

# DELINKING PBMS: The Federal Breakthrough and the State Call to Action

On February 3, 2026, the federal government took a significant step toward reforming pharmacy benefit manager (PBM) practices by enacting the Consolidated Appropriations Act, 2026 (CAA). The legislation establishes major reforms across federal programs, changing how PBMs are paid, how rebates and price concessions are handled, and how PBM conduct is overseen and disclosed.

A central feature of these reforms is “delinking,” the requirement that PBM compensation be separated from drug prices and instead limited to standardized service fees. While the delinking requirements in the CAA apply to Medicare Part D, states have both the authority and responsibility to act to protect consumers, employers, and state health programs. Moreover, states can adopt the outline already proposed and passed by Congress to expand these protections and reforms to commercial state-regulated plans.

## WHY DELINKING MATTERS

Delinking targets a prescription drug compensation structure that links PBM revenue to drug prices and manufacturer rebates. Under these rebate arrangements, increases in list prices or rebates can translate into higher PBM revenue, with associated costs imposed on payers, employers, and consumers. This steers PBMs away from their intended role as neutral intermediaries working to lower prices and instead creates an unavoidable conflicting self-interest that rewards higher prices rather than cost-containment. By requiring flat-fee compensation through delinking:

- PBMs are no longer rewarded for selecting higher priced drugs;
- Conflicts of interest in formulary design are reduced; and
- Incentives shift toward cost containment and efficiency;
- Plan sponsors gain greater predictability and transparency in PBM spending.



## WHAT THE CAA REQUIRES

The CAA fundamentally changes how PBMs may be compensated in Medicare Part D by prohibiting PBMs and their affiliates from deriving income tied to the utilization or price of covered drugs, except through a Bona Fide Service Fee (BFSF).

Under the CAA, a BFSF must:

- Reflect fair market value for a bona fide, itemized service actually performed
- Be a service the client would otherwise need to perform or contract for
- Not be passed through to a client or customer
- Be paid as a flat dollar amount
- Not be directly or indirectly, based on, or contingent upon:
  - Drug price (WAC) or benchmarks
  - Rebates, discounts, or other direct or indirect remuneration
  - Formulary placement, coverage decisions, or volume of referrals or business
  - Any other methodologies prohibited by the Secretary of HHS.<sup>1</sup>

## A FEDERAL BLUEPRINT FOR STATE LEADERSHIP

The CAA represents a significant development in federal PBM regulation by establishing requirements related to delinked compensation. The statute provides a framework that states may consider when evaluating PBM regulation. Specifically, states could consider:

- Requiring PBM compensation in state-regulated markets to be limited to flat, delinked service fees that reflect fair market value for bona fide, itemized services actually performed;
- Prohibiting PBM compensation that is directly or indirectly based on drug prices, rebates, discounts, utilization, formulary placement, or referral volume; and
- Requiring PBMs to attest to and document compliance with delinked compensation requirements

In addition to delinking, the CAA imposes PBM reporting and transparency requirements, mandatory 100 percent pass-through of rebates and discounts, enhanced disclosure obligations applicable to ERISA-regulated plans, and reinforces “any willing pharmacy” access standards for Part D.

## WHY STATES MUST ACT NOW

The CAA’s delinking provisions apply exclusively to Medicare Part D and do not extend across the broader prescription drug market. As a result, many state-regulated plans, including Medicaid managed care, state employee health plans, and fully-insured commercial products, remain outside the scope of these federal reforms. Absent state action, consumers will continue to face higher costs due to opaque PBM practices, despite federal adoption of delinking reform. Therefore, states must now use this framework to adopt and expand the federally imposed protections in the state-regulated markets.

1. Consolidated Appropriations Act, 2026, H.R. 7148, 119th Cong. § 6224 (2026).



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