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Trump Has a Fake Plan to Tackle Prescription Drug Prices. New York Should Enact a Real One.

President Donald Trump has made tackling prescription drug prices a key talking point for many years, and with good reason: By international standards, Americans pay absurdly high prices for drugs, and the prices just keep going up. A 2024 report by the US Department of Health and Human Services showed that Americans pay 2.78 times as much for prescription drugs as people in other developed countries, and that the difference has only grown over time.[1] That adds up fast: Federal government figures show that New Yorkers spent $36.9 billion on prescription drugs in 2020 (the most recent year for which state figures are available), and that this number increased by an average of 7.4 percent per year between 1991 and 2020. A presidential plan to lower drug prices would be welcome, and long overdue.

As we'll discuss below, Trump's drug price plan won't do much to reduce drug costs. But a bill recently introduced in the state legislature, the International Reference Based Pricing Act (S. 1351), really could save New Yorkers hundreds of millions of dollars a year —and save the state government $300 million into the bargain.

Trump's Fake Drug Price Plan

Unfortunately, like so much of President Trump's agenda, this plan for prescription drug price relief contains far less than meets the eye. Amid a series of deals with drug companies, the Trump administration announced it had persuaded pharmaceutical corporations to grant the US "most favored nation" status on drug prices—meaning, in theory, that the companies would charge Americans the lowest price they charged anywhere in the world. If that applied to *all* drug purchases, it would mean truly massive savings for the US healthcare system (and truly massive revenue losses for Big Pharma).

But wait for the fine print: the "most favored nation" pricing will apply *only* to drugs sold (1) to state Medicaid programs and (2) directly to consumers paying out of pocket through a new website called TrumpRX.

What does that mean? Not much. Medicaid programs already pay dramatically discounted prices for drugs under federal law, so the impact there will be minimal. As for TrumpRX, consumers will get the newly discounted prices only if they don't use insurance and pay cash directly to manufacturers. But even with the discounts, most consumers will be better off using insurance: If a prescription drug refill costs $1,000 now, the "most favored nation" TrumpRX price is $300, and your insurance copay is $30, you'll use insurance and pay the copay rather than going to TrumpRX. So the vast majority of prescription drug

[1] ASPE, "Comparing Prescription Drugs in the U.S. and Other Countries: Prices and Availability," Assistant Secretary for Planning and Evaluation (ASPE), U.S. Department of Health and Human Services, January 31, 2024, https://aspe.hhs.gov/reports/comparing-prescription-drugs.

sales in the US are effectively exempt from Trump's deal, rendering it virtually meaningless. (That's what pharmaceutical investors think, anyway: Pfizer's stock shot up when it announced its deal with Trump.)

Why Drugs Cost More in the US

What *would* make prescription drugs cheaper in this country? Or, to ask the question from another angle, why are drugs so much more expensive in the US than everywhere else?

The answer is so simple it almost boggles the mind: In virtually all other developed countries, the government sets drug prices. A government board reviews each new drug, taking into consideration various factors, such as how much it costs to produce, how much innovative research went into it, and how much it improves on drugs already on the market, and prices it accordingly. In effect, the government negotiates with the pharmaceutical company on behalf of all its citizens: It can't force a drug company to sell medicines for below what the drug company is willing to accept, but it can and does propose a fair price and companies typically accept that price.

This system isn't just efficient for consumers, it's fair to drug companies, too. After all, pharmaceutical companies are the beneficiaries of a government monopoly on life-saving treatments. Through intellectual property law, governments around the world grant drug companies the exclusive right to manufacture particular drugs for as long as their patents last, meaning that drugs (particularly newer drugs) face no price competition. If governments are going to act to prevent price competition, it's only fair to ensure fair prices in a different way—through regulation.

In the US, too, drug prices are negotiated—but instead of being evaluated by a scientific panel, drugs are priced through opaque negotiations between pharmaceutical companies and for-profit pharmacy benefit managers (PBMs), which in turn sell their services to health insurance companies. PBMs have considerable negotiating leverage (just four PBMs dominate the US market, each of which negotiates on behalf of tens of millions of consumers), but they also have considerable conflicts of interest: As for-profit middlemen, they can cut deals to pad their own bottom lines rather than deliver the best deal for Americans. Given the much higher prices we pay, it is clear that negotiation by for-profit middlemen is far less successful than government price-setting.

PBMs have come in for a lot of criticism recently, much of it well-deserved. But that criticism often misses the forest for the trees. *Someone* has to negotiate drug prices on behalf of consumers; if we don't want giant for-profit middlemen playing that role, then the government needs to step in and do it. PBMs exist *because* the US, uniquely in the developed world, has chosen not to set drug prices through a publicly accountable process.

Many issues in healthcare policy are complex, but this isn't really one of them. We know why other countries pay less for prescription drugs than we do: Their governments regulate prices. The US could do the same—and it should.

How New York Could Lead the Way to a Fairer, More Rational Drug Pricing System

Given Congressional gridlock and the power of the pharmaceutical lobby, it is unlikely that we'll see serious (as opposed to fake) federal action on drug price regulation in the near future. Luckily, we don't have to wait: New York State can regulate drug prices at the state level.

Several states are exploring this option; among the most ambitious efforts nationally is Colorado's Prescription Drug Affordability Review Board, which is empowered to cap prices for expensive medications and recently issued its first price cap.[2] In principle, New York could do the same—set up its own board to evaluate drugs one-by-one and set prices. The process can be complex and time-consuming, though, especially given potential litigation.

A more straightforward first step is to "piggyback" off existing price regulation in other countries. Under this strategy—known as "International Reference Pricing" (IRP)—the state would simply pass legislation capping prices for prescription drugs at the prices set by the governing bodies of one or more other nations. New York would benefit from the rigorous evaluation conducted by a public drug pricing board without needing to set up its own.

This is the approach taken by a bill recently introduced in Albany, the International Reference-Based Pricing Act (A2126-A/S1351). The bill would pilot an international reference-based pricing arrangement for the ten highest-cost drugs purchased by the New York State employee benefit plan, known as the New York State Health Insurance Plan (NYSHIP); the prices for these ten drugs would then be capped at the price paid in Canada. The cap would apply to all private insurance that the state operates or regulates, including NYSHIP itself as well as fully-insured private-sector employer-sponsored and individual market plans. Self-insured employer plans, which insure two-thirds of private sector employees cannot be required to participate because they are not state-regulated, but they would be allowed to opt in to the program.

The International Reference-Based Pricing Act would allow New York to experiment with and evaluate IRP, demonstrate its workability and lay the groundwork for comprehensive drug price regulation – in New York and nationally.

Savings in the State Budget from the International Reference-Based Pricing Act

Private businesses and public employers stand to save substantially. A study published this month in the *Proceedings of the National Academy of Sciences* suggested that comprehensive IRP applied to all pharmaceuticals would reduce US private insurers' drug costs by $184 billion; in this study, private insurers were estimated to save *51 percent* on prescription drugs.[3] A drop of that size could save small

[2] John Ingold, "Colorado just became the first state to cap the price of a prescription drug. What comes next is uncertain." *Colorado Sun*, October 7, 2025, https://coloradosun.com/2025/10/07/prescription-drug-affordability-board-enbrel-upl/

[3] Ye, Yang, Abhishek Pandey, Meagan C. Fitzpatrick, et al. "Estimating US Savings on Outpatient Prescription Pharmaceuticals from International Reference Pricing." *Proceedings of the National Academy of Sciences* 123, no. 2 (2026): e2520871122. https://doi.org/10.1073/pnas.2520871122.

businesses more than $400 per employee per year—breaking the trend of steadily increasing health insurance costs. The potential is enormous.

The pilot program proposed in the IRBPA, while limited to a smaller share of prescription drug spending, would produce substantial savings for public employers, too. After all, the state operates NYSHIP, which covers 1.2 million state and local government employees and their dependents; according to the state, its cost per covered life for prescription drugs was $3,534 in 2022, more than double its 2013 cost.[4]

NYSHIP does not publish details of its prescription drug spending, so it is difficult to precisely estimate how much the state stands to save. However, the National Academy of State Health Policy evaluated legislation very similar to IRBPA in Oklahoma and showed that Oklahoma's public employee health plan could save $52 million.[5] Oklahoma's health plan covers 212,000 people (including employees and dependents).[6] NYSHIP is nearly six times as large, covering 1.2 million employees and dependents.[7] This indicates that New York could save roughly $300 million per year using reference-based pricing.

Conclusion

In the most recent State of the State speech, Governor Hochul announced an initiative to negotiate drug prices—not for commercial insurance, but for Medicaid. That's certainly a worthy initiative, but it's also a missed opportunity. The Medicaid program *already* pays relatively low prices for prescription drugs, which the Governor's proposal will lower even further. Meanwhile, private employers—and the State government in its role as a public employer—pay the highest drug prices in the world. It doesn't have to be this way. The legislature should follow the lead of every other healthcare system in the developed world and simply require drug companies to sell drugs at fair, reasonable prices.

[4] New York State Health Insurance Program, "Empire Plan Reporting on: Prescription Drugs," New York State Department of Civil Service, December 2023, https://www.cs.ny.gov/employee-benefits/nyship/shared/publications/reporting-on/2023/reporting-on-rx-drugs-2023.pdf.
[5] Oklahoma Senate, *SB 734: Impact Statement—Fiscal*, 2nd Session of the 57th Legislature, 2021, http://webserver1.lsb.state.ok.us/cf_pdf/2021-22%20SUPPORT%20DOCUMENTS/impact%20statements/fiscal/senate/SB734%20INT%20FI.PDF.
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