Good morning, my name is Matt Rowan. Thank you to the USTR 301 Committee members for the opportunity to testify on behalf of the Health Industry Distributors Association (HIDA).

HIDA members deliver medical products and supplies, manage logistics, and offer customer services to more than 294,000 points of care. Medical-surgical wholesalers primarily distribute items used in everyday medical services and procedures, ranging from gauze and gloves to diagnostic laboratory tests and capital equipment. Their customers include over 210,000 physician offices, 6,500 hospitals, and 44,000 nursing home and extended care facilities throughout the country.

Our membership shares the goal of improving healthcare quality and managing costs. Tariffs on these products will erode the ability of the healthcare industry to deliver on these goals.

We urge the USTR 301 Committee to remove all products related to healthcare from the proposed tariff list. Any disruption to this critical supply chain erodes the healthcare industry’s ability to deliver the quality and cost management outcomes that are key policy objectives.

These products are essential to protecting healthcare providers and their patients every single day. The healthcare products on the proposed list are used widely throughout healthcare settings and are a critical component of our nation’s response to public health emergencies, like Ebola.

Because they are used in virtually every healthcare setting, these tariffs will drive healthcare costs up across the board. Also, small and medium sized American businesses – suppliers and providers – will be disproportionally impacted.
Protecting Patients and Healthcare Workers

The list of proposed products includes many healthcare products that are critical to protecting healthcare workers and their patients. Products like gloves, isolation gowns, specimen bags and wet wipes are used every day in virtually every patient encounter. They are used widely in care settings from hospitals to nursing homes, as well as doctor’s offices, surgery centers and laboratories. These products represent a critical barrier to preventing infections and ensuring quality outcomes for patient.

With infection prevention as a key initiative throughout healthcare, usage of these products should be encouraged, not inhibited, by tariff-associated cost increases. Additional tariffs and their resulting increase in price for these products should be avoided.

Effect on Preparedness and Response to Public Health Emergencies

Many of the products on the proposed 301 tariff list are critical to an effective response during public health scenarios. Placing tariffs on these products could lead to product shortages and further exacerbate public health challenges during times of crisis. Additionally, the inclusion of these products in the final tariff policy would undermine recent public/private partnerships designed to collaborate on supply chain capabilities, and would significantly limit the ability of all levels of government as well as the commercial healthcare supply chain to adequately support response efforts during emergency events.

Increase the Cost of Care

If the proposed healthcare related products are included in the final USTR 301 list, it will increase the cost of healthcare and limit patient access to essential products—many of which support everyday medical procedures from annual wellness visits to major surgeries.

The healthcare supply chain is highly efficient and often serves providers with “just in time” deliveries. We have been able to reduce the cost of some products substantially compared to their cost several years ago. These successes are due to the implementation of a lean, efficient and global strategy, which includes sourcing products from China.

While some of the products on the tariff list are made in other countries, they are usually more expensive options and there are simply not enough products to fill the resulting gap created by eliminating China as a source. Additionally, any ability of other suppliers to ramp up production could take up to one year, leaving the supply chain particularly vulnerable to chronic shortages. The immediate result will be a spike in demand, an increase in cost and product shortages of critical supplies.
Harm to Small or Medium Sized Businesses

Forty percent of HIDA’s members are considered “small businesses” by the Small Business Administration, with revenues of $7.5 million or less.

Medical-surgical distributors have small margins—typically around 2 percent. A 25% tariff on healthcare related products they sell could potentially cripple these businesses. Many members specialize in products that are sourced mainly from China and finding another source may not be possible. The resulting gap in product inventory will be harmful and may not be overcome as there are not enough other supplier options to fill the gap.

Conclusion

In conclusion, HIDA believes that including healthcare products on the final tariff list will negatively impact the safety of healthcare providers and their patients as well as our ability to respond to public health crises. Tariffs on healthcare products will ultimately drive up healthcare costs for every American.

HIDA appreciates the opportunity to share our concerns with the USTR 301 Committee and we urge you to remove all healthcare products from the proposed tariff list. I am happy to provide any additional information you need and answer any questions you may have.