

LEGAL UPDATE



HIGHLIGHTS

- The EO directs HHS to communicate most-favored-nation price targets to pharmaceutical manufacturers within 30 days.
- The EO is expected to face legal challenges, so the immediate impact on drug costs remains to be seen.

New Executive Order Aims to Reduce Drug Costs by Aligning with Global Prices

On May 12, 2025, President Donald Trump issued an [executive order](#) (EO) that aims to bring the prices Americans pay for prescription drugs in line with those paid by similar nations. According to a White House [fact sheet](#), the prices Americans pay for brand-name drugs are more than three times the price other nations pay.

In April, President Trump signed another EO aimed at lowering prescription drug prices, which included a variety of directives related to the Medicare program and the pharmaceutical industry. The directives may not have an immediate impact on drug costs, as they will take time to implement.

Key Directives

The most recent EO outlines a number of actions intended to lower prescription drug prices in the United States. Among other things, the EO directs:

- The U.S. Trade Representative and Secretary of Commerce to take action to ensure foreign countries "... are not engaged in practices that purposefully and unfairly undercut market prices and drive price hikes" in the U.S.;
- The Trump administration to communicate price targets to pharmaceutical manufacturers; and
- The Secretary of Health and Human Services (HHS) to establish a mechanism through which American patients can buy their drugs directly from manufacturers who sell to Americans at a "Most-Favored-Nation" price.

Notably, if drug manufacturers fail to offer most-favored-nation pricing, the EO directs the Secretary of HHS to:

1. Propose rules that impose most-favored-nation pricing; and
2. Take "other aggressive measures to significantly reduce the cost of prescription drugs to the American consumer and end anticompetitive practices." This includes, but is not limited to, enforcement action by the U.S. Federal Trade Commission.

Potential Legal Hurdles

While the EO directs the Secretary of HHS to communicate most-favored-nation price targets to pharmaceutical manufacturers within 30 days, it is expected to face legal challenges. Industry professionals reference a similar proposal from Trump's first term, which aimed to link Medicare payments for certain medications to the lowest prices paid by other countries. This proposal was blocked by federal courts for not adhering to the notice and comment process required by the Administrative Procedure Act. Thus, the immediate impact on drug costs remains to be seen.