How tariffs impact health care stakeholders

Health Policy Unpacked
Washington Council Ernst & Young

Trade and Tariffs Edition

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The Trump administration is advancing a new tariff policy that aims to raise revenue, encourage domestic manufacturing and counter perceived unfair and imbalanced trading practices. The April 2 tariff announcements sent shock waves across industries, raising broad-based tariffs to rates not seen in decades. Subsequent policy developments — including the 90-day pause on higher per-country tariff rates, escalating tariffs impacting the US-China trade relationship, and the advancement of sectoral trade investigations — are expected to contribute to ongoing policy uncertainty for the foreseeable future.

What does this mean for industry?

The Trump administration's new tariff regime is expected to have wide ranging implications for the health care supply chain.

Pharmaceuticals

The Pharmaceutical industry is likely to see direct impacts to products and ingredients from sector-specific tariffs and is already facing impacts to packaging or secondary inputs from non-pharma specific broad-based tariffs. The industry would see the biggest impacts on tariffs targeting China, India and the EU – where many drugmakers hold IP and manufacturing.

MedTech

The MedTech industry faces increased tariffs following the April 2 announcement of broad-based tariffs. The industry would see the biggest impacts on tariffs targeting EU, Malaysia, Costa Rica and China, as well as tariffs for non-United States-Mexico-Canada Agreement (USMCA) goods from Canada and Mexico.

Providers

Providers may see impacts to medical goods supply chain and pharma-specific tariffs. The industry would see the biggest impacts on tariffs targeting China, Mexico, and Canada. Mexico, EU, Ireland and others are top importers of US medical consumables, including syringes and needles, personal protective equipment (PPE), such as respirators, face masks, medical and surgical gloves, and bandages and dressings.

Payers

In addition to direct supply chain impacts on business resources, rising provider, drug and device costs will eventually affect payer costs.

What authority does the President have to enact tariffs?

The President has significant authority to modify tariff rates and impose new tariffs under a range of circumstances and time frames without additional approval of Congress. (see table)

What health care stakeholders should watch for?

The per-country tariffs imposed by Executive Order 14257 and subsequently paused for 90 days leave the door open for further trade policy changes, as countries seek to negotiate with the US and as businesses respond to the tariffs contributing to significant uncertainty for health care industry stakeholders for the foreseeable future. Health care industry stakeholders should consider participating in the public comment period as the administration conducts its Section 232 investigation into the pharmaceutical industry.

Authorities utilized by President Trump during his second administration	
International Emergency Economic Powers Act, or IEEPA	**Used to respond to a national economic emergency.** **Example:** April 2 tariffs of 10% on all imports, effective April 5, 2025, and higher individual country tariffs, effective April 9, 2025 **Statutory required timeline:** Immediate
Sec. 201 Trade Act	**Used to respond to threat of serious injury to a US industry** **Process:** Requires an Investigation by the US international Trade Commission (ITC) **Example:** Tariff rate quotas on solar cells and modules, effective February 2018 **Statutory required timeline:** Up to 6–9 months (may be faster)
Sec. 232 Trade Expansion Act	**Used to respond to threats to US national security** **Process:** Requires an investigation by the Department of Commerce, in consultation with the Department of Defense **Example:** 25% tariff on steel and aluminum imports effective March 18, 2025 **Statutory required timeline:** Up to 9–12 **months** (may be faster)
Sec. 301 Trade Act	**Used if a trading partner is engaging in practices that burden or restrict US commerce** **Process:** US Trade Representative must investigate and negotiate with the relevant country **Example:** 10–25% tariffs a majority of imports from China, beginning in 2018 **Statutory required timeline:** Up to 18 months (may be faster)

What can companies do now to prepare?

The current fast-moving regulatory environment requires close daily policy monitoring and agility. Companies should evaluate whether their products fall into one of the Harmonized Tariff Schedule (HTS) codes listed in Annex II, which provides the full list of exemptions to the new April 2 tariffs, as well as whether their products are qualified as USMCA-compliant, which could exempt them from existing Mexico or Canada tariffs, as well as their exposure to China-based tariffs. To prepare, companies are working to:

- Understand current operating model
- Assess options and supply chain
- Assess the cost of acting and not acting

Moving forward, companies may consider:

1 **Establish current state**
Analyze current state supply chain and overlay with US customs and global trade parameters, e.g., duty rates, free trade agreements to establish baseline cost model.

2 **Conduct impact assessment/scenario modeling**
Perform impact assessment and model potential scenarios, such as different duty rates based on country of origin to understand highest priority trade lanes and potential applicable planning mechanisms and conduct risk analysis.

3 **Customs and risk management**
Engage in origin and valuation assessments, as well as weigh foreign trade zone and substitution duty drawback.

4 **Supply chain and tax considerations**
Work across the organization for effective supply chain and network management. Consider alternative sourcing scenarios. Holistically assess supply chain, logistics and procurement factors and overlay with US global trade and customs parameters to evaluate and possibly reorganize trade flows.

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