

Health care reform: Will the medical device tax harm the industry?

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Obviously, the overwhelming majority of the industry is not in favor of the medical device tax associated with the Patient Protection and Affordable Care Act (aka, Obamacare). There are the remote pockets of support within the industry where people say that the tax, as part of the whole picture, will be a positive. More often than not, however, you'll scarcely find a member of the community who has anything good to say about it. This 2013 tax cost some employees of medical device OEMs their jobs as companies "prepared" in advance for the added expense of the tax.

On the flip side, the flood of patients that will be joining the ranks of the healthcare insured will no doubt help increase the amount of sales device makers are seeing ... right? Well, perhaps if you are making disposables or even an "at-home" patient-monitoring device. However, I doubt major equipment sales will see much increase with the new patient pool as hospitals will simply have longer waiting times for patients in order to use the same number of devices they have available.

The one counter to the medical device excise tax for manufacturers could be their overseas market potential. Even with the tax in place, the U.S. market is valuable to medical device makers. However, the growing international marketplace, where standards for healthcare are increasing and demand is just as fervent, should greatly increase the sales potential for companies who have yet to explore these areas of the world. Since the smaller-to-mid-sized medical device firms are expected to take the biggest hit from the tax, they need to look across the oceans to see what patients are awaiting their products.

Hopefully, the tax does not materialize as the great debilitater some are making it out to be. If the tax truly does eliminate significant innovation in the medical device industry in the U.S., that would be woefully more harmful than any good the tax is used toward. However, I don't see that as the case. Medical device manufacturers are well aware that, while international markets offer great opportunity in which to sell their devices, competition can also develop from those same areas. And that

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competition will certainly offer innovation in medical device design. Should they do a good enough job, it would only be a matter of time before that competition is setting up camp and distributing to the U.S. healthcare system.

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