

# Budget impact projections report

Projections for Jan. – Dec. 2025

Published Summer 2024



# Letter from senior vice president and general manager

## Welcome to the Vizient Budget Impact Projections Report, summer 2024 issue

It is my privilege to share our newest edition of the Vizient Budget Impact Projections report. This resource was created from the unique subject matter expertise and analytics capabilities across the Vizient spend management team. The goal of this publication is to help you anticipate and manage the forces that alter healthcare spending and affect your ability to provide patient care.

Given the financial pressures impacting all providers, we know how important it is to have accurate, timely and easily accessible solutions and services that benefit the well-being of your organizations and ensure access to care. The challenges of healthcare expense don't reside solely in the medical-surgical, capital, pharmacy, laboratory or blood space. They exist in all of these settings and require an integrated total resource management approach. As a result, Vizient has brought together our portfolio of capabilities for these settings under a single Spend Management umbrella. This allows us to leverage the best practices of these individual areas to expand the beneficial impact of our solutions. One area where this change is already taking shape is in addressing the ongoing challenges of product and supply shortages—something we call assurance.

In addition to cost challenges, another critical problem for providers is the continuing shortage of essential medications and medical/surgical supplies. While still problematic, Vizient has continued to build solutions to mitigate the impact of supply interruptions on patient care through our **Novaplius Enhanced Supply (NES) program** and NES Reserve. Through NES, Vizient partners with suppliers to build additional inventory of domestically housed essential products to provide a buffer against future shortages. To date, this program has delivered over 3.5 million units of essential medications to patients that would have otherwise not had access. To build on the success of the NES Reserve program in managing essential medications and ensuring access, we are now extending Reserve programs across other supply categories under the umbrella of Vizient Reserve.

## A new outlook for 2025

As the healthcare market continues to evolve, our solutions and services will continue to expand to provide you with ever greater value. One aspect where that change will be visible is within the context of this very Budget Impact Projections report. In addition to these supply chain-centric insights, Vizient has published **Pharmacy Market Outlook** for many years. In 2025, these forecasts will be integrated and expanded to encompass this new landscape of spend management. Pricing changes, new therapeutic and diagnostic tools, capital expenditures and new regulatory requirements don't exist in a vacuum. They have far-reaching effects, and our integrated forecasting capabilities will grow to assess the impact of those types of changes across your enterprise.

Thank you for using the Budget Impact Report and all of the services Vizient has to offer. We welcome your feedback and perspective on how we can make our solutions even more relevant to you and the patients you serve.



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## About this report

The Summer 2024 Budget Impact Projections report provides healthcare organizations with our best estimate of price change projections related to the healthcare supply chain. The projections cover calendar year 2025. Your organization can use these projections to assist in your supply-related budgeting process.

Note that these market price projections are forecasts, not predictions. Forecasts are point-in-time estimates of price changes and are subject to changes in market conditions.

### Methodology

Inflation projection assessments derive from many internal and external sources. We gather external data from the Producer Price Index and other publicly available economic sources. Internally, we analyze Vizient price trends and work closely with the category management team to gain insight regarding agreement pricing.

For more information, contact Jeff King, Vizient research and intelligence director, at (972) 581-5074 or [jeff.king@vizientinc.com](mailto:jeff.king@vizientinc.com).

**Please note:** This document is compiled based on information gathered from many primary and secondary sources that Vizient believes to be accurate to the best of its knowledge at the time of publication. It is intended as general information only and is provided as an accommodation to members. Use of this data is at user's sole risk. This information is presented "as is" and without any warranty or guarantee, expressed or implied, as to completeness or accuracy, or otherwise. Given the many factors that determine pricing, the estimates are subject to error and may require revision. No representation of warranty, express or implied, of the fitness for any specific purpose of this information whatsoever is made.



## Projected price changes

The price change projections shown below provide a summary of anticipated inflation for calendar year 2025. Specific pricing impact may vary based on your institution’s volume, procurement configuration, product mix and other factors.

**Overall, Vizient estimates that market prices encompassing the healthcare supply chain will increase 2.4% from January 2025 to December 2025.**

Vizient provider customers can refer to Vizient Catalog to view pricing and other details for all Vizient supply contracts. Additionally, price change projections for over 200 product spend categories are provided in this [Excel spreadsheet](#) (Vizient login required).

**Table 1. National price inflation projections** <sup>1, 2, 3</sup>

| Category                              | Estimated inflation<br>Jan. 2025 – Dec. 2025 |
|---------------------------------------|--|
| Cardiology overall                    | 2.4%   |
| Orthopedic supplies                   | 0.7%   |
| Joint implants                        | 2.3%   |
| Spinal                                | 0.8%   |
| Neurosurgical                         | 0.8%   |
| I.V. systems, solutions               | 8.0%   |
| Medical supplies                      | 1.5%   |
| Surgical supplies                     | 2.3%   |
| Medical/capital equipment             | 2.1%   |
| Imaging equipment                     | 1.5%   |
| Laboratory equipment                  | 2.8%   |
| Laboratory consumables                | 3.1%   |
| Medical gases                         | 3.5%   |
| <b>Medical overall</b>                | <b>2.2%</b>                                  |
| Purchased services                    | 3.0%   |
| IT hardware/software                  | 1.1%   |
| IT services                           | 3.2%   |
| Commercial print and promotional      | 4.0%   |
| Office supplies                       | 4.1%   |
| Furniture                             | 3.8%   |
| Food overall                          | 2.7%   |
| <b>Non-medical overall</b>            | <b>3.1%</b>                                  |
| Construction                          | 3.2%   |
| Electricity                           | 3.9%   |
| Water services                        | 4.2%   |
| Telephone, wireless                   | 1.0%   |
| Internet                              | 0.5%   |
| <b>Overall projected price change</b> | <b>2.4%</b>                                  |

**2.4%**  
estimated supply chain  
inflation rate



The projections shown above are for January through December 2025 and are calculated using historical pricing, raw material trends, USDA, internal resources and staff and producer price index.<sup>1,2,3</sup>

## Market factors that affect healthcare organization costs

**Projection uncertainty** — The challenges affecting the supply chain seem never-ending. They include the disruption of ocean shipping, concerns about U.S. debt within the banking system, China's struggling economy and threats toward Taiwan, the Russia-Ukraine war and turmoil in the Middle East. These factors have led to increased prices for energy and raw materials, making supply chains even more vulnerable. Estimates and forecasts should be used with a level of caution that respects the existing unstable market.

The volatility in the markets and the considerable number of unknowns currently make forecasting exceedingly difficult. Markets can change abruptly with a drastic rise or fall, daily or weekly. We suggest taking a conservative approach when using this data and erring on the side of caution.

**New China tariffs** — On May 14, the Biden Administration announced an increase in tariffs on \$18 billion, or around 4 percent, of Chinese imports. These tariffs include significant changes such as the introduction of tariffs on medical needles and syringes, and increased tariffs on items like personal protective equipment (PPE) and semiconductors.

- Tariffs on certain PPE, including some respirators and face masks, which previously ranged from 0-7.5%, will increase to 25% in 2024.
- Tariffs on syringes and needles will increase from 0% to 50% in 2024.
- Tariffs on rubber medical and surgical gloves will increase from 7.5% to 25% in 2026.
- Tariffs on semiconductors will increase from 25% to 50% by 2025.
- Tariffs on steel and aluminum products, which previously ranged from 0–7.5%, will increase to 25% in 2024.<sup>4</sup> Steel from China accounts for about 2 percent of total U.S. steel imports, meaning the immediate price impact is likely to be minimal.

Vizient is watching these changes closely and updating the China tariffs [market disruption brief](#) (login required) often to give our providers the latest manufacturing information.

**Inflation and the Federal Reserve** — Before 2022, the Fed had kept interest rates low for several years to spur growth and help maintain the economy during the Covid-19 pandemic. Over two and a half years, as economies recovered from the pandemic, inflation soared 19.5%, from early 2021 to mid-2023. The Fed raised interest rates to growth-inhibiting levels and has held rates steady. The Fed hopes to decelerate inflation to a more historical rate of 2% per 12-month period in mid-2025.

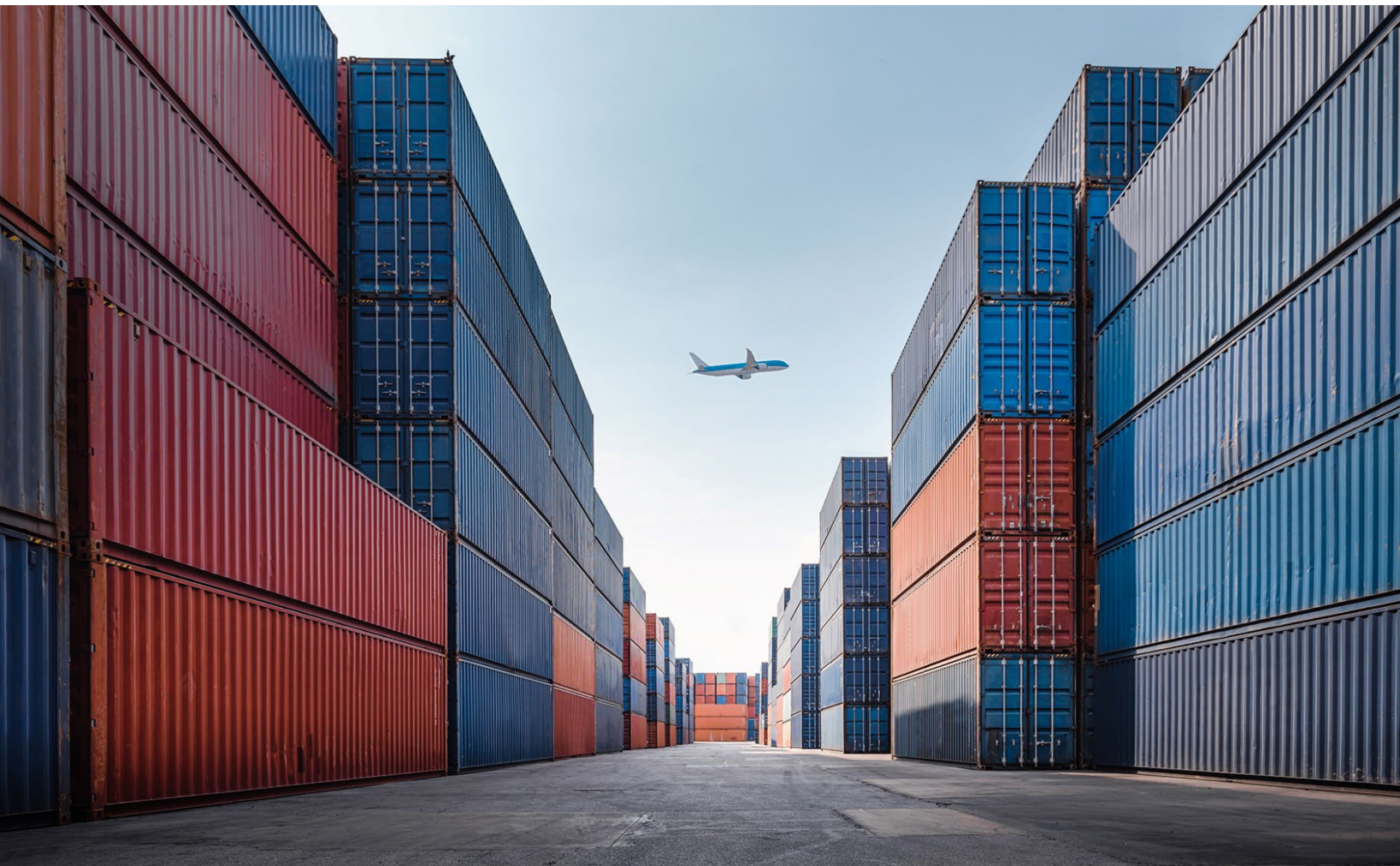
**Supply chain factors** — The challenges the supply chain is facing now seem likely to continue in 2025. This could lead to continued shortages and/or rolling back orders on certain products. Improvement will only happen when specialized raw materials become more available, labor shortages improve and global leaders resolve geopolitical disturbances.

In a survey by the National Association of Manufacturers (NAM) in Q2 2024, 67% of respondents listed attracting and retaining a quality workforce as their primary business challenge.<sup>5</sup> This percentage has shown steady improvement yet remains the top challenge for manufacturing. The next three challenges for suppliers include rising healthcare and insurance costs, a weak domestic economy and an unfavorable business climate due to numerous new government regulations and taxes.

**Global supply chain realignment** — Global supply chains are undergoing a shift. Products and raw materials makers are moving away from relying solely on China. They are now working with other countries, like India, Malaysia, Thailand, Vietnam, Cambodia, Indonesia and Mexico. American suppliers are diversifying their sources

of materials to avoid being dependent on one country that has more and more manufacturing problems, forced labor and additional tariffs on goods.

**Supplier price change requests** — From a contracting perspective, suppliers may ask for price increases during the bid and extension process. These requests are usually for contracts that haven't had an increase in the last two to three years. Because Vizient staff closely monitors and analyzes manufacturing input costs that impact the supply chain, we can rigorously negotiate initial price increase requests, refuse price changes or delay implementation of a price increase to lessen the impact on customers. Suppliers rarely mention raw materials, trucking and energy costs as the basis for requesting price increases. However, a few specific raw materials — as well as labor and ocean freight — persist.

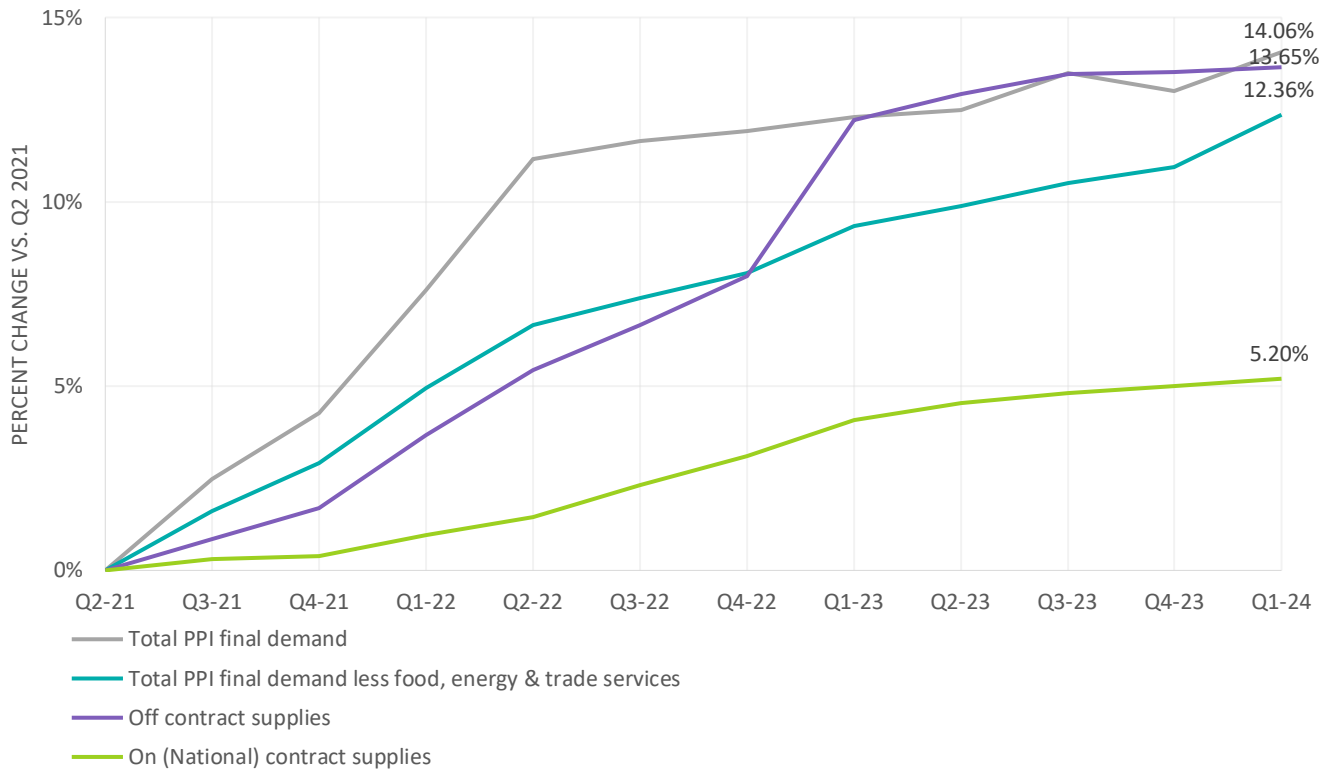


## Vizient historical inflation analysis

Each quarter, Vizient analyzes price inflation by comparing recent price change data to prices over the last 12 quarters. The analysis compares Vizient contract pricing, off-contract pricing and inflation represented by the Producer Price Index (PPI). The PPI measures the average change over time in the selling prices received by domestic manufacturers for their output of goods and services.

As of Q1 2024, Vizient contract pricing has increased 5.2% in total since Q2 2021. By comparison, off-contract supply pricing reveals a 13.65% increase during the same period. The Producer Price Index, final demand indicates inflation of 14.06% since Q2 2021.

### Price changes in hospital supplies vs. the Producer Price Index (PPI)



| Quarter | Total PPI final demand | Total PPI final demand less food, energy and trade services | Off-contract supplies | On (National) contract supplies |
|---------|------------------------|---|-----------------------|---------------------------------|
| 2021-Q2 | 0.00%                  | 0.00%   | 0.00%                 | 0.00%                           |
| 2021-Q3 | 2.47%                  | 1.61%   | 0.84%                 | 0.30%                           |
| 2021-Q4 | 4.28%                  | 2.90%   | 1.70%                 | 0.38%                           |
| 2022-Q1 | 7.60%                  | 4.95%   | 3.66%                 | 0.95%                           |
| 2022-Q2 | 11.16%                 | 6.65%   | 5.43%                 | 1.44%                           |
| 2022-Q3 | 11.66%                 | 7.39%   | 6.65%                 | 2.32%                           |
| 2022-Q4 | 11.93%                 | 8.06%   | 7.98%                 | 3.11%                           |
| 2023-Q1 | 12.29%                 | 9.35%   | 12.21%                | 4.09%                           |
| 2023-Q2 | 12.48%                 | 9.88%   | 12.92%                | 4.55%                           |
| 2023-Q3 | 13.48%                 | 10.50%  | 13.47%                | 4.82%                           |
| 2023-Q4 | 13.01%                 | 10.95%  | 13.52%                | 5.00%                           |
| 2024-Q1 | 14.06%                 | 12.36%  | 13.65%                | 5.20%                           |

## Methodology

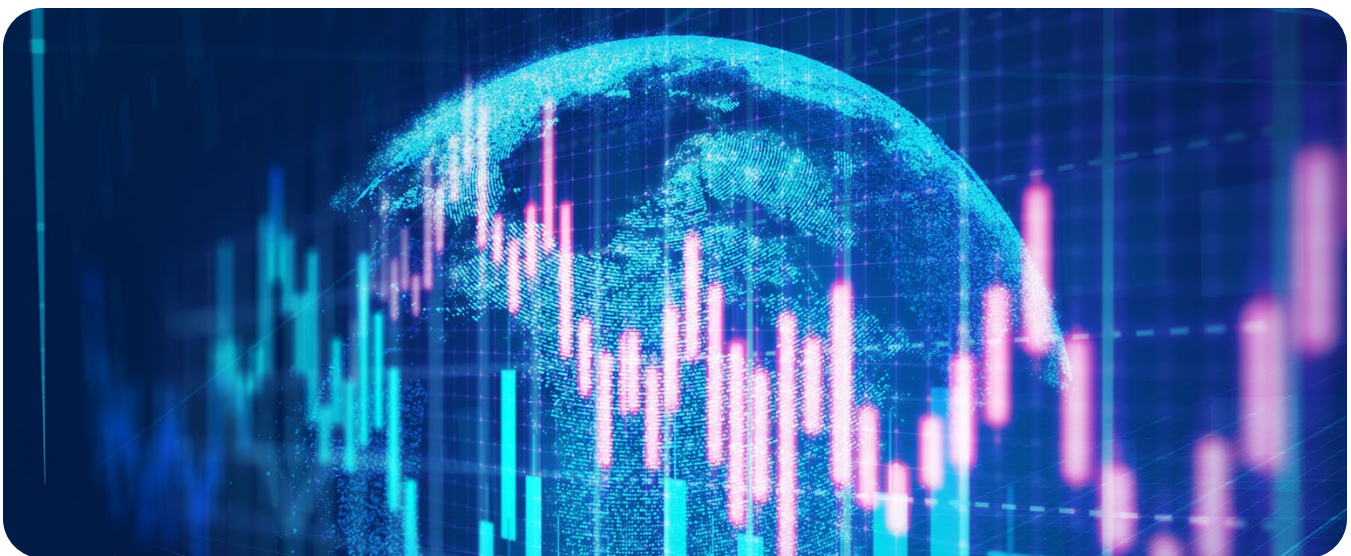
- The baseline for the analysis is set at Q2 2021 using the Vizient enterprise benchmarking dataset.
- The price change rate for each product is calculated by  $(M-B)/B$ , where the average price of products bought in the last quarter (M) is compared to the average price of products bought in the baseline quarter (B).
- Overall, Vizient average price change rate is the simple average of all product price changes.
- On-contract and off-contract prices are calculated monthly for each product
- Food, pharmacy and IT are excluded.
- The PPI rate of change) is shown as the difference in PPI value from the baseline quarter and each respective QTR to correspond to the method used for the on- and off-contract rate of change.
- Products exclusive to group, custom and local contracts and not found on national contracts have been excluded from the analysis.
- 291,541 items with data points in all 12 quarters were included in the analysis.

## Notes

- PPI final demand measures the average change in prices received by domestic producers of goods, services and construction sold for personal consumption, capital investment, government use and export. Basically, the final selling price for a good or service from a manufacturer or service provider to sell a good to retail, hospital, consumers, etc.
- PPI final demand excluding food, energy and trade services removes these volatile components.
- Off-contract refers to products that aren't on any contract.
- On-contract refers to national Vizient contracts.

## Assumptions

- To ensure accurate calculations, only products with data points in every quarter were included in data set.
- A variance of 200% was applied to the data, to rule out outliers.







## Additional monthly budget insights

In addition to the semiannual Budget Impact Projections report, Vizient publishes **monthly briefs** containing the latest market news and expert insights. These manufacturing insights briefs keep you informed about raw material pricing trends, supply chain data and the impact of labor costs on the supply chain.

Topics include:

- The **energy** brief evaluates the oil, diesel and natural gas markets, which greatly affect the cost of freight, manufacturing and raw materials.
- The **freight** brief explores disruptions and costs within the trucking and shipping industries.
- The **raw material** brief weighs the numerous market dynamics leading to price variabilities.
- The **labor** brief analyzes trends related to the impact of wages and benefits on the cost of manufacturing and services.

## Price and supply assurance foster resilience

In a market with many challenges, providers need the right tools to help ensure stable pricing and reliable supply availability for daily purchasing operations—as well as confidence to budget appropriately for future needs. Vizient works with providers, suppliers and other industry stakeholders to make the industry more resilient and better able to provide care without interruption. Our experts bring deep understanding of the economic, industry, category and operational factors that influence supply and other costs. Our dedicated assurance team constantly monitors market news and events around the globe, communicating relevant guidance and actionable insights to providers.

Currently, the assurance team is tracking over 30 categories experiencing disruptions that limit suppliers' ability to deliver products.

### Assurance resources

The [assurance page on vizientinc.com](#) makes market news and expert insights available to all visitors. These and other materials are accessible:

- **Monthly supply update** — The [monthly supply update](#) tracks all supply chain disruptors, including current market challenges, category-specific product updates and recovering markets.
- **Disruption briefs** — Our library of [disruption briefs](#) contains insights on events or conditions that affect the supply chain and offers strategies to manage them. They include:
  - Market disruption briefs that address current disruptive conditions or events that affect the overall supply chain.
  - Product disruption briefs that help providers manage product-level disruptions.
  - Natural disaster disruption briefs that summarize disruptive natural or weather conditions or events that affect the healthcare supply chain.

Briefs are also updated when a disruptive condition is resolved and normal operations are restored.

### Available to Vizient providers

- **Supply Assurance Weekly Digest** — Vizient provider customers can stay up-to-date on product access, cost and availability impacts within the shifting supply chain by reviewing the Supply Assurance Weekly Digest. Visit [Subscription Manager](#) to update your email preferences and begin receiving this and other Vizient publications.



### Vizient Reserve: the future of supply assurance

Product shortages pose significant challenges for healthcare providers. Vizient Reserve is at the forefront, offering strategic solutions to navigate and mitigate shortages effectively. Our Novaplus Enhanced Supply (NES) program and NES Reserve have delivered more than 3.5 million units of essential medications to patients who would not otherwise have had access.

Building on the success of NES Reserve, we are now extending Reserve programs into other spend categories under the umbrella of [Vizient Reserve](#). In June 2024, we began offering Respiratory Reserve, which encompasses over 600 respiratory disposable and active humidification products. In addition to significant savings, providers also receive up to six months of additional inventory.

## Resources and solutions to help you budget amid cost volatility

Vizient experts bring deep understanding of the economic, industry, category and operational factors that influence supply costs. Their insights are reflected in numerous resources and connection opportunities that help healthcare organizations make informed budget decisions. And, combined with significant input from the providers we serve, they enable us to offer relevant programs and solutions that help each organization make the most of every supply dollar spent.

### On [vizientinc.com](https://vizientinc.com)

- The supply and price [assurance page](#) brings together newsletters, supply briefs, learning opportunities and more to help providers stay attuned to the supply market.
- Through the [Vizient blog](#), subject matter experts explore spend management and supply chain topics like inventory management, product insights and cost reduction.
- The [Viewpoints](#) page offers data-driven, strategic spend management insights to help drive performance improvement.
- Our [supply chain](#) hub connects you to our comprehensive spend management capabilities.
- Vizient provider organizations can learn how our Novaplus<sup>®</sup> private label, commitment opportunities and other [supply programs](#) are a customizable approach to improving costs, efficiency and visibility.

### Category expertise

These insights help providers stay up to date on market and industry news that affects specific categories. They may cover trends, pricing and forecasts, emerging technology, learning opportunities including CE, contract news and more. Additional supply and medication resources are accessible from the Member Resources area of the [assurance page](#).

- [Pharmacy Market Outlook](#) – semiannual report
- [Medical Device \(PPI\) Tech Watch](#) – semi-annual publication
- [Diagnostic Imaging Tech Watch](#) – annual publication
- [Capital and imaging market insights](#) – quarterly newsletter (login required)
- [Facilities and Construction market insights](#) – quarterly newsletter (login required)
- [Pediatric Tech Watch](#) – annual publication
- [Food for Thought](#) – monthly newsletter (login required)

### Customizable path to value

Commitment, SKU optimization and data-informed purchasing are powerful drivers of supply chain assurance. These are also features of our committed and other spend management solutions. Voluntary engagement helps providers improve operational, workforce, inventory and cost performance.

- **Impact Standardization Programs** — For nearly 30 years, Impact programs have helped providers reduce product variation and improve procurement processes on commonly purchased products. Thirteen category-driven programs offer a flexible framework for providers to improve purchasing practices as well as earn rebates by meeting commitment goals, at no cost to participate. Learn more on [vizientinc.com](https://vizientinc.com) or by contacting your Vizient representative or the [Impact programs team](#).

- **Vizient Commit** — Margins are under unprecedented pressure. Hospitals are exploring every possible way to maximize spending power in every category. The Vizient MedSurg Commit Program drives market-leading value in exchange for high commitment with suppliers across more than 100 medical-surgical categories. The program allows providers to do much more than save. Providers can save time and money, increase supply resilience and support a healthy bottom line by grouping purchases within a highly committed, clinically vetted portfolio of medical-surgical agreements.

To learn more about the MedSurg Commit Program and how to enroll, contact your Vizient representative or email [vizientmedsurgcommit@vizientinc.com](mailto:vizientmedsurgcommit@vizientinc.com).



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Vizient, Inc., the nation's largest provider-driven healthcare performance improvement company, serves more than 65% of the nation's acute care providers, which includes 97% of the nation's academic medical centers, and more than 35% of the non-acute market. Vizient provides expertise, analytics and consulting services, as well as a contract portfolio that represents \$140 billion in annual purchasing volume. Solutions and services from Vizient improve the delivery of high-value care by aligning cost, quality and market performance. Headquartered in Irving, Texas, Vizient has offices throughout the United States. Learn more at [www.vizientinc.com](http://www.vizientinc.com).

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