The Daily Dish

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Finally! For the first time in the long six-year wait for Keystone XL, both the House and Senate will vote on a bill approving the pipeline. Along with Republicans, a number of Senate Democrats have also voiced support for Keystone XL, likely giving the bill enough votes to pass onto the President's desk.

According to Senator Orrin Hatch's spokeswoman, the soon-to-be chairman of Senate Finance Committee will "continue to examine and support every viable opportunity to permanently repeal Obamacare's onerous tax on medical devices." The medical device tax adds 2.3 percent to the sale of products from bedpans to pacemakers. Douglas Holtz-Eakin has more on the tax in Eakinomics below.

Senator Crapo believes the Senate is likely to pass a short-term extension of TRIA, the Terrorism Risk Insurance Act, during the lame duck session. Both chambers have passed their own separate versions of an extension, but disagree on how much to scale back the program.

Eakinomics: Repeal the Medical Device Tax

Even before the Republicans wrested away control of the Senate in the midterm elections, Republicans and Democrats in Congress had united in opposition to the Affordable Care Act's (ACA's) medical device tax. The 2.3 percent tax on sales of medical devices is a policy lemon.

As highlighted by a study from the American Action Forum last year, there are over thirteen thousand medical device companies in the U.S. with fewer than fifty employees. Accordingly, small to medium size firms make up more than 91 percent of all U.S. device manufacturers. For these firms, research and development costs and time and expense of shepherding new devices through a lengthy approval process mean that it takes years before an innovating, entrepreneurial medical device company turns a profit.

This leads to the first policy flaw with the device tax. These very companies spend years in development, sink costs into regulatory hurdles at the Food and Drug Administration, and when they finally begin to sell their lifesaving devices they are years away from profitability. Despite this, the tax is slapped on to every sale. A tax that is not tailored to reflect the profitability and scale of a company is a sure-fire barrier to innovating lifesaving technologies.

The second problem is in the response to the imposition of the device tax. Many device manufacturers around the country will simply not invest in new technologies, or they will delay plans to hire and expand their operations and some will even cut their employment. The device tax is already harming employment, and innovation.

Ultimately, the ACA has little to do with the medical device industry, and the device tax has little to do with the ACA beyond budgetary gimmicks. Divorcing these two largely unrelated issues is a good first step for the next Congress.

From the Forum

Principles for Better Labor Market Policy by Douglas Holtz-Eakin, AAF President