



June 14, 2019

Senator Pat Toomey
U.S. Senate
Washington, DC 20510

Senator Bob Casey, Jr.
U.S. Senate
Washington, DC 20510

Dear Senator Toomey and Senator Casey,

On behalf of the Colorado BioScience Association and our medical device members, thank you for the opportunity to submit comments to the Task Force in response to the Finance Committee's efforts to develop long-term solutions to temporary tax policies.

The Colorado BioScience Association is a statewide, nonprofit organization that serves as the hub of Colorado's thriving bioscience sector by connecting innovators to funding, infrastructure, research, and talent. We advocate on behalf of Colorado's 720 bioscience companies and their 30,000 employees, working to ensure an innovation-friendly environment that allows our members to deliver value to patients and our state's economy, while creating next generation treatments and cures.

Today Colorado is home to a bustling medical device industry, which directly employs nearly 10,000 people and contributes \$6.4 billion to the total economic activity. Our device manufacturers are committed to delivering breakthrough innovations to patients, but that commitment has been threatened by a number of policies that have increased costs, lengthened timelines, and deterred companies from investing in innovative research and development.

One of the biggest concerns for our members is the 2.3% excise tax on the sale of certain medical technology that was enacted as part of the Affordable Care Act (ACA). Since its enactment, the medical device tax has had a significant negative impact on medical innovation and has resulted in the loss or delayed creation of jobs, reduced research and development, and slowed capital expansion. Information drawn from data assembled by the U.S. Department of Commerce showed that the medical technology sector saw a loss of nearly 29,000 jobs while the device excise tax was in effect. The damaging consequences of this tax have directly impacted a dynamic and innovative sector that provides quality manufacturing jobs, at above average wages, here in Colorado and across the country.

The effects of the device tax are truly felt across the industry, as every dollar of revenue (not income or profit) earned by a company is generally subject to the tax. For larger, established companies, that means a loss of tens or hundreds of millions of dollars that could be used to expand research and create jobs. For start-up firms and early-stage companies, which comprise more than two-thirds of our membership at the Colorado BioScience Association, the effect of the tax is felt in multiple ways. It deters company growth, since the tax is imposed on the first dollar of revenue earned; it also makes it harder for those companies to raise capital, since the tax reduces return on investment and makes investment in other industries more appealing. The long-term impact of capital flowing out of the medical device space will quickly result in a lack of innovation in the field, decreasing the number of lifesaving technologies that are delivered to patients in the future.

Medical technology innovation is responsible for some of the most cutting-edge advancements in health care today. Many have seen the viral videos where adults and children alike hear for the first time due to advancements in cochlear implants. New exoskeletons are allowing the brave men and women who have been paralyzed in combat and other horrific circumstances to walk again and regain independence through the use of robotics. These amazing inventions build on the proud history of more commonly-known medical technologies such as pacemakers, stents and artificial joints that so many of our loved ones depend on to remain healthy and active. All these gains are at risk if the medical device tax is reinstated.

Medical technology has also improved efficiencies and produced savings to the system through minimally invasive procedures, more precise and accurate diagnostics, and devices that reduce hospitalizations or length of stay. These improvements mean better outcomes and higher-quality care for patients, which ultimately lowers cost. Taxing the development and manufacture of medical technology imposes an unnecessary penalty on these savings and erodes the value these technologies provide to the system in the long run.

When we look at the infinite potential medical technology innovation can have in the 21st century healthcare ecosystem, it becomes frustrating that a policy exists that diverts billions of dollars away from additional research and development, the engine that drives advancements in health care. Surveys have shown that if the medical device tax was repealed, approximately 80 percent of innovators would increase investments in the treatments of tomorrow.

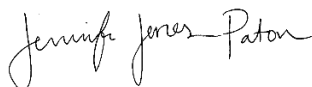
Large bipartisan majorities in Congress agree that the medical device tax is bad policy. Thanks to your leadership and the efforts of the Senate Committee on Finance, Congress has suspended the tax twice for a total of four years. In fact, by the end of this year, Congress will have suspended the tax for longer than it was in effect, with no measurable impact on coverage. Clearly, repeal of the device tax will not have a significant impact on the overall finances of the ACA, despite prior concerns.

The current suspension expires on December 31, 2019. Colorado companies are already making important planning decisions for the next fiscal year, including how to allocate financial and staff resources toward research and development. As an excise tax, the device tax cannot be addressed retroactively in an effective manner. The longer Congress waits to act, the bigger the impact on the industry's ability to develop the next life-saving, life-enhancing technology.

We strongly encourage the Task Force to recommend full repeal of the medical device excise tax and urge the Finance Committee to move promptly to consider legislation that includes repeal. Permanently repealing the device tax will provide Colorado's innovators with the long-term certainty they need to support future job growth and sustainable, cutting-edge R&D that will ultimately lead to new innovative technologies that improve the lives of patients.

Thank you again for this opportunity to share our thoughts on behalf of Colorado's device companies. We look forward to working with you and your staff on a solution that will promote and foster research, development, investment and innovation in the medical technology sector.

Sincerely,



Jennifer Jones Paton
President and CEO
Colorado BioScience Association