

MFN: LOOKING FORWARD

Purpose: This paper aims to provide a perspective on the potential evolution of MFN (Most Favored Nation) policies and the likely implications for Switzerland, based on the situation at the time of writing.

This position paper reflects the views of Executive Insight, drawing on our work helping pharmaceutical companies navigate evolving access policy to launch their products successfully. This document contains forward-looking hypotheses that represent our best judgement based on facts publicly available to us to date, not a guarantee of future outcomes.

A. Summary of key points

- **MFN is already affecting Switzerland:** Like other MFN basket markets, Swiss drug prices are substantially lower than US prices. Because the potential US revenue impact of a low reference price can far exceed the revenue from a launch in the MFN basket markets, companies are quietly delaying or pausing some launches that are not already under way.
- **The current MFN system is likely to remain largely intact until January 2029:** Company MFN deals are expected to remain in place regardless of the 2026 midterm outcome. The deals are agreements, not legislation, and therefore would be difficult for a Democratic-dominated Congress to unwind directly.
- **The main near-term risk for Switzerland is reduced access and investment:** Fewer or later launches can affect patient access, clinical trials, investment in research, manufacturing and affiliate headcount.
- **After 2029, the mechanism may change, but international reference pricing is likely to remain:** It could become part of Medicare negotiations or other wider-ranging US pricing framework.
- **Low Swiss prices therefore remain a long-term strategic vulnerability:** Switzerland risks becoming a less attractive early-launch market and, over time, a less attractive location for life-sciences investment.
- **Switzerland should prepare now:** Track launch delays, protect access to breakthrough medicines, strengthen incentives for innovation, manufacturing, and clinical trials, monitor alternative sources of innovation (e.g. China), and coordinate with other basket countries.

B. What is MFN?

Most Favored Nation (MFN) policies aim to link the prices paid for medicines in the US to those in a basket of comparable high-income countries, including Switzerland. This is a form of international reference pricing (IRP), which countries outside the US have used for many years. MFN differs in two ways: it brings the US into the IRP system, and it benchmarks against **net** prices in reference markets rather than the list prices that IRP has typically used. This removes much of the flexibility that confidential discounts have historically given companies in Europe and Switzerland.

MFN has three stated aims: **lower drug prices in the US; encourage pharmaceutical manufacturing and R&D investment in the US; and increase the contribution made by other high-income countries to the cost of pharmaceutical innovation.** In doing so, the policy seeks to narrow the historical gap between US and ex-US drug prices and address the perception that other countries benefit from innovation that has been disproportionately financed by US patients and the US healthcare system.

MFN is being pursued through three levers:

- **MFN models:** Medicare payment models that apply international reference prices: GLOBE (Part B, finalized October 2026) and GUARD (Part D, proposed).
- **Company MFN deals:** Manufacturers voluntarily agreeing to reduce prices on selected drugs and to launch new drugs at MFN-level prices, including in the Commercial market, with automatic participation in GENEROUS (Medicaid) as part of the agreement. In return, deal signatories are exempted from the MFN models described above and, where accompanied by a US manufacturing commitment, from Section 232 tariffs.
- **Trade pressure:** The threat of tariffs: Section 301 to push countries to raise their prices, and Section 232 to push companies into MFN deals.

C. Where does MFN implementation stand as of early October 2026

- **Company agreements:** 27 companies have signed MFN deals, including the 17 largest, covering most future innovative drug launches. The redacted Pfizer and Lilly agreements confirm the expected mechanisms, and the deals appear to run until January 2029, the end of the Trump administration.
- **Regulatory models:** The final GLOBE rule was published on 2 October 2026, much narrower than initially proposed due to the inclusion of exemptions and will start on April 2027. As pharma companies with signed MFN deals are exempt, CMS expects only few companies to have drugs meeting the criteria. Final rule for GUARD has not yet been published. Court challenges could suspend both models once they come into force.
- **Tariffs:** Section 232 tariffs on patented medicines were phased in from 31 July 2026 (largest companies) and 29 September 2026 (all others). Imports from Switzerland pay 15%. Companies with an MFN deal and a US manufacturing plan, including Novartis and Roche, are exempt until 20 January 2029. In June 2026 the US also opened a Section 301 investigation into Germany's "underpayment" for innovative medicines; other basket countries could face similar investigations (the UK is protected by its deal).
- **Codification of MFN into US law:** Despite being pushed by the Trump administration, this did not happen, and Congress is now in recess until after the November midterms.
- **US politics:** Democrats largely support lower prices but are skeptical of the "opaque" nature of MFN deals (as well as their actual effectiveness) and are pressing for transparency. To quote Senator Wyden (D-OR), ranking Democrat on the Senate Finance Committee during a recent confirmation hearing: *"Trump's plan on drug prices amounts to this: trust me and Big Pharma. There's not a shred of evidence these deals have significantly lowered costs for patients. But there is ample evidence that Big Pharma got sweetheart tariff deals and boosted stock prices."*
- **Reaction of basket-market governments:** Mostly wait and see. Several countries are slowing down legislation aimed at lowering prices and increasing transparency, and some have formed working groups to actively monitor developments. But apart from the UK, few have made firm commitments to raise prices.
- **Pharma companies:** Launches of innovative medicines in basket markets (including Switzerland) not already under way, are quietly being delayed. According to a recent Interpharma study, pharmaceutical companies have stopped submitting about one-third of their new innovative drugs for reimbursement by Swiss health insurers. Similar patterns have been observed in Japan with several drugs obtaining a market authorization but not filing for reimbursement. Simply put, the revenue lost by not launching in basket markets is much smaller than the US revenue at risk caused by a low reference price. As ex-US prices are unlikely to rise anywhere near US levels soon, companies have to make the decisions that best meet their obligations to shareholders. Instead pharma companies are starting to prioritize launches in key non-basket markets (e.g. China, Saudi, Brazil), creating a risk that basket markets could be permanently deprioritized in future launch sequencing.

D. Prospective political scenarios

After the November 2026 midterms (to January 2029)

Scenario	House	Senate	Prob.	What MFN / IRP looks like
A. Partial Democratic win	 Democratic	 Republican	Most likely	<ul style="list-style-type: none"> Company MFN deals and tariff linkage run to January 2029, in effect limiting ex-US launches Administration keeps using tariffs to strong-arm countries on pricing Democrats demand more oversight and transparency on the deals, with limited impact Democrats cannot pass legislation on their own, and a bipartisan deal is unlikely Mandatory Medicare models (GLOBE/GUARD) litigated and delayed
B. Total Democratic win	 Democratic	 Democratic	Less likely than A	<ul style="list-style-type: none"> As A, but investigations and subpoenas could force deal terms into the open, without cancelling them Democrats introduce their own legislation to limit US drug prices (potential mechanisms described below), likely blocked by presidential veto Limited, but not non-existent, chance of a bipartisan deal to sustainably lower drug prices in the US, potentially leveraging some form of reference pricing
C. Repub. hold Congress	 Republican	 Republican	Unlikely	<ul style="list-style-type: none"> MFN codification bill passes and MFN becomes law (e.g. a version of the Most Favored Patient Act)

After the November 2028 presidential/congressional elections (from January 2029), assuming the new president's party also controls Congress

Scenario	White House / Congress*	Prob.	What MFN / IRP looks like
D. Democratic sweep	 Democratic	Plausible	<ul style="list-style-type: none"> Voluntary MFN deals lapse IRP is built into Medicare negotiation (IRA expansion, international price caps) with potential expansion to Commercial through a form of a codified deal
E. Republican sweep	 Republican	Plausible	<ul style="list-style-type: none"> Deals renewed or extended past January 2029 MFN stays executive-led unless codified Codification of MFN becomes possible

**Note: there are scenarios where the president does not control both chambers of Congress; these are not considered here for simplicity.*

E. So where do the political scenarios leave MFN for the next two years?

Whatever the outcome of the midterms, the voluntary MFN deals are likely to stay in place until January 2029.

- **They are executive agreements, not laws:** Congress could only undo them by law, and overriding a presidential veto needs two-thirds of both chambers - so this is an unlikely scenario.
- **Pharma companies want to keep them – at least as long as the threat of tariffs remains:** together with a US manufacturing plan, the deals exempt them from Section 232 tariffs and from GLOBE. Even US companies import heavily, especially APIs (active pharmaceutical ingredients) from China and India, and walking away from signed deals would mean 15–20% tariffs on most imports, up to 100% for countries without a trade deal.
- **A Democratic House or Senate could force MFN terms into the open** through hearings, subpoenas and reports. This could be embarrassing for the administration and for some of the companies, but it does not end the deals.
- **As a result, the current status is likely to prevail.** Concretely, we are likely to see limited launches in MFN basket markets, including Switzerland, as pharma companies "ride out" the next two years. Companies with significant US revenues will prioritize launches in non-basket markets to avoid creating reference prices, which directly affects Switzerland.
 - This will likely affect trials, investment and employment in Swiss affiliates, as well as patient access to innovative medicines. This becomes a critical problem where breakthroughs arrive in areas with limited treatment options (e.g. pancreatic cancer) - such launches would only be possible at prices close to US prices. Whether current mechanisms and funding sources can accommodate such cases should be assessed upfront.
- **The Trump administration is likely to keep pressing basket countries to raise prices** through Section 301 investigations (Germany since June 2026), backed by the threat of tariffs to redress what it sees as unfair price differentials. Investigations take up to a year and outcomes are uncertain. So we are unlikely to see a major changes to ex-US pricing policy within the two year window.

F. Beyond MFN

Drug prices will remain a central issue in US domestic politics. The gap between what Americans pay and what the rest of the world pays is now widely publicized, and any candidate seeking a national mandate will make it a part of their platform. The open question is what form price regulation takes: through bipartisan legislation in the next two years, or, more likely, after the MFN deals lapse in January 2029. Three paths stand out:

Path to lower drug prices	Likelihood	Explanation
International reference pricing durably influencing US pricing	Likely	This could be done by incorporating a dose of international prices to Medicare negotiation under the existing Inflation Reduction Act (IRA) mechanism. In February 2026, Senate Finance Democrats led by Ron Wyden proposed to <i>"incorporate international reference pricing into the negotiation framework"</i> and to extend price relief to people with insurance (employer-sponsored or individual coverage), thereby extending into the Commercial market. Leveraging international prices is not a new idea on the Democratic side. Kamala Harris's 2024 campaign pledged to have Health and Human Services (HHS) set a "fair price" for drugs based in part on what other countries pay, with a tax on companies charging more.
MFN written into law	Less likely	For example, under a Republican president with control of Congress, building on bills such as the Most Favored Patient Act.
Alternative approaches to lower drug prices that do not use international reference pricing at all	Possible	A variety of non-MFN mechanisms could be considered by either party: <ul style="list-style-type: none"> • Domestic value-based pricing, using cost-effectiveness benchmarks (e.g. ICER) rather than foreign prices • Wider IRA negotiation (more drugs, earlier, Commercial market) based on US-only criteria • Caps on launch prices or on price increases (e.g. inflation-linked limits) • PBM and rebate reform, passing discounts through to patients • Faster generic and biosimilar entry (patent reform, march-in rights)

Conclusion: Either way, some form of international reference pricing that includes Swiss prices is likely to remain in place beyond 2029. Its impact may be less severe than under MFN in its current form, for example through more limited exposure of the commercial market, less reliance on net prices, and greater scope for manufacturers to mitigate the effects. Nevertheless, comparatively low Swiss prices are still likely to make Switzerland a less attractive early-launch market and could slow associated pharmaceutical investment.

G. What could the implications be for Switzerland?

Short term: the next two years (to January 2029)

With the MFN deals in place, the impact comes mainly through companies' launch and investment decisions.

- **Access:** Companies delay or skip Swiss launches (as well as other basket markets) to avoid creating a low reference price impacting the US market.
- **Investment in Swiss life-sciences sector:** Likely to decline while pharma companies wait and see.

Short-term priorities:

- Actively track Swiss launch delays to document the impact.
- Ensure a mechanism gives Swiss patients access to pharmaceutical innovations at prices close to US levels.

Longer term: beyond 2029

Some form of international reference pricing is likely to persist, so Swiss prices will remain part of the benchmark for US prices. This is likely to make Switzerland less attractive for investment across the whole life-sciences value chain: clinical trials, manufacturing, research, and affiliate employment.

Longer-term priorities:

- Continue monitoring potential US policy proposals from both parties.
- Evaluate and put in place mechanisms that reward and fund innovation fairly, for the benefit of Swiss patients and the Swiss life-sciences Standort.
- Engage and coordinate actively with other basket countries (EU, UK).
- Further facilitate clinical trials and strengthen incentives to conduct them in Switzerland.

For questions about this document or about MFN in general, please feel free to contact the authors:

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