

□

[Pittsburgh Post-Gazette](#)

Guest Column by Marshal Linder

February 8, 2011

President Barack Obama was clear in his State of the Union address that innovation will lead the United States out of our economic troubles and drive job creation for tomorrow's workforce. I couldn't agree more.

Western Pennsylvania is fortunate to be a leader in one of the most innovative and dynamic industries in the world: medical device manufacturing. The local companies that participate in this high-tech industry provide the good-paying jobs that our nation needs and enable health care providers to give the best possible care.

As the leader of a rapidly growing local medical technology company based here in Pittsburgh, I know firsthand the ingenuity and skills of Western Pennsylvania's workforce. Every day, some of the brightest entrepreneurs, engineers and physician-inventors are developing and improving cutting-edge medical devices. We have a superior manufacturing base to produce them and we provide the best possible service and support. Why would we want to punish these innovators and thwart the very job creation that the president is calling for?

As part of last year's health care legislation, a 2.3-percent excise tax was set to be levied on medical devices. This onerous provision is essentially a tax on innovation. While the tax was meant to help pay for the health care legislation, its real impact will be to inhibit innovation, job creation and patient care.

It takes years of substantial investment to introduce a new or improved device, and I know firsthand that companies are often not profitable while growing and creating jobs. Amazingly, this tax would apply to the sales of medical device companies, which means they would have to pay it even if they don't make a penny in profit.

Advocates of the tax argue that its cost can be absorbed by medical device companies or passed along to their customers, but it is more complicated than that. Many companies have no margin to absorb such costs, and raising prices contradicts one of the central goals of the health care legislation: cost control. Moreover, in a system with fixed reimbursements, companies simply couldn't raise prices.

If this tax provision in the health care legislation is not changed, companies will be forced to lay off employees, cut back on research and development, or both. Is this how we plan to spur innovation?

The medical device industry is responsible for more than 400,000 American jobs -- and is indirectly responsible for almost 2 million jobs that supply and support the highly skilled health care workforce.

Here in Pennsylvania, it has created more than 22,000 jobs, and medical device manufacturing jobs pays 25 percent more than average manufacturing positions. In fact, Pennsylvania has the highest job-multiplier in the country, meaning that for every medical device job, three and one half jobs were created to support and supply this vibrant industry.

While congressional leaders urge U.S. companies to increase exports, the medical device industry is one of the only net-trade exporters in the United States, with a trade surplus of \$5.4 billion in 2007.

We are fortunate to have a congressman who recognizes just how devastating the medical device tax will be. Rep. Jason Altmire, D-McCandless, recently co-sponsored legislation that would repeal this provision of the health care legislation. He recognizes that this tax on innovation would force medical device manufacturers to cut jobs, reduce research and development, or, in some cases, move operations outside of the United States. This is a classic example of unintended consequences.

America's medical device industry is widely recognized as the global leader in the field, though a recent report by business consulting firm PwC stated that we could lose this leadership

position in the next decade if we do not continue to grow and innovate. The United States can't let this happen.

We are fortunate in the Pittsburgh region to have outstanding medical facilities and related business incubators that support the development of tomorrow's technologies. Our congressional leaders talk about competitiveness and innovation, and they don't have to look beyond our region.

Mr. Altmire should be commended for his leadership on an issue that goes to the heart of the challenge to our economy: spurring innovation that leads to job creation. Let's hope his colleagues follow his lead and allow America's medical device innovators to help the United States "win the future."

Marshal Linder is president and COO of ZOLL's division in Pittsburgh, which makes and markets the LifeVest wearable defibrillator.