VitalTransformation
The impact of health technology made simple



Most Favored Nation (MFN) Reference Pricing in Medicare

Impacts on jobs, innovation, and state budgets

September 30th, 2025

Prepared by

Harry P. Bowen
Consulting Economist

Duane Schulthess
CEO

Executive Summary

- The Most Favored Nation (MFN) policy uses the lowest international adjusted price for medicines across a select basket of countries to set drug prices in the U.S. market (the "MFN Price").
- Assuming the top 50 drugs by spending in each of Medicare Parts B and D are impacted by an 85% gross price reduction due to MFN, which would also then spillover into Medicaid, 340B, and hospital ASP's, we would expect to see the following impacts between 2025 - 2034:
    - A loss of 1.98 to 2.22 million jobs, representing 40% of current U.S. jobs in the biopharmaceutical industry, with 472,000 being employed directly and 1.7 million being employed indirectly.
    - The largest job losses would occur in California, Florida, Texas, and New York.
    - A loss of $600 billion in federal tax revenue and over $450 billion state tax revenue.
    - A loss of up to $2.4 trillion in earnings generated by the biopharma sector.
- Spillover impacts of MFN into Medicaid, 340B and ASP +6 payments represent more than 600,000 of the total jobs lost.
- A sensitivity analysis restricting the impacts of MFN to roughly half of the net price reduction was also calculated finding the loss of nearly 1.03 million jobs, assuming spillover effects.
- MFN will lead to an annual reduction in ASP payments to hospitals from $2 billion to $700 million; losses of this size would lead to the closure of many community and rural treatment centers.
- With an 85% reduction in the gross U.S. prices due to MFN, we would also expect to see the following reductions in U.S. Biopharma Key Performance Indicators:
    - The disappearance of nearly all VC funding for early and late-stage companies.
    - A 48% reduction in authorized biopharma patents.
- MFN will increase the risks to U.S. economic security by incentivizing the competitiveness and growth of China's biopharma sector.

© Vital Transformation, LLC 2025

Reference Pricing under Most Favored Nation

- The Most Favored Nation (MFN) policy is a pricing mechanism that uses foreign drug prices to set the maximum allowable net price for any brand drug within the Medicare program.
- We have assumed that MFN will impact the top 50 drugs by sales in both Medicare Part D and Medicare Part B, totaling 100 different pricing calculations.
- Where a drug is found in both Medicare Parts B and D, its revenues in each program are calculated separately.
- MFN takes the lowest GDP per capita adjusted international price (the "MFN Price") into Medicare based on a basket of countries. For this study, we assume the basket of MFN countries are those within 60% of U.S. GDP per capita, adjusted for purchasing power parity (PPP).
- Under this criteria, the February 2024 U.S. Department of Health & Human Services' ASPE report indicates that Luxembourg has the lowest average price, which is 85% below that of the U.S.
- While South Korea has the lowest unadjusted price within our basket, its price is fifth lowest when prices are adjusted for GDP per capita.

© Vital Transformation, LLC 2025

Methodology, assumptions, and limitations

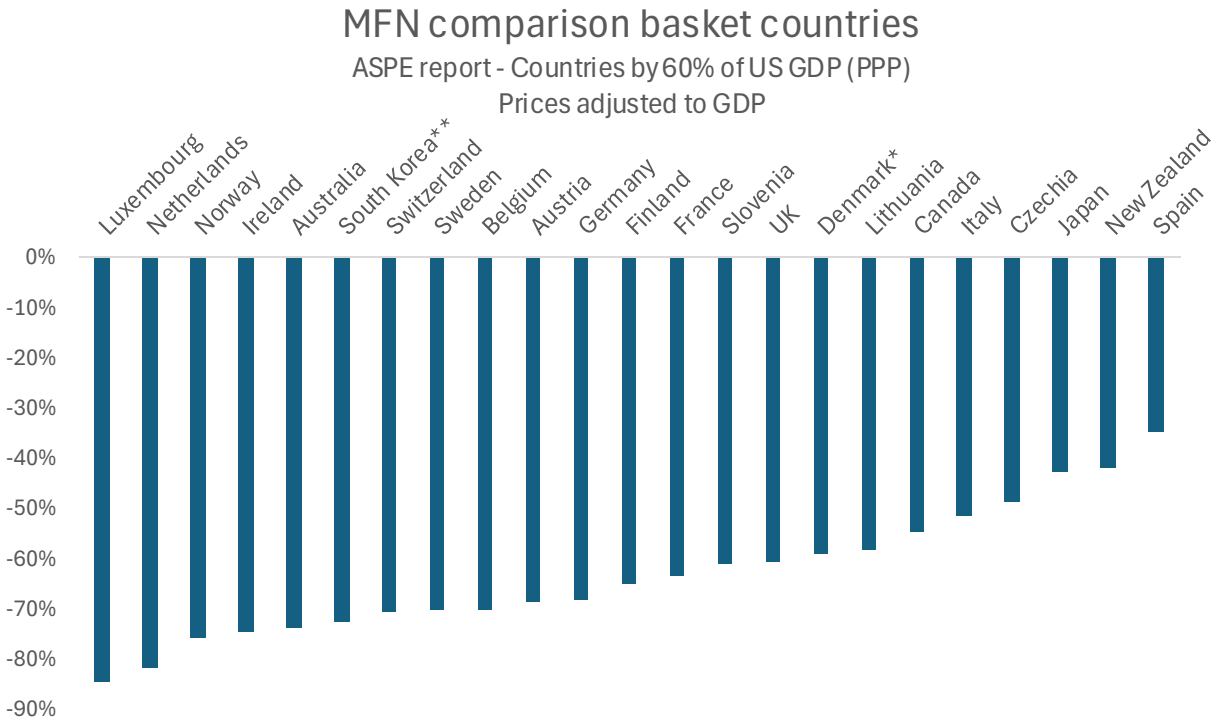
- We assume -85% gross price reductions will be enforced under MFN for Medicare Parts B & D, as such we calculate a weighted average net price reduction of -65%.
- MFN's potential impact was based on data extracted from the Assistant Secretary for Planning and Evaluation (ASPE) report comparing international pricing also benchmarked against OECD data for countries whose PPP adjusted GDP per capita is within 60% of that of the U.S.
- Spending for the top 50 branded Medicare therapies was allocated by the percentage of Medicare beneficiaries in each state, our projections through 2035 have been adjusted for inflation and are in 2023 constant dollars – our constant dollar NPVs are calculated using an 11% real discount rate.
- Our net price impacts were derived from existing CBO analysis of wholesale acquisition cost (WAC) to retail costs, MEDPAC's and MACPAC's analysis of rebate rates for branded medicines, and the November of 2020 HHS rulemaking on MFN.
- For this study we assume two scenarios including one in which manufacturers will no longer provide discretionary rebates on impacted drugs due to the mandated MFN discounts and another in which manufacturers continue to pay 30% in gross average rebates in Medicare Part D.
- We assume that the price reductions required by MFN would spill over into the commercial, Medicaid, and 340B markets through effects on ASP for Part B drugs and Medicaid best price for Part D drugs.
- The weighted average federal tax paid by U.S. filers in each state was calculated using data extracted from the U.S. Tax Foundation and IRS. The average state tax rate burden was extracted from the U.S. Tax Foundation.
- For each NAICS sector, final demand multipliers for total jobs and earnings are from the RIMS II dataset of the Bureau of Economic Analysis (BEA). Direct and indirect jobs were calculated using a multiplier of total jobs to direct jobs of 4.69 taken from the IMPLAN model used by Teconomy.
- MFN pricing in Part B is likely to have a larger impact on U.S. manufacturing than estimated by the RIMSII multipliers – biologics are a strategic focus of innovative biopharma sector, particularly in response to the disincentives to small molecules under IRA.
- The raw data used for this report's calculations can be requested here.

© Vital Transformation, LLC 2025

MFN's impact on jobs & state budgets

© Vital Transformation, LLC 2025

Reference Pricing under Most Favored Nation (MFN)

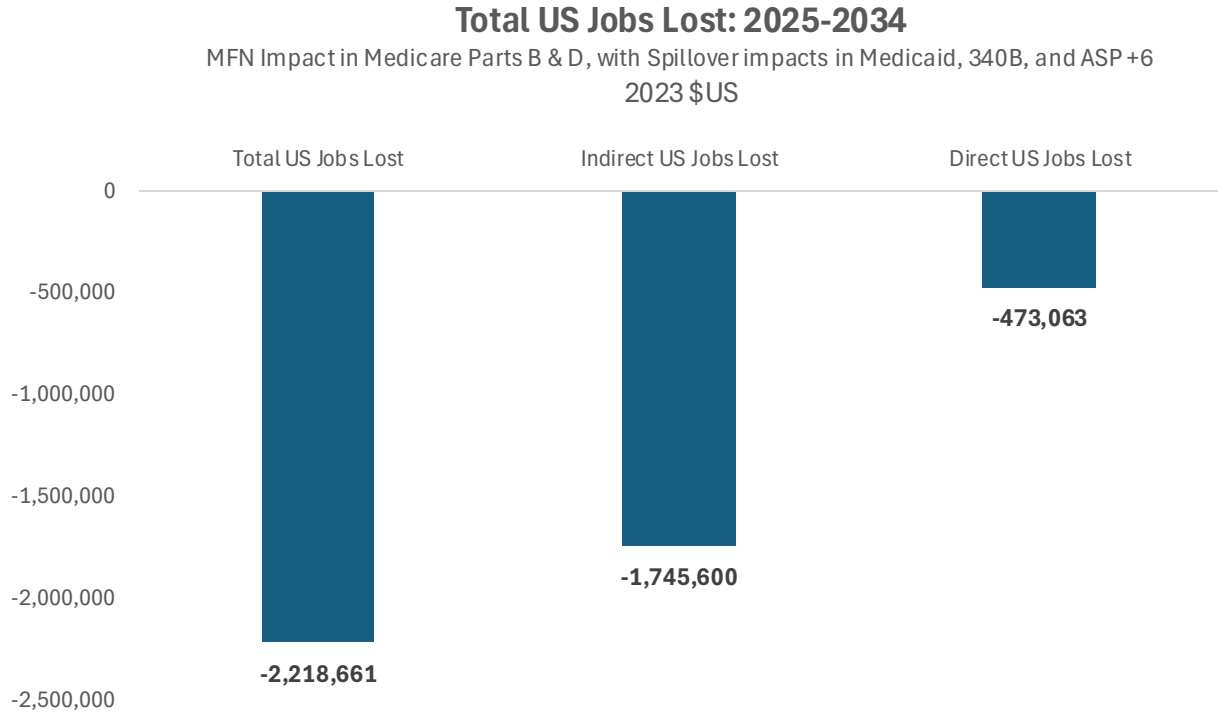


Source https://www.theglobaleconomy.com/rankings/gdp_per_capita_ppp/OECD/
*Denmark price taken from "A Painful Pill to Swallow..." House Ways and Means, 9/2019
Israel, and Iceland have been excluded from this analysis as they were not included in the ASPE report.
** South Korea listed as Korea in ASPE report.

- Under MFN, Luxembourg, with prices ~85% below U.S. prices, would be the basis for the calculation of the "most favored nation's" price.
- Whilst South Korea has the lowest unadjusted price compared to the U.S., once prices are adjusted for GDP per capita, South Korea's price is fifth lowest.
- An 85% reduction in MFN gross prices leads to the following net price reductions:
  - Part D: 70%
  - Part B: 65%

© Vital Transformation, LLC 2025

MFN's Medicare impact with spillover effects into Medicaid and 340B
2 million U.S. lost jobs



- When combining the impact of MFN being implemented on the top 50 drugs in each of Medicare Parts B and D, and accounting for spillover effects, we find that using Luxembourg as the reference price in Medicare's rebate formula leads to over 2 million U.S. jobs lost, roughly 40% of the U.S. sector's 5 million biopharma direct and indirect employees.
- BEA RIMS II multipliers for total jobs per dollar of final demand for our NAICS sectors were used to compute total jobs lost; direct and indirect jobs lost were calculated by applying to total jobs lost the multiplier 4.69 taken from the IMPLAN model used by Teconomy.
- For every job lost in direct pharmaceutical employment, ~3.7 indirect jobs are also lost.

© Vital Transformation, LLC 2025

MFN for Medicare Parts B & D with spillover impacts into Medicaid, 340B and ASPs

U.S. biopharma sector job losses by state, 2025 – 2034

VitalTransformation

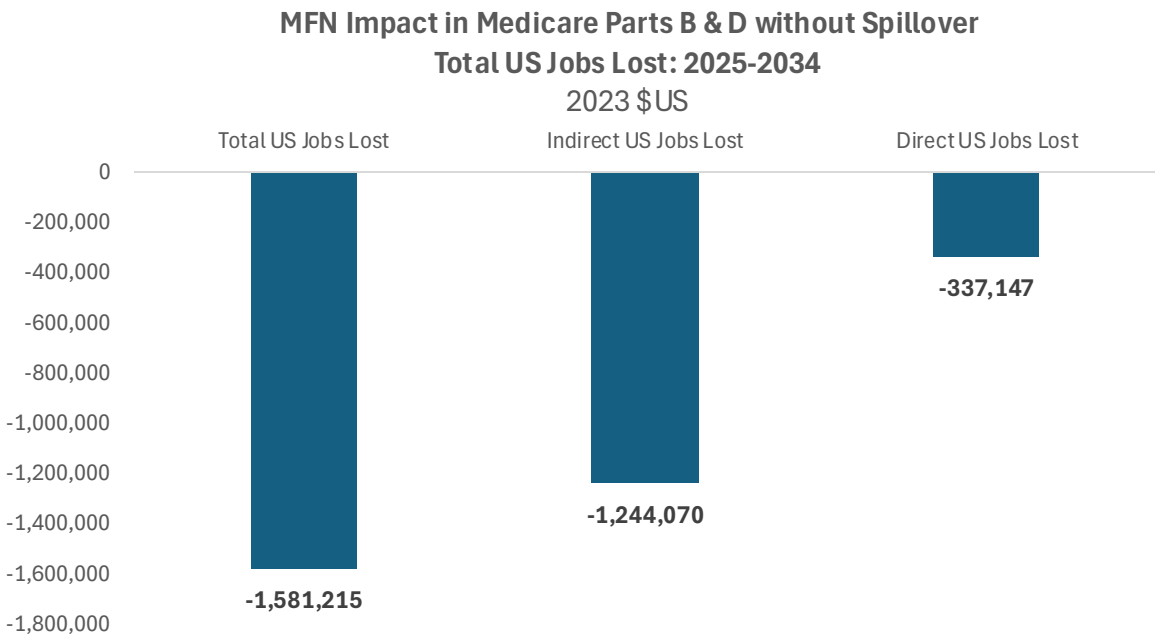
State	Total Jobs Lost	Direct Jobs Lost	Indirect Jobs Lost
California	208,969	44,557	164,413
Florida	190,529	40,625	149,906
Texas	180,431	38,471	141,960
New York	112,706	24,032	88,675
Pennsylvania	93,342	19,902	73,440
Ohio	93,126	19,856	73,270
Illinois	81,073	17,287	63,788
Michigan	77,673	16,561	61,112
North Carolina	75,928	16,189	59,739
Georgia	71,996	15,352	56,646
Arizona	58,595	12,494	46,101
Tennessee	54,722	11,668	43,055
Virginia	52,413	11,176	41,237
New Jersey	51,637	11,010	40,626
Indiana	48,501	10,341	38,160
Washington	47,516	10,131	37,384
Wisconsin	46,468	9,908	36,560
South Carolina	44,896	9,572	35,324
Missouri	44,252	9,435	34,816
Massachusetts	42,300	9,019	33,281
Alabama	39,921	8,511	31,409
Minnesota	38,050	8,113	29,937
Louisiana	36,246	7,728	28,517
Colorado	35,042	7,472	27,570
Maryland	33,514	7,146	26,368

State	Total Jobs Lost	Direct Jobs Lost	Indirect Jobs Lost
Oklahoma	31,843	6,790	25,053
Kentucky	31,533	6,724	24,809
Oregon	31,277	6,669	24,608
Arkansas	24,495	5,222	19,272
Iowa	23,317	4,971	18,345
Connecticut	21,081	4,494	16,585
Utah	19,307	4,117	15,190
Kansas	18,430	3,930	14,500
Nevada	16,633	3,546	13,086
Mississippi	16,512	3,520	12,990
New Mexico	15,848	3,379	12,470
Maine	14,507	3,093	11,413
Nebraska	12,959	2,763	10,197
West Virginia	12,280	2,618	9,662
Idaho	11,504	2,453	9,050
New Hampshire	9,713	2,071	7,641
Montana	8,427	1,797	6,630
Hawaii	7,225	1,541	5,684
Vermont	5,500	1,173	4,327
South Dakota	5,318	1,134	4,184
Rhode Island	5,229	1,115	4,115
Delaware	5,159	1,100	4,059
North Dakota	4,075	869	3,206
Wyoming	3,171	676	2,495
Alaska	2,931	624	2,307
District of Columbia	542	115	427

NAICS industries 3254, 4242, 5417, and 5511 with multipliers from the RIMS II dataset

© Vital Transformation, LLC 2025

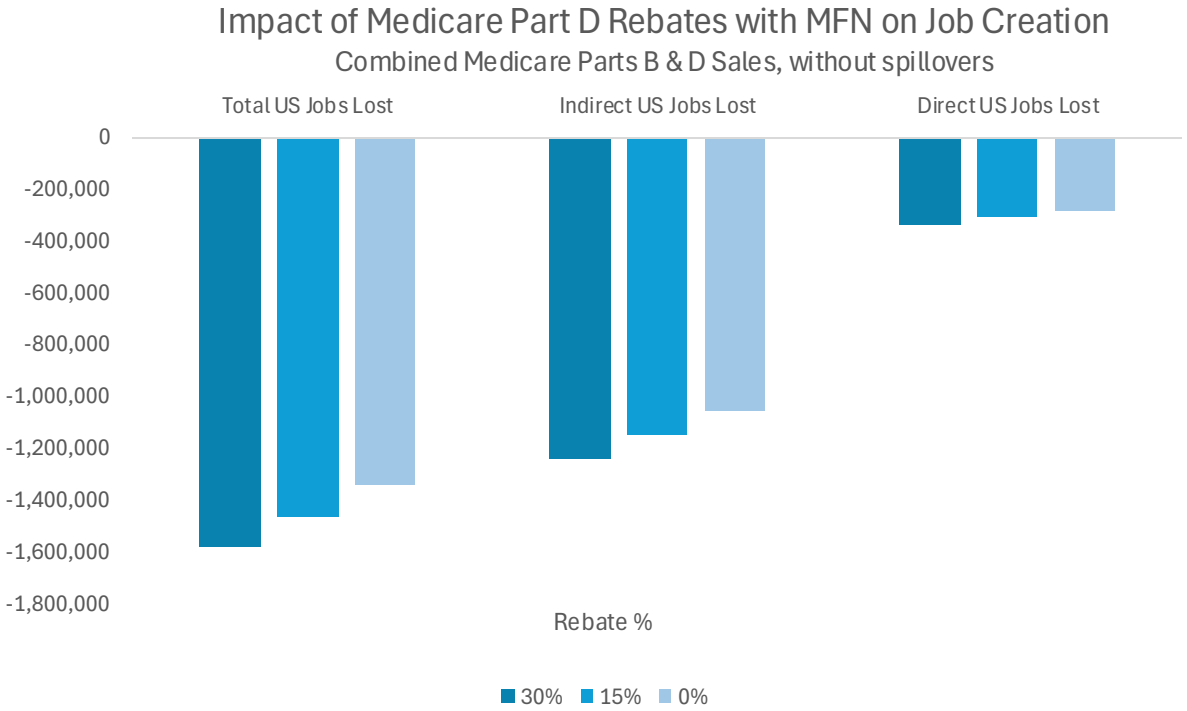
MFN's impact on Medicare Parts B & D only – 1.58 million lost jobs



- If MFN is implemented only on the top 50 drugs in each of Medicare Parts B and D, we find that using Luxembourg' as the reference price in Medicare's rebate formula leads to over 1.58 million U.S. jobs lost, 30% of the U.S. sector's 5 million biopharma direct and indirect employees.
- BEA RIMS II multipliers for total jobs per dollar of final demand for our NAICS sectors were used to compute total jobs lost; direct and indirect jobs lost were calculated by applying to total jobs lost the multiplier 4.69 taken from the IMPLAN model used by Teconomy.
- For every job lost in direct pharmaceutical employment, ~3.7 indirect jobs are also lost.

© Vital Transformation, LLC 2025

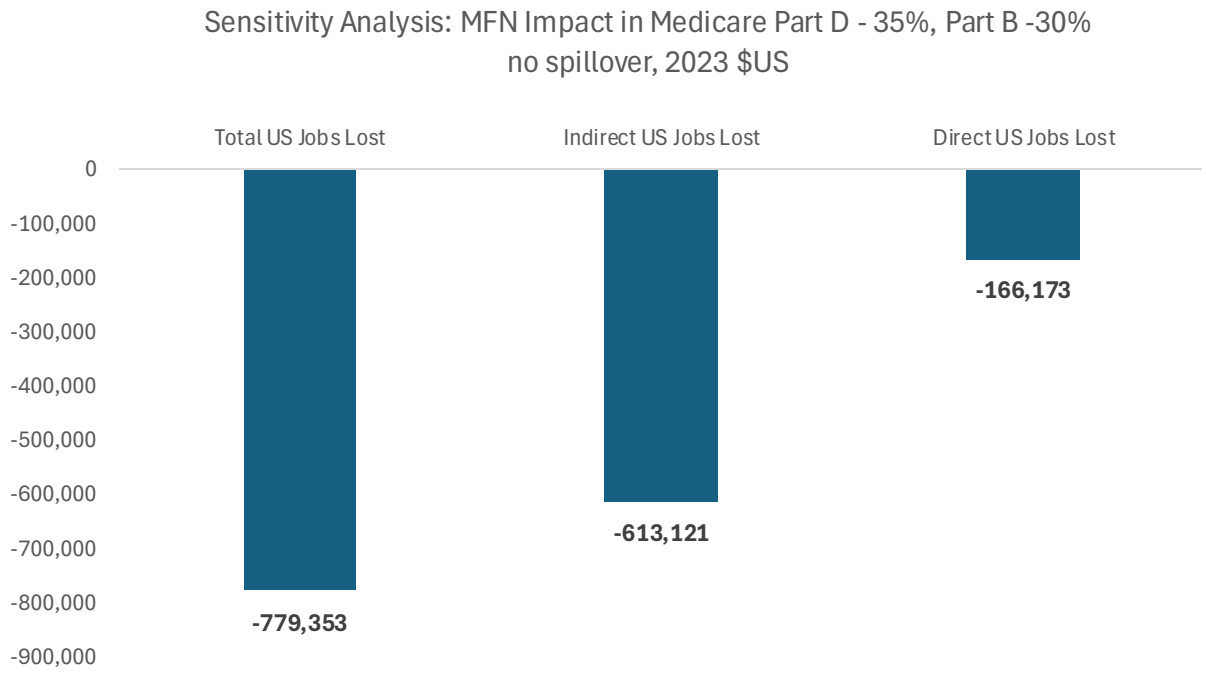
Varied Part D Rebates - MFN's impact on Medicare
1.34 - 1.58 million jobs lost



- Based on estimates by the CBO, current net branded rebates for our cohort of 50 therapies in Medicare Part D equal approximately 30%.
- A key question is whether there will be any discretionary rebating for impacted drugs under an MFN policy.
- As a sensitivity analysis, VT estimated the impact on the post MFN combined projected Medicare revenues for impacted drugs for different values of discretionary rebating.
- We find that every 15-percentage point increase in any discretionary Part D rebate paid decreases U.S. biopharma sector employment by roughly 118,000 jobs.

© Vital Transformation, LLC 2025

Sensitivity Analysis - MFN's impact on Medicare Parts B & D: 779,000 jobs lost



- To assess the sensitivity of U.S. jobs to foreign reference pricing, VT limited the impact of MFN in Medicare Parts B and D to roughly half the initially assumed price reduction.
- In this case, total U.S. employment is reduced by roughly 779,000 jobs, which is about one-half the initial impact of 1.58 million jobs lost (without accounting for spillover impacts).
- BEA RIMS II multipliers for total jobs per dollar of final demand for our NAICS sectors were used to compute total jobs lost; direct and indirect jobs lost were calculated by applying to total jobs lost the multiplier 4.69 taken from the IMPLAN model used by Teconomy.
- For every job lost in direct pharmaceutical employment, ~3.7 indirect jobs are also lost.

© Vital Transformation, LLC 2025

Sensitivity Analysis - MFN Impact of Medicare Parts B & D without Medicaid/340B spillover on U.S. biopharma sector jobs by state, 2025 – 2034, impact of halved reduction in price.

VitalTransformation

State	Total Jobs Lost	Direct Jobs Lost	Indirect Jobs Lost
California	73,405	15,651	57,753
Florida	66,928	14,270	52,657
Texas	63,380	13,514	49,866
New York	39,590	8,441	31,149
Pennsylvania	32,788	6,991	25,797
Ohio	32,713	6,975	25,738
Illinois	28,479	6,072	22,407
Michigan	27,284	5,818	21,467
North Carolina	26,672	5,687	20,985
Georgia	25,290	5,392	19,898
Arizona	20,583	4,389	16,194
Tennessee	19,223	4,099	15,124
Virginia	18,411	3,926	14,485
New Jersey	18,139	3,867	14,271
Indiana	17,037	3,633	13,405
Washington	16,691	3,559	13,132
Wisconsin	16,323	3,480	12,843
South Carolina	15,771	3,363	12,408
Missouri	15,544	3,314	12,230
Massachusetts	14,859	3,168	11,691
Alabama	14,023	2,990	11,033
Minnesota	13,366	2,850	10,516
Louisiana	12,732	2,715	10,017
Colorado	12,309	2,625	9,685
Maryland	11,772	2,510	9,262

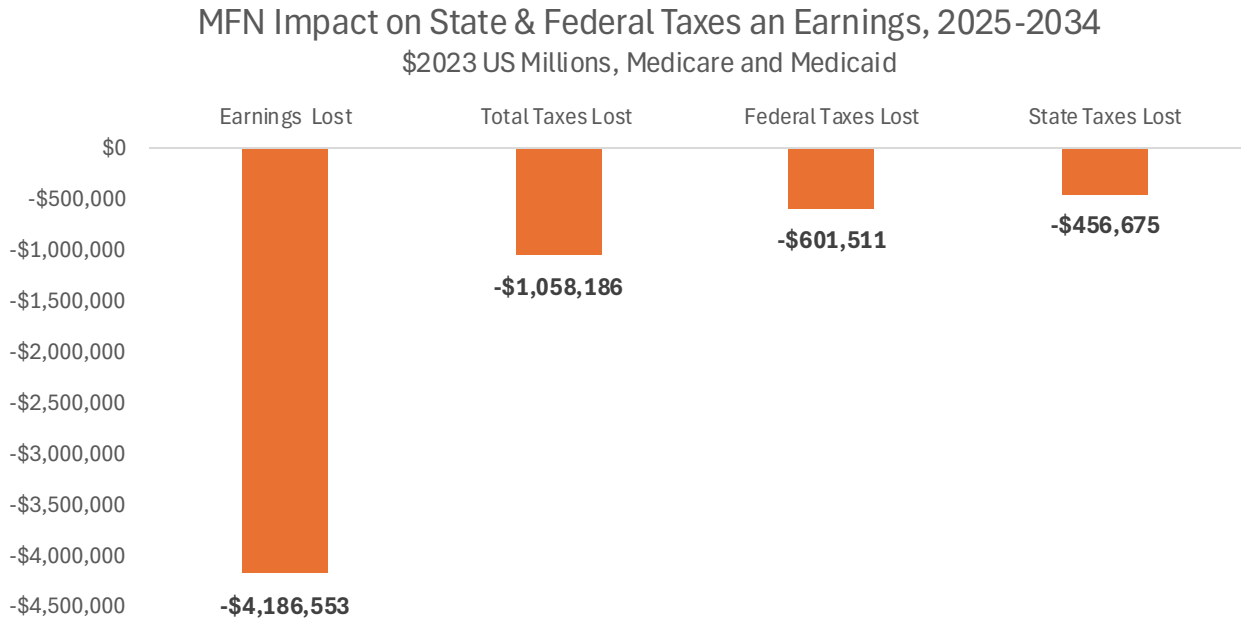
State	Total Jobs Lost	Direct Jobs Lost	Indirect Jobs Lost
Oklahoma	11,186	2,385	8,801
Kentucky	11,076	2,362	8,715
Oregon	10,987	2,343	8,644
Arkansas	8,604	1,835	6,770
Iowa	8,191	1,746	6,444
Connecticut	7,405	1,579	5,826
Utah	6,782	1,446	5,336
Kansas	6,474	1,380	5,094
Nevada	5,842	1,246	4,597
Mississippi	5,800	1,237	4,563
New Mexico	5,567	1,187	4,380
Maine	5,096	1,087	4,009
Nebraska	4,552	971	3,582
West Virginia	4,314	920	3,394
Idaho	4,041	862	3,179
New Hampshire	3,411	727	2,684
Montana	2,960	631	2,329
Hawaii	2,538	541	1,997
Vermont	1,932	412	1,520
South Dakota	1,868	398	1,470
Rhode Island	1,837	392	1,445
Delaware	1,813	386	1,426
North Dakota	1,431	305	1,126
Wyoming	1,114	237	876
Alaska	1,030	220	810
District of Columbia	190	41	150

NAICS industries 3254, 4242, 5417, and 5511 with multipliers from the RIMS II dataset

© Vital Transformation, LLC 2025

MFN's Combined Impact on Earnings, State Taxes, and Federal Taxes

Medicare B & D, with spillover impacts into Medicaid, 340B, and ASP +6



- If the 50 drugs with the largest expenditure in each of Medicare Parts B and D are impacted by an MFN price, and we account for the spillover impacts of MFN into Medicaid, 340B and ASP +6, the total lost earnings exceed $4 trillion over 10 years.
- Federal taxes lost are $600 billion over 10 years; total state taxes lost are roughly $456 billion over 10 years.

NAICS industries 3254, 4242, 5417, and 5511 with multipliers from the RIMS II dataset

© Vital Transformation, LLC 2025

Annual average financial losses per state due to MFN implementation in Medicare Parts B & D with spillover impacts into Medicaid, 340B and ASP +6, 2025 – 2034

VitalTransformation

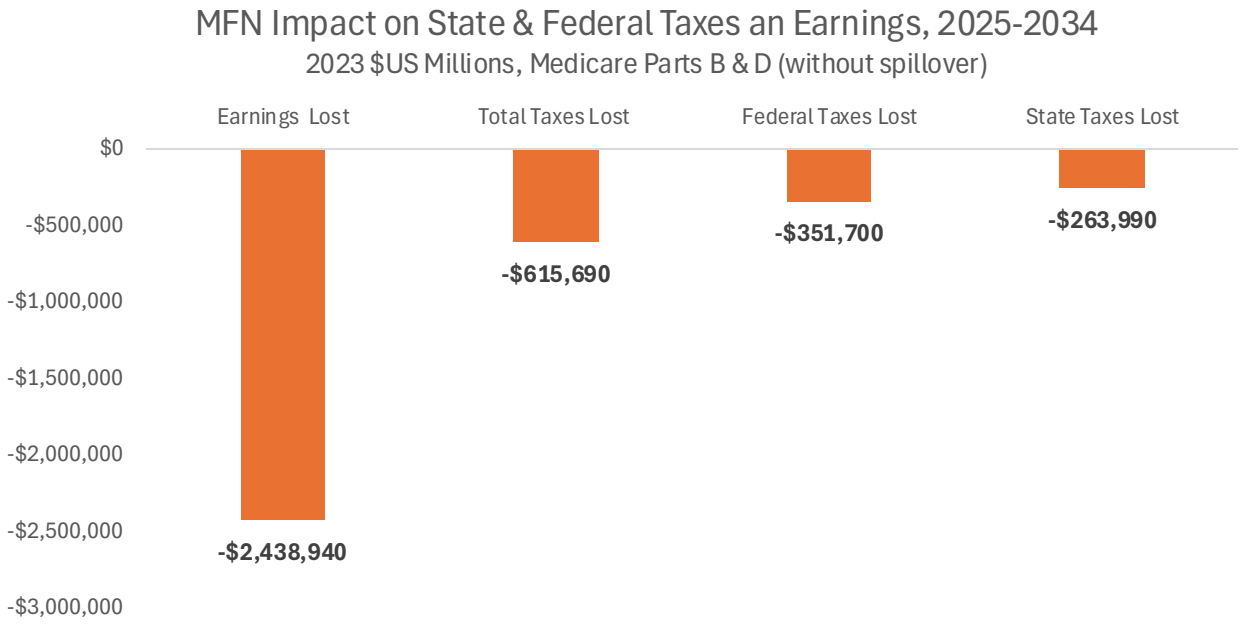
State	Earnings Loss ($2023 Mil.)	Federal Taxes Lost ($ Mil)	State Taxes Lost ($ Mil)	Total Taxes Lost ($ Mil)
California	$ 46,944	$ 8,618	$ 6,387	$ 15,006
Texas	$ 34,954	$ 5,023	$ 3,029	$ 8,057
Florida	$ 34,335	$ 5,548	$ 3,148	$ 8,705
New York	$ 21,867	$ 4,225	$ 3,505	$ 7,726
Pennsylvania	$ 19,038	$ 2,528	$ 2,034	$ 4,561
Illinois	$ 16,711	$ 2,564	$ 2,173	$ 4,735
Ohio	$ 16,246	$ 1,791	$ 1,636	$ 3,425
North Carolina	$ 14,915	$ 1,712	$ 1,488	$ 3,200
Michigan	$ 14,773	$ 1,746	$ 1,280	$ 3,027
Georgia	$ 13,300	$ 1,606	$ 1,194	$ 2,798
New Jersey	$ 11,292	$ 2,064	$ 1,502	$ 3,568
Virginia	$ 10,097	$ 1,522	$ 1,271	$ 2,793
Tennessee	$ 10,078	$ 1,197	$ 772	$ 1,970
Arizona	$ 9,968	$ 1,214	$ 955	$ 2,169
Washington	$ 9,443	$ 1,714	$ 1,019	$ 2,734
Massachusetts	$ 9,124	$ 1,907	$ 1,057	$ 2,966
Indiana	$ 8,351	$ 872	$ 782	$ 1,655
Missouri	$ 8,099	$ 917	$ 759	$ 1,676
Wisconsin	$ 8,056	$ 932	$ 886	$ 1,815
South Carolina	$ 7,567	$ 785	$ 678	$ 1,463
Minnesota	$ 7,335	$ 995	$ 894	$ 1,889
Colorado	$ 7,186	$ 1,115	$ 702	$ 1,818
Alabama	$ 6,756	$ 686	$ 668	$ 1,351
Maryland	$ 6,545	$ 1,021	$ 746	$ 1,767
Oregon	$ 5,663	$ 682	$ 616	$ 1,299
Kentucky	$ 5,610	$ 539	$ 543	$ 1,079

State	Earnings Loss ($2023 Mil.)	Federal Taxes Lost ($ Mil)	State Taxes Lost ($ Mil)	Total Taxes Lost ($ Mil)
Louisiana	$ 5,405	$ 559	$ 496	$ 1,054
Oklahoma	$ 4,880	$ 493	$ 443	$ 935
Connecticut	$ 4,424	$ 989	$ 687	$ 1,676
Iowa	$ 3,824	$ 412	$ 431	$ 842
Arkansas	$ 3,730	$ 381	$ 384	$ 765
Kansas	$ 3,294	$ 400	$ 372	$ 772
Utah	$ 3,076	$ 400	$ 375	$ 775
Nevada	$ 2,630	$ 381	$ 254	$ 636
Mississippi	$ 2,496	$ 209	$ 246	$ 455
New Mexico	$ 2,444	$ 231	$ 251	$ 483
Maine	$ 2,302	$ 238	$ 287	$ 526
Nebraska	$ 2,204	$ 251	$ 256	$ 507
New Hampshire	$ 1,972	$ 308	$ 190	$ 498
Idaho	$ 1,917	$ 214	$ 208	$ 421
West Virginia	$ 1,914	$ 166	$ 189	$ 354
Hawaii	$ 1,289	$ 156	$ 183	$ 339
Montana	$ 1,250	$ 140	$ 131	$ 272
Delaware	$ 1,025	$ 123	$ 128	$ 251
Rhode Island	$ 1,023	$ 130	$ 118	$ 247
Vermont	$ 894	$ 101	$ 123	$ 223
South Dakota	$ 759	$ 91	$ 64	$ 155
North Dakota	$ 635	$ 79	$ 57	$ 136
Alaska	$ 445	$ 56	$ 21	$ 77
Wyoming	$ 415	$ 77	$ 31	$ 108
District of Columbia	$ 153	$ 39	$ 19	$ 58

NAICS industries 3254, 4242, 5417, and 5511 with multipliers from the RIMS II dataset

© Vital Transformation, LLC 2025

MFN's Combined Impact on Earnings, State Taxes, and Federal Taxes
Medicare D & B only, no spillover impacts



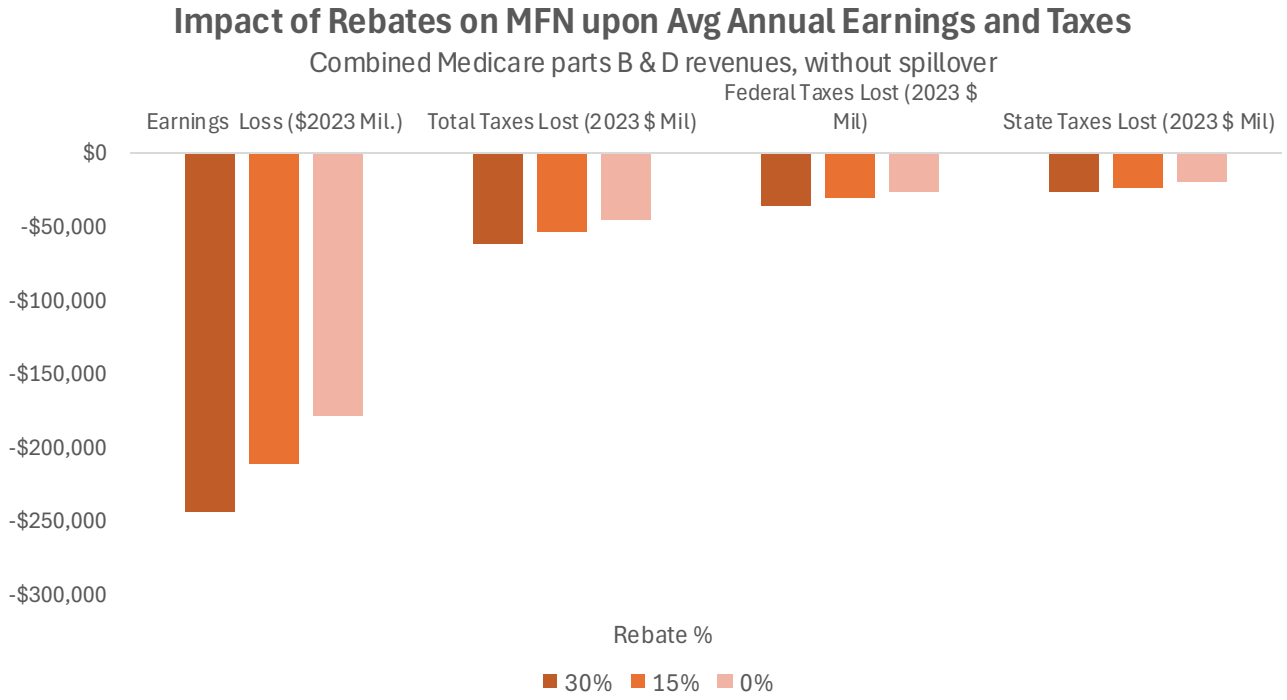
- If the 50 drugs with the largest expenditure in each of Medicare Parts B and D are impacted by an MFN price, total lost earnings from employment exceed $2.4 trillion over 10 years.
- Federal taxes lost are $350 billion over 10 years; total state taxes lost are roughly $263 billion over 10 years.

NAICS industries 3254, 4242, 5417, and 5511 with multipliers from the RIMS II dataset

© Vital Transformation, LLC 2025

Varied Part D Rebates - MFN's impact on Medicare

A 10% increase in rebates demanded leads to a nearly 10% reduction in earnings and taxes

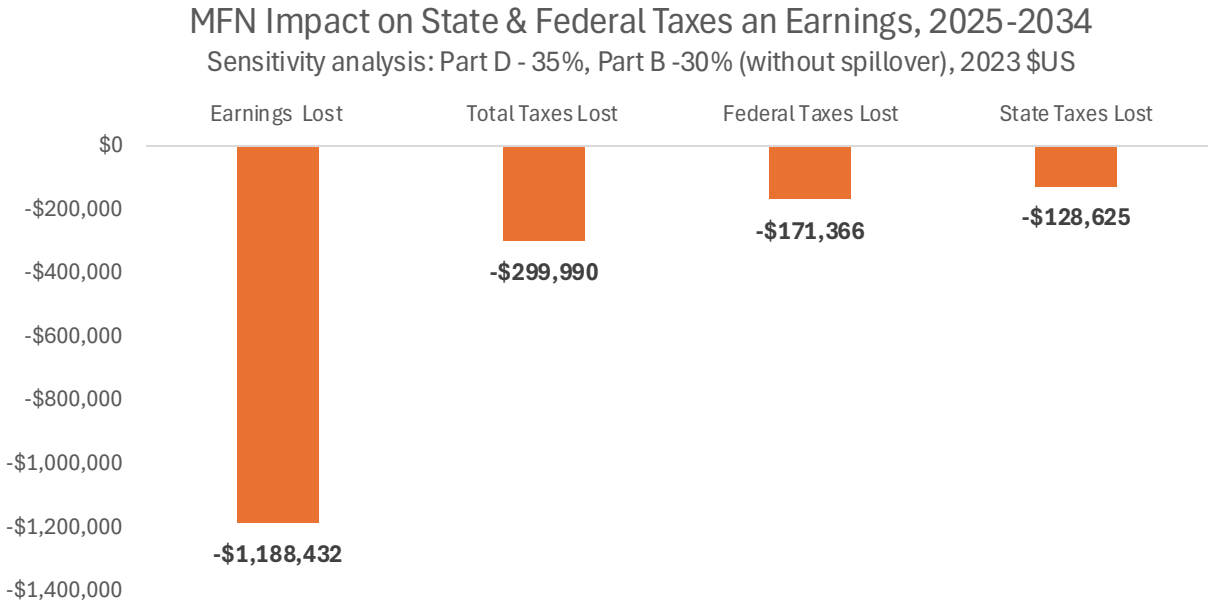


NAICS industries 3254, 4242, 5417, and 5511 with multipliers from the RIMS II dataset

- Based on estimates by the CBO, current net branded rebates for our cohort of 50 therapies in Medicare Part D equal approximately 30%.
- A key question is whether there will be any discretionary rebating for impacted drugs under an MFN policy.
- As a sensitivity analysis, VT estimated the impact on the post MFN combined projected Medicare revenues for impacted drugs for different values of discretionary rebating.
- We find that every 15-percentage point increase in rebates paid decreases gross earnings and taxes by an average of 14%, or a nearly 1 to 1 ratio.

© Vital Transformation, LLC 2025

Sensitivity Analysis - MFN's combined impact on earnings, state, and federal taxes Medicare B & D, no spillover



- To assess the sensitivity of U.S. earnings to foreign reference pricing, VT limited the impact of MFN to a 35% reduction in net price in Part D and 30% reduction in Part B.
- In this case,
- Total lost earnings are estimated to exceed $1.18 trillion over 10 years.
- Federal taxes lost are $171 billion over 10 years;
- Total state taxes lost are roughly $128 billion over 10 years

NAICS industries 3254, 4242, 5417, and 5511 with multipliers from the RIMS II dataset

© Vital Transformation, LLC 2025

Sensitivity analysis: Impact of halved price reductions on average annual losses per state due to MFN implementation in Medicare Parts B & D, no spillover impacts 2025 – 2034

VitalTransformation

State	Earnings Loss ($2023 Mil.)	Federal Taxes Lost ($ Mil)	State Taxes Lost ($ Mil)	Total Taxes Lost ($ Mil)
California	$13,335	$2,457	$1,800	$4,257
Texas	$9,930	$1,432	$854	$2,286
Florida	$9,753	$1,582	$887	$2,469
New York	$6,195	$1,201	$985	$2,186
Pennsylvania	$5,403	$720	$573	$1,293
Illinois	$4,744	$731	$612	$1,343
Ohio	$4,613	$510	$461	$972
North Carolina	$4,234	$488	$419	$907
Michigan	$4,196	$498	$361	$859
Georgia	$3,777	$458	$336	$794
New Jersey	$3,200	$587	$422	$1,010
Virginia	$2,864	$433	$358	$791
Tennessee	$2,861	$341	$217	$559
Arizona	$2,831	$346	$269	$615
Washington	$2,681	$488	$287	$775
Massachusetts	$2,589	$543	$298	$841
Indiana	$2,371	$249	$220	$469
Missouri	$2,295	$261	$213	$474
Wisconsin	$2,287	$266	$249	$515
South Carolina	$2,147	$223	$191	$415
Minnesota	$2,083	$284	$252	$536
Colorado	$2,041	$318	$198	$516
Alabama	$1,919	$195	$188	$383
Maryland	$1,855	$290	$210	$500
Oregon	$1,607	$195	$174	$368
Kentucky	$1,591	$153	$153	$306

State	Earnings Loss ($2023 Mil.)	Federal Taxes Lost ($ Mil)	State Taxes Lost ($ Mil)	Total Taxes Lost ($ Mil)
Louisiana	$1,535	$159	$140	$299
Oklahoma	$1,386	$141	$125	$265
Connecticut	$1,255	$281	$193	$474
Iowa	$1,085	$117	$122	$239
Arkansas	$1,059	$109	$108	$217
Kansas	$934	$114	$105	$218
Utah	$874	$114	$106	$220
Nevada	$748	$109	$72	$181
Mississippi	$709	$60	$70	$129
New Mexico	$694	$66	$71	$137
Maine	$654	$68	$81	$149
Nebraska	$626	$72	$72	$144
New Hampshire	$559	$88	$54	$141
Idaho	$544	$61	$58	$119
West Virginia	$543	$47	$53	$100
Hawaii	$367	$44	$52	$96
Montana	$355	$40	$37	$77
Delaware	$290	$37	$33	$70
Rhode Island	$289	$35	$36	$71
Vermont	$254	$29	$35	$63
South Dakota	$216	$26	$18	$44
North Dakota	$180	$22	$16	$38
Alaska	$126	$16	$6	$22
Wyoming	$118	$22	$9	$31
District of Columbia	$43	$11	$5	$16

NAICS industries 3254, 4242, 5417, and 5511 with multipliers from the RIMS II dataset

© Vital Transformation, LLC 2025

MFN's combined impact on U.S. GDP - Medicare Parts B & D, Medicaid and 340B

MFN Weighted Price Reduction	US 2023 GDP (Mil $US)	GDP after MFN (Mil $US)	% reduction in U.S. GDP
-65%	$27,567,297	$27,098,653	**1.70%**
-32%	$27,567,297	$27,337,661	**0.83%**

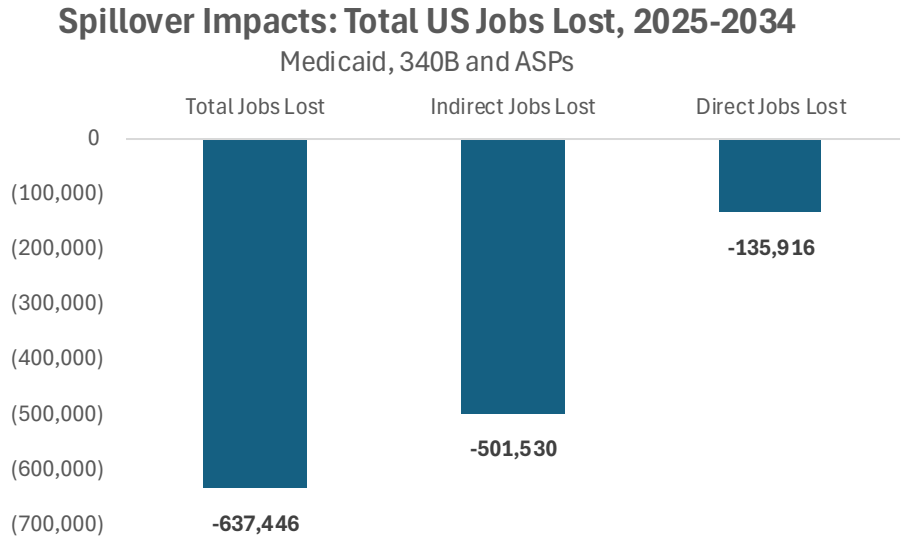
- 2023 U.S. GDP was roughly $27.6 trillion dollars.
- MFN's impact roughly equals a loss of 1.7% of total U.S GDP, assuming a combined and weighted net price reduction of 65% in Medicare Parts B & D, Medicaid, 340B, and ASP +6 payments.
- Based on our sensitivity analysis, combined and weighted price reductions of 32% due to MFN will lead to a roughly 0.83% reduction in U.S. GDP.

© Vital Transformation, LLC 2025

Spillover Impacts of MFN on Medicaid, 340B, and Hospital ASPs

© Vital Transformation, LLC 2025

MFN's job impact spillover into Medicaid, 340B, and ASPs



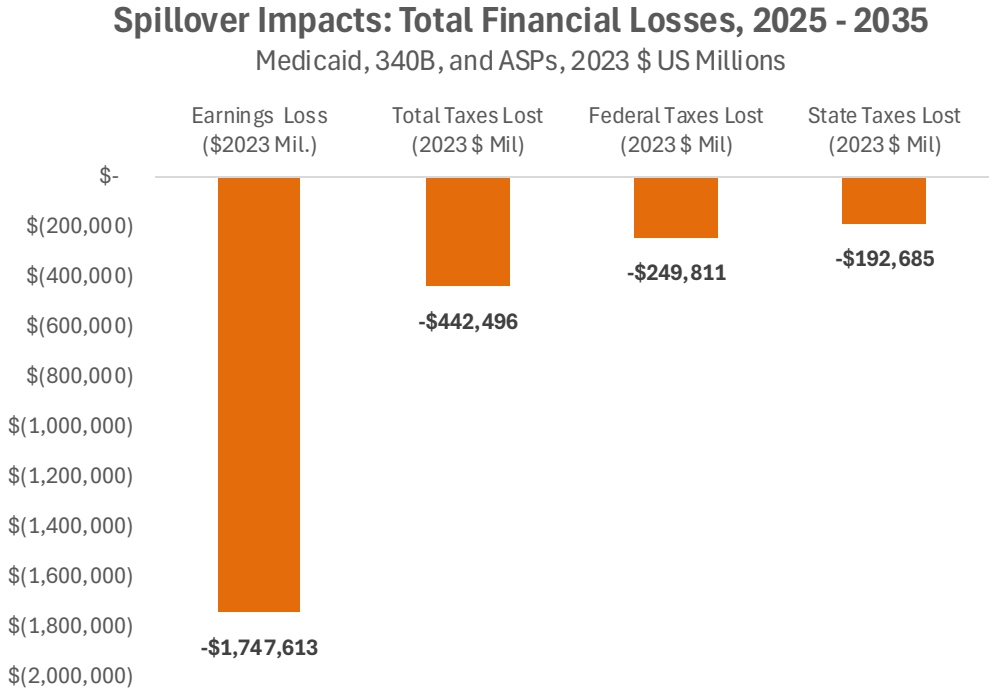
Government mandated MFN prices in Medicare Parts B and D would spillover to additional markets including:

- **Medicaid** – MFN prices in Medicare could reset Medicaid "best price", increasing Medicaid rebates.
- **340B**– Since 340B ceiling prices are tied to Medicaid rebates, MFN could also increase manufacturer liability in 340B.
- **Provider payment in the commercial market** - MFN prices would be incorporated into ASP which is commonly used as a basis for reimbursement in the commercial market for provider-administered drugs, thereby lowering provider payment.

- We calculate over 635,000 additional jobs lost to spillover impacts in Medicaid, 340, and ASP; ~500,000 indirectly and ~135,000 directly employed in the sector. Added to the main results, the total lost jobs due to MFN sums to 2.22 million.

© Vital Transformation, LLC 2025

MFN's financial impact spillover into Medicaid, 340B, and ASPs



Government mandated MFN prices in Medicare Parts B and D would spillover to additional markets including:

- **Medicaid** – MFN prices in Medicare could reset Medicaid "best price", increasing Medicaid rebates
- **340B**– Since 340B ceiling prices are tied to Medicaid rebates, MFN could also increase manufacturer liability in 340B
- **Provider payment in the commercial market** - MFN prices would be incorporated into ASP which is commonly used as a basis for reimbursement in the commercial market for provider-administered drugs, thereby lowering provider payment

We calculate the additional loss in earnings of $1.7 trillion dollars and $442 billion in taxes lost due to the spillover impacts of Medicaid, 340, and ASP.

© Vital Transformation, LLC 2025

Medicare Part B's Average Sales Price (ASP) + 6% is critical to the financially viability of clinics



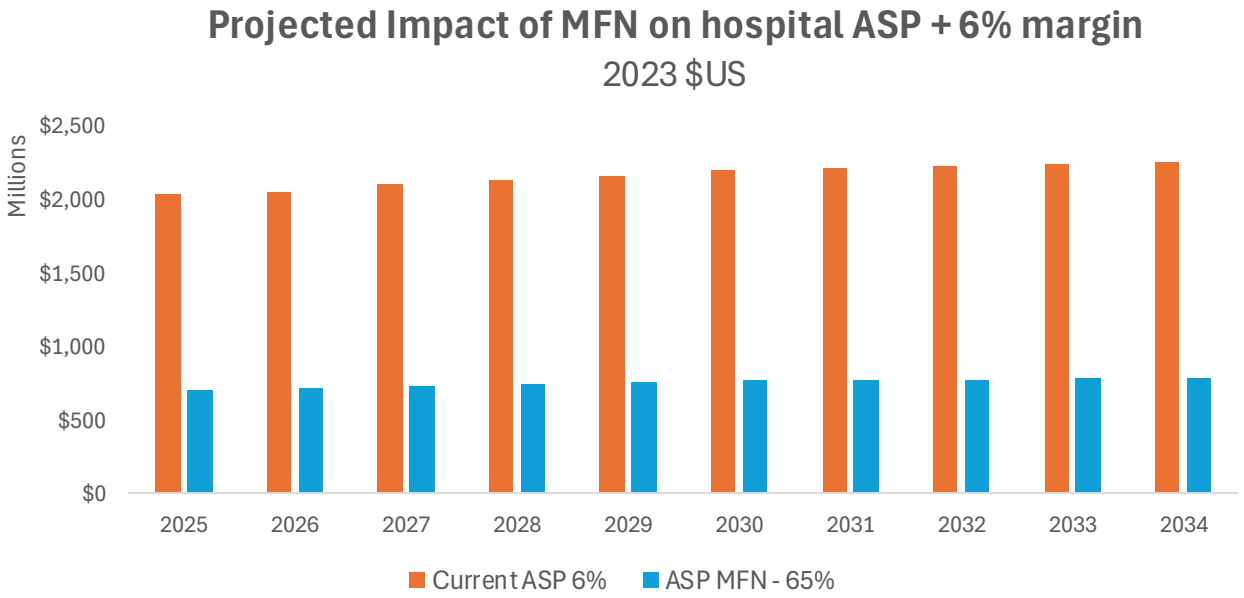
"The only way we see survival, is to have . . .doctors paid as they have been on Average Sales Price."

Barbara McAneny: Former American Medical Association President; Co-Chair, ONCare Alliance; CEO, New Mexico Oncology Hematology Consultants, Ltd.

Vital Health Podcast, 7/30/2025

© Vital Transformation, LLC 2024

MFN's ASP reductions will have an outsized impact on independent and rural treatment centers



Top 50 drugs by revenue in Medicare Part B

- The 6% margin of Average Sales Price (ASP + 6%) is often the difference between profit and loss to many U.S. treatment centers.
- According to Barbara McAneny: Former American Medical Association President, the use of ASPs to provide a profit margin to clinics has been encouraged and facilitated by CMS.
- The impact of MFN pricing on ASP will have a negative impact on the profitability of U.S. hospitals, particularly community clinics, independent hospitals, and rural treatment centers.

© Vital Transformation, LLC 2025

The Impact of MFN on Biopharma KPIs

© Vital Transformation, LLC 2025

Impact of Price Reduction on Biopharma KPIs

Elasticity Estimates (% change in indicator for each 1% change in price)

Indicator (all measured per capita)	Drug Price	Std. Error
Total VC Funding	1.427***	0.115
Early Stage VC Funding	1.012***	0.095
Later Stage VC Funding	1.705***	0.146
Biotech Patents (resident applicant)	0.691*	0.279
Biotech investments by location of asset sold	0.18***	0.042
R&D (Pharma Business Enterprises)	0.056*	0.027
Biotech Number of Start-ups	0.219***	0.069
Biopharma Clinical Trials	0.199*	0.0873

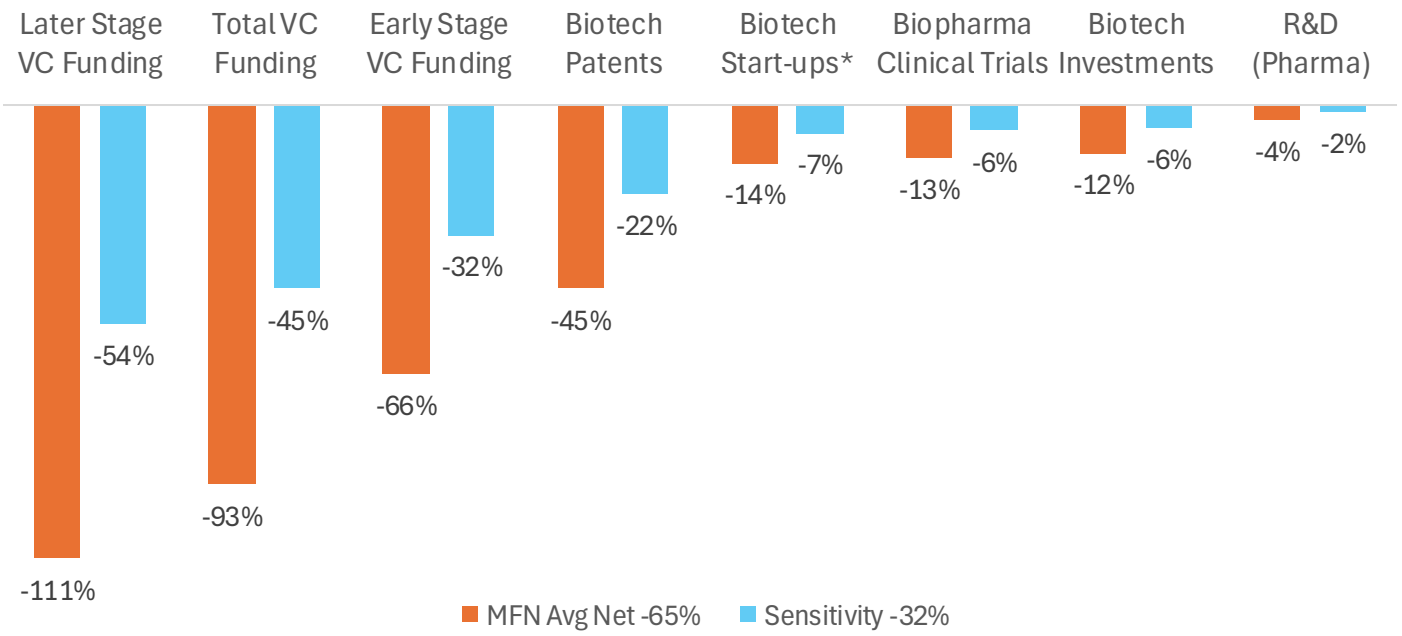
* p < .05, ** p < .01 *** p < .001; Elasticity estimates computed at data means. Monetary variables measured in constant 2017 US dollars. Countries in scope are Belgium, France, Germany, United Kingdom, Ireland, Italy, Spain, Sweden, United States.

- Large price controls as outlined by the proposed MFN policy will have predictable impacts on key parts of the biopharma ecosystem.
- Net pricing data for the top 10 selling drugs from 2003 – 2020 in the countries of Belgium, France, Germany, United Kingdom, Ireland, Italy, Spain, Sweden, United States were compared for several key performance indicators: VC funding, patenting, investments, company creation and clinical trials.
- Elasticities were calculated to predict the impact of an MFN net price reduction on each of these key performance indicators (KPIs).

© Vital Transformation, LLC 2025

Baseline and Sensitivity Impacts of MFN Price Reductions on Biopharma KPIs

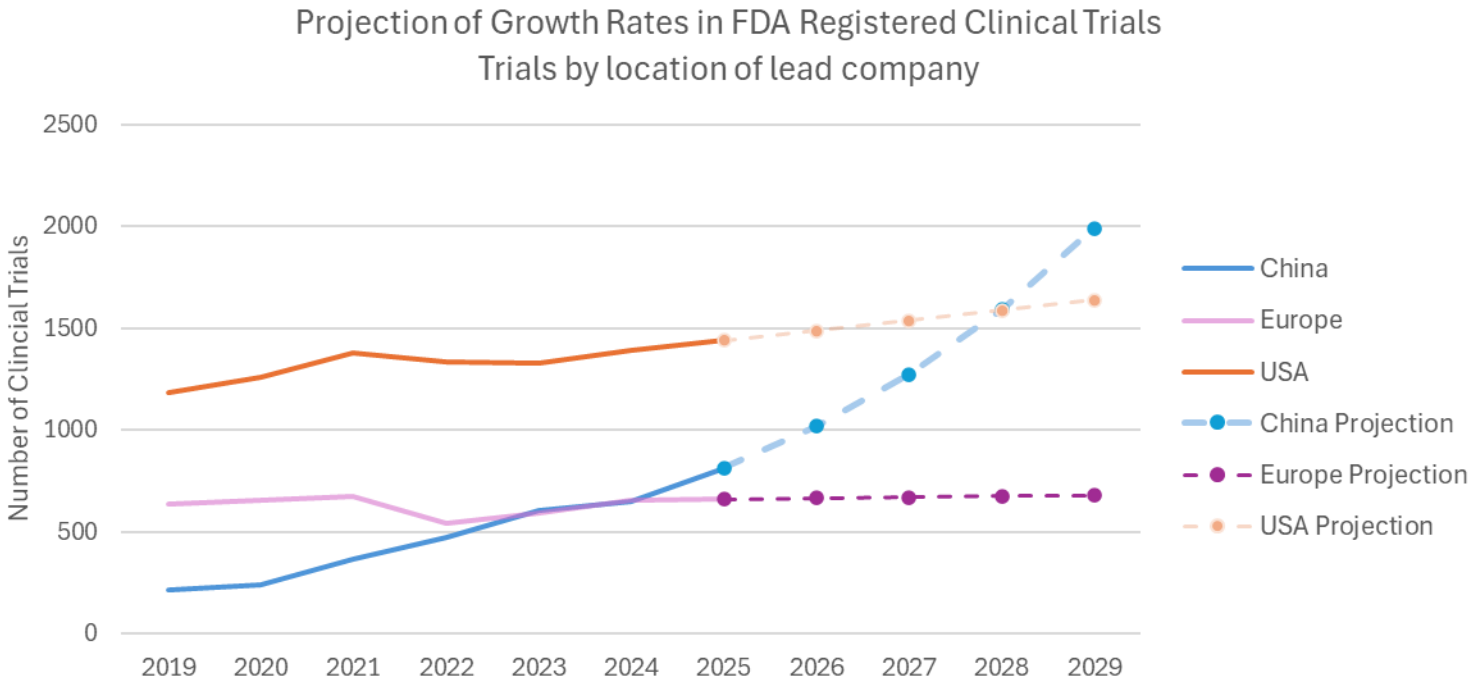
Weighted avg net revenue reduction under MFN = -65%, sensitivity analysis = -32%



Net pricing data for the top 10 selling drugs from 2003 – 2020 in the countries of Belgium, France, Germany, United Kingdom, Ireland, Italy, Spain, Sweden, United States.
*Biopharma start-ups exclude the UK and are calculated from 2003 – 2019.

© Vital Transformation, LLC 2025

China-based companies currently launch more FDA registered clinical trials than those based in Europe and will overtake the United States in 2028 at the current trend.



Clinical trials data are for Belgium, France, Denmark, Germany, Netherlands, Ireland, Italy, Spain, Sweden, Switzerland, United Kingdom, United States, and China.
Source: Biomedtracker, ClinicalTrials.gov

© Vital Transformation, LLC 2025

Disclosure

- Vital Transformation, an international health economics and strategy consultancy, was asked to conduct an analysis of the impact of the announced intention of the Trump Administration to sign an executive order implementing Most Favored Nation (MFN) pricing.
- Our focus was the impact of MFN on the U.S. biopharma ecosystem and unintended consequences on jobs, wages, innovation KPIs, and economic activity.
- The analysis was performed by Vital Transformation's Consulting Economist Dr Harry P Bowen and CEO Duane Schulthess.
- The opinions included in this work are those of Vital Transformation LLC.
- The data behind this study can be requested here.

© Vital Transformation, LLC 2025