



September 15, 2009

Dear Chairman Baucus,

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 currently being considered by the Senate Finance Committee as part of broader health reform legislation. We strongly endorse the attached September 14th stakeholder letter submitted by AdvaMed on this issue and encourage your serious consideration of the impacts associated with the proposed tax.

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.

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

Sincerely,

Robert E. Durgin,
President

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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September 14, 2009

The Honorable Max Baucus, Chairman
Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Charles Grassley, Ranking Member
Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Baucus and Senator Grassley:

We are writing you today to express our opposition to the proposed tax on medical device and diagnostics products currently being considered by the Senate Finance Committee as part of broader health reform legislation. We are a diverse group of stakeholders who are supportive of efforts to reform our health care system to provide access to quality, affordable health care. However, the proposed medical products tax will ultimately have a negative effect on patients, health care providers, and consumers, as it increases the cost of health care. We ask you to eliminate this proposal from consideration.

Based on the Framework Chairman Baucus released, it is our understanding that the proposed tax would be levied upon all manufacturers of medical device and diagnostics products as defined by the Food Drug and Cosmetic Act. Rather than specifying a tax rate, the proposal would assess all manufacturers at a rate, based upon their U.S. sales, necessary to generate \$4 billion annually beginning in 2010.

Unfortunately, the impact of such a tax would not be limited to only medical device manufacturers. The tax would be assessed against a wide variety of products ranging from a pair of eyeglasses to a toothbrush to a stethoscope to test kits for diseases like HIV and diabetes to an artificial heart valve to advanced diagnostic equipment. Coupled with other proposed cuts under consideration, this tax would result in a double hit to some sectors, such as the imaging industry. The tax would in turn increase costs for consumers, physician practices, hospitals, and patients in the greatest need of medical care.

Health care reform that aims to reduce costs and improve access to care should not result in new costs to patients, including taxing the tens of thousands of products necessary to treat every patient who walks through the doors of a physician's office, hospital, or nursing home not to mention the products they purchase everyday through retailers and keep in their medicine cabinet. If our shared goal is to improve the health care system and reduce costs, taxing all medical device and diagnostics products is not the way to do

it. We urge you to reject the tax on medical devices and look forward to working with you to address our concerns regarding this proposal.

Sincerely,

Advanced Medical Technology Association (AdvaMed)
American Association for Homecare
American College of Radiology
American Medical Women's Association (AMWA)
American Orthotic & Prosthetic Association
American Pain Foundation
Arizona BioIndustry Association
BayBio
BEACON (Biomedical Engineering Alliance & Consortium)
BioForward (Wisconsin's biotechnology association)
BioOhio
Brain Injury Association of America
California Healthcare Institute (CHI)
Colon Cancer Alliance
Colorado BioScience Association
Florida Medical Manufacturers' Consortium, Inc.
Dental Trade Alliance
Florida Medical Manufacturers' Consortium
Health Industry Distributors Association
HealthCare Institute of New Jersey
Hypertrophic Cardiomyopathy Association
Kidney Cancer Association
LifeScience Alley
Lung Cancer Alliance
Massachusetts Medical Device Industry Council (MassMEDIC)
Medical Device Manufacturers Association (MDMA)
Medical Imaging and Technology Alliance
MedTech Association (Upstate New York Bioscience Industry)
MichBio
Missouri Biotechnology Association.
National Association for the Support of Long Term Care (NASL)
National Association of Convenience Stores
National Association of Manufacturers
Pennsylvania Bio
Retail Industry Leaders Association
South Jersey Pharmaceutical and Medical Technology Industry Alliance
Sudden Cardiac Arrest Association
Texas Healthcare and Bioscience Institute
The AIDS Institute
The Vision Council
US Chamber of Commerce

Us Too International
Washington Biotechnology & Biomedical Association (WBBA)

CC: Members of the Senate Committee on Finance