



Healthcare Distribution Alliance

HEALTH DELIVERED

HDA Position on Tariffs on Pharmaceutical Products

Position

The Healthcare Distribution Alliance (HDA) supports strategic federal investments to boost domestic manufacturing of medical products, such as active pharmaceutical ingredients (API), key starting materials (KSM), and finished-dose medicines.¹ Strategic investments into domestic manufacturing can strengthen supply chain resilience. A key goal of the proposed tariffs is to expand the United States medical industrial base by boosting domestic production; however, broad tariffs could have unintended consequences. HDA members respectfully urge caution on establishing tariffs that broadly impact medical products. Accordingly, we ask the Trump administration to consider exempting pharmaceutical products to maintain reliable healthcare delivery.

Tariffs on pharmaceutical products (and/or their active ingredients) could adversely affect American patients, whether through increased pharmaceutical costs or manufacturers leaving the market (exacerbating existing drug shortages). HDA members ask that the administration consider establishing exemptions for pharmaceutical products and long implementation timelines for tariffs that will impact the healthcare sector.

Rationale

Supply chain resilience remains an overall goal to ensure healthcare delivery in steady-state conditions and the ability to protect the nation's health in crisis.² Geographical diversity is a key tenet of supply chain resilience as geopolitical events and conflicts can cause supply chain disruptions. Overdependence on a single country of origin poses a vulnerability to the supply chain. The highly diverse nature of the pharmaceutical supply chain helps most countries maintain an interdependence within the supply chain to receive medical products necessary for patient care, including the United States. While the United States must continue to examine the pharmaceutical supply chain and make strategic investments to build domestic capacity, this capacity must supplement the geographic diversity of the supply chain.

Placing tariffs on pharmaceutical products will strain the pharmaceutical supply chain and increase costs for American patients. HDA members recognize that increasing domestic production of API, KSM and finished-dose medications can create positive redundancies, proactively address geopolitical risks and support national security.³ Pharmaceutical distributors support strategies that will increase geographic diversity and increase domestic manufacturing and caution that successful strategies couple incentives, investments, and resources to increase the US medical industrial base over time. Policymakers are rightly looking for effective methods to achieve these means, however, tools such as establishing tariffs would compromise the stability of the pharmaceutical supply chain, potentially causing certain generic manufacturers to exit the market, which would exacerbate existing access and cost concerns.⁴

The pledged tariffs on imported goods, to include pharmaceuticals, would deepen the U.S. drug shortages problem — harming patient access to critical medicines. Some drug manufacturers, especially generic manufacturers, are foreign companies that often have no U.S.-based competitors. Most generic medicines contain API and KSM that are manufactured outside of the U.S. In fact,

¹ <https://www.hda.org/getmedia/1457f7bf-d36f-4f28-8457-c06007a6ec53/HDA-Policy-Agenda-on-Drug-Shortages.pdf>

² <https://www.hda.org/getmedia/f8a57f40-49d1-419b-b595-db0ba83c878d/Supply-Chain-Resilience-Report.pdf>

³ <https://www.hda.org/getmedia/1457f7bf-d36f-4f28-8457-c06007a6ec53/HDA-Policy-Agenda-on-Drug-Shortages.pdf>

⁴ https://www.hda.org/getmedia/f9f36498-c4e5-4c85-b4f9-dccb4c8ad585/HDA-Guiding-Principles-for-Equity-and-Access_1.pdf

many of the key minerals and precursor ingredients for many drugs do not exist in the United States⁵ The products at greatest risk for discontinuation are high volume, low margin generic products. Any tariff policy that does not balance geographic diversity and investments will burden the supply chain, ultimately leading to less redundancy and supply.

Moreover, placing broad tariffs on pharmaceutical products will add economic burden on a generic pharmaceutical market already under pressure from various factors, including [reimbursement dynamics](#). Broad tariffs would also place additional economic pressure on the pharmaceutical supply chain as costs increase. Pharmaceutical supply chain stakeholders, such as pharmaceutical distributors (0.3% net profit margin after taxes⁶) and generic manufacturers, cannot absorb the rising costs associated with broad tariffs. As a result, American patients would likely face two outcomes: a rise in costs to patients (including those participating in Medicare and Medicaid), or new and worsened shortages of critical medicines.

HDA members encourage President Trump and his Administration to explore [long-term strategic investments](#) and incentives for domestic manufacturing rather than placing a broad tariff on pharmaceutical products. Broad tariffs will compromise geographic resilience, deepen drug shortages, and place additional economic strain onto the pharmaceutical supply chain.

⁵ <https://www.iqvia.com/-/media/iqvia/pdfs/institute-reports/us-india-medicine-partnership/iqi-us-india-medicine-partnership-04-24-forweb.pdf>

⁶ <https://www.hda.org/publications/95th-edition-hda-factbook-the-facts-figures-and-trends/>