



The Daily Dish

CMS Enters the MFN Fray

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Following President Trump's [executive order](#) (EO) on Most Favored Nation (MFN) drug pricing, this [announcement](#) came from the Centers for Medicare and Medicaid Services (CMS) on Tuesday:

Under the leadership of President Donald J. Trump, HHS Secretary Robert F. Kennedy Jr., and CMS Administrator Dr. Mehmet Oz, the Department has identified specific targets pharmaceutical manufacturers are expected to meet to satisfy the requirements of the Executive Order. President Trump and Secretary Kennedy look forward to highlighting commitments in the coming weeks. These commitments will ensure Americans no longer pay more for medications than patients in other economically comparable countries, relieving the unfair burden placed on hard-working Americans.

The gist of CMS' implementation of the EO appears to be roughly the following:

HHS expects each manufacturer to commit to aligning US pricing for all brand products across all markets that do not currently have generic or biosimilar competition with the lowest price of a set of economic peer countries. The MFN target price is the lowest price in an OECD country with a GDP per capita of at least 60 percent of the U.S. GDP per capita.

Let's think about this. First, do we really think of any OECD (Organisation for Economic Co-operation and Development) country with 60 percent of U.S. gross domestic product (GDP) per capita is as "comparable"? The list (converted to U.S. dollars using "purchasing power parity" exchange rates) is shown at the bottom. Readers can decide on their own, but Eakinomics has some real reservations - especially Canada, which won't even become the 51st state! More seriously, there is more to comparability than some measure of affluence.

This ignores entirely important considerations such as the population health characteristics, medical institutions, and myriad other important differences.

Next, the EO applies to all brand products without current generic or biosimilar competition. What happens to future entry of generics? Does that mean manufacturers get to raise prices when competition shows up? As usual, with price-fixing all sorts of paradoxical situations arise.

The order evidently applies across all markets, which means that the federal government is now intervening in private insurance contracts to set reimbursement rates. Since this administration is so fond of striving to restore the 1950s and 1960s, let it also restore the notion that there is a line between the private sector and the government, and the latter should respect the private contracts in the former.

Finally, how does all of this happen? What is the enforcement mechanism if the president is unhappy with the pricing?

Perhaps the greatest mystery is the twisted logic. The president thinks pharmaceutical companies are abusive giants who charge high prices to Americans. But he also seems to believe that prices will go up overseas if they are price-controlled in America. But that means the giants are not using their ability to price abusively overseas right now. Why not?

Like fresh fish on a dock, the MFN idea gets worse and worse as time goes on.

OECD Countries Within 60 Percent of U.S. GDP Per Capita

| Country | GDP Per Capita | Percent of U.S. |
|-------------|----------------|-----------------|
| Luxembourg | \$132,800 | 178% |
| Ireland | \$114,900 | 154% |
| Norway | \$90,500 | 121% |
| Switzerland | \$82,600 | 111% |
| Denmark | \$72,100 | 97% |
| Netherlands | \$71,400 | 96% |
| Iceland | \$67,300 | 90% |
| Austria | \$65,000 | 87% |
| Belgium | \$64,200 | 86% |

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|----------------|----------|-----|
| Germany | \$63,600 | 85% |
| Sweden | \$63,100 | 85% |
| Australia | \$59,600 | 80% |
| Finland | \$57,100 | 77% |
| Canada | \$55,900 | 75% |
| France | \$55,400 | 74% |
| United Kingdom | \$54,500 | 73% |
| Italy | \$53,300 | 71% |
| Korea | \$50,600 | 68% |
| Czech Republic | \$49,700 | 67% |
| New Zealand | \$48,800 | 65% |
| Israel | \$48,400 | 65% |
| Slovenia | \$48,200 | 65% |
| Spain | \$47,100 | 63% |
| Japan | \$46,200 | 62% |
| Poland | \$44,400 | 60% |