

There have been a number of recent studies that outline the negative effects the device tax would have on jobs in the medical technology industry and the U.S. economy overall. The implementation of this tax would hurt U.S. competitiveness and do nothing to support patient access to life-saving technologies. Key findings from these reports are summarized below.

### **“Employment Effects of the New Excise Tax on the Medical Device Industry”**

Diana Furchtgott-Roth, a senior fellow at the Hudson Institute, found that if implemented, the medical device tax could result in the loss of tens of thousands of jobs, almost double the industry’s total taxes, raise the effective tax rate to among the highest in the world, and harm U.S. competitiveness. The study identified the following conclusions as a result of the implementation of the device tax:

- U.S. industry employment and employment compensation could decline. Based on reasonable assumptions, the study estimates the loss of up to 43,000 jobs in the medical device industry;
- The economic effects of the tax likely would be seen in every state, especially harming states that employ large numbers in the medical device industry;
- Innovation could be stifled, as the new tax must be paid by companies regardless of net income; and
- The cost of medical devices would increase for health care providers and consumers. (09/07/11)

### **“The Economic Impact of the U.S. Advanced Medical Technology Industry”**

This Battelle study demonstrates that the advanced medical technology industry has large-scale positive effects on the U. S. economy. According to the study, the industry “is among the signature industries for the U.S. and stands among a select group of ideal industries,” generating large numbers of jobs; making significant contributions to the U.S.’s economic output; being R&D driven, innovative and technologically sophisticated; and producing a product in demand across the globe.

- A significant negative change to the industry’s operating environment stemming from changes in the business environment, such as a new tax or other changes, could cost tens of thousands of jobs, lead to large personal income losses and significantly reduce output for the American economy.
- The study models different scenarios, or “economic events,” whereby the industry’s operating environment is affected. An example of such an event includes the new \$20 billion tax on medical device sales in the U. S. beginning in 2013.
- The study estimates that an economic event resulting in a \$3 billion decline in the industry’s direct output would cause the loss of nearly 39,000 advanced medical technology industry and related jobs and the loss of more than \$8 billion in economic output.
- According to congressional estimators (Joint Tax Committee), the medical device tax will result in a loss of revenue of at least \$20 billion for the medical device industry over the next seven years. (03/26/12)

### **[Benjamin Zycher, Pacific Research Institute](#)**

PRI senior fellow Benjamin Zycher concludes in his report, “Obamacare’s Tax on Medical Devices: Cuts R&D by \$2 Billion a Year,” that the device tax should be repealed due to the inevitable reduction in research and development funding that will result from its implementation.

- Incentives to invest in the R&D of new medical technologies are driven by perceived returns, so the excise tax can be predicted to reduce such investment.
- A baseline estimate of the adverse investment effect is about 10 percent a year through 2020, or approximately \$2 billion each year. (05/12)

### **[“The Job-Killing Medical Device Tax” - National Center for Policy Analysis](#)**

The NCPA’s device tax issue brief analyzes a number of studies, reports and white papers to show why Congress should repeal the medical device tax. It shows that the implementation of the tax would reduce the number of well-paying manufacturing jobs while making a relatively small impact on overall tax revenue.

- The tax is applicable to all medical technology firms regardless of profits, so firms with thin-to-no profit margins are likely to suffer the most.
- Some firms have already begun layoffs in preparation for the implementation of the device tax.
- The tax could increase the cost of health care, as providers, hospitals and patients are likely to bear most of the increased cost associated with the tax. (02/12)

### **[“Taking Action for America: A CEO Plan for Jobs and Economic Growth”](#)**

The Business Roundtable, an association of CEOs of leading U.S. companies, wrote this report to identify the challenges American companies face in recovering from the economic downturn and to outline a plan that will increase business investment, economic growth and American competitiveness. Under its section on pending regulations that threaten investment, jobs and growth, the report specifically calls out the medical device tax as one that is unnecessary and should be eliminated. The report calls for the following steps to maintain American leadership:

- Sound fiscal policies – Achieve a balanced budget to stabilize and reduce federal debt relative to the economy’s overall size.
- Smarter regulations – Work toward a more focused regulatory process, promote early engagement with industry and allow the public to track progress for increased transparency.
- Competitive taxation – Adopt a more competitive corporate tax rate, as well as a tax system that puts the U.S. on a level playing field with the rest of the world. (03/07/12)

### **[Alyene Senger and Brett Ryan, The Foundry: Conservative Policy News Blog](#)**

This Heritage blog post, “Side Effects: Obamacare Tax Will Kill Jobs, Strangle Medical Device Industry,” examines the detrimental effects of the medical device tax, including a decrease in jobs and stunted innovation. It also describes challenges manufacturers will face in supplying medical devices at an affordable price. The post cites the National Center for Policy Analysis, AdvaMed President and CEO Stephen Ubl and Sen. Orrin Hatch (R-Utah). (02/14/12)

*NOTE: The reports are hyperlinked.*