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The Cost of Your Device Just Changed.

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Does your leadership team have a plan?

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The cost of your device just changed. Does your leadership team have a plan?

For years, the MedTech industry optimized supply chains around two principles: cost efficiency and just-in-time availability. Offshore manufacturing, single-source suppliers, and lean inventory levels were deliberate design choices that made financial sense in a stable trade environment. That environment no longer exists.

On April 2, 2025, the United States announced sweeping new import tariffs that changed the calculus for virtually every global MedTech manufacturer overnight. Medical devices — previously subject to low or zero duties — are now directly in the line of fire. Imports from the European Union face a 20% tariff, up from effectively zero. Chinese-origin components can face stacked duties exceeding 40% — and tariffs on Chinese medical devices reached 145% by the end of 2025. Certain advanced thermoplastics used in device manufacturing face Section 301 rates as high as 50%. And as of January 2026, Mexico — long a cornerstone of MedTech nearshore manufacturing — now applies a 25% tariff on Chinese inputs used in Mexican assembly operations. Critically, Mexico does not refund this tariff even when the finished product enters the U.S. duty-free under USMCA, embedding a permanent real cost into cross-border supply chains that did not exist before.

There was a significant legal development in February 2026: the U.S. Supreme Court held that the International Emergency Economic Powers Act does not authorize the president to impose tariffs, invalidating the IEEPA-based tariffs imposed in 2025. For leadership teams tracking this closely, however, the ruling does not resolve commercial uncertainty. The administration has signaled it may rely more heavily on alternative statutory authorities going forward — Sections 301, 232, and 122 of the Trade Act — and the pending Section 232 investigation into medical device imports remains active.

The volatility did not end. It changed form.

Sources: MedDeviceGuide (Apr. 2026); Medical Supply Chain Trends 2026 (Mar. 2026); Morgan Lewis, "What Medtech Companies Can Expect in 2026" (Mar. 2026); MedTech Dive (Apr. 2026)

> *"Supply chain resilience isn't a procurement issue. It's a leadership architecture issue — and it requires the same executive attention as your product pipeline."*

The numbers are no longer theoretical. Johnson & Johnson has estimated $400 million in additional costs from tariffs in 2025 alone. Abbott has projected "a few hundred million dollars." BCG analysis puts 10% to 40% of EBIT margin at risk for MedTech players depending on their supply chain configuration. And tariffs are adding an estimated $2,000 to $8,000 per device in manufacturing costs for certain product categories — in an industry where companies cannot simply pass costs through to customers.

Sources: J&J; Q1 2025 earnings; Abbott guidance; BCG, "How Medtech Can Make Trade Compliance a Superpower" (Nov. 2025); PTC, "Tariffs on Medical Devices" (Aug. 2025)

What the data is telling executive teams right now

McKinsey's 2025 supply chain pulse survey found that 82% of companies were affected by tariffs and had prepared or implemented countermeasures — but the primary response was inventory build-ups, not structural diversification. Only 33% of organizations had actually implemented nearshoring or onshoring, and two-tier supply chain visibility had declined back to 2022 levels. The gap between the urgency of the problem and the depth of the organizational response is significant.

Meanwhile, McKinsey's broader 2025 pulse shows that 43% of organizations plan to shift more of their supply chain footprint to the United States over the next three years — a 25-percentage-point jump year over year — while 38% plan to reduce their presence in China. In life sciences specifically, Deloitte found that 48% of MedTech executives expected manufacturing and supply chain risks to significantly affect their 2025 strategy.

Sources: McKinsey, "Supply Chain Risk Pulse 2025"; Deloitte, Life Sciences Supply Chain outlook 2025; Pharmaceutical Commerce (May 2026)

Where the pressure is landing hardest

The impact is not uniform. Companies with high concentrations of component sourcing from tariff-affected regions — particularly electronics, polymers, and precision machining from China, EU, or Mexico — are absorbing cost increases that compress margins at a moment when hospital value analysis committees are already under pressure and large capital purchases are slowing.

For Class III device manufacturers, the challenge is compounded: supplier changes trigger design verification and validation requirements, making diversification both expensive and slow. Reshoring is not a tactical adjustment — it requires FDA inspection and certification for any new production facility, which means the timeline for structural supply chain redesign is measured in years, not quarters.

One year after “Liberation Day,” the structural reality is clear: in MedTech, where integrated global supply chains are designed for efficiency and can take years to establish, reshoring is not a rapid response mechanism. Major manufacturers including Eli Lilly, Novartis, and Roche have committed over $100 billion in combined investment to reshore domestic manufacturing — but building that capacity takes years. Meanwhile, hospitals operating on thin margins cannot absorb tariff-driven cost increases through existing insurance contracts until renegotiation cycles allow it. The cost is real, it is flowing downstream, and the window for proactive supply chain redesign is narrowing.

Sources: MedTech Dive (Apr. 2026); Supply Chain Dive (Apr. 2026); Medical Supply Chain Trends 2026 (Mar. 2026)

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62% of medical devices used in the United States come from other countries. Nearly 70% of US-marketed devices are manufactured solely outside the United States. This import dependency means that tariff policy has an outsized impact on MedTech compared to industries with more domestic production — and makes the leadership response to tariff volatility a strategic imperative, not a procurement optimization.

Source: MedDeviceGuide, “Medical Device Tariffs & Trade War Impact 2026” (Apr. 2026)

What a resilient supply chain leadership posture looks like

BCG’s analysis of how leading MedTech companies are responding identifies six structural actions that separate organizations building competitive advantage from those managing reactive cost containment. The most critical: pricing and sourcing analytics to quantify tariff exposure by SKU, product line, and supplier, enabling leadership teams to make informed trade-offs rather than across-the-board decisions.

Dual sourcing has become the new minimum viable standard. BCG’s supply chain research is direct: some automotive and MedTech companies have already advanced along this path, lining up backup suppliers across more component families, and BCG expects this trend to accelerate. McKinsey’s data confirms: strategies cluster around inventory buffers (45% of respondents), dual sourcing (39%), and nearshoring or onshoring (33%) — in that order of current adoption.

The organizations navigating this well share three structural characteristics. They have elevated supply chain risk to a standing executive and board agenda item — not a quarterly procurement update, but a forward-looking risk conversation with scenario-based modeling. They have mapped single-source dependencies explicitly and assigned executive ownership to each critical gap. And they have begun qualifying alternative suppliers before they need them, accepting the near-term cost of validation as insurance against the far higher cost of a disruption during a product launch or a high-volume quarter.

Sources: BCG, “How Medtech Can Make Trade Compliance a Superpower” (Nov. 2025); BCG, “Balancing Cost and Resilience” (Aug. 2025); McKinsey Supply Chain Pulse 2025

The leadership design question underneath the tariff response

The supply chain your organization has today is the one your incentive structures, your planning horizons, and your risk tolerance built over the past decade. Redesigning it requires executive will and

organizational architecture, not just operational execution.

The companies most at risk are not the ones that were making bad decisions. They were making rational decisions in an environment that has now fundamentally changed. The question for leadership teams is not how to undo the past — it is how to build the decision-making infrastructure, the supplier intelligence, and the scenario planning capability to stay ahead of a trade environment that will remain volatile for the foreseeable future.

One question to carry this week:

If your top two suppliers for a critical component were simultaneously disrupted tomorrow — does your organization have a defined response plan, executive ownership, and a qualified alternative — or would you be improvising?

The supply chain your organization needs for the next decade will not build itself. It has to be designed.

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