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A New Transatlantic Announcement:

What the UK-US Pharma Deal Means for Patients, Innovation and Industry

Summary:

- A UK-US pharma deal grants 0% tariffs on UK exports in return for higher spending in innovative medicines by 2028
- Deal is part of wider UK life sciences reforms, including faster trial approvals and a new national health data service
- Measures aim to revive stalled investment by reducing pricing and regulatory uncertainty
- Cheaper access to the US market and new pricing frameworks signal a more stable climate for pharma R&D and manufacturing
- Pharma companies should reconsider the UK as a priority launch hub and target selective investment in local manufacturing and supply chain.

The UK government has committed to increase investment in innovative medicines by 25%.

The Deal: Key Features and Impacts

Announced in December 2025, the UK-US pharma deal delivers 0% tariffs on UK pharmaceutical exports to the US for the next three years. The agreement also extends preferential terms to UK medtech exports, broadening the benefits beyond medicines to include devices and technology.[1]

The UK government said the new agreement – which underpins exports worth at least £5 billion per year – safeguards thousands of jobs and protects UK-based manufacturing activity. The US administration had previously threatened to impose tariffs as high as 100% on branded drug imports.

In exchange for the tariff exemption, the UK government has committed to increase investment in innovative medicines by 25%, the first major rise in over two decades. According to media reports, this would lift UK medicines spending to 0.35% of GDP – around £1.5 billion – by the end of 2028.[2]

To enable this, the government will raise the price threshold used to evaluate the cost-effectiveness of new drugs. The National Institute for Health and Care Excellence (NICE) will adjust the threshold by 25%: from £20,000–£30,000 per quality-adjusted life year (QALY) to £25,000–£35,000 per QALY. The change will be in place in April 2026 and will apply to new NICE technology appraisals as well as those currently in review.

[1] Landmark UK-US pharmaceuticals deal to safeguard medicines access and drive vital investment for UK patients and businesses GOV.UK

[2] https://www.ft.com/content/19b0e69f-3a06-4db1-94a9-f3fa6f59feff

The international average for similar countries to the UK that use either explicit or implicit thresholds is around £33,400, according to the Association of the British Pharmaceutical Industry (ABPI), meaning the agreed change brings the UK closer to the average, although it will remain in the lower half of the table.

Following the framework agreement with the US, on December 10, the UK also announced a cut in rebate costs for innovative medicines under the Voluntary Scheme for Branded Medicines Pricing, Access and Growth (VPAG), from 22.5% to 14.5%.[3]

> **The NHS could generate efficiencies of £7.2 billion if the number of clinical trial participants increases to 1.5 million over the next decade.**

Implications:

Patients in the UK stand to benefit from faster access to cutting-edge and breakthrough therapies (e.g. cancer, rare diseases) that might previously have been delayed or rejected on cost grounds. According to NICE, the new threshold will allow for an additional three to five medicines to be approved for use on the NHS each year.[4] Meanwhile, the UK life sciences sector, including researchers, developers, manufacturers and investors, receives a strong signal of renewed governmental support and longer-term strategic positioning.

UK makes changes to innovation ecosystem

The new trade deal builds on recent reforms designed to strengthen the UK's pharma innovation ecosystem, such as expedited trial approval times and enhanced access to health data.

In clinical trials, for example, the new Health Data Research Service aims to give researchers streamlined access to secure, AI-ready health data, including genomic, diagnostic and clinical data. If successful, the platform could prove a genuine competitive advantage to firms conducting R&D activities in the UK, given the richness and scale of NHS data, the world's largest unified healthcare system, serving a diverse population of 65 million.

An anticipated rise in clinical trials is expected to benefit patients through earlier access to novel medicines, while also generating an opportunity cost for the NHS. Analysis suggests that the NHS could generate efficiencies of £7.2 billion if the number of clinical trial participants increases to 1.5 million over the next decade. The sum includes both additional income from commercial clinical research and money saved on drugs received for free during trials.[5]

[3] https://www.gov.uk/government/publications/the-2024-voluntary-scheme-for-branded-medicines-pricing-access-and-growth-payment-percentage-for-2026

[4] https://www.nice.org.uk/news/articles/changes-to-nice-s-cost-effectiveness-thresholds-confirmed

[5] https://www.bms.com/gb/about-us/life-sciences-2030.html

Strategic Significance for UK Life Sciences, Investment and Global Competitiveness

The deal reinforces the UK's ambition to become "Europe's leading life sciences economy by 2030," with the government framing the agreement as a linchpin of its broader life sciences sector plan and industrial strategy.

By securing tariff-free access to the world's largest pharmaceutical market, UK-based innovators, exporters, and manufacturers gain a competitive advantage relative to many European peers.

The improved regulatory environment (new NICE thresholds, higher net medicine spend, expedited trial approvals, better data-access infrastructure) offers greater predictability for pharmaceutical companies planning their R&D, manufacturing or launch strategies, which historically have suffered from uncertainty over NHS access and pricing. The UK also lagged behind the US and European countries like Austria and Germany in a ranking that tracks countries' speed in bringing new prescription drugs to market.[6]

In recent years, several big pharma companies have withdrawn proposed investments in the UK, citing an unfavourable regulatory and commercial environment. In 2025 alone, four projects worth more than £1.8 billion have been pulled or suspended, including MSD's scrapping of its £1 billion London research centre and AstraZeneca's cancelation of its £450 million vaccine plant in Liverpool.[7]

> **Foreign direct investment in the UK's life sciences sector fell by 58% from £1.9 billion in 2021 to £795 million in 2023.**

According to the ABPI, foreign direct investment in the UK's life sciences sector fell by 58% from £1.9 billion in 2021 to £795 million in 2023.[8] Much of this capital has been redirected to other markets, particularly China, India and, increasingly, the US. (read more here)

For overseas-based firms and investors, the deal is expected to provide a more stable environment for investment planning. The tariff benefit, combined with favourable R&D/market access conditions, may encourage relocation, expansion, or increased commitment of R&D/production resources to the UK.

Following the announcement, US pharmaceutical company Bristol Myers Squibb said it now anticipates being able to invest more than $500 million over the next five years in areas including research, development and manufacturing.[9]

[6] https://www.rand.org/pubs/research_reports/RRA788-4.html

[7] https://www.theguardian.com/business/2025/sep/16/big-pharma-firms-uk-investment-trump-msd-eli-lilly-astrazeneca

[8] https://www.abpi.org.uk/media/news/2025/september/uk-tumbles-down-global-rankings-for-pharma-investment-and-research/

[9] https://www.bbc.co.uk/news/articles/cn0k520v4xro

Risks, Challenges and What Remains to Be Clarified

While the increased NICE threshold and reduced rebate rates are expected to improve the UK's attractiveness for pharma investment and may accelerate access to innovative drugs, ongoing pressure on NHS budgets poses a significant challenge to the sustainability of the new policy.

- **The funding question:** A major unresolved point is how the NHS will fund the higher medicine costs arising from the new drug pricing arrangement, which is estimated to add £3 billion to the NHS drugs bill each year, according to reports.[10] In the absence of new Treasury funding, these costs would likely need to be absorbed within existing NHS budgets, which are already stretched, potentially diverging resources from other types of care.

  Health, academic and civil-society leaders have warned in an open letter to the UK Prime Minister that such trade-offs risk worsening patient outcomes, with potential impacts on survival rates and quality of life. The UK government has also received criticism from political parties expressing concern that the agreement may lead to reduced resources for frontline NHS services and benefit big pharma companies.[11]

- **Time-limited nature of deal:** A further concern is the limited duration of the agreement, with some observers warning it leaves the door open for the US to seek additional concessions to maintain the tariff exemption beyond three years. Major life sciences investments are typically long-term and capital-intensive, requiring extended periods to decide, plan, build and operationalise new research, manufacturing or clinical infrastructure. (read more on tech transfer costs here)

  Nevertheless, the pricing framework offers the sector a clearer direction of travel for modelling longer-term UK activity. This is reinforced by a consultation published later in December, where the government signalled its intention to make further changes to NICE's cost-effectiveness thresholds through secondary legislation, offering scope for future drug price adjustments.

> **A NICE approval may not automatically translate into timely or uniform uptake across the NHS.**

- **System readiness and uptake:** Adjusting pricing thresholds for new drugs may not, on its own, guarantee rapid or widespread patient access. A NICE approval does not automatically translate into timely or uniform uptake across the NHS, particularly for innovative and complex medicines that require additional clinical capacity, training or service redesign.[12] There are also concerns about NICE's capacity to manage a higher volume of approvals alongside implementation of 10-Year Health Plan commitments. This means the system could face higher drug expenditure without achieving the anticipated scale or speed of adoption needed to deliver meaningful health benefits.

  Conversely, a potential increase in drug development and clinical trial activity in the UK could pave the way for greater and faster uptake of novel drugs over the long-term, as it allows for clinical expertise, infrastructure and professional buy-in to be built ahead of launch.

[10] https://www.ft.com/content/19b0e69f-3a06-4db1-94a9-f3fa6f59feff

[11] https://news.sky.com/story/starmer-accused-of-diverting-nhs-billions-to-appease-trump-13489684

[12] https://www.nhsconfed.org/publications/changes-medicines-policy-what-you-need-know

Call to Action: What Pharma Companies Should Do

Cheaper access to the world's largest pharma market and new pricing frameworks point to a more stable and predictable climate for research and manufacturing. However, details of the deal implementation – still to be clarified – and questions around the source of the NHS funding for higher drug costs will be critical to determine whether real-dollar investment will actually follow.

For now, here are some of the actions pharma companies should consider in response to new regulatory and pricing environment created by the UK-US trade deal:

- **Re-evaluate UK as a global or priority launch hub:** Higher NICE thresholds and changes to rebate mechanisms can enhance the UK's headline attractiveness for global and regional launch strategies. However, companies should take a nuanced view that accounts for NHS budget constraints, operational capacity and historically variable uptake. For example, firms should identify and target therapy areas aligned with NHS priorities where fast and broad adoption is realistic, and stress-test uptake scenarios against local implementation capacity, not just reimbursement outcomes.
- **Leverage deal momentum to deepen UK R&D partnerships:** While the limited duration of the agreement might deter large-scale capital commitments, the tariff relief and political emphasis on life sciences competitiveness should be used as a platform to strengthen existing partnerships with UK-based institutions and others in the local ecosystem. Similarly, greater levels of local R&D and clinical trial activity can support increased market access in the future by building clinician familiarity, infrastructure and professional advocacy.

> Firms should identify and target therapy areas aligned with NHS priorities.

- **Invest selectively on manufacturing and supply-chain footprint in the UK:** Re-examine the UK as a strategic location for targeted manufacturing and supply chain investments. Companies must prioritise modular, scalable and flexible investments (for example, fill-and-finish or secondary production that can be expanded over time) in the absence of more long-term regulatory certainty. UK sites should be positioned as part of a diversified supply-chain resilience strategy rather than as single points of dependency.

This is just one piece of the puzzle. There are several other looming policy changes that pharma companies must prepare for. Follow our "Navigating Global Pharma Policy" series for more insights on policy implications and strategic actions for pharma and biotech.

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