HSCA Finds Evidence That Some Medical Device Manufacturers Shifting Cost Burden of Excise Tax Directly to American Hospitals, Healthcare Providers, Patients and Taxpayers

Healthcare Supply Chain Association

HSCA Urges Device Manufacturers to Join Hospitals, Other Healthcare Stakeholders in Paying Fair Share of Healthcare Reform

The Healthcare Supply Chain Association (HSCA) and its group purchasing organization (GPO) members today expressed alarm over evidence that some medical device manufacturers are shifting the burden of the medical device excise tax directly to American hospitals and other healthcare providers. Hospitals, a group that committed $155 billion over the next ten years to help fund the Affordable Care Act (ACA), now report that some medical device manufacturers are billing hospitals directly to cover the costs associated with the ACA's medical device tax.

"American hospitals have already lived up to their shared financial responsibility for national healthcare reform, and now face mounting budgetary strain as they continue to deliver affordable and effective patient care with fewer dollars," said HSCA President Curtis Rooney. "It is disheartening to find that some medical device companies have chosen to tack the tax right onto their invoices. We urge all manufacturers to immediately stop passing the medical device tax on to American hospitals, and ultimately to patients and taxpayers."

Beginning January 1, 2013, a 2.3 percent excise tax was imposed on sales of "taxable medical devices" by manufacturers and importers. In a March 2011 letter to the U.S. Internal Revenue Service (IRS), HSCA joined the American Hospital Association (AHA), the Federation of American Hospitals (FAH), and the Catholic Health Association (CHA) in urging the IRS not to allow medical device manufacturers to pass on the cost of the device tax to hospitals.

"HSCA and its group purchasing organization members will continue to monitor the device marketplace for evidence of cost-shifting onto hospitals, and encourage our hospital partners not to enter into contracts that bill them for the device excise tax," added Rooney. "As hospitals, long-term care facilities and other healthcare providers continue to stretch their budget dollars, they will continue to rely on their GPO partners to reduce healthcare costs and deliver the best medical products and services at the best value."

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