

Budget impact projections report

Projections for: July 2024 – June 2025
Published: Winter 2024



Overview

The Winter 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 the time-period of July 2024 to June 2025. Your organization can use these projections to assist in your supply-related budgeting process.

Note that the Vizient® 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 numerous internal and external sources. External data is gathered from the Producer Price Index and other publicly available economic sources. Internally we analyze Vizient price trends and work intently with the category management team to gather insight regarding agreement pricing.

For more information, contact Jeff King, Vizient research and intelligence director, at (972) 581-5074 or 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 in Table 1 provide a picture of anticipated inflation over the last half of 2024 and the first six months of 2025. Specific pricing impact may vary based on your institution's volume, procurement configuration, product mix and other factors. Refer to the Vizient Catalog to request a new tier and view pricing and other contract details.

The Budget Impact Projections [webpage](#) also includes an [Excel](#) spreadsheet that provides price change projections on additional product categories.

Overall, Vizient estimates that market prices encompassing the healthcare supply chain will increase 2.3% from July 2024 to June 2025.

Table 1. National price inflation projections ^a

Category	Estimated inflation % July 2024 – June 2025
Cardiology overall	2.1
Orthopedic supplies	1.3
Joint implants	0.8
Spinal	1.5
Neurosurgical	2.5
I.V. systems, solutions	8.0
Medical supplies	1.6
Surgical supplies	1.3
Medical/capital equipment	2.2
Imaging equipment	1.3
Laboratory equipment	1.6
Laboratory consumables	2.4
Medical gasses	4.0
Medical overall	1.9
Purchased services	3.3
IT hardware/software	1.5
IT services	4.0
Commercial print and promotional	3.5
Office supplies	4.4
Furniture	2.0
Food overall	2.3
Non-medical overall	3.1
Construction	3.8
Electricity	4.7
Water services	3.9
Telephone, wireless	1.0
Internet	0.5
Overall projected price change	2.3

2.3%
estimated supply chain
inflation rate



^{at} The projections are for July 2024 to June 2025 and are calculated using historical pricing, raw material trends, USDAA, internal resources and staff and producer price index.^{1,2,3}

Abbreviations: IT = information technology; I.V. = intravenous.

Vizient notes

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

Monthly briefs coverage:

- Energy brief evaluates the oil, diesel and natural gas markets, which heavily effect the cost of freight, manufacturing and raw materials.
- Freight brief explores disruptions and costs within the trucking and shipping industries.
- Raw material brief weighs the numerous market dynamics leading to price variabilities.
- Labor brief analyzes trends related to the impact of wages and benefits on the cost of manufacturing and services.
- Macroeconomic watch examines the global supply chain realignment and how geopolitical relationships will change future supply chains.

Disruption briefs: The Assurance Team updates **disruption briefs** frequently, providing summaries of disruptive conditions or events affecting the supply chain.

Topics covered include:

- China and Taiwan tension
- Helium shortages
- Conflict in the Middle East
- Semi-conductor chip production

Projection uncertainty: The world is facing various challenges that could affect markets and supply chains. These challenges include geopolitical tensions intensifying globally, disruptions in the supply chain, 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 could lead to increased prices for energy and raw materials and make 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 a conservative approach when using this data and erring on the side of caution.

Some suppliers are asking for price increases during the bid and extension process. We stringently monitor and analyze manufacturing input costs that impact the supply chain. Our staff rigorously negotiates initial price increase requests, refuses price changes or delays a price increase for several months.

Suppliers have halted asking for price increases based on raw material, trucking and energy costs. However, labor, ocean freight and several other cost areas persist. Suppliers may attempt price increases during the bid and extension process throughout 2024, especially those that didn't have increases in the last two to three years.

Inflation and the Federal Reserve: Over several years, before 2022, the Fed kept interest rates low to spur growth and help maintain the economy during the pandemic. As economies recovered from the pandemic, inflation soared in 2021 and continued well into 2022. The Fed raised interest rates to growth-inhibiting levels and has held steady as inflation slows. The Fed hopes to decelerate inflation to a more historical rate of 2% per 12-month period by late 2024 or 2025.

Supply chain notes: The challenges currently facing the supply chain will persist in 2024, leading to continued shortages on certain products and rolling back orders. Improvement will only occur when raw materials that are more specialized become more available, labor shortages improve and global leaders resolve geopolitical disturbances.

The Q4 2023 survey by the National Association of Manufacturers (NAM) indicated that 71% of respondents listed attracting and retaining a quality workforce as their primary business challenge. Other top challenges include a weaker domestic economy (63.7%), an unfavorable business climate (61.1%) and rising health care/insurance costs (59.8%). Increased raw material costs dropped to 38.5%. High raw material costs have dropped from the number one challenge in Q2 2022 to fifth in the most recent survey. Supply chain disruptions have shown improvement, with only 32.1% now identifying that as a major challenge, however, this survey occurred before the significant shipping disruptions and cost increases due to attacks on ships near the Suez Canal.³

Global supply chain realignment: Global supply chains are undergoing a shift. Manufacturers of products and raw materials are moving away from relying solely on China and toward working with various countries, including India, Malaysia, Thailand, Vietnam, Cambodia, Indonesia and Mexico. U.S. Suppliers are diversifying their sources of materials to avoid being reliant on one country, which led to most of the supply availability issues in 2022 and 2023.

In the past two years, traditional trade and economic partnerships have weakened. Countries like China, Russia, Brazil, Saudi Arabia and others are seeking growth by supporting each other and reducing their dependence on the U.S. economy and the dollar. Additional information regarding supply chain changes can be found in the monthly briefs.



Price Assurance

Expense management is challenged by growth in labor and non-labor expenses, while access to raw materials remains a concern. Vizient is connecting healthcare suppliers, providers and other stakeholders to improve the reliability, affordability and quality of care. The goal is to provide support in planning and safeguard you from unexpected price increases.

Proactive, collaborative approach that yields results

Vizient uses flexible partnerships, market knowledge and unique contracting strategies to create innovative ways for providers and suppliers to exchange value. We also offer hands-on change management support covering each spend category that provides access to inventory, effective outcomes and the best value.

Enhancing agreements and consensus

Our approach to achieving price assurance includes:

- Forecasting models, methodologies and raw material data attribution.
- Favorable contract terms and conditions that balance price, product access, supply availability and clinical effectiveness.
- Market analysis and expert insights based on the largest spend and clinical data sets in the industry.
- Ongoing price and contract governance model to ensure the cost performance of the group purchasing organization (GPO), advancing price changes for review by our councils and networks.
- Price alignment, verification and audit services throughout the procurement cycle to increase visibility and validate pricing across provider, supplier and distributor data sets.

Assurance with accountability

Our category managers and contract experts use both public and proprietary data to assess any requested price increase. Our teams continually manage the price performance of Vizient-contracted spend to make sure our portfolio consistently and significantly outperforms off-contract spend on inflation. Providers engage in our pricing review process through our councils and networks as is our Supplier Performance team.

For the increasingly small percentage of price increases Vizient accepts, we do so for a limited time, after which suppliers must reapply.

Often, we accomplish additional enhancements for our providers. We work intentionally to minimize administrative burdens where we can while managing price performance across bids, extensions and any mid-term requests.

Aggregate actual financial impact of mid-term price increases

0.27%
of total Vizient customer GPO spend

Inflationary costs avoided

\$200M
since Q4 2021

Avoidance compared to impact

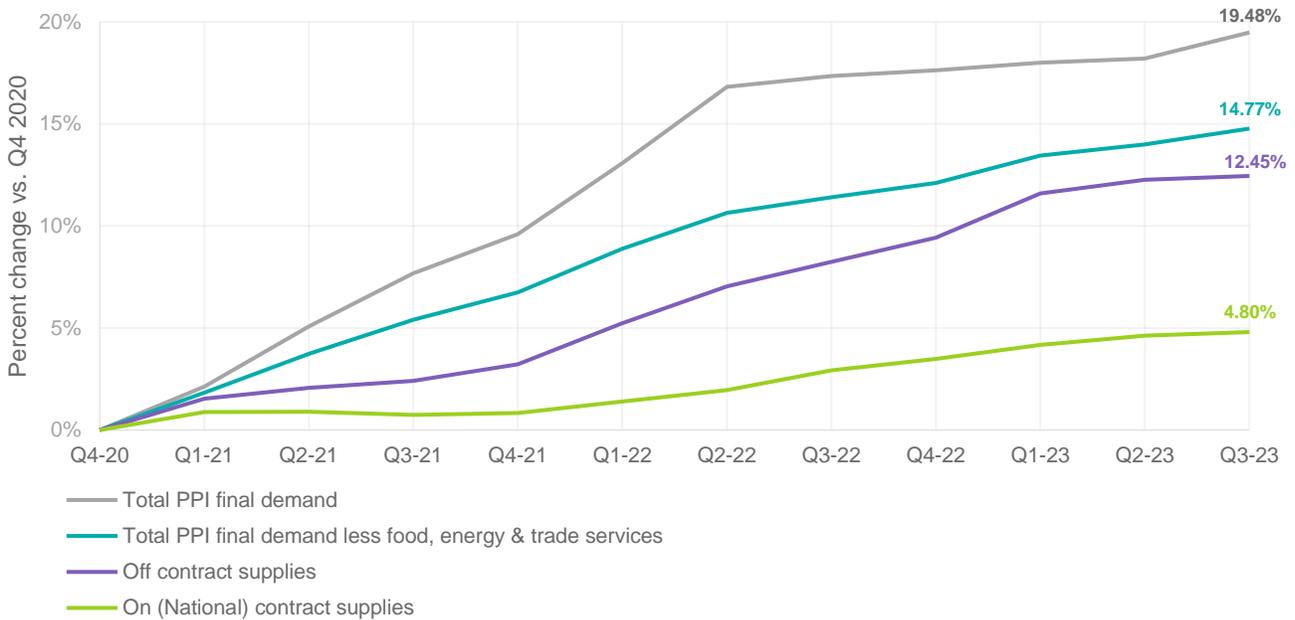
\$0.56
for every \$1 of customer financial impact

Vizient historical inflation analysis

On a quarterly basis, Vizient analyzes price inflation by comparing recent price change data to prices paid in Q4 2020. The analysis compares Vizient on-contract pricing, off-contract pricing and inflation represented by the Producer Price Index, which measures the average change over time in the selling prices received by domestic manufacturers for their output of goods and services.

Contract pricing through Vizient, as of Q3 2023, represents a 4.80% increase since Q4 2020. Comparatively, off-contract purchasing reveals a 12.45% price change in the same period. The Producer Price Index, final demand indicates inflation of 19.48% since Q4 2020.

Price changes in hospital supplies vs. 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
2020-Q4	0.00%	0.00%	0.00%	0.00%
2021-Q1	2.13%	1.84%	1.53%	0.88%
2021-Q2	5.08%	3.74%	2.07%	0.90%
2021-Q3	7.68%	5.41%	2.41%	0.74%
2021-Q4	9.59%	6.75%	3.22%	0.83%
2022-Q1	13.07%	8.88%	5.23%	1.40%
2022-Q2	16.82%	10.64%	7.04%	1.96%
2022-Q3	17.35%	11.41%	8.24%	2.92%
2022-Q4	17.62%	12.10%	9.43%	3.48%
2023-Q1	18.00%	13.45%	11.59%	4.17%
2023-Q2	18.21%	13.99%	12.27%	4.63%
2023-Q3	19.48%	14.77%	12.45%	4.80%

Methodology

- The baseline for the analysis is set at Q4 2020 using the Vizient enterprise benchmarking dataset.
- The normalized average unit price of products purchased in the latest quarter (M) is compared to the normalized average unit price in the Baseline quarter (B). The price change rate for each product is calculated by $(M-B)/B$.
- 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 Producer Price Index (PPI Rate of change) is presented 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.
- 267,047 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, etc.
- PPI final demand less food, energy and trade services removes these volatile components from the index.
- Off contract refers to products that aren't on any contract.
- On contract refers to national contracts.

Assumptions:

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



Vizient Assurance

Want to receive weekly Supply Assurance updates? Update your preferences through our [Subscription manager](#) by selecting the Supply Assurance Weekly Digest. You can stay current on the shifting supply chain with frequent updates covering product access and availability and cost impacts with the supply chain assurance resources listed below at vizientinc.com/supply-assurance.

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

One-page [disruption briefs](#) focus on disruptive events or conditions that affect supply chain. Market disruption briefs summarize disruptive conditions or events affecting supply chain market conditions. Product disruption briefs provide a summary of current conditions and strategies to manage product-level disruptions. Natural disaster disruption briefs provide a summary of disruptive natural or weather conditions or events affecting healthcare provider's supply chain conditions.

Contract coverage updates

[Contract coverage updates](#) provide a summary of changing contract coverage with information to help mitigate the changes, including programmatic impact and cross-reference support.

Category resource guides

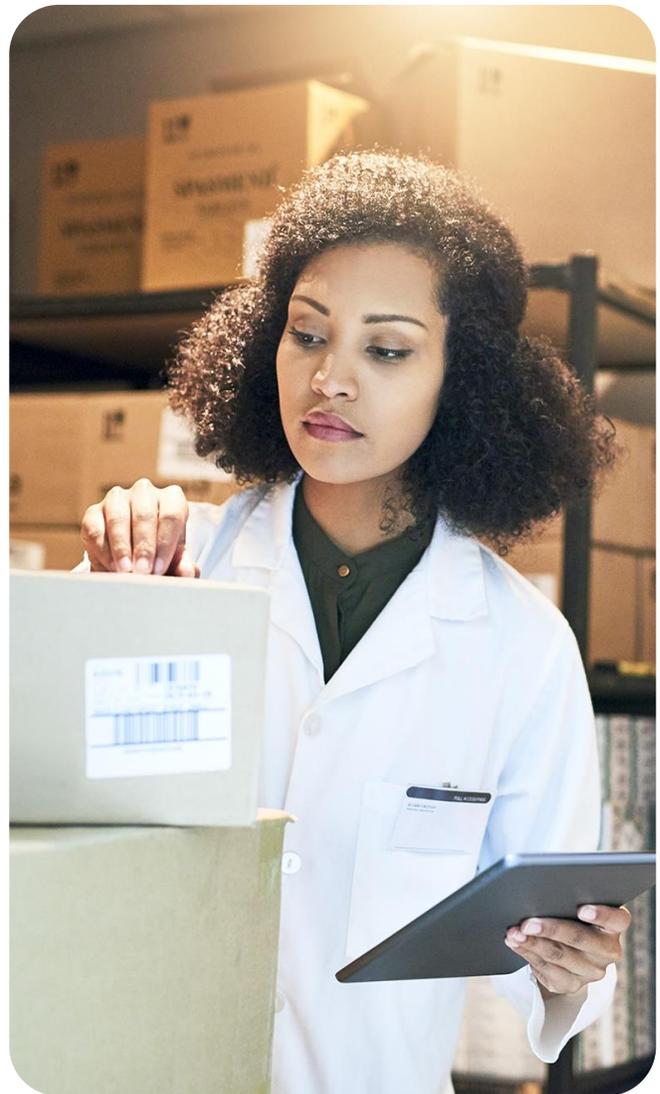
[Category resource guides](#) help providers maintain access to essential supplies. These category-specific documents contain comprehensive manufacturing, logistics and use insights to help providers confidently source supplies.

Newsletters and blogs

[Food for Thought](#) is a Vizient Food Program communication tool to keep you up-to-date on market and industry insights. These insights include food price trends and forecasts, contract news, supply chain updates, product information and continuing education opportunities.

[Facilities and Construction market insights](#) is a quarterly publication that includes price and raw material trends, current product lead times and best practices.

The Vizient [Supply Chain Blogs](#) are written by subject matter experts and cover different topics like inventory management, product insights and cost reduction.



Supply Analytics

Inflationary cost pressure, supply availability and fluctuation in demand have made it difficult to understand the impact each of these market dynamics had on healthcare providers, especially at a category level. With our **Supply Analytics**, healthcare providers can easily track important trends in spend, average unit price and units purchased. They can view this information at an overall level, by category view or even at the individual product level. Supply Analytics is available to all group purchasing providers who provide automated data submissions to Vizient.

Get access to market data beyond compare:

- More than \$144 billion in supply spend data
- Purchasing data from more than 6,000 provider facilities
- Data from more than 2,100 national contracts
- More than 715,000 product line items

The Vizient Supply Analytics Learning Center offers in-depth guides, job aids and recordings led by subject-matter experts that focus on understanding features and how to interpret data.

Purchased Services Analytics

Vizient just launched new analytics capabilities that deliver enhanced views of purchased services spend. Using the most comprehensive data in the industry, our tool provides valuable insights to help you understand your indirect and purchased services spend. It also gives you a detailed look at your suppliers and contracts. The analytics tool can help deliver rapid, sustainable savings across these categories: facilities and infrastructure, finance/revenue cycle, human resources/insurance, information technology, patient care, supply chain and support services.

Purchased Services Analytics new features and enhancements include:

- A comprehensive, categorized view of indirect spend
- Easy identification of the categories driving increased spend
- Comparisons to peer systems across a variety of metrics
- Prioritized insights to quickly drive value



References

1. Producer Price Indexes. U.S. Bureau of Labor Statistics. Published on Jan. 12, 2024. Accessed Jan. 31, 2024. <https://www.bls.gov/ppi>
2. Short-term Energy Outlook. U.S. Energy Information Administration. Published on Feb. 6, 2024. Accessed Feb. 6, 2024. <https://www.eia.gov/outlooks/steo/>
3. Food Price Outlook. United States Department of Agriculture, Economic Research Service. Published on Jan. 25, 2024. Accessed Jan. 26, 2024. [USDA ERS - Food Price Outlook](#)
4. 2023 Fourth Quarter Manufacturers' Outlook Survey. NAM. Published Jan. 8, 2024. Accessed Feb. 2, 2024. [Manufacturers' Outlook Survey - NAM](#)





vizient.

290 East John Carpenter Freeway
Irving, Texas 75062
(972) 830-0000
vizientinc.com

As the nation's largest member-driven health care performance improvement company, Vizient provides solutions and services that empower health care providers to deliver high-value care by aligning cost, quality and market performance. With analytics, advisory services and a robust sourcing portfolio, we help members improve patient outcomes and lower costs.