

## Hospitals could earn more for buying US-made drugs, CMS proposes

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The Trump administration's Centers for Medicare & Medicaid Services is looking to incentivize hospitals to buy more domestically-produced drugs.

Under a proposed rule, hospitals purchasing more than 50% of domestic-made essential medicines and active pharmaceutical ingredients would receive additional payments from Medicare, potentially to the tune of hundreds of thousands of dollars.

CMS' rulemaking, published Monday evening, offers an example of a hospital with total drug costs of about \$2 million, with essential medicines representing an estimated 1% of those costs. If domestic essential medicines are about 12 times more costly than ones that are foreign-made, that hospital would receive an additional Medicare payment of \$240,000.

The rulemaking asks for public comment on several related questions on the plan and CMS' assumptions. Noting that most essential APIs are produced abroad and it may take time to onshore them to the US, CMS asks: "How can we encourage domestic final dosage form production without diminishing long-term demand signals for domestic API manufacturing?"

CMS also says it wants to know more about hospitals' total costs for essential medicines, and if 1% is an accurate figure. It pointed to a review from the Administration for Strategic Preparedness and Response that found that domestic APIs are, on average, about 12 times more expensive than ex-US alternatives.

The proposed rulemaking is just the latest Trump administration initiative to encourage more domestic manufacturing of pharmaceuticals. Last September, President Donald Trump threatened tariffs on pharma companies that aren't building new facilities in the US, with many large pharma companies making a show of their domestic investments. And last August, the FDA launched a new program to boost domestic drug manufacturing by making it easier for companies to build.