United States Senate
WASHINGTON, DC 20510

November 4, 2026

The Honorable Robert F. Kennedy, Jr.
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

The Honorable Mehmet Oz, MD
Administrator
Centers for Medicare & Medicaid Services
Department of Health and Human Services
7500 Security Boulevard
Baltimore, MD 21244-1850

RE: Establishing a Domestic Medicine Incentive

Dear Administrator Oz and Secretary Kennedy:

We write today highlighting the need to reduce our country's over-reliance on foreign drug manufacturing, including through a proposed Medicare payment incentive for hospitals and clinics that use domestically manufactured essential medicines.

The Centers for Medicare & Medicaid Services (CMS) released a proposal in the FY 2027 Medicare Hospital Outpatient Prospective Payment System (OPPS) proposed rule outlining potential approaches to incentivize hospitals to procure domestically manufactured essential medicines. We appreciate that CMS's proposal recognizes how Medicare payment policy can align hospital purchasing decisions to better support domestic medical manufacturing and supply chain resiliency. This is a critical first step, and we encourage you to strengthen this proposal with additional policy levers, outlined below.

In recent years, numerous shortages[1] of essential medicines have demonstrated that vulnerabilities within our pharmaceutical supply chain carry immediate clinical consequences, leaving patients and providers with limited options for essential generics and acute-care medications. For example, shortages of essential generic chemotherapy agents have demonstrated the fragility of pharmaceutical supply chains and their direct impact on patient care, forcing providers in some areas to ration treatment.[2]

To mitigate our strategic dependence on foreign manufacturing hubs like India and China and protect patients from potentially life-threatening care disruptions, we urge the Department of Health and Human Services (HHS) to utilize targeted reimbursement incentives for health care facilities like those proposed in the FY 2027 OPPS proposed rule. This approach will help drive purchasing toward high-quality domestic facilities under U.S. regulatory jurisdiction, effectively tap into existing domestic production capabilities, and clearly communicate the federal commitment to strengthening onshore pharmaceutical manufacturing.

As you move toward final rulemaking on this proposal, we respectfully urge you to consider the following:

- **Expand the Incentive to Cover the Entire Essential Medicines List (EML)**: The Food and Drug Administration's (FDA) Essential Medicines List identifies medicines that are critical to national health care infrastructure and supply chain resiliency. Each of the medications on the EML represents a vital

[1] https://aspe.hhs.gov/sites/default/files/documents/efa332939da2064fa2c132bb8e842bb5/Drug%20Shortages_Data%20Brief_Final_2025.01.10.pdf
[2] https://www.gao.gov/assets/gao-25-107110.pdf

resource for health care providers and therefore must be available in adequate amounts to satisfy the health care needs of a population. Limiting the incentive to only a subset of the EML would distort purchasing decisions and leave clinically important medicines without meaningful support.

- **Predictable, Timely, and Adequate Payments:** CMS outlined several potential payment methodologies in the proposal. Both methodologies would reflect providers' use of qualifying products. We encourage CMS to permit health care providers to elect whichever payment methodology is easier for its specific institutional needs in order to ensure a streamlined payment mechanism that permits providers to receive these funds in a predictable manner that aligns with their purchasing cycles.
- **U.S.-Manufactured Pharmaceutical Products, including U.S. Active Pharmaceutical Ingredients (API) and Key Starting Materials (KSM)**: Bolstering U.S.-made pharmaceutical products, including U.S.-made API and KSM, is vitally important to the resiliency of American supply chains. Therefore, a payment incentive should recognize and reward domestic pharmaceutical manufacturing, with incentives for use of finished-dose products manufactured in the United States using Trade Agreement Act (TAA)-compliant API and higher incentives for US-manufactured finished doses that also use domestic API and KSM.

To secure health care infrastructure for the benefit of national security, patients, and providers, HHS should implement clear reimbursement incentives for utilizing U.S.-made essential drugs. This strategy activates existing, untapped domestic manufacturing capabilities and incentivizes fresh capital investment in American production, further protecting patient care from the dual threats of chronic drug shortages and global supply chain disruptions.

Thank you for your leadership and consideration. We stand ready to work with you to bolster the resilience of the American health care system.

Sincerely,

Marsha Blackburn
United States Senator

Adam B. Schiff
United States Senator

Rick Scott
United States Senator

Andy Kim
United States Senator

Ted Budd
United States Senator