



MITA

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April 15, 2013

The Honorable Jim Gerlach
Chair
Manufacturing Tax Reform Working Group
Committee on Ways & Means
United States House of Representatives
Washington, DC 20515

The Honorable Linda Sanchez
Vice Chair
Manufacturing Tax Reform Working Group
Committee on Ways & Means
United States House of Representatives
Washington, DC 20515

RE: Manufacturing Tax Reform Working Group – Strengthen American Manufacturing by Repealing the Medical Device Excise Tax

Dear Representatives Gerlach and Sanchez:

The Medical Imaging and Technology Alliance (MITA) is pleased to submit comments to the Ways and Means Committee's Manufacturing Tax Reform Working Group on the need to repeal the medical device excise tax. As the leading trade association representing advanced medical technology manufacturers, we have in-depth knowledge of the significant benefits of American medical imaging and radiation therapy equipment manufacturing. We are concerned about the threat to this vital industry that is posed by the device tax.

MITA is the trade association for X-ray imaging, computed tomography (CT), radiation therapy, related imaging acquisitions, diagnostic ultrasound, nuclear imaging (including positron emission tomography (PET)), and magnetic resonance imaging (MRI) technology manufacturers. Medical imaging is used to diagnose patients with disease, often reducing the need for additional, costly medical services and invasive surgical procedures. In addition, medical imaging equipment is used to select, guide, and facilitate effective treatment, for example, the use of image guidance at the time of surgical or radiotherapeutic interventions.

The American medical technology industry is a true economic success story -- creating a growing trade surplus and developing the technology essential to advance patient care in the U.S. and around the world. The device tax threatens an industry that employs more than 400,000 employees, generates \$25 billion in payroll, and invests \$10 billion in research and development (R&D) every single year.¹

In preparation for the medical device excise tax that went into effect on January 1, 2013, companies have had to make hard choices: reducing their workforce and cutting back on research

¹ The Lewin Group, *State Economic Impact of the Medical Technology Industry*, June 7, 2010.

and development investments in order to have the funds available to pay the new tax. Already in 2013, medical device manufacturers have had to pay approximately \$485 million to the Internal Revenue Service (IRS).² Clearly, the tax has had and is having a negative impact on jobs and innovation.

Unless Congress acts, the medical device excise tax will continue to have a negative effect on American medical technology manufacturing. While the U.S. currently leads the world in medical technology manufacturing, the continued American dominance of the global device industry is not guaranteed. In fact, PwC's Medical Technology Innovation Scorecard concluded that, "The medical technology innovation ecosystem, long centered in the United States, is moving offshore. Innovators are going outside the United States to seek clinical data, new-product registration, and first revenue."³ The device tax has exacerbated this trend, made a tough economy more difficult for the domestic device manufacturing industry, and calls into question America's future as the home of global leadership in this important industry.

Repealing the device tax would encourage the creation of the type of high-paying manufacturing jobs that Congress has discussed promoting in this country. Employees in the medical device industry are highly skilled with a salary structure to retain those skills that is 40% more than the national average.⁴ In addition, high-wage earning employees are more likely to create economic returns that fuel the economy by increased investment and greater purchasing power.

If the device tax were repealed, manufacturers would be able to invest more in innovative research. Current imaging innovations have improved early diagnosis of disease, increased patient quality of life, and reduced healthcare costs.⁵ However, with slowed R&D as a result of dollars diverted to pay the device tax, the next generation of life-saving medical imaging technology will come to market at a later date. Ultimately, patients will pay the price for this delay in reduced access to innovative, life-saving medical technology.

We remain encouraged by the bipartisan and bicameral support to repeal the device tax that has already been expressed. As you know, in June 2012, the House of Representatives voted 270 to 146 to repeal the device tax. In March 2013, the Senate expressed its intent to repeal the device tax with a bipartisan vote of 79 to 20. These votes reflect overwhelming bipartisan support in Congress to repeal the device tax, and MITA's support for future attempts to repeal the device tax will not waiver.

Repealing the medical device excise tax is a common-sense step that needs to be taken as part of comprehensive tax reform to grow our economy and create jobs. Thank you for allowing us to provide feedback, and we look forward to working with the Working Group and the Committee to address the medical device tax in a responsible way.

² Joint Committee on Taxation, *Description of H.R. 436, the "Protect Medical Innovation Act of 2011"* (JCX-45-12), May 29, 2012.

³ PwC, *Medical Technology Innovation Scorecard*, January 2011.

⁴ The Lewin Group, *State Economic Impact of the Medical Technology Industry*, June 7, 2010.

⁵ Medical Imaging and Technology Alliance, *Clinical and Economic Value of Medical Imaging*, 2013.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Gail M. Rodriguez". The signature is written in a cursive, flowing style.

Gail M. Rodriguez, Ph.D.
Executive Director, MITA
Vice President, National Electrical Manufacturers Association