European Healthcare Policy 2026 Preview

The EU's Healthcare Policy Moment

Why Policy Will Drive More Opportunities and Risks in the EU Healthcare Sphere

CAPSTONE

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European Healthcare Policy 2026 Preview:

THE BOTTOM LINE

Capstone expects three key developments to shape European healthcare markets in 2026. First, tariff threats from the Trump administration are likely to push modest increases in EU drug prices, benefiting manufacturers and pharmacies while raising costs for payors. Second, the European Union will advance the details of its pharmaceutical reform agenda, with mixed implications across the sector. Third, regulators are expected to maintain close scrutiny of private equity ownership.

Outlook at a Glance

- TRUMP TARIFF THREATS TO SPUR MORE MFN AGREEMENTS IN EUROPE; MODERATE DRUG PRICE INCREASES POSE TAILWINDS FOR MANUFACTURERS AND PHARMACIES, HEADWINDS FOR PAYORS
- ORIGINATOR MANUFACTURERS PREPARE FOR HEADWINDS AS EU IRONS OUT IMPLEMENTATION DETAILS FOLLOWING PHARMA REFORM DEAL; GENERIC MAKERS TO SEE MODEST TAILWINDS
- EU REGULATORS TO CONTINUE PE TRANSACTION SCRUTINY IN 2026, BUT COMPREHENSIVE OWNERSHIP LEGISLATION IS UNLIKELY

Trump Tariff Threats to Spur More MFN Agreements in Europe; Moderate Drug Price Increases Pose Tailwinds for Manufacturers and Pharmacies, Headwinds for Payors

Winners	EU-based Drug Manufacturers, Pharmacies
Losers	Payors

Capstone expects the Trump administration's Most Favored Nations strategy to drive additional drug pricing agreements across Europe in 2026 as European governments look to strike deals to avoid pharmaceutical tariffs.

MFN PRICE INCREASES

The administration has already used the threat of tariffs to secure favorable MFN deals with major manufacturers. For example, earlier in 2025, Bristol-Myers Squibb Co. (BMY), AbbVie Inc. (ABBV), and Eli Lilly and Co. (LLY) pledged to increase list prices for certain new and existing drugs in the UK to align them more closely with US prices. While list price increases can be mitigated by manufacturer rebates, the Trump administration's deal with the UK includes provisions to prevent this. Per the agreement signed in December, the UK will take measures to raise net prices of new drugs in exchange for the exemption of UK-origin pharmaceuticals and pharmaceutical ingredients from Section 232 tariffs and the exemption of UK drug pricing practices from future Section 301 investigations.

These measures will include reducing clawback rates for manufacturers to 15% (from 23.5%) through at least 2028 and raising the cost-effectiveness threshold at which the UK deems new treatments to be too expensive by 25%. The threshold increase will allow a subset of moderately more expensive products to be reimbursed in the UK but does not translate directly into a net price increase for new or existing drugs.

Capstone believes the administration will continue to use tariff threats to pressure other European countries to sign similar agreements. The specific terms of each agreement will vary depending on each country's unique drug pricing regime but are likely to include modest changes to existing price control regimes in exchange for tariff exemptions, in line with the UK deal. Deals are unlikely to result in the magnitude of net price increases sought by the Trump administration, but manufacturers will still see modest gains from favorable changes to reimbursement and price control measures. Pharmacies, which often operate based on fixed percent margins, may see modest tailwinds from higher net prices.

Originator Manufacturers to Prepare for Headwinds as EU Irons Out Implementation Details Following Pharma Reform Deal; Generics Makers to See Modest Tailwinds

Winners	Generic manufacturers
Losers	Originator manufacturers

Capstone believes the EU's recently finalized pharmaceutical reforms will be positive for generic drug makers and moderately negative for originator manufacturers. The reform package includes an incentive-based exclusivity structure and a mandatory launch provision that would require manufacturers to supply products to unprofitable markets. Most provisions of the legislation are expected to take effect at the beginning of 2028, with the EU to develop guidance and implementation details in 2026.

EU PHARMA REFORM PACKAGE

In 2023, the European Commission proposed a package of reforms that would restructure the EU's current patent exclusivity system by tying exclusivity periods to a series of incentives. The goal of the reforms is to streamline generic market entry and incentivize EU-based research and development. The Commission's original proposal cut baseline exclusivity periods from eight to six years, with manufacturers able to gain up to two additional years of exclusivity for meeting strategic benchmarks like conducting EU-based clinical trials and developing new antimicrobials. The provisional agreement reached in December by the Council and Parliament is generally weaker than the Commission's initial proposal. It maintains the current eight-year period and allows manufacturers to earn up to eleven total years of exclusivity for meeting benchmarks like addressing an unmet medical need and conducting clinical trials in the EU.

However, the agreement also includes Article 56a, which allows Member States to require a manufacturer to supply a drug in their market. Currently, manufacturers have discretion to launch products only in some EU markets. Many manufacturers refrain from launching products in some Member States, usually those that are smaller and unable to offer adequate reimbursement. Article 56a aims to increase equitable access to innovative drugs across the EU by requiring manufacturers to supply products to markets that would otherwise be considered unprofitable. Failure to comply within three years will result in a reduction to the product's exclusivity period in the requesting Member State. However, specific aspects of how this provision will be enforced still need to be ironed out in subsequent guidance and it remains to be seen how aggressively Member States intend to use this new authority.

Overall, the final legislation is significantly weaker than the Commission's original proposal, as it maintains existing data protection periods. The legislation will likely result in some modest headwinds for originator manufacturers due to streamlined generic entry, mandatory launch provisions, and more onerous shortage monitoring. In contrast, it is generally positive for generic manufacturers who will benefit from an expanded Bolar exemption (which allows generics to conduct research and testing on patented drugs before the patent expires) and who are excluded from mandatory launch requirements (although the impacts are less positive than under the initial proposal).

The Council and Parliament must now formally endorse the legislation. Over the course of 2026, the EU will develop more specific guidance and iron out implementation details. Most provisions are currently expected to take effect in 2028.

EU Regulators to Continue PE Transaction Scrutiny in 2026, But Comprehensive Ownership Legislation Unlikely

Winners	Non-patient-facing service providers such as back-end providers, ancillary and third-party services, healthcare operating infrastructure
Losers	Provider chains

Capstone believes growing concerns about private equity (PE) investment in healthcare will prompt greater transaction scrutiny in 2026, but we do not expect comprehensive regulations to be implemented. Where regulations are enacted, we expect these to be similar to existing corporate practice of medicine (CPOM) and merger and acquisition (M&A) laws enacted in the US, which have not significantly restricted PE activity.

Public health systems in Europe have historically provided few avenues for private investment, resulting in a regulatory environment that lags behind the US in terms of PE ownership and CPOM. However, over the past decade, European markets have opened up new opportunities for private investment in the healthcare sector, prompting concerns about the impacts of PE ownership. Several countries have ramped up scrutiny of transactions in the healthcare space. Notably, authorities in the Netherlands and the UK have launched investi-

gations into several consumer-facing industries. Scrutiny thus far has focused mainly on anti-competitive practices by provider groups, with some regulators specifically calling out provider roll-ups as a target for intervention. Less consumer-facing entities, like back-office and third-party services providers, are likely to remain more insulated from scrutiny.

While transaction scrutiny and antitrust enforcement have increased, policies restricting PE ownership and CPOM have been relatively sparse. Some of the strongest reactions to PE ownership have been in Germany, given opportunities for investment in ambulatory care centers (MVZs). In 2024, Health Minister Karl Lauterbach proposed aggressive reforms such as geographic- and specialty-specific ownership restrictions aimed at limiting PE investment in MVZs. However, Lauterbach failed to garner sufficient support for his proposal and measures were not included in major healthcare reform legislation that subsequently passed in 2024. Lauterbach's failure to push through these changes suggests that strict PE ownership regulations are likely to face an uphill battle, although political support will vary across different countries.

Overall, the EU's response to PE ownership concerns has been largely reactionary and heavily focused on transaction-level enforcement. Capstone believes Europe's regulatory environment is still in an early development phase, with material reforms unlikely in 2026. CPOM legislation is likely to be the next step for many countries—but based on how these laws have unfolded in the US, Capstone does not expect them to materially restrict PE activity in European healthcare.