The Daily Dish

Fantasy MFN Drug Pricing

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There he goes again. Just prior to jetting off to the Middle East – evidently largely in pursuit of his own new jet – the president signed an executive order (EO) directing the secretary of Health and Human Services (HHS) to implement Most Favored Nation (MFN) drug pricing. (See the fact sheet here.) Michael Baker walks through the details, but here is the gist of it.

The MFN price is the lowest price paid by any nation in the Organisation for Economic Co-operation and Development (OECD). The president is directing HHS to act as a consolidated pharmacy benefit manager (PBM) and pharmacy that will funnel drugs from manufacturers to Americans:

> *To the extent consistent with law, the Secretary of Health and Human Services…shall facilitate direct-to-consumer purchasing programs for pharmaceutical manufacturers that sell their products to American patients at the most-favored-nation price.*

The drug manufacturers would then, under coercion, deliver the drugs at MFN pricing. Following the rules for all great dramas – i.e., willing suspension of disbelief – consider what would happen if they did. In short order:

> - *Every drug would be channeled through the HHS outlet as a cash sale to patients.*
> - *The private-sector pharmacies and PBMs would be replaced in favor of a government monopoly.*
> - *The health insurance industry as we know it would be gutted. At best, insurers would reimburse individuals for their purchases.*
> - *The Medicare Part D Program would be a relic of history.*

In short, single-payer health care would arrive in America. In the process, the revenue streams of the manufacturers would be slashed, and they would be unable to continue as at present – a familiar story from single-payer care overseas – and biopharma innovation would be halted.

End suspension of disbelief now. In these circumstances, the drug manufacturers simply could not deliver the drugs at MFN prices – and would not. But the president thought of that!

> *(b) If, following the action described in subsection (a) of this section, significant progress towards most-favored-nation pricing for American patients is not delivered, to the extent consistent with law:*
>
> *(i) the Secretary shall propose a rulemaking plan to impose most-favored-nation pricing;*

Yes, make RFK, Jr. do it. The EO then goes on to describe a variety of threats – e.g., "revoke approvals granted for drugs, for those drugs that maybe be unsafe, ineffective, or *improperly marketed*" [emphasis added] – that the HHS secretary might use to get the drugmakers to knuckle under.

It is a fantasy policy for a dystopian future. But the EO contains some significant boilerplate language: "This order shall be implemented consistent with applicable law and subject to the availability of appropriations." It is not consistent with any existing law and no Congress should ever fund it. Case closed.

Good luck with the jet, Mr. President.