

June 17, 2015

The Honorable John Boehner
Speaker of the House
United States House of Representatives

The Honorable Nancy Pelosi
Minority Leader
United States House of Representatives

Dear Speaker Boehner and Minority Leader Pelosi,

I write to you today on behalf of the hundreds of innovative companies represented by the Medical Device Manufacturers Association (MDMA) offering our strong support of H.R. 160, the “Protect Medical Innovation Act of 2015.” The medical device excise tax has been devastating for patients, innovators and providers for years, and we urge the House of Representatives to put an end to this onerous policy once and for all.

MDMA represents nearly 300 medical technology companies, and our mission is to ensure that patients have access to the latest advancements in medical technology, most of which are developed by small, research-driven medical device companies. According to the Department of Commerce, 80% of medical device companies have fewer than 50 employees and 98% have fewer than 500 employees.

Since the medical device tax was first proposed in 2009, MDMA shared our grave concerns with Congress about the negative impact this policy would have on job creation, R&D and patient care. Our members never agreed to the tax and we have consistently opposed it. Sadly, much of what we predicted has come true.

For example, we warned policy makers about the myth of a “windfall” of new patients who would be users of medical devices to offset the impact of the tax. Our members had the first-hand experience of universal coverage in Massachusetts where no such “windfall” ever materialized. This is in large part due to the fact that high volume users of medical devices are not the same demographic as those enrolling under the Affordable Care Act.

This punitive policy has also thwarted the ability of innovators to deliver on the promises of improved patient care. In our most recent survey, we asked medical technology innovators what they would do if the medical device tax was actually repealed. The message was clear. The overwhelming majority would make new investments in R&D and increase hiring. The survey consisted of responses from over 100 medical technology executives, and the top findings included:

- 80% of respondents noted that they would increase R&D investments in the cures and therapies of tomorrow
- When asked how much they would increase their R&D budget, the average increase was 14%
- 72% of companies slowed or halted job creation in the United States to pay the medical device tax
- 85% of respondents said that if the device tax was repealed, they would hire new employees in the U.S.

Since 2010, the medical device excise tax has eliminated thousands of good paying jobs, led to drastic cuts to R&D and harmed patient care in the United States. According to Ernst and Young, the 2.3% medical device tax on average increases the effective tax rate for America's medical technology innovators by 29%. In many cases, smaller companies who are operating at a loss have to borrow money to pay this tax since it is on revenues, not profits.

Congress recently showed that when there is broad, bipartisan agreement that policies such as the sustainable growth rate (SGR) are harming patient care, action is required even when the legislation is not offset. The medical device tax is driving good paying manufacturing jobs and investments in the research and development of new medical therapies overseas, and now is the time to act before we lose our global leadership position. Furthermore, a recent CBO report found that the revenues needed to provide subsidies for the uninsured are \$209 billion less than what was estimated in 2010. Therefore, repealing the tax would have no impact on the nation's deficit or the ability of Americans to access health care.

MDMA strongly believes that the reason for such broad, bipartisan support for repealing the medical device tax is the recognition that we need to protect and support this proud American success story. At a time where we need more high tech manufacturing and solutions to the challenges facing the health care system, it is critical that we have policies in place that will support innovation, and empower entrepreneurs. Repealing the medical device tax will do just that.

MDMA remains dedicated to working with Congress and the diverse coalition of stakeholders to get repeal of the device tax across the finish line, and we thank you for your leadership on this important policy goal.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mark B. Leahey", with a stylized flourish at the end.

Mark B. Leahey
President & CEO, MDMA