

GREATER NEW YORK HOSPITAL ASSOCIATION

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The Honorable Katherine Tai
U.S. Trade Representative
Office of the U.S. Trade Representative
600 17th Street NW
Washington, DC 20508

Dear Ms. Tai:

On behalf of more than 160 voluntary and public hospitals that make up the acute care membership of the Greater New York Hospital Association (GNYHA), I appreciate the opportunity to comment on the Office of the United States Trade Representative's (USTR) request for comments on the Notice of Certain Products Exclusions Related to COVID-19: China's Acts, Policies, and Practices Related to Technology, Transfer, Intellectual Property, and Innovation.

COVID-19 greatly changed the patient care landscape for New York (NY) hospitals, and GNYHA members were among the nation's hardest hit hospitals. Equipping hospital staff with the proper tools to continue the fight against COVID-19 is vital to delivering quality patient care and ensuring hospital staff's safety during care delivery. Adequate supplies of personal protective equipment (PPE) and certain pharmaceuticals are essential tools for our hospitals and their health care staff during this pandemic, and the expiring exclusions of the Section 301 import tariffs threaten our hospitals' ability to effectively operate and protect their staff and its patients from COVID-19 and other infectious diseases.

In the best interests of our member hospitals, we request that USTR extend the exclusions of the Section 301 tariffs for medical products and their raw materials, which are critical to hospitals' response in combatting COVID-19. These products include exam gloves, face masks, medical drapes and gowns, protective goggles and clothing, medical caps, thermometers, incontinence items, ingredients used in manufacturing essential pharmaceuticals, and raw materials used in the manufacturing of critical medical products. We request extending these exclusions for the following reasons:

- The proposed tariffs will increase PPE costs for hospitals and perpetuate the existing financial hardships hospitals face as they work back to normal operations during the pandemic
- Tariffs on products used to manufacture pharmaceuticals can lead to increased manufacturing costs, higher consumer drug prices, and potential drug shortages

If you have any questions or would like further information on GNYHA's recommendation, please contact Scott Gaffney at 212-258-5369 / sgaffney@gnyha.org.

Thank you for considering our recommendation.



GNYHA is a dynamic, constantly evolving center for health care advocacy and expertise, but our core mission—helping hospitals deliver the finest patient care in the most cost-effective way—never changes.

GNYHA Comments on the Notice of Certain Products Exclusions Related to COVID-19: China’s Acts, Policies, and Practices Related to Technology, Transfer, Intellectual Property, and Innovation

Proposed Tariffs Increase PPE and Life-Saving Product Costs

Since the beginning of the pandemic, NY hospitals have worked tirelessly to procure ample PPE supplies to protect their staff as they cared for the hundreds of thousands of COVID-19 patients that came and continue to come through their doors. The skyrocketing demand for these products greatly increased costs, but hospitals continued to supply their staff with the necessary equipment to maintain their safety. Industry experts estimate that an average 500-bed hospital, despite various conservation strategies, had a \$2 million annual increase in PPE costs since the beginning of the pandemic.

Hospitals also used other medical supplies and devices that are on the list of expiring exclusions that were crucial to their emergency preparedness efforts. Such supplies include items like infection control apparel, equipment drapes, covers, tapes, specimen bags, needles/syringes, and ventilator components. The demand for all of these products has increased, especially as the Delta variant continues to infect Americans across the country.

Unlike other industries, hospitals do not have flexible pricing structures that enable them to accommodate such increases in their expenses associated with PPE and other lifesaving products. Allowing these tariff exclusions to expire would directly and negatively impact hospitals margins, and greatly prolong the financial recovery hospitals already face due to the pandemic.

Pharmaceutical Manufacturing Tariffs May Result in Higher Manufacturing Costs, Higher Consumer Drug Prices, and Drug Shortages

Many products used in pharmaceutical manufacturing are also on the list of expiring exclusions. These products are used to formulate drugs, some of which some do not have alternative suppliers either domestically or internationally. The lack of alternative suppliers will likely lead to price increases by other manufacturers and potential drug shortages.

Some of the products that Section 301 tariffs apply to are essential ingredients in both injectable and oral drugs that hospitals use daily, especially those used daily to combat COVID-19. These ingredients include potassium chloride, calcium chloride, zinc chloride, sodium thiosulfate, hydralazine, sodium hydrogen carbonate, valproic acid, hydantoin and its derivatives, and aromatic or modified aromatic drugs of heterocyclic compounds of unfused imidazole ring.

Extending the Section 301 tariff exclusions for these types of products is crucial to combatting COVID-19. In addition, imposing these tariffs would worsen the already existing supply chain challenges associated with these ingredients and the drugs they comprise, which would greatly strain hospitals’ ability to deliver safe, high-quality care.

Summary of Recommendations

USTR should extend the Section 301 tariff exclusions for medical products (e.g., PPE) and the raw materials for both medical products and pharmaceuticals used to protect hospital staff and fight COVID-19. Not extending the exclusions would negatively impact hospitals' ability to effectively care for COVID-19 and other infectious disease patients. Given the existing financial challenges that hospitals face and the current supply chain challenges, USTR should also reexamine these tariffs' impact not just on the immediate finances of and supply chain impacts at hospitals, but on the larger health care and supply chain systems as a whole.