

February 17, 2011

The Honorable Brian P. Bilbray  
2410 Rayburn House Office Building  
Washington, DC 20515

Dear Representative Bilbray,

On behalf of the California Healthcare Institute (CHI), the public policy association representing California's statewide life sciences sector – research universities and institutes, biotechnology, pharmaceutical, medical device companies, and venture capital firms – I am writing to offer support for your legislation, H.R. 734, which would repeal the medical device tax. Thank you for your leadership on this issue, and for outlining the consequences to investment, innovation and job creation in California, stemming from the medical device manufacturers tax in the new healthcare reform law.

There are over 8,000 medical device firms throughout the nation employing over 400,000 people. California is home to over 1,200 of these medical device firms -- more than any other state in the nation – and the more than 107,000 medical device jobs in California represent roughly forty percent of the total U.S. medical technology workforce. Additionally, this sector in California supports local economies and jobs throughout the state. Vibrant medical technology "clusters" exist in the San Diego, San Francisco Bay/Silicon Valley and Orange County areas, as well as the Los Angeles, Ventura/Santa Barbara, Riverside/San Bernardino, and Sacramento regions.

Given our still uncertain economy, it is especially important that we do everything we can to encourage, not hamper, investment, entrepreneurship and innovation. For most companies, the device tax would threaten payroll reductions and slash R&D investments – anything but foster innovation. This is especially the case for small firms, which make up the bulk of the sector in the state.

It is difficult to quantify the precise number of jobs or lost R&D the tax would pose to California companies, however, it is reasonable to worry that as home to the largest segment of the nation's medical technology industry, our state will be disproportionately impacted by the device tax.

Again, CHI thanks you for your leadership on this important piece of legislation and we stand ready to work with you to ensure its passage. If we can be of any assistance, please do not hesitate to contact us.

Sincerely,



Todd Gillenwater  
Senior Vice President, Public Policy