

1200 G Street NW, Suite 400
Washington, DC 20005-3814
Tel: 202 783 8700
Fax: 202 783 8750
www.AdvaMed.org

CONTACT: Barbara Ware (202) 434-7272
beware@advamed.org



AdvaMed

Advanced Medical Technology Association

News

November 14, 2006

AdvaMed President and CEO Urges Congress to Reinstate R&D Credit

WASHINGTON, D.C. – AdvaMed President and CEO Stephen J. Ubl issued the following statement urging Congress to reauthorize the research and development tax credit (the “R&D Credit”).

“Congress should reinstate the R&D tax credit before it goes home for the holidays. The lapse in the credit, which expired on December 31, 2005, has created tremendous disruption to firms planning long-term R&D projects in the United States. The credit supports the creation of high-wage jobs in the medical device industry. Companies trying to plan and hire are constrained by the lapse in credit coverage.

The level of R&D spending in the medical devices and diagnostic industry, as a percent of sales, more than doubled during the 1990s. It increased from 5.4% in 1990, to 8.4% in 1995 and over 11% last year. In absolute terms, R&D spending has increased 20% on a cumulative annual basis since 1990. Advanced medical technology can not only save and enhance patients’ lives, but also lower health care costs, improve the efficiency of the health care delivery system, and increase productivity by allowing people to return to work sooner. To deliver this value to patients, our industry invests heavily in research and development (R&D). Our industry’s level of spending on R&D is more than three times the overall U.S. average.

Despite the strong and bipartisan expressions of Congressional support, under GAAP rules, companies have had to report financial results and offer guidance about future performance assuming that the credit will not be seamlessly restored. This has affected market expectations and many companies have been left with unexpected shortfalls. Even more troubling, a gap in coverage functions as a new tax on innovation in America.”

AdvaMed member companies produce the medical devices, diagnostic products and health information systems that are transforming health care through earlier disease detection, less invasive procedures and more effective treatments. Our members produce nearly 90 percent of the health care technology purchased annually in the United States and more than 50 percent purchased annually around the world. AdvaMed members range from the largest to the smallest medical technology innovators and companies.