

Intelligence MEMOS



From: Rosalie Wyonch
To: Canada's Ministers of Health and Ministers of Finance
Date: May 29, 2025
Re: **TRUMP'S PHARMA PRICING ORDER COULD HAVE BIG CANADIAN CONSEQUENCES**

Donald Trump's May 12 [executive order](#) that US drug prices must not exceed the lowest price in other nations doesn't mention Canada explicitly, but could cause significant [damage](#) to our public healthcare system and ripple around the globe.

The move could massively increase prices in Canada (and other reference nations) and create a significant incentive for pharmaceutical companies to delay launching new medicines in lower-priced markets.

US [market size](#) means that policy changes south of the border to regulate prices directly through the use of [reference pricing](#) or indirectly benchmarking prices to Canada through [importation](#), could have significant [effects](#) on the availability and price of pharmaceuticals in Canada. To preserve high prices in the United States, pharmaceutical companies might also choose to delay launching new medicines in Canada and other markets.

Research [modelling](#) the effect of US prices for patented medicines if they are equal to or less than Canada's shows prices in Canada increasing by an average of 216 percent and in some cases, more than 10-fold. By contrast, the United States would receive a discount of about 7.54 percent.

After accounting for changes to profit margins and purchase volumes, the average decrease in expenditure across affected classes in the United States is 5.53 per cent, while the average increase in Canada is 41.74 percent. Notably, pharmaceutical company profits increase slightly – they are more than compensated for the decline in US profits by an increase in Canadian ones.

Canada's pharmaceutical pricing regulations provide additional uncertainty. We benchmark retail prices to reference countries to determine maximum legally allowed prices. If prices rise in all countries, the maximum price in Canada also rises (enabling access, but threatening fiscal sustainability and increasing healthcare costs). If they do not, Canadian prices cannot rise, threatening access to medicine. Overall, the most likely outcome is a combination of both.

Regulations apply to the retail price of patented medicines, which are not the net prices to payers. Canada's systems allow for confidential rebates and other price-lowering reimbursement terms – like budget caps – and operate under a presumption that list prices will remain relatively steady and at a globally competitive level because our prices are referenced around the world. The actual cost implications for public and private insurance plans will depend on their ability to moderate retail price increases through negotiation and formulary changes (such as requiring generic substitution or adding conditions for coverage).

Research [suggests](#) that pricing regulations [delay access](#) to some new medicines. As the United States moves forward with this policy change, the government will need to monitor drug supply chains to mitigate any shortages related to price and market disruptions. It should also track the launch of new products in the United States and other reference countries to monitor prices to ensure that Ottawa's Patented Medicine Prices Review Board mandate to prevent excessive pricing does not have large unintended consequences in reducing access to new medicines.

The bad news is that this policy change is entirely within US jurisdiction to control. Canada already uses reference pricing to regulate prices in our market; it would be a bit hypocritical to complain about the Americans doing the same.

The effect in Canada would be increasing costs for hospitals, public and private insurance plans and potentially reduced access to medicines in the future. Increasing costs will have the greatest effect on the un- and under-insured in Canada, making addressing gaps in coverage more urgent.

The market disruption also changes Canada's relative competitiveness and provides an opportunity to grow the life sciences industry. While we may not fully be able to control increasing pharma costs, encouraging the development of a larger life sciences industry to compensate with economic growth and increasing government tax revenue is a strategic response. If global companies have significant market and footprints in Canada, they also have a stake in ensuring that US disruptions cause minimal damage to our economy.

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