Deadline Day

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This past May President Trump issued an executive order directing the secretary of Health and Human Services (HHS) to implement "most favored nation" (MFN) drug pricing – for which the U.S. price is set at the lowest price in other developed countries. In July, he sent letters to 17 pharmaceutical CEOs demanding action and setting a deadline of September 29 to commit to MFN pricing. Welcome to Deadline Day.

Since there have not been 17 announcements of plans to comply issued by drug manufacturers, one suspects that the news today will be a directive from the administration to force compliance. The leading idea is that there will be a Center for Medicare and Medicaid Innovation (CMMI) "demonstration project" on MFN pricing. Demonstration is in quotes because it will cover every beneficiary in Medicaid and Medicare – hardly the small scale envisioned when demonstration projects were dreamed up.

There are lots of details about the scope and implementation of such a demo. Stay tuned.

The whole MFN discussion is clouded by the president's recent Truth Social post:

> *Starting October 1st, 2025, we will be imposing a 100% Tariff on any branded or patented Pharmaceutical Product, unless a Company IS BUILDING their Pharmaceutical Manufacturing Plant in America. "IS BUILDING" will be defined as, "breaking ground" and/or "under construction." There will, therefore, be no Tariff on these Pharmaceutical Products if construction has started. Thank you for your attention to this matter!*

Unfortunately, there is no further information, such as a fact sheet. Clearly, generics are exempted. But among branded drugs, is it just finished products? Or does it 100 percent apply to the active pharmaceutical ingredients (APIs)? What does it mean to have something under construction? Does it have to manufacture the brand drug, or can it be any facility that the company is building? Also, presumably European Union drugs will have a tariff of only 15 percent, as was negotiated in their trade agreement.

And how do the policies interact? If the MFN price of a branded drug is $100, the tariff is $100. Does that mean the company can charge $200 in the United States? Or does the company have to “eat” the tariff and charge only $100? Or something in between?

The bottom line is that on October 1, chaos may prevail in the supply chains for branded drugs in the United States. And to what end? Recall that roughly 90 percent of prescriptions in the United States are generics, and generic prices are one-third lower here than in other countries. The disruption of the remaining 10 percent will impact the most advanced therapies for the sickest patients.