National Rural Health Association Policy Brief

Impacts of tariffs on rural health infrastructure

Authors: Cristina Lilley, Eleanor Mancini, Hunter Nostrant

Introduction

Tariffs are taxes levied by the government on imports with the intent to raise government revenue, protect domestic industries, correct trade imbalances, or apply pressure on foreign nations as part of trade negotiations. Tariffs increase the price of imported goods and services, which can introduce strain on industries that depend on international supply chains. While tariffs can boost domestic markets, domestic supply chains often depend on imports, with trade negotiations often increasing the price of domestic products.

In January 2025, President Donald Trump invoked the International Emergency Economic Powers Act (IEEPA) and Section 232 of the Trade Expansion Act to impose tariffs on various nations and imported goods. The tariffs proposed under the Trump Administration pose concerns for the health sector as they could be detrimental to providers' supply of pharmaceuticals and medical equipment and ultimately raise health care costs. These tariffs may also have devastating impacts on health care providers, who largely depend on imported goods to source hospital supplies and pharmaceutical products. These impacts may include:

- Interruptions to the national health care supply chain, leading to equipment and drug shortages
- Increased financial strain on hospitals due to the rising prices of goods and services
- Increased cost to patients related to the rising cost of care, including prescription drugs, medical devices, and other medical products and services

Analysis

Interruptions to the supply chain

The COVID-19 pandemic exposed weakness in the U.S. health care supply chain, showcasing the country's inability to meet the demand for life-saving equipment such as personal protective equipment (PPE).[2] Health economists identified that overreliance on international imports to stock hospitals led to dangerous shortages. The U.S. continues to rely on international imports for such equipment and more. In 2024, approximately $75 billion worth of medical devices and supplies were imported to the U.S., including syringes, blood pressure cuffs, IV saline bags, and surgical tools. [3] The impact of changes to tariffs and other trade policies may interrupt the supply chain for the health care sector, affect hospital and other provider operations, and impact cost of health care services and coverage. [2]

Rural facilities are likely to be acutely affected by tariffs and associated supply chain interruptions. Rural facilities have limited resources and storage space, which prevents them from stocking up on critical supplies such as IV solutions and medications.[5]

Trump Administration tariffs

President Trump has proposed tariffs on a number of items that may impact the health care supply chain and rural health care delivery, including a 25 percent tariff on pharmaceuticals potentially rising to 200 percent. Under IEEPA authority, Trump has introduced tariffs specific to products from Canada, Mexico, and China (12 percent as of July 2025). Tariffs on imported goods to China are 20 percent plus an additional 125 percent reciprocal tariff. Based on 2024 import values, these tariffs affect approximately $2.3 trillion of U.S. goods imports, or 71 percent.[13] On Sept. 5, the White House issued an executive order modifying the scope of reciprocal tariffs to establish a Potential Tariff Adjustments for Aligned Partners Annex, consisting of a list of products to receive the "most favored nation" tariff, pending any future reciprocal trade deal. Pharmaceuticals and their ingredients were one of four product categories listed. [14]

Independent rural facilities often collaborate with others when ordering these supplies, but additional barriers such as price hikes and strained supply chains make it harder for them to source efficiently.[4] Another consideration for rural hospitals and facilities is the regularity of existing delivery systems. Currently remote rural hospitals do not receive deliveries of medical supplies every day given their location. The frequency of deliveries may slow even more for rural hospitals as a result of tariffs, leading to further strains.

Additionally, many rural hospitals and health systems are part of a group purchasing organization (GPO) to source medical supplies and goods at a fixed price. GPOs are entities that leverage the collective purchasing power of their members – such as hospitals and other health care providers – to negotiate better prices and terms with manufacturers. When there are shortages or GPOs otherwise cannot secure medical supplies, hospitals must either wait months to receive the goods or purchase them off-contract. Hospitals typically pay much higher rates when they purchase medical supplies off-contract. Tariffs may cause supply chain strains that will prevent GPOs from securing goods and force rural hospitals to pay more for supplies outside of those arrangements. Impending tariffs will force hospitals and health systems to budget more toward purchasing medical supplies and goods that would otherwise be secured through GPOs.

Hospital finance/operational cost implications

Increases to operational costs due to tariffs may be detrimental to rural health infrastructure across the U.S. From 2021 to 2023, the U.S. economy experienced a 12.4 percent nationwide inflation rate. This rising rate was two times faster than Medicare reimbursement for hospital inpatient care.[5] Inflation due to tariffs and supply chain difficulties will exacerbate the status of rural hospital vulnerability, which is a concern as 432 rural hospitals are vulnerable to closure and 46 percent have negative operating margins as of February 2025.[8]

For rural hospitals these changes could have outsized consequences due to smaller purchasing power, tighter margins, and less flexibility to absorb price hikes compared to larger health systems. Rural hospitals, which disproportionately depend on reimbursements from Medicare and Medicaid, experience heightened financial vulnerabilities in the face of increased inflation and operational costs. Since 2022, Medicare and Medicaid underpayments totaled almost $130 billion dollars,[5] with Medicare payments at 82 cents for every dollar spent caring for patients[5] and Medicaid paying less than 58 cents for every dollar in 2023.[6,7]

A recent survey of hospital executives found that hospitals expect a 15 percent increase in operational costs within 6 months of tariff increases, and 90 percent of supply chain professionals anticipated significant disruptions in procurement and contract negotiations. As a result, 90 percent of hospital executives report shifting rising costs to insurers and patients through higher service charges.[9] Further, the increasing cost to provide patient care is projected to decrease hospitals' capacity to retain providers, worsening the health care workforce shortages rural communities face.[4]

Beyond hospitals, other essential rural providers—including emergency medical services (EMS), federally qualified health centers (FQHCs), rural health clinics (RHCs), rural pharmacies, and independent clinics—are also vulnerable to the impact of tariffs. EMS agencies already operate on fragile financial margins and rely on affordable access to vehicle parts, fuel, medications, and protective equipment. Rising costs will further threaten their ability to respond in a timely manner. FQHCs and RHCs, which care for a disproportionate share of low-income and uninsured rural patients, will face budget strain as the prices of vaccines, diagnostic tools, and basic medical supplies increase. Similarly, rural pharmacies may encounter difficulty sourcing affordable pharmaceuticals and testing materials. Together, these pressures compound the challenges faced by rural health care systems, increasing the risk of service reductions and worsening patient access.

Coverage impacts

Outside the health care sector, increased tariffs have real-life implications on the daily lives of individuals, leading to job losses, lower wages, and financial strains that make health care unaffordable. Job losses leave individuals without employer-sponsored health insurance plans or unable to afford individual plans. Additionally, lower wages further burden individuals to pay their cost-sharing, which includes deductibles, copayments, and coinsurance.[10]

Several health insurance companies have raised their 2026 premiums by as much as 3.9 percent, citing the proposed tariffs.[11] These increases stem from insurance companies' fear that the proposed tariffs will increase prescription drugs costs, which account for 12 percent of all private health insurance spending.[11] Further, these cost containment efforts will impact provider reimbursement rates as the rise in costs leads to health insurance companies negotiating lower reimbursement rates for providers. For rural hospitals, any cuts to reimbursement rates would increase financial vulnerabilities, which contribute to a pattern of rural hospital closures over the past 15 years and severely impact rural patients' access to health care.

Policy recommendations

- Provide exemptions from tariffs for medical supplies, devices, and pharmaceuticals made in Canada, China, Mexico, the European Union, and India.
- Strengthen and mobilize the Department of Health and Human Services' (HHS) strategic national stockpile to be able to respond to pharmaceutical and medical supply shortages due to tariffs or supply chain interruptions with a focus on getting needed supplies to rural areas.
- The Assistant Secretary for Preparedness and Response at HHS should conduct a risk assessment of the supply chains for pharmaceuticals and ingredients, personal protective equipment, basic medical supplies (such as saline, tubing, gloves, and syringes), and medical devices as a result of the proposed tariffs and provide a transparent, timely report to health care stakeholders to ensure they are able to prepare and respond. This report should include a section specific to rural health care providers.
- Provide separate Inpatient Prospective Payment System payments (similar to IPPS payments for establishing and maintaining access to essential medicines)[12] to help small, rural hospitals under 100 beds secure medical supplies, prescription drugs, and enhanced costs associated with capital expenditures. Explore establishing a similar payment for critical access hospitals if costs aren't adequately captured under cost-based reimbursement.

Recommended actions

- Pass S. 1784, the *Mapping America's Pharmaceutical Supply (MAPS) Act*, which would require HHS to regularly update, maintain, and publish a list of essential medicines; conduct risk assessments of the supply chain for pharmaceutical ingredients on the essential medicine list; and monitor the pharmaceutical supply chain for vulnerabilities.
- Pass S. 998/H.R. 2213, the *Medical Supply Chain Resiliency Act*, to allow the president to enter into trusted trade partner agreements for medical goods and modify or remove existing trade barriers like tariffs for trusted trade partners.

Conclusion

Tariffs have the potential to cause significant disruptions to the medical supply chain and ultimately impact rural provider operations and finances, as well as patient health care access. Rural hospitals and other providers may feel outsized impacts from tariffs given their weaker purchasing power, remote locations, and tighter margins. The federal government must take steps to protect the rural health care system from the consequences of tariffs.

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