

Pursuit of Value for Medical Devices – Strategies for Collaboration

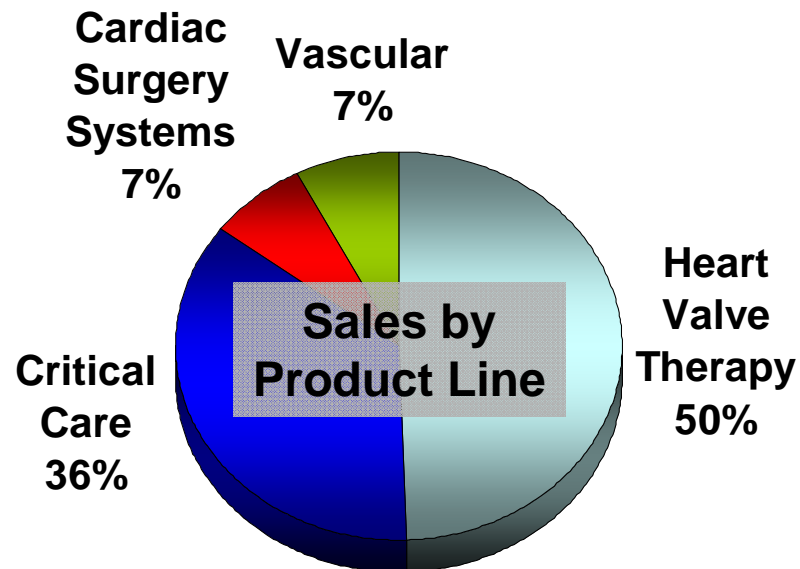
Michael A. Mussallem
Chairman and CEO of Edwards Lifesciences and
Chairman of AdvaMed

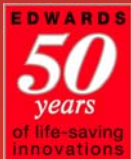


Edwards

Edwards Overview

- Global leader in the science of heart valves and hemodynamic monitoring
- Focused on treating cardiovascular disease - leading killer and health expense in the world
- Celebrating 50 years of partnering with physicians to develop life-saving innovations

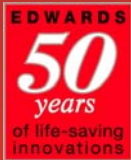




AdvaMed Overview

- World's most prestigious and largest medical technology association
 - 1,600+ member companies and subsidiaries
- Members produce 90% of sales in domestic market, 50% of sales in global market
- 70%+ of member companies have <200 employees





Helping Patients is Our Passion



Helping People Breathe Easier

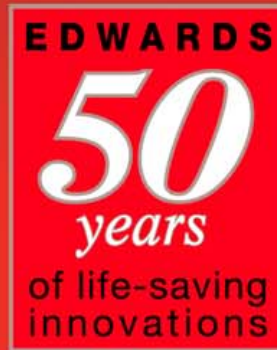
Advanced science for real living.™



Helping patients is our life's work, and

life is now





Patients Are a Top Priority But Missions Are Different



Edwards

Our Interests/Incentives Aren't Always Aligned

MedTech

Hospitals

Premium Pricing

Discount Pricing

Differentiated Offerings

Minimize Differentiation

Focused on Lifetime Patient Benefits

Incentivized to Focus on Cost and Quality of Hospitalization

Advanced Products

Product Rationalization

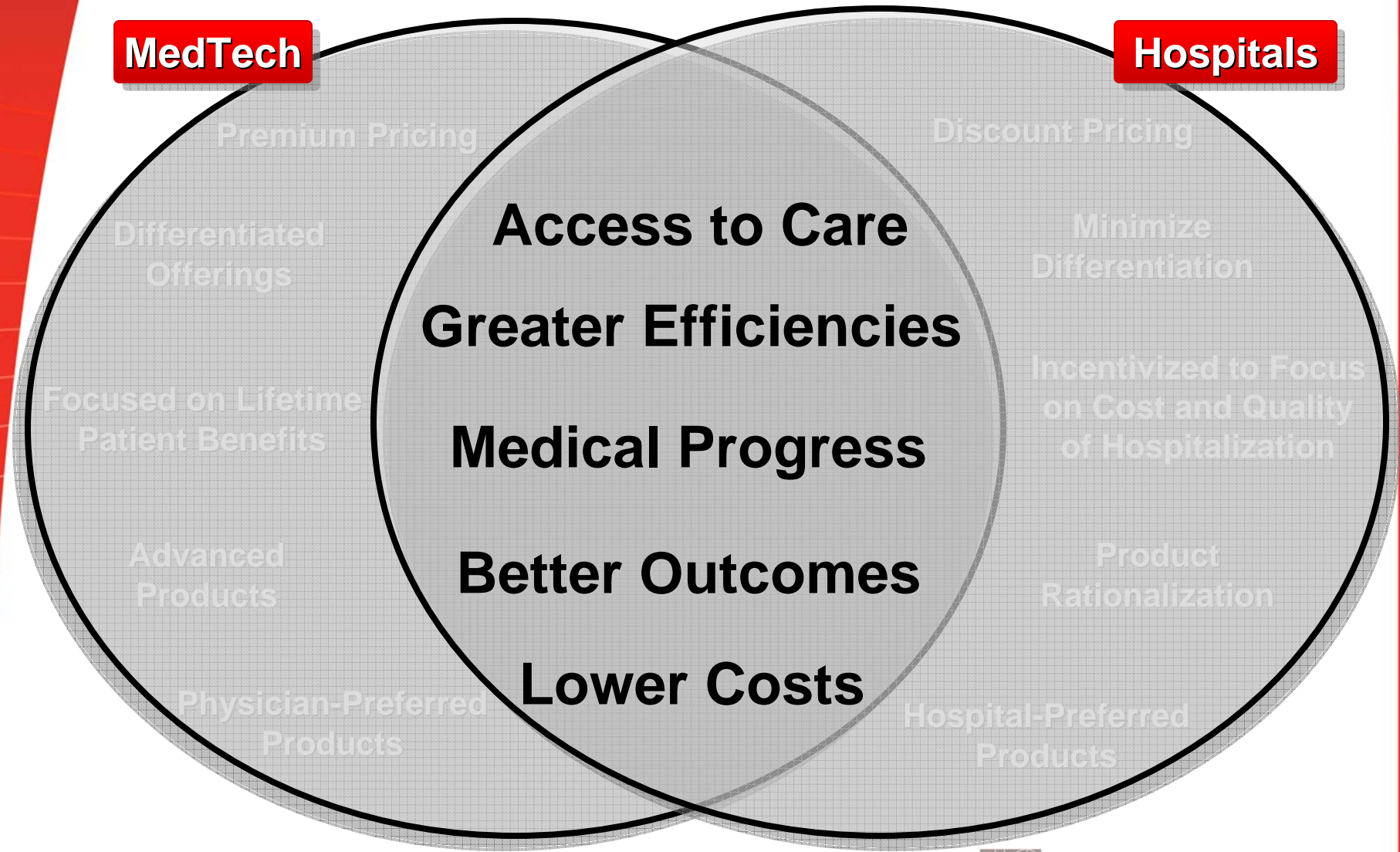
Physician-Preferred Products

Hospital-Preferred Products

Common Interests are Vast

MedTech

Hospitals



Value of Medical Technology

- Value is much greater than price of the product

\$

+

Positive Clinical Outcomes

Increases Productivity

Reduces Procedure Times

Shortens Hospital Stays

*Eliminates Costly
Complications and
Re-admissions*

Eases Pain and Suffering

Improves Quality of Life

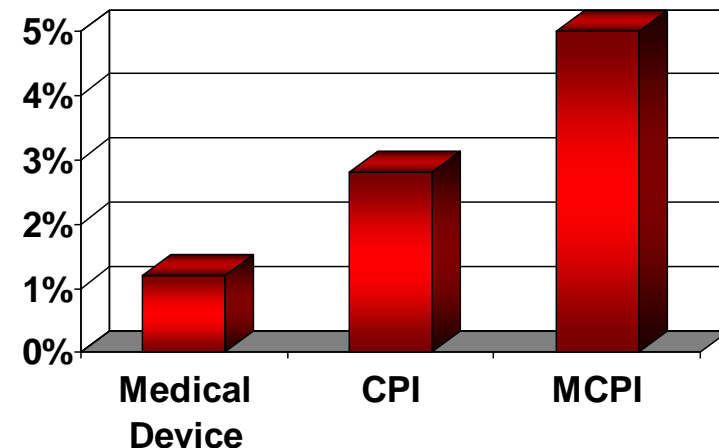
= Value



Medical Technology is Not the Health Care Cost Driver

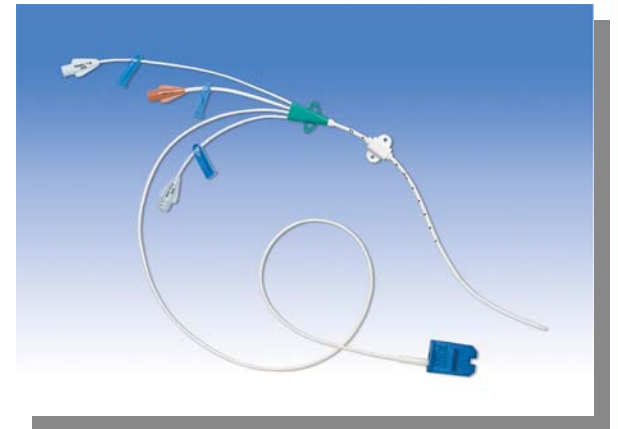
- Medical technology has been demonstrated to drive significant clinical and economic value
- Recent study proves medical technology spending has remained constant over past 15 years
 - Med tech only 6% of total national health expenditures
- Competition is fierce

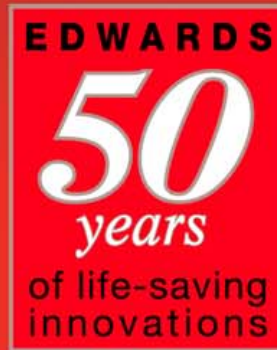
Pricing Over Past 15 Years



Value of Early Goal Directed Therapy and PreSep Oximetry Catheter

- Proven by 30+ studies to:
 - Save and improve lives
 - Lower in-hospital mortality rate by ~35%
 - Lower severe organ failure
 - Reduce costs
 - Reduced net hospital costs by 23%
or ~\$800K/year
 - Average hospital stays
reduced by 5 days
 - Median total costs reduced by
\$16K to \$22K/patient





Brainstorm Solutions Together



Edwards

Can Medical Technology Help Improve Quality of Care?

- How do we determine quality?
- Current system built on providing products and services, not necessarily producing improved outcomes
- We can unite to measure quality better and work to improve it

Can Medical Technology Enable Greater Efficiencies?

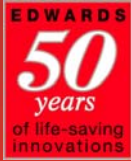
- Health care industry lags almost every other industry in process and IT adoption
- Support adoption of information and medical technology that improves efficiency
- Design payment systems that reward providers for improved efficiency
 - Share savings with insurers and government

Can Medical Technology Help Prevent and Treat Chronic Diseases?

- Cannot effectively address costs without addressing chronic diseases
 - Implicated in 80% of health care costs
- Providers who keep patients out of hospital are often penalized instead of rewarded
- Medical technology can improve costs and quality of life

Can Medical Technology Advocate for Improved Payment Systems?

- Today's payment system rewards resource utilization vs. outcomes
- Payers can be part of the solution by rewarding outcomes and improved quality
- Applaud recent efforts:
 - Medicare for their value-based purchasing initiative
 - Private payers pay-for-performance rewarding quality



We'd Like Your Help

- Value a seat at the table when promoting better health care policy for us all
- Engage all stakeholders - our voice is much stronger together
 - Patients
 - Clinicians
 - Hospitals
 - Payers
 - Medical device companies

EDWARDS
50
years
of life-saving
innovations



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