise due diligence in PBM contracting
- Monitor PBM reporting obligations and follow through if standards not met
- Require compensation disclosure
- Revise PBM contracts no later than 2029 plan years

Regulatory Updates

DOL PBM Disclosure Proposed Rule

- DOL published a proposed rule on January 30, 2026, that would expand PBM disclosure obligations under ERISA's compensation disclosure provisions
  - Does not apply to governmental plans, but likely to influence enforcement
- Entities providing pharmacy benefit manager related services would be required to provide compensation disclosures to fiduciaries of ERISA-covered self-insured group health plans
  - Would include consultants providing advice, recommendations or referrals regarding PBM services

Comments due April 15, 2026

If finalized, would apply to plan years beginning on or after July 1, 2026

DOL PBM Disclosure Proposed Rule

- Disclosure would be required at initial retention, extension, or renewal, and semi-annually thereafter
- PBMs would have to disclose detailed information (next slide)
- Fiduciaries may request additional information
- Plans must provide annual disclosure to participants about the PBM information and their rights to access claims information

Audit rights

- Not less than once per year, at the written request of the plan
- Plan fiduciary may select the auditor, without limitations by the PBM
- Plan must pay expenses related to selection and retention of auditor, PBM pays cost of providing the information
- PBM may not impose restrictions, such as location, period, or number of records

Proposed Disclosure at Initial Retention, Extension, or Renewal

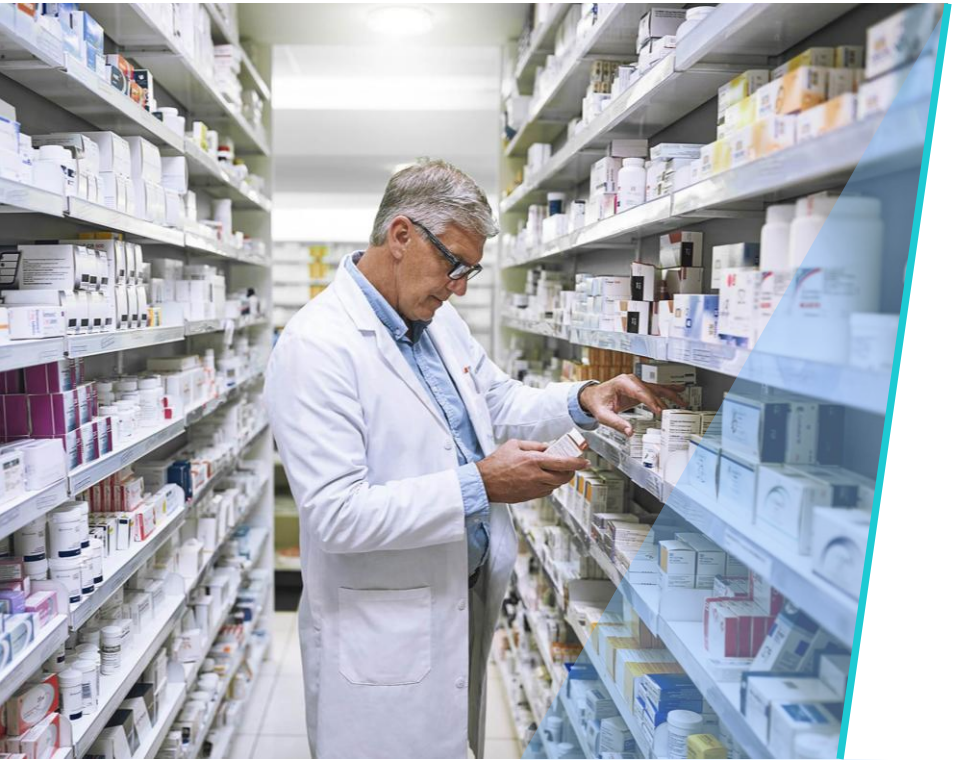
1. Description of services
2. Direct compensation
3. Manufacturer payments
4. Spread compensation
5. Copay claw-backs
6. Price protection agreements
7. Compensation for termination of service contract or arrangement
8. Description of other compensation
9. Description of formulary placement incentives
10. Drug pricing methodology
11. Statement of fiduciary status
12. Statement of audit right

Proposed Semi-Annual Disclosure

1. Direct compensation
2. Manufacturer payments
3. Spread compensation
4. Copay claw-backs
5. Price protection agreements
6. Other compensation
7. Overage explanation
8. Statement of audit right

Other Pharmacy Benefit Updates

Most-Favored Nation Prescription Drug Policy



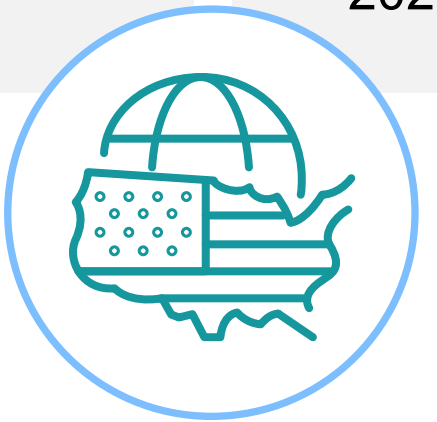
On December 22, 2025, the Administration proposed two Medicare pilot programs to reduce prices for both brand-name drugs and drugs administered at a provider's office

Both programs would have mandatory requirements to provide rebates to Medicare equal to the difference between prices in the US and an international benchmark based on what 19 other comparable countries pay

Most-Favored Nation Prescription Drug Policy

The Global Benchmark for Efficient Durg Pricing (GLOBE) Model would apply to Part B drugs administered by a physician, and would begin on October 1, 2026, if approved

The Guarding US Medicare Against Rising Drug Costs (GUARD) Model would apply to Part D retail drugs and would being on January 1, 2027, if approved



Most-Favored Nation Prescription Drug Proposals

Patient out-of-pocket costs would be tied to the international benchmark price

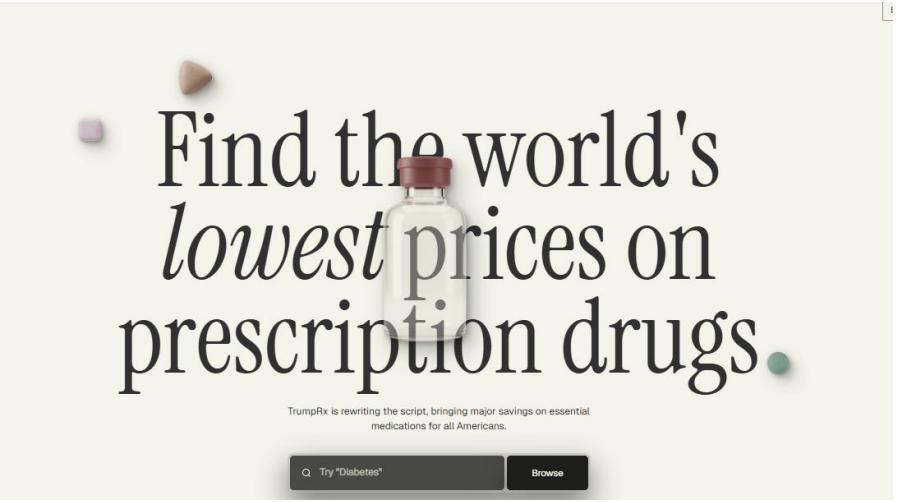
The models would be implemented in randomly selected geographic areas representing 25% of people who have a Medicare Part D plan or are in Medicare Part B

Comments on the proposals were due February 23, 2026

Trump Rx

Image source: trumprx.com

Trump Rx Went Live February 5, 2026



- Over 40 medications available through coupons or links to manufacturer direct-to-consumer pay sites, including GLP-1s and fertility medications
- More than half of medications are old brands with generics or generic alternatives
- Patients should not use the TrumpRx site without doing additional research

Trump Rx Cautions

Prices may be higher than plan copays

Cheaper alternative drugs or generics may be available

Some prices apply to starter doses and increase

Drugs do not pay rebates so price comparison to plan prices is difficult

Many PBMs offer lower cost consumer sites like GoodRx to their PBMs now

Medicare Bridge and Balance Programs

- On March 9, 2026, the Centers for Medicare & Medicaid Services (CMS) published the Better Approaches to Lifestyle and Nutrition for Comprehensive Health (BALANCE) Model Medicare Request for Applications (RFA) for the purposes of outlining the elements that must be included in a Medicare Part D plan sponsor's application to join the BALANCE Model.
  - Among other requirements, participating Part D plans must cover GLP-1s and apply standard prior authorization criteria based on clinical conditions to determine beneficiary eligibility.
  - BALANCE must be opted into by April 20 on a CMS contract basis. Unless a client is the only plan covered by the contract, it is not a client-by-client decision
- Medicare Bridge Program is a short-term payment demonstration that will operate from July 1, 2026, through December 31, 2026, and serve as a transitional pathway to the broader BALANCE Model.

Rx Strategies in Response to PBM Reform

Top Challenges with PBMs

1. Regulations will impact nearly all future PBM contracts
2. Industry consolidation may reduce competition
3. Continued contractual complexity and “gaming” of terms
4. PBM service and operational issues
5. Balancing cost control with member satisfaction
6. Rebate dollars may diminish over time
7. Formulary influence and rebate-driven incentives may change

How PBMs Generate Profits Today

Transaction fees

- Rx transaction fees to Retail Pharmacies
- System Access Fees
- Dispensing Fee Margin

Spreads on drug acquisition costs

- Margin between retail pharmacy and claim charge to plan sponsor
- Margin at own mail order Pharmacy
- Margin at own specialty pharmacy

Drug company revenue streams

- Formulary Placement Rebates
- Drug Sales Data Sharing Fees
- Marketing fees disguised as patient education services
- Other

Service fees

- Patient Clinical programs
- Copay assistance programs
- Other

This is how PBMs make money today — but the model is shifting

Tips to Reduce Waste and Abuse

Review the competitive landscape of PBMs

Apply new contracting terms that **move away from inflationary PBM** definitions

Require Drug Specific Rebate Disclosure

(perhaps #1 action item)

Explore cost risk sharing strategies in future contracts that places PBM incentives that are tied to containing future price increases

Plan Sponsor Actions to Manage Costs

Formulary and utilization management

- ☑ Comprehensive prior authorization program
- ☑ Formulary strategy that seeks lowest net cost
- ☑ Aggressive action to combat fraud, waste, and abuse
- ☑ Integrated specialty drug management that includes both pharmacy and medical benefit

Plan Sponsor Actions to Manage Costs

PBM contracting

- ☑ Contract definitions that are clear and equitable
- ☑ Meaningful performance guarantees aligned with Plan objectives
- ☑ Actionable financial, clinical & operational performance reporting
- ☑ Market-check right to maintain competitive pricing

Plan Sponsor Actions to Manage Costs

Plan design

- ☑ Member cost share that encourages members to seek lowest-cost Rx e.g. percentage copays with mins and maximums
- ☑ Lock-out of self-injected and select injected drugs from medical benefit
- ☑ Specialty Copay Assistance (Take advantage while it is still around!)

Fiduciary Considerations

Fiduciary Considerations

- Under ERISA fiduciary responsibilities include:
  - Acting solely in the interest of participants and beneficiaries with the exclusive purpose of providing benefits
  - Carrying out duties prudently
  - Following the plan document
  - Ensuring reasonable expenses
- Consider addressing PBM expectations in upcoming contract negotiations
- Consider internal fiduciary training and assessment of plan expectations under the new requirements

Plan Next Steps

Thank You and Questions

Scan to provide feedback on today's presentation