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Drug Makers Face Headwinds in 2026, but MFN Is Not Expected to Pose a Significant Challenge

(Source: An article by Jessica Merrill for Scrip)

As large-cap pharmaceutical manufacturers outline their 2026 outlooks, the operating environment points to modest sector growth, with flat to low single-digit revenue projections for many companies. While political attention has centered on the Trump administration's Most Favored Nation (MFN) pricing framework, industry commentary suggests that losses of exclusivity (LOEs), Medicare price negotiations under the Inflation Reduction Act (IRA), and competitive pressures represent more material near-term headwinds. For distributors and wholesalers, this distinction is critical: volume mix shifts driven by patent cliffs are likely to have greater channel impact than MFN price adjustments alone.

LOEs are expected to drive billions in branded revenue erosion in 2026, with companies such as Merck, Pfizer, and Novartis highlighting significant generic competition impacts. As high revenue brands lose exclusivity, distributors should anticipate accelerated conversion to lower-cost generics. While generic penetration typically increases unit volumes moving through wholesale channels, it also compresses dollar throughput per prescription. This shift may pressure top-line distribution revenues unless offset by volume growth, private-label generics participation, or improved generic sourcing economics.

By contrast, MFN-related pricing agreements, though widely adopted in 2025, appear to have been incorporated into manufacturer guidance with relatively limited projected financial disruption. Several companies characterized the impact as manageable, and in some cases MFN was not emphasized during earnings discussions. For distributors, this suggests that immediate margin dislocation from MFN price resets may be less severe than originally feared. However, lower list prices on select branded products—particularly those distributed through Medicaid or the TrumpRx platform—could reduce absolute dollar margins where fees are tied to product cost.

Novo Nordisk stands out as a potential outlier, forecasting a meaningful U.S. sales decline partially due to MFN-driven pricing reductions. Given the scale of GLP-1 category growth, any deceleration in branded obesity and diabetes revenue may influence category mix within specialty distribution. However, other manufacturers, including Lilly, anticipate volume offsets through expanded coverage and international growth, reinforcing the likelihood that demand fundamentals for high-growth specialty categories remain intact.

A longer-term consideration for distributors lies in global launch strategy. Under MFN-related parity commitments, manufacturers may reevaluate international launch sequencing to avoid adverse U.S. pricing implications. Slower or more selective global launches could alter product flow timing across markets,

(continued on page 2)

In Brief...

- **Merck & Co.** will reorganize its human health business unit into two separate business groups – oncology and specialty, and pharma & infectious diseases – to better support its commercial expansion beyond *Keytruda (pembrolizumab)*. The company announced the new structure on Feb. 23, stating that it will "ensure strong commercial execution of launches across diverse therapeutic areas." Human Health president *Jamie Oosthuizen* will lead the oncology business unit as president of oncology and **MSD International**, while the company has hired *Brian Ford* as president-of specialty, pharma and infectious disease. Ford joins Merck from **Sanofi**, where he most recently served as executive VP and head of the specialty care business unit, overseeing immunology, neurology, oncology and rare diseases.
- **McKesson** announced results for the third quarter of 2026, with consolidated revenues of US$106.2 billion up 11% from the previous year. "McKesson delivered another strong quarter, extending the momentum we've built across the enterprise and demonstrating the impact of our disciplined execution," said *Brian Tyler*, McKesson's chief executive officer. "Our results highlight the strength of our core distribution businesses and the meaningful progress we are making against our priorities." The company also closed the transaction to sell its Norwegian retail and distribution businesses to **NorgesGruppen**. The deal closed on January 30 2026.
- *Keisuke Kotan*, **Novo Nordisk's** newly appointed president in Japan, has set a goal of lifting domestic sales to double-digit growth in 2026 with its obesity drug, *Wegovy,* as its main

(continued on page 2)

India's US$10.7 billion OTC Opportunity

(Source: An article by Anju Ghangurde for Scrip)

India's projected expansion of the OTC market to approximately US$10.6 billion by 2030 represents not only a strategic growth lever for manufacturers, but a structural opportunity for pharmaceutical distributors and wholesalers. With the market expected to grow at a 13% CAGR—nearly doubling from its 2024 value—OTC products are positioned to become an increasingly material share of pharmaceutical trade flows. As India remains significantly underpenetrated in per capita OTC spending (US$5–6 versus global averages above US$50), distribution infrastructure will play a critical role in unlocking latent demand across both urban and semi-urban markets.

Unlike traditional prescription pharmaceuticals, OTC growth is being driven by consumerization, brand-building, and omnichannel access. Survey data shows pharmacists remain the

(continued on page 2)

Drug Makers Face *(cont'd.)*...

potentially affecting multinational distribution networks and specialty product onboarding cadence.

Overall, 2026 appears positioned to be a year of portfolio transition rather than structural pricing disruption. For wholesalers, the dominant themes are generic conversion, specialty mix management, and navigating IRA-driven reimbursement shifts while MFN pricing, though politically prominent, currently presents a more contained operational impact. Strategic focus on generic sourcing optimization, specialty distribution capabilities, and contract alignment with manufacturers will be essential to protect margin and capture share in a slower-growth branded environment.

India's OTC *(cont'd.)...*

dominant purchase channel in pain relief and chronic categories (67–80%), reinforcing the continued importance of pharmacy-based distribution networks. However, wellness and repeat-purchase categories are increasingly migrating online, where over half of consumers demonstrate purchasing preference. For distributors, this signals a dual-channel imperative that emphasizes strengthening relationships with retail pharmacies while simultaneously integrating with e-commerce platforms and emerging digital health marketplaces.

The carve-out of dedicated OTC divisions by major pharmaceutical manufacturers further changes the commercial dynamic. Stand-alone consumer health businesses are deploying FMCG-style strategies—faster SKU proliferation, promotional intensity, seasonal demand spikes, and brand-led pull strategies. This will require distributors to adapt forecasting models, working capital planning, and inventory management processes to accommodate higher SKU variability and more consumer-driven demand cycles. OTC portfolios may exhibit greater volatility around promotional campaigns and digital activations compared to Rx products, necessitating tighter data visibility and more agile replenishment capabilities.

Successful Rx-to-OTC brand switches—such as *Volini*, *Pediasure, Shelcal,* and *Candid*—demonstrate the scale potential when brand equity, retail visibility, and distribution breadth align. For wholesalers, these transitions can materially increase volume throughput, but also introduce new compliance and labeling considerations depending on final regulatory classification. As regulatory reform progresses, distributors will need to closely monitor changes to pack-size limits, licensing norms, labeling standards, and potential non-pharmacy retail permissions, as these could reshape channel economics and competitive intensity. Regulatory clarity remains the pivotal swing factor. India's current OTC framework operates within a grey zone, defined largely by exclusion from prescription schedules. Proposed reforms—including the establishment of a dedicated OTC schedule and defined licensing pathways—could standardize product classification and enable broader retail access. While expanded OTC availability could increase total market volume, trade associations have raised concerns about pharmacist oversight and counterfeit risks, highlighting the continued importance of robust, compliant distribution networks.

India's OTC expansion represents more than incremental portfolio growth—it signals a shift toward higher consumer engagement, brand-driven demand, and channel diversification. Distributors that invest early in omnichannel integration, demand analytics, flexible inventory systems, and regulatory monitoring capabilities will be best positioned to capture share in this evolving segment. As manufacturers reposition toward consumer health, distribution partners will become increasingly strategic enablers of scale, availability, and compliant market expansion.

In Brief (cont.)

driver. Kotani said Novo will purse a dual strategy of expanding disease awareness and improving treatment access for obesity. Novo's Japan sales rose 3.6% year-over-year in 2024.

- As the effects of the U.S. and Israel's attack on Iran are felt, multiple drugmakers operating in the region are working to ensure their workforces' safety and committing to the continued access to medicines in countries across the region struck by the unfolding conflict. Amid the uncertainty, major pharmaceutical manufacturers with operations in the Middle East are working to keep employees safe as they strive to navigate potential disruptions in the supply chain.
- The Trump administration repealed the Obama-era scientific finding that serves as the legal basis for federal greenhouse-gas regulation, according to officials. This is the most far-reaching rollback of U.S climate policy to date. The reversal targets the 2009 "endangerment finding" which concluded that six greenhouse gases pose a threat to public health and welfare. The finding provided the legal underpinning for the **US Environmental Protection Agency's** climate rules limiting emissions from power plants and tightened fuel-economy standards for vehicles under the *Clean Air Act*.
- **OpenAI** has rolled out a suite of tools for healthcare enterprises. The goal of *OpenAI for Healthcare* is to assist organizations deliver more consistent and high-quality care while maintaining Health Insurance Portability and Accountability (HIPAA) compliance. The announcement follows OpenAI's **ChatGPT Health** to help consumers understand their health information and get personalized answers to medical questions.
- **Moderna** and the Mexican government are partnering to foster a local mRNA ecosystem with a five-year agreement that will supply the country with Moderna's respiratory vaccine portfolio. The deal comes in the form of a Memorandum of Understanding between Moderna, the Mexican government and its federally-owned **Laboratorios de Biológicos Reactivos de México (BIRMEX)**, as well as private local pharma **Laboratorios Liomont**. Moderna is "proud to support Mexico in its mission to strengthen national health security," CEOE *Stéphane Bancel* said in a press release. Additionally, Moderna and the Mexican government will also join forces to work on local clinical research and development programs based on the country's health priorities.

(Sources: Company Press Releases, Drug Store News, FiercePharma, PharmaVoice, and Scrip Citeline)