Roll Call
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Paulsen, Bilbray and Gerlach: Kill the Excise Tax on Medical Devices

By Reps. Erik Paulsen, Brian Bilbray and Jim Gerlach
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While the Supreme Court debates the 2010 health care law's constitutionality, what is not up for debate is the crippling effect that the medical device excise tax, a provision within the law, will have on patient care, health care affordability and our ability to keep jobs in the U.S.

According to the Congressional Budget Office, the 2.3 percent excise tax is estimated to have a nearly $30 billion negative effect on medical device and diagnostic manufacturers. This new tax will hit home for one of our growth industries and have devastating consequences to our competitiveness in the global marketplace.

Take into consideration what is at stake for states, such as Minnesota, Pennsylvania and California, with major medical device clusters: Minnesota has 400 companies that provide 35,000 related jobs, Pennsylvania has 600 companies that provide 20,000 jobs, and California has 1,300 companies that provide 107,000 jobs. This tax has the possibility of affecting 162,000 jobs in three states alone, never mind the rest of the nation. This tax on U.S. medical device innovators will detrimentally affect our nation's ability to compete, innovate and create jobs.

As our economy continues on its road to recovery, a tax on medical technology companies will only deter the progress already made. Should the tax be levied, American and foreign investors alike would likely consider finding other opportunities for their investments outside the U.S. medical technology industry. If the medical technology businesses located overseas are not subjected to the same overbearing taxes as those in the U.S., investors will be more compelled to invest overseas.

This tax will affect not only large corporations, such as Medtronic, 3M and Boston Scientific, but also smaller medical technology businesses responsible for making the United States the world's leader in producing new life-improving and lifesaving technologies.

Fujirebio Diagnostics of Malvern, Pa., is the top developer and manufacturer of blood tests for cancer diagnosis in the world. Even in the midst of the economic downturn when millions of Americans were losing their jobs, Fujirebio kept hiring.

"We have never moved a job overseas" said Paul Touhey, Fujirebio's president and CEO. "This looming tax will hurt the small and midsized companies that we are all relying on to develop new innovations."

Touhey noted that 80 percent of medical device companies have fewer than 50 employees, and the looming medical device tax will apply to a manufacturer's revenue, not profits. As with most industries, the medical device and diagnostic industry are still feeling the effects of the recession.

There is a genuine fear that companies may have no choice but to lay off employees and move operations overseas to achieve cost efficiencies to remain competitive.

Medical innovation and ingenuity will also suffer as a result of the tax. To come up with the estimated $30 billion needed to pay their new tax bill, companies will have fewer resources for critical research, development and staffing, which combined gives America a cutting edge in the medical technology industry. The next implantable defibrillator or prosthetic advancements could be delayed because of the investment opportunities this tax takes away. The ultimate goal of the medical device industry is to save and enrich lives. More must be done to ensure that these job-creating businesses have every opportunity at success because their success ensures a healthier future for us all.

For these reasons, we have collaborated to repeal the nearly $30 billion tax on the medical device industry. This is an industry critical to the quality of our health care and should not be subjected to a federal tax that would bring many unfortunate consequences. Repealing the tax will ensure continued medical advancement while also maintaining American jobs in one of our most globally competitive industries.

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