



Written by [Michael Tennant](#) on November 14, 2011

ObamaCare Excise Tax Costs 1,000 Jobs — and Counting

According to a Reuters report, on November 10 the Kalamazoo, Michigan-based maker of replacement hips and surgical devices [announced](#) that it would be “implement[ing] focused workforce reductions of approximately 5% of its global workforce and other restructuring activities that are anticipated to reduce annual pre-tax operating costs by over \$100 million beginning in 2013.” Stryker specifically stated that these actions are being undertaken “to provide efficiencies and realign resources in advance of the new Medical Device Excise Tax scheduled to begin in 2013” and otherwise to strengthen its position in a difficult economic climate.



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The Medical Device Excise Tax, which was estimated to generate \$20 billion in revenue for the federal government, is a 2.3-percent tax on the total revenues of a company manufacturing medical devices. Since the tax “will be levied ... regardless of whether a company generates a profit,” DailyMarkets.com’s [Mark Perry](#) observes, “many companies will owe more in taxes than they generate from their operations. The result will be devastating to innovation, patient care and job creation.”

“Here we are, one of the greatest industries in the country, and we’re staring down on Jan. 1, 2013 and the addition of a 2.3 percent excise tax, while meanwhile on the other side all the discussion in Washington is about creating jobs,” Stryker chairman, president, and CEO Stephen MacMillan declared, quite pointedly, at a national conference of device manufacturers in September. At that time MacMillan remarked that the company was “already starting to think about actions that offset the additional tax,” and now its unfortunate employees know exactly what those actions are. Undoubtedly other device makers are making similar plans.

“While it is still uncertain whether the device tax will exist in its current form come 2013, we believe that companies across the space will make moves to mitigate the [profit-and-loss] impact of the new excise tax,’ Susquehanna International Group analyst David Turkaly wrote in a note,” [Reuters](#) reports.

AdvaMed, the Advanced Medical Technology Association, “estimated that 43,000 U.S. jobs would be lost as the Medical Device Excise Tax motivates companies to shift more production to nations with less expensive labor,” according to the [Kalamazoo Gazette](#).

Anyone not infatuated with government-run healthcare could have seen this coming. On the one hand, governments impose taxes on cigarettes, soft drinks, and fatty foods for the express purpose of discouraging consumption — and, in turn, production — of those products. On the other hand, politicians think they can impose taxes on medical devices without also discouraging the production of such devices, many of which save lives and few of which would be produced in the absence of a profit motive.



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Democrats believed device makers would just keep up business as usual when the excise tax takes effect. It never occurred to them that by reducing device makers' profits they were also reducing the funds available to pay those companies' employees and that the companies would be forced either to cut workers or to go out of business.

It is ironic, if not unexpected, that while President Obama talks incessantly about passing his American Jobs Act, he has not suggested the one surefire way of increasing employment: repealing ObamaCare.



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