AIMEDALLIANCE

TARIFFS 101:
How Tariffs Could Impact Patients

Since the start of 2025, the term "tariffs" has become increasingly common in the media and among legislators, regulators, and elected officials. On April 2, President Donald Trump announced a sweeping set of tariffs affecting nearly every country, with the specific rates varying by country. Several items, including pharmaceuticals, were excluded from these tariffs. However, other health care items did not receive an exemption.[1]

On April 10, the White House announced it would pause some of these tariffs for 90 days.[2] At the moment, it is unclear if these tariffs will be reimplemented after 90 days. In addition, on April 14, the Department of Commerce issued a notice announcing it was launching an investigation into the impact of importing pharmaceuticals, pharmaceutical ingredients, and medical countermeasures. Although it is unknown how the Administration will use this data, it may serve as the basis for tariffs on pharmaceutical products in the future. As such, this resource is designed to help educate health care advocates and consumers on how tariffs could impact consumers and health care affordability.

WHAT ARE TARIFFS?

Tariffs are a tax on imports.[3] Imports are items that are brought into the United States from another country.[4] The entity importing the item pays these fees at the point of importation.

Why is the Trump Administration implementing tariffs?

Typically, tariffs are implemented to encourage businesses to manufacture their products within the United States to avoid the extra fees imposed on items made abroad.[5] Tariffs can also be imposed on countries as a punitive measure for certain international conduct or disagreements.

How will the health care system be impacted by tariffs?

Many items used within our health care system are imported from outside the United States, including medical devices,[6] pharmaceutical products, and other medical supplies such as goggles, oxygen masks, and gloves.[7] While pharmaceuticals are exempt from the tariffs announced on April 2nd, other items like medical supplies and medical devices could still be subject to tariffs after the 90-day pause expires.

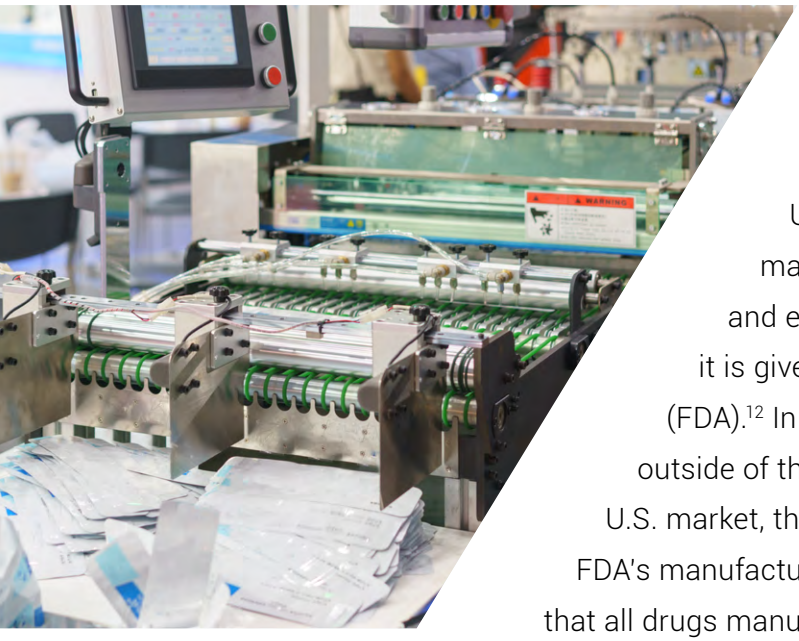
Have health care supplies been subject to tariffs before?

Yes. However, historically, there have been some exemptions to tariffs for pharmaceutical products. The 1994 Agreement on Trade in Pharmaceutical Products ("Agreement") generally prohibits tariffs and other penalties for pharmaceutical products and substances used to develop pharmaceutical products.[8] The United States, the European Union, Japan, Canada, Macao, Norway, Switzerland, and the United Kingdom are all parties to this Agreement.[9]

Under the Agreement, finished pharmaceutical products, active ingredients, and chemical compounds used by the pharmaceutical industry are exempt from tariffs and other trade penalties.[10] This Agreement does not apply to medical devices, supplies used to develop medical devices, or other medical supplies.[11]

Will tariffs incentivize pharmaceutical and medical device manufacturers to bring their manufacturing to the United States?

It is unknown how any business will respond to tariffs, including pharmaceutical and medical device companies. These business decisions are complex, especially for companies that conduct substantial business outside the United States.



How is the pharmaceutical manufacturing supply chain different from other industries?

Unlike many industries, pharmaceutical manufacturers must demonstrate they can safely and effectively manufacture a prescription drug before it is given approval from the Food & Drug Administration (FDA).[12] In addition, if any part of the drug is developed outside of the United States, but developed to be sold in the U.S. market, the international manufacturing plant must meet the FDA's manufacturing standards.[13] This thorough process ensures that all drugs manufactured for the U.S. market are safe and effective.[14]

The rigor of this approval process is unlike other markets. For example, while the federal government does monitor the importation of consumer goods, like clothing, to ensure these products don't enter the United States if they contain toxic substances or pesticides, the government does not exercise oversight of the initial manufacturing process.[15]

Additionally, while some manufacturing plants allow for the entirety of a product to be made in one facility, pharmaceutical products often require different pharmaceutical active ingredients (API) and/or multiple manufacturing steps, resulting in the use of several different facilities to develop the final prescription drug. Importantly, 72 percent of API are provided from manufacturing facilities outside the United States.[16] As such, all of these critical ingredients could be subject to costly tariffs. In addition, because of the complex manufacturing process, a pharmaceutical product may enter several different countries before ultimately being imported to the United States. As such, it may be difficult to clearly establish where a product is considered "from" given the diverse supply chain. This may result in additional challenges in determining the appropriate tariff for the product considering each country is subject to different tariff amounts.

What could happen to health care costs if tariffs are applied?

Tariffs could increase the cost of manufacturing prescription drugs and medical devices which may be passed down to consumers in the form of higher premiums or prescription drug costs.[17]

Additionally, like many companies subject to tariffs, pharmaceutical and medical device companies will be forced to decide whether to (1) internally absorb any additional costs that result from tariffs; or (2) pass the costs down to other actors in the supply chain which can then trickle down to consumers, providers, and employers.

For pharmaceutical manufacturers this could cause companies to have less resources to invest in research and development, resulting in fewer drugs and medical devices being brought to market.[18] Consumers may also experience higher costs of care at hospitals or health care providers' offices, which will also have to mitigate increased costs of medical supplies.

Who should I contact if I am concerned about tariffs increasing my health care costs?

If you are concerned about how tariffs may impact your health care costs, you can share your concerns with the United States Trade Representative (USTR). USTR is responsible for developing, coordinating, and monitoring international trade.[19] You can contact USTR at contactustr@ustr.eop.gov or via mail at 600 Seventeenth St. NW, Washington, D.C. 20506.

You can also contact your federal representatives in the U.S. House of Representatives and U.S. Senate and ask them to ensure tariffs do not increase consumers' health care costs including through higher premiums or prescription drug costs. While Congress has limited authority over international trade, they still have powerful voices and can share your concerns with the White House and USTR.

REFERENCES

1. **The White House**, *Fact Sheet: President Donald J. Trump Declares National Emergency to Increase our Competitive Edge, Protect our Sovereignty, and Strengthen our National and Economic Security*, https://www.whitehouse.gov/fact-sheets/2025/04/fact-sheet-president-donald-j-trump-declares-national-emergency-to-increase-our-competitive-edge-protect-our-sovereignty-and-strengthen-our-national-and-economic-security/.
2. **NPR**, *Where do tariffs stand? A look at what's in place and what's on pause*, https://www.npr.org/2025/04/10/nx-s1-5358929/trump-tariff-pause-china.
3. **Council on Foreign Relations**, *What Are Tariffs?*, https://www.cfr.org/backgrounder/what-are-tariffs.
4. *Id.*
5. *Id.*
6. **Forbes**, *How Will Trump's Tariffs Impact Healthcare? The Key Things To Know*, https://www.forbes.com/sites/richardmenger/2025/03/05/how-will-trumps-tariffs-impact-healthcare-the-key-things-to-know/.
7. **Centre for Economic Policy Research**, *The US reliance on other countries for essential medical equipment*, https://cepr.org/voxeu/columns/us-reliance-other-countries-essential-medical-equipment.
8. **World Trade Organization**, *The WTO's Pharma Agreement*, https://www.wto.org/english/tratop_e/pharma_ag_e/pharma_agreement_e.htm.
9. *Id.*
10. *Id.*
11. *Id.*
12. **Food and Drug Administration**, *Pharmaceutical Inspections and Compliance: Current Good Manufacturing Practice (CGMP) Inspections and Compliance*, https://www.fda.gov/drugs/guidance-compliance-regulatory-information/pharmaceutical-inspections-and-compliance#:~:text=FDA's%20drug%20 application%20approval%20includes,and%20produce%20 high%2Dquality%20drugs.
13. *Id.*
14. *Id.*
15. **The New York Times**, *Buying Overseas Clothing: US Flouts Its Own Advice*, https://www.nytimes.com/2013/12/23/world/americas/buying-overseas-clothing-us-flouts-its-own-advice.html#:~:text=Federal%20agencies%20 rarely%20know%20what,suppliers%20than%20many%20 retailers%20do.
16. **U.S. Pharmacopeia**, *Geographic concentration of pharmaceutical manufacturing: USP Medicine Supply Map Analysis*, https://qualitymatters.usp.org/geographic-concentration-pharmaceutical-manufacturing.
17. **BIO**, *New survey: U.S. biotechs warn tariffs could impede access to cures, stifle innovation*, https://www.bio.org/press-release/new-survey-us-biotechs-warn-tariffs-could-impede-access-cures-stifle-innovation (reporting 94% of biotech firms anticipated tariffs on the EU to increase their manufacturing costs).
18. *Id.* (reporting that 50% of companies would have to scramble to find new research and manufacturing partners if tariffs were imposed on the EU).
19. **Office of the United States Trade Representative**, *Mission of the USTR*, https://ustr.gov/about-us/about-ustr.

AIMED ALLIANCE

1455 Pennsylvania Ave, NW, Suite 400
Washington, DC 20004

(202) 349-4089

AimedAlliance.org