Weekly Checkup

Most Favored Nation: The Four Horsemen Cometh

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"You can hear the thunder of the hooves coming."

– Secretary of Commerce Howard Lutnick, The Axios Show (September 8, 2025)

Secretary of Commerce Howard Lutnick has continually professed that various aggressive administration policies (tariffs, state-directed capitalism, etc.) are going to save the American taxpayer and unleash American economic might. The quote above, from an interview with Mike Allen of Axios, follows Lutnick's promise of a cavalry on its way to reinvigorate the United States. Given, though, the administration's latest set of policies aimed at drug prices, that sound the secretary hears is more likely the coming of the Four Horsemen of the Apocalypse. Indeed, **the Trump Administration's "most favored nation" (MFN) drug pricing policy is one of its worst to date and is likely to create extraordinary distortions in the drug market that harm pharmaceutical development and the patients who rely on it.**

On Monday, the long-awaited deadline for action on the president's MFN pharmaceutical pricing policy arrives. There is some indication that this may end up being a proposed rule under the authority of the Center for Medicare and Medicaid Innovation (CMMI) at the Centers for Medicare and Medicaid Services (CMS), but there is little clarity about what this actually means at the moment. **It's worth re-emphasizing, however: Price controls, of any kind, are bad policy.**

As a refresher, **the president issued an executive order (EO) in May that aims to lower drug prices by requiring drug companies to charge U.S. patients the same prices they charge the country with the lowest price for the same drug.** The EO articulates several specific actions various executive departments should take. The EO mentions that the HHS secretary will use rulemaking to impose an MFN price if the industry

does not comply with federal price-setting – and this seems to be the direction the administration is going (see above). But it is clearly affording itself other avenues to pursue this policy goal, including: blanket certification that all foreign drugs are safe and that the Food and Drug Administration (FDA) commissioner will facilitate waivers to allow their Section 804 importation; legal action by the U.S. attorney general and the Federal Trade Commission chair to target companies' anti-competitive actions; restricting exports through the Commerce secretary; and a review of drug approvals by the FDA commissioner and subsequent threat of license revocation for non-compliant companies. There is evidence from other sectors that any policy announcement will include more than one of these pathways.

The lesson here: The federal government is willing to throw spaghetti at the wall and undermine an entire industry for something most health care sector participants believe is a bad idea. Government price controls could reduce private-sector incentives to develop new treatments. The U.S. drug industry invested $102 billion in pharmaceutical R&D in 2021, and over half of global R&D efforts are conducted by U.S. firms, originating the intellectual property on roughly 90 percent of all new medicines globally. **A 2019 study by the University of Chicago estimated that drug price controls could reduce global R&D spending by up to $2 trillion, or a 29–60 percent reduction in R&D from 2021–2039, translating into 167–342 fewer new drug approvals during that period.**

More than half of new drugs were launched first in the United States, and there was an average lag of about one year between the U.S. launch and the launch in other major markets. **According to a 2022 IQVIA study, of the new oncology drugs launched between 2016–2020, 96 percent were available in the United States within six months of FDA approval. In Canada, only 56 percent of those same drugs were available within the same period, and only 48–50 percent of new oncology drugs became available within one to two years after European Medicines Agency approval.** Across all Organisation for Economic Cooperation and Development countries, the United States is the clear leader in launching novel cancer therapies.

An MFN pricing model will have devastating effects on U.S. pharmaceutical access and innovation. Any degree of implementation will lessen this crowning achievement, reducing available treatments for the ever-rising prevalence of chronic conditions, such as cancer and heart disease, or address rare diseases. **In the past 20 years, economists have consistently found that price controls reduce the development and launch of new drugs, thus eroding American patients' access to innovative and much-needed medicines.**

The federal government's expanded role in adjudicating whether a company deserves access to the U.S. market will upend the proven, market-based system that has led to widely praised care access and innovative treatment options for patients. **While intended to put America first, the administration's drug pricing EO will have precisely the opposite effect, reducing the United States' global lead in both pharmaceutical innovation and patient access to novel drugs and therapies.**