

Administration's Most Favored Nation Pricing Plan Could Affect Industry Profitability

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While some insiders think the administration's most favored nation pricing plan is President Donald Trump's kick in the pants to Pfizer and Moderna for holding back their vaccine news until after the election, the real kick in the pants could be for the profitability of the entire biopharmaceutical industry. It creates a legacy that will put President-elect Joe Biden in a bind, making it more likely that drug price controls will be imposed after the election.

While billed by the Trump Administration as a most favored nation pricing plan, it is really a step toward imposing price controls on industry profitability. Essentially, the plan sets prices on physician-delivered medicines based on the price controls of other countries.

While thought of as a liberal Democratic plan, it is among the last of a series of failed attempts by Department of Health and Human Services Secretary Alex Azar to put the administration on offense on lowering drug prices leading up to the election. Nearly all have failed, blocked by politics or judges.

Like most of the other proposals – including the one that required drug prices to be included in all broadcast drug ads – this one is likely to fail in court, if for no other reason than its implementation in the final days of the Trump presidency is marked by legal maneuvering not likely to survive court challenges.

And, they failed in the court of public opinion. Virtually no one believed that the Trump administration moved effectively to lower drug prices coming into this recent election.

However, this quickly completed “interim final rule” could lower prices long after Trump leaves the White House.

On Inauguration Day and soon after, the new president is going to make a big splash reversing many of Trump’s Executive Orders, halting “midnight regulations” and countering many military and foreign policy moves. But, maybe not this one.

Will the new president want to stand up proudly to reverse a rule that sets in motion the ability of the U.S. government to set lower prices for drugs? Will the progressive and even moderate wings of the party favor that? I don’t think so. Instead, President Biden is likely to take a stand to lower prices.

Watch this one. You can debate the effect of lower prices on innovation. However, you cannot debate the effect of lower profits on marketing spend. This one may not be pretty.

Editor’s Note: John Kamp is Washington Counsel for the Coalition for Healthcare Communication and a member of the FDA Advertising and Promotion Manual Editorial Board.

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