The evolving tariff threat: Impact on hospitals in Canada

March 05, 2025

Rising concerns over tariffs suggest consequences that could go far beyond traditional industries. The United States has imposed higher tariffs on Canadian products, including medical equipment and pharmaceuticals.[1] With rising tensions, several Canadian provinces have started responding to the tariffs with measures such as restricting U.S.-based businesses from accessing provincial procurement contracts.[2] On the federal front, the Canadian government has introduced countermeasures, beginning with tariffs on $30 billion worth of goods immediately, followed by tariffs on an additional $125 billion of American products in 21 days,[3] which will include medical devices and medicated products.[4]

With further tariff measures anticipated under President Trump's trade policies[5] and potential retaliatory measures from Canadian authorities, hospitals face increasing risk. One such risk is budget pressure as suppliers will be seeking to pass along increased costs to address the impact that the tariffs will have on their business, particularly when they are sourcing materials from multiple jurisdictions with tariffs. The volatile trade environment could disrupt supply chains, raise operational costs for hospitals, impact a variety of hospital programs and ultimately adversely affect patient care.

The U.S.-Canada hospital trade landscape

The relationship between the U.S. and Canada in the healthcare sector is characterized by close cooperation and cross-border collaboration. Additionally, components imported from Mexico play a crucial role in the U.S. med-tech industry, where they are essential for assembling finished products that are either sold domestically or exported to countries such as Canada.[8] This trade dependency underscores the importance of maintaining a smooth, tariff-free exchange to avoid delays or cost increases in the medical supply chain. Goods manufactured in China and raw ingredients (such as the active pharmaceutical ingredients required for many pharmaceuticals) also play a role in this integrated supply chain.

A wide variety of items could be affected by the proposed tariffs, including medications, vaccines, pharmaceuticals, medical equipment, and supplies such as ventilators, sanitizer, personal protective equipment, drug cabinets, lab supplies, gowns, masks, needles, surgical instruments, and more. Medical devices would also be affected.

However, it remains uncertain whether the proposed tariffs will extend to software and IT systems, such as clinical information systems, as these are generally protected from tariffs under the Canada-U.S.-Mexico Agreement (CUSMA).[9] Furthermore, it is unclear whether services provided by U.S. suppliers, such as biomedical waste removal, IT services, linen supply, etc. would also be subject to the tariffs.

Changing landscape and the tariff battle impact

The shifting tariff landscape presents several challenges for hospitals, particularly budget impacts and supply concerns. A potential tariff on the above-mentioned products could increase operational costs, raising prices for healthcare providers as suppliers and vendors seek to pass along the cost of tariffs to their businesses. Since Canada relies on the United States for essential medical components, tariff-induced delays or blockages could result in shortages and treatment delays.

Key takeaways for hospitals

Given the challenges above, hospitals should consider the following steps:

1. **Review supply chains**: Hospitals should assess their supply chains to identify vulnerabilities to tariff changes. Sourcing strategies may need to be adjusted to minimize cost increases and avoid potential delays, including by considering Canadian suppliers and diversifying international supply chains. Some suppliers may suffer adverse financial consequences which could also affect their ability to supply medical equipment. Hospitals should develop contingency plans to mitigate risks associated with supply chain disruptions. This work would be done in conjunction with applicable purchasing groups.
2. **Consider budget impacts**: The proposed tariffs may drive up the costs of a wide range of items, as outlined above, which will inevitably lead to higher expenses for healthcare facilities. As a result, hospitals will need to adjust their budgets accordingly to contemplate these increased costs. Proper financial planning and forecasting will be crucial to ensure that these additional expenses do not result in budget shortfalls or disruptions in patient care. Anticipating and addressing these changes proactively will help hospitals manage their resources more effectively in the face of rising costs.
3. **Review contracts and procurements**: Hospitals should consider existing contracts, including the application of existing force majeure or price review clauses to mitigate risks associated with potential tariff changes. These can help reduce the impact of increased costs from suppliers as a result of the tariffs. Hospitals can also review existing contracts and procurements to determine whether the changing tariff landscape could impact costs, timelines, or product availability, and if there may be any cost mitigation strategies available, including through contract negotiations. Given limited resources, this would likely involve triaging current agreements and procurements based on size and significance.
4. **Monitor provincial and federal responses**: Hospitals should stay informed on provincial and federal government responses to the tariff threats and adjust their strategies accordingly. In Ontario, for example, Ontario's measures may include banning U.S. suppliers from provincial procurement, which could affect some healthcare-related initiatives.

5. **Seek exemptions from the tariffs for critical items** : Depending on how tariff developments unfold, stakeholders should consider applying for tariff exemptions through the U.S. *exclusion* process and the Canadian remission framework for critical items.[10] This could help mitigate the impact of a tariff on a particular product or product class required by a hospital or where there are existing shortages. Identifying and joining advocates may also help -- there are a number of advocacy efforts underway in Canada to seek such exclusions and remissions.[11]

Footnotes

[1] See Fact Sheet: President Donald J. Trump Proceeds with Tariffs on Imports from Canada and Mexico –].

[2] See, for example, Ontario responds to tariffs by removing U.S. alcohol, cancelling Starlink deal | Globalnews.ca; Quebec to loan companies up to $50M to counter U.S. tariffs | CBC News.

[3] See List of products from the United States subject to 25 per cent tariffs effective March 4, 2025 - Canada.ca; Notice of Intent to Impose Countermeasures in Response to United States Tariffs on Canadian Goods - Canada.ca.

[4] See List of products from the United States subject to 25 per cent tariffs effective February 4, 2025 - Canada.ca.

[5] See Reciprocal Trade and Tariffs – The White House.

[6] See https://www.cbc.ca/news/canada/toronto/ford-ripping-up-province-contract-with-starlink-1.7448763.

[7] See https://globalnews.ca/news/10996502/quebec-response-u-s-tariffs/.

[8] See U.S.-Mexico-Canada Trade Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors, p. 101.

[9] See Canada-United States-Mexico Agreement (CUSMA), Chapters 19-20.

[10] See Preparing for Trump's tariffs | BLG.

[11] See, for example, https://www.healthcarecan.ca/2025/02/07/protecting-canadas-healthcare-supply-chain-amid-growing-trade-uncertainty/.

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