

MEDICAL DEVICES

A QUARTERLY EBULLETIN FROM THE PEOPLE WHO BRING YOU THE MEDICAL DEVICES EXECUTIVE MINDXCHANGE

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On the Lookout:

Medical Devices Poised for Growth in 2010 and Beyond

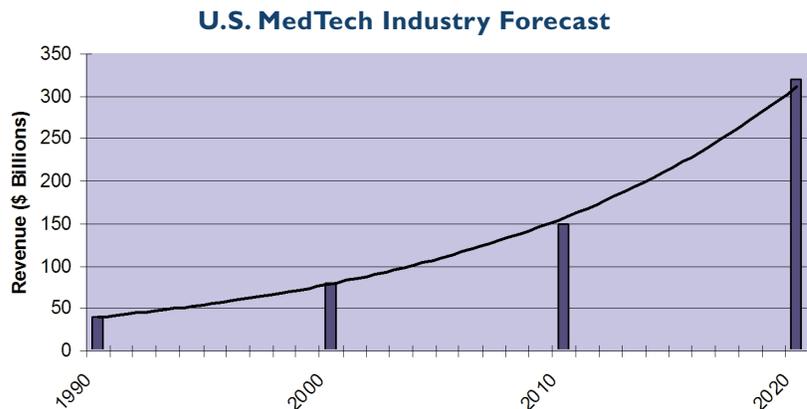
The recession in 2009 impacted all sectors of the economy, including healthcare—a traditionally resilient industry. Within the medical device market, the recession forced an overall decline in patient volumes, investment spending, and capital expenditures. Looming healthcare reform proposals – with outcomes still to be determined – only added to the general sense of uncertainty in the sector.

A DECADE RETROSPECTIVE , 2000-2009

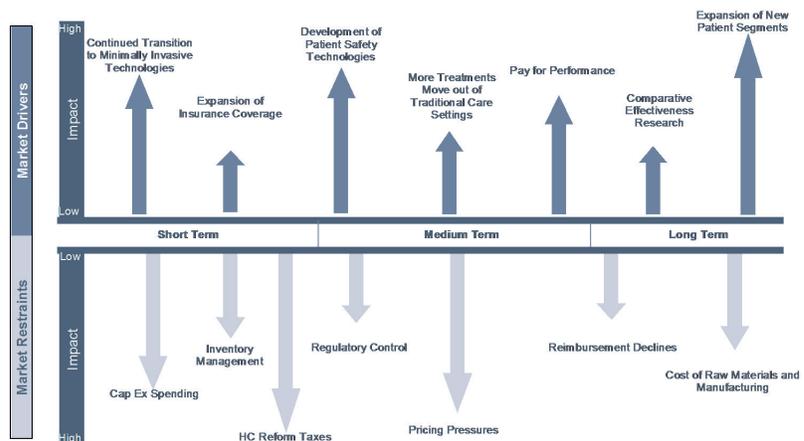
While 2009 might not have ended the decade on a positive note, the past ten years have been quite transformational for the medical device industry. It was a decade that saw national health expenditures sky rocket, nearing \$2.5 trillion for 2009. Many medical device companies were able to ride that wave to record profits and growth. That growth led to significant interest from investors and Wall Street who were looking outside of traditional big pharma firms for investment opportunities.

The truly transformational shift occurred though in the types of procedures and technologies that came to market. Technological developments allowed for the market to shift from traditional surgery products to minimally invasive technologies. That trend was no more evident than in the cardiovascular

space where catheter-based technologies and techniques replaced traditional surgical options. Technologies that once seemed science fiction or novelty (robot assisted surgery and magnetic navigation systems), became a reality of everyday practice.



Market Drivers & Restraints, 2010-2019



The following estimate provides a look as to how the MedTech industry has grown during the past 20 years, and if trends continue where it could be in the next 10 years. However, in order to realize that growth there are certain challenges and hurdles that lay ahead.

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2010: GROWTH OPPORTUNITIES IN TOP SEGMENTS/SECTORS

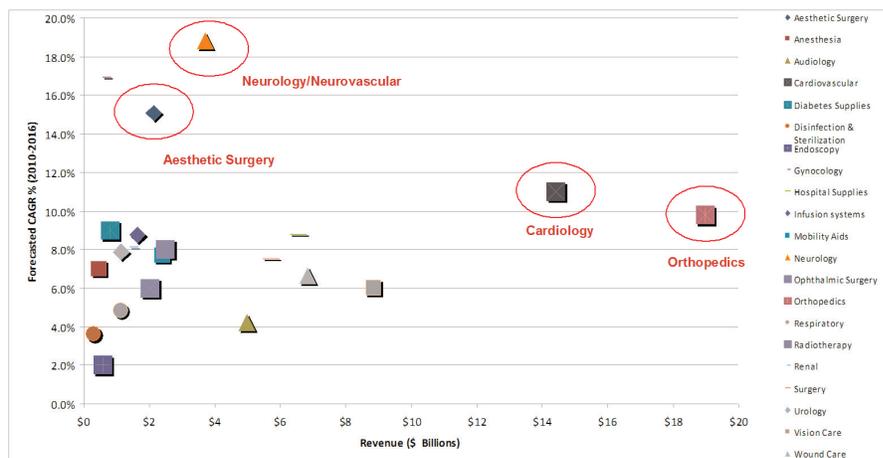
The tremendous growth and changes that occurred in the market over the past decade, have now set the stage for the market to make major strides in 2010 and the coming decade. If they have not already turned around, most of the short term concerns from the recession (such as declines in Cap-Ex spending) should abate fairly quickly. Healthcare reform is potentially a game changer that could have lasting ramifications in the marketplace. As have been outlined in current proposals, increased screening and procedures from the expansion of insurance coverage for patients could be offset by restrictions in reimbursement and taxes levied on the industry.

Overall, the market could witness sustained growth in terms of revenue during the next decade, but witness declines in margins. If reform initiatives lead to market stagnations in the United States—which has traditionally been the most lucrative region—market players could look to international markets for growth.

Similar to the transition that robotics and drug-hybrid technologies made from investigational technologies to market-ready during the past decade, the following technologies are expected to make their way into more mainstream products over the next 10 years:

- Nanotechnology
- Artificial intelligence
- Antimicrobial materials (surfaces, coatings)
- Telemedicine
- Tissue engineering
- Bioadsorbable/ bioerodible implants
- Advances in structural materials. (lighter, stronger, cheaper)

U.S. Medical Device Industry Market Sectors, 2009



The brain seems to be one of the last frontiers for the medical device industry; diseases that affect the brain, including vascular disorders, cancer, and mental issues, can be significantly life-threatening or so debilitating that they impair an individual's quality of life. Advances in technology, increased awareness, better screening techniques and more access to training is improving adoption of newer interventional techniques that reduce the risk of stroke.

While elective procedures declined in 2009 as a result of the recession, the aesthetic surgery market is seen as strong for significant growth. There is growing concern that the passage of healthcare reform, the cuts taken by hospitals and potential cuts in reimbursement could significantly diminish the already razor thin margins hospitals realize on major procedures. Given that the majority of elective procedures are paid for out of pocket, or supported by individuals with more robust insurance plans and flexible spending accounts, hospitals have long viewed cosmetic procedures as a solid revenue generator. With declines in

other departments, large private hospitals could look to invest additional resources in their aesthetic services to expand their businesses.

CONCLUSIONS

The medical device industry continues to be one of the most vital and dynamic sectors of the U.S. economy and a leading force in the revolution that is transforming the U.S. healthcare system. This industry is constantly driven by innovative research and development striving to keep pace with increasing demand. Each therapeutic sector and product is governed by unique issues and trends that distinguish themselves from other sectors. The United States continues to remain the largest market for advanced medical technologies, to the point that most markets generate over half of their revenues in the U.S. over the rest of the world combined. While there are many challenges ahead, the market seems poised to continue its overall growth through 2010 and into the next decade.