KEY POINTS

Containing Costs or Constraining Access? Navigating the Most Favoured Nation Challenge

In April 2025, Donald Trump announced a renewed strategy to address high drug prices in the United States. The plan revisits elements of the Most Favoured Nation (MFN) pricing model by proposing international price comparisons, expanded drug importation, and accelerated approval of generics and biosimilars. Although the proposal stops short of a full MFN rollout, it clearly seeks to align US prices with those in other developed countries where branded medicines are considerably cheaper. The policy also includes the possibility of pharmaceutical tariffs under a national security framework. While operational details remain limited, the direction of travel is evident: lower US prices through international benchmarking.

For iFHP members this shift carries major implications. A large economy referencing international prices could alter global pricing norms, affecting product availability and reimbursement dynamics. This briefing explores the potential global impact on private insurers and offers strategic considerations for navigating the evolving environment.

Understanding the MFN Approach

The MFN concept, rooted in trade law, ensures that one party pays no more than the lowest price offered to any other comparable partner. In pharmaceutical terms, this means setting a medicine's domestic price based on the lowest charged among selected peer countries. For example, if a drug costs £4,000 in one market and £8,000 elsewhere, the MFN rule would cap the reimbursed price at £4,000.

Although few countries enforce MFN in its pure form, many already use International Reference Pricing (IRP), where prices in other countries inform negotiations. This is standard practice in many European systems and features in Australia and New Zealand. For private insurers these tools affect pricing, product availability and policy structure.

Global Fallout from US Policy

President Trump's policy initiative has reignited debate about the global consequences of US drug pricing reform. Although the proposal is not a pure MFN policy, it sends a strong message. According to the Harvard Petrie-Flom Centre, global benchmarking by the United States could destabilise existing systems and trigger manufacturer responses worldwide. Firms may adjust prices upward, delay launches, or withdraw products in non-US markets to preserve

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profitability. For private insurers these disruptions could undermine benefit designs, increase supply risk and complicate procurement strategies.

Opportunities for Private Insurers

While challenging, proliferation of MFN linked pricing models also offers several potential advantages to insurers. The most immediate is the containment of costs. By pegging reimbursement to lower international benchmarks, insurers can reduce spending on high-cost therapies such as oncology drugs and advanced biologics. This may lead to more predictable pricing and improved claims management.

Indeed, where public health systems use MFN or IRP, private insurers may also benefit indirectly. Public benchmarks can serve as negotiation tools in private sector contracts, helping to align pricing across systems and boost insurers' bargaining positions.

Reduced pricing could also support wider formulary access. Insurers may be able to cover more treatments within core policy tiers, enhancing customer satisfaction and competitiveness in mature markets like the United Kingdom, Germany and Australia.

Strategic and Operational Risks

However, MFN pricing initiatives carry important risks:

- **Delayed access to new medicines:** To protect global pricing, manufacturers may postpone launches in lower price markets, limiting access in regions such as New Zealand and parts of Central and Eastern Europe.
- **Reduced innovation incentives:** Lower international prices may weaken investment in research and development, slowing the availability of advanced treatments insurers rely on for differentiation.
- **Increased operational burden:** MFN models require international price monitoring, currency adjustments, and system integration, adding administrative complexity and cost.
- **Equity and access concerns:** Manufacturers may raise prices in historically low-cost countries to avoid setting low benchmarks, complicating pricing strategies and limiting access for international and mobile members.

Strategic Priorities for Insurers

In response, private healthcare insurers should adopt a proactive approach. Key priorities include:

- Enhancing pricing intelligence, with systems to monitor global pricing trends and detect early warning signs of disruption.
- Aligning with public stakeholders to support policies that preserve innovation while maintaining access and affordability.
- Structuring flexible supplier agreements, with provisions for international pricing shifts and alternative sourcing strategies.
- Participating in policy dialogue, to advocate for transparent, balanced pricing approaches that work across systems.

Conclusion

The MFN pricing concept presents both promise and peril for private healthcare insurers. It offers a possible path to control costs and improve pricing leverage, yet it also risks reducing access to medicines, increasing operational burdens and weakening incentives for innovation. The recent US developments place this issue squarely on the international policy agenda. For iFHP members, navigating a changing market will depend on anticipating those changes, understanding global interdependencies, and designing responsive strategies that protect value for both the insurer and the insured.

Key Resources:

Read more on emerging trends in treatment funding: ***International Healthcare Cost Comparison Report 2024***

Join our network to interact and share best practice with other members: ***Medical Effectiveness and High-cost Drugs Members Network***

Connect with others on this topic, visit: ***Members Connect***

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