



## The Daily Dish

# Sizing up the Pfizer Deal

DOUGLAS HOLTZ-EAKIN | OCTOBER 1, 2025

Yesterday the White House announced an agreement with Pfizer on the pricing, distribution, production, and tariffing of the company's prescription drugs. According to [Bloomberg](#) and the White House fact sheet ([here](#)):

- “Pfizer will sell some drugs at a 50% average discount on a direct-to-consumer website called TrumpRx, an initiative intended to allow Americans to pay for prescriptions at discounted rates negotiated by the government.” “Pfizer didn’t specify which of its medicines would be made available on TrumpRx but said the majority of its primary care drugs would be offered on the site.”
- Pfizer would sell to Medicaid at “[most favored nation](#)” (MFN) prices.
- “As part of this, [Pfizer CEO] Bourla also announced a \$70 billion push on research and development and domestic manufacturing over the next few years.”
- In exchange, Pfizer would be exempted from the president’s announced 100-percent tariff on pharmaceuticals.

The deal appears to satisfy the president’s demand for MFN pricing, although this is limited to Medicaid. The role of Medicare is unclear. The deal meets the president’s demand for direct-to-consumer sales through the use of TrumpRx, and at a hefty discount. Finally, the deal meets the requirement that tariff exemptions are doled out for companies that build in the United States. Looks pretty good for the president.

What about from Pfizer’s perspective? The deal applies MFN to Medicaid, but how much lower would prices be? The Medicaid Drug Rebate Program (MDRP) has a basic rebate of at least 23.1 percent for brand-name drugs, an inflation rebate of 100 percent when a drug’s price rises faster than inflation, and the assurance that the bottom line is equal to the “best price” offered to other purchasers. The Congressional Budget Office [found](#) that Medicaid obtained average rebates equal to 77 percent of the average Medicaid retail price.

So, it is far from obvious that it lost a lot of sales revenue to Medicaid. Call that a wash. Now, there are the 50-percent reductions on the TrumpRx sales, which should probably be compared to whatever rebates it had to provide on those sales in the past. This is very unclear but likely substantial. But that is the cost of three years of exemption from a 100-percent tariff, along with \$70 billion in U.S. investment.

The administration says more deals are forthcoming, so it will be interesting to see how they compare. But the Pfizer deal is a real wake-up call to those who thought the administration wasn't serious.