

House Committee on Energy and Commerce and  
House Committee on Ways and Means  
Washington, DC 20515

### In The Matter of Most Favored Nation Pricing

The American Consumer Institute is an independent 501(c)(3) education and research organization. Its mission is to identify, analyze, and protect the interests of consumers in selected legislative and rulemaking proceedings in information technology, health care, insurance, and other matters.

We write to communicate the negative consumer impacts that would arise from the codification of Most Favored Nation (MFN) pharmaceutical pricing.<sup>1</sup> MFN, like all reference pricing schemes, delays the launch of new pharmaceuticals, restricts patient access to medicines, and reduces pharmaceutical innovation,<sup>2</sup> worsening health outcomes.<sup>3</sup>

The MFN plan proposed by President Donald Trump is an extreme version of European external reference pricing, in which countries benchmark prices against one another, undermining the market process. In Europe, this system has distorted drug launch strategies, as manufacturers delay or avoid introducing products in lower-price markets to prevent downward pressure on prices elsewhere.<sup>4</sup> As a result, drugs are launched in fewer countries, allowing manufacturers to maintain higher prices in markets with access by avoiding unfavorable reference points.<sup>5</sup>

---

<sup>1</sup> "Delivering Most-Favored-Nation Prescription Drug Pricing To American Patients," The White House, May 12, 2025, <https://www.whitehouse.gov/presidential-actions/2025/05/delivering-most-favored-nation-prescription-drug-pricing-to-american-patients/>.

<sup>2</sup> Pieter Dylst, Arnold Vulto, and Steven Simoons, "The impact of reference-pricing systems in Europe: A literature review and case studies," *Expert Review of Pharmacoeconomics & Outcomes Research*, December 2011, [https://www.researchgate.net/publication/51812661\\_The\\_impact\\_of\\_reference-pricing\\_systems\\_in\\_Europe\\_A\\_literature\\_review\\_and\\_case\\_studies](https://www.researchgate.net/publication/51812661_The_impact_of_reference-pricing_systems_in_Europe_A_literature_review_and_case_studies); Patricia Danzon, Y Richard Wang, and Liang Wang, "The impact of price regulation on the launch delay of new drugs--evidence from twenty-five major markets in the 1990s," *Health Economics*, March 2005, <https://pubmed.ncbi.nlm.nih.gov/15386651/>.

<sup>3</sup> D. Bardey, A. Bommier, and B. Jullien, "Retail price regulation and innovation: Reference pricing in the pharmaceutical industry," *Journal of Health Economics*, vol. 29, March 2010, <https://www.sciencedirect.com/science/article/abs/pii/S016762960900143X>.

<sup>4</sup> Luca Maini and Fabio Pammolli, "Reference Pricing as a Deterrent to Entry: Evidence from the European Pharmaceutical Market," *American Economic Journal: Microeconomics*, vol. 15, no. 2, May 2023, <https://www.aeaweb.org/articles?id=10.1257/mic.20210053>.

<sup>5</sup> Margaret Kyle, "Pharmaceutical Price Controls and Entry Strategies," *The Review of Economics and Statistics*, vol. 89, issue 1, 2007, [https://econpapers.repec.org/article/tprrestat/v\\_3a89\\_3ay\\_3a2007\\_3ai\\_3a1\\_3ap\\_3a88-99.htm](https://econpapers.repec.org/article/tprrestat/v_3a89_3ay_3a2007_3ai_3a1_3ap_3a88-99.htm).

The result is reduced access to new medicines for millions of patients and diminished revenue for future innovations.<sup>6</sup> Europe again provides a clear example: prior to widespread adoption of reference pricing, it led the world in pharmaceutical research.<sup>7</sup> Given the size of the U.S. pharmaceutical market, similar launch delays would affect millions of patients in countries referenced by the U.S., as manufacturers seek to preserve higher prices. While this dynamic would have limited impact on U.S. prices, it would significantly reduce pharmaceutical exports, thereby constraining revenue that funds research and development—an expensive, multi-year process.<sup>8</sup>

For all these costs, price controls produce only temporary savings that dissipate within one to two years.<sup>9</sup> Lowering drug prices without sacrificing access or innovation requires increasing competition through expanded patient choices and price transparency.

Patients need greater access to generics and biosimilars—particularly interchangeable biosimilars. Congress should direct the Food and Drug Administration to streamline approval requirements for these products. The FDA has acknowledged the need to revise its biosimilar approval framework, especially regarding interchangeability.<sup>10</sup> Congress should ensure that the FDA treats biosimilars as interchangeable by default. Generics typically reduce prices by 80 to 85 percent.<sup>11</sup> Although biosimilars are more complex, they have similar potential to lower the cost of some of the most expensive medicines, including cancer therapies.

With more options available, providers should ensure patients are informed when paying the pharmacy directly is less expensive than using insurance. In many cases, a pharmacy's cash price is lower than a patient's copayment.<sup>12</sup> With clear information on prices and options—including growing direct-to-consumer pharmaceutical models<sup>13</sup>—patients can make informed choices, restoring competitive pressure that lowers prices and supports innovation rather than suppressing it through price controls.

---

<sup>6</sup> "Analysis Finds Meaningful Impact on Pharmaceutical Innovation From Reduced Revenues," USC Schaeffer Center, February 18, 2025, <https://schaeffer.usc.edu/research/pharmaceutical-innovation-revenues-drug-prices/>; John Vernon, "Examining the link between price regulation and pharmaceutical R&D investment," *Health Economics*, January, 2005, <https://pubmed.ncbi.nlm.nih.gov/15386673/>; Joseph Golec and John Vernon, "Financial effects of pharmaceutical price regulation on R&D spending by EU versus US firms," *Pharmacoeconomics*, 2010, <https://pubmed.ncbi.nlm.nih.gov/20617857/>.

<sup>7</sup> "Innovation in the pharmaceutical sector," Charles River Associates, November 8, 2004, <https://media.crai.com/sites/default/files/publications/innovation-in-the-pharmaceutical-sector.pdf>; Joseph Golec and John Vernon, "European Pharmaceutical Price Regulation, Firm Profitability, and R&D Spending," *National Bureau of Economic Research*, November, 2006, <https://www.nber.org/papers/w12676>.

<sup>8</sup> "Research and Development Policy Framework," PhRMA, accessed April 17, 2026, <https://phrma.org/policy-issues/research-development>.

<sup>9</sup> Panos Kanavos, et al., "The Impact of External Reference Pricing within and across Countries," *London School of Economics*, 2017, <https://www.lse.ac.uk/business/consulting/assets/documents/the-impact-of-external-reference-pricing-within-and-across-countries.pdf>.

<sup>10</sup> "Considerations in Demonstrating Interchangeability With a Reference Product: Update," United States Food and Drug Administration, June, 2024, <https://www.fda.gov/media/179456/download>.

<sup>11</sup> "How To Get Generic Drugs and Low-Cost Prescriptions," Federal Trade Commission, October 2023, <https://consumer.ftc.gov/articles/generic-drugs-low-cost-prescriptions>.

<sup>12</sup> "Looking For Lower Medicare Drug Costs? Ask Your Pharmacist For The Cash Price," Triage Cancer, accessed April 17, 2026, <https://triagecancer.org/medicare-drug-costs>.

<sup>13</sup> Justin Leventhal, "The Direct Route to Cheaper Pharmaceutical Drugs," RealClear Markets, October 30, 2025, [https://www.realclearmarkets.com/articles/2025/10/30/the\\_direct\\_route\\_to\\_cheaper\\_pharmaceutical\\_drugs\\_1143843.html](https://www.realclearmarkets.com/articles/2025/10/30/the_direct_route_to_cheaper_pharmaceutical_drugs_1143843.html).

Importing European price controls will not benefit patients. Expanding options, improving transparency, and strengthening competition will lower drug prices without delaying access to and development of new therapies.

Respectfully,

Justin Leventhal  
Senior Policy Analyst  
The American Consumer Institute

4350 N. Fairfax Drive  
Suite 725  
Arlington, VA 22203

[Justin@TheAmericanConsumer.Org](mailto:Justin@TheAmericanConsumer.Org)  
[www.TheAmericanConsumer.org](http://www.TheAmericanConsumer.org)

