

SUPPLYCOPIA:

The Cost of Care: How Tariffs on Generic Drugs Could Hurt the Americans Who Need Them Most

Over the past week, the U.S. stock market has experienced significant declines, primarily due to escalating trade tensions and newly imposed tariffs. The S&P 500 Index dropped approximately 9.1%, the Dow Jones Industrial Average fell about 7.9%, and the Nasdaq Composite decreased by roughly 10.0%.

In terms of market capitalization, the S&P 500 companies collectively lost about \$5 trillion in value since the announcement of the tariffs.

Additionally, the overall U.S. stock market has reduced approximately \$9.6 trillion in value since January 17, 2025, the Friday before Inauguration Day.

These figures underscore the substantial impact that recent trade policies have had on the financial markets. As the conversation around tariffs and international trade continues to intensify, one sector where even small changes could have disproportionately large consequences is **generic pharmaceuticals**.

Generic drugs are the **unsung heroes** of American healthcare. They account for nearly **90% of all prescriptions filled in the U.S.**, offering affordable alternatives to brand-name medications and saving consumers—and the healthcare system—**billions of dollars every year**.

But behind the low cost of generics lies a **highly globalized supply chain**, one that may soon be threatened.



The Global Engine Behind America's Generics

The United States does not manufacture the majority of its generic drugs. Instead, it imports them—or the active **pharmaceutical ingredients (APIs)** used to make them—from a handful of major manufacturing hubs:

- **INDIA:** Known as the “**pharmacy of the world**,” India supplies **about 40% of all generics used in the U.S.** It's the single largest exporter of finished generic drugs to America.
- **CHINA:** A critical source of APIs, especially for antibiotics, cardiovascular, and oncology drugs. While China exports fewer finished drugs than India, its contribution to the supply chain is indispensable.
- **EUROPEAN UNION COUNTRIES:** like Ireland, Switzerland, and Germany—also export large volumes of both brand and generic medications to the U.S.

In 2023, **Switzerland alone exported over \$30 billion** in pharmaceuticals to the U.S., and India sent over \$6 billion in finished generics and APIs.

Are These Countries Being Tariffed?

SOME ARE—AND MORE COULD BE.

With growing geopolitical tensions and trade policies shifting rapidly, **countries like China and India have been in the crosshairs of potential or proposed tariffs.** While much of the rhetoric has focused on tech or manufacturing, the **pharmaceutical supply chain is increasingly in the conversation.**

In a push to encourage domestic drug production, there are proposals to impose **25% tariffs** on imported generics or APIs. While this might seem like a long-term investment in resilience, the **short-term pain could be significant**—especially for the most vulnerable.

| Who Pays the Price?

If tariffs are enacted, manufacturers will almost certainly **pass those costs on to U.S. buyers**—hospital systems, pharmacies, insurance plans, and ultimately, **consumers**.

For example:

A 25% tariff on key cancer drugs could raise the cost of treatment by **\$10,000** per patient over a standard course.

The average price of a generic pill could jump from **82¢ to 94¢**—a modest-sounding increase that becomes astronomical when scaled across millions of prescriptions.

And who bears the brunt of these increases?

- **Seniors on fixed incomes**
- **Uninsured Americans**
- **Medicaid and Medicare beneficiaries**
- **Rural hospitals and clinics with limited formularies**

At a time when 1 in 4 Americans struggles to afford their medications, even minor price shocks can have devastating consequences, leading to nonadherence, worsening chronic conditions, and more expensive downstream care.

| A Call for Balance

I have seen the chaos created by the shortages of PPE and how countries and manufacturers held the US hostage with price gouging. More recent example of IV fluid shortages brought the US hospitals to its knees.

I am all for US manufacturing and reshoring. This isn't a binary debate between **global dependence and domestic self-reliance**. The U.S. should invest in **reshoring pharmaceutical manufacturing** for strategic and security reasons. But that cannot come at the expense of **affordable access to life-saving medications today**.

Smart policy must balance:

- **Short-term affordability**
- **Mid-term supply chain resilience**
- **Long-term manufacturing investment**

| Final Thought

Generic drugs are not just a line item in a budget. They're a lifeline for tens of millions of Americans. If not carefully considered, tariffs could become a **healthcare cost crisis in disguise**.

