Trump Administration Proposes Models to Cut Medicare Spending

By Rachel Cohrs Zhang
December 19, 2025 at 5:43 PM EST

The Trump administration proposed new payment cuts in Medicare for prescription drugs, even as pharmaceutical companies struck deals with the government in an effort to avoid just such measures.

Friday evening, after an event with drugmakers at the White House, the administration said it plans to slash what Medicare pays for certain medicines administered in physicians' offices and those dispensed at pharmacies. Medicare, the public insurance program for the elderly, is the biggest payer for pharmaceuticals in the country.

President Donald Trump pursued a similar set of rules during his first term, which drew staunch opposition from the pharmaceutical industry. That effort was ultimately shelved after a trade group representing drugmakers launched a legal challenge, but the threat of Trump reviving those regulations has loomed over drug-pricing negotiations for months.

PhRMA, an industry trade group, didn't immediately respond to a request for comment.

One proposed model would assess rebates for certain drugs that are distributed at pharmacies if their prices exceed those paid in economically comparable countries.

The other proposed model would assess a rebate for certain drugs given in medical clinics if their prices exceed those paid in similarly wealthy countries.

A public comment period runs through Feb. 23.