

Unpacking Washington's Drug Pricing Plan

Madison Connor, J.D., CEBS

Senior Vice President, Regulatory Compliance and External Affairs



As payors and patients continue to grapple with record-high health care spending, drug pricing has emerged as a key policy focus for the Trump administration, with several executive orders and proposed frameworks aimed at lowering prices for American patients. These efforts have ranged from the looming threat of pharmaceutical tariffs to promoting direct-to-consumer (DTC) options via TrumpRx. Many of these proposals are still taking shape, and substantial questions remain as to the applicability of these models and what they ultimately mean for employer-sponsored health plans.

As federal policymakers in Washington, D.C. pursue more aggressive drug pricing strategies, plan sponsors and benefits professionals need to understand how these policies may affect plan costs, vendor contracts and long-term affordability. Here is a closer look at the federal policies impacting the pricing and delivery of pharmacy benefits in early 2026:

TARIFFS

From May to October of 2025, the Trump administration leveraged the threat of tariffs – both at a broad baseline and industry-specific scale – to bring drug manufacturers to the table for voluntary negotiations on the prices of high-cost brand drugs. A 100% tariff on brand drugs was set to go into effect on October 1, 2025, but was ultimately delayed as negotiations commenced between the administration and the world's largest drug manufacturers. Manufacturers that entered into agreements with the administration have been granted a three-year reprieve from the 100% brand tariffs.

It appears unlikely that tariffs will come back into play, given that most manufacturers have reached agreements with the administration to voluntarily lower prices and invest significantly in domestic drug manufacturing. Generic drugs were broadly exempted from future tariffs, although imported ingredients from countries subject to broader baseline tariffs could still drive-up costs. Stand-alone tariff agreements with countries and territories may also change the calculation. For example, the United States and European Union trade deal would cap exports, including pharmaceuticals, at 15%.

MOST-FAVORED-NATION PRICING

Central to the administration's drug affordability plan is the implementation of most-favored-nation (MFN) pricing, as initially outlined in a May 2025 executive order. In late July, the president sent letters to the 17 largest drug manufacturers demanding that they lower drug prices to match what's paid in other developed countries. The MFN targets are the prices paid in economically similar countries with at least 60% of the U.S. gross domestic product per capita, i.e., Canada, Japan and the United Kingdom.

As part of the deals with the Trump administration, manufacturers have agreed to align U.S. pricing with global norms by making MFN pricing available to state Medicaid programs and guaranteeing MFN pricing for newly launched products. The regulatory framework for Medicaid pricing is currently being developed by the Centers for Medicare and Medicaid Services (CMS) via its GENERating cost Reductions fOr U.S. Medicaid

(GENEROUS) model. The proposal targets high-cost brand drugs without generic competition.

The specific terms of these agreements have been deemed confidential and seem to vary by individual agreement. Substantial uncertainty remains as to the extent of drugs that will be offered under this new model and whether the MFN prices for newly launched products will be available to the commercial market. It also remains to be seen how this proposal will interact with the Medicaid Drug Rebate Program, which already requires manufacturers to offer state Medicaid plans the "best price."

TRUMPRX.GOV

Manufacturers have also agreed to offer discounts through TrumpRx.gov, a DTC website operated by the federal government where patients can access cash prices for certain prescription drugs. While TrumpRx does not purchase and sell drugs directly, the website provides access to discounted prices in three ways: through digital coupons that may be presented at participating pharmacies, through redirection to existing manufacturer DTC websites and through preferred mail order pharmacy networks.

According to the terms and conditions of the TrumpRx platform, these are prices for cash-paying customers and are not available through insurance. Thus, the patients most likely to benefit from TrumpRx are uninsured patients and patients seeking access to drugs not covered by their plan. Any patient spend through the website will not count towards a patient's deductible or maximum out-of-pocket.

MAXIMUM FAIR PRICE

While the administration's MFN agreements are primarily focused on Medicaid, some of the negotiated pricing will impact Medicare drug coverage. In November 2025, the administration announced deals with Eli Lilly and Novo Nordisk, whereby Medicare may cover GLP-1s for obesity if beneficiaries meet specific body mass index (BMI) and comorbidity criteria. As a result of these negotiations, Medicare will offer expanded coverage for Ozempic and Wegovy for around \$245 per month.

Some plan sponsors may be wondering how these MFN negotiated prices interact with the maximum fair prices (MFP) determined under the Inflation Reduction Act's Medicare drug price negotiation program; Ozempic and Wegovy were chosen for negotiation under the program, with pricing set to take effect in 2027. This means that, for 2027, there will be two Medicare-negotiated prices available for these drugs: \$245 per month under the MFN deal and \$274 per month under the MFP negotiations through the Inflation Reduction Act.

It's important to note that these processes are distinct. The MFP negotiation is a statutorily established process where CMS is limited to certain factors for consideration during price negotiations. The MFN deals are voluntary commitments from the manufacturers, not required by law and not limited to any certain factors and will result in expanded coverage under Medicare in exchange for these price concessions. For avoidance of doubt, CMS has announced that the lower MFN price (\$245 per month) will supersede the MFP price (\$274 per month) for these selected products.

Other federal dynamics impacting pharmacy benefit plans in 2026:

FEDERAL PBM REFORM

Congress recently passed targeted PBM reform in the Consolidated Appropriations Act of 2026. The key provisions include a 100% rebate pass-through requirement, mandatory PBM reporting to plan sponsors and expanding the application of existing ERISA compensation disclosure rules to PBMs.

REGULATORY RULEMAKING

Most drug pricing policies continue to be driven by administrative guidance rather than federal law. The Department of Health and Human Services recently proposed rules that streamline reporting under the Transparency in Coverage monthly machine-readable file requirements, and the Department of Labor proposed rules implementing plan service provider compensation disclosures required under ERISA.

FEDERAL TRADE COMMISSION (FTC) CASE

Express Scripts recently reached a settlement with the FTC in the Commission's ongoing litigation against the big three PBMs over insulin pricing. As part of its settlement, Express Scripts agreed to major structural changes to its standard offering to plan sponsors. The action will continue against CVS Caremark and Optum Rx, who are also expected to reach settlements in the future.

Closing thoughts

As Washington continues to prioritize transparency in the health care industry, anticipated regulatory guidance from the administration paired with the recent passage of the Consolidated Appropriations Act of 2026, will shift the way that plan sponsors contract with plan service providers, evaluate reasonability of fees and deliver pharmacy benefits to participants. As we continue to evaluate and analyze these recent developments, Employers Health is committed to keeping you apprised of the potential impacts to self-funded plan sponsors with timely resources like our podcast, Health Care Headlines.

To learn more contact, Madison Connor at mconnor@employershealthco.com.

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