

COMPLIANCE CHRONICLE

REGULATIONS | POLICIES | STANDARDS | REQUIREMENTS | LAWS

Navigating the ever-evolving landscape of compliance can be challenging and time consuming.

Warner Pacific is happy to share monthly updates to help your organization stay informed about new requirements and minimize compliance risks. Let us handle the complexities, so you can focus on what matters most – your business.

CAA RxDC Reporting: What Healthcare Brokers Need to Know and Share With Their Clients

Staying ahead of regulatory requirements is essential to protecting your clients and reinforcing your value as a trusted healthcare adviser. One of the most important compliance obligations on the horizon is the Prescription Drug Data Collection (RxDC) reporting requirement under the Consolidated Appropriations Act (CAA) of 2021.

The next CAA RxDC reporting deadline is June 1, 2026, and preparation now will make all the difference.



What is CAA RxDC Reporting?

Under Section 204 of the CAA, health insurers and employer-sponsored group health plans are required to submit detailed data on prescription drug costs and overall healthcare spending. This reporting, referred to as RxDC, is collected by the [Centers for Medicare & Medicaid Services \(CMS\)](#) on behalf of the Departments of Health and Human Services, Labor and Treasury.

While carriers often submit much of the data for Fully-Insured groups, employer participation is still required, and brokers play a critical role in ensuring accurate and timely completion.

For Self-Funded groups, including Level Funded groups, the responsibility for filing is with the employer. However, many carriers and third-party administrators (TPAs) who administer these plans will assist with the needed information for filing.

What Information Is Included in The RxDC Report?

RxDC reporting captures a comprehensive view of prescription drug and healthcare spending, including:

- Total spending on prescription drugs and healthcare services
- High-cost prescription drugs
- Most frequently prescribed medications
- Prescription drug rebates and fees
- Premiums and member cost-sharing amounts

This data is used by federal agencies to increase transparency around drug pricing, understand healthcare cost drivers, and evaluate how rebates and manufacturer incentives affect premiums and out-of-pocket costs.

Why RxDC Reporting Matters For You and Your Clients

RxDC reporting is more than a compliance exercise; it is a foundational step toward greater visibility into prescription drug spending trends, and it directly impacts your clients.

For employers, accurate reporting helps:

- Support nationwide efforts to control rising healthcare costs
- Improve long-term drug affordability and plan sustainability
- Reduce compliance risks and potential penalties

For brokers, RxDC reporting is an opportunity to:

- Demonstrate regulatory expertise
- Strengthen client relationships through proactive communication
- Use reporting insights to guide smarter plan design and cost-containment strategies



The Broker's Role: How You Add Value

As a healthcare broker, your guidance is critical to the success of RxDC reporting. Key responsibilities include:

1. Educating clients on RxDC requirements and why timely, accurate participation matters
2. Helping employers respond to carrier data requests, surveys and attestations
3. Monitoring regulatory updates and communicating changes clearly to clients
4. Leveraging RxDC insights to support plan evaluation, pharmacy strategy conversations, and cost-saving opportunities

Your proactive involvement helps ensure compliance while positioning you as a strategic partner, not just a transactional resource.

Important Reminder: Carrier Surveys Are Critical

Please remind your clients and note for yourself to watch closely for carrier surveys related to RxDC reporting. These surveys are essential for carriers to complete their reporting obligations on behalf of the employer, and delays or non-responses can create compliance gaps. Prompt responses help protect your clients and streamline the reporting process for all parties involved.

Key Deadline to Know:

CAA RxDC Reporting Deadline: June 1, 2026

Now is the time to begin client education, set expectations, and build reminders into your annual compliance calendar.



Compliance Requirements for Level Funded Plans

While Level Funded health plans can provide more flexibility and lower monthly costs than Fully-Insured plans, they come with additional compliance requirements. Level Funded health plans are generally considered self-insured for compliance purposes, meaning the compliance requirements that apply to self-insured health plans under federal law also apply to employers with Level Funded health plans.

Employers who move from a Fully-Insured health plan to a Level Funded plan should understand they are taking on additional compliance responsibilities, as described in the box below.

However, note that there are some compliance requirements that apply to Fully-Insured health plans that do NOT apply to Level Funded health plans. Employers who move to Level Funding may be able to save on monthly expenses, in part because these requirements do not apply.

Level Funded health plans are NOT subject to the following requirements:



EHB package: Fully-Insured health plans in the small group market must offer comprehensive health coverage, referred to as the EHB package.



Community rating: Fully-Insured health plans in the small group market are subject to a modified form of community rating.



State insurance mandates: Fully-Insured health plans must comply with applicable state insurance mandates, which require these plans to provide coverage for certain benefits, providers, and individuals.



Mini-COBRA: Fully-Insured health plans must comply with state continuation coverage requirements, often called “mini-COBRA” laws, to the extent applicable to the employer.



Taxes and fees: Insurance carriers are subject to certain taxes and fees under state and federal law, which they typically pass on to employers in the form of increased premiums.

Nondiscrimination Rules

Self-insured health plans, including Level Funded health plans, are subject to nondiscrimination rules that do not apply to Fully-Insured health plans. Internal Revenue Code Section 105(h) contains nondiscrimination rules for self-insured health plans. Under Section 105(h), Level Funded health plans cannot discriminate in favor of highly compensated individuals (HCIs) with respect to eligibility or benefits.

In general, a Level Funded health plan will not have problems passing the Section 105(h) nondiscrimination tests when the employer treats all its employees the same for purposes of health plan coverage.

ACA: Health Coverage Reporting

Applicable large employers (ALEs) – those with at least 50 full-time employees – are subject to annual reporting requirements under Code Section 6056, regardless of whether their health plan is Fully-Insured, self-insured or Level Funded.

With a Level Funded plan, even if a small employer is not an ALE, they will also have to do a limited form of reporting under Section 6056, as well as provide statements to covered employees each year.



ACA: PCORI Fees

The ACA imposes a fee on health insurance issuers and employers with self-insured health plans (including Level Funded plans) to help fund the Patient-Centered Outcomes Research Institute (PCORI). The fee is calculated based on the average number of lives covered under the plan. Employers that move from a Fully-Insured health plan to a Level Funded plan are responsible for reporting and paying this fee by July 31 each year.

Use of Plan Assets (ERISA): Surplus Funds

Employers with Level Funded health plans should be aware of ERISA's fiduciary rules regarding the use of surplus refunds from their carrier or TPA. As a general rule, ERISA requires that plan assets be used exclusively for the benefit of the plan's participants and beneficiaries, not for the employer's own purposes.

To comply with ERISA, an employer could, for example, distribute the plan asset portion of the rebate to participants or apply the rebate to reduce future employee premium payments. Employers cannot, however, retain the plan asset portion of the rebate for their own purposes or apply it to other benefit programs.

HIPAA Privacy and Security

Most employers who sponsor Fully-Insured health plans have minimal compliance responsibilities under the HIPAA Privacy and Security Rules because they do not have access to PHI from their insurance carriers.

Employers with Level Funded health plans must comply with HIPAA Privacy and Security requirements. Employers with Level Funded plans should consult with their carriers and TPAs to see what help and resources are available to satisfy these HIPAA requirements.

Why a Level Funded Group Typically Must File Form 5500

A Level Funded plan is treated as a Self-Funded ERISA group health plan. Under ERISA, Self-Funded health plans are required to file Form 5500 each year, even if the employer has fewer than 100 employees. The "less than 100 employee exemption" only applies to Fully-Insured plans, HRA-only plans, or unfunded/self-administered plans – not to Level Funded plans.

Exception: Why a Self-Funded, including Level Funded plan with fewer than 100 participants, still needs to file form 5500

Unlike a Fully-Insured plan, a Self-Funded plan is considered a "funded" plan under ERISA. Any plan considered a "funded" plan is required to file form 5500, even with fewer than 100 participants. A plan of this size will file Form 5500-SF, which is a simplified version of the form.

Related Point: Does Schedule A apply?

For Level Funded plans:

- Medical claims are self-funded → Schedule A is NOT used for medical
- Stop-loss insurance IS Fully-Insured → requires a Schedule A

So the 5500 will include:

- Form 5500
- Schedule A for the stop-loss policy

Broker Compliance Checklist: CAA RxDC Reporting

Use this checklist to help ensure your clients remain compliant with the CAA RxDC reporting requirement and to reinforce your role as a proactive compliance partner.

EDUCATION AND AWARENESS

- Confirm you understand CAA Section 204 and RxDC reporting requirements.
- Educate clients on what RxDC reporting is, why it matters, and who is responsible.
- Communicate the June 1, 2026, reporting deadline clearly and consistently.
- Explain the potential compliance risks of late or incomplete participation.

CLIENT COMMUNICATION AND PREPARATION

- Identify which clients are subject to RxDC reporting (generally employer-sponsored health plans).
- Confirm whether the carrier or TPA will submit RxDC data on the employer's behalf for Self-Funded groups, including Level Funded groups.
- Set expectations with clients regarding information requests, attestations and timelines.
- As a reminder, share Warner's [annual compliance calendar](#) with your clients.

CARRIER AND VENDOR COORDINATION

- Monitor communications from carriers, TPAs, and PBMs regarding RxDC reporting.
- Remind clients to watch for carrier surveys or data requests.
- Stress the importance of prompt and accurate survey responses.
- Assist clients in understanding survey questions when needed.

DATA ACCURACY AND DOCUMENTATION

- Encourage clients to review submissions and surveys for completeness and accuracy.
- Verify whether any client-specific data or attestations are required.
- Remind clients to retain documentation related to RxDC reporting for compliance records.
- Keep notes of communications and confirmations for your own records.

STRATEGIC ADVISORY FOLLOW-UP

- Review available RxDC insights or summaries provided by carriers.
- Use RxDC data trends to discuss:
 - Prescription drug cost drivers
 - High-cost medications
 - Plan design or pharmacy strategy adjustments
- Position RxDC reporting as part of broader cost-management and governance discussions.

ONGOING MONITORING

- Stay informed on future updates or guidance related to RxDC reporting.
- Communicate regulatory changes promptly to clients.
- Partner with your Warner Pacific Sales Consultant for updates, tools and support.

**CARRIER SURVEYS
ARE CRITICAL**

Non-response or delayed responses can jeopardize your clients' compliance. Proactive reminders and simple explanations can make a significant difference.



Learn More and Get Support

For more details on CAA RxDC reporting, including how carriers are addressing the requirement and what it means for you and your employer groups, visit: [Prescription Drug Reporting | Warner Pacific](#).

If you have questions or need assistance navigating RxDC reporting, please reach out to your Warner Pacific Sales Consultant.

We're here to support you every step of the way.

Check out all of our compliance and legislative resources at warnerpacific.com.