



June 4, 2014

The Honorable Harry Reid
 Majority Leader
 United States Senate
 Washington, DC 20510

Dear Majority Leader Reid,

As members of the Patient, Consumer, and Public Health Coalition, we thank you for being an outstanding champion of the Affordable Care Act (ACA), and we strongly support your position that a repeal of the 2.3% excise tax on medical devices should not be included in the Tax Extenders Act.

Medical device makers have continued to prosper since the tax went into effect in January 2013. We examined the stock market prices of the 12 largest companies based in the United States, which exclusively make medical devices and found that stock prices for 10 out of the 12 increased from January 2013 to May 27, 2014 from 14% to 120%.¹ In fact, for 8 of the 12 (two-thirds), stock prices increased by at least 44%. Of the two firms whose stock prices declined, Edwards Lifesciences has a profit margin of nearly 15%,² and Intuitive Surgical has a profit margin of nearly 25%.³ The reason Intuitive Surgical stock price declined is probably because of unflattering press about its robotic surgical device, the da Vinci system.^{4,5}

Device Company	close on 1/2/2013	close on 5/27/2014	% change
Boston Scientific (NYSE:BSX)	5.89	12.95	120%
St. Jude Medical (NYSE:STJ)	36.61	64.15	75%
Allergan (NYSE:AGN)	94.04	165.02	75%

Zimmer Holdings (NYSE:ZMH)	67.70	102.62	52%
CareFusion (NYSE:CFN)	29.28	42.50	45%
CR Bard (NYSE:BCR)	101.83	147.15	45%
Medtronic (NYSE:MDT)	41.88	60.42	44%
Stryker (NYSE:SYK)	55.88	80.36	44%
Hologic (NasdaqGS:HOLX)	20.47	23.94	17%
Varian Medical Systems (NYSE:VAR)	72.47	82.84	14%
Edwards Lifesciences (NYSE:EW)	92.14	79.50	-14%
Intuitive Surgical (NasdaqGS:ISRG)	497.52	371.37	-25%

In the coming years, device companies will continue to thrive because more than 8 million Americans have obtained health insurance through the ACA and 3 million more than in 2013 through Medicaid expansion.⁶ The ACA will greatly benefit medical device manufacturers because baby boomers and others will no longer have to wait for Medicare coverage in order to have diagnostic tests, joint replacements, cardiac surgery, and other surgeries and treatments that involve devices. Like the other levies in the ACA, the device tax was designed to ensure that the companies that will benefit from the ACA will do their part to help support it.

A repeal of the excise tax on medical devices would be a direct assault on a key funding provision of ACA. According to the Joint Committee on Taxation, repealing the excise tax on medical devices would cost more than \$29 billion over 10 years,⁷ which would certainly undermine the ACA's fiscal integrity. This would set a terrible precedent that could encourage others to try even harder to undo crucial funding provisions in the ACA.

In short: a repeal of the medical device excise tax would be unacceptable to those of us who strongly support the Affordable Care Act.

U.S. Taxpayers are paying a disproportionate share of the cost of medical devices, since the prices of devices in the U.S. far exceed the prices for the same devices sold in other comparable countries, and these costs contribute to the higher costs of health care in the U.S. compared to other countries with longer life expectancies.^{8,9}

The medical device industry is very profitable. Even if one subtracts the 2.3% excise tax from their profits when they sell devices in the U.S., the companies will still be making larger profits compared to the thinner profit margins they have when selling the same devices in other countries. If the manufacturers decide to increase the cost of their devices by 2.3%, which is unlikely, it would still have almost no impact on the cost of consumers' health care or insurance, given the many other factors contributing to the high cost of health care.¹⁰ In fact, the cost of health care increased less from 2013 to 2014 than it has in the past 10 years.¹¹

It is important to note that Congress designed the excise tax so that it applies equally to imported and domestically produced devices, and does not apply to devices produced in the U.S. for export, so there would be no benefit for manufacturers to shift production overseas.

Thank you for fighting to keep the repeal of the medical device excise tax out of the Tax Extenders Act. Thank you for your strong leadership and please continue to do everything

possible to ensure that the ACA is not undermined by powerful special interests and unnecessary cuts in revenue.

American Medical Student Association
 American Medical Women's Association
 Annie Appleseed Project
 Breast Cancer Action
 Community Catalyst
 Connecticut Center for Patient Safety
 Health Care For All
 National Center for Health Research
 National Consumers League
 National Physicians Alliance
 Our Bodies Ourselves
 The TMJ Association
 WoodyMatters

For more information, contact Paul Brown at (202) 223-4000 or pb@center4research.org

¹ Medical Device and Diagnostic Industry (December 14, 2013). Top 40 Medical Device Companies.

<http://www.mddionline.com/article/top-40-medical-device-companies>

² Edwards Lifesciences Company Information. *New York Times* (May 21, 2014).

<http://topics.nytimes.com/top/news/business/companies/edwards-lifesciences-corporation/index.html?action=click&module=Search®ion=searchResults&mabReward=relbias%3Ar&url=http%3A%2F%2Fquery.nytimes.com%2Fsearch%2Fsite%2F%3Faction%3Dclick%26contentCollection%3DHealth%26region%3DTopBar%26WT.nav%3DsearchWidget%26module%3DSearchSubmit%26pgtype%3DBlogs%23%2FEwards%2520Lifesciences>

³ Intuitive Surgical Inc., Company Information. *New York Times* (May 21, 2014).

<http://topics.nytimes.com/top/news/business/companies/intuitive-surgical-inc/index.html?action=click&module=Search®ion=searchResults&mabReward=relbias%3Ar&url=http%3A%2F%2Fquery.nytimes.com%2Fsearch%2Fsite%2F%3Faction%3Dclick%26contentCollection%3DHealth%26region%3DTopBar%26WT.nav%3DsearchWidget%26module%3DSearchSubmit%26pgtype%3DBlogs%23%2FIntuitiveSurgical>

⁴ Rabin RC (September 9, 2013). New Concerns on Robotic Surgeries. *New York Times*.

<http://well.blogs.nytimes.com/2013/09/09/new-concerns-on-robotic-surgeries/>

⁵ Rabin RC (March 25, 2013). Salesmen in the Surgical Suite. *New York Times*.

<http://www.nytimes.com/2013/03/26/health/salesmen-in-the-surgical-suite.html>

⁶ Pear, R (April 4, 2014). Law Lifts Enrollment in Medicaid by Millions. *The New York Times*.

http://www.nytimes.com/2014/04/05/us/politics/health-law-helps-increase-medicare-rolls-by-3-million.html?_r=0

⁷ Joint Committee on Taxation (May 29, 2012). Description of H.R. 436, the Protect Medical Innovation Act of 2011.

<https://www.ict.gov/publications.html?func=startdown&id=4431>

⁸ Angrisano C, Farrell D, Kocher B, Laboissiere M, Parker S. (January 2007). Accounting for the Cost of Health Care in the United States. McKinsey Global Institute.

http://www.mckinsey.com/insights/health_systems_and_services/accounting_for_the_cost_of_health_care_in_the_united_states

⁹ Farrell D, Jensen E, Kocher B, MD, Lovegrove N, Melhem F, Mendonca L, Parish B (December 2008). Accounting for the cost of US health care: A new look at why Americans spend more. McKinsey Global Institute.

http://www.mckinsey.com/insights/health_systems_and_services/accounting_for_the_cost_of_us_health_care

¹⁰ Center on Budget and Policy Priorities (October 2, 2013). Excise Tax on Medical Devices Should Not Be Repealed, Industry Lobbyists Distort Tax's Impact <http://www.cbpp.org/cms/?fa=view&id=3684>.

¹¹ U.S. Bureau of Labor Statistics. Medical Care.
http://data.bls.gov/timeseries/CUUR0000SAM?output_view=pct_12mths