IFPW FOCUS
A Bi-Weekly Pharmaceutical Industry Newsletter
Vol 33 | No. 19
September 25, 2025

The Reinvention of Healthcare – What is Pharma's Role?

(Source: An article written by Michael Gibney for PharmaVoice)

PwC has published a report that takes a long-term approach to the paradigm shifts in healthcare, and finds that efficiency in R&D and adaptable business models will define the drugmaker of the future.

In the healthcare industry, you are either willing to accept the next wave of innovation or you are firmly entrenched in the traditional ways of doing business, according to the report.

In embracing a "US$1 trillion opportunity" for reinvention, the future is for those who are willing to adapt. In terms of pharma's role in that healthcare transformation, the answer can be found in R&D efficiency and business diversification.

With a U.S. healthcare system that carries more than US$5 trillion in spending each year, PwC's report stated that US$1 trillion of that spending is expected to move away from fragmented infrastructure-heavy models and toward empowered "super consumers" and a digital-first, proactive and personalized system of care.

For pharma manufacturers, a rearrangement of that magnitude means stepping outside the comfort zone of conventional revenue streams toward ones that incorporate efficiency and self-sustainability, according to Philip Sclafani, PwC's pharmaceutical and life sciences lead. Sclafani said, "One hundred percent of every company's revenue is in the model that we have today, and that's the first barrier. There's a conservative nature to want to hold on to what works and where the revenue is and report quarterly those results to the markets, but there's got to be a willingness to gradually evolve."

From disruptive technological advancements to ever-evolving consumer models in the larger healthcare arena, Sclafani states that pharmaceutical companies need to stop trying to be everything to everyone and realize that consumer-driven segmented markets that are taking shape.

Driving the massive shift to incentive efficiency in healthcare are three factors: (1) a better understanding of science, technology and biology; (2) rapid, exponential adoption of tools like AI, robotics and monitoring; and (3) rising inflation of medical costs at approximately 8% per year.

For drugmakers, these factors set up a guide toward

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SAVE THE DATE!
IFPW'S 2026 CEO ROUNDTABLE
will be held April 15th & 16th
at the offices of
The Business Roundtable
in Washington D.C.
Watch for more information on event and hotel accommodations in the coming months.

In Brief...

- **Pfizer** has reached an agreement to acquire **Metsera** and its next generation obesity drug portfolio. The deal, potentially worth up to US$7.3 billion will be closed if Metsera meets certain performance goals. This acquisition would significantly strengthen Pfizer's position in the obesity drug market.
- U.K. pharma manufacturer **GSK** will invest US$30 billion in U.S. R&D and manufacturing. The investment is set to be spread across GSK's U.S. supply chain alongside drug discovery R&D and clinical development operations. During the five-year investment period, the U.S. is expected to host more of GSK's clinical trials than anywhere else in the world. The planned venture includes US$1.2 billion earmarked for advanced manufacturing, artificial intelligence and digital technologies starting with a new biologics "flex-factory" in Upper Merion, Pennsylvania, and expanding AI capabilities at the company's five manufacturing sites in Pennsylvania, North Carolina, Maryland and Montana.
- **Eli Lilly** has announced that the first location of four large-scale manufacturing facilities that it plans to build in the U.S. will be in Goochland County in the state of Virginia. The plant, estimated at a cost of US$5 billion will produce active pharmaceutical ingredients (APIs). The facility is part of a US$27 billion investment plan that the company laid out earlier this year, dubbed *"Lilly in America"*. Lilly expects to break ground in 2025.
- The U.S. Centers for Medicare and Medicaid Services (CMS) has opened up state applications for the five-year US$50 billion Rural Health Transformation Program intended to mitigate, in part, upcoming cuts to hospitals' Medicaid funding. The anticipated fund was authorized in the "One Big Beautiful Bill Act", allocating US$10 billion each year between fiscal year 2026 and 2030. Under the statute, half of the money will be distributed equally among all approved states with the

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McKesson Highlights Future Growth Strategies and New Organization Structure at Investor Day

(Source: Company Press Release)

At its 2025 Investor Day, McKesson's executive leadership team unveiled its multi-year strategic priorities and its long-term business growth outlook.

Among its priorities, McKesson will continue its significant progress in focusing on people and culture, strengthening North American pharmaceutical distribution, modernizing and accelerating its portfolio, and expanding oncology, multispecialty and biopharma services platforms.

Leadership also highlighted McKesson's differentiated assets and capabilities across its oncology, multispecialty and

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Reinvention of *(cont'd.)*...

improvements in how R&D is accomplished and how products reach patients, according to Sclafani. "There are better ways to discover molecules at scale and rapidly test and prototype products – what once took months or years now takes minutes," he stated. "Getting potential compounds all the way from concepts into a patient is the next frontier, and with the next wave making clinical trials faster and reducing failure rates, we're starting to see a major shift."

Where much of the mindset changes take root is in the early science from biotech startups and academic institutions, which are historically the places to take bigger risks for potentially bigger rewards. But that mindset is changing. "That engine is a little bit broken right now by public funding cuts at NIH, and the challenges in the model," Sclafani said. "It's another one of the risks"

According to PwC's report, pharma and the healthcare industry as a whole are at an inflection point. Leaders who preserve their business models for the short term will be forced out by faster-paced competitors.

The ones who adapt to the efficiencies becoming widely available at a more aggressive rate will take advantage of longer-term growth opportunities.

For more information on PwC's report, visit *https://www.pwc.com/us/en/industries/health-industries/library/future-of-health.html*

McKesson *(cont'd.)*...

biopharma services with a continued focus on positioning the company to lead in high-growth markets and improve patient outcomes.

A new organizational structure was introduced to reflect McKesson's sharpened focus on accelerating growth, enhancing transparency, capital allocation and shareholder value creation. The newly defined segments are North American Pharmaceutical, Oncology and Multispecialty, Prescription Technology Solutions, Medical-Surgical Solutions, and Other which includes distribution and retail operations in Norway.

McKesson is also initiating long-term adjusted segment operating profit growth targets for its newly defined segments as follows: North American Pharmaceutical 5%-8%; Oncology and Multispecialty 13%-16%; and Prescription Technology Solutions 10%-13%.

The company also updated Fiscal 2026 guidance and a long-term outlook that underscores the company's commitment to shareholder value creation.

"Our strong track record and sustained success, built on operational excellence and disciplined execution, positions us well to advance our strategy and deliver meaningful impact across the healthcare ecosystem," said Brian Tyler, chief executive officer. "As we continued to strengthen our position and accelerate our strategic priorities, we remain focused on driving sustainable growth and creating long-term value of our shareholders."

McKesson continues to strengthen its portfolio of differentiated assets and capabilities, advancing healthcare outcomes for all and is well-positioned to capture long-term growth opportunities.

In Brief (cont.)

remaining half flowing at the CMS' discretion with the broad goal of strengthening rural providers and communities.

- Proven heart health benefits and falling prices have boosted the cost-effectiveness of GLP-1 drugs, according to the **Institute for Clinical and Economic Review (ICER)**. At the top of the list for value for money is *semaglutid*e (marketed as *Ozempic* and *Wegovy* by **Novo Nordisk**) and *tirzepatide* (marketed as *Mounjaro* and *Zepbound* by **Eli Lilly**.) ICER's draft report highlights significant price reductions since 2022. The report further notes that *semaglutide* has demonstrated cardiovascular benefits while *tirzepatide*, though yielding greater weight loss with possibly fewer side effects, hasn't yet shown the same level of heart health evidence.
- A new platform, *VerabindTau*, by **Veravas** has shown promise in finding biomarkers indicating presymptomatic Alzheimer's in patients. The blood test as has "96% sensitivity, 90% specificity and 92% agreement with the tau PET imaging" by isolating and measuring not just the tau proteins circulating in the blood, but which ones are activated and likely to cause cognitive decline. Available as a lab test, Veravas is looking for clinical clearance by the **U.S. Food and Drug Administration** following results released in summer of 2025.
- A study by **Mt. Sinai Hospital** and the **Harvard T.H. Chan School of Public Health** released a report that examines the relationship between the pain medication Tylenol (acetaminophen) and autism in children when used by women during pregnancy. **Martin Makary, M.D.**, FDA Commissioner, noted in a letter to physicians dated September 22 to "consider minimizing" the use of acetaminophen during pregnancy to treat "low-grade fevers" and that "consideration should also be balanced with the fact that acetaminophen is the safest over-the-counter alternative in pregnancy among all analgesics and antipyretics" and further clarifies a causal relationship between acetaminophen and autism has not yet been established.
- Japan's Cabinet Secretariat informed ruling party lawmakers that generic drugs, as well as their ingredients and chemical precursors, will be excluded from tariffs, as finalized under a recently signed U.S executive order. The update was delivered to the Liberal Democratic Party's task force on U.S. tariff measures. According to briefing materials, these items will effectively be tariff-free, alongside natural resources unavailable in the U.S. The specifics, such as which products qualify and when the exemptions will take effect will require further clarification, as directed by the U.S. Secretary of Commerce.
- South Korea-based **Samsung Biologics** continues to ink contracting deals with U.S. drugmakers, despite uncertainty surrounding the current U.S. Administration's trade policy. The latest deal with an unnamed U.S. pharmaceutical company is worth an estimated US$1.3 billion. The contract will run through December 31, 2029, but Samsung Bio noted the contract timeline could change.

(Sources: Company Press Releases, Drug Store News, The Economic Times, Fierce Pharma, Pharma Japan, and Quartz Daily)