



AMERICAN ASSOCIATION FOR RESPIRATORY CARE

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July 11, 2012

The Honorable Erik Paulsen  
US House of Representatives  
Washington, DC 20215

Dear Representative Paulsen:

As President of the American Association for Respiratory Care (AARC), I am writing to you in support of HR 346 and the provision within this legislation that would repeal the Medical Device Tax. The AARC is a national professional association representing over 53,000 respiratory therapists who treat patients with chronic respiratory diseases, including chronic obstructive pulmonary disease (COPD), the third leading cause of death in the United States as reported by the Centers for Disease Control and Prevention.

The medical device tax, if it were to be implemented, applies to device categories classified by the Food and Drug Administration. Among the categories impacted by the tax are anesthesiology devices. Many of these devices, such as oxygen concentrators, portable oxygen systems and other respiratory care devices and accessories (e.g., cylinders, pulse oximeters, cannulas tubing, handheld analyzers, peak flow meters, compressors, humidifiers and suction units) are generally purchased at retail for individual use by consumers who are not medical professionals and who can safely and effectively use the device with little or no training from medical personnel. Under the proposed regulations issued by the Internal Revenue Service/Department of Treasury, these devices would be subject to the medical device tax because they are listed as being excluded from the retail exemption provisions.

The AARC is opposed to this medical device tax, which in essence is an excise tax, for a number of reasons as outlined below.

- The medical device tax will impact most significantly small device manufacturers who will be challenged in a number of ways, especially with respect to future research and development of new technologies that have the potential to save lives or improve the quality of life in that they will no longer have the necessary revenues to offset the imposed tax.
- The medical tax applies to gross sales, not net sales, which is inherently unfair to all manufacturers, but most importantly unfair to the small manufacturer.

- Many device manufacturers have negotiated contracts with set pricing in place. Imposing a new tax on these previously contracted payments will result in a specific net loss to the manufacturer. Moreover, the medical device tax has the potential to jeopardize a device manufacturer's ability to negotiate future contracts as it will represent an increase in acquisition costs across the board which can result in higher costs that ultimately will be passed on to the consumer and can impact patient care.
- The AARC views the imposed medical device tax as a threat to a manufacturer's ability to develop successful treatments for the pulmonary patient which in the long term can have an adverse impact on the chronic management of respiratory patients and can lead to increased costs.
- According to the National Heart Lung Blood Institute, there are over 12 million Americans diagnosed with Chronic Obstructive Pulmonary Disease (COPD) with another 12 million who have the disease but are undiagnosed. Moreover, the 2011 American Lung Association national survey on the prevalence of lung disease in the US reports there are nearly 20 million adults in the US suffering from asthma and another 6 million children with asthma. The fact that the manufacturers who develop technologies to assist these patients and the many others suffering from a variety of pulmonary diseases may be severely impacted by this excise tax. The result can mean that patients will suffer as well because they will either no longer be able to obtain the types of equipment they need to survive or the costs for hospitals and physicians will become prohibitive to the point that access will be severely limited.

We strongly support and encourage Congress to enact HR 346 and the provision in this legislation to repeal the medical device tax in an effort to avert adverse outcomes for those pulmonary patients who suffer every day with debilitating chronic respiratory diseases.

Sincerely,

A handwritten signature in cursive script that reads "Karen J. Stewart". The signature is written in black ink and is positioned below the word "Sincerely,".

Karen J. Stewart, MSc, RRT, FAARC  
President