



# The Salt Lake Tribune

MONDAY, October 5, 2009

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## Hatch joins medical firms' fight against reform fees

Health care » Congress is trying to craft a health insurance policy -- and a way to pay for it.

By **Matt Canham**  
The Salt Lake Tribune

Updated: 10/02/2009 05:05:34 PM MDT

**Washington** » Makers of medical equipment -- everything from simple bandages to artificial hearts -- are fighting furiously to avoid hefty new fees that now are part of the Senate's main health-reform proposal. They have made some headway in recent days with a phalanx of politicians, among them Sen. Orrin Hatch, R-Utah, arguing the fees would reduce innovation and raise prices for consumers. "Everyone knows these new taxes will be passed on to Utah families," Hatch said. "This tax will translate into higher costs for families on everything from hospital beds to hearing aids." Late Thursday night, the Senate Finance Committee debated an amendment that would have stripped the \$4 billion annual fee. The idea had bipartisan support, but was defeated because Democrats didn't like the Republican plan to make up the money by lowering health-insurance subsidies for the poor. "This matter has not yet been resolved, and there are efforts to resolve it," said committee Chairman Max Baucus, D-Mont. "We are continuing to work on this issue." The committee ended its marathon debate on the massive reform bill and plans to vote next week. As of now, Baucus' bill includes fees on four health sectors: insurance companies, hospitals, laboratories and medical-device makers. The idea being that these industries would make major money under the reform plan, because the plan requires everyone to have

health insurance. That could mean as many as 30 million new customers.

The fees would be split among hundreds of companies based on their market shares and are designed in a way that would make it difficult to recoup simply by boosting prices. Still, politicians of all stripes have worried the fees would get passed along to the public.

So far, there has been little grumbling from insurance companies or hospitals, but the medical-device sector, which includes some notable Utah operations, reacted with fury, saying the proposed fee is "a tax on innovation."

Baucus and the Senate Finance Committee tried to quell the anger by exempting any sales of what the government calls Class 1 devices, which are standard items such as eyeglasses and pregnancy tests.

But the industry wasn't mollified and in recent months have ramped up their lobbying effort, shelling out big bucks to senators for their re-election efforts and leaning on political friends to send letters to Baucus.

Hatch received more than \$45,000 from device makers from April to June, the most recently released campaign report. That is far more than double what he took in from insurance companies or doctors' groups. And officeholders from Minnesota Democratic Sen. Al Franken to Utah Gov. Gary Herbert have announced opposition to the fee.

Herbert and four other Republican governors argued in a letter that the "medical-technology industry is a key constituency in our states and is an integral part of our respective economies."

Utah boasts dozens of medical-device companies, with arguably the most recognizable being Merit Medical, a South Jordan company that makes catheters and other products.

"We are being made out to look like the bad guys," said Fred Lampropoulos, Merit Medical's CEO. "Somehow there is a notion that we contributed to whatever the problems are. It is just nonsense."

Lampropoulos doesn't know how much the proposed fee would affect his company, but he maintains any amount is too much.

Kelvyn Cullimore, CEO of Cottonwood Heights-based Dynatronics, which makes physical-therapy equipment, says the fee could force some companies to fold, because it is based on annual sales and not profits.

"It does not give any wiggle room for companies that are struggling," said Cullimore, the mayor of Cottonwood Heights and a board member for the Medical Device Manufacturers Association.

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He also said the wider health reforms will make it harder for doctors and hospitals to afford medical devices, because they face their own fees.

"It is going to be a squeeze play on medical devices like no other industry," he said.

But the nonprofit Utah Health Policy Project, which backs the congressional reform efforts, says the new fees on the profitable companies make sense.

"Everybody has to give a little to make these reforms work," said Judi Hilman, the project's executive director, noting the goal is to reform the system without adding to the debt. "This means every last one of us, starting with every industry sector, will have to feel some of the pain."

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