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Most-Favored-Nation: Weak Policy, Strong Signal

Even if it never lands, reform momentum is real, and pharma can't sit back.

The MFN wake-up call

MFN may never become law, but its signal still matters

- The industry is still parsing the implications of the new MFN framework established by May's Executive Order. While practical policy details remain undefined, the signal is unmistakable: the administration wants to bring pharma to the table on drug pricing.
- The real question is how the industry responds. Does it see MFN as a threat that it must navigate or as an opportunity to lead?

Meeting the moment with practical alternatives

- By acknowledging affordability pressures and putting forth workable solutions, the industry can safeguard innovation, rebuild trust, and shape sustainable policy solutions.

Good business practices in an MFN world

- Even if MFN is not fully implemented, pharma can't afford to wait and see. By fortifying portfolios, tightening financial discipline, and reinforcing supply chains, companies can hedge against MFN while building resilience to future policy shocks.

Components of MFN may never be fully enacted, but its signal still matters

In June 2025, following the White House's May 12 most-favored-nation (MFN) executive order, we published *The US Pharma Premium: Who's Really Paying the Price?*[1] In that piece, we reviewed the EO's objectives, potential benefits, implementation challenges, and key risks.

In brief, the policy's stated aim is to lower US prescription drug costs by tying American prices to the lowest levels in other developed countries, with the intent of stopping "global freeloading," where Americans pay more while others negotiate steep discounts.

We noted that MFN pricing could benefit patients by increasing transparency around international price disparities, pressuring companies to justify US prices, and potentially reducing PBM influence through more direct-to-patient models. Yet the risks to pharma and the public are significant: companies may raise prices abroad or exit smaller markets to inflate benchmarks, undermining the model's intent. Over time, price controls could dampen R&D investment—slowing innovation, restricting access, and giving foreign regulators outsized influence over what Americans pay.

Given MFN's legal and implementation challenges, we argued it serves more as a political signal than a settled policy. On this basis, we noted that durable US drug-pricing change is likelier to come from other structural shifts like DTC advertising limits, PBM reform, and FDA biosimilar reforms.

As of mid-September 2025, MFN pressure has intensified with higher stakes, firm deadlines, and explicit noncompliance threats. Here, we propose a pragmatic response to proactively address the EO's objectives with workable solutions while collaborating with regulators to shape lasting policy. Even if MFN is never fully implemented, the political signal should be taken seriously as an opportunity to build resilience to policy shocks through disciplined, business-led actions.

[1] The US Pharma Premium: Who's Really Paying the Price? Alvarez and Marsal (Jun 2025)

> Whether MFN is merely a political signal or negotiation leverage, the industry cannot afford a wait-and-see approach.

Where things stand today

Since our June article, the administration has seemingly doubled down on MFN, escalating beyond the May EO with new demands and a firm deadline in recent months:

May 12, 2025: **Executive Order**

- Trump signed EO 14297, "Delivering Most-Favored-Nation Prescription Drug Pricing to American Patients"[2]
- The order required HHS to establish MFN price targets within 30 days, empowered the administration to pursue regulatory or trade actions against noncompliant manufacturers and promoted direct-to-consumer drug purchasing pilots

July 31, 2025: **Manufacturer letters**

- The White House escalated by sending letters to 17 major manufacturers demanding MFN pricing for all Medicaid patients, the launch of direct-to-consumer (DTC) channels at MFN prices, and the repatriation of any additional revenues gained from higher overseas prices[3]
- Companies were given until September 29 to comply, with the White House warning it would "deploy every tool" to drive action
- Contemporaneous analyses highlighted tariffs as another likely consequence of noncompliance

August 5, 2025: **Tariff threats**

- Trump told CNBC the US would start with a "small tariff" on pharmaceutical imports and then ratchet up to 150% within ~18 months and 250% thereafter—framing tariffs as leverage to force price changes and onshoring[4]

Faced with a definitive timeline and tangible impacts of inaction, pharma must decide how to respond. Whether MFN is merely a policy signal or negotiation leverage, the industry cannot afford a wait-and-see approach.

[2] Executive Order: Delivering Most-Favored-Nation Prescription Drug Pricing to American Patients. The White House (May 2025)

[3] Fact Sheet: President Donald J. Trump Announces Actions to Get Americans the Best Prices in the World for Prescription Drugs. The White House (Jul 2025)

[4] Trump says pharma tariffs could eventually reach up to 250%. CNBC (Aug 2025)

> Today's policy and pricing pressures present an opening for companies to rethink their commercial models and seize the initiative.

Meeting the moment with practical alternatives

Resilient businesses don't just withstand disruption, they anticipate it, adapt quickly, and turn it into a source of competitive advantage. Today's policy and pricing pressures present an opening for companies to rethink their commercial models and seize the initiative. By leading the conversation on affordability and advancing alternative solutions that balance patient access with the need to sustain innovation, pharma can shape the future of the market rather than be shaped by it.

Direct-to-consumer drug access

Pfizer, BMS, and other large pharmaceutical companies are moving in this direction by making more of their medicines available direct to consumer in the US at a lower cost. In July, BMS and Pfizer announced they will start selling their blockbuster blood thinner, Eliquis, directly to cash-paying US patients at an over 40% discount to its listed price through Eliquis360 Support to people who are uninsured, underinsured, or paying out of pocket.[5]

In August, Pfizer's CEO Albert Bourla told investors that major drugmakers are "ready to roll up their sleeves" and build out more DTC options for their products.[6] This builds on Pfizer's launch of PfizerForAll last year, a direct-to-consumer (DTC) platform offering savings on its migraine, COVID-19, and influenza medicines.[7] By cutting out insurers, PBMs, and the rebate structures that inflate list prices, DTC models can deliver more transparent, upfront cash pricing. If executed well, they have the potential to address growing demands for affordability and transparency while still preserving the financial incentives needed to sustain innovation.

That said, DTC in pharma remains an early-stage, mostly cash-pay model with significant hurdles to overcome before it can scale. Companies will need to test different models and partnerships across prescribing, dispensing, and distribution, while working out how pricing and reimbursement will function—will DTC discounts remain outside of insurance altogether or integrate into benefit designs? Other key open questions include which drugs are best suited for DTC access, how to reconfigure supply chains to guarantee safe and reliable delivery, and what new regulatory frameworks will be required to govern advertising, prescribing, and patient protection. Ultimately, for DTC to be viable at scale, pharma will need to resolve these complexities in a way that balances patient affordability, access, and trust with sustainable economics.

Value-based pricing

If the central concern behind MFN is the perceived unfairness of global drug prices, then value-based or differential pricing offers a more constructive path forward. Under this model, payment is directly aligned to a therapy's demonstrated clinical value, specific indication, and real-world outcomes, rather than pegged to international reference prices. Pharma could take the lead by identifying high-impact drugs most suitable for such an approach and working proactively with regulators and policymakers to design frameworks that make pricing transparent, affordable, and equitable. The benefit of this model is that it shifts the debate away from international comparisons and instead focuses on whether patients, payers, and governments feel they are paying a fair price for the value delivered—ensuring sustainability for the system while preserving incentives for innovation.

These two examples are not the only commercial models pharma can pursue, but the key is for the industry to act proactively by engaging policymakers early, presenting practical solutions, and building trust by showing up as a genuine partner.

[5] Bristol Myers Squibb and Pfizer Announce Direct-to-Patient Eliquis® (apixaban) Option. Bristol Myers Squibb (Jul 2025)

[6] Pharma prepared to work with Trump on DTC drug sales: Pfizer CEO. Biopharma Dive (Aug 2025)

[7] Pfizer Launches PfizerForAll™, a Digital Platform that Helps Simplify Access to Healthcare. Pfizer (Aug 2024)

> Strengthening fundamentals now not only hedges against MFN but also builds resilience for other disruptive policy shifts.

Good business practices in an MFN world

As the US government intensifies efforts to rein in healthcare costs, MFN is unlikely to be the last word on drug pricing reform.

Whether or not it is ever fully implemented, the policy signals that further, potentially more sweeping changes are on the horizon for the industry. Strengthening fundamentals now not only hedges against MFN but also builds resilience for other disruptive policy shifts. In times of uncertainty, three areas stand out as critical for pharma to focus on.

1 Portfolio management: Diversify risk and rebalance exposure

As with any market disruption, companies need to assess how exposed their portfolios are and take steps to mitigate the risks. In the case of MFN, that means stress-testing revenue streams and rebalancing toward areas less vulnerable to policy shocks. Key actions include:

- **Scenario plan across policy cases.** Map portfolio exposure to Medicare vs. commercial markets to understand revenue sensitivity under both base and downside MFN scenarios—just as companies are doing for IRA expansion.
- **Use M&A strategically.** Pursue deals that reduce concentration in highly price-regulated segments and rebalance toward markets or assets with lower policy exposure.
- **Prioritize mature, lower-risk assets.** Late-stage assets with well-understood economics should take precedence over longer-horizon, capital-intensive platforms that carry higher vulnerability to policy shocks.

2 Corporate and financial strategy: Stress test and hedge

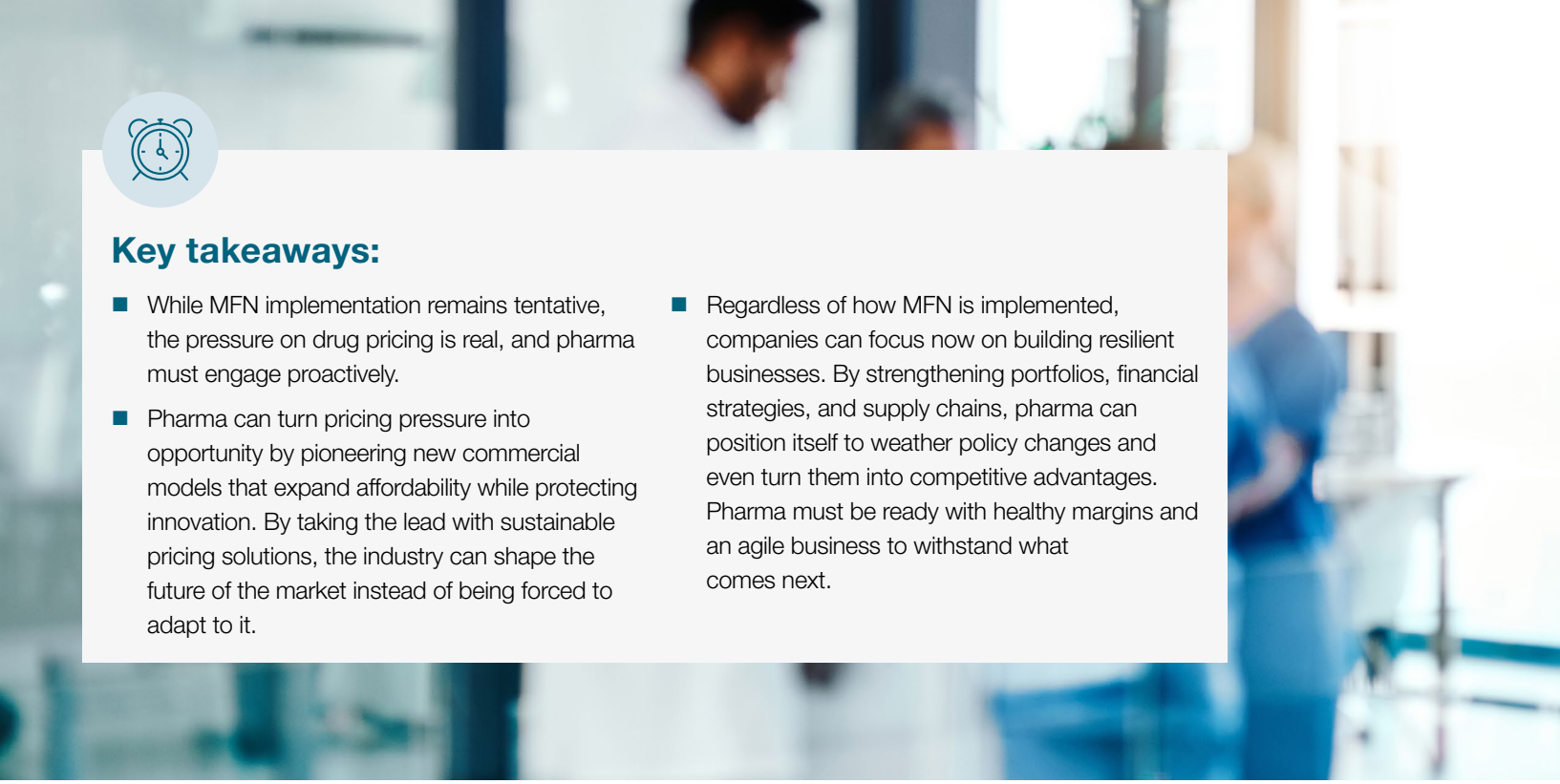
A strong corporate and financial strategy is essential to withstand policy uncertainty. By stress-testing assumptions and tightening financial discipline, companies can build resilience against MFN and other pricing shocks. Key actions include:

- **Plan for both outcomes.** Maintain base case financial plans assuming MFN is delayed or blocked but run stress tests for downside revenue impacts to identify vulnerabilities early.
- **Prune non-core assets.** Consider divesting low-return or low-priority platforms to protect margins and focus resources where resilience is highest.
- **Control gross-to-net more directly.** To minimize rebate leakage not captured in MFN formulas, explore direct-to-consumer models for chronic, self-administered therapies that allow for cleaner economics and greater pricing transparency.

3 Operations and supply chain: Buffer tariff risk

As MFN takes shape, tariffs remain an ongoing issue that companies must prepare to face. Key actions include:

- **Invest in redundancy.** Continue building dual-sourcing strategies, regional hubs, and local manufacturing capacity—initiatives already underway since COVID—to hedge against tariff or trade disruptions.
- **Understand exposure.** Companies that import drugs into the US are especially vulnerable if tariffs are used as a lever. Running supply chain simulations now allows leaders to adjust production footprints in advance, reducing policy and tariff risk.



Key takeaways:

- While MFN implementation remains tentative, the pressure on drug pricing is real, and pharma must engage proactively.
- Pharma can turn pricing pressure into opportunity by pioneering new commercial models that expand affordability while protecting innovation. By taking the lead with sustainable pricing solutions, the industry can shape the future of the market instead of being forced to adapt to it.
- Regardless of how MFN is implemented, companies can focus now on building resilient businesses. By strengthening portfolios, financial strategies, and supply chains, pharma can position itself to weather policy changes and even turn them into competitive advantages. Pharma must be ready with healthy margins and an agile business to withstand what comes next.

This is just one piece of the puzzle—pharma faces several other looming policy shifts that demand preparation. Follow our *Navigating Global Pharma Policy Series* as we examine their implications and outline strategic actions for pharma and biotech.

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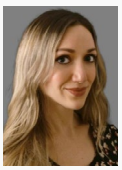

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