



America's Blood Centers[®]
It's About *Life.*

725 15th Street NW Suite 700, Washington, DC 20005

Tel: 202-393-5725 Fax: 202-393-1282

1-888-USBLOOD  www.AmericasBlood.org

STATEMENT

Contact: Mack Benton | Tel: (202) 654-2915 | Email: mbenton@americasblood.org

America's Blood Centers Opposes Healthcare Reform Legislation that Imposes Fee or Tax on Medical Devices Sold to Blood Centers

WASHINGTON (December 3, 2009) America's Blood Centers opposes provisions in the House and Senate healthcare reform legislation that places a tax or fee on medical devices sold to nonprofit blood centers. Our concern is that the device tax or fee will increase operating costs for blood centers, thereby limiting their ability to add new blood safety measures. Such measures have virtually eliminated disease transmission at an annual cost of about \$1 billion to hospitals above the cost of medical inflation. To avoid this unfair and unwise burden, Congress should exempt medical devices sold to not-for-profit community blood centers from any medical device excise tax or annual fee included in the final legislation.

The House and Senate health-care reform bills impose a tax or fee on medical device manufacturers to help finance the expansion of healthcare to millions of people who are currently uninsured. America's Blood Centers, North America's largest network of not-for-profit, community-based blood centers, supports health reform legislation to provide quality, affordable health care to more Americans.

Based on the blood banking community's total expenditures for medical devices of about \$1.5 billion annually, the current House and Senate proposals, though different in several respects, would likely mean a fee of about \$37.5 million a year on medical devices sold to blood centers, or about \$370 million over 10 years.

This fee would be imposed on big-ticket hardware items such as automated blood testing machines, automated blood processing/apheresis machines and related kits, and IT systems. It may also be imposed on centrifuges, walk-in freezers, blast freezers, refrigerators and platelet rotators, and testing reagents.

Healthcare Costs Cannot Be Lowered by Increasing Healthcare Taxes

Imposing taxes or fees on medical devices sold to blood centers is not necessary to pass comprehensive healthcare reform. In an already constrained fiscal environment for not-for-profit blood centers, an added tax or fee will force blood centers to pass the increased costs onto the hospitals they serve, or may force centers to eliminate or forgo investments in new technology in order to pay for the added financial burden.

America's Blood Centers members have been on the forefront of efforts to increase blood safety, and Congress should pursue policies that strengthen and support blood centers in this effort. For example, our members are beginning to use state-of-the-art information technology

that improves safety while reducing blood transfusion costs. The Appropriate Inventory Management initiative helps hospitals better manage the fragile blood supply, reduces waste and, through the sharing of best practices, helps assure patients get only the blood they need. A tax or fee will limit resources available to implement and engage in these kinds of innovative efforts to the detriment of patients.

Congress Should Follow Precedent by Exempting Blood Centers from All Taxes

Congress has long recognized the special role played by not-for-profit community-based blood centers. Already exempt from income taxes, by the Pension Protection Act of 2006 Congress specifically exempted “qualified blood collection organizations” from paying excise taxes on fuel, tires and trucks purchased for the purpose of collecting, storing or transporting blood, and on electronic communications used for the purpose of recruiting blood donors. Congress should continue this protection to ensure the safety and availability of the nation’s blood supply.

Healthcare Medical Device Tax and Fee Details.

The House version, HR 3962, imposes an excise tax on medical device manufacturers for medical devices sold for use in the U.S. equal to 2.5 percent of the wholesale price beginning Jan.1, 2013. The tax would be collected at the point of sale. The tax is expected to raise \$20 billion by 2019.

The Senate version of the bill, HR 3590, (the version unveiled before Thanksgiving) imposes an annual flat fee of \$2 billion on medical device manufactures beginning in 2010. The fee would not apply to companies with sales of medical devices in the U.S. of \$5 million or less. Sales taken into account for purposes of calculating the fee include 50 percent of a covered entity’s gross receipts from medical device sales for the preceding calendar year over \$5 million and up to \$25 million; and 100 percent of a covered entity’s gross receipts from medical device sales for the preceding calendar year over \$25 million. The fee does not apply to any sale of a Class I product or any sale of a Class II product that is primarily sold to consumers at retail for not more than \$100 per unit (under the FDA product classification system). The fee is expected to raise \$20 billion over 10 years.

About America’s Blood Centers

Founded in 1962, America’s Blood Centers is North America’s largest network of community-based, independent blood programs. Recognized by the U.S. Congress for its critical work in patient care and disaster preparedness and response, the federation operates more than 600 blood donor centers providing nearly half of the U.S., and a quarter of the Canadian blood supply.

These blood centers serve more than 180 million people and provide blood products and services to more than 3,500 hospitals and healthcare facilities across North America. America’s Blood Centers’ U.S. members are licensed and regulated by the U.S. Food and Drug Administration. Canadian members are regulated by Health Canada.