

# **ARRANGEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND ON PHARMACEUTICAL PRICING**

## **Context and Objectives**

Building on the General Terms of the United States of America–United Kingdom Economic Prosperity Deal (EPD) on May 8, 2025, in which President Donald J. Trump and Prime Minister Sir Keir Starmer committed to deliver shared prosperity for American and British Citizens alike, the United States and the United Kingdom announced on December 1, 2025, a preliminary understanding on pharmaceuticals trade and pricing.

This preliminary understanding recognized that:

- All countries must pay their fair share for the cost of pharmaceutical innovation through the prices they pay for new medicines, as well as funding and support for all stages of research and development;
- The United States and the United Kingdom share a mutual interest in developing a global medicines system that supports development and commercialization of new innovations;
- Taking additional steps to strengthen resilience in the United States and United Kingdom’s respective pharmaceutical supply chains is necessary to safeguard against future disruption;
- Improvements should be made to the overall environment for pharmaceutical companies operating in the United Kingdom;
- Innovative medicines must be able to reach patients more quickly; and
- Growth in the quality and volume of mutually beneficial trade between the United States and the United Kingdom will support the creation of good, high-paying jobs and economic growth in both countries.

The United States and the United Kingdom have two of the most intertwined life sciences sectors in the world. Collaboration between academics, researchers, clinicians, and policymakers has been unique in its scale and closeness, and this partnership has produced outcomes with substantial benefits for patients and for the global health system for several decades.

This arrangement strengthens this relationship: the Government of the United Kingdom will improve the overall operating environment for the pharmaceutical industry, and the Government of the United States will continue to value and support the United Kingdom’s assets of a diverse population, a rich

research and development capability and academic community, and world leading health data, which combine to create compelling conditions for innovation across both markets. The United Kingdom also supports the objectives of this United States administration to bring down the costs of healthcare for its citizens.

This document serves as a public record of the preliminary understanding of December 1, 2025, to set out the shared desires of the Governments of the United States and the United Kingdom to support positive patient outcomes through improved access to medicines, strong research and development, investment, and mutually beneficial trade.

## **I. Improving Patient Access to New Medicines in the United Kingdom**

1. The Government of the United Kingdom will double its spending on New Medicines as a proportion of its gross domestic product (GDP) from 0.3 percent in 2026 to 0.6 percent by 2036. In particular, the Government of the United Kingdom will:

- (a) spend at least 0.35 percent of its GDP on purchasing New Medicines by the end of 2028;
- (b) spend at least 0.40 percent of its GDP on purchasing New Medicines by the end of 2030;
- (c) spend at least 0.60 percent of its GDP on purchasing New Medicines by the end of 2036;
- (d) increase the percentage of the UK National Health Service (NHS) budget that is spent on medicines from 10 percent in 2026 to 12 percent by 2036.

2. The Government of the United Kingdom will increase the net price paid by the NHS for prospective New Medicines by 25 percent beginning in April 2026, while maintaining broad patient access and ensuring rapid and equitable adoption of those medicines within its territory. Net price means the average price for a pharmaceutical product paid by the NHS, net of discounts, rebates, and other price concessions. Prospective New Medicines refers to New Medicines launched in the United Kingdom after this arrangement takes effect. In particular, the Government of the United Kingdom will:

- (a) raise the National Institute for Health and Care Excellence (NICE) Quality-Adjusted Life Years (QALY) threshold from between £20,000 and £30,000 to between £25,000 and £35,000; and
- (b) introduce and adopt the EuroQol 5-level (EQ-5D).

3. The Government of the United Kingdom will ensure that the benefits of the net price increase for prospective New Medicines provided for in paragraph 2 are not offset or materially eroded by:

- (a) the imposition of increased or overly burdensome access barriers or stricter utilization management controls that offset the net price increase of prospective New Medicines by lowering the utilization of such medicines; or
- (b) increased discounts or rebates, including portfolio-wide concessions under the Voluntary Scheme for Branded Medicines Pricing, Access and Growth (VPAG), the Statutory Scheme, or any successor regime, or price discounts or retrospective payment requests contained in contractual supply arrangements such as Managed Access Agreements, Patient Access Schemes, and Framework Agreements.

## **II. Improving the Commercial Environment for Pharmaceuticals in the United Kingdom**

1. The Government of the United Kingdom will ensure that the repayment rate owed by companies under the VPAG scheme will decrease to 15.0 percent in 2026 and will remain at or below this level while the VPAG remains in force.

2. The Government of the United Kingdom will not circumvent the maximum repayment rate of 15.0 percent by the establishment of additional discounts, rebates, clawbacks, taxes, customs, or other regulatory fees. The Investment Programme will not exceed 1.0 percent throughout the next three years and will not be included in the calculation of the 15.0 percent maximum repayment rate. For greater certainty, for New Medicines the total effective rebate owed by companies under the combination of all portfolio-wide rebate programs will not exceed 16.0 percent while the current VPAG remains in force, and this will not be undermined through other measures.

3. The Government of the United Kingdom will update the Statutory Scheme to ensure broad commercial equivalence with the VPAG with respect to the repayment rate owed by companies.

4. The Government of the United Kingdom will establish an industry-government working group to consult on the design of a new scheme to replace the VPAG. The working group will consider novel solutions that work for both industry and government, such as outcome-based payments and a clear link between the scheme and wider industrial policy that result in substantially lower claw-back rates for medicines meeting certain conditions, alongside the potential for further refinement of differential QALY thresholds for different medicines.

5. The Government of the United Kingdom will develop this replacement scheme according to the following timeline:

- (a) the process of the development of options for the replacement scheme to begin with industry partners by January 1, 2026;
- (b) agreement on replacement scheme options to pilot by June 30, 2026;
- (c) launch of pilots by September 1, 2026;
- (d) assessment of initial results by September 1, 2027;
- (e) finalization of the terms of the replacement scheme by June 30, 2028; and
- (f) implementation of the replacement scheme, including any required revisions to specific industry contractual arrangements, by January 1, 2029.

### **III. Strengthening Medical Products Supply Chains**

1. The Governments of the United States and the United Kingdom will work together to support UK companies exporting to the United States to meet U.S. national security requirements for medical products. For purposes of this paragraph, such national security requirements will be risk-based and will be developed through consultation, as appropriate, between the Governments of the United States and the United Kingdom, taking into account mutually recognized quality, transparency, and supply chain resilience frameworks, including those relevant to public health preparedness and emergency response. In implementing this provision, the Governments of the United States and the United Kingdom will give particular attention to active pharmaceutical ingredients and key starting materials used in medicines and medical countermeasures of high public health or national security importance.

2. The Governments of the United States and the United Kingdom will establish a U.S.-UK Pharmaceutical Supply Chains Partnership to strengthen the security and resilience of their respective medicines supply chains through collaboration on crisis management, addressing identified shortages of critical medicines due to supply chain issues, and reducing reliance on non-market economies for key starting materials, as well as wider resilience-building activity. The Partnership will serve as a forum for regular dialogue among relevant trade, health, and supply chain authorities, including those responsible for public health preparedness and response. Initial areas of cooperation may include identification of shared supply chain vulnerabilities, information sharing related to shortages or disruptions affecting priority medicines and medical countermeasures, and the exchange of best practices to enhance surge manufacturing capacity and diversification of supply.

3. The Governments of the United States and United Kingdom will expeditiously negotiate commitments securing enhanced collaboration with respect to the reciprocal recognition of marketing authorization of medical devices in the context of the EPD, including commitments

relating to (i) post-marketing information exchange and (ii) alignment of regulatory approval processes.

4. The Governments of the United States and the United Kingdom will endeavor to explore opportunities, as appropriate, to expand regulatory cooperation and reliance approaches for other regulated medical products relevant to public health preparedness and emergency response. In the event of a significant disruption affecting pharmaceutical supply chains, the Governments of the United States and the United Kingdom will, as appropriate, seek timely consultation regarding measures affecting the availability of medicines, medical countermeasures, and critical inputs, with the objective of supporting continuity of supply and avoiding unnecessary diversion or disruption of agreed priority products.

#### **IV. Promoting Mutually Beneficial Trade and Investment between the United States and the United Kingdom**

1. To ensure that the Most-Favored-Nation (MFN) policies of the Government of the United States have the intended impact in the United States while also protecting patient access in the United Kingdom, the Government of the United States commits that:

- a. its investigation to determine the effects on U.S. national security of imports of pharmaceuticals and pharmaceutical ingredients, under Section 232, will result in no tariffs applied to pharmaceutical products (both patented and non-patented) of the United Kingdom during the period of January 1, 2026, through January 19, 2029, provided that all major United Kingdom pharmaceutical companies enter into, and adhere to the terms of, the MFN and Tariff Agreements negotiated with the U.S. Department of Health and Human Services and U.S. Department of Commerce, respectively. The Parties may decide, in writing, to extend this period;
- b. it will not subject pharmaceutical products (patented and non-patented) of the United Kingdom to any additional tariffs pursuant to any investigations under Section 301 of the Trade Act of 1974 (Section 301) during the period of December 1, 2025, through January 19, 2029. The Parties may decide, in writing, to extend this period;
- c. it will not subject medical technologies of the United Kingdom to any additional tariffs pursuant to any investigation under Section 232 or Section 301 during the period of December 1, 2025, through January 19, 2029. The Parties may decide, in writing, to extend this period; and
- d. it expects pharmaceutical companies to continue to launch New Medicines in the United Kingdom. In particular, the Government of the United States commits that—consistent with the provisions of the GENEROUS Model—where the United Kingdom’s price for a New Medicine is the lowest in the reference basket of

comparator countries, the Medicaid MFN price will not anchor on this lowest price. The Government of the United States also expects that, if the GLOBE and GUARD Models are finalized, companies will make use of the provisions in those models to mitigate the risks of launching new medicines in lower priced countries. The Government of the United States will also ensure that Center for Medicare and Medicaid Innovation demonstration models that include international drug pricing benchmarks are not designed in a way that uniquely disadvantages the United Kingdom under its current drug pricing system. The United States and the United Kingdom expect to work together so that pharmaceutical companies do not delay the launch of their innovative medicines in the United Kingdom.

## **V. Monitoring Progress**

1. The Governments of the United States and the United Kingdom confirm that the United States Secretary of Commerce, the United States Trade Representative, and the United States Secretary of Health & Human Services, or their designees, will meet with the United Kingdom Secretary of State for Business and Trade and the United Kingdom Secretary of State for Health, or their designees, annually to review the progress of this arrangement, including company behavior with respect to medicine launches in the United Kingdom.
2. The Governments of the United States and the United Kingdom may decide in writing to amend this arrangement.
3. This arrangement will come into immediate effect following its publication, and will place on record the understanding of the Governments of the United States and the United Kingdom, to support innovation, positive patient outcomes, and mutual prosperity between the United States and the United Kingdom.

## **VI. Termination**

1. This arrangement may be terminated by either the Government of the United States or the Government of the United Kingdom by giving the other Government notice in writing at least six months before the notice is to take effect.