



Capitol Insights Newsletter May 9, 2025

Author: Luke Schwartz and Matt Reiter

What Happened in Congress This Week?

Congress wrapped up another week devoted largely to budget reconciliation efforts. Expect this to be the trend for the foreseeable future. The House Energy and Commerce (E&C) Committee and Ways and Means (W&M) Committee are scheduled to mark up their sections of the reconciliation bill next week.

HHS Secretary Robert F. Kennedy Jr. will appear before two Committees next week to testify about the HHS Section of the White House Budget Request to Congress. The hearing is expected to cover a range of other topics related to his role as HHS Secretary.

What is “Most-Favored Nation” Drug Pricing?

The House Energy & Commerce (E&C) Committee is seeking creative solutions to meet its \$880 billion savings directive for its portion of the budget reconciliation bill.

There has been intense debate on Capitol Hill this week about whether cuts to Medicaid should contribute to that savings target. Policy divisions over Medicaid reforms are starting to show as the Committee starts putting pen to paper. Many moderate Republicans are hesitant to agree to anything that can be construed as a cut to Medicaid, especially those representing districts with high percentage of constituents insured by Medicaid. However, conservative Republicans are eager to achieve large savings through the budget reconciliation process. Both factions control enough votes to prevent a bill from advancing without their support.

As a result of the growing impasse, Congress and the Trump Administration are proposing new options for achieving the necessary savings. This week, the Administration began exploring “most-favored nation” (MFN) drug pricing.

In short, MFN drug pricing for Medicaid would require the programs to pay what other “comparable” countries pay, which is almost always lower than what the United States pays. This, in theory, would save money for the U.S. government, as it would pay significantly less for prescription drugs.

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The President is expected to issue an executive order calling on the country to pursue the MFN drug pricing initiative next week. The precise details of the executive order are still being finalized.

This is not the first time President Trump has expressed interest in MFN drug pricing. In December 2020, the Centers for Medicare and Medicaid Services (CMS) [proposed a rule](#) introducing MFN pricing for Medicare Part B. However, the Rule was not ultimately finalized by the Biden Administration.

While on paper it would save the federal government money and bring what the United States pays for prescription drugs more in line with other nations, the concept also has [shortcomings](#). Two of those are that many contend the pricing structure can be easily gamed, and that it allows foreign nations to influence drug prices in the United States. It could also prove challenging to effectively enforce this model.

Ending a tax break for TV drug advertisements is also being considered as a revenue-raising policy option.

Passing a budget reconciliation package will require nearly every Republican to be on board (and is unlikely to receive any support from Democrats). It remains to be seen if MFN drug pricing will be the key to unlocking a reconciliation package.

Top Stories in Healthcare Policy

A group of Democratic Senators and House Members is [recommending](#) that Congress identify budget reconciliation savings from the Medicare Advantage program instead of Medicaid.

A new CBO [report](#) analyzes how cutting Medicaid funding can result in coverage losses.

James O'Neill, Trump's nominee to serve as Deputy HHS Secretary, testified before the [Senate Health, Education, Labor and Pensions \(HELP\) Committee](#) and the [Senate Finance Committee](#) this week.

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The Department of Government Efficiency (DOGE) now oversees grants.gov, the federal government website for grant applications.

President Trump withdrew Dr. Janette Nesheiwat's nomination for US Surgeon General. He is now nominating Dr. Casey Means, sister of HHS Secretary Kennedy's advisor Calley Means, as US Surgeon General.

The Food and Drug Administration (FDA) has named Jeremy Walsh as the agency's first "AI Chief."

Out-of-pocket spending on prescription drugs surpassed \$98 billion in 2024.

Aetna officially announced they are exiting the Affordable Care Act Marketplace. Over 1 million enrollees will have to find new coverage for the 2026 plan year.

Trump signed an executive order this week intended to increase domestic pharmaceutical manufacturing.

By June 30th, the FDA is planning to roll out an artificial intelligence model to help with scientific review. This is part of a broader movement by the FDA to expand use of generative AI in clinical trials and the drug review process.

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