



Testimony of Linda Rouse O'Neill
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The Committee on Section 301
Office of the U.S. Trade Representative

Hearing on "China's Acts, Policies, and Practices Related to Technology Transfer,
Intellectual Property, and Innovation"
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Good morning, my name is Linda Rouse O'Neill. 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 every day 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 efficiency for the providers and patients we serve. We urge the USTR 301 Committee to remove all healthcare products from the proposed tariff list as it will increase the cost of healthcare and hinder our country's ability to prepare and respond to public health events.

Increase the Cost of Care

If the proposed healthcare products are included in the final USTR 301 list, it will increase the cost of healthcare and limit patient access to necessary products. Many of these products are key surgical and diagnostic products that support routine medical procedures from annual wellness visits to life saving surgeries. Some of the products are also utilized in home care settings and are often not completely covered by insurance. Therefore, the proposed tariff

policy will negatively impact American consumers and will raise the cost of delivering quality and efficient care to patients.

The healthcare supply chain is highly efficient and often serves providers with just in time delivery. We have also been able to cut the cost of some products almost in half 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. The U.S. Department of Commerce published a study, which depicted the percentages of non-U.S. suppliers that support medical-surgical equipment manufacturing by country—China accounted for supplying about 14% of the market, making it one of the top 3 countries where medical products are sourced for the United States.¹

While some of the products on the tariff list are also made in other countries, they are usually more expensive options and there is not enough of the product to fill the gap coming from China. The immediate result will be a spike in demand, an increase in cost and product shortages of critical supplies. Additionally, any ability of other suppliers to ramp up production may take up to one year.

Further, some of our members bill Medicare Part B directly. A 25% tariff without a corresponding increase in Medicare reimbursement will further increase the cost of healthcare and limit patient access to the critical healthcare products needed to care for older Americans. Adding tariff-based costs to these products is neither effective nor necessary and would be harmful for all patients.

Effect on Preparedness and Response to Public Health Emergencies

Many of the products on the proposed 301 tariff list are heavily utilized during public health disasters. Tariffs on these products could lead to product shortages which would be further exacerbated during a time of crisis.

Fully assessing how the proposed tariffs will affect national public health preparedness and response efforts is critical to understanding the level of industry concern on this issue. In recent years, there have been significant public/private partnerships designed to collaborate on supply chain capabilities given recent events such as Ebola and the 2017 hurricane season. The inclusion of these products in the final tariff policy would limit the ability of all levels of government with a role in public health as well as the commercial healthcare supply chain's ability to adequately support them in an emergency event.

Additionally, critical products such as vaccines and diagnostic testing kits needed to prevent a different type of public health crisis are included in the proposed USTR 301 list and are yet

¹ U.S. Department of Commerce, Bureau of Industry and Security, Impact of Foreign Sourcing on Health-Related Infrastructure, September 2011

another example of products that, if not removed, would create unnecessary gaps in prevention capabilities.

Conclusion

In conclusion, HIDA believes that including healthcare products on the final tariff list will drive up healthcare costs for American consumers and negatively impact this country's ability to prepare and respond to public health emergencies.

HIDA appreciates the opportunity to share our concerns with the USTR 301 Committee. I am happy to provide any additional information you need and answer any questions you may have.