

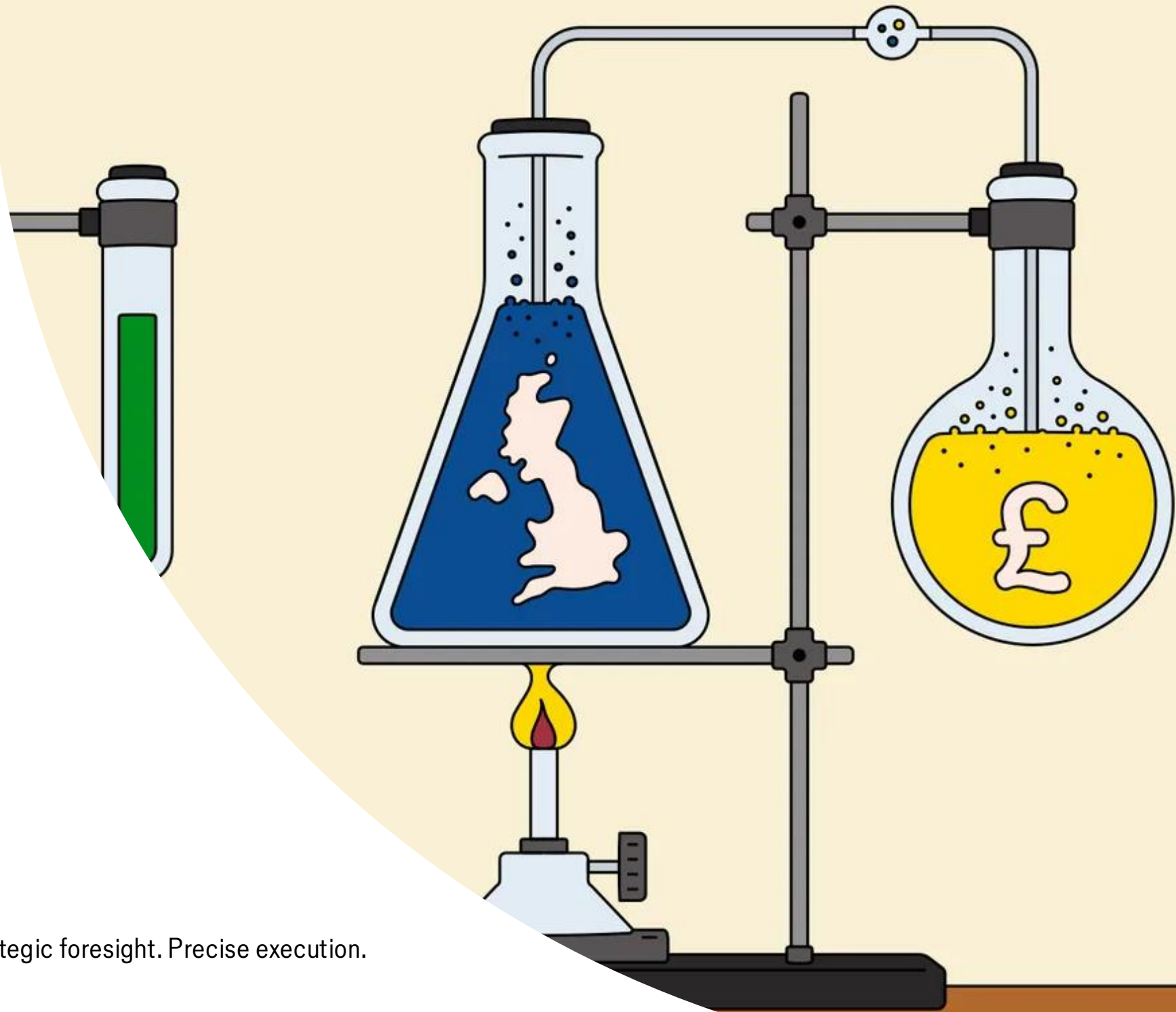
JULY 2025

Proposed Most-Favored Nation Policy

Impact Study

/ julien
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Rigorous intelligence. Strategic foresight. Precise execution.



MFN pricing could wipe out a quarter of industry EBIT

Losing the U.S premium starves the innovation capital that benefits tomorrow’s therapies for all

Scenario	Average U.S. net-price cut ¹	Global revenue hit ²	Global EBIT hit ³
Voluntary compliance	-10%	-5%	-7%
Partial uptake or <i>hybrid</i> model	-20%	-10%	-15%
Full mandate	-35%	-17%	-26%

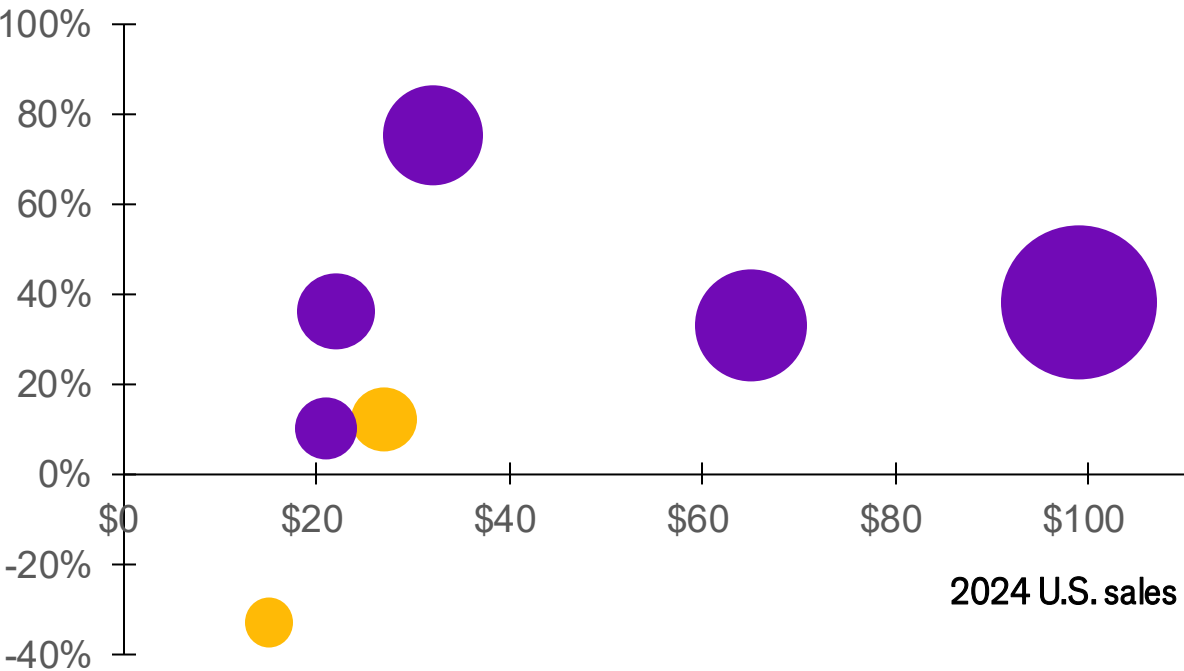
1. RAND finds U.S. drug prices average 2.56× those in 32 OECD peers, implying a 35–40 % gap to the MFN benchmark. We model 10 % and 20 % cuts as interim steps.
2. Assumes U.S. sales are 58 % of global industry revenue. ([RAND, 2021](#))
3. The White House notes that U.S. margins fund “around three-quarters of global pharma profits”; applying the price cuts above yields the EBIT loss shown. ([WH, 2025](#))

- **R&D throttle.** MFN would jeopardize the hundreds of billions PhRMA members plan to invest in America.
- **Cascade into ex-U.S. markets.** Lower U.S. list prices would roll through 20+ reference baskets, forcing global repricing.
- **Channel shock.** The EO pushes a direct-to-consumer pathway that bypasses PBMs and wholesalers, flipping gross-to-net economics.

MFN’s deepest cuts fall where the pipeline is most loaded: Biologics

Current U.S. revenue exposure to MFN requirement is significant especially in the biologics (blue) vs small molecules (orange)

MFN price gap vs OECD



- **Risk is biologic-heavy.** Biologics (oncology, immunology, GLP-1s) represent ~65% of U.S. revenue and carry the steepest MFN gaps (>30%).
- **Biosimilar double-whammy.** Assets facing MFN cuts and imminent biosimilar entry (adalimumab, ustekinumab, bevacizumab, denosumab) confront compounding margin pressure.
- **Small-molecule hedge is limited.** Generics and cardio therapies show shallow or negative gaps but contribute too little EBIT to offset specialty losses.
- **Pipeline inertia matters.** 80% of late-stage assets sit in therapy areas with >25 % MFN gaps, expanding exposure post-2028 launches.

Sources: RAND 2024 international price index; IQVIA “Global Oncology Trends 2024”; IQVIA “Use of Medicines in the U.S. 2024”; Peterson-KFF GLP-1 price analysis; FDA Biosimilar Product Information (accessed July 2025).

Five levers to protect innovation under MFN

There is no playbook for such a policy shift: We will learn as we go applying health economics concepts

	Lever	Horizon	Action plan	Indicative EBIT protection
1	Re-price corridors	Immediate	Cut U.S. list prices just enough to meet MFN and widen ex-U.S. discounts to keep reference baskets neutral.	+5-7 pp
2	Launch resequencing	Mid-term	Flip launch order: EU → Japan → U.S. so MFN references lag 12-18 m; delay U.S. exclusivity clock only where sales mix tolerates.	+2-4 pp
3	Value-based contracts	Immediate	Use CMS “multiple best price” safe harbor to lock-in outcomes-tied net prices below MFN but keep list intact.	+1-2 pp
4	Direct-to-consumer bypass	Mid-term	Stand-up limited DTC distribution (Section 804 import + cash-pay) to preserve margin and test demand outside PBM spread.	+1-2 pp
5	Policy & legal defense	Long-term	Coalition litigation (APA, NFIB v. OSHA precedent) + trade-policy lobbying to slow or narrow a mandatory rule.	“buys time”

Over 10 weeks we jointly will work on this impact study

Workstream

Questions we will answer

Work products

1	Portfolio exposure mapping	For your current and late-stage assets, how far is each U.S. net price from MFN parity?• How much revenue, EBIT, and pipeline value is at stake brand by brand?	Interactive Power BI dashboard pre-loaded with your SKU-level data• One-page board heat-map keyed to your therapeutic areas
2	Scenario, sensitivity modeling	Under voluntary, hybrid, and mandated MFN scenarios, what happens to your top-10 revenue drivers and consolidated EPS?• How do biosimilar entry dates or EU reference feedback loops change those numbers?	Monte-Carlo model (Excel) wired to your margin and tax assumptions + Three-scenario financial tables ready for earnings guidance
3	Stakeholder behavior forecast	How will payers, PBMs, and IDNs treat your therapeutic areas once MFN prices surface?• Which of your channels could pivot to DTC or cash-pay fastest?	Stakeholder response matrix focused on your five largest payers + 10-interview voice-of-customer deck with verbatim quotes
4	Strategic option testing	Which levers -- price-corridor redesign, launch resequencing, value-based contracts -- protect the most EBIT for your portfolio in six months?	Five-lever playbook deck showing EBIT saved per lever for your assets + 100-day action roadmap with owner, cost, timeline
5	Policy & legal tracking	Which regulatory milestones or court challenges pose the greatest timing risk to your MFN compliance plan?• How should your IR team brief investors ahead of earnings?	Live regulatory tracker filtered for your exposure + Investor talking points and FAQ tailored to your pipeline narrative

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