Medical device makers rise after fiscal cliff deal

The Associated Press

Shares of medical device makers rose with the broader market Wednesday after Congress passed a bill to avoid the fiscal cliff which did not include a key provision sought by the industry.

Medical device makers seized on the fiscal cliff negotiations as perhaps their last chance to head off a 2.3 percent tax which took effect Jan. 1. The tax is aimed at high-end devices like pacemakers and CT scanners and is designed to raise over $29 billion in federal funds over the next decade. Companies like Medtronic Inc. have been lobbying against the tax since it passed with President Obama's health care overhaul in 2010.

An effort to block the tax got a boost earlier this month when 18 Senate Democrats signed a letter supporting a delay of its implementation. The Republic controlled House previously supported a full repeal of the tax.

But a provision delaying the device tax was not included in the last-minute package passed by House lawmakers late Tuesday. The narrowly tailored bill raises taxes on incomes exceeding $400,000 for individuals and $450,000 for couples, while continuing decade-old income tax cuts for everyone else.

Wells Fargo analyst Lawrence Biegelsen said Wednesday that ongoing negotiations between Congress and the White House, particularly over the nation's debt ceiling, could provide future opportunities to delay the device tax.

"However, the fact that a delay was not included in the end of year fiscal cliff agreement is clearly a setback and demonstrates how determined the proponents of the medical device tax — and other taxes in the Affordable Care Act — are to keep those taxes on the books," Biegelsen states in a note to investors. He adds that the likelihood of a complete repeal of the tax is "low at this point," and includes the cost of the measure in financial estimates for the coming year.

Shares of Minneapolis-based Medtronic, the world's largest medical implant maker, rose 53 cents, or 1.3 percent, to $41.55 in afternoon trading. Boston Scientific Corp. shares rose 10 cents, or 1.8 percent, to $5.83. St. Jude Medical rose 21 cents to $36.35.

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