

## Premier Supply Chain Special Report Impacts on Tariffs to Healthcare

### February 4, 2025 | Supply Chain Update: Tariffs and Trade Impacts

**Note** – This information continues to be dynamic and is current as of February 4<sup>th</sup>. All updates continue to be shared on the Tariff Policy Update [community](#).

#### Trump Administration Adjusts Tariff Strategy on Canada, Mexico, and China

On February 1, President Trump signed executive orders implementing **new tariffs on imports from Canada, Mexico, and China**. These tariffs were initially set at **25% on Canada and Mexico** and **10% on China** as part of a broader strategy the administration cites as addressing illegal immigration and drug trafficking.

**Tariff Delay:** As of February 3, **the tariffs on Mexican imports have been paused for 30 days** following an agreement between the U.S. and Mexico and President Sheinbaum announcing additional security forces to be deployed to Mexico's northern border.

**Tariff Delay:** As of February 3, **the tariffs on Canadian imports have been paused for 30 days** following an agreement between the U.S. and Canada. President Trump [announced](#) the pause after Canada committed to a \$1.3 billion border reinforcement plan, which will enhance border security with new helicopters, technology, personnel, and resources to combat fentanyl trafficking.

**China Tariffs Took Effect on Feb. 4** – A **10% tariff** now applies to all Chinese imports, with **no exception process announced** for key industries.

In response to the U.S. tariffs, China has [introduced](#) **export controls on rare earth minerals** and other essential components for semiconductor and high-tech manufacturing, including **tungsten, tellurium, bismuth, molybdenum, and indium**.

Following the midnight implementation of **Trump's 10% tariffs on Chinese imports**, China has also announced additional tariffs effective **February 10**:

- **15% tariff** on **coal and natural gas** imported from the U.S.
- **10% tariff** on **crude oil, agricultural machinery, large cars, and pickup trucks**.

At this time, the retaliatory measures appear to primarily target goods that heavily support industries such as high-tech, aerospace, automotive, and electronics manufacturing. **Bismuth**, however, is used in medical device imaging as a contrast agent and as a shielding material to reduce radiation exposure, as well as in some pharmaceutical applications. In 2025, China accounted for 81% of the world's bismuth production (Source: [USGS Mineral Commodity Summary](#), 2025).

## Premier's GPO Contract Model is Designed to Protect Against Inflationary Pressures, Including Tariffs

In today's rapidly evolving economic environment, market volatility – driven by tariffs, taxes, surcharges, and inflationary pressures – can significantly impact supply chain costs. However, Premier's GPO contracting model is specifically designed to provide healthcare providers with long-term price stability and protection, ensuring that essential medical supplies, pharmaceuticals, and healthcare products remain affordable and accessible.

**Fast Fact:** More than 95% of Premier's contracts contain price protection language that exists for part of or the full term of the agreements, helping to effectively mitigate exposure to sudden cost surges caused by external factors like trade policies, fuel price spikes, and global supply chain disruptions.

These protections allow healthcare providers to forecast budgets with confidence, ensuring continuity of supply at predictable costs, regardless of sudden economic shifts.

Recent policy changes, such as newly imposed tariffs on imports from Canada, Mexico, and China, highlight the importance of having **contractual safeguards that prevent sudden cost pass-throughs**. Unlike spot-market or short-term pricing models that leave buyers exposed to immediate price increases, Premier's agreements are structured to limit or entirely shield healthcare providers from short-term cost escalations, ensuring that patient care is not compromised by supply chain disruptions.

### [Premier Supply Chain Insights](#)

#### Manufacturing Country of Origin

As part of our competitive bidding process, Premier's GPO **member-led sourcing committees** receive country of origin from suppliers at the category level. This information is used to determine and evaluate the geographical manufacturing footprint for each participating supplier and the category. The information is ultimately surfaced in Premier's contract launch toolkits for field teams and members to use as needed. Refer to [Supply Chain Advisor](#) (login required) for examples.

#### Understanding Complexities in Healthcare Supply Chains

Forecasting potential price increases for projected tariffs comes with complexity and nuance, regardless of whether it involves medical devices, food, or pharmaceuticals. It is challenging to quantify the precise financial contract price impact of items faced with tariffs due to several limitations and assumptions.

- The healthcare industry currently lacks complete visibility into production volumes (sub-components and finished products) at specific manufacturing sites globally. For instance, if a supplier operates in China, Canada, Mexico, and the U.S., one cannot determine the level of exposure without knowing the production volume split across these countries.
- Additionally, data is not readily available at the SKU, API, or sub-component levels, making it difficult to pinpoint the manufacturing locations of specific products within each contracted device or drug category.

- A supplier’s own supply chain configuration is always evolving to accommodate optimal supply chain conditions amid changing markets. Suppliers within healthcare often regularly review their own sourcing and resiliency strategies (e.g., inventory levels, raw material suppliers, manufacturing partners and locations) to ensure manufacturing continuity while providing customers with a quality product at a competitive cost.

## Category Risk Review

Given price protections exist in most of our agreements, Premier is evaluating contracts that are launching into the market over the next six months to identify where there might be potential risk for price increases ahead of the scheduled launch. As there is still uncertainty regarding the final timeline of the 10% China tariff, Premier’s sourcing teams will remain in active discussions and negotiations with suppliers to ensure best-in-market pricing for Premier GPO members. In addition, our suppliers will be sharing any projected price impacts as well as any resiliency strategies that would mitigate cost increases for their own organization and their customers.

In almost all categories, Premier’s contracted supplier portfolio has diversified manufacturing locations across the globe. In the below table, Premier has identified contracts with some manufacturing exposure in China and that are also up for contract renewal in the next six months. By being able to focus on this targeted subset of our portfolio, Premier’s contracting teams can have meaningful discussions to minimize cost pressures to GPO members while ensuring continuity of supply chain.

Contract Number	Category	Supplier	Suppliers in Category	Supplier Submitted Manufacturing Locations	Current Price Protection
PP-OR-2502	Patient Prep Clippers Blades	Becton Dickinson	2	China, Oklahoma, Japan	12 Months
PP-NS-2048 AD-NS-2048	Suture Removal and Laceration Trays	Medline	4	China, Mexico, Illinois	National – 12 Months AscenDrive – Firm for Term
PP-NS-2060	General Urological Products	Medline	3	Illinois, China, Japan, Mexico	Firm for Term
PP-OR-2543 AD-OR-2543 SP-OR-2543	OR Equipment Drapes	Advance Medical Designs	7	Georgia, China	National – 12 Months AscenDrive & SURPASS – Firm for Term
PP-OR-2547 AD-OR-2547	OR Equipment Drapes	Tidi Products	7	Wisconsin, China	Firm for Term
PP-OR-2037	Surgeon Gloves	Medline	6	China, Mexico, Illinois	12 Months

## [Supply Chain Resiliency - GPO Member Resources:](#)

For the healthcare industry, the increased tariffs on medical products like syringes, needles, personal protective equipment (PPE), and medical/surgical gloves may lead to higher costs for in these markets over time; however, **Premier's contract language helps protect our members from direct price increases related to tariffs, mitigating the immediate impact.**

**Our contract language includes additional pricing protections across our agreements, many with firm-fixed pricing for the term, or pricing that is capped to a specific raw material index.** It is common to have pricing escalators (at fixed rates) and de-escalators in Premier's agreements.

**Force Majeure protections also exist.** Based on our contract language, generally, courts do not consider cost escalations resulting from tariffs as valid grounds for triggering force majeure provisions.

Looking ahead, the tariff increases are expected to incentivize domestic manufacturing and diversification of supply chains, reducing overreliance on Chinese/Canadian/Mexican imports for essential medical products.

Premier's Disaster Preparedness and Response team continues to monitor the situation daily, posting supplier-reported updates, healthcare impacts and all the latest developments. For more information, visit the dedicated resource page for GPO members [linked here](#) (PINC AI™ login required).

For questions about your Premier contracts, reach out to your dedicated Region Director or applicable contract manager.