

HEARING OF THE U.S. SENATE COMMITTEE ON FINANCE
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WRITTEN TESTIMONY OF SCOTT WHITAKER
PRESIDENT AND CEO, ADVAMED, THE MEDTECH ASSOCIATION

Chairman Crapo and Ranking Member Wyden, thank you for inviting me to address the Committee on this important topic.

I am Scott Whitaker, president and CEO of AdvaMed, the MedTech Association. More than 600 medical technology companies are members of AdvaMed. These are the companies that invent, develop, distribute and manufacture technologies and devices that fill every hospital, health clinic, and doctor's office in America, and increasingly provide more products and technologies in home health care settings as well.

Medtech accounts for three million direct and indirect jobs in all 50 states across nearly 17,000 U.S. manufacturing plants, with more than \$600 billion in domestic economic output.

We are an American success story and the global superpower of medical innovation.

Few people fully grasp the depth and breadth of our impact on the health care system. As we discuss trade and tariff policy, it is essential for policymakers to understand how this industry impacts health care, not only in the United States but around the world.

We are the industry that manufactures the laboratory equipment and diagnostic tests that detect virtually every form of disease.

We are the companies that manufacture imaging equipment, from the X-ray machine to the CT scan and the MRI.

We are the industry that manufactures the heart valves, pumps and cardiac monitors, the stents and pacemakers and defibrillators, that help people stay alive.

We create the artificial hips, knees, and shoulders, and other implants that help patients stay healthy and mobile.

We develop the surgical kits for the 77,000 procedures performed every day in America – and the surgical robots that deliver a more precise procedure that yields better outcomes for patients.

We manufacture insulin pumps and continuous glucose monitors that help millions of Type 1 diabetics manage their disease and live healthier lives.

And now we are the industry developing the cutting-edge AI technology that is already diagnosing health problems early, saving our health care system money while saving lives. Just weeks ago, a groundbreaking study of breast cancer patients – the largest of its kind – found a 29% increase in breast cancer detection utilizing AI. And that's only the beginning of medtech ushering in a new dimension of detection and prevention.

Simply put, we are the backbone of the health care system, the engine that makes hospitals run.

Our industry is a critical component to keeping our health system functioning. Medtech products are not optional. They are in many respects mandatory.

And because our technologies are often a matter of life or death, they are also highly regulated, as they should be. Even the facilities in which they are manufactured are FDA regulated, as they should be.

Our industry has not historically faced tariffs. Because most countries have recognized the humanitarian nature of our work, they have collectively agreed to avoid placing tariffs on these lifesaving products. For example, prior to this year, the average tariff on medtech shipped to Europe was 1.3%, with Japan and Canada averaging around 1%.

To be clear, AdvaMed and our industry at large support the President's goal to fix longstanding and unfair trade imbalances. We applaud the President for his efforts to bring more manufacturing across our economy back to the U.S., and many of our companies have done and are doing just that.

But the reality is that medtech is already a uniquely American success story. Upwards of 70% of the medtech that fills hospitals and clinics across the U.S. is made in America. And that is growing: Just this year alone, more than a dozen medtech companies have announced expansions within the United States, and we expect that to continue.

The U.S. is the largest medtech market in the world, accounting for 40% of global sales, and it is unquestionably the leader in innovation. If there is a breakthrough in medical technology that makes headlines, chances are it was developed right here in America.

Tariff policy, as proposed, puts this uniquely American success story at risk. And here is why:

First, given that this is a highly regulated industry, shifting operations is a multi-year and incredibly expensive ordeal, bringing with it regulatory and safety concerns not seen in other industries. While the supply chains for smartphones or autos or toys are important to the economy, they simply do not have the same impact on lives.

Second, our companies operate in a mostly fixed-reimbursement environment: Medical technologies are purchased by hospitals through multi-year contracts, making cost spikes in the short term difficult to adjust to.

Third, and perhaps just as importantly, our biggest payors are funded by the federal taxpayer: Medicare, Medicaid, and the Veterans Health Administration. To the extent that tariffs on medtech products might generate federal revenue, much of those gains could be offset by the higher prices on these technologies. Any tariff policy that would force increased costs onto these federally funded programs would be counterproductive.

Our final concern is the impact these policies could have on the medical supply chain, which is highly complex. To illustrate, a diagnostic scanner and a medical infusion pump manufactured right here in the U.S. can contain several hundred parts sourced from more than 20 countries across three continents. These are but two examples among hundreds of other technologies with similar makeups and needs.

Just recently, medtech supply chain leaders across the industry reported that procurement timelines have already slipped, especially for surgical kits, diagnostic components, and imaging devices.

For example, one company manufactures critical products for neonatal intensive care units, supplying 50% of the market for one product category and around 70% for another. If tariffs continue to be a threat, this will result in backorders, delays, and will ultimately impact NICU patient care. Currently, there are no competitors ready to immediately make up the capacity, and as a company executive told me, "We are talking about patients measured in ounces, not pounds."

Let me conclude by saying that we appreciate the President's 90-day pause and are encouraged by the recent announcement with respect to China.

Moving forward, we believe the best way for the medtech industry to continue delivering on its commitment to patients both here at home and around the world rests with maximum flexibility for our industry.

We ask this Committee and the Administration to treat medical products with a reciprocal "zero for zero" model in these country-to-country negotiations. That means a mutual agreement in which countries eliminate tariffs on medical supplies and technologies between each other.

Given the unique lifesaving and humanitarian nature of our products and innovations, both the United States and its trading partners should respect that longstanding policy – a move that would prevent potential supply chain disruptions and cost increases that would negatively impact hospitals and patients around the world. There is precedent for this approach. In fact, during the first Trump Administration, many medtech products were exempt from the tariffs imposed.

We stand ready to work with this Committee and the President on further strengthening industry's already-vibrant and growing American presence. And we stand ready to work with him on alternative ways to restore fairness to trade policies that negatively impact the American medtech sector.

With that, thank you, and I look forward to your questions.

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