OHE Change Initiative

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MOST-FAVOURED NATION, LEAST-FAVOURED CONSEQUENCES

Global ripple effects of US pricing policy

Background

In May 2025, President Donald Trump signed an executive order announcing **most-favoured nation** (MFN) pricing for branded pharmaceuticals in the United States.[1] Driven by concerns over the cost of medicines for American patients, MFN brings international reference pricing (IRP) to the United States, effectively tying domestic prices to those paid by comparable nations.

While aiming to achieve lower prices for U.S. patients, MFN is likely to have far-reaching consequences beyond the U.S. market. Given the United States' outsized role in global pharmaceutical revenue—and the complex web of pricing and access decisions that MFN now draws the United States into—the ripple effects across international markets may be significant.

Aim

Our aim was to identify the short-term and long-term ripple effects of MFN on the rest of the world, with a focus on understanding impacts on different stakeholder groups and their potential responses.

Methods

1. We searched Europe PMC and Google Scholar for key papers discussing the global ripple effects of MFN.
2. We further searched grey literature to identify additional effects.
3. We systematically analysed posts on LinkedIn, following the methodology of previous research using content LinkedIn,[2] to explore commentaries on MFN's global impact.

Results: MFN's impact on stakeholders

Our literature review identified 54 relevant sources on the potential effects of MFN pricing outside the United States. We categorised impacts by stakeholder groups, indicating primary effects, likely responses, and broader consequences.

	Primary Impact	Potential Responses	Consequence
Manufacturers	• Revenue compression • Forced choice between US revenue preservation and ex-US market access	• Delay/avoid launches in reference countries • Raise reference country net prices • Increase U.S. launch prices alongside avoiding launches elsewhere • Withdraw products in reference countries	• If revenue decreases in the long-run: reduced incentives for innovation and decreased investment in R&D, and potentially fewer innovative therapies coming to market • If revenue is protected: preserved innovation incentives, but limited international access
Patients in reference countries	• Reduced or delayed access to new medicines • Withdrawals of existing products	• Increased private spending for medicines	• Negative near-term access impact, particularly in small and low-price markets (e.g., Denmark, Switzerland) • Potential for long-term reduction in innovative therapies coming to market due to reduced investment in R&D
Reference country payers & HTA	• Increased pressure to restructure pricing frameworks to avoid delayed or foregone launches	• Strengthen or preserve confidential rebates • Use managed access agreements (MAAs) and outcomes-based agreements (OBAS) to obscure 'true' net price per unit • Adopt innovative funding mechanisms to reward breakthroughs at near-U.S. prices	• Placed on the 'defensive,' facing the risk of diminished pharmaceutical access
Non-reference countries	• Opportunity —particularly for Chinese biotechs—to fill access vacuums in Europe and other markets • Risk of access deterioration in countries used for reference pricing by countries in the U.S. reference basket	• Position Chinese manufacturers to supply markets where Western countries delay or withdraw • Other countries may, too, try to strengthen confidential rebates or lean on OBAs and MAAs	• Increased competition from Chinese pharma firms as Western biotech companies reduce presence in Europe • Risk of diminished access and amplified health equity concerns

Results: Synthesised findings

MFN is changing the global pricing landscape

- Historically, the United States has served as the highest-revenue market, which supported pharmaceutical R&D. MFN now makes lower ex-U.S. prices a liability, with the potential to slash manufacturer revenues.
- Multiple pharmaceutical CEOs and analysts have framed the choice as: either accept lower U.S. prices or stop launching in countries that are likely to yield low reference prices.[3]
  - Early evidence shows that, of the European markets referenced in the GLOBE and GUARD models, the average number of launches has declined by 43% in the 10 months following MFN compared to the 10 months prior.[4]
- Already, some markets are facing product withdrawals, with manufacturers citing uncertainty around global pricing conditions as the reason.[5]
- Other policies (particularly the E.U. pharmaceutical package) might interact with MFN in a way that creates competing incentives for manufacturers.[6]

Innovation incentives are under threat

- MFN could have significant implications for manufacturer revenue and, therefore, R&D investment.
- Innovation risk could be particularly pronounced for rare diseases and conditions affecting smaller patient populations[7]—areas where commercial returns are already smaller.
- If manufacturers' strategies are effective in preserving revenue, then innovation incentives may be upheld.

MFN's geopolitical implications

- The Trump Administration is explicitly using trade policy alongside MFN to extract higher drug price contributions from other wealthy nations.[8]
- U.S. experts anticipate that Chinese biotech companies—with lower development costs—are positioned to fill the space that Western manufacturers might create by avoiding launches in European and other markets.[9]

Discussion & conclusion

- Early research indicates that MFN is already affecting patient access in reference countries, suggesting that there is a need for policymakers in reference countries to weigh cost-containment measures against patient access.
- Given the policy's recency, much of the existing literature on MFN—both formal and informal—remains speculative, with limited empirical evidence available.
- Future research should aim to understand how MFN and other emerging pharmaceutical policies will interact.
- The potential reduction in R&D investment should be monitored closely, as the consequences may only become apparent over a long time period. Still, it raises access concerns for patients in the United States and abroad.
- MFN pricing represents a significant intervention in global pharmaceutical markets, with consequences that extend well beyond U.S. drug spending.

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