

Taxing American Innovation



AdvaMed

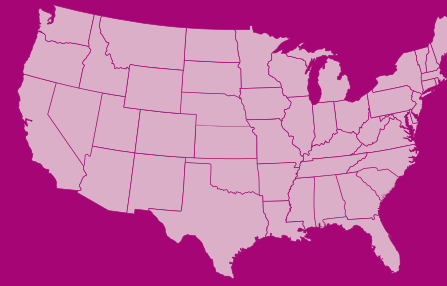
Advanced Medical Technology Association



what is the Medical Device Tax?

The Affordable Care Act imposed a new \$20 billion tax on medical device sales in the United States beginning in 2013. The tax will apply to most devices except items to be sold primarily to individuals at retail locations for personal use.

From wheelchairs and hip replacements to pacemakers and MRIs, medical devices play a vital role in improving the quality of life for millions of Americans each day. But this new tax on innovation will likely result in the loss of tens of thousands of American jobs, reduce American competitiveness and innovation, and prevent patients from receiving the life-saving medical devices and care they need.



Impact on the United States

The new tax imposed on medical devices will likely result in the loss of tens of thousands of American jobs — as many as 43,000, according to a study commissioned by the Advanced Medical Technology Association.

The medical device tax included in the Affordable Care Act, currently set at 2.3 percent, will have a substantial impact on American patients and the economy. In addition to causing job loss, it will reduce American competitiveness, harm innovation, and restrict the ability of patients to receive the life-saving medical devices and care they need.

The Joint Tax Committee estimates that the device tax will generate \$20 billion in revenue in its first seven years. However, the committee concluded that the tax would cause a “significantly higher” loss to the U.S. economy. A September 2011 industry study estimates up to 43,000 U.S. jobs will be at risk after the tax goes into effect. Wages for U.S. jobs total \$3.5 billion. The tax hurts jobs. Repealing it will not hurt health care reform.

America is a global leader in medical technology, but the new tax threatens that leadership. Medical technology is one of the only American manufacturing sectors that is a net exporter, exporting \$5.4 billion more than it imports. But the U.S.'s lead has shrunk dramatically in the last decade, even before the tax. In 2008, the industry delivered \$135.9 billion worth of innovative products to patients worldwide, and the U.S. accounts for 40 percent of the global medical technology market. The new tax threatens America's competitive advantage worldwide.

The economic effects of the medical device tax will be felt in every state, especially ones with a large base of employees in the medical technology industry. Stryker Corporation, a leading Michigan-based medical technology manufacturer, has already announced that it will have to cut about 1,000 jobs due to the pending tax. Furthermore, Cook Group, the nation's largest family-owned medical

device business, already had to cancel its plans to build one new factory a year in the U.S. The plant the company opened last year in Canton, Ill., cost about as much as one year's worth of taxes under the new device tax. It is expected that more companies will have to announce cost-cutting measures.

In addition, the tax applies to U.S. sales, not profits, of medical device manufacturers. This will be especially damaging to innovative start-up companies. Start-ups tend to suffer losses in their early years when they are pouring money into research and development, and trying to move a product to market.

Moreover, the tax will harm innovation, forcing medical device manufacturers to spend less on research and development projects that lead to the discovery and development of life-saving medical devices such as pacemakers and MRIs. Worse, it may lead to higher costs for patients, undercutting a primary goal of health care reform.

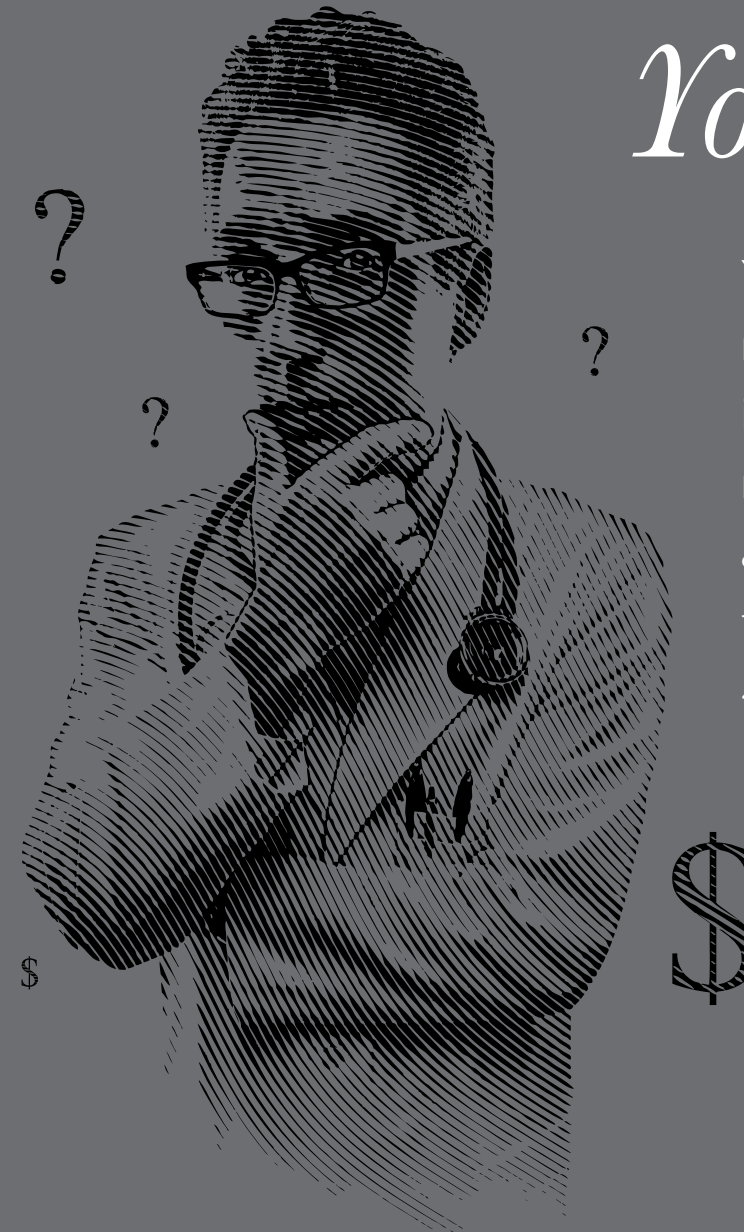
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the Response

Many members of Congress are concerned about the medical device tax's implications. Five bills asking for the repeal of the medical device tax have already been introduced. One bill, H.R. 436, introduced by Minnesota Representative and Co-Chair of the House Medical Technology Caucus Erik Paulsen, has bipartisan support and support from more than the number of co-sponsors required for passage. A companion bill, S. 17, has been introduced in the Senate by Utah Sen. Orrin Hatch.

how You Can Help

You can help save jobs in your state, maintain American competitiveness in the global medical technology market, and preserve access to affordable, life-saving technology for patients by supporting H.R. 436 and S. 17.





AdvaMed member companies produce the medical devices, diagnostic products and health information systems that are transforming health care through earlier disease detection, less invasive procedures and more effective treatments. AdvaMed members range from the largest to the smallest medical technology innovators and companies.

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