



# ObamaCare Tax Will Hurt Patients And Destroy Jobs

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**Health Care:** To help pay ObamaCare's steep costs, Washington placed a tax on medical device sales. The ugly results: Higher costs that hurt patients, destroy jobs and curb the innovation that extends life and brings relief.

The basic medical devices that we can buy at the retail level won't be subject to the tax, which begins next year. But devices sold by wholesalers to health care providers will be. According to IRS rules proposed earlier this month, those are instruments "primarily intended for use in a medical institution or office, or by medical professionals."

The tax rate will be 2.3%, which might not sound punitive. But the **National Center for Policy Analysis** has taken a look and found that the costs will indeed be dear.

One pernicious consequence is the bottom line of companies in a growing and promising industry. Some device makers will watch their profits crash hard. **NCPA's Devon Herrick** says that "Zoll could see its profits fall by 40%" while Abiomed's losses will fall further into the red by 19%.

Even those companies that might have low or no profits will be forced to pay the tax — imposed on sales, not profits — which will plunge young companies that are breaking even into losses and the new firms approaching profitability deeper into the hole.

To offset losses and smaller profits, companies can be expected to raise their prices. And the increases will be industry-wide because the tax, which doubles the industry's current tax bill, is industry-wide.

This means patients and insurers will have to pay more. Richard Foster, Medicare's chief actuary, estimates that the tax, along with fees on prescription drugs and insurance plans, will push national health care costs higher by \$18.2 billion in 2018 and \$17.8 billion in 2019. The increased costs will force some patients to forgo medical devices and lose the benefits of instruments that save lives and improve health.

Also in line to be harmed are the employees in the industry. Herrick expects job losses and in fact notes that "firms have already begun preparing for the tax by reducing payrolls." Stryker Corp. announced in November that it intended to lay off 1,000 workers "in order to cut costs in advance of the tax," while Covidien PLC announced it would lay off 200 U.S. workers and move some of its operations to Costa Rica and Mexico.

Herrick's work confirms the forecast of economists Diana Furchtgott-Roth and Harold Furchtgott-Roth, who last fall said that "under reasonable assumptions, the tax could result in job losses in excess of 43,000" in an industry that employs as many as 423,000.

These aren't low-paying jobs, either. In 2009, workers in the medical device industry earned more than \$33 billion dollars. They make about 40% more than the average U.S. employee. The projected job casualties would cause more than \$3.5 billion in lost income.

Finally, the medical device tax is a lesion on our future health. Innovation will be frustrated if the incentive to make a profit is diminished by an onerous tax that should have never become law. Cutting into a company's profit will also have a negative effect on innovation as it drains the resources needed to invest in the research and development of a new generation of instruments.

The president and the Democratic Congress promised the country a future of better and cheaper health care with their Patient Protection and Affordable Care Act of 2010.

What we're getting is downgraded care that will be costlier.

If the Supreme Court doesn't take care of this problem, voters will have to do it this fall.