MOST FAVORED NATION (MFN)

POLICY FACT SHEET

CALIFORNIA LIFE SCIENCES

MOST FAVORED NATION OVERVIEW

- On December 23, 2025, CMS's Center for Medicare and Medicaid Innovation (CMMI) proposed two new payment models, the GLOBE model for Medicare Part B[1] and the GUARD model for Medicare Part D.[2]
- MFN policies aim to lower drug prices and improve patient access, but they fail to address the true cost drivers of high drug prices, primarily PBMs and other intermediaries.
- These models peg Medicare drug prices to foreign drug prices. If the Medicare price for a drug is higher than the foreign price for the same drug, the manufacturer must pay the difference as a rebate back to the federal government.
- This rebate structure creates government-mandated price controls that would cripple the U.S. innovation economy and risk our foreign adversaries outpacing us in the global race for cures.
- Forcing U.S. companies to adopt pricing practices from countries with fundamentally different health care systems would create uncertainty for domestic small and medium biopharmaceutical companies that depend on long-term, high-risk investments.
- These policies risk creating perverse incentives by forcing companies to price therapies based on a foreign government determined value of a patient's life.

DEVASTATING ECONOMIC DAMAGE

International reference pricing policies would dramatically undermine the U.S. innovation ecosystem.

NATIONAL IMPACT OVER 10 YEARS

+$1 TRILLION
Federal and State Tax Revenue Loss

+2 MILLION
Jobs Lost

$2.4 TRILLION[3]
Lower Earnings

230[4]
Fewer New Medicines

↓ VENTURE CAPITAL
Reduced Funding for New Therapies

CALIFORNIA IMPACT (HARDEST OF ANY STATE)

As the nation's #1 life sciences hub, **California stands to lose the most**.

10 Year Job Loss	208,969
Annual Tax Loss	$15,005M
Annual Earnings Loss	$46,944M[5]

- **CA Investment Opportunity in Jeopardy**: Biopharmaceutical companies have committed to investing $358-$480 billion[6] into U.S. onshoring efforts between 2025 and 2026.
  - Due to California's established life sciences ecosystem, the state is positioned to receive a significant share of those investment opportunities.
  - California has already received a small portion of these initial investments, totaling $1.5 billion.[7]
  - However, the remaining committed investments for onshoring expansions would be directly threatened by the economic contraction that would result from MFN policies.
- **Impact on Small Businesses**: MFN pricing would disproportionately harm small and early-stage life sciences companies, which make up the majority of California's ecosystem.[8]
  - California leads the nation in life sciences start-ups and small businesses. Almost 70% of life sciences companies in the state have fewer than 10 employees.[9]
  - MFN would dramatically reduce small businesses' ability to attract private investments and continue researching cures, ultimately making it harder for these local companies to survive.
- The mere threat of MFN pricing has already led to a sharp contraction of VC funding,[10] with some estimates that full MFN implementation could drive VC capital out of the sector entirely,[11] hitting small firms the hardest.

CALIFORNIA'S FUTURE AT RISK

- California became the 4th largest economy in the world[12] in 2025, with its rapidly growing life sciences sector accounting for 10% of the state's $4.1 trillion GDP
- MFN policies put California's global leadership at risk.
- Once lost, these markets are likely to be captured by foreign adversaries like China, resulting in irreversible long-term economic damage and significant national security concerns.
- Any potential cost-savings to the federal government under MFN policies will likely be exceeded by losses across federal and state tax revenue, businesses, earnings, jobs, new cures, and more.

---

[1] Global Benchmark for Efficient Drug Pricing (GLOBE) Model (Part B)
[2] Guarding U.S. Medicare Against Rising Drug Costs (GUARD) Model (Part D)
[3] Vital Transformations – Most Favorted Nation (MFN) Reference Pricing in Medicare Impacts on jobs, innovation, and state budgets: The Executive Summary
[4] We Work for Health – Major Milestone: U.S. Life Sciences Investments Top $500B+
[5] Vital Transformations – Most Favorted Nation (MFN) Reference Pricing in Medicare Impacts on jobs, innovation, and state budgets
[6] Think Global Health – Tracking Pharma's Progress on U.S. Onshoring Efforts to Avoid Tariffs
[7] Office of Governor Gavin Newsom – Global biotech leaders Amgen and Gilead announcing expansions in California, the #1 state for life sciences
[8] California Life Sciences – 2025 Sector Report
[9] California Life Sciences – 2025 Sector Report
[10] S&P Global – US biotech rounds of funding drop to lowest in 5 years
[11] Vital transformations – Most Favored Nation (MFN) Reference Pricing in Medicare Impacts on jobs, innovation, and state budgets: The Executive Summary
[12] Office of Governor Gavin Newsom – California is now the 4th largest economy in the world