

The Most-Favored-Nation Model: Global Benchmark or Global Risk?

Executive Summary

In recent years, the U.S. government has significantly increased its focus on prescription drug pricing, leading to proposals for a Most-Favored-Nation (MFN) pricing model. This approach would link the prices paid by U.S. federal programs to those negotiated by other developed countries — many of which operate under single-payer systems with stringent price controls. While the MFN model is positioned as a strategy to curb domestic pharmaceutical expenditures, its broader implications prompt important considerations around long-term sustainability, the future of medical innovation and the potential impact on global access and equity.

Potential Savings — But at What Cost?

On the surface, MFN pricing promises substantial savings for Medicare and other federal programs. By benchmarking against countries like Germany, France or the UK — where prices are often 40–60% lower than in the U.S. — policymakers project significant reductions in pharmaceutical spending. These savings could be redirected toward expanding coverage, funding public health initiatives or offsetting inflationary pressures in healthcare.

However, the savings are not guaranteed. In response, pharmaceutical manufacturers may take actions such as:

- Withdrawing products from the U.S. market
- Delaying launches to avoid triggering MFN benchmarks
- Repricing globally to prevent U.S. prices from dragging down international margins

In effect, the MFN model could incentivize manufacturers to raise prices abroad or limit access in lower-income countries to preserve profitability in the U.S. This creates a paradox: **while the U.S. seeks to benefit from other nations' price controls, it may inadvertently destabilize the very systems it seeks to emulate.**

Impact on Global Access and Affordability

The MFN model functions within a complex and interconnected global pharmaceutical landscape. Drug pricing is part of a delicate economic ecosystem, and the United States remains a leading role in funding innovation. If manufacturers begin to treat U.S. pricing as a global anchor, they may:

- ✓ Reassess launch strategies in price-controlled markets
- ✓ Reduce supply to countries with historically low reimbursement rates
- ✓ Shift R&D investment away from high-risk therapeutic areas

This could disproportionately affect access in emerging markets and smaller economies that rely on negotiated pricing and tiered access programs. **Ironically, the MFN model — designed to make drugs more affordable in the U.S. — could make them less accessible elsewhere.**

Furthermore, the MFN model has the potential to disrupt international efforts aimed at advancing equitable access to essential medicines. If manufacturers begin adjusting launch timelines or restructuring pricing tiers to circumvent MFN-related



benchmarks, these actions could compromise the integrity of global access strategies and hinder progress toward health equity.

Structural Flaws in Benchmarking Across Disparate Systems

A critical yet often underappreciated challenge of implementing MFN pricing lies in the fundamental misalignment between healthcare systems across countries. The U.S. system is fragmented, with multiple payers, opaque rebate structures and limited government leverage over pricing. Benchmarking against countries with fundamentally different models risks oversimplifying complex pricing dynamics.

Additionally, MFN pricing assumes that international prices are transparent and comparable, which they are not. Confidential discounts, managed entry agreements and post-launch price adjustments make it difficult to obtain accurate reference prices. Using list prices or publicly available data may lead to distorted benchmarks that do not reflect true market conditions.

A Risk Worth Taking — or a Risk to Rethink?

The MFN model represents a decisive effort to address the persistent challenge of elevated drug prices in the U.S. It signals a shift in policy driven by mounting public concern and a clear mandate to control healthcare costs. However, while the intent is ambitious, the execution demands careful consideration to avoid unintended consequences across both domestic and global markets. Without safeguards, MFN pricing could:

- Disrupt global access
- Undermine innovation
- Create perverse incentives in launch sequencing and pricing strategy

Instead of implementing MFN pricing in its entirety, policymakers could explore more nuanced, hybrid frameworks, such as negotiated price corridors, value-based reimbursement strategies or international reference pricing tailored to specific market contexts. These alternatives maintain the objective of improving affordability while accounting for the complexities and variations inherent in global healthcare systems.

In the end, the MFN model forces a fundamental question: **Should the U.S. lead the world in drug innovation, or follow it in price control?** The solution may rest not in emulating foreign pricing models, but in designing a framework that embodies the unique complexity, diversity and forward-looking spirit of the American healthcare system.

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