HPR2

A Descriptive Comparison of U.S. Medicare IRA Negotiated Prices and MFN Benchmark Prices for Part D Drugs

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BACKGROUND

The Inflation Reduction Act (IRA) introduced a landmark policy allowing Medicare to negotiate drug prices, resulting in Maximum Fair Prices (MFPs) for selected high-expenditure Part D drugs.[1]

Most Favored Nation (MFN) pricing approaches have been proposed as an alternative strategy, benchmarking U.S. drug prices to those observed in peer international markets.[2]

Prior research has not systematically compared IRA negotiated prices with MFN-style international benchmarks.

OBJECTIVE

This study compared the IRA negotiated MFPs for the initial price applicability year 2027 with MFN benchmark prices for selected Medicare Part D drugs to characterize differences in price levels across therapeutic classes

METHODS

A descriptive policy analysis was conducted using publicly available data. Published MFPs effective in 2027 were identified for Medicare Part D drugs.[1]

MFN benchmark prices were constructed using the proposed GUARD (Guarding U.S. Medicare Against Rising Drug Costs) model for Medicare Part D drugs.[3] The model estimates manufacturer rebates using a 19-country reference basket, defined as the difference between Medicare "net" price and the lowest international reference price.

International list prices were extracted from Eversana's NAVLIN database in 2025 USD.[4] Medicare net prices were estimated using the average spend per dosage unit for drugs in the CMS Medicare Part D Spending by Drug 2023 dataset.[5] All prices were standardized to monthly costs (30-day supply) and adjusted by GDP per capita.

Absolute and relative price differences between MFPs and MFN benchmarks were descriptively summarized.

Austedo/XR and Tradjenta were excluded from the analysis due to lack of international pricing data.

Figure 1: Model Schematic

Drugs of interest and MFPs identified from IRA IPAY 2027 List

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Medicare net price determined using CMS Medicare Part D Spending (2023) data

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International list prices retrieved from NAVLIN for 19 reference basket countries specified in MFN GUARD model

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International list prices adjusted by per capita GDP and standardized to 30-day supply prices in 2025 USD

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The estimated MFN Medicare rebate is calculated as the estimated Medicare list price minus the lowest country-level average list price across the MFN reference basket

RESULTS

Table 1. Estimated MFN Medicare Rebate for 30-day supply for IPAY 2027 Drugs (2025 USD)

Drug	Therapeutic Area	Estimated Medicare Net Price	Lowest Average International Reference Price	Reference Country	Estimated Medicare Rebate
Ozempic/Rybelsus/Wegovy	Endocrine	$1,128	$61	Ireland	$1,067
Janumet/XR		$515	$10	Ireland	$503
Trelegy Ellipta	Respiratory	$11	$37	Japan	---[b]
Breo Ellipta		$7	$42	Australia	---[b]
Ofev	Oncology/ Hematology	$13,250	$1,108	South Korea	$12,143
Xtandi		$4,384	$1,330	South Korea	$3,054
Pomalyst		$24,497	$1,843	South Korea	$22,654
Ibrance		$16,943	$1,577	Norway	$15,366
Calquence		$15,257	$4,078	Ireland	$11,179
Linzess	GI	$544	$16[a]	Japan	$529
Xifaxan		$4,944	$271	Norway	$4,673
Vraylar	Psych	$1,464	$109[a]	Canada	$1,355
Otezla	Immunology	$4,784	$215	Ireland	$4,569

[a] Only one reference price was available so it became the lowest average international reference price by default
[b] Medicare list price lower than the estimated MFP

Key Finding

MFN benchmark prices were lower than IRA negotiated prices for nearly all drugs, with the largest differences in **high-cost oncology** and **specialty therapies**.

Magnitude of Differences

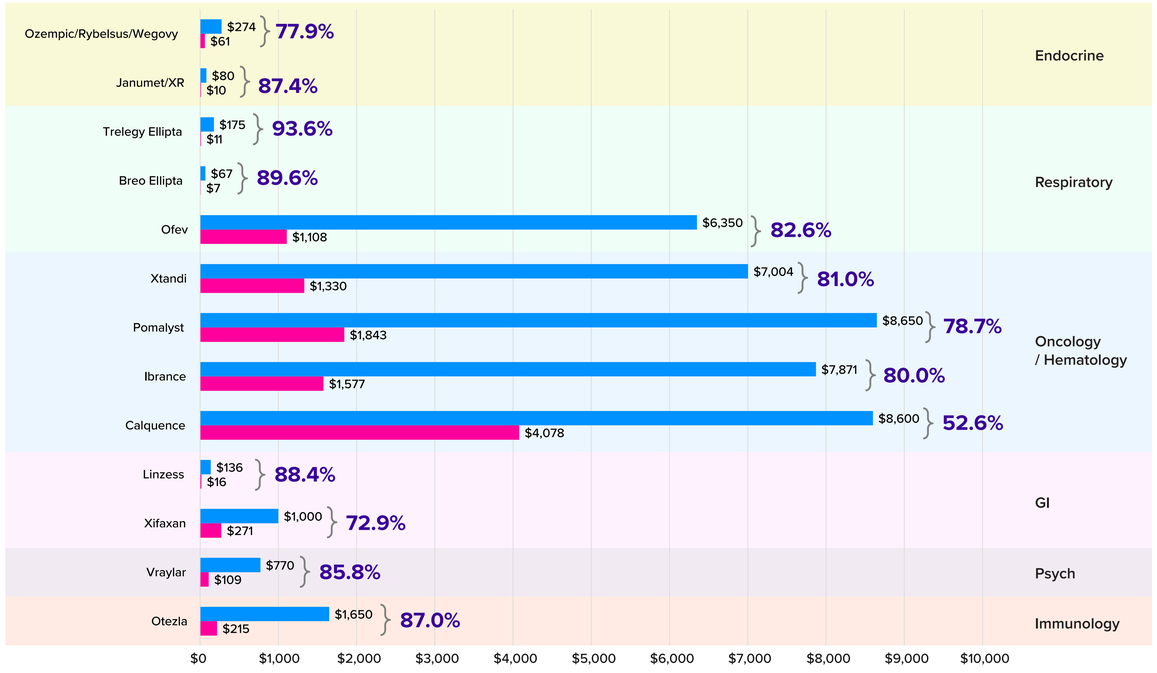
~83% Median reduction

~53% to 94% Range

Most drugs show **>75%** lower prices under MFN benchmarks

Largest absolute gaps observed in oncology and specialty therapies

Figure 2. Differences Between MFP and Estimated MFN Price for IPAY 2027 Drugs



LIMITATIONS

Estimated MFNs depended on the availability of NAVLIN data.

Medicare net prices were calculated using CMS expenditure data, as actual CMS rebates were not publicly available.

CONCLUSION

MFN benchmark prices were consistently lower than IRA negotiated prices across evaluated Part D drugs.

Differences were substantial in magnitude, with the largest gaps observed among high-cost oncology and specialty therapies.

Findings indicate that pricing approach (negotiated vs international reference) materially influences observed price levels under U.S. Medicare Part D.

ABBREVIATIONS

CMS: Centers for Medicare & Medicaid Services; GDP: Gross Domestic Product; GI: Gastrointestinal; GUARD: Guarding US Medicare Against Rising Drug Costs; IPAY: Initial Price Applicability Year; IRA: Inflation Reduction Act; MFN: Most Favored Nation; MFP: Maximum Fair Price; USD: United States Dollar

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