



September 11, 2009

Dear Senator Bayh,

On behalf of the more than 60 manufacturing and related business members of the Indiana Medical Device Manufacturers Association, we are writing to express our strong opposition to a tax on medical device and diagnostics products proposed by Senator Max Baucus and currently being considered by the Senate Finance Committee as part of broader health reform legislation. The proposed tax would have a significant and unfair impact on our companies, our employees in Indiana, and the research and development we conduct in the State. We urgently ask that you oppose this measure and vote against it when considered.

The proposed \$4 billion annual tax on medical device companies would have a significantly adverse impact on Indiana device companies like Biomet, Zimmer, Cook Medical, DePuy, Hill-Rom, Medtronic, as well as many other Hoosier device companies – both large and small – that are engaged in medical technology. Preliminary estimates suggest the tax would amount to a significant federal tax hike for device companies, making the effective tax rate for Hoosier device companies one of the highest in the world. Like most taxes, we believe the Baucus proposal would also raise the cost of doing business and force Hoosier medical device companies to consider offsetting this increased cost with potential cutbacks in important job-creating areas like R&D, manufacturing, and other business activities currently taking place or being planned in Indiana. Further, such cutbacks could impact innovation, health care affordability, and overall patient care.

The medical device industry is vitally important to the economy of the state of Indiana. With approximately 18,500 employees, Indiana ranks third among all states in medical technology employment, behind California and Florida. Employment in this sector has increased by 32.8%, or approximately 4500 jobs, since 2001 while other manufacturing jobs in Indiana have decreased by about 66,000. These are high paying jobs, with average annual wages of approximately \$61,000. While the industry comprises several large multinational companies, the vast majority of entities are small, innovative companies. In fact, there are nearly 300 medical technology companies in Indiana.

The medical technology industry also requires suppliers, subcontractors, and other support industries, estimated to generate 4.07 jobs for each med tech job, resulting in about 76,000 additional jobs in Indiana. This is the second highest job multiplier in the country.

The medical device industry is one of the few U.S. sectors with a positive balance of trade. In the current economy, we believe strongly that the government should work with industry to preserve jobs and U.S. leadership in the medical device industry. The Baucus proposal will have a chilling effect on medical innovation that can save lives and reduce costs in healthcare.

IMDMC Board Member Companies

*Anson Group, Baker & Daniels, Bayer Diabetes Care, Biomet Inc., Cook Inc., DePuy Orthopaedics,  
Eli Lilly and Company, Hill Rom, Inc., Johnson & Johnson Inc., Medtronic Inc., Roche Diagnostics Corp., Zimmer Inc.*

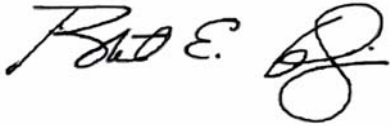
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We believe your vote could play a crucial role in determining whether the tax proposal becomes law. The IMDMC strongly urges you to preserve Hoosier jobs by voting against any tax on Indiana's medical device companies.

Thank you for your consideration of our position and request. Please contact us if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "R. E. Durgin". The signature is written in a cursive style with a large, stylized initial "D".

Robert E. Durgin,  
President

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*Anson Group, Baker & Daniels, Bayer Diabetes Care, Biomet Inc., Cook Inc., DePuy Orthopaedics,  
Eli Lilly and Company, Hill Rom, Inc., Johnson & Johnson Inc., Medtronic Inc., Roche Diagnostics Corp., Zimmer Inc.*

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