

Publications

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Beyond the Pump: The Iran War's Adverse Impact on U.S. Health Care

Key Takeaways

- The closure of the Strait of Hormuz following the U.S.-Iran conflict is disrupting global health care supply chains and increasing costs for critical medical products. Shortages and delays are already affecting pharmaceuticals, MRI-related helium supplies and cold-chain products.
- The disruptions create operational and financial pressure for health care providers that depend on imported drugs, medical equipment and time-sensitive supplies. Rising freight, fuel and insurance costs are contributing to higher prices and longer lead times across multiple product categories.
- Health care organizations should closely monitor supply availability, transportation delays and pricing volatility tied to the ongoing conflict and shipping restrictions. Providers may need to evaluate inventory levels, supplier diversification and contingency planning for critical medical inputs.

Since the beginning of the United States' conflict with Iran on Feb. 28, much of the focus has centered on the resulting decline in oil shipments from the Persian Gulf. But the closing of the Strait of Hormuz — which cut off roughly 20% of the world's oil exports — also disrupted global health care supply chains, causing shortages and rising costs for essential products.

Although the United States has initiated escort operations through the Strait to stabilize transit, these measures have not yet restored normal shipping volumes or alleviated supply chain disruptions. This communication discusses those items that could result in shortages important to health care delivery.

Health Care Supplies Facing the Greatest Disruption Risk

Several categories of medical products and materials already face rising transportation costs, supply constraints and increased delivery delays. Key health care products and materials affected include:

Related People

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Related Capabilities

- Public Policy
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Pharmaceuticals

India supplies nearly half of all generic prescription drugs used in the United States, making it the largest single source. Roughly 18% of facilities supplying the United States with active pharmaceutical ingredients are located in India. The U.S. generic drug market will likely be negatively impacted the longer the Strait is closed.

India imports 40% of its oil supply and over 84% of its exports, including drugs. It is exporting using Dubai-adjacent air space to fly exports. But the cost of plane fuel is growing, with India experiencing up to 350% increases in air cargo rates. This means increased costs for drugs it exports.

The US Pharmacopeia's risk assessment of the conflict shows it is affecting other countries in the region, which are responsible for 0.3% of active pharmaceutical ingredient (API) production and 0.6% of oral solid dose production, with most concentrated in Jordan and Israel.

Israel is recognized as a leading global producer and exporter of fluorosilicic acid, a chemical used for water fluoridation, particularly for U.S. water treatment plants. The challenge here is that many in the production workforce have been called to active military service, which has caused the major Israeli supplier to shut down production and created a significant supply shortage in the U.S. market.

Helium

Qatar accounts for nearly one-third of the world's helium supply, produced as a byproduct of its natural gas processing. Helium plays a critical role in semiconductor manufacturing, supporting processes from ultra-low-temperature cooling to highly precise fabrication. The greater concern lies in health care. MRI scanners rely on liquid helium to keep their superconducting magnets at extremely low temperatures. Without a stable supply of helium, MRI machines can't operate.

Aluminum

The Middle East is a major global supplier of primary aluminum outside China, producing around 9% of global primary aluminum. Aluminum from the Middle East plays an indirect but critical role in health care through its use in medical devices, infrastructure and supply chain resilience.

Medical Device Manufacturing

- Aluminum is widely used in the production of medical equipment such as hospital beds, surgical trays, diagnostic instruments and packaging for pharmaceuticals. In the Middle East, companies like Emirates Global Aluminium and Aluminium Bahrain supply high-quality aluminum to global manufacturers, including those in health care. Shipment disruptions can affect availability of aluminum for manufacturing, including medical devices.
- Aluminum is a key material in construction and infrastructure projects that support health care facilities. This includes hospital buildings, medical storage units and transport vehicles. The Middle East's aluminum industry supports both domestic health care infrastructure and export markets, ensuring a steady supply of materials for hospitals and clinics.

Medical Equipment and Consumables

- Shortages in single-use plastic items like IV bags, syringes, catheters, diagnostic-

device casings and PPE could occur over time.

General Medical Products

- Other items potentially impacted include dental products (dentures, adhesives), over-the-counter medication (paracetamol) and contraceptives.

Cold-Chain Supplies

- Vaccines, insulin and specialized medicines are at risk due to reduced air freight capacity and disruptions to time-sensitive logistics.

Key Supply Chain and Cost Risks for Health Providers to Watch

The disruptions in the supply chain, centered around the Strait of Hormuz, have significantly increased logistics costs — with some drug costs quadrupling in certain regions due to transportation delays and soaring insurance premiums for shipping. Some of the increased costs may well last beyond the end of the military conflict.

Key variables to watch include:

1. Effectiveness and scale of U.S./allied escort operations
2. Insurance and shipping risk higher premiums
3. Port congestion and transportation delays
4. Lead times for critical medical inputs
5. Rising input costs and drug pricing pressures
6. Provider margin pressure

Should you have questions regarding the information discussed, please reach out to Julius Hobson, Jr., Mark Weller, Michael Gaba, Steve Stranne, Sylvia Kornegay or your preferred Polsinelli attorney.