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# Rx Tariff Just Around the Corner

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Ryan Last

Ryan Last, an associate in Troutman Pepper Locke's White Collar Litigation + Investigations Practice Group, was quoted in the June 17, 2026, *BioWorld* article, "Rx Tariff Just Around the Corner."

> Despite the looming start dates, the biopharma industry in general has not been making significant changes in their supply chains, Ryan Last, of Troutman Pepper Locke, told *BioWorld*. He chalked part of that up to the whiplash fatigue from more than a year of Trump promising, or threatening, a global pharma tariff ranging from 25% to 500%, depending on the day or month.
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> Also factoring into biopharma's response to the tariff is the realization that this administration is nearing its halfway point, Last said. Who knows what will happen to the tariff when Trump's term ends?
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> "Changing a supply chain obviously doesn't happen overnight," Last said. Some companies likely couldn't do it before Trump is out of office. Consequently, many drugmakers have been in a wait-and-watch period. Some are now moving into a plan-and-execute phase, which includes evaluating their supply chains, Last added.
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> Rather than restructuring what can be complex supply chains, he said he's seeing more partnering as companies with no or limited U.S. manufacturing seek agreements with domestic contract manufacturers.
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> In evaluating their best response to the tariff, drug companies will have to weigh it against other policy initiatives. Trump's tariff and drug pricing pressures have created "one of the biggest tensions in the administration's pharmaceutical policy," Last said.
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> Unlike other industries, biopharma companies can't simply increase prices to offset a tariff that significantly raises their costs, Last said. They're bound by the Inflation Reduction Act's inflation penalty, Medicare price negotiations, commercial contracts with payers, various government discount mandates, as well as pricing restrictions in other countries. Last noted that drug companies don't set pricing for each market in a vacuum; pricing is a global calculation that reflects government price setting in other countries.
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> So what's a drugmaker to do if it can't afford to relocate its supply chain and manufacturing? One solution is to absorb the tariff losses and cut its profit margin, Last said. Another is to delay launches of new drugs until the next administration. Or it could negotiate pricing by partnering with U.S.-based manufacturers. Of course, the first two options might impact much-needed investment for small companies.
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> Because the tariff impacts not only trade but healthcare and economic policies, it is creating a new, complex environment that requires an enterprise-wide review extending well beyond the supply chain, Last said. Companies can't look at the biopharma tariff as just a customs or pricing issue, he added, so they will need a slate of different experts to help them make decisions on how best to proceed. That adds to the cost of doing business.
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> While the U.S. Supreme Court's Feb. 20 decision struck down Trump's reciprocal tariffs issued last year under the International Emergency Economic Powers Act, the biopharma tariff is on firm constitutional ground, Last said. It was imposed under section 232 of the Trade Expansion Act, which allows the president to impose duties on an entire sector for national security reasons. However, before Trump could set the tariff, the Commerce

Department had to do an intensive investigation and provide a public comment period. The administration went through all the required steps.

The 232 biopharma tariff may be safe from constitutional challenges, but Last said there likely will be legal questions surrounding the country of origin for specific imported drugs or ingredients. Since U.S.-produced drugs are duty-free, that would be the optimum country of origin. But other countries that negotiated lower tariff rates on their drug products also would be more attractive as the country of origin than China, India or other countries subject to the 100% rate.

The question is who determines the country of origin, especially when ingredients may come from multiple countries and parts of the process occur across the globe. Last said the U.S. Customs and Border Protection (CBP) will make those decisions, based on its country-of-origin rules. That decision will be one of the most important issues for drug importers, Last said.

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Industry needs to understand that, when evaluating the impact of the tariff, the location of the last “meaningful manufacturing” of a drug or ingredient is what counts, Last said.

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