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Trump claimed a win on drug prices, but Big Pharma also scored

It's another lesson in pharmaceutical industry might. Last year, the U.S. negotiated "lower" Medicare prices but they were still double what Europe pays.

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President Donald Trump departs from the Oval Office after announcing a deal with Pfizer to lower Medicaid drug prices. (Jabin Botsford/The Washington Post)

By Peter Whoriskey and Daniel Gilbert

President Donald Trump celebrated a long-promised victory Tuesday, announcing that he had used the threat of tariffs to prod pharmaceutical giant Pfizer into [cutting U.S. drug prices](#). But the deal, under which the company would sell some drugs in the U.S. at the same low cost as in other countries, delivered a win for Pfizer, too.

In the two days since the announcement, the company's stock jumped 14 percent as investors realized the new U.S. prices posed little threat to profits. It also allowed Pfizer to avoid import levies for three years. And because the Pfizer agreement is expected to serve as a model for other large drug companies negotiating with the White House, other pharmaceutical firms also saw their stock values rise.

It will take time to determine how much Trump's moves will benefit American patients.

"This represents a win for" Pfizer, Akash Tewari, a Jefferies analyst, wrote in a note to clients Wednesday. He estimated that offering some new drugs at internationally comparable prices could cost Pfizer up to \$723 million a year. That would amount to just over 1 percent of Pfizer's \$63.6 billion revenue last year.

Pfizer "may have done the rest of the industry a favor by giving a framework for a bespoke solution that we feel would be very tenable" for other big pharmaceutical companies and "would have a de minimis impact on their business going forward," Tewari wrote.

Details on the pact are scant and terms remain confidential: of the three Pfizer drugs to be sold at discounts and announced at this week's news conference, none are top sellers.

Many of the cuts Pfizer is promising are aimed at the government Medicaid program, which analysts say account for less than 5 percent of the company's U.S. revenue. And Pfizer's agreement to list discounted drugs for direct purchase on the president's TrumpRx website resembles an initiative already being promoted by the industry. Pfizer also agreed to boost investment in U.S. manufacturing plants.

A White House official characterized the rising Pfizer stock price as evidence that investors believe other countries will now "pay their fair share" as part of an international rebalancing of prices.

"Pfizer agreed to substantially reduce drug prices for American patients and spend billions onshoring manufacturing to the United States," said the White House official, who spoke on the condition of anonymity because of the sensitivity of the negotiations.

Since his first term, Trump has sought to narrow the gap between drug prices in the United States and the lower prices in other developed nations. "It's going to be great for everything, because your medicine costs are coming way down," Trump said at the White House conference Tuesday with Pfizer CEO Albert Bourla.

"The big winner of this deal, clearly, will be the American people," Bourla said.

But as previous efforts have shown, meaningfully cutting U.S. drug prices can be difficult.

Last year, U.S. officials [negotiated prices](#) for 10 of Medicare's most expensive drugs. The prices they negotiated were substantially lower, but still twice as high as those in European and other comparable countries.

The administration's current campaign on drug prices is proceeding on two fronts. One is the freewheeling bargaining with Pfizer and 16 other drugmakers. The other is the next round of Medicare negotiations with drugmakers, under which the agency has been bargaining over the prices of 15 of its most costly drugs.

Among the drugs that are the focus of this year's Medicare negotiations are the best-selling obesity and diabetes drugs Ozempic, Wegovy and Rybelsus. Medicare spent more than \$14 billion on those three in 2024, accounting for about 12 percent of all Medicare Part D spending.

Trump's efforts respond to rising popular discontent and people's sense that the companies have been reaping unusually high profits. In recent years, at least 10 states have enacted laws intended to lower drug prices.

"As a group, these companies were significantly more profitable than your typical S&P 500 company," said Fred Ledley, Source comment a professor of science and management at Bentley University who has reviewed the financial statements for the 21 public companies whose drugs are subject to Medicare Price Negotiations. "What we have concluded is that you can cut these drug prices without harming these companies."

But any efforts to reduce company revenue must overcome the political might of the pharmaceutical companies, which bring to bear one of the nation's best-funded Washington lobbying machines. The companies argue that lowering prices will stifle research and allow Chinese companies to overtake those in the United States. They blame high prices on insurance middlemen and say that the answer is not to lower U.S. prices but to raise prices in other countries so that they pay their "fair share."

In a statement, Alex Schriver, senior vice president of public affairs for PhRMA, the industry group, said: "For decades, the U.S. innovation ecosystem has been the envy of the world, delivering groundbreaking medicines to patients and supporting millions of high-paying American jobs. Importing foreign price controls would undermine American leadership, hurting patients and workers."

Stubbornly high prices

Last year's inaugural round of Medicare drug price negotiations, [mandated](#) by the 2022 Inflation Reduction Act, showed how sticky drug prices can be.

Medicare officials secured significantly lower prices for 10 of the most costly drugs in America, many of them well-known from television advertising: Eliquis, Xarelto, Farxiga. For advocates of lower drug prices, the new lower prices seemed like a rare victory. On average, the new prices the government would pay were much lower — less than half of previous levels — saving billions of dollars. President Joe Biden called it a "historic milestone."

But even after the price cuts, the costs were more than twice as high as those in 11 other comparable countries on average, according to a subsequent [analysis](#) by KFF, the nonpartisan health policy organization.

Consider, for example, Enbrel, a rheumatoid arthritis drug. Its list price for a 30-day supply was \$7,402. Through Medicare negotiations, its price dropped substantially — to \$2,335. Even so, that's still more than twice the average price in comparable countries, which was \$734, according to the KFF analysis.

In the negotiations for each of the 10 drugs, the government initially proposed lower prices. But the drugmakers got concessions every time.

“Even with Medicare’s bargaining power, we did not get prices as low as other countries,” said Juliette Cubanski, KFF’s deputy director of the Program on Medicare Policy.

In the current round of Medicare drug price negotiations, the government is supposed to issue its final written offer to the drug companies by Oct. 15. While those talks have unfolded largely behind the scenes, Trump’s campaign seeking to compel 17 drugmakers to cut prices has unfolded with news conferences and threats.

Seeking ‘most-favored nation’ pricing

In [letters](#) on July 31, Trump demanded that 17 major drugmakers set their prices for new drugs at levels as low as those offered in other developed nations — a concept known as “most-favored nation” pricing. “Americans are demanding lower drug prices, and they need them today,” Trump wrote.

As the 60-day deadline he gave the companies approached last month, the president flexed another power, threatening drug companies with a 100 percent tariff on imports — a move that would, contrary to his intent to lower drug prices, put upward pressure on them.

But besides tariffs, the administration’s leverage may be limited. Any move by the president to compel lower prices is destined to wind up before a judge, industry officials said.

“Every one of these drug companies is going to drag the administration into court,” said Michael F. Cannon, source comment director of health policy studies at the Cato Institute, a libertarian think tank. “If the president could use all the rules of the executive branch to bully, browbeat and penalize companies unless they set prices the president wants, then they would have to do it. But there are so many protections against presidents doing that, it’s unlikely to be sustainable.”

In 2020, when Trump [sought to compel](#) drug companies to charge prices in the United States that are as low as they are in other countries, the drugmakers sued. The effort was [blocked](#) in courts and later withdrawn by the Biden administration.

Trump also faces political obstacles. A group founded by former vice president Mike Pence, Advancing American Freedom, has begun circulating a brief to lawmakers that characterized Trump’s efforts to lower drug costs as “Socialist Price Controls.”

Finally, even if U.S. drug prices are set to match prices elsewhere, American consumers might not benefit because, as drugmakers have noted, they could comply with the president's demand not by cutting U.S. prices but by raising those in other countries.

Eli Lilly, for example, cited Trump's policy when it announced last month that it would increase the U.K. list price of its diabetes drug Mounjaro — and kept the U.S. price the same.




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