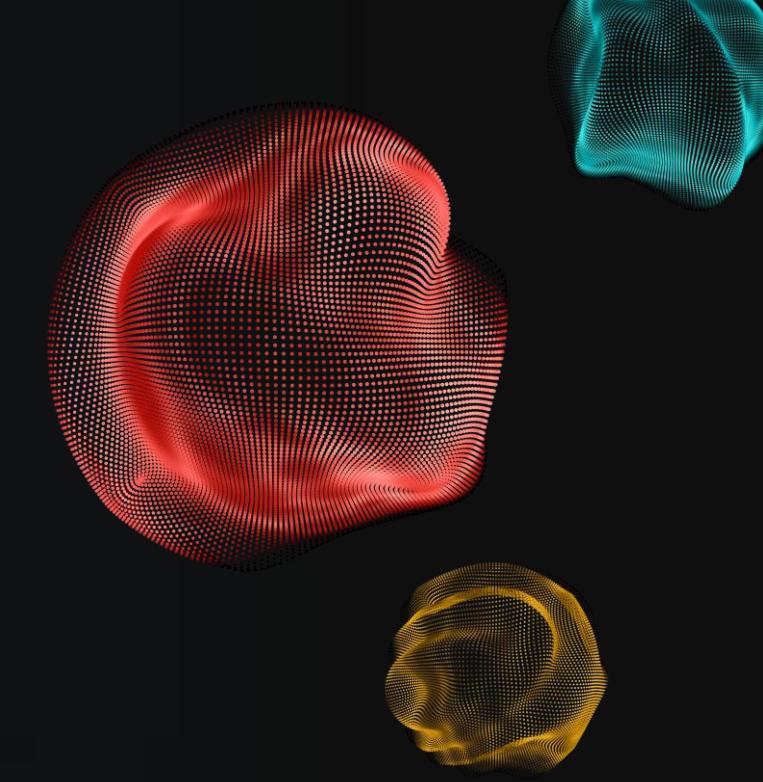


# Evaluating Macro-Level Trends in US-EU Drug Pricing and the Impact of IRA Negotiations on Price Differentials



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## Introduction

The US pharmaceutical market has historically been characterized by significantly higher drug prices than Europe, due to its free pricing system, where manufacturers set launch prices without direct government regulation<sup>1</sup>. In contrast, countries like France and Germany employ strict price regulations, leveraging health technology assessments (HTAs) and reference pricing to regulate launch price and ensure systematic price reductions over time<sup>2,3</sup>. The 2022 Inflation Reduction Act (IRA) has empowered the Centers for Medicare & Medicaid Services (CMS), for the first time, to negotiate drug prices on behalf of Medicare for high-cost prescription drugs<sup>4</sup>. Whilst the IRA aims to curb excessive spending and improve affordability, its impact on drug prices remains uncertain when compared to established European pricing regulations. The objectives of this research were to analyse price relativity between the US, France, and Germany, identify macro-level pricing trends, and assess the impact of IRA-negotiated price reductions on EU-US price differentials.

## Methods

Data on 180 drugs were extracted from the European Medicines Agency (EMA) list of approved medications (2010–2024) and categorized by therapeutic indication, drug type (small molecule, biologic, ATMP), and EMA-designated orphan drug (ODD) status. Biosimilars and generics were excluded due to distinct pricing mechanisms. List prices for the US, France, and Germany were obtained from Navlin Price & Market Access Database<sup>5</sup>, while IRA-negotiated prices were sourced from CMS's IRA Drug Price Negotiation list and CMS public data<sup>6</sup>. 2025 list prices were used for French and German prices, serving as a proxy for post-IRA-negotiation values. Prices were converted to USD using a standardized exchange rate of 0.9744 (January 22, 2025). Price relativities were calculated with US prices as the baseline (100%), with French and German prices expressed as a percentage of US prices pre- and post-IRA negotiations. Existing Medicare rebates were sourced from The Commonwealth Fund Report<sup>7</sup>.

## Results

Median price relativities varied across therapeutic areas, indicating differences in how US prices compare to those in Europe (Figure 1). US prices were closest to those in France and Germany in haematology (51.3%), gastroenterology (47.1%), and oncology (44.3%), while the greatest differences were observed in ophthalmology (16.7%), neurology (22.7%), and endocrinology (22.9%). Across drug classes, ATMPs had the highest median price relativity (84%), followed by biologics (47.1%) and small molecules (31.2%), where US prices were furthest from those in Europe. Among ODDs, the median price relativity was 61.6%, compared to 33.2% for non-orphan drugs.

Figure 1: Price Relativity by Disease Area, Drug Type, and Orphan Status

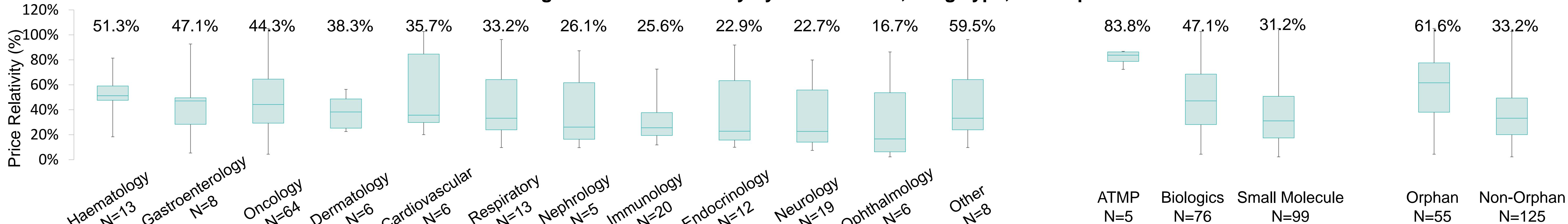


Figure 2: Median Price Relativities for IRA-Negotiated Drugs Before and After Negotiation

	Pre-IRA Negotiation Price Relativity	Price Relativity With Rebates	Post-IRA Negotiation Price Relativity
Januvia®	4.5%	10.5%	24.5%
NovoRapid®	7.3%	14.6%	30.4%
Jardiance®	7.6%	15.0%	21.9%
Forxiga®	8.0%	15.9%	24.8%
Eliquis®	10.0%	19.7%	22.6%
Enbrel®	11.2%	14.6%	31.3%
Xarelto®	12.4%	25.8%	34.5%
Entresto®	18.4%	21.5%	53.6%
Stelara®	25.9%	33.0%	69.1%
Imbruvica®	30.3%	31.5%	46.0%
Median	10.6%	17.8%	30.9%

## Conclusion

IRA negotiations reduced US-EU price differentials, but relativities remain variable across drug types. The first round of negotiations included biologics and small molecules, which comprised most of the drugs analysed apart from ATMPs. Post-negotiation price relativities (30.9%) aligned closely with small molecules (31.2%) but remained lower than biologics (47.1%), indicating that US prices remain further from EU levels for biologics than for small molecules. The second list of IRA-negotiated drugs includes more oncology products, with Xtandi®, Pomalyst®, Ibrance®, and Calquence® accounting for \$8.83 billion in gross Medicare Part D spending (Nov 2023–Oct 2024). Given that oncology drug prices in the EU are ~56% lower than in the US, it will be interesting to see whether the second round of IRA negotiations brings US oncology drug prices closer to European levels.

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