



**Committee on Energy and Commerce**

**Subcommittee on Commerce, Manufacturing and Trade**

**Hearing on “Our Nation of Builders: Manufacturing in America”**

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**Written Statement of Bob Holler**

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Environmental Safety**

### Summary of Major Points:

- 3M has a majority of its manufacturing in the U.S., including operations in 28 U.S. states and 33,000 employees. In addition, 3M conducts over 60% of its worldwide R&D activities in the U.S.
- While its U.S. presence is strong, 3M is increasingly a global company. Specifically, in 2012, approximately two-thirds of 3M's sales were outside the United States. Accordingly, being able to compete successfully in the global marketplace is critical to 3M.
- 3M Valley in Nebraska is the primary global manufacturing site for a complete range of 3M respiratory protective equipment. 3M Valley is concerned about making sure that America's workers are not only able to address day-to-day safety needs, but also that our nation is prepared and ready to respond to threats and hazards that pose a risk to our country.
- While the U.S. has made strides in preparing our nation against threats and hazards, we feel that the role of personal protective equipment is not being maximized in national preparedness. For example, the Pandemic & All Hazards Preparedness Act (PAHPA) definition of a countermeasure is so narrow that it only recognizes a small segment of devices. The definition needs to be expanded to ensure it matches its intent, while also expanding the scope of products that would be available during an event.
- The U.S. must also better prepare for responding to an event. The government should work more closely with manufacturers on plans on how to ramp up production and delivery when events occur, and the nation should secure and maintain a stockpile of product with the necessary types of PPE that will be available to both the responders and the civilian population.

3M Company (“3M”) appreciates the opportunity to testify before the Committee on Energy and Commerce Subcommittee on Commerce, Manufacturing and Trade on “Our Nation of Builders: Manufacturing in America.”

3M is a U.S.-based employer and manufacturer established over a century ago in Minnesota. Today, 3M is one of the largest and most diversified technology companies in the world. We are a global company conducting the majority of our manufacturing and research activities in the United States while a majority of our sales are outside of the U.S.

As a materials supplier to nearly every sector in the economy, as well as a seller of finished consumer goods in many areas, the number of issues on which 3M could speak today is significant – from the need for corporate tax reform and the protection of intellectual property around the globe to investments in STEM education and an improved procedure coding system for the Medicare system. To highlight issues facing 3M Valley and the products manufactured there, my oral comments today will focus on ensuring that our workers and first responders have access to needed and appropriate protective equipment.

3M thanks the Committee for its interest in the issue facing U.S. manufacturers today and appreciates the consideration of our perspective in this important discussion.

### **Background on 3M**

3M, formerly known as Minnesota Mining and Manufacturing, is an American company headquartered in St Paul, Minnesota. The company, created in 1902 by a small group of entrepreneurs, initially began as a small sandpaper product manufacturer. Today, 3M is one of the largest and most diversified technology companies in the world. 3M is home to such well-

known brands as Scotch, Scotch-Brite, Post-it®, Nexcare®, Filtrete®, Command®, and Thinsulate® and is composed of five business groups: Consumer, Electronics and Energy, Safety and Graphics, Health Care, and Industrial.

Ahead of their peers, 3M's founders insisted on a robust investment in R&D. Looking back, it is this early and consistent commitment to R&D that has been the main component of 3M's success. Today, 3M maintains over 40 different technology platforms. These diverse platforms allow 3M scientists to share and combine technologies from one business to another, creating unique, innovative solutions for its customers. The financial commitment to R&D equated to \$1.6 billion of R&D spending in 2011 and over \$7 billion during the past five years, and produced high quality jobs for 3900 researchers in the United States (and 7000 total worldwide). The results are equally impressive with 3M consistently being among the top recipients of patents annually, including 571 U.S. patents awarded in 2011 alone, and over 40,000 global patents and patent applications. Because of 3M's long-standing, ongoing focus on innovation, more than 32% of our sales in 2011 came from products developed in the last five years.

3M's worldwide sales in 2012 were nearly \$30 billion. 3M is one of the 30 companies on the Dow Jones Average and is a component of the Standard & Poor's 500 Index. Owned by millions of shareholders directly and indirectly through mutual funds, 3M has consistently delivered positive results to its owners. It has paid dividends to its shareholders every quarter since 1916. 3M paid dividends of \$1.6 billion in 2011 and a total of \$8.2 billion over the past five years. Most remarkably, for the last 55 consecutive years, annual dividends have consistently increased.

This success is attributable to the people of 3M. Generations of imaginative and industrious employees in all of its business sectors throughout the world have built 3M into a successful global company.

### **3M: Competing in A Highly Competitive Global Economy**

3M is a U.S. company that manufactures and sells its products throughout the world. Headquartered in St. Paul, Minnesota, 3M has operations in 28 U.S. states, where approximately half of 3M's worldwide manufacturing operations are located. 3M employs approximately 33,000 individuals in the United States. In addition, 3M conducts more than 60% of its worldwide R&D activities in the United States.

While its U.S. presence is strong, 3M is increasingly a global company. 3M operates in more than 70 countries and sells products into more than 200 countries. In 2011, approximately two-thirds of 3M's sales were outside the United States, a percentage that is projected to rise in future years. In the current global economy, where international markets are growing faster than U.S. markets, being able to compete successfully in the global marketplace is critical to 3M.

### **3M Valley: Occupational Health and Environmental Safety**

3M Valley in Nebraska is the primary global manufacturing site for a complete range of 3M respiratory protective equipment – including disposable and reusable respirator protection and surgical masks - along with medical electrodes, patient warming plates, sorbent materials, and hearing and eye protection.

As a manufacturer of personal protective equipment (PPEs), one of the most pressing issues for our 3M Valley facility is making sure that America's workers are not only able to address day-to-day safety needs, but also that our nation is prepared and ready to respond to threats and hazards that pose a risk to our country. This is not an issue that 3M Valley can address alone. National Preparedness is a shared responsibility between many stakeholders – public and private – and today I would like to focus on our respective roles.

The role of Government is to own the leadership position in prevention, protection, mitigation, response and recovery relative to national threats and hazards. They need to ensure that the proper protective equipment is integrated into the capabilities of protection, response, and recovery.

Although our nation has made great strides in preparing us against threats and hazards, we feel that the role of personal protective equipment is not being fully leveraged in national preparedness. For example, the Pandemic & All Hazards Preparedness Act (PAHPA) is intended to improve our nation's public health and medical preparedness and response capabilities for any emergency. To accomplish this goal, the PAHPA advances countermeasures to diagnose, mitigate, prevent, or treat harm from any biological agent or toxin, as well as any chemical, radiological, or nuclear agent, whether naturally occurring, unintentional or deliberate.

However, just as in Project Bioshield and the PREP Act, the definition of a countermeasure in the PAHPA is very narrow in that it only recognizes FDA cleared devices. FDA cleared respirators only represent a small segment of devices that are designed to serve a very narrow, targeted market – specifically, individuals working in an operating room or similar environment in which the wearer needs to be protected from spattering blood or body fluids. Accordingly, the capacity to produce these devices is very limited (which also leads to higher

costs) and, by definition, these devices do not provide protection against chemical, radiological, or nuclear agents.

3M feels the definition of countermeasure should be expanded to include National Institute for Occupational Safety and Health (NIOSH) approved devices. Such a definition would not only better ensure the intent and strategic goals of the legislation are achieved, but it would also expand the scope of products available during an event to protect first responders and the general public. Additionally, if the definition is expanded, it could also open up new opportunities and benefits for manufactures to engage in developing technologies that may increase protection from many types of hazards.

Another key area that should be addressed centers on preparing and responding to an event. The time to secure personal protective equipment for our responders and our general population is before and not after an event. 3M has played a major role in providing PPE during many major events over the last twelve years, from 9/11 to H1N1. Producing and delivering product during an event is extremely challenging from the manufacturing process, to raw material availability, to capacity, and to who gets what product and when.

We have two recommendations. First, the government should be working more closely with manufacturers on plans to ramp up production and delivery when events occur. Second, the nation should secure and maintain a stockpile of product with the necessary types of PPE that will be available to both the responders and the civilian population. For example, prior to H1N1, our national stockpile of N95 respirators was nearly 104 million. However, the majority of those were shipped during that event and today's N95 stockpile reportedly sits at only 17 million – an 81% reduction.

As one of world's largest designers and producers of PPEs, 3M would like to work closely with all stakeholders in our mission to protect our nation in preparing and responding to emergency events. We thank the Chairman, Ranking Member and the Committee for this opportunity today to share these thoughts. We look forward to continuing to dialogue with you all on this important topic.

### **Other Issues Facing 3M**

As noted above, as a materials supplier to nearly every sector in the economy, as well as a seller of finished consumer goods in a number of areas, the number of issues on which 3M could speak today is significant – from the need for corporate tax reform and the protection of intellectual property around the globe to investments in STEM education and further driving quality outcomes in the healthcare sector. While I, as a representative of 3M OH&ES, am not an expert on the following issues facing the company and am not prepared to speak on any of them during the hearing, I submit the following information per the request of the committee on behalf of my 3M colleagues.

- **Corporate Tax Reform.** In an increasingly global marketplace, 3M's high effective tax rate is a competitive disadvantage. As the Committee knows, the US corporate tax rate is the highest tax rate of any major country. In some cases, the high US tax rate is mitigated by tax credits and deductions. These credits and deductions, however, often fail to adequately encourage the behavior they were designed to incentivize and often create competitive imbalances between US companies. Corporate tax reform is essential to ensure long-term competitiveness of American businesses and workers.



In addition, the Internal Revenue Code has not kept up with the rapidly changing international business environment. Virtually every developed country has responded to these changes by adopting tax systems that provide their domestic corporations the tools to compete in the global marketplace. Also, part of this new global reality is that nearly 50% of the world's largest public companies - and many of our competitors - are now based outside of U.S. and Western Europe. They can start with a competitive advantage in the marketplace because of the lower tax rates they enjoy.

3M believes that the U.S. could take a few key steps to address these competitive imbalances while simultaneously creating greater simplicity and predictability for its domestic corporations, including significantly lowering the corporate income tax rate and simplifying the system by eliminating many of the current complex and industry-specific corporate tax incentives. 3M also recommends adopting a territorial-like system for international earnings. The current worldwide base of the current international tax system adversely impacts the competitiveness of American businesses which operate overseas for business reasons, like 3M, relative to competitors that are based in jurisdictions that exempt foreign income.

- **Intellectual Property Protection.** Innovation is the life blood of 3M. The billions of dollars we spend annually on research and development lead directly to jobs in Minnesota and throughout the U.S. 3M's inventions are the growth engine for creating new businesses and expanding our existing businesses, which means high-wage, high-technology jobs for our researchers, the workers who manufacture our products, employees who market and sell our products, and thousands of other 3Mers across the U.S.

Protecting 3M's enormous investments in its unique technologies, products and processes has been one of our top priorities for over 100 years. We look to Congress and the Administration to help us

protect and defend intellectual property rights both at home and abroad. When our IP rights are violated, it translates in to lost R&D investments and the jobs those investments create. We urge Congress and the Administration to strengthen enforcement of IP protections in the United States, key countries and multilateral forums and raise awareness of and support for the value of innovation and IP around the globe.

- **An Educated Workforce.** From the start, 3M's founders insisted on a robust investment in innovation. Today, 3M maintains over 40 diverse technology platforms that allow 3M scientists to share and combine technologies from one business to another, creating unique, innovative solutions for its customers and for society generally. Over 32% of 2011 sales came from products developed in the last 5 years.

Our focus on innovation is an investment in high quality jobs for thousands of researchers in the United States, as well as the thousands of employees that support the manufacturing and sale of these technologies in the United States and around the world. To maintain our long-standing commitment to innovation and our global competitiveness, we rely on our most important resource – our employees. Highly educated professionals help us create the future of our company and other companies and help all of us create more jobs.

That is why 3M has long supported and contributed to investments in science, technology, engineering and math (STEM) education in our schools. We also strongly support efforts to reform our immigration system to allow American companies to retain those with advanced degrees in STEM fields to work in the U.S.

- **Healthcare Quality Improvement and Cost Reduction.** The Patient Protection and Affordable Care Act (ACA) includes provisions to reduce costs while fostering quality and effectiveness through reductions in potentially preventable hospital readmissions.

Appropriately crafted readmissions policies – for Medicare, Medicaid and other health programs and plans – can improve outcomes and yield significant reductions in unnecessary and costly expenditures. These policies must focus on care coordination for reducing potentially preventable readmissions and transparent and predictable payment incentives that reward improved outcomes.

The most easily identifiable ways to save money within public health care programs is by reducing costly and potentially preventable health care events – such as readmissions and complications. While the ACA began to take steps to tackle these issues, implementation of the provisions do not specifically tie the readmission incentive to a related initial admission. Additionally, while the types of readmissions tracked are limited, the financial impact of the policy impacts all hospital reimbursements. Plus, the efforts will be frustrated by cumbersome process and reporting measures that are not needed with an outcomes-based approach.

State programs, however, are boldly leading on these issues in response to more urgent state budget issues. States like Maryland, New York, and Texas are adopting payment systems that create clear financial incentives for providers to increase efficiency and improve quality outcomes. Examples include outcomes focused pay for performance programs that target a wider range of clinically-related readmissions than in PPACA and a more comprehensive set of health care acquired complications (HACs) than is currently tracked by Medicare.

Successful payment system reforms must be practical, transparent, clinically coherent, and identify opportunities for improvement that can be implemented today. A set of comprehensive tools need to be put in place to measure, monitor, compare and adjust

payment based on efficiency and quality care. 3M has provided input to states on designing such programs, including:

- **Maryland.** The Maryland Hospital Acquired Conditions (MHAC) initiative illustrates the value of a quality based payment system that targets potentially preventable events. The Maryland Health Services Cost Review Commission (HSCRC) established MHAC in 2009, adjusting state hospitals' inpatient rates based on their preventable complications performance. In a December 2012 *Health Affairs* article, it is reported that the frequency of hospital acquired complications (HACs) dropped statewide by 15.26% over two years, with an estimated cost savings of \$110.9 million over the two years. The article notes that, "Extrapolating these results, the Medicare fee-for-service program nationally would have saved \$1.3 billion over two years by implementing a similar hospital-acquired conditions program."
- **New York.** The New York Department of Health (NYDOH) has been profiling hospitals based on their potentially preventable complications since 2007. They recently began adjusting hospital payments based on their potentially preventable readmissions performance, saving \$47 million in 2010 and 2011. This program has been expanded to cover potentially preventable complications along with readmissions, and is now targeted to save \$51 million in 2011 and 2012. NYDOH also established a Medicaid payment redesign commission ([http://www.health.ny.gov/health\\_care/medicaid/redesign/](http://www.health.ny.gov/health_care/medicaid/redesign/)) that is reviewing adjusting payment rates based on other potentially preventable events.
- **Texas.** In January 2011, the Texas State Health and Human Services Commission began reporting hospital comparative performance with respect to potentially preventable readmissions. In June 2011, Texas passed comprehensive Medicaid quality based

payment legislation designed to improve quality outcomes and reduce costs resulting from potentially preventable events. The new legislation's quality based payment initiatives will extend to hospitals, managed care plans, ACOs, medical homes and nursing homes

- **Florida.** Florida began publicly reporting hospital readmission rates in July 2008 on the internet at <http://www.floridahealthfinder.gov/CompareCare/SelectChoice.aspx>. A consortium of 100 Florida hospitals led by the state hospital association reports decreases in readmissions from 8-14% in five major medical conditions over a two year period.
- **International Market Access.** Thousands of 3M jobs in the U.S. are tied to exports and the support of our international companies. As noted above, while we conduct the majority of our manufacturing and research activities in the U.S., nearly 70% of 3M sales were outside the U.S. in 2012. 3M exported over \$710 million from Minnesota alone in 2012 and \$108 million from Nebraska. The elimination of tariff and non-tariff barriers in foreign markets is critical to help us level the playing field for our exports in those growing markets. Initiatives to expand trade opportunities or eliminate barriers help boost U.S. exports to and engagement in these markets, thereby helping to maintain and grow jobs and investments for 3M at home.

## **Conclusion**

We thank the Committee for the opportunity to share our perspective as an American employer interested in preserving and enhancing the global competitiveness of American manufacturing. .

3M Valley looks forward to working with the Committee on ways to improve worker and first responder access to important safety equipment. As a U.S. based multinational company

that is contending with many foreign-based competitors every day around the globe, it is critical to craft a U.S. tax code that levels the playing field for U.S. based companies and encourages more investment, manufacturing and jobs in the U.S.

3M stands prepared to work with you in any way we can to support you on any of these important issues.