

Does Proposed IRP Introduction in the US Align with Current IRP Trends and with Best Practice Guidelines?

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Objectives

US President Donald Trump issued the so-called Most Favored Nation (MFN) Executive Order (EO) in May 2025, in which he urged pharmaceutical companies to offer US patients the lowest price among a yet-to-be revealed basket of reference countries. The aim of this research is to assess whether the introduction of International Reference Pricing (IRP) in the US through the MFN initiative aligns with international experience and with best practice guidelines for use of IRP.

Methods

The only US IRP system elements announced in May – the formula and the reference country basket – were compared to those of the 75 countries that use IRP to set prices and for which GlobalData has detailed IRP country profiles. The US formula and basket were also assessed in light of the best practice guidelines for IRP use from a 2019 paper by Holtorf et al. published in *Value in Health Regional Issues* (1).

Results

For the purposes of this assessment, we focused on only two elements of the proposed US IRP system: the basket of reference countries and the referencing formula. These were the only two elements of the IRP system for which information was released by the end of May 2025.

The intended formula – referencing the lowest in the basket of reference countries – was contained in the MFN EO itself, issued on May 12, 2025. The basket of reference countries was disclosed in the May 20, 2025 communication from the Department of Health and Human Services (HHS). While the exact countries were not named, the basket was meant to comprise Organisation for Economic Cooperation and Development (OECD) countries that have a gross domestic product (GDP) per capita of at least 60% that of the US. Assuming that GDP/capita is not adjusted by purchasing power parity (PPP), the US is expected to reference prices from the 16 countries listed below, based on 2023 GDP/capita:

- Australia
- Austria
- Belgium
- Canada
- Denmark
- Finland
- Germany
- Iceland
- Ireland
- Israel
- Luxembourg
- Netherlands
- Norway
- Sweden
- Switzerland
- UK

The best practice guidelines provided by Holtorf et al. are specifically for countries that do not have universal health insurance (UHI) and are in the process of expanding their health insurance coverage. As such, they should apply also to the US, which has not yet achieved UHI. The best-practice guidelines recommend referencing prices from 5–7 countries and setting the price in the referrer country at the level of the average or the median price among its reference countries.

The US plans for IRP use under the MFN EO were assessed against both the best practice guidelines and against the current practice for IRP use in the 75 countries with established IRP systems, highlighted in darker grey in Figure 1.

Figure 1. Countries using IRP to set drug prices

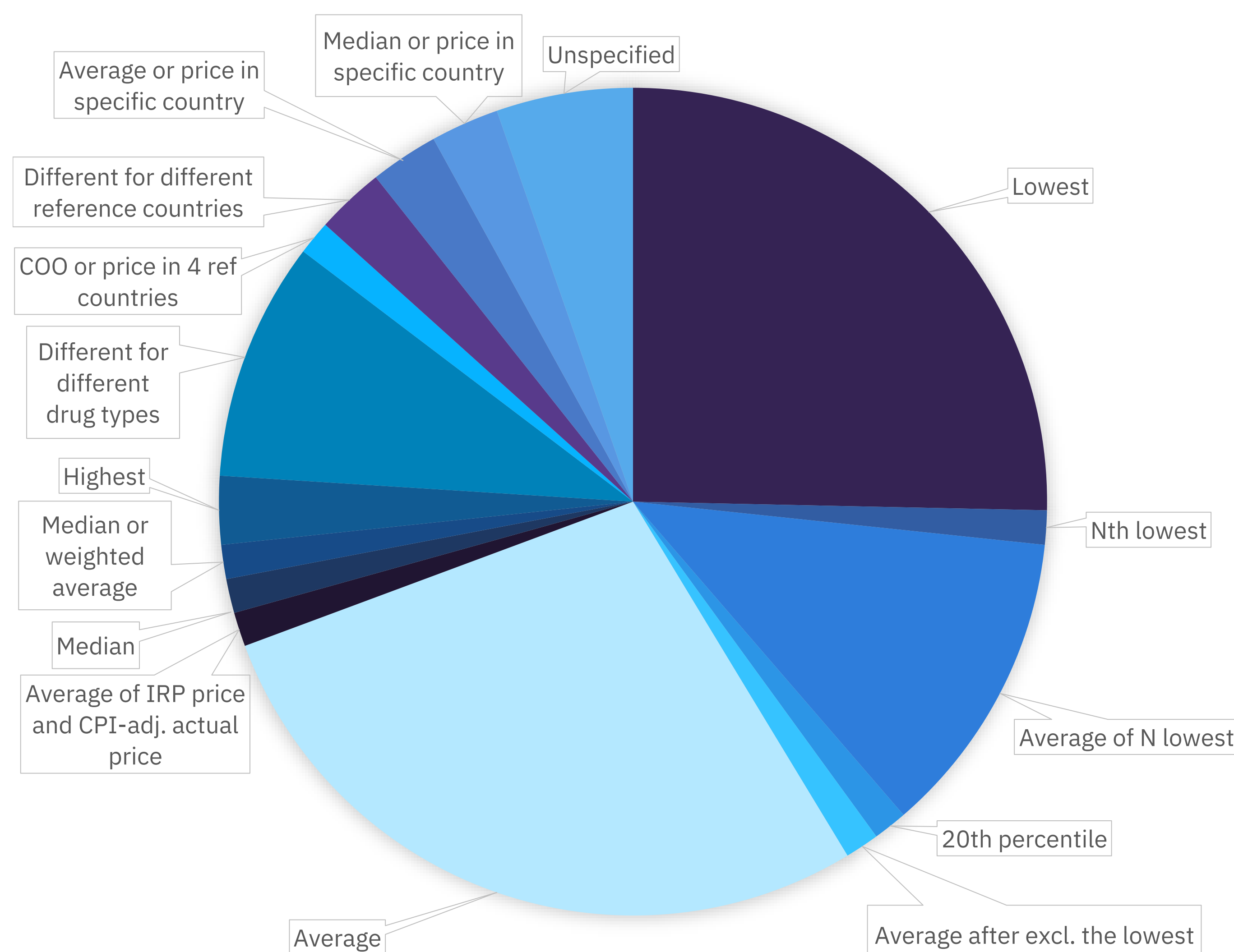


Source: GlobalData IRP Matrix

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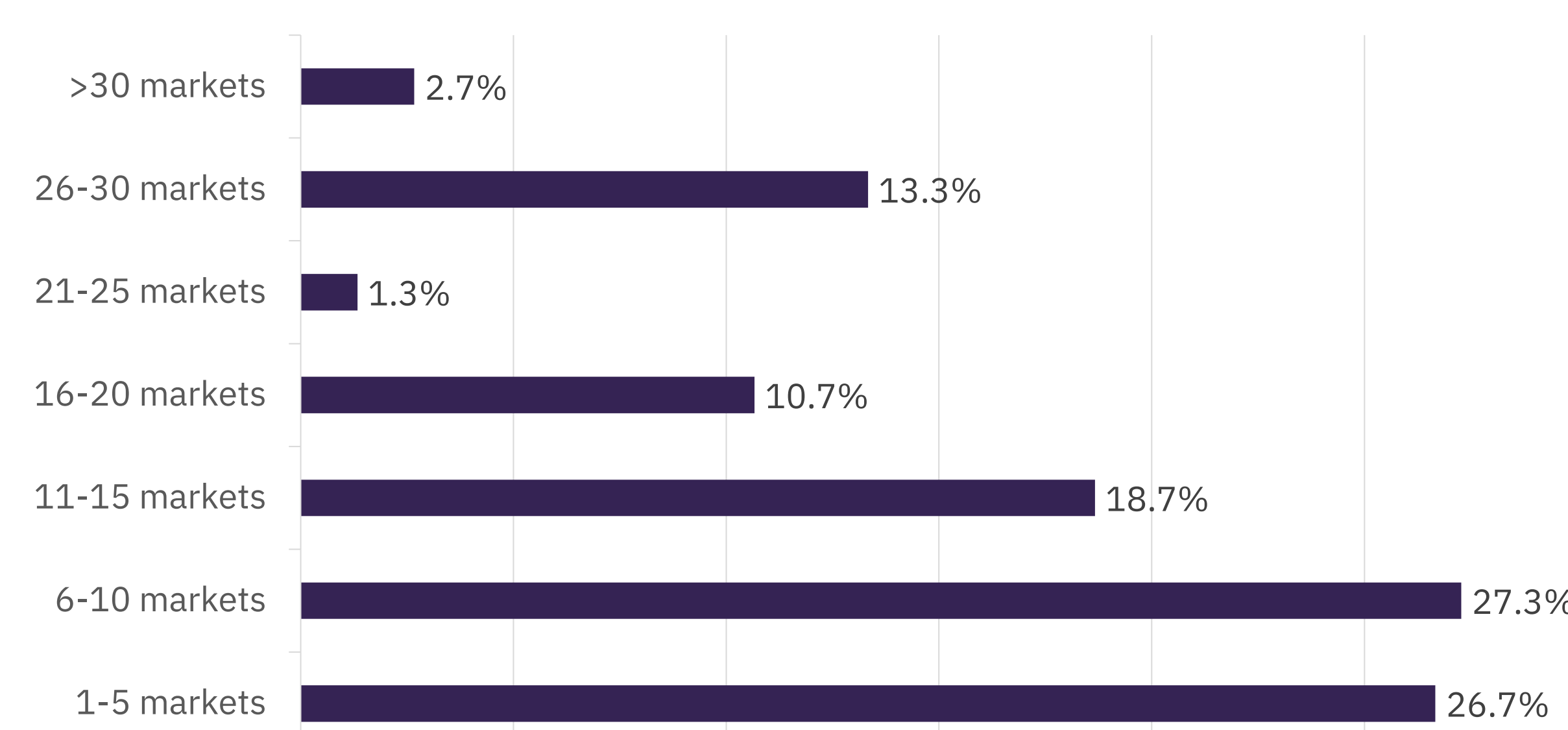
Of the 75 countries with established IRP systems, only 25.3% reference the lowest price. Notably, all countries using “lowest” as their IRP formula have lower ability to pay than the US, based on GDP/capita.

Figure 2. Share of countries using a particular IRP formula type



The US is also an outlier with its large reference basket of 16 markets. Of the 75 comparator markets, only 28% reference 16 or more countries.

Figure 3. Share of referrer countries by basket size



Among the countries with a basket larger than or comparable to the US's proposed basket, only Bahrain, Egypt, Kuwait, Poland, and Spain reference the lowest price.

Conclusions

Best practice guidelines indicate that 5–7 countries is the optimal basket size, and that the average or median price should be referenced. US plans go against current IRP trends and the best practice guidelines, raising the risk of drug shortages, launch delays, and price rises, if implemented in their current form. The US calculation, however, may be that adverse effects on patient access will be externalized to markets outside the US.

(1) Holtorf, A-P., Gialama, F., Wijaya, K.E. & Kalo, Z. External Reference Pricing for Pharmaceuticals – A Survey and Literature Review to Describe Best Practices for Countries With Expanding Healthcare Coverage. *Value in Health Regional Issues* 19, 122-131 (2019). [https://www.valueinhealthregionalissues.com/article/S2212-1099\(19\)30068-8/pdf](https://www.valueinhealthregionalissues.com/article/S2212-1099(19)30068-8/pdf)