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Fellowship Capstone | Policy Brief

The Impact of 2025 U.S. Tariff Policies on Healthcare Supply Chains and Patient Access

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I. Executive summary

In 2025, the U.S. government expanded tariffs on imported goods from countries like China and India as part of a broader trade strategy to strengthen domestic manufacturing. However, these policies have had unintended consequences for the healthcare system, which depends heavily on foreign sources for medications, active pharmaceutical ingredients (APIs), and medical devices. Early data and expert analysis suggest these tariffs have increased costs, strained supply chains, and created new access barriers for patients and providers, particularly in low-income and rural communities. This policy brief examines the downstream effects of these tariff expansions on drug affordability, availability, and healthcare delivery in the United States. Drawing from healthcare economics and trade policy literature, it proposes balanced policy solutions such as tariff exemptions for critical health goods, increased domestic production incentives, and improved global supply chain coordination to minimize harm while preserving long-term trade goals.

II. Overview

The U.S. healthcare system is deeply reliant on global supply chains. Approximately 80% of the active pharmaceutical ingredients (APIs) used in U.S. prescription drugs are sourced from abroad, particularly from China and India. Many generic medications, as well as essential medical devices such as syringes and diagnostic tools, are also manufactured overseas due to lower production costs and specialized infrastructure. In 2025, new rounds of tariff expansions introduced duties on a wide range of imported goods, including several classes of pharmaceuticals and medical supplies.

While the goal of these trade policies is to protect domestic industries and reduce dependency on foreign manufacturing, they have created ripple effects in healthcare. A recent study published in the Journal of Managed Care & Specialty Pharmacy found that these tariffs are likely to increase U.S. pharmaceutical spending by billions of dollars annually, particularly impacting low-cost generics (Sullivan et al., 2025). Hospital systems, pharmacies, and consumers are already experiencing price hikes, delays, and increased uncertainty in procurement. These developments highlight the intersection between trade and public health policy, raising important questions about how to safeguard patient access while pursuing economic security.

A. Relevance

The 2025 tariff expansions come at a time when the U.S. is still recovering from pandemic-era

supply chain disruptions and rising healthcare costs. For hospitals and clinics that operate under tight financial constraints, even small price increases in common drugs or devices can have cascading effects. Patients—especially those on fixed incomes, without insurance, or in underserved communities—are most at risk. Delays in access to insulin, chemotherapy drugs, antibiotics, and surgical supplies can directly impact treatment outcomes and increase long-term costs for both individuals and the healthcare system.

According to Harvard Business Review, these trade policies risk reversing hard-won progress on drug affordability and availability by increasing dependence on a shrinking pool of non-tariffed suppliers (HBR, 2025). As healthcare providers navigate rising costs and limited inventories, the broader public health system faces heightened risk of disruption. This issue is not only economically important, but also ethically urgent—raising questions about how to balance trade goals with the obligation to deliver timely, affordable care to all patients.

III. History

A. Current Stances

Tariffs have long been a tool of economic policy, used to protect domestic industries and influence global trade dynamics. However, their use in the context of healthcare supply chains is relatively recent. During the 2018 U.S.–China trade war, some medical products—including surgical gloves and thermometers—were caught in early tariff rounds, but exemptions were later granted in response to COVID-19 shortages. These temporary carve-outs underscored the unique vulnerability of health-related goods in a globally dependent system.

In 2025, a new wave of tariff expansions included pharmaceutical ingredients, generic drugs, and basic medical equipment. These measures were met with concern from public health experts and economists. The Forefront Group reported that tariffs have already caused noticeable strain in generic drug markets, with some medications becoming harder to find or more expensive (Forefront, 2025). Similarly, research from Johns Hopkins University highlights the disproportionate impact on low-cost treatments, which are more likely to be imported and less profitable to produce domestically (Johns Hopkins, 2025).

Current federal guidance supports reshoring production and using tariffs as leverage, but many experts warn that without exemptions for essential goods, these policies may reduce the availability of lifesaving treatments and erode healthcare equity in the United States.

IV. Policy Problem

A. Stakeholders

Key stakeholders include patients—especially those in low-income, uninsured, or rural communities—who face increased costs and reduced access to essential medications. Healthcare providers, including hospital systems, independent clinics, and pharmacies, also experience procurement difficulties, price fluctuations, and logistical uncertainty. In Texas, which already leads the nation in uninsured residents and houses vast rural populations, these

challenges manifest acutely (Texas Health and Human Services, 2024). Other stakeholders include pharmaceutical importers and distributors whose business operations are destabilized by unpredictable pricing and regulatory shifts, and federal agencies like the FDA and Department of Health and Human Services (HHS), which bear responsibility for public health oversight.

B. Risks of Indifference

The risks of ignoring this issue are significant. Continued tariff enforcement on critical medical imports may result in chronic drug shortages, delays in care, and negative patient outcomes. For instance, delays in accessing chemotherapy agents, insulin, or antibiotics due to inflated costs or import barriers could result in increased morbidity, hospitalization rates, and preventable deaths. At the systemic level, healthcare providers may be forced to ration care or prioritize treatment based on availability rather than need. Furthermore, low-income communities—such as those served by public clinics in North Texas—are especially vulnerable, as they are less equipped to absorb rising pharmaceutical costs (Forefront, 2025). From a nonpartisan standpoint, ensuring the availability of life-saving treatments transcends political ideology. Public health security, much like national defense, should be treated as a bipartisan imperative, demanding pragmatic tradeoffs to preserve access while pursuing economic resilience.

C. Nonpartisan Reasoning

The issue of pharmaceutical and medical device tariffs transcends political affiliations because it directly impacts the health, economy, and stability of the nation as a whole. A nonpartisan lens is essential to frame this issue not as a debate over ideology, but as a challenge of national wellbeing. The benefits of bipartisan, pragmatic intervention include:

1) Public Health Security and National Stability: A nation's health system is only as resilient as its access to affordable medications. Tariffs that increase drug prices or disrupt supply chains risk undermining public health at large—not just for low-income patients, but for seniors, veterans, and chronic disease populations across the board. Ensuring consistent access to medication is a matter of public safety, making it a critical issue that unites rather than divides political priorities (Sullivan et al., 2025).

2) Economic Efficiency and Systemwide Cost Savings: When essential medications become more expensive due to trade barriers, the burden shifts to hospitals, insurers, and taxpayers. Nonpartisan economic analyses show that medication price spikes contribute to overall increases in healthcare expenditures, including emergency room visits and hospitalization rates. Reducing or refining tariffs could decrease these downstream costs, freeing up federal and state budgets for more strategic investments in health infrastructure (Johns Hopkins University, 2025).

3) Innovation and Domestic Growth: Strengthening domestic pharmaceutical production through incentive-based,

collaborative approaches appeals to both conservative and progressive values—spurring economic growth, creating jobs, and enhancing national self-sufficiency. Nonpartisan investment in biomanufacturing infrastructure reduces reliance on unstable global markets while encouraging innovation in the private sector (Harvard Business Review, 2025).

V. Tried Policy

During the 2018–2020 trade tension escalations, certain medical products were initially tariffed but later exempted following shortages and public outcry. The U.S. government learned that blanket trade policies can be dangerous when applied to sectors like healthcare. Additionally, the COVID-19 Defense Production Act temporarily boosted domestic production of some critical items, but long-term restocking has been slow, costly, and incomplete. Recent reshoring grants have focused on building domestic API production, but these efforts are still in early stages, and tariffs remain in place during the transition.

VI. Policy Options

Expand Tariff Exemptions for Essential Health Goods

This would involve the creation of a federally maintained list of critical pharmaceuticals, active pharmaceutical ingredients (APIs), and medical devices, with input from healthcare experts and agencies such as the FDA and CDC. These items would receive automatic or expedited tariff exemptions to avoid disruptions in access. A transparent review mechanism could be implemented to allow hospitals and states to request exemptions for additional products during times of shortage. This approach would not undermine broader trade goals but would provide immediate relief to healthcare institutions, especially those serving vulnerable populations. It ensures that lifesaving treatments are protected from unintended economic fallout (Sullivan et al., 2025).

Create Public-Private Incentives for Domestic Production

Another complementary solution involves strengthening public-private partnerships to build domestic manufacturing capacity for essential medications. Federal and state governments could offer tax incentives, research grants, and streamlined regulatory approvals for pharmaceutical companies willing to invest in U.S.-based production. Texas, with its strong biomedical workforce and large land availability, is well-positioned to host regional manufacturing hubs. Incentivizing localized production in underserved areas would not only enhance supply chain resilience but also create jobs in communities that have historically been left out of biotech development (Harvard Business Review, 2025). While this option requires a longer timeline and higher initial costs, it is a sustainable strategy that reduces dependency on foreign suppliers in the long term.

Launch a Federal-State Emergency Procurement Program

A third policy proposal is to establish a joint federal-state emergency procurement program for critical health goods. Under this model, the federal government would work with state health departments—such as the Texas Health and

Human Services Commission—to maintain reserve inventories and implement pooled purchasing systems. This would allow for rapid response in times of supply disruption and help stabilize prices by reducing competition among providers for scarce resources. Texas could also collaborate with neighboring states in the South to coordinate stockpiling and distribution networks, particularly for high-demand medications like insulin and antibiotics. Though this approach involves logistical challenges, it builds essential infrastructure for responding to future global or domestic supply shocks.

VII. Conclusions

In this brief, I have examined the wide-reaching effects of the 2025 pharmaceutical and medical device tariffs on drug affordability, healthcare access, and supply chain stability in the United States. While the intention behind these trade policies—to reduce foreign dependency and strengthen domestic manufacturing—is legitimate, their unforeseen consequences have presented significant challenges for patients, providers, and policymakers alike. Rising drug prices, strained inventories, and delayed treatments especially affect rural and low-income communities, which are already experiencing limited access to healthcare.

Among the proposed solutions, incentivizing domestic pharmaceutical manufacturing through public-private partnerships emerges as the most effective and sustainable policy option. By directly addressing the root of U.S. supply chain dependence, this approach offers long-term support, economic growth, and greater control over essential health goods. That said, immediate action is also required. Expanding tariff exemptions for critical medications can relieve current burdens on providers and patients, while a federal-state emergency procurement program can help the nation prepare for future supply shocks. Together, these policies offer a pragmatic strategy.

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