

Health industries ac-
counting and reporting
quarterly insights:
March 2026



Welcome to our latest quarterly industry insights for pharmaceutical, life sciences, medtech, healthcare, and not-for-profit sectors. This edition features new insights on advancing women's health, four Future of Health perspectives, reminders for Q1 2026, and trending regulatory and accounting topics as we look ahead to 2026. Additionally, we explore other pertinent topics that significantly influence the health industry.

Spotlight

Shaping the future of health

As the health industry continues to evolve, organizations are redefining how care is delivered, coordinated, and experienced across the ecosystem. PwC has released a series of perspectives exploring these shifts, including new insights on women's health and four Future of Health reports across pharmaceutical, medtech, payer, and provider sectors that focus on how each part of the ecosystem can lead through change and the decisions required to shape leadership by 2035.

The future of women's health: From margin to mainstream

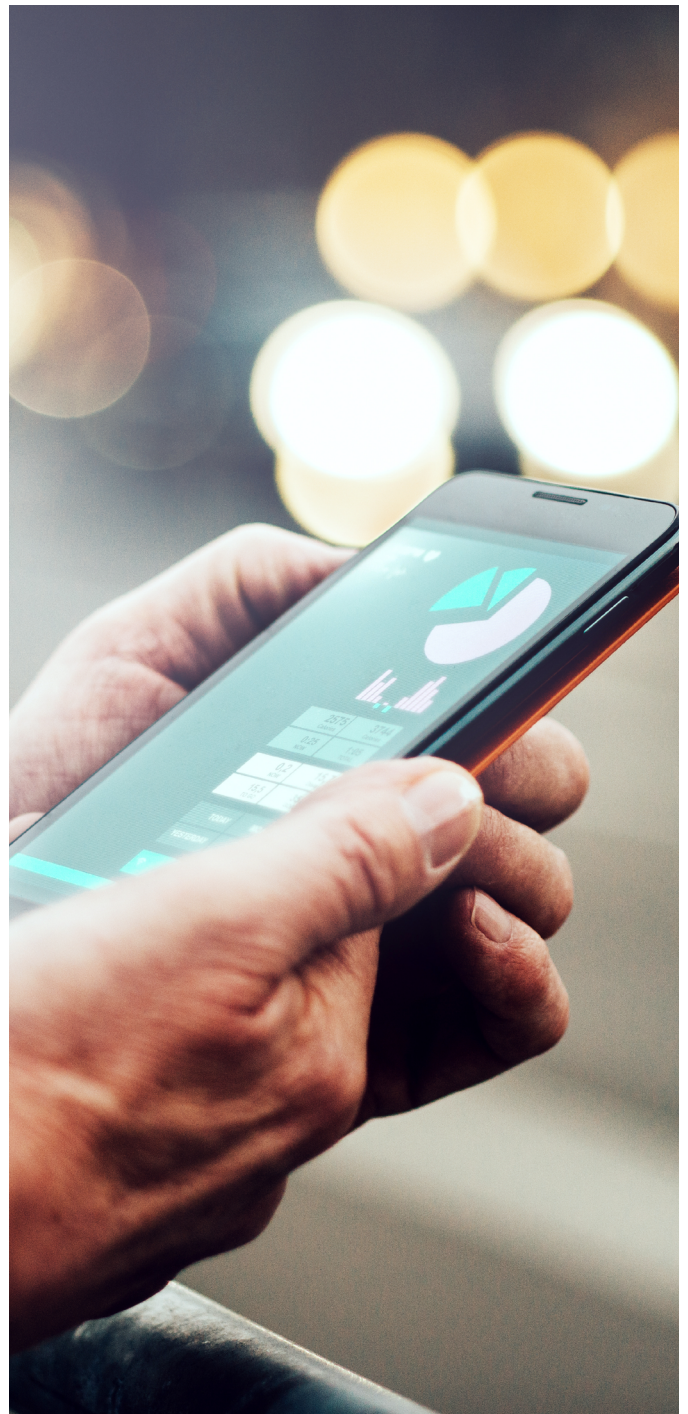
Women's health is emerging as a significant and underinvested opportunity in healthcare. Expanding beyond reproductive care, organizations are taking a more comprehensive approach to address unmet needs and disparities. Closing gaps in research, funding, and care delivery can unlock value, improve outcomes, and drive innovation across the healthcare ecosystem.

The future of pharma: Breakthroughs at scale

Pharmaceutical companies evolve from medicine makers to lifespan partners, using AI, genomics, and real world evidence to predict, prevent, and personalize care while rethinking how value is created.

The future of medtech: From innovation to orchestration

Medtech organizations shift from standalone devices to intelligent infrastructure, connecting data, robotics, and partners to enable coordinated, outcome driven care across settings.



The future of payers: Becoming a healthcare partner for life

Payers reimagine their role as trusted partners, applying AI and automation to deliver greater value while orchestrating care across a complex ecosystem.

The future of healthcare providers: Empowering care, elevating outcomes

Providers modernize care delivery and their workforce to move from survival mode to sustainable, consumer centered models built for long term resilience.

Reminders for Q1 2026

New Accounting Standards Required or Eligible for Adoption

As calendar year end companies prepare for Q1 2026 reporting, there are two new accounting standards that may be applicable to Health Industries companies and are required to be adopted in 2026:

- **ASU 2024-04**, Debt—Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments. This standard was issued to improve the relevance and consistency in application of the induced conversion guidance in Subtopic 470-20, Debt—Debt with Conversion and Other Options. It may be adopted prospectively to new settlements of convertible debt instruments or retrospectively, subject to specific timing considerations. Refer to the PwC Financing Transactions guide **section 6.8.2**.
- **ASU 2025-05**, Measurement of Credit Losses for Accounts Receivable and Contract Assets, which relates to estimating credit losses under the FASB's cumulative expected credit losses (CECL) model. The ASU proposes amendments for the application of CECL to current accounts receivable and current contract assets arising from revenue transactions accounted for under ASC 606, including those acquired in business combination (acquisition) transactions accounted for under ASC 805. The amendments generally simplify the application of the CECL model to trade receivables and are applicable prospectively. Refer to the PwC Loans and Investments guide **section 7.4.3** for more information.

In addition to the above standards that are required to be adopted this year, a number of other recently issued accounting standards that may be applicable to Health Industries companies are available for early adoption:

- **ASU 2025-07**, Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration from a Customer in a Revenue Contract. This ASU is not required to be adopted until annual reporting periods (and interim periods with annual periods) beginning after December 15, 2026. However, early adoption is permitted, and given the expansion of the derivative scope exception for certain types of R&D funding arrangements, early adoption may be attractive. Refer to our **In depth** for more information.
- **ASU 2025-06**, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software. This new guidance for the cost of developing software for internal use is not effective until calendar 2028 (annual reporting periods beginning after December 15, 2027), but early adoption is permitted. There are a few different transition alternatives and given a company's past, current, or planned software development activities, thinking about the timing and method of transition now may make sense. Refer to our **In depth** for more information.

- **ASU 2025-10**, Accounting for Government Grants Received by Business Entities. This new US GAAP standard for government grants is not required to be adopted until 2029 (annual periods beginning after December 15, 2028), but early adoption permitted. Refer to the below section on **Government Grants** for more information.

For a comprehensive list of all ASUs effective in 2026 and beyond please see our **Effective dates of FASB standards for public companies**.

Reassessment of Segments or Segment Changes

As their business evolve, companies often reassess their operating (and, in turn, reportable) segments in the first quarter. Information regularly reviewed by the CODM may change for a number of reasons, including when a reporting entity changes the structure of its internal organization. This could result in changes to operating segments and changes to the determination of reportable segments. If a reporting entity's reportable segments change in the current period, corresponding information for earlier periods should be recast and disclosed in the current period financial statements. This would include information for interim periods so that all segment disclosures are comparable. This requirement applies to all disclosures unless it is impracticable to do so. A change in reportable segments should be accompanied by disclosure of the reasons for the change and, when appropriate, that the change has been reflected retrospectively. A change in segments may be deemed sufficiently material to require updated annual financial statements to be filed in connection with a new registration statement after a segment change has been reported in a subsequent quarterly report but prior to the filing of the next annual financial statements. Also, a change in segments that includes a change in the composition of reporting units requires companies to assess goodwill impairment immediately before and after the segment change is effected.

Smaller Reporting Company (SRC) and accelerated filer status changes

As a reminder, calendar year-end companies that ceased to qualify as a Smaller Reporting Company (SRC) on the last business day of their prior second fiscal quarter (i.e. June 30, 2025) must report as a non-SRC no later than the first fiscal quarter of its next fiscal year (i.e. beginning with their Form 10-Q for the quarter ended March 31, 2026).

Certain companies that no longer qualified as a SRC (based on its assessment as of June 30, 2025) but that simultaneously met the conditions of **C&DI 130.05** will nonetheless remain a non-accelerated filer for filings due in 2026 (i.e. through their Form 10-Q for the quarter ended September 30, 2026). Refer to **C&DI 130.05** for further information.



Regulatory and accounting updates

Statement by SEC Chairman on Regulation S-K

On January 13, 2026, SEC Chairman Paul Atkins released a **statement** on reforming Regulation S-K. Chairman Atkins has called for a comprehensive overhaul, noting that the rule set has expanded significantly over the past 40 years and now prompts companies to disclose large amounts of immaterial information. He emphasized that the current framework often obscures what reasonable investors consider important and cited longstanding concerns that users are being overwhelmed with unnecessary detail.

One area the SEC staff are already focused on is executive compensation disclosures under Item 402 of Regulation S-K. In May 2025 the SEC solicited public comments on these requirements, and in June they hosted a roundtable to discuss feedback. SEC Staff are now preparing recommendations for potential revisions to that section based on feedback received.

The next phase will focus on the other requirements of Regulation S-K, with the goal of revising the requirements to focus on eliciting disclosure of material information and avoid compelling the disclosure of immaterial information. Chairman Atkins encouraged members of the public to provide their views on how the Commission can amend Regulation S-K, by submitting comments no later than April 13, 2026.

We expect to see further developments after the comment deadline with potential rulemaking on this topic possible later this year.

Accounting for Government Grants

On December 4, 2025, the FASB issued **ASU 2025-10**, Accounting for Government Grants Received by Business Entities.

Prior to the issuance of this standard, US GAAP did not contain guidance addressing the recognition, measurement, and presentation of government grants received by business entities. As a result, entities that received government assistance were required to develop an accounting policy by analogy to other GAAP, for which many turned to IFRS, specifically IAS 20, Accounting for Government Grants and Disclosure of Government Assistance. Although much less common, some companies chose to analogize to the provisions of ASC 958-605 for grants and contributions by the government to not-for-profit entities or the guidance in ASC 450-20 on contingent gains. The new standard closes this gap in US GAAP by adding guidance on recognition, measurement, and presentation and by amending the disclosure requirements in ASC 832, Government Assistance. **ASU 2025-10** largely leverages the principles in IAS 20 such that companies currently applying IAS 20 by analogy will not likely see a significant impact from adoption of the new guidance.

With the issuance of the new standard, business entities should evaluate their existing accounting policies for government grants. In particular, because ASC 832 now provides authoritative US GAAP for government grants, entities that had previously applied the provisions of other guidance by analogy should no longer continue to do so once ASC 832 becomes effective.

In the Health Industries sector, some companies, particularly biotech or biomedical research organizations, receive funding from various pseudo-governmental or non-governmental organizations. In that context, business entities should be mindful of the source of funds received, as the scope of this new

standard does not extend to grants, contributions or awards from nongovernmental sources. Funding received from such sources, including private foundations, should continue to be accounted for in accordance with the provisions of ASC 958-605 addressing contributions received for both business and not-for-profit entities.

Please see our [In depth](#) for further information.

Disaggregated Income Statement Expenses (DISE) – update

As the 2025 financial reporting season concludes, companies are beginning to turn their attention to the adoption of ASU 2024-03, Disaggregation of Income Statement Expenses (DISE). DISE applies to all public business entities (PBEs) and is effective for calendar 2027 annual reporting periods (years beginning after December 15, 2026) and 2028 interim reporting periods. Early adoption is permitted, but few companies seem to be in a hurry to adopt this new disclosure standard given some of the data collection challenges it presents.

As a refresher, the DISE standard requires new footnote disclosures that provide additional information about the nature of costs included in the expense captions presented in the income statement (e.g., cost of sales, SG&A, R&D, etc.). Importantly, the standard does not mandate any changes to the face of the income statement.

A new table will be required for each interim and annual reporting period that disaggregates each expense caption on the income statement into the following natural expense categories:

- a. purchases of inventory
- b. employee compensation
- c. depreciation
- d. intangible asset amortization
- e. depreciation, depletion, and amortization recognized as part of oil- and gas-producing activities (DD&A) (or other amounts of depletion expense)

Within the same table, certain expense, gain, or loss amounts that are already required to be disclosed under US GAAP

A qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively

The total amount of selling expenses and an entity's definition of selling expenses

Depending on an entity's circumstances, including its information systems environment, nature of manufacturing operations and cost accounting processes, geographical footprint and other business factors, system and process changes may be required in order to collect, aggregate and assimilate the information required by the DISE standard. Coordination across geographies, business segments, and cross-functional stakeholders within an entity will likely be necessary as part of the adoption process. Given the potential system and data challenges, even though the 2027 annual reporting timeframe may seem like a long way off, starting early is recommended. Assessing readiness to adopt DISE from a data, system and process perspective may be a complex exercise and is critical for a successful implementation of the disclosure requirements.

For further discussion of the requirements of DISE as well as responses to commonly asked questions, please refer to our [In depth](#).

OECD publishes Pillar Two Side-by-Side Safe Harbor

On January 5, 2026, The Organization for Economic Cooperation and Development (OECD) released further Administrative Guidance on their Pillar Two global minimum tax framework. One of the key provisions of this guidance is the “Side-by-Side” (SbS) guidance anticipated as a result of a G7 agreement in 2025.

When elected by a US parented company, the SbS guidance provides safe harbors that result in the Pillar Two Top-up Tax imposed under both the Income Inclusion Rule (IIR) and Under-Taxed Profits Rule (UTPR) being zero. Importantly, however, this new Administrative Guidance does not impact any individual country’s Qualified Domestic Minimum Top-Up Taxes (QDMTT) that may exist. Also, while US-parented entities have already been subject to IIR, as well as QDMTTs, around the world under the Pillar Two regime, US operations were generally not subject to UTPR as the result of a safe harbor which expired in December 2025. Therefore, without the new SbS safe harbors, US operations could be subject to Pillar Two for the first time in 2026.

However, like any of the Administrative Guidance from the OECD, the SbS guidance is generally not automatically considered to be part of the tax law until an individual jurisdiction formally adopts the guidance into their own local legislation. Therefore, US multinationals will need to continue to consider, and account for, Pillar Two top-up taxes in their estimated annual effective tax rate (AETR) used for accruing their first quarter 2026 tax provision including, for the first time with respect to US operations, UTPR. As countries enact legislation adopting the Administrative Guidance into their local laws, those changes in law will need to be reflected in the AETR in the periods of enactment. It is expected that countries will begin enacting legislation throughout 2026 and even beyond. For example, the UK has stated that they do not expect to introduce the Administrative Guidance into law until 2027. This will likely lead to volatility in the AETR for companies exposed to Pillar Two so companies should consider transparent disclosure of the current and potential future impacts on the AETR.

For further discussion on the SbS guidance, refer to the following [Tax Policy Bulletin](#).

US Supreme Court invalidates IEEPA tariffs

On February 20, 2026, the US Supreme Court ruled that the International Emergency Economic Powers Act (IEEPA) does not provide the President with authority to impose tariffs. However, the Supreme Court did not explicitly rule on the right to a refund of the previously-incurred IEEPA tariffs. On March 4, 2026, the Court of International Trade (CIT) ordered U.S. Customs and Border Protection (CBP) to issue refunds to importers of record who paid IEEPA tariffs, and since that ruling, CBP has provided several progress updates to CIT on the status of their efforts to process refund claims. Technically, the CIT order remains subject to potential appeal, but, to date, no appeals have been filed.

We believe a tariff is a legal obligation for a company when (1) the tariff has been imposed by executive order or other relevant proclamation, (2) it has been and is being enforced by CBP, and (3) the company has complied with the tariff. Accordingly, until the February 20th Supreme Court ruling, any tariffs incurred constituted legal obligations. Derecognition of a liability for unpaid tariffs would only occur when

the entity settles the obligation or is legally released from being the primary obligor.

A company that incurred and paid IEEPA tariffs will need to select an accounting policy for the timing of recognition of a potential tariff refund. While US GAAP does not contain specific guidance for these circumstances, some may view the potential for a refund as the inverse of the original tariff liability, while others may view the refund question similar to a gain contingency or a loss recovery. Under any approach other than a gain contingency, a company will need to evaluate, under the applicable legal framework, whether it has a valid legal claim for a refund from the government. That assessment should be made in the period in which the Supreme Court issued its ruling and re-evaluated in each subsequent reporting period as new information becomes available. Notably, the Supreme Court's ruling is limited to the IEEPA tariffs and does not impact any other tariffs that remain in effect.

If applicable, the Supreme Court decision would be considered an event occurring in the period of the ruling. That is, a non-recognized subsequent event under ASC 855 for which disclosure should be considered. For further discussion, refer to our recently updated [In depth](#).



SEC Comment Letter trends

Current Period (1/1/2025 to 12/31/2025)

1. Management's Discussion and Analysis
2. Research and development
3. Non-GAAP measures
4. Revenue recognition
5. Segment reporting

Our **analysis** of SEC comment letters has been updated for letters made public through December 31, 2025. Segment reporting has replaced business combinations in the top five trends for the period. Recent comments reflect heightened focus on compliance with the new disclosure requirements introduced by **ASU 2023-07**. See **Segment reporting: SEC staff comments** for a summary of the areas of the disclosure that the SEC staff has been commenting on in the last year.

Register now

Health industries accounting and reporting hot topics webcast

Upcoming live webcast: June 16th | 1:00 - 2:30pm ET

Join us for our accounting and reporting webcast, where we will focus on navigating rapid innovation alongside evolving accounting and regulatory expectations in the health industries. We will explore timely topics impacting the sector, including AI in healthcare, key accounting considerations such as disaggregation of income statement expenses, recent regulatory developments, FASB updates, and reporting reminders for not for profit organizations.

Register now

Thought leadership

Learn how providers can access new **rural health transformation** funding and build sustainable models that strengthen care delivery in underserved communities.

Health Policy Intelligence Institute examines **The Joint Commission's framework for the Responsible Use of AI in Healthcare**, outlining early guidance for AI governance and risk management as adoption accelerates.

AI observability establishes the foundation for trust by helping organizations monitor, validate, and govern increasingly complex AI systems across Pharma, Life Sciences, and MedTech.

Gain insights into how **global M&A trends** are shaping the future of biopharma, medtech, health services, and digital health as organizations pursue resilience and innovation.

We also have featured publications **here** which offer deeper insights into the Health Industries sector.

Tune into our latest **podcast episode**, where PwC specialists analyze the key trends shaping the healthcare industry in 2026. Catch up on past episodes **here**.

