



Ask An Expert

The Medical Device Tax and Comparative Effectiveness Research

2nd in a series on the Impact of Health Care Reform on Supply Chain Management

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As federal health reform implementation begins in earnest over the next few years, the supply chain community will pay particular attention to the much-discussed medical device tax. Over the strenuous objections of the medical device industry, the final health reform bill includes a 2.3% tax on medical devices beginning in 2013, a provision expected to raise \$20 billion over 10 years to help pay for health care reform.

The American device market was valued at more than \$100 billion in 2008 — roughly 42% of the world's total. Today, the U.S. is the world's largest consumer of medical devices and leads the world in production. Without question, this thriving, critically important industry can more than afford to contribute its fair share toward the cost of health reform.

Indeed, back in March Lee Perlman, President of GNYHA Ventures, parent company of GNYHA Services, told *Modern Healthcare Magazine*, "The purpose of this tax was for device makers to contribute to the cost of health care reform....I want device makers to understand that our hospitals will not accept any form of that excise tax being passed along."

Another health care reform measure of importance to supply chain executives: embracing comparative effectiveness research to reduce costs while driving higher quality care. Supply chain leaders must aggressively pursue and understand the role comparative effectiveness research will play in their decisions so that we can ensure a competitive and price-transparent market.

So what is comparative effectiveness research? Thanks to astonishing achievements in biomedical science, clinicians and patients have many choices when making decisions about diagnosis, treatment and prevention, but the challenge is getting the right product to the right patient for the right price at the right time.

Prior to the passage of health reform legislation the American Recovery and Reinvestment Act (ARRA) provided \$1.1 billion for comparative effectiveness research. The Act allocated \$400 million to the Office of the Secretary in the U.S. Department of Health and Human Services (HHS), \$400 million to the National Institutes of Health (NIH), and \$300 million to the HHS Agency for Healthcare Research Quality. It also established the Federal Coordinating Council for Comparative Effectiveness Research to foster optimum coordination of all activities supported by federal departments and agencies. The vision for the investment in comparative effectiveness research focuses on laying the foundation for research to develop and prosper by driving appropriate utilization decisions by clinicians and patients.

So what's the link between the medical device tax and comparative effectiveness? For supply chain executives, there has never been a better time to support and challenge the device industry to encourage research that will help identify which treatment works best, for whom and under what circumstances. The role of supplies in balancing clinician and patient expectations and an organization's overall economic success has never been greater. And the relationship between supply chain executives, clinical staff and the C-Suite in making purchasing decisions has never been more important.

I strongly believe that we can thrive in the era of health care reform, but to do so we'll need competition, information and evidence in the medical device market. We'll also need price transparency regardless of the pending medical device tax. The time for a collaboration between hospitals and device makers that will advance the delivery of quality health care is right now.

More on the Impact of Health Care Reform on Supply Chain Management next month.

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