
Managing Rising Healthcare Costs



The healthcare industry continues to face financial pressures, with rising costs in pharmaceuticals and medical supplies. According to Vizient's Winter 2025 Spend Management Outlook, pharmacy spending is projected to increase by 3.84%, while non-pharmaceutical supply costs are expected to rise by 2.3% between July 2025 and June 2026. These trends highlight the need for healthcare organisations to adopt comprehensive financial strategies to sustain operations while maintaining patient care quality. As cost pressures mount, healthcare providers must carefully evaluate their procurement processes and spending allocations to ensure both fiscal responsibility and continued service excellence.

Pharmacy Spending and Market Shifts

Pharmacy costs remain a significant financial burden, largely driven by the expansion of speciality medications and the shift towards ambulatory care settings. Outpatient and ambulatory healthcare services continue to grow, influencing drug expenditures. Medications such as Humira, Ozempic and Mounjaro are among the highest contributors to the increase in pharmacy costs. Speciality drugs, which cater to complex disease states like oncology and autoimmune conditions, now account for over half of total drug spending in the U.S. The increasing availability of biosimilars may help moderate some price increases, but the overall demand for high-cost pharmaceuticals continues to shape healthcare budgets.

The shift towards ambulatory care represents a broader industry trend that emphasises patient convenience, cost-effectiveness and operational efficiency. However, this transition also comes with financial and logistical complexities. The increased demand for outpatient pharmaceutical products, including costly speciality medications, continues to drive pharmacy expenditure upwards. Additionally, healthcare providers must navigate administrative and financial challenges associated with cell and gene therapies, which require extensive patient monitoring, financial planning and clinical oversight. These elements contribute to the ongoing rise in pharmacy costs, further complicating financial sustainability efforts.

Supply Chain Cost Pressures

Non-pharmaceutical supply costs are also on the rise, driven by factors such as raw material shortages, freight expenses and tariffs on medical-surgical products. The projected 2.3% increase in supply chain expenses will impact essential medical items like gloves, needles, syringes and face masks. Additionally, construction costs (4.9%), water services (5.1%) and medical gases (4%) are expected to see notable price hikes, further straining hospital budgets. Strategic procurement and supplier diversification will be key to mitigating these financial challenges, particularly in light of potential future changes in trade policies.

Supply chain management is an increasingly complex task for healthcare institutions, requiring long-term planning and proactive strategies to counteract financial pressures. The impact of tariffs on medical-surgical products is particularly significant, as many essential supplies are manufactured overseas. While some manufacturers have diversified their production locations, certain product categories—such as enteral syringes—remain vulnerable to price volatility. With Vizient successfully securing a delay in tariff implementation for these products, healthcare providers have a temporary reprieve to reassess procurement strategies and supplier partnerships.

Beyond immediate supply chain challenges, the rising cost of construction and essential services poses additional financial burdens. Increased expenses related to water services and medical gases may seem incremental, but they contribute to overall operational costs in hospitals and healthcare facilities. These price trends underscore the necessity for healthcare organisations to adopt robust financial planning and cost-containment strategies to ensure long-term stability.

The Need for Financial Sustainability

As healthcare costs continue to climb, financial sustainability remains a critical focus for healthcare providers. Effective spend management requires an integrated approach, combining forecasting tools with data-driven insights to optimise resource allocation. Collaboration between financial and clinical teams is essential to balancing cost containment with high-quality patient care.

Given the increasing costs across pharmaceuticals and the broader healthcare supply chain, organisations must take a proactive stance in financial planning. This includes refining budgeting processes, exploring cost-saving opportunities through biosimilars and alternative suppliers, and ensuring that procurement strategies align with long-term sustainability goals. The unpredictability of global market conditions further necessitates a flexible and adaptive approach, allowing providers to respond swiftly to emerging financial challenges.

Healthcare leaders must also consider the long-term implications of spending trends. Investing in financial sustainability initiatives, such as strategic forecasting and supply chain optimisation, can enhance operational resilience and enable continued delivery of high-quality care. As cost pressures persist, the ability to make informed, data-driven decisions will be crucial for sustaining the financial health of healthcare institutions.

The findings from Vizient's Spend Management Outlook underscore the increasing financial pressures in healthcare. With pharmacy costs rising due to speciality drugs and ambulatory care growth, as well as supply chain expenses driven by global market factors, healthcare leaders must adopt proactive financial strategies. Emphasising comprehensive cost management and strategic planning will be crucial in ensuring sustainability while upholding the quality of care. The continued evolution of the healthcare landscape requires a forward-thinking approach, balancing financial constraints with the need for effective patient-centred care. By leveraging forecasting insights and refining spend management strategies, healthcare organisations can navigate these challenges and secure a financially stable future.

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