

How Payers Read the Tea Leaves: Economic and Formulary Signals from IRA and MFN

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BACKGROUND



Policy Landscape

U.S. policymakers are advancing several drug pricing reforms aimed at reducing federal spending and addressing high prescription drug costs. Key initiatives include the **Inflation Reduction Act (IRA)**, emerging **Most Favored Nation (MFN) pricing frameworks**, and proposed **340B rebate pilot***.



MFN Pricing Concept

MFN pricing policies seek to align U.S. drug prices with those in comparable international markets by referencing global pricing benchmarks. Proposed models include **GENEROUS (Medicaid)**, **GLOBE (Medicare Part B)**, and **GUARD (Medicare Part D)**, each using different mechanisms to link U.S. pricing to international markets.



Implementation Uncertainty

Although these policies and models share similar goals, their scope, implementation mechanisms, and timelines differ substantially across programs. Proposed MFN Medicare models could affect approximately **25% of Medicare Part B and Part D beneficiaries**, with potential implementation beginning around late **2026–2027**. Policies and programs are also subject to legal challenges impacting structure and implementation.



Why Payer Perspective Matters

While policymakers design these reforms to control costs, payer interpretation determines how policies translate into formulary coverage, utilization management, and contracting decisions. Understanding payer perspectives is therefore critical for anticipating how these policies may influence market access and reimbursement strategy.

OBJECTIVE

We assessed U.S. payer perceptions of emerging federal drug pricing policies and programs. We evaluated how these reforms may influence **formulary coverage, contracting behavior, and utilization management strategies**.

The analysis focused on payer perspectives regarding key policy developments, including the **IRA**, emerging **MFN pricing models**, and proposed **340B rebate pilot programs**.

METHODS

This study used a two-phase qualitative research approach combining a targeted policy review with primary payer research.

Policy Review: A scan of peer-reviewed literature, regulatory proposals, and CMS policy documents was conducted to identify emerging federal drug pricing mechanisms and relevant policy frameworks.

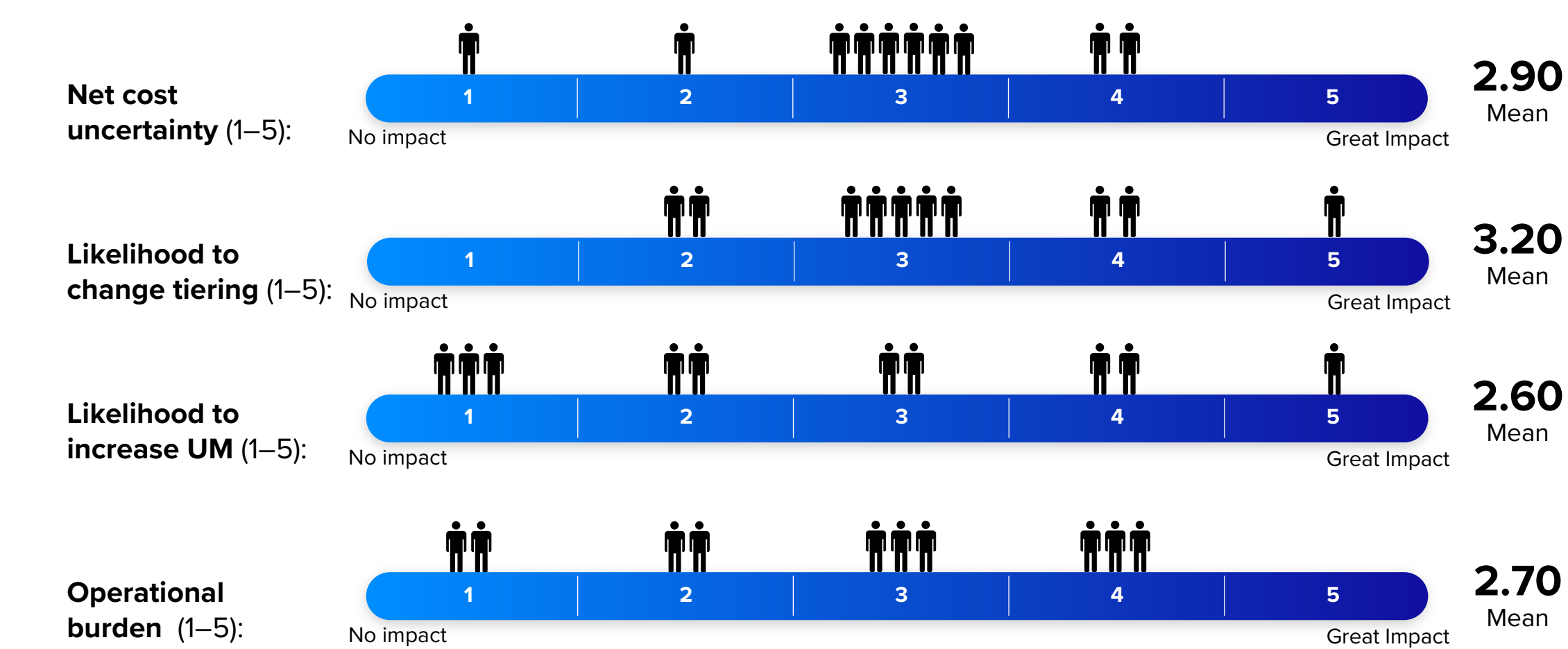
Primary Payer Research: Ten surveys were conducted with U.S. payer decision-makers across Commercial, Medicare, and Medicaid segments, followed by structured advisory discussions. Survey findings and advisory insights were analyzed using qualitative thematic analysis to assess perceived economic impact, operational feasibility, and potential implications for formulary coverage, utilization management, and contracting dynamics.

RESULTS

IRA Perceptions

Overall signal: IRA is expected to reshape tiering and class dynamics more than it drives heavy UM escalation, with moderate operational and net-cost uncertainty.

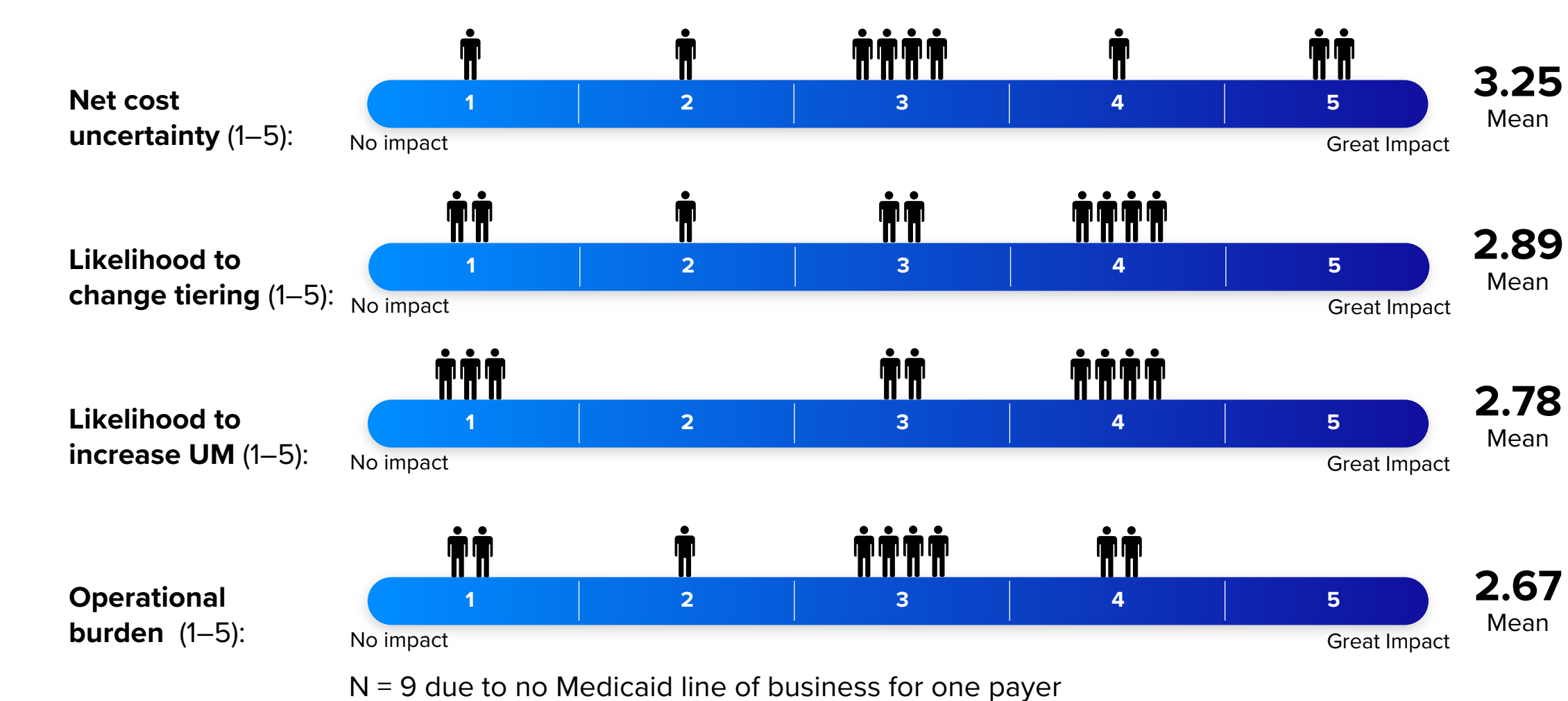
For IRA rate impact on:



MFN In Medicaid Through The GENEROUS Model Perceptions

Overall signal: In Medicaid, GENEROUS is seen as an economic lever first, with measured formulary and UM responses shaped by state rules, volume risk, and execution details rather than by policy design alone.

For GENEROUS model for MFN pricing - Medicaid rate impact on:



Manufacturer conclusions: Balance short-term actions with long-term strategic planning

Prepare for government price negotiations and formulary shifts for IRA-eligible products.

Monitor MFN policy developments and potential impacts on product portfolio and pipeline products.

Conduct MFN scenario planning for new product launches and potential coverage changes.

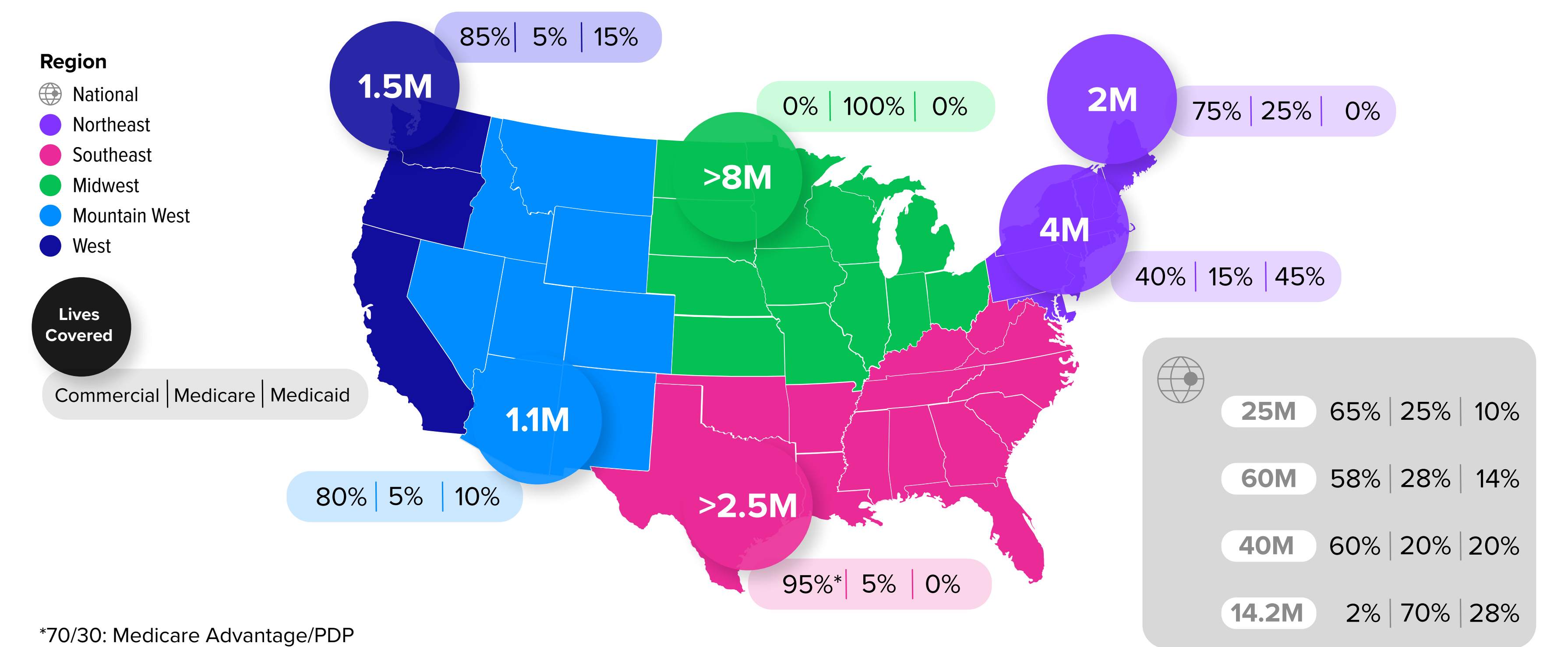
Track potential changes to the 340B program, including policy shifts like the rebate pilot that was terminated, due to potential operational and financial impact.

1 Policy Landscape Review (Literature + CMS proposals)

2 Payer Surveys and Advisory Discussions (10 payers across Commercial, Medicare, Medicaid)

3 Thematic Analysis (Economic impact, formulary coverage, UM, contracting)

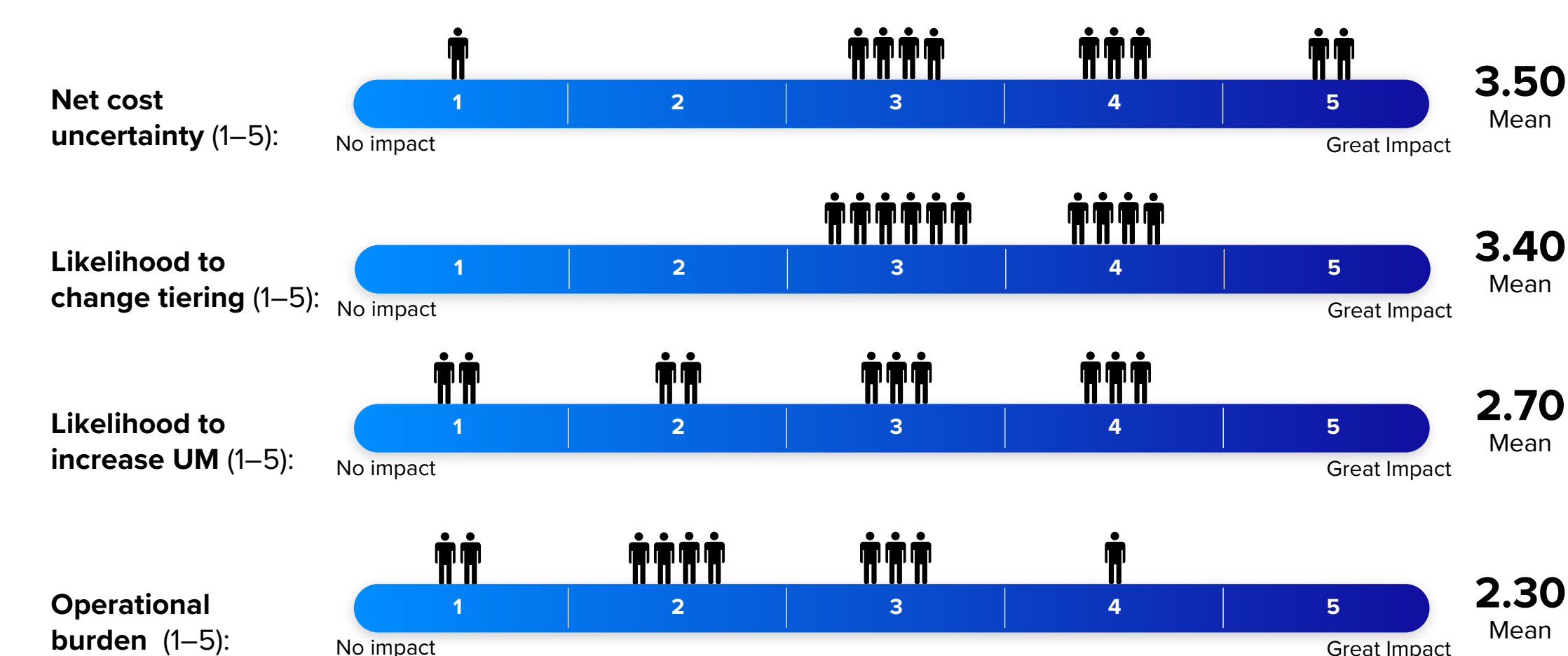
Payer Representation: >158 Million Covered Lives



Overall MFN Pricing Policies Perceptions

Overall signal: MFN is expected to reshape economics more than operations, with the greatest perceived impact on cost predictability and formulary positioning, not day-to-day administration, or broad impact across a product portfolio.

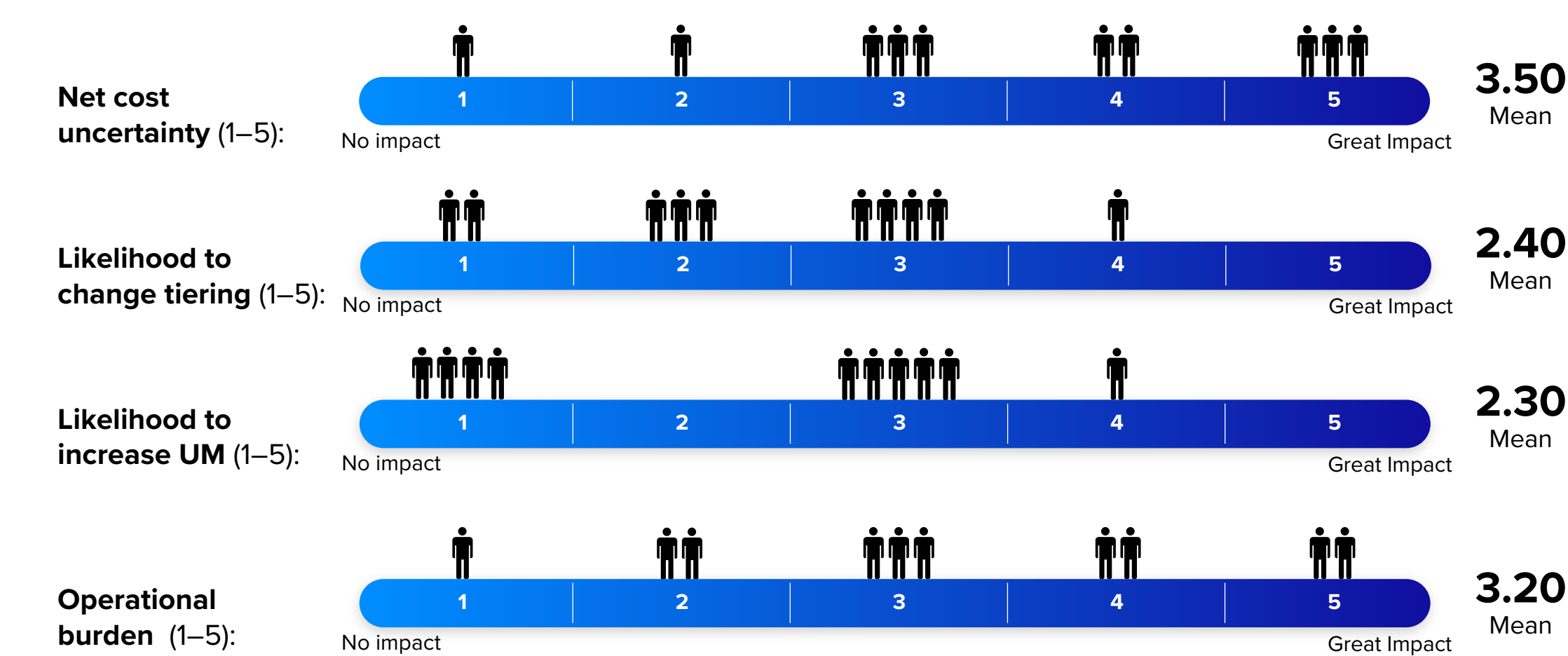
For MFN Pricing Policy rate impact on:



340B Rebate Pilot Program Perceptions (prior to termination)

Overall signal: Although this program was terminated, the 340B rebate pilot was perceived as an economic and administrative disruptor, increasing uncertainty and burden far more than it reshapes formulary structure or UM strategy.

For 340B Rebate Pilot rate impact on:



Voice of the payer

"IRA will certainly be the most disruptive in the near future. Shrinking rebates spread from price ceilings will lead to changing of tiering and existing contracts and Part D issues. Also—this affects many therapeutic classes."

- Chief Medical Officer, National PBM

"Regarding biggest near-term impact: 'Probably the IRA, as I am skeptical that the MFN will result in meaningful price changes.'"

- Chief Medical Officer, National PBM

"MFN proposals have less administrative infrastructure and lack the uniformity in approach, which will create significant administrative burdens for plans that is likely to materialize in lobbying efforts back to the government. Material changes from MFN discussions will not have same magnitude of impact in the near term (12 - 24 months)."

- Pharmacy Director, National Plan

"The key is how MFN would be implemented. If the discount is applied back to the healthplan then it effectively reduces the cost of these medications, however if the additional discount is applied to the upstream payer or patient then it may actually increase plan costs depending on the coverage type (e.g., if plan is operating at a fixed premium cost). Similarly, if these discounts increase utilization generally, it can have broader effects for the plan."

- Pharmacy Director, National Plan

Regarding the impact of 340B Rebate programs on net costs: "It will depend on whether there is a change in the volume of claims that are purported to be 340B and the impact to other discounts. There would also be a concern on the administrative overhead to implement such programs."

- Pharmacy Director, National Plan



* Interviews and advisory sessions were completed just prior to the termination of the 340B pilot due to legal challenges States

ABBREVIATIONS
 CMS, Centers for Medicare & Medicaid Services; **GENEROUS**, GENERating cost Reductions (Or U.S. Medicaid (voluntary Medicaid model); **GLOBE**, Global Benchmark for Efficient Drug Pricing (mandatory Medicare Part B model); **GUARD**, Guarding U.S. Medicare Against Rising Drug Costs (mandatory Medicare Part D model); **IRA**, Inflation Reduction Act; **MFN**, Most Favored Nation; **PBM**, Pharmacy Benefit Manager; **UM**, Utilization Management; **U.S.**, United States

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