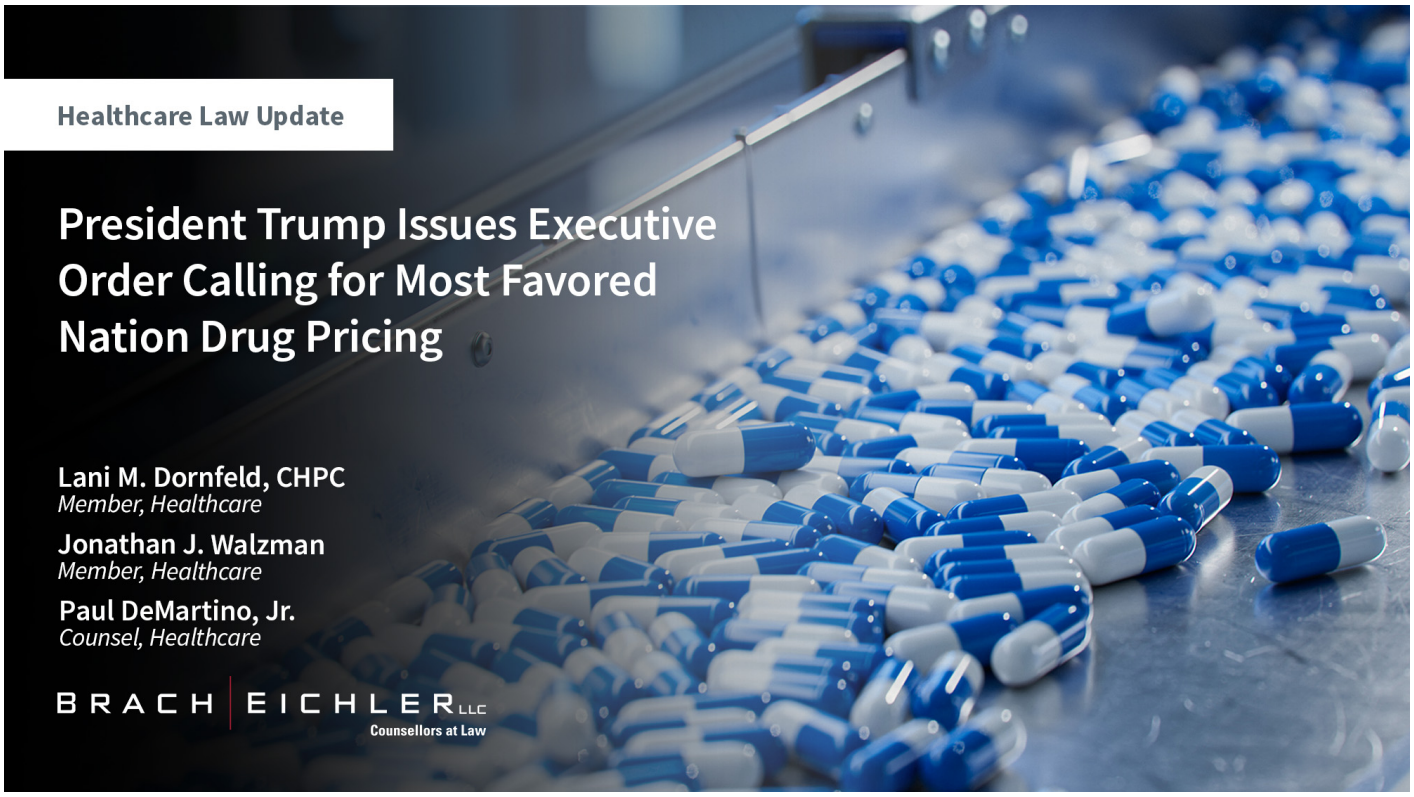
Trump Executive Order on Most Favored Nation Drug Pricing: What It Means for Medicare and Healthcare Providers



UPDATED 2/3/2026

What Just Happened

On May 12, 2025, President Trump issued an executive order directing federal agencies to pursue prescription drug pricing reforms based on international price targets, commonly referred to as "most favored nation" (MFN) pricing. The order focuses on tying certain U.S. drug prices, particularly within Medicare, to prices paid by other developed countries.

Overview of the Executive Order

The executive order directs the Secretary of the U.S. Department of Health and Human Services (HHS) to communicate MFN price targets to pharmaceutical manufacturers within 30 days of publication. These price targets are intended to reflect lower prices paid for the same drugs in other developed nations.

In addition to international price benchmarking, the order also calls for measures designed to facilitate direct-to-consumer sales of prescription drugs at MFN prices and to address practices by drug manufacturers that may contribute to higher drug costs in the United States.

Why MFN Drug Pricing Is Being Targeted

The executive order follows longstanding criticism regarding the disparity between prescription drug prices in the United States and those paid in other developed countries. According to the administration, MFN pricing is intended to prevent U.S. payers

from subsidizing global research and development costs and to discourage manufacturers from offering significantly lower prices abroad while maintaining higher prices domestically.

The order signals a renewed effort to use executive authority and regulatory action to address drug pricing concerns, particularly within federally funded healthcare programs.

Potential Impact on Medicare, Providers, and Manufacturers

While the executive order does not itself change drug prices, it sets the stage for future regulatory and enforcement actions that could have meaningful implications for the healthcare industry, including:

- **Medicare reimbursement structures** that may be tied to international reference prices
- **Pharmaceutical manufacturers** facing increased pricing pressure and enhanced federal scrutiny
- **Healthcare providers and payers** needing to monitor changes to reimbursement models and compliance obligations

The scope and timing of any pricing changes will depend on subsequent guidance, rulemaking, and implementation by HHS, CMS, and other federal agencies.

What Happens Next

At this stage, the executive order represents a policy directive rather than an immediate regulatory change. Stakeholders should expect additional announcements, proposed rules, or agency guidance addressing how MFN pricing concepts may be implemented and enforced.

Healthcare organizations, manufacturers, and providers should closely monitor federal developments and evaluate how potential MFN-based pricing structures could affect reimbursement, contracting, and compliance strategies.

This article reflects developments as of January 2026. Additional guidance from HHS and CMS is expected.

Frequently Asked Questions

What is most favored nation (MFN) drug pricing?
MFN pricing ties U.S. drug reimbursement rates to the lowest prices paid for the same drugs in other developed countries.

Does the executive order immediately change prescription drug prices?
No. The order directs federal agencies to take further action, and any pricing changes would require additional regulatory steps.

How could this affect Medicare providers and manufacturers?
Future rulemaking could impact reimbursement rates, pricing strategies, and compliance requirements for both providers and manufacturers.

ORIGINAL 7/1/2025

In an Executive Order issued on May 12, 2025, President Trump directed federal agencies to implement policies to tie prescription drug prices to international price targets and to facilitate direct to consumer sales of prescription drugs at the most favored nation (MFN) price. The Executive Order instructed the Secretary of the Department of Health and Human Services to communicate MFN price targets to drug manufacturers within 30 days after the publication of the Executive Order.

The issuance of the Executive Order comes on the heels of President Trump's repeated criticism of the high cost of brand-name prescription drugs in the United States as compared to other developed countries. The Executive Order is intended to ensure that payers in the United States do not pay more for prescription drugs than payers in other developed nations, and that the United States does not subsidize global research and development costs or allow manufacturers to offer lower prices in other countries. Further, the Executive Order calls on various federal agencies to take aggressive action to identify and address practices by drug manufacturers that contribute to high drug prices in the United States.

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