

Tax a concern in medical device field

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C2C is a fledgling medical devices company in Melbourne that doesn't need any deterrent to research and development.

Focused on developing innovative disposable medical devices for less invasive surgery, C2C and other medical device manufacturers and medical supply companies are worried that a tax on medical devices and equipment in the landmark healthcare legislation would be just that, while also causing higher prices for consumers and medical groups and even slowing investments in companies like C2C.

The 2.3 percent excise tax, which goes into effect in 2013, covers medical devices from bedpans to prosthetic legs to heart stents and surgical equipment. It is designed to raise \$20 billion over the next 10 years.

Eyeglasses and hearing aids are exempted.

"The way the bill is currently written, the impact of the device tax will have some smaller medical device companies owing more in taxes than they earn in profit," said Matt Solar, C2C's chief executive officer. "The overall effect will be layoffs and less investment in research and development. This needs to be fixed."

Medical device design and manufacturing isn't a huge industry in Brevard County -- probably less than 1,000 workers -- but there are a handful of companies that are involved in well-regarded work in what many industry representatives say is a high-tech field ripe for big growth.

Brevard could benefit from that growth as economic development officials look for sectors to tap into as the space program shrinks in the years ahead.

And there's no question the medical device business is an important industry to the region and the state.

Florida has one of the country's largest medical device sectors. According to the Food and Drug Administration, the Sunshine State ranks second behind California for the number of FDA-registered medical device establishments.

More than 20,000 Floridians work in this sector, with a majority of companies located along the Interstate 4 corridor, including a heavy concentration in Central Florida.

Lee Krause, chief executive officer of Melbourne-based Audigence Inc., a software-engineering firm for hearing aid systems, said while the impact on the tax will not affect his company, as an entrepreneur in a medical field he sees where it might stifle innovation and research.

"In general I don't see the benefit in creating this device tax and agree it will really hurt device development," Krause said.

Funding for health care reform has to come from somewhere, proponents say, and many sectors are being taxed to help make the changes possible.

The tax on medical devices hits some areas harder than it will others, though.

In a letter to health care reform backers last year, signed by several medical groups, including the Florida Medical Manufacturers' Consortium Inc., lawmakers were warned any taxes on medical devices would be passed onto patients and hospitals.

"If our shared goal is to improve the health care system and reduce costs," the letter said, "taxing all medical device and diagnostics products is not the way to do it."

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Abstract (Document Summary)

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