Suspension of the Medical Device Excise Tax: Improving the Innovation Ecosystem

Thanks to broad, bipartisan support in Congress, President Obama signed legislation at the end of 2015 that, among many things, suspended the device tax for two years. Medical technology companies across the country were immediately better able to invest those resources. Here are just some of the ways the suspension is making a difference for patients, researchers and employees:

**Boston Scientific and the Mayo Clinic:** Boston Scientific recently announced it was able to double a long-running collaboration with the renowned Mayo Clinic, focusing on several projects including two new technologies that could help thousands of cardiovascular patients.

- Our continued investment in this collaboration is an example of our commitment to further investing in jobs and innovation as a result of the recent suspension of the medical device tax.
  – Michael Mahoney, president and CEO, Boston Scientific

- We are grateful for the opportunity to collaborate with Boston Scientific. Working together can allow us to swiftly bring our discovery and innovation to the direct benefit of patients.
  – John Noseworthy, president and CEO, Mayo Clinic

**B. Braun Medical:** B. Braun is a leader in infusion therapy and pain management, and develops, manufactures, and markets innovative medical products and services to the healthcare industry.

- The company will materially increase its R&D budget in 2016 over 2015.
- Employees will receive a pay increase above the US and industry average and the largest pay increase in recent memory. Combined with bonuses for all employees based on the 2015 results, all employees will share in and celebrate the Company’s performance.
- Increase starting vacation days for all nonexempt and hourly employees from ten days to fifteen days. This will benefit new and existing employees with less than 9 years’ service.
- Provide paid (and extended) parental leave for fathers and mothers.
  – Caroll Neubauer, chairman and CEO of B. Braun of America

**Edwards Lifesciences:** A leader in the science of heart valves and hemodynamic monitoring. The company is partnering with clinicians to develop innovative technologies in the areas of structural heart disease and critical care monitoring that enable them to save and enhance lives.

- R&D investments in the quarter increased 19 percent over the prior year to $102 million, or 14.7 percent of sales -- compared to $86.4 million in the prior year period. This increase was primarily the result of continued investments in our transcatheter mitral and aortic valve programs, and a lower than normal spend in the prior year quarter. The suspension of the Medical Device Excise Tax provided additional flexibility to accelerate investments in structural heart initiatives this quarter. - Scott Ullem, corporate vice president, CFO, Edwards Lifesciences
**BD:** By reinvesting the savings from the tax, the U.S.-based, global medical technology leader is accelerating its innovation strategy in both its Medical and Life Sciences segments.

- This critical relief is extremely important to BD, as well as the patients, providers and research communities we serve. We are already reinvesting the savings from the tax into a number of R&D projects including medication management and genomics.
  -- Vincent Forlenza, chairman, CEO and president, BD

**Smith & Nephew, Inc.:** With leadership positions in orthopaedic reconstruction, advanced wound management, sports medicine and trauma & extremities, Smith & Nephew has around 15,000 employees (more than 5,800 in the US) and a presence in more than 100 countries.

- “The suspension of the medical device tax has enabled Smith & Nephew to accelerate investment in product development and manufacturing, including creating 100 positions for newly qualified graduate engineers across six US facilities. These individuals, who are beginning their careers with us over the course of May and June 2016, will deliver the pioneering advanced medical devices that enable our healthcare professional customers to continue to improve outcomes for patients.”
  -- Glenn Warner, President, US, Smith & Nephew, Inc.

**AngioDynamics:** This upstate New York-based company was able to speed up an R&D project by six to 12 months thanks to the suspension.

- When I heard...that this excise tax freeze was going through, just last week, I signed the contract with this R&D firm.... I’m going to take that money and I’m going to create jobs.
  -- AngioDynamics

**OrthoPediatrics:** The only orthopedics company focused solely on the needs of children will now be able to funnel funds back into R&D.

- Suspension of the medical device tax will greatly benefit our patients, who are children. Instead of paying hundreds of thousands of dollars in excise tax, we can now use that money to increase substantially our development of new products that help kids.
  -- Mark Throdahl, president and CEO, OrthoPediatrics

**Terumo BCT:** A global leader in blood component and cellular technologies, Terumo BCT is investing in R&D and other projects that will directly impact patient care.

- We have increased the wage rate for our manufacturing associates by 4 percent to remain competitive in the Denver job market, where unemployment is low.
- We have committed to lease space that will house multiple entrepreneurial digital health companies working alongside medical device companies and provider organizations, helping Colorado to become a hub for the development of digital health applications.
- In 2016 we are investing in previously delayed capital projects, such as manufacturing automation, robotics and software, as well as overall campus infrastructure projects.
**Cardiva Medical**: A leading provider of advanced vascular access management products that facilitate rapid hemostasis following interventional and diagnostic procedures.

- *Due to the medical device tax suspension, Cardiva Medical will be able to increase its workforce, enabling innovative technology that is designed to reduce patient complications and health care costs to reach a larger patient population in the United States.*

**Zimmer Biomet**: Zimmer Biomet innovations help treat disorders of, or injuries to, the bones, joints, and supporting soft tissues. Together with healthcare professionals, we help millions of people to live better lives.

- *Suspension of the medical device excise tax is providing funding for new and existing R&D projects, which we were unable to complete when the device tax was in effect. These projects are supported by more than 1,500 dedicated individuals who are focused on new technologies to treat disorders of or injuries to bones, joints or supporting soft tissues. Suspension also expands opportunities to deepen our engagement with external organizations specializing in cutting-edge orthopaedic research. Without the device tax burden, Zimmer Biomet’s commitment to address unmet patient needs across the continuum of musculoskeletal health is greatly enhanced.* -- David C. Dvorak, President and CEO, Zimmer Biomet

**Medtronic**: Medtronic is among the world's largest medical technology, services and solutions companies - alleviating pain, restoring health and extending life for millions of people around the world.

- *"There is no question that financial flexibility resulting from suspension of the medical device tax is allowing Medtronic to increase investment in R&D in the United States and facilitating additional opportunities to explore and develop global therapies and solutions that are fundamentally changing health care and improving patient care around the world.”* -- Mike Genau, Senior Vice President and President, Americas Region

**Intersect ENT**: California-based Intersect ENT, Inc. markets the first and only drug-releasing sinus implants for patients with chronic sinus issues.

- *“The suspension of the medical device tax is a win-win-win, benefitting patients, the healthcare system and the economy. Our drug eluting sinus stents reduce the need for additional medication and surgery following sinus surgery, providing both clinical and economic benefits for the healthcare system. The savings from the medical device tax has allowed Intersect ENT to add skilled employees and invest more in R&D, hence advancing innovation for chronic sinus sufferers.”* -- Lisa Earnhardt, President and CEO

**Minimally Invasive Devices**: The Ohio-based company has an innovative suite of technologies that keep laparoscopes’ field of vision clear.

- *“The suspension for two years of the medical device tax will allow us to hire additional sales representatives.”* -- Dr. Wayne Poll, President and CEO, Minimally Invasive Devices

**Fujirebio Diagnostics, Inc.**: FDI is a leading developer and manufacturer of in vitro diagnostics and biomarkers.
“FDI employs 215 people in Malvern, Pa., but the device tax suspension has allowed us to double our hiring capacity in 2016 resulting in seven new positions. These positions will include scientific, clinical and regulatory affairs staff allowing us to expand the number of tests we can work on this year. We could not afford these hires with the device tax still in effect.

“Suspension of the device tax has already had tangible benefit to our company. When in effect, the tax was forcing us to delay projects we wanted to get done over the next year. The suspension allowed us to fund two additional projects we would have otherwise had to cut.” -- John Schueler, Chief Operating Officer, FDI, Inc.

Cleveland Medical Devices, Inc: Cleveland Medical Devices Inc. is a medical services and device manufacturer of innovative home monitoring solutions for patients with sleep apnea.

“Suspension of the medical device tax is helpful, as it frees up money for other R&D and growth.” – Robert Schmidt, Founder and Chairman, Cleveland Medical Devices

ABIMED: Abiomed is a leader in the field of heart recovery and maker of the world’s smallest heart pump, Impella®.

We have used the device tax suspension savings to double our US manufacturing to bring lifesaving treatment to more patients, and to create a new state-of-the-art physician training and education center in Massachusetts. In addition to the $40 million dollar manufacturing expansion, Abiomed has used these resources to hire over 150 new employees in the US to support the growing field of heart recovery.

Olympus Corporation of Americas: Olympus is committed to creating innovative medical device solutions that improve clinical outcomes, reduce overall costs and enhance patient satisfaction.

“With suspension of the onerous U.S. Medical Device Tax, Olympus has been able to invest the majority of roughly 10% of its annual global budget on research and development focused on pioneering technologies for the identification and minimally invasive treatment of disease. We are also funding new projects, such as the recent groundbreaking to build a second national service center in Tennessee, resulting in over 280 new jobs that will enhance and expedite the customer service provided to our hospital and clinic customers.” – Nacho Abia, President and Chief Executive Officer, Olympus Corporation of Americas

America’s medical technology companies are committed to advancing medical progress and helping patients live longer, healthier lives. Permanently repealing the device tax is a critical next step to ensure medical progress continues.