Will the Medical Device Tax Force You to the Unemployment Line? Interview with Steve Ferguson, Chairman of Cook Medical

In this interview with Steve Ferguson, we learn all about the 2.3% medical device tax and its potential implications. More specifically we'll cover some of the following points:

- Why has Cook taken such a vocal stance in the effort to repeal the 2.3% device tax?
- Why haven't other large medical device companies followed in the footsteps of Cook? Because of fear? Because the tax will hurt smaller companies the most? Is there more to the story?
- But millions of more people will be insured through healthcare reform. Won't medical device companies benefit from this? Steve dispels the myths to this theory.
- Can't medical device companies just pass along the increased costs to their customers?
- Is the industry powerless to fight back? What actions can you take today to help repeal the medical device tax?

Scott Nelson: Hello. Hello everyone, it's Scott Nelson. Welcome to another edition of Medsider. For those of you who are new to the program, this is a show where I bring on interesting and dynamic medical device and medtech stakeholders so we can all learn from their experiences, glean some insights, and apply those to our careers within the medtech space. We have a special guest here for today's episode, it's Mr. Steve Ferguson, who is the Chairman of the Board of the Cook Group based out of the Midwest, Bloomington, Indiana.

I'm sure all of you listening are very familiar with Cook, but for those of you who aren't, the Cook Group manufactures a variety of medical devices for various specialties, some of those including radiology, neuroradiology, cardiology, urology, obstetrics, gynecology, gastroenterology, and clinical care. Cook is in a lot of different spaces and they're obviously a well-known large player within this space. So, without further ado, welcome to the call, Steve.

Steve Ferguson: Thank you very much. It's my pleasure to be here.

Scott Nelson: Excellent. We certainly appreciate you taking some time out of your busy schedule to address what is a very hot topic in our industry, which is the 2.3% medical device excise tax. We're going to get into some of the specifics but before we get into the obvious negative consequences of the tax and maybe some of those potential positives if you want to call it that, let's start with the obvious. You guys have taken a very vocal stance against the 2.3% device excise tax. Can you explain why you guys have been at the forefront in the efforts to draw attention to the tax?

Steve Ferguson: Yeah, I suppose the question goes back to the '80s, back when Bill Cook and I had some discussions about if we didn't engage in both the regulatory and governmental side of our business, then we probably weren't going to be happy with what we saw as a result and it probably would be left to somebody else. What we found was that when we engaged is, as a private company we're a lot more comfortable in taking leadership positions.

Other public companies have to worry about their shareholders, have to worry about other issues, oftentimes fear of retaliation. It has always been our philosophy that we need to be out front and leading in providing information. Whether it's good or bad for us, we try and always provide accurate information and provide positive solutions. So, philosophically, you ask the question that is the core values of our company.

Scott Nelson: Right. No, I love that. I got to think, for those of you who are listening, regardless of what you think about the device tax, you have to love the engagement that you guys have embraced in regard to this because it obviously is a big issue. It's really nice to see a large player like Cook getting so involved in an issue like this.

Another question like I said before we get into the nuts and bolts of this is that I guess I've read some rumblings about why other large medical device companies haven't been as vocal. Why do you think that's the case? I think I'm going to probably misquote Omar Ishrak, the CEO of Medtronic, but I think he was the one that maybe even stated this is just another obstacle that we'll have to overcome, almost as if it's just kind of, I'm not going to say a nonissue, but almost making too little light of what could be a rather detrimental issue to our industry. Why do you think that's the case, why other big medical device companies haven't been as engaged as you folks there at Cook?

Steve Ferguson: Well, I think probably starting from the list from the top down, there was a feeling that some of the companies who have met had agreed to the fact that the tax was there and therefore feared retaliation from those that thought that there was an agreement to that. So, I think that is one issue with some of the companies that are close to that initial contact.

Secondly, I think there's sometimes a general fear of retaliation. I think third, we speak for what we think is good for this industry, and obviously, the industry can react to whatever set of rules the federal government puts on us, and one would be increased taxation, the federal tax raise, the regulatory climate, etc. We can move internationally, we've got locations around the world so it's easy to shift, but that's not good for American patients, that's not good for jobs, that's not good for this nation. So, as a public policy matter, I think we maybe feel stronger about that than a public company that is looking more at the issues that affect their company, and we have a little broader interest in that.

Scott Nelson: Okay. As a follow-up, is there any truth to the idea that because of its top-line nature, this tax is going to hurt smaller companies the most? Or I should say, it's going to hurt smaller companies to a greater degree than it will big companies or large medical device companies. So, in essence, those smaller companies may accept a sort of a lower or a reduced asking price, or exit price I should say, in terms of M&A activity. Is there truth to the fact that large companies see that maybe as a positive, that they'll be able to acquire some of these smaller companies because they will be hit so hard by the device tax? Or is that sort of an off-the-wall effect of the tax that maybe is easy to overlook?

Steve Ferguson: Well, I wouldn't want to attribute to every company a particular approach, like just the large versus small. I do think that there are some companies that view a more

complicated regulatory system or one that's more burdensome to their benefit because they are in a better position both financially and staff wise to deal with complicated systems. We used to even refer to the fact that you have a difficult regulatory pathway as a sort of a regulatory path that kept other people from entering the space. I think you could draw the same conclusion on the tax.

I think it falls hard on everybody across the board. If you look at the average net revenue of device companies, and I think it runs around 15% and then you start extrapolating that price and then you add the taxes, federal taxes, and the taxes from the various states, then you're going to get above 50% tax rate, so I think that hurts everybody. Obviously, if you don't have a net income, if you're a startup, if you're losing money, then you pay this tax whether you have any income or not. That's the problem with it. Applying it to gross revenue makes absolutely no sense.

Scott Nelson: Yeah, and that's one of the things I wanted to definitely address with you, but let's go ahead and dig into that right now since we're on that topic. As I mentioned, it's the top line in nature. Let me just throw that question at you. What does that mean to a company like Cook, or for any company in the medical device space, when this tax is the top line in nature? Can you describe that in a little bit more detail?

Steve Ferguson: Well, you know, and this is an example, in Indiana, we worked for maybe 20 years to get rid of the gross tax that was applied to profits in Indiana that came out of the Depression which made no sense. Somebody to have gross revenue and no net revenue, and yet they were still paying a tax. It has tremendous unintended consequences, and if you look at Indiana you could go through those.

This tax was having a lot of unintended consequences by applying to your gross revenue; and so, let's say that you had 100 million dollars in gross revenue, and so the tax was 2.3 million and you have a 15% bottom line, which would be 15 million, and you pay 35% on that. So, you take 35% of that and then you add the 2.3, and then they add 6% for taxes, and then you can quickly see that you get above 50%.

Now, let's take that same company and they go to Ireland, and they pay 12.5% on their bottom line and they don't pay any state tax, so now they've got that margin of difference to invest and be competitive with us because we're in an international marketplace and same with a small company. So, if you begin to look at those margins and then you have the other impediments on top of it, then it quickly becomes a very competitive nature.

I was recently visiting a startup company, I happened to be here in Bloomington and just doing a tour and looking at what they're doing. An interesting couple of young men that have a good idea and they're working for it, and they asked if I had any suggestions for them, and I said, go to Europe. Go start your company in Europe. Then just went through it. You get the [16:21 inaudible], there's a difference in tax rates, etc., etc., etc. So, I think that's changed. We used to; you know…

Scott Nelson: No, I certainly don't want to make light of that. I mean, that's coming from the Chairman of the Board of Cook, one of the more well-known medical device companies that we have here in the US, and you're telling a startup company there in Bloomington, you're suggesting to go start-up in Europe, which from a business standpoint probably makes a lot of sense but it's kind of sad to hear that.

Hopefully, that makes sense, and just feel free to step in, Steve, if I misunderstand that, but the reason the top-line nature doesn't make any sense is using your analysis, comparing a company with 5 million dollars gross profit, or I should say gross revenue, if one company is highly profitable and the other company maybe is a startup that isn't profitable, they're still going to be taxed the same way because this tax applies to gross revenues and not on gross profits. That's correct, right?

Steve Ferguson: That's exactly right.

Scott Nelson: That's exactly right.

Steve Ferguson: You hit exactly on the issue. It does not make any sense to figure it on gross revenue, not on the net.

Scott Nelson: Yeah, and listening to your example when you laid out some of those numbers, I can see why it's been stated that it becomes a 50% tax rate, basically, because of that top-line nature that you just laid out that example of 15 million dollars in profit, then when you take 2.5 million dollars off that it becomes basically a 50% tax rate.

So, anyway, let's move on and take a step back. I think for most people listening, they sort of have a general idea of where this comes from, but the government decided to just apply this 2.3 tax on every single medical device company in the US. Why? What was the rationale for this?

Steve Ferguson: In Obamacare, they were needing to be able to say that in fact, and have the Congressional Budget Office score as revenue-neutral. So, what they were doing was looking for any revenue and they had a theory then, not very good policy discussion, but they had a theory that if you were in the device business that this would increase by having more people covered than it would increase your revenues. Therefore, you could afford to pay more—or not that you could afford to, you ought to pay more, and of course, it forgets all the things we just talked about, is whether you make profits, how much profits, and a lot of other issues.

They took a gross tax because it was easier for them to score or determine how much it was, and they were just looking for revenue. In fact, they threw changes in the scholarship for college students into then changes they made in that so that they could get more revenues for this thing to be balanced, and so it was just pretty much a revenue grab.

Scott Nelson: To your point about just bad policy and maybe even too quick of a decision perhaps, were there other ways to pay for this rather than just a top-line 2.3% tax? I've also read

something about the senate version of this originally had medical device companies actually paying less. Can you speak to that at all?

Steve Ferguson: Well, actually, the way they started was even worse than where we ended up. They started with, okay, what we need is 40 billion dollars. So then whatever the rate then they were going to determine, each year, whatever the rate was, that would raise 40 billion. My point to it was, okay, let's say I'm the only person in business, I'm going to pay 40 billion dollars. I mean, this made absolutely no sense because there was no rate assurance. There was nothing except, does it raise that much revenue?

During the course of it, several people stepped in and several members of the senate who had large medical device presence in their state. Senator Bayh from Indiana, Congressman Hill, Congressman Ellsworth from Indiana, and others stepped in to be extremely helpful on it, and that's really why it got adjusted from 40 billion down to 20 billion, which was the original figure in the senate was 40 and it got adjusted down to 20, and then it got adjusted a second time. So, it went from being just, okay, we need to raise this much revenue to where there was a set rate. At one point it had been 2.5, and then it was adjusted down to 2.3 as I recall, but there were a lot of negotiations back and forth over this issue.

Scott Nelson: Okay. That's interesting that in that sense there was this lump-sum number, "We need to generate 20 billion dollars per year," which originally you were saying was actually higher. It was actually 40 billion at one time per year. So, we've got to pay for this, and then the percentage of taxes was sort of extrapolated from there, saying, "We need to cover 20 billion, so 2.3% is in essence what we need to tax these companies at."

Steve Ferguson: That's right, and then there was some negotiation. They didn't want the tax to be visible so they exempted consumer products that were purchased directly by the consumer, which would be like hearing aids, etc., etc.

Scott Nelson: Okay.

Steve Ferguson: So, they wanted it to be a hidden tax that was paid basically by hospitals or other care providers directly as opposed to originally the final consumer.

Scott Nelson: Okay. Okay. Some of these stats are fairly alarming in regard to that number, that 20 billion dollars per year, because I know the industry journal MassDevice, their analysis estimates that actually the first year, just from the top 50 companies alone, will generate 2 billion just in the first year and that basically, the tax, in essence, will generate a total of roughly around 30 to 31 billion dollars and not the 20 billion to start with, which comes to about 3 times as much as R&D. So, those are obviously really, really alarming. So, with that said, those extra monies, let's say, for example, that the tax does generate close to that 30-billion-plus mark, what's going to be done with the allocation of the extra funds from the tax?

Steve Ferguson: Well, that's always up to congress but as it turned out, their scoring figures were wrong and so they've got a negative balance as a result of the impact here. So, the figures that

you see now, we'll see that in fact, it was not breakeven or a cost-saving matter. It's actually a negative matter, so they want as much revenue as they can glean to help them meet their underestimates of the cost.

Scott Nelson: Okay, so these estimates actually won't even cover the cost of Obamacare, as you put it earlier?

Steve Ferguson: Oh no, I mean there's a big loss here and it's a big number. In fact, this two billion is a small figure compared to the total cost of, what is it, over a trillion dollars for Obamacare? They have other figures that they've worked out, Medicare by 500 million, and I have a lot of other issues here. It's pretty complicated.

Scott Nelson: Sure. Sure. I mean, it's just so alarming to throw out these numbers, two billion, 30 billion, and to still consider that that won't even cover the cost of this program. It's incredible. It's incredible, and you almost get immune to some of these numbers because of the incredible debt burden that we're under already, and then to throw on another tax like this just seems asinine to say the least.

But to that point, maybe on the flip side, on the other side of the fence, one could consider, well, wait for a second, Steve. Your company Cook is going to benefit from all these extra patients that will supposedly be insured by Obamacare. Wouldn't that benefit you as a medical device manufacturer because your devices will be used to treat that many more patients? What's your response to that person that comes up with that sort of argument?

Steve Ferguson: You're wrong.

Scott Nelson: You're wrong. Dead wrong.

Steve Ferguson: Yeah, you're dead wrong. Well, first of all, Massachusetts has had a similar structure in place. We have not seen that increase in Massachusetts. So, we trace the stages because we have to pay various taxes in those states, and we know what our revenue is in every stage, and in fact, you have not seen with the Massachusetts healthcare the increase.

The second is, which is a major fallacy that they ought to understand themselves, what they were trying to do with this was mandate everybody to have coverage and the people who didn't have coverage basically elected not to have coverage. They were basically young people, kids in college, young working kids who were in good health so that they didn't want to take coverage. Even people who work for Cook a lot of times elect not to take coverage because they don't want to pay the deductible, they'd rather spend it on something else, and they're basically healthy.

Scott Nelson: Sure.

Steve Ferguson: So, you have a large, and I think that number ran between 25 and 35 million, as I recall, but what they needed was revenue and what the system needs is revenue from those people and for the people who are in fact in need of healthcare, and that would be the elderly, etc., etc. So, when you look at the basic population that they wanted to cover, those are not

people who use our products. They're not people who have GI problems, because almost all of the medical problems are age-related except those that occur in major traffic accidents or those other types of issues. So, I think that's the second step in the fallacy.

The other thing you'll hear people say is they'll just pass it along. That means that you haven't been in business. Last year, our healthcare cost here to cover our employees went up 13%. We gave a 4% salary increase. Utilities went up a lot because of what's happening on the regulatory side went up, and water went up. We use a lot of polymers in our manufacturer products, and if you look at gasoline prices you know that the cost of gasoline and petroleum and all the products derived from it and polymers have gone up.

So, if you add all of those together, and then you're going to say, oh okay, hospital, who are under tremendous pressure the other way to cut cost, you can't pass this one along. That's another fallacious argument that you'll hear too, in addition to, oh, you guys are going to benefit from it.

Scott Nelson: Sure. Well, before we address that, I want to ask you a follow-up question about the cost because there's another side to that, being involved so closely within this space. But before I ask you that follow-up question, if I'm understanding you, there are a couple of different things going on there. I don't want to sound repetitive, but these are some really good points that you just mentioned.

One, there are not going to be as many patients insured as maybe we think there will be based on Obamacare. So, there are not going to be as many patients that will be insured. Two, if you look at the demographics of those patients that may pick up this insurance, they're all younger patients that typically aren't going to hospitals and typically they don't have a lot of necessarily diseases to be treated, and so they're not really our in-customer, right?

Steve Ferguson: Right.

Scott Nelson: Then, third, you mentioned I think something in regards to trauma, and I'm not sure if you mentioned this or not, but I think I've definitely read it before that even if you look at that younger patient that may have picked up insurance under Obamacare, if they're in a car accident and they're rushed via ambulance to the local hospital, they're going to be covered regardless of whether they have insurance or not. That's a by-product of our healthcare system. And so, the fact that they don't have insurance doesn't really matter anyway because they're going to be treated, correct?

Steve Ferguson: That's correct. That was mandated back some years ago. Our private hospitals couldn't turn patients away and they have to treat them.

Scott Nelson: Right. So, just listening to you make these points, I've yet to hear a really good business rationale as to why this tax makes any sort of sense whatsoever. But I want to move on and ask you a few other questions, namely, that cost question because if you're involved in healthcare, you realize that as you just pointed out earlier, hospitals are under tremendous pressure as well. Any company that's tried to sell products into hospitals, they're always asking

for a lower price regardless of how much business they currently do with you or have done in the past. They're always asking for a price reduction. So, the idea of trying to pass along these added costs to them, again, I think it's a good description, it's kind of asinine, right?

Steve Ferguson: Yeah.

Scott Nelson: So anyway, those are all really interesting points that counter what some people on the other side of the fence would think in that this device tax will benefit the industry.

Steve Ferguson: Yeah. The other thing you need to remember, too, is that most major facilities, hospitals, enter into contracts over a period of a year, so you might have a one or two or three year contract, so you couldn't make adjustments in those first 12 months anyway.

Scott Nelson: Yeah. That's a great point. Yeah.

Steve Ferguson: The other thing is, it sounds like, well, 2.3, that's fairly easy. It's turned out that this is a very complicated imposition. We sell 15,000 devices to 5000 hospitals, and of course, there are price differences depending upon the volume and quantity and the device, etc., and then when the IRS came out with the regulations, at what point is the sale? Was the sale at the hospital or is it between us and our company that actually does the sales and distribution? Then for devices that come in the country, is the tax at the time it's in? Well, then, what if they sell to this distribution company and then shipped outside the United States? Do you get a refund on the tax? What rate do you use? Do you use it in terms of the way it's imposed of 90% of that average value? So, we've already started.

Obviously, our people reviewed the rates. We've been talking to the top 5 accounting firms. We've been talking to other companies to see if we can figure out what to do. Then it's imposed and you start paying it in January, but it's really a quarterly tax, but you have to pay it in January, and then you really don't know the answer to all these things. Then you go back and get refunds at the end of each quarter because you target returns on a quarter. So, the whole thing is a complicated quagmire at this point in time that's going to cost a lot of money just to administer if you can think about this from our [34:48 inaudible] and the number of devices there are.

Scott Nelson: Right.

Steve Ferguson: That's the other reason the tax doesn't make any sense, it's just administratively extremely difficult.

Scott Nelson: Right, and that's something that I think sometimes, I'm not sure about you but you definitely don't maybe necessarily hear about it as much, but those administrative costs, they're huge, they're astronomical, and then you threw that into the mix with increased administrative burdens with regulatory timeframes. Then you have the Sunshine Act to deal with. It's like the medical device industry is feeling the squeeze from so many different forces. This certainly doesn't help the cause at all, these added administrative costs from that excise tax.

Steve Ferguson: Oh, no. You're right, a tremendous mandatory regulatory cost, and they go all the way from dealing with the FDA to dealing with all of the nations around the world go on and on and on, to just permits so that your standby generation qualifies for EPA distribution. Yeah, I mean, it's astounding where our regulatory requirements go on right now.

Scott Nelson: Yeah. So, earlier on in the conversation, you mentioned how you even encouraged a smaller startup company there in Indiana to actually start-up in Europe. Can you speak to that, the idea of manufacturing and maybe what Cook is doing and what you maybe see happening in regards to this tax. How as an industry we may see more outsource manufacturing because of these added taxes like the one we're talking about?

Steve Ferguson: Well, in our case, we used to introduce 100% of our products in the United States. Now, we introduce almost 100% of them outside the United States, and that's because the factor that the regulatory FDA approval process is cumbersome and slow at best and slowness doesn't necessarily mean quality, it just means it's slow. We ought to have the best and most efficient system in the world. We have put a man on the moon, but we can't administer our device approval process efficiently.

So, you look at that and you're introducing your products outside the United States. Well now, where are your clinical trials? They're outside the United States. Where is your initial manufacturing? That's outside the United States. Where are your regulatory people? They're outside the United States. So, what you're doing is you're building an infrastructure for our products outside the United States. When we eventually get US approval, which is generally 18 months to 2 years behind and sometimes longer, then you've already got manufacturing overseas. So, you continue to manufacture there and ship to the United States, so the United States has not had the benefit of the manufacturing jobs and where the value-added is.

The second thing that happens when you look at that time is what they call Country of Origin. Some nations around the world say that you can't ship your devices into our markets unless it's approved for sale in the country where it's manufactured. So, if you're slow in approvals in the United States and you're manufacturing and have approval in, let's say, Ireland, and you ship from Ireland to those countries that have the Country of Origin rule. So, that's also compounding. Then you generate net revenues because your value-added is over there and you're being taxed at 12.5% versus bringing it back in here at 35%. Then you add the fact that we have state taxes on top of that, which average around the nation about six. In Indiana, it happens to be eight. Other states are higher than that. So yeah, that on top, and so you just keep compounding those because of not only our tax system, our regulatory system, now you have a 2.3%.

If you look at the jobs that are going overseas now, the companies that have already announced that they're going to increase manufacturing overseas, you can just see it's moving the wrong way. Having had that study done, which people criticize, but it showed I think 40,000 jobs lost, I think that's a minor number compared to where we're going to be when this all settles out.

Scott Nelson: Sure. So, you think that 40K marker, 40,000-plus jobs lost, is an underestimation?

Steve Ferguson: Absolutely.

Scott Nelson: Yeah, interesting.

Steve Ferguson: Then you get secondary effects on your vendors, etc., etc.

Scott Nelson: Yeah, the trickle-down effect.

Steve Ferguson: Yeah, and with manufacturing as I recall, the number is a 21/2-time multiple, so every job you create creates 21/2 more. We're losing the very jobs that the president and everybody says we want to keep high-paying clean jobs in manufacturing. We're the industry, and everything we're doing is the perfect storm to drive this industry out of the country.

Scott Nelson: Sure. So, someone could say, well, wait, Steve, the 2.3% excise tax in and of itself is not going to drive manufacturing overseas, but as you're saying, it's a compounding issue. It's one of a multitude of issues that, yes, will absolutely drive manufacturing overseas, hence more job layoffs here. That's evidenced by, I mean, Stryker has announced layoffs, Hill-Rom I think recently announced layoffs, Zimmer as well recently announced layoffs. I mean, so certainly you're not the only one that's talking about this. That's really interesting that you say that you think that that 40,000-job-loss number that's been thrown out there is an underestimation.

Steve Ferguson: Well, yeah, you're going to see a big number. The other thing to remember, there are those who want to chill while Rome burns, but you see this sort of, "Well, we'll take care of it next year. We'll talk about it next year. We'll look at it at the time of restructuring." When you've got an industry that's growing and growing overseas; we used to have 75% of our revenue generated in the United States and 25% outside. Now, we're 55% outside and 45% inside even though we still manufacture 85% of our devices in this country, but the shift in revenue has been dramatic over the last few years.

When you stop to think about those changes and the compounds of the rules and you have those four or five things together, that's our tax structure, the 2.3 tax, the approval process, etc., etc., etc., and you begin to add it all up, it's going to make only sense for people to go outside the country. When you've got big growth going then, you've got to make decisions now of what you're going to do two years from now to meet the supply for your customers, and you don't make that decision and say, "Oh yeah, well, tomorrow we're going to do more manufacturing." That's a two-year window, so this is going to happen because people are planning now for the future.

I visited a public company last week and the executive was saying, "Our board is on this every day." Well, what are you thinking about building the United States for? If you've got growth going on and they have all these issues going on, why are you even thinking about it? That's a legitimate question and they were saying, "How do I answer that question?"

Scott Nelson: Yeah, that's really interesting, that response. In fact, I recently did an interview with Rudy Mazzocchi who's involved with a lot of startup medical device companies, and he even

mentioned in his conversations with venture capitalists that a lot of them as a requirement won't even consider funding a company if they aren't first thinking of starting overseas. If it involves a PMA they will not take part in initial rounds of financing. So that's interesting.

So, I know we're kind of getting short on time, Steve. Just to conclude, as we talked about this before, you guys are taking a very vocal stance, and regardless of how everyone thinks about the device tax and its potential ramifications, that's really neat to see a company of your size engaging to this degree. But for those on the call that are listening to our conversation, what can the average person involved in the medical device industry do, the person that's in R&D or the person that's in manufacturing or reimbursement or sales or marketing? What would you encourage the average person to do to help in the effort to repeal the tax?

Steve Ferguson: Well, I think first of all on the repeal, you have more than half the members of the House of Representatives have signed on as co-sponsors. So, there are enough votes in the US House to pass. The place they need to be is they need to make contact with their senator and the senators that they may know or have relatives in states that know. They also know patients, and this is going to affect patients because what we need to do is introduce the latest technology in the United States so that it's available to our patients. I saw a recent poll which when asked 85% of Americans want their devices manufactured in the United States, and I think everybody feels that way. I love to see where my dog food's manufactured.

Now, a Cook device is manufactured by definitely the same specs, etc., etc., wherever it is manufactured in the world. It's a standard spec no matter what, so our quality is the same wherever we manufacture, but I think we all know that that's not true from just what we see daily on drugs and other things. So, I think it's important to Americans, it's also important to American patients, that we have manufacturing in this country.

I urge anybody that's listening to contact their senator and the president in the White House to say, this doesn't make any sense. It's not good for patients and it's not good for [47:09 inaudible]. Cook will make it no matter what. Just tell us what the rules are and if we have to do it internationally then we'll do it internationally. That's not what we want. We're an American company. We want to serve American patients first and keep jobs in America, but if they make the rules otherwise, then all we've got is we'll react to them and do what's necessary to continue.

Scott Nelson: Sure. Okay. Do you recommend a certain pathway to contact their local senator? Is snail mail the best? Is it emails? Is there a certain method of contact or is it just any contact that you can make, do that, basically?

Steve Ferguson: Well, any contact. If you see they're in the area, they can write a letter to the editor or email their congressman. If you send it by regular mail, that'll pass through all the [48:07 inaudible] it all works out with their concerns about people who are tampering with the mail. So, I would either email them or call their office or write a letter to the editor and/or your friends and patients. So, do it.

Scott Nelson: Sure. Sure, and I'll also chime in with Joe Hage, who's the owner of the Medical Devices group on LinkedIn, it's a 100,000-plus-member group, also has started a sort of an online website, an online petition. So, I'll link up to that website in the show notes. The URL, the website address is escaping me now. It's I think no2point3.com, like N-O, the number 2, point, P-O-I-N-T, 3 dot com, no2point3.com, and I'll link up to that in the show notes.

Steve Ferguson: You're right about that. It is no2point3.com.

Scott Nelson: No2point3.com, yeah, and I think you guys have done it, actually added some value to that website to a certain degree, as I understand it, whether it's through information or whatnot. But anyway, any last words, Steve, as the Chairman of the Board of Cook Group, one of the largest medical device players here in the US? Any last words that you would have for the audience that's listening to this conversation and listening to what you have to say about the medical device tax? Any last kind of words of wisdom or any thoughts that you want to add to the conversation here?

Steve Ferguson: Only that it's time for action. If we don't take action and educate our senators about the importance of this, and if we don't show the need for both patients and jobs in this country, then we're going to lose the jobs in this country. I think that's a real shame but it's time for action. You can't sit back and not take action and not take action on this issue.

Scott Nelson: Got you. Alright, very good. There you have it, folks. You can do two things. We'll break it down to two simple things. You can either contact your local senator because as Steve has pointed out, that's kind of where it resides right now. The House has enough votes to repeal this right now, but it really lies within the hands of our senators. So, contact your senator, and then sign that online petition at no2point3.com that we just referenced.

So, anyway, before I conclude Steve, I'll have you hold on the call here, but if you're listening to this via iTunes, it really helps us out if you give us a rating. I just want to make mention that right now. If you found this interview with Steve via iTunes, please give us a rating that really helps us out. But anyway, I can't thank you enough, Steve, for taking part in this conversation, and I really admire Cook's engagement in this issue overall. It's really inspiring.

Steve Ferguson: Well, thanks for your time and interest in this. This is extremely important as I've said before, but it's also extremely important that you're going to step up and take the time and bring this issue to people's attention.

Scott Nelson: Very good. Alright, so I'm going to have you hold on the line real quick, Steve, but thanks everyone for listening. Until the next episode of Medsider, everyone take care.