October 15, 2013

Dear Member of Congress:

We write to strongly oppose repealing or delaying the medical devices excise tax, which was enacted to help pay for the extension of health insurance to 25 million Americans.

This is a modest, 2.3 percent tax that is being assessed on medical devices such as coronary stents, irradiation equipment, imaging machines, cardiac devices, and orthopedic implants. It will raise $29 billion over 10 years from a U.S. industry that had nearly $130 billion in sales in 2011 and that will reap significant benefits from health reform. The health insurance coverage of Americans should not be put at risk for the sake of one very profitable industry’s bottom line.

The arguments the medical devices industry has raised against the tax have been discredited by numerous independent analyses, including by Bloomberg.com, the Center on Budget and Policy Priorities, and Consumers Union.

- **There is no evidence the excise tax will cost jobs.** The industry-financed study that claimed 43,000 jobs will be lost was found by a Bloomberg Government analysis to “conflict with economic research, overstate companies’ incentives to move jobs offshore, and ignore the positive effect of new demand created by the [health reform] law.”

- **The tax creates no incentives to move jobs offshore.** That’s because it covers all devices sold in the United States, whether from domestic or foreign manufacturers. And, it will not hurt the industry’s overseas marketing because it exempts items produced for export.

- **Consumers will not pay more, health care costs will not rise, devices demand will not fall.** First, the tax does not apply to many medical devices that consumers purchase at retail, such as eyeglasses, contact lenses, hearing aids and wheelchairs. Second, spending on medical devices subject to the excise tax represents less than 1 percent of total personal health expenditures. Even if the manufacturers pass on the cost to consumers, it would have almost no effect on the cost of health insurance. Finally, the health care market is not very price sensitive – demand falls a small fraction when prices rise. A 10 percent price increase results in just a 2 percent drop in demand, according to Mathematica Policy Research. So the effect of a 2.3 percent excise tax might be as little as half a percent drop in demand. That’s before counting millions of newly insured customers, many of whom will use medical devices.

- **The excise tax largely affects the largest and most profitable firms.** Thirty medical device makers accounted for 85 percent of U.S. company sales of $127.5 billion in 2011, according to an Ernst and Young analysis (p. 22). Assuming all of this revenue was subject to the excise
tax, the companies would pay 85 percent of the tax. These companies’ revenues were $108.1 billion with a profit of $14.3 billion, or a very healthy 13.2 percent of sales.

- **Medical devices were not singled out for special adverse treatment.** Every industry with a stake in health care – from hospitals to drug makers to insurance companies – has helped to fund the ACA. They have done so because they all – including the medical devices industry – stand to gain economically from the increase in the ranks of the insured.

- **Repealing the medical devices excise tax will encourage other industries to try to undo their contributions to the ACA.** For instance, the insurance industry is seeking the repeal of an annual fee that funds coverage expansion.

Repeal of the medical devices excise tax would be one more example of corporate tax avoidance that hurts regular Americans and lets profitable corporations avoid paying their fair share of taxes. The American people don’t need another big corporate tax break and the uninsured don’t need another impediment put in their way to get the peace of mind provided by health coverage under the ACA. Therefore, we urge you to oppose any efforts to repeal or delay the medical devices excise tax.

Sincerely,

American Federation of Government Employees
AFL-CIO
American Federation of State, County and Municipal Employees
AIDS United
Alliance for a Just Society
Alliance for Retired Americans
Americans for Democratic Action
Americans for Tax Fairness
Association for Gerontology & Human Development in Historically Black Colleges & Universities
Campaign for America’s Future
Campaign for Community Change
Center for Effective Government
Citizens for Tax Justice
Coalition on Human Needs
Community Action Partnership
Communications Workers of America
Community Organizations in Action
Every Child Matters Education Fund
Families USA
Health Care for America NOW
Leadership Conference on Civil and Human Rights
Main Street Alliance
MomsRising
Medicare Rights Center
MoveOn.org Civic Action
National Advocacy Center of the Sisters of the Good Shepard
National Center for Law and Economic Justice
National Committee to Preserve Social Security and Medicare
National Council of La Raza
National Disability Rights Network
National Immigration Law Center
National Nurses United
National Organization for Women
National Partnership for Women & Families
National People's Action
National Physician's Alliance
National Priorities Project
National Women’s Health Network
National Women's Law Center
Progressive States Network
Public Health Institute
Racial and Ethnic Health Disparities Coalition
Responsible Wealth
Service Employees International Union
Steelworkers Organization of Active Retirees
The Arc
United Auto Workers
United Steelworkers
USAction
Working America

STATE ORGANIZATIONS

Arizona Arizona Institute of Peace, Education and Research
Arkansas OMNI Center for Peace, Justice & Ecology
California California Partnership
California Defeat Diabetes Foundation
California Greenlining
California Health Access California
Colorado Colorado Center on Law and Policy
Colorado Colorado Progressive Coalition
Colorado NorthWest Colorado Center for Independence
Colorado SEIU Colorado
Colorado THRIVE!: The PLWH/A Initiative of CO
Connecticut Connecticut Citizen Action Group
Delaware Delaware Americans for Democratic Action
Delaware  Delaware NOW
Florida  Community Business Association
Florida  Organize Now
Georgia  MoveOn Gwinnett
Georgia  MoveOn.org (Atlanta Council)
Hawaii  West Hawaii Democratic Party
Illinois  Citizen Action of Illinois
Indiana  Northern Indiana Americans for Democratic Action
Indiana  OPEIU 494 Retiree Chapter
Iowa  Sisters of the Presentation
Kentucky  Sisters of Mercy
Maine  Maine People's Alliance
Maryland  Sheet Metal Workers Local 100
Massachusetts  Health Care for All
Michigan  Coalition of Labor Union Women, Detroit Chapter
Michigan  Michigan Citizen Action
Michigan  Michigan Disability Rights Coalition
Michigan  United Cerebral Palsy of Metro
Missouri  Ascension Health
Missouri  Grass Roots Organizing
Missouri  Missouri ProVote
Nevada  Progressive Leadership Alliance of Nevada
New York  Citizen Action of New York
New York  Institute for the Puerto Rican/Hispanic Elderly
New York  Metro Justice
New York  Metro New York Health Care for All
New York  Senior Legislative Action Committee Sullivan County
New York  WFP/CANY Southern Tier
North Carolina  Action NC
Ohio  ProgressOhio
Oregon  Oregon Action
Pennsylvania  Just Harvest
Pennsylvania  Keystone Progress
Pennsylvania  Pennsylvania Health Access Network
Virginia  A & K Enterprise
Virginia  Rock Spring Church
Virginia  Virginia Organizing
Washington  Social Justice Ministry
Washington  Washington Community Action Network
West Virginia  West Virginia Citizen Action Group
Wisconsin  Citizen Action of Wisconsin
Wisconsin  Wisconsin Disability Rights Center