Advertisement

Commentary | Video | May 19, 2025

How Trump's New Drug Pricing EO Differs From Past Attempts: John Barkett, MBA

Author(s): Julia Bonavitacola , John Barkett, MBA

The executive order signed on May 12 has some differences from a previous executive order originally signed by the Trump administration in 2020.

John Barkett, MBA, managing director in Berkeley Research Group's Healthcare Transactions and Strategy practice, explained how the current executive order, signed by President Donald Trump on May 12, is different than a previous attempt at establishing "most favored nation" pricing in 2020.

Transcript

How is this executive order different than other attempts at "most favored nation" pricing?

The 2020 attempt was a demonstration coming out of the CMS Innovation Center [Center for Medicare and Medicaid Innovation] that would have required mandatory participation by manufacturers of the top 50 drugs, by spend, that are paid for by Medicare Part B—so physician-administered drugs. It was rushed out the door. They didn't follow the rules of the Administrative Procedures Act, and the courts found that they didn't follow those rules. After a year, [Joseph] Biden was now president, and the

Biden administration unwound that model after a year to comply with what the courts were saying. Then they didn't pursue the same type of model.

Trump issued or signed an executive order in the middle of April that alluded to a model. He didn't call it "most favored nations" then but alluded to a model that would be put into effect that would allow for Medicare to pay lower prices for top spending drugs. Then in this most recent executive order this past Monday, they were a little bit

nation pricing." Again, they didn't directly reference the Innovation Center model in the [May 12] executive order, like they did on the [April 15] one, but it feels like they're referencing the same concept.

Advertisement

Now, why aren't they being more direct about it? It takes time to develop an Innovation Center model. You have to write a whole prospectus. You have to get the actuary to sign off that it's likely to save money. You have to get the general counsel's office to agree that it complies with the statute and what can and can't be done. You need to staff it right. You sometimes need to talk to participants in advance to make sure that they can actually enable it and implement it.

Advertisement

In the 4/15 executive order, when they were talking about this model, they said, "We're going to give the secretary a year to take steps to implement this model." It sounds like maybe they've learned the lessons from the rushed attempt at the end of the first administration, and they're taking their time to roll this one out. Make sure they dot their i's and cross their t's so they can roll this one out in a compliant fashion.

There are a lot of open questions about this. They keep saying they're going to do this through rulemaking, and what that tells you is that this is going to be a mandatory model. Innovation Center models that are voluntary don't have to go through a proper rulemaking—notice and comment rulemaking process. But if it's a mandatory model, then it does.

When they proposed it last time, it was nationwide, and it was mandatory. It's not really clear. These innovations or models are supposed to test new payment reforms. It's not clear if you're really testing anything if you're just rolling it out nationwide and saying everybody has to follow it, what are you really testing? For every prescription filled of a certain drug, that's going to be paid at this lower price. There are definitely questions about implementation and how they'll roll it out that folks will have.

I'll just note one other thing about this. The way this would work is it would pay for drugs at a most favored nation price. The administration will have to make a decision about whether or not it wants to focus on Part B drugs, like it did last time—these are

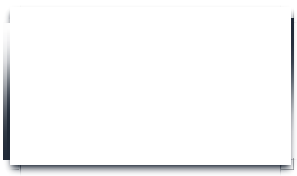
physician-administered drugs—or if it wants to focus on Part B and Part D drugs. My suspicion is that if they can find the statutory authority to focus on Part D drugs, and that's a big if, because I'm not sure they can, but if they can, they will then run into implementation challenges.

How do you have the government's price flow through Part D plans and Medicare Advantage plans to be effectuated at the pharmacy when a prescription is filled? It's a little easier to do it when it's Medicare paying providers who are administering drugs to patients. I think the path of least resistance here would be to focus on Part B drugs again, but we'll see.

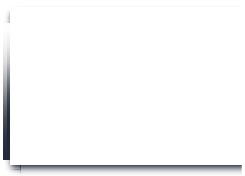
Anyway, that's a lot, and there's a lot of inferring going on here, because all we have is that model from last time. We have some statements made last year during the campaign where they said they wanted to run it back, which is giving people the idea that, okay, maybe they're going to go back to that same style model. But they're also giving themselves a decent amount of time to work through it, and who knows what they'll come up with. Thus far, this administration has, to put it euphemistically, they've been very creative in their policy making. We'll see what comes out of it.

Related Videos

Federal Rule Aimed to Clarify Equity for Mental Health Coverage: Ali Khawar



Younger Medicare Beneficiaries Without Supplemental Coverage Face



New Executive Order Aim Most-Favored Nation Pric John Barkett, MBA

Related Content

Policy Health Care Cost

May 20th 2025

HHS Sets Pricing Target for Trump's Most Favored Nation Drug Price Model

Laura Joszt, MA

Following President Trump's Most Favored Nation executive order, HHS and CMS have released the target price for pharmaceutical manufacturers to meet.

May 13th 2025

Inside the Center's MDD Value Model and Its Use of Dynamic Pricing

Brooke McCormick Larragem Raines, MS

Larragem Raines, MS, of the Center for Innovation & Value Research, discusses the organization's major depressive disorder (MDD) open-source value model, dynamic pricing, and the future role of artificial intelligence in care.

May 20th 2025

Is the US Headed for an Infectious Disease Pandemic?

Giuliana Grossi

In an era that FDA Commissioner Marty Makary, MD, MPH, calls an "epidemic of distrust" toward health institutions, previously contained disease rates are rapidly rising, and vaccination rates are proceeding in the opposite direction.

May 9th 2025

Frameworks for Advancing Health Equity: Food as Medicine

Giuliana Grossi Colleen Ereditario, MPH, RD, LDN

Learn about how Allegheny Health Network's "Food as Medicine" initiative tackles food insecurity and enhances health through personalized nutrition support.

May 17th 2025

The Role of Transplant in the Era of Novel MM Therapies: Harsh Parmar, MD

Laura Joszt, MA Harsh Parmar, MD

Novel therapies for multiple myeloma (MM), including chimeric antigen receptor T-cell and bispecific antibodies, extend lives but raise concerns about treatment costs and adherence, and they haven't replaced stem cell transplantation, Harsh Parmar, MD, of Hackensack University Medical Center, explains.

May 16th 2025

Specialty Drug Users to Gain Relief Under Medicare Reforms

Maggie L. Shaw

A new analysis looked at estimated out-of-pocket costs for etanercept, ustekinumab, and ibrutinib, specialty drugs that often represent a significant cost burden for Medicare Part D beneficiaries and which were selected for 2026 drug price negotiation under the Inflation Reduction Act.

---

2 Commerce Drive
Suite 100
Cranbury, NJ 08512

© 2025 MJH Life Sciences® and AJMC®.
All rights reserved.