

Testimony for the Record of Mary Woolley
President and CEO, Research!America
1101 King Street, Suite 520, Alexandria, VA 22314

Before the United States Senate Committee on Finance Subcommittee on Health Care
A Fresh Look at the Impact of the Medical Device Tax on Jobs, Innovation, and Patients
April 23, 2015

Chairman Hatch, Ranking Member Wyden, and distinguished members of the Senate Finance Committee:

On behalf of Research!America, the nation's largest non-profit alliance committed to making medical progress a top national priority, I appreciate this opportunity to comment on the medical device excise tax.

The more than 350 members of the Research!America alliance include patient advocacy organizations, foundations, research universities, academic medical centers, independent research institutes, scientific societies, and large and small businesses within the bioscience industry. What brings this diversity of organizations together is the conviction that faster medical progress should be treated as a national strategic imperative. Whether the objective is to advance the longevity, productivity, independence and wellbeing of individual Americans, protect our nation from pandemics, bioterrorism and other destabilizing population health threats, or foster a strong, globally competitive economy, medical progress is pivotal to America's progress.

We believe it is in the nation's best interests to assure that federal policies are aligned with the objective of speeding medical progress. By dis-incentivizing investment in medical device research and development, the medical device excise tax contravenes this basic principle. We hope Congress will take bipartisan action as soon as possible this year to repeal the medical device tax.

The Role of Medical Devices in Advancing the Health and Wellbeing of Americans

The term "medical device" refers to technologies engineered to advance and restore health. From stents to wheelchairs to artificial organs, devices save lives and work to mitigate the effects of physical disabilities. While far from exhaustive, the following examples help convey the significance of past -- and future -- research and development in the medical device arena.

- According to a study initiated by the Christopher & Dana Reeve Foundation, nearly 1 in 50 people live with paralysis -- approximately 6 million people. That's the same number of people as the combined populations of Los Angeles, Philadelphia, and Washington, D.C. Medical devices are the tools used to provide mobility, restore the ability to

communicate, and in other fundamental ways enhance autonomy and quality of life for these men, women and children.¹

- Between 1993 and 2009, 2.9 million patients received permanent pacemakers in the United States. These implanted medical devices, which have been refined significantly over time to dramatically increase safety, efficacy, and patient satisfaction, address disabling and sometimes life threatening irregularities in heart rhythm.²
- A total of 30 million blood transfusions occur each year in the U.S. Transfusion devices enable these life-saving procedures.³
- As of March, 2012, nearly 1,300 service members lost a limb as a result of combat in Operation Enduring Freedom, Operation Iraqi Freedom, or Operation New Dawn; of that number, 359 lost more than one limb. Increasingly sophisticated prosthetic devices play a crucial role in enabling wounded warriors to achieve their personal and professional goals, as do devices that aid in breathing, communication and external mobility. According to a 2014 survey conducted by The Wounded Warrior Project, 7% of wounded warriors are permanently housebound as a result of their injuries. Our nation must continue to research and deploy advanced medical technologies to reduce this alarming and tragic statistic.⁴

The Economic Impact

According to the Advanced Medical Technology Association, the medical device industry generates approximately \$25 billion in payroll, with median salaries 40 percent above the national average, and invests nearly \$10 billion in R&D annually.⁵ But that is only part of the story. As the global economy evolves, export potential in the medical device arena will grow. And as the examples above illustrate, medical devices play a particularly important role in helping individuals overcome physical disabilities that rob them of independence and compromise productive capacity. Medical devices can reduce the need for caregiver support and empower Americans to return to, or stay in, the workforce and maintain healthy, active lifestyles. These tangible and intangible economic benefits convey to individuals and society as a whole, empowering wounded warriors to provide for their young families and older Americans to

¹ Christopher & Dana Reeve Foundation, Paralysis Resource Center, Paralysis Facts & Figures http://www.christopherreeve.org/site/c.mtKZKgMWKwG/b.5184189/k.5587/Paralysis_Facts_Figures.htm

² Arnold J. Greenspon, et al, Trends in Permanent Pacemaker Implantation in the United States from 1993 to 2009: Increasing Complexity of Patients and Procedures, Journal of the American College of Cardiology, Vol. 60, Issue 16 (2012) <http://www.sciencedirect.com/science/article/pii/S0735109712028100>

³ American Red Cross, Blood Facts and Statistics <http://www.redcrossblood.org/learn-about-blood/blood-facts-and-statistics>

⁴ Wounded Warrior Project, 2014 Wounded Warrior Project Survey <http://www.woundedwarriorproject.org/media/691673/2014-wwp-alumni-survey-report.pdf>

⁵ Advanced Medical Technology Association (AdvaMed), <http://advamed.org/>

choose when to retire from the workforce instead of being forced by physical limitations to do so.

The Case for Repealing the Medical Device Excise Tax

The reasoning that underlies our support for repealing the excise tax is straightforward: Because the excise tax reduces the return on investment in new medical devices, it decreases the capital available for medical device R&D and tilts investment decisions within the device arena toward lower risk, higher return R&D. Given the enduring value of breakthrough medical devices, neither outcome is a desirable one.

Concerns have been raised that repealing the medical device tax would jeopardize continued implementation of the Affordable Care Act (ACA). However, revenues generated from the medical device tax are not earmarked for a specific purpose; they flow into the federal treasury and are fungible. The future of the ACA is a critically important issue, but it should be de-linked from decisions regarding the future of the medical device tax.

Conclusion

Medical device R&D drives medical progress in profoundly important ways. By increasing the attractiveness of investment in medical devices, repealing the medical device excise tax is a pragmatic means of putting more medical innovation to work for Americans. Research!America is grateful to the Committee for holding today's hearing, and hope that your deliberations help lay the groundwork for bipartisan action to repeal the tax as soon as possible this year.