

**Statement  
of the  
American Hospital Association  
for the  
United States Senate  
Committee on Finance  
“Trade in Critical Supply Chains”  
May 14, 2025**

On behalf of our nearly 5,000 member hospitals and health systems and other health care organizations, our clinician partners — including more than 270,000 affiliated physicians, 2 million nurses and other caregivers — the American Hospital Association (AHA) appreciates the opportunity to submit this statement for the record to the Senate Committee on Finance regarding the importance of trade in critical supply chains.

**TRADE IN CRITICAL SUPPLY CHAINS: CHALLENGES**

The AHA believes it is necessary to strengthen the domestic supply chain for essential pharmaceutical and other medical products and recognizes the value of reducing reliance on international sources. We are also aware that achieving this goal will require significant time due to the logistical complexity and resources involved in reorienting medical and pharmaceutical supply chains.

**Access Disruption**

Each day in America’s hospitals and health systems, patients receive safe and effective care from provider teams using a wide array of pharmaceuticals and medical devices. Patients’ lives depend on the ready availability of drugs and devices to respond to emergent conditions like heart attacks and infections, and other critical illnesses like cancer and organ failure. The medical supply chains for pharmaceutical products and other medical devices are highly complex and require hospitals to draw on domestic and international sources. These supply chains are also prone to significant disruption



from a wide range of factors, including transportation interruptions, natural disasters, raw materials shortages and production breakdowns.

Despite ongoing efforts to bolster the domestic supply chain, international sources supply a significant proportion of essential medical goods. For example, nearly 70% of medical devices marketed in the U.S. are manufactured exclusively overseas.<sup>1</sup> In 2024 alone, the U.S. imported over \$75 billion in medical devices and supplies, according to AHA analysis of Census Bureau data. These imports include many low-margin, high-use essentials in hospital settings necessary for patient care. Some of these devices are single-use, designed to protect patients from infection, such as single-use blood pressure cuffs, stethoscope covers and sterile drapes. Others are small devices used ubiquitously in hospitals, such as anesthesia instruments, cautery pencils, needles, syringes and pulse oximeters. Disruption in the availability of these devices would curtail hospitals' ability to perform life-saving surgeries and keep patients safe from contagion, as well as hinder providers' ability to effectively diagnose, monitor and treat patients.

Many pharmaceuticals are also sourced from overseas. For example, U.S. providers import many cancer and cardiovascular medications, immunosuppressives, antibiotics and combination antibiotics. For many patients, even a temporary disruption in their access to these needed medications could put them at significant risk of harm, including death. Carefully planned chemotherapy treatments and antibiotic schedules are essential to giving patients the best chance of overcoming their diseases. Similarly, the provision of necessary cardiovascular medications must be continuous to preserve their cardiovascular health. As of the first quarter of 2025, there are 270 drugs on the active shortage list, including lingering shortages of intravenous (IV) fluids stemming from the impacts of Hurricane Helene on a large North Carolina production facility.<sup>2</sup> A recent Government Accountability Office analysis also found that the duration of drug shortages has increased, with nearly 60% of drug shortages lasting two or more years in 2024, compared to only one-third of shortages lasting that long in 2019.<sup>3</sup>

In addition to finished pharmaceutical products, the U.S. sources many raw ingredients internationally for pharmaceuticals. These raw ingredients are commonly known as active pharmaceutical ingredients (APIs) and are the most important components of any pharmaceutical manufacturer's supply chain. The U.S. gets nearly 30% of its APIs from China, and according to a 2023 Department of Health and Human Services estimate, over 90% of generic sterile injectable drugs — including many chemotherapy treatments and antibiotics — depend on APIs from either India or China.<sup>4</sup> This means that trade

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<sup>1</sup> <https://www.medicaldevice-network.com/analyst-comment/trump-tariffs-us-medical-device-market/>

<sup>2</sup> <https://www.ashp.org/drug-shortages/shortage-resources/drug-shortages-statistics>

<sup>3</sup> Drug Shortages: HHS Should Implement a Mechanism to Coordinate Its Activities GAO-25-107110. Apr. 09, 2025. Publicly Released: Apr 09, 2025.

<sup>4</sup> <https://aspe.hhs.gov/sites/default/files/documents/3a9df8acf50e7fda2e443f025d51d038/HHS-White-Paper-Preventing-Shortages-Supply-Chain-Vulnerabilities.pdf>

disruptions and other shortage events limit the ability of American drug manufacturers to produce critical drugs even here in the U.S. <sup>5</sup>

## **Increased Costs**

Tariffs on medical imports could significantly raise costs for hospitals. A recent survey found that 82% of health care experts expect tariff-related expenses to raise hospital costs by at least 15% over the next six months, and 94% of health care administrators expect to delay equipment upgrades to manage financial strain.<sup>6</sup> Tariffs also may force hospitals to seek new vendors — often at higher cost or with lower reliability. In fact, 90% of supply chain professionals expect procurement disruptions and other shortages.<sup>7</sup> An analysis published in 2019 estimated that drug shortages alone result in at least \$359 million annually in additional labor costs to hospitals because of the need to find alternative drugs to provide to patients.<sup>8</sup>

These increased costs come at a time when hospital expenses are already outpacing inflation and significantly outpacing reimbursement. In 2024, total hospital expenses grew 5.1%, far surpassing the overall inflation rate of 2.9%. Though expense growth has started to slow in 2025, it remains elevated — particularly in areas driven by labor and supply chain pressures. Persistent expense growth threatens hospitals' solvency and ability to sustain comprehensive services in their communities.

Despite escalating expenses, Medicare reimbursement continues to lag behind inflation — covering just 83 cents for every dollar spent by hospitals in 2023, resulting in over \$100 billion in underpayments, according to AHA analysis of AHA Annual Survey data. From 2022 to 2024, general inflation rose by 14.1%, while Medicare net inpatient payment rates increased by only 5.1% — amounting to an effective payment cut over the past three years. The AHA estimates that this erosion in payment value due to inflation resulted in \$8.4 billion in lost hospital revenue during that period, further straining hospitals' ability to care for Medicare beneficiaries, who make up a large share of most hospitals' patients. In total, hospitals absorbed \$130 billion in underpayments from Medicare and Medicaid in 2023 alone. These shortfalls are worsening — growing on average 14% annually between 2019 and 2023.

## **TRADE IN CRITICAL SUPPLY CHAINS: SOLUTIONS**

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<sup>5</sup> Neils Graham, Atlantic Council, April 19, 2023; *The US is relying more on China for pharmaceuticals and vice versa*.

<sup>6</sup> <https://www.beckershospitalreview.com/supply-chain/hospital-finance-supply-leaders-predict-15-increase-in-tariff-related-costs/>

<sup>7</sup> <https://www.beckershospitalreview.com/supply-chain/hospital-finance-supply-leaders-predict-15-increase-in-tariff-related-costs/>

<sup>8</sup> <https://wieck-vizient-production.s3.us-west-amazonaws.com/page-Brum/attachment/c9dba646f40b9b5def8032480ea51e1e85194129>

Maintaining and improving pharmaceutical and medical device supply chains is essential to preserving patient access to care, reducing health care costs, and protecting America's interests. While AHA recognizes the many challenges associated with the medical supply chain, we are committed to identifying workable solutions that protect America's interests and shore up the supply chain while avoiding access disruption and increased costs.

### **Maintain Tariff Exceptions for Pharmaceuticals, Adopt Them for Medical Devices and Supplies**

AHA has urged the administration to maintain tariff exceptions for pharmaceuticals and pharmaceutical products and to adopt them for medical devices and other critical supplies to minimize inadvertent disruptions to patient care.<sup>9</sup> It is especially critical to have these exceptions for products already in shortage, and for which production in countries subject to increased tariffs supplies a significant part of the U.S. market for that product. Mitigating supply chain challenges requires diversifying where raw materials are sourced and where products are manufactured. Imposing tariffs that limit the U.S.'s ability to acquire constituent parts or finished medical and pharmaceutical products from abroad will hinder supply chain resiliency. **AHA requests that tariff exceptions continue for pharmaceuticals and pharmaceutical products and that additional exceptions be added for medical devices and other critical supplies needed to provide care.**

### **Pass Legislation that Strengthens Supply Chains**

A critical step in protecting America's pharmaceutical and medical supply chains is understanding vulnerabilities from the beginning of production to the moment a drug is administered to a patient or a device is used to deliver care.

In the 118th Congress, two bills were introduced in the Senate that would increase visibility into and understanding of the U.S. pharmaceutical supply chain, in particular. The Pharmaceutical Supply Chain Risk Assessment Act of 2023 would require a comprehensive risk assessment of the entire U.S. pharmaceutical supply chain. This overarching project will help provide critical information necessary to mitigate and prevent drug supply shortages. A disruption anywhere in the supply chain can create prolonged difficulties in pharmaceutical supply acquisition for providers, and avoiding these disruptions before they occur will benefit providers and the patients they serve.<sup>10</sup> The Mapping America's Pharmaceutical Supply (MAPS) Act creates a plan for the Food and Drug Administration and the Department of Defense to map the U.S. pharmaceutical supply chain. The act also includes the use of data analytics to identify and predict supply chain vulnerabilities and other national security threats. With the

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<sup>9</sup> <https://www.aha.org/lettercomment/2025-05-06-aha-comments-commerce-department-investigation-pharmaceutical-imports>

<sup>10</sup> <https://www.aha.org/lettercomment/2023-08-10-aha-letter-support-pharmaceutical-supply-chain-risk-assessment-act-2023>

information collected and analyzed through the MAPS Act, it will be possible to begin addressing weaknesses in the pharmaceutical supply chain.<sup>11</sup> Building on the framework created under the MAPS Act, the Pharmaceutical Supply Chain Risk Assessment Act of 2023 would require a comprehensive risk assessment of the entire U.S. pharmaceutical supply chain. A disruption anywhere in the supply chain can create prolonged difficulties in pharmaceutical supply acquisition for providers, and avoiding these disruptions before they occur will benefit providers and the patients they serve.<sup>12</sup>

**AHA urges reintroduction of the MAPS Act and the Pharmaceutical Supply Chain Risk Assessment Act in the 119th Congress.** Supply chain vulnerabilities often only become apparent when the chain has been broken, as in the case of the IV fluid shortage that resulted from Hurricane Helene. Proactively mapping and assessing the pharmaceutical supply chain, as well as supply chains for other medical devices and equipment, is an important step to improving resiliency in U.S. supply chains and protecting patients' access to care.

## CONCLUSION

Strengthening supply chains for essential pharmaceutical and other medical products is necessary, and AHA recognizes the value of reducing reliance on international sources. Achieving this goal will require significant time and resources, given the complexity of medical and pharmaceutical supply chains, and the importance of supply chain diversity in addition to the reshoring goal, should not be underestimated. AHA appreciates the committee's invitation to comment on this topic and looks forward to further collaboration in the future.

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<sup>11</sup> <https://www.aha.org/lettercomment/2023-08-10-aha-letter-support-mapping-americas-pharmaceutical-supply-chain-or-maps-act-2023>

<sup>12</sup> <https://www.aha.org/lettercomment/2023-08-10-aha-letter-support-pharmaceutical-supply-chain-risk-assessment-act-2023>