



## News Release

**FOR IMMEDIATE RELEASE:**

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### **Survey Reveals How New England's MedTech Industry Plans To Deal With Device Tax**

*New Data Also Shows Device Execs Feel FDA Approval Process Should Stay As Is*

**BOSTON** (May 4, 2010) – Over 300 medical technology and device leaders met at UMass-Boston today to discuss the factors impacting the industry, including those highlighted in the results of a new study that reveals details on where device companies may be planning to make cuts in response to the device tax slated to start in 2014.

The study, conducted for the Massachusetts Medical Industry Council (MassMEDIC) by PRTM, a management consultant firm, was intended to capture the thinking of medtech leaders from around New England and beyond on major policy, regulatory and macro-economic issues, with an emphasis on understanding the implications for medtech innovation. There were over 90 mostly C-level participants (65 percent from New England) from small- to large-sized companies, including equipment and device manufacturers, service providers and materials suppliers.

The survey's findings showed that the medical device tax of 2.3 percent within the healthcare reform legislation is of greatest concern, and companies expect to absorb the tax by:

- decreasing other operating expenses, including job cuts ,
- passing the cost on to customers, and
- attempting to reduce the cost of goods sold.

In a related, key finding from the study, respondents indicated they will try to protect their R&D funding from any impact on how they deal with the device tax. Sharad Rastogi, the Director in the Healthcare practice of PRTM who oversaw the study, presented the results at MassMEDIC's 14<sup>th</sup> Annual Conference, entitled, "The State of MedTech Innovation in An Era of Change: Dealing with Economic, Policy and Cost-Containment Pressures."

"While our recent quarterly surveys show that medtech leaders are optimistic about their businesses improving and expect to make hires in the near-term, the possible changes in regulation and the device tax are significant issues of concern for the future of this industry ,” said Tom Sommer, president of MassMEDIC. “We’ll continue to work with our state and federal leaders to ensure that innovation, ongoing research and development of new products are not hampered,” Sommer added.

In addition to how they intend to deal with the device tax, the study revealed that the second biggest concern is the possibility of a change to the so-called 510K policy, the FDA medical device approval process that is the fastest, and most frequently used mechanism to get products on the market. Nearly 70 percent of participants believe the 510K process is adequate as is, and feel that a proposed change to it, coupled with the device tax, will have a significant negative impact on medtech innovation. When asked, “Do the uncertainties resulting from economic, public policy and regulatory changes in the U.S. make it more attractive to do business in other countries?”, 81 percent of participants responded, “ yes.”

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“While our analysis shows that the economic downturn has had a mixed impact on the medtech industry-- in general, it has fared better than many others with approximately 40 percent of companies experiencing sales growth over the last year, and 40 percent seeing a decline,” said Rastogi. “Medtech leaders surveyed said several new policy and regulation changes that are looming raise concerns about how they will impact their ability to invest resources into R&D and innovation,” he concluded.

Also, according to the study, when asked what they think the impact of expanded healthcare insurance coverage for 32 million more Americans will be on their company’s market size, 42 percent of respondents feel there will be no impact, while 41 percent feel there will be an increase.

**Other presentations at the Conference included:**

**What's Your MedTech Company's Innovation IQ?**

Bob LaVoie, L.E.K. Consulting

**Entering the MedTech Space – Challenges & Opportunities**

Tod Loofbourrow, President, Life Sciences, iRobot

**What Does 'Innovation' Mean in the Evolving MedTech Landscape**

Scott Bruder, M.D. Senior Vice President and Chief Technology Officer, BD

**Innovation in a Cost-Conscious Environment**

John Abele, Co-Founder and Director, Boston Scientific Corporation

**About MassMEDIC:**

The Massachusetts Medical Device Industry Council, an organization of over 400 manufacturers, suppliers, research institutions, and academic health centers, promotes the unique interests of the Bay State’s growing and vibrant medical device sector. Through a variety of programs, informational seminars, advocacy campaigns and other projects, MassMEDIC provides medical device manufacturers and suppliers with information on industry trends and regulatory policies, and creates forums that allow members to exchange ideas and information on issues affecting the industry. For more information on MassMEDIC, please contact us at (617) 414-1340, or visit our web site at [www.massmedic.com](http://www.massmedic.com).

**About PRTM:**

Since 1976, PRTM has created a competitive advantage for its clients by changing the way companies operate. PRTM’s management consultants work with senior executives to develop and implement innovative operational strategies that deliver breakthrough results. The firm is a leader in operational strategy, supply chain, product development, and customer value management. PRTM has 19 offices worldwide and serves major industry and global public sectors. [www.prtm.com](http://www.prtm.com)