



AdvaMed

Advanced Medical Technology Association

**Medical Devices: Value, Cost, and
Health Reform**

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Senior Executive Vice President

BRINGING INNOVATION TO PATIENT CARE WORLDWIDE

May 22, 2008

About AdvaMed



- **World's largest medical technology association**
 - **1,600+ member companies and subsidiaries**
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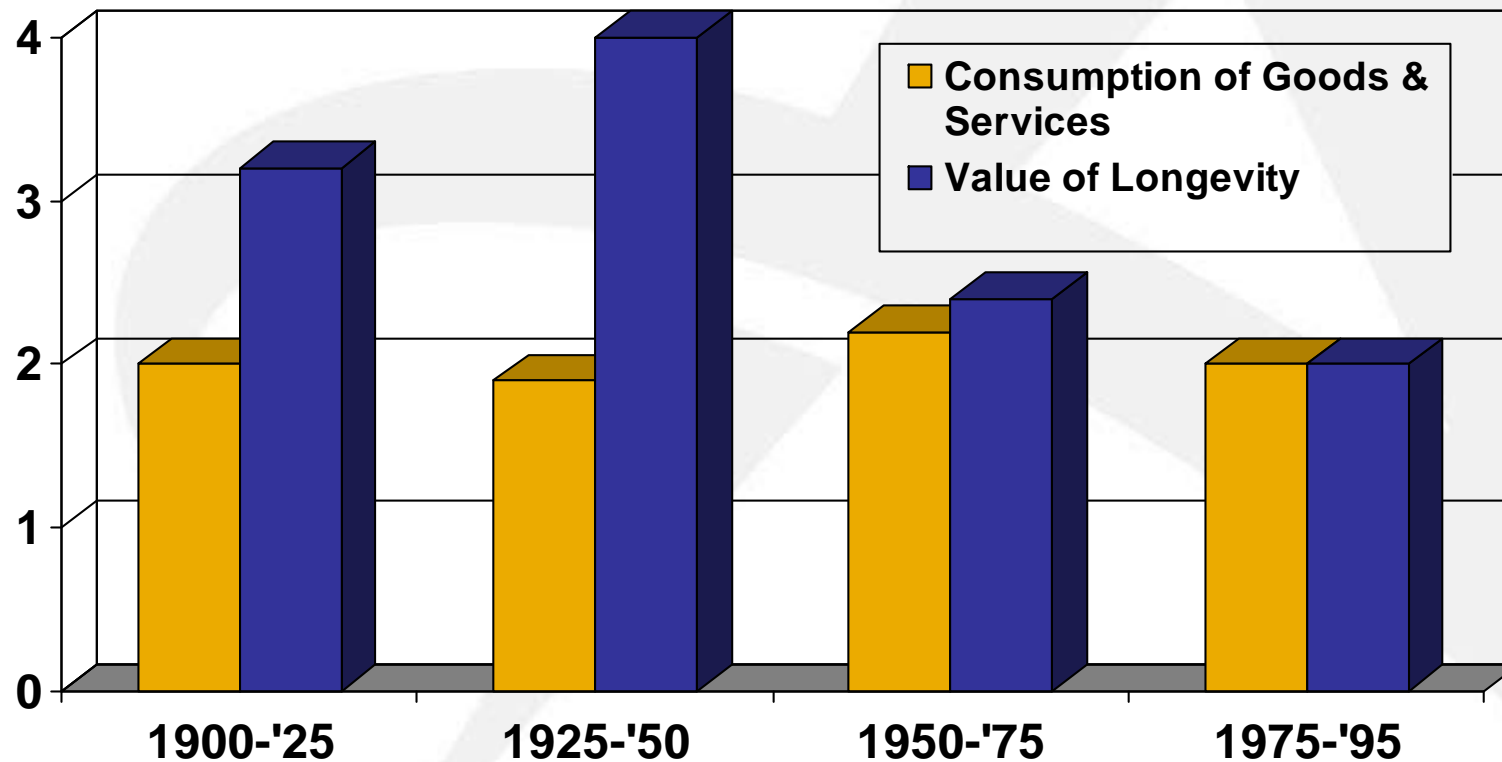
- **Members produce 90% of sales in domestic market, 50% of sales in global market**
 - **70%+ of member companies have less than \$30 million in annual revenue**
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- **65 staff with global expertise, bi-partisan backgrounds**
- **45 member Board of Directors including 5 from smaller companies**



AVERAGE ANNUAL PER CAPITA INCREASE (%)



Data: William D. Nordhaus, Yale University

Progress Against Disease 1980-2000

- Life expectancy from birth increased by 3.2 years.
- Elderly disability rates declined by 25%.
- Number of days in the hospital per 100 persons fell by 56%.
- Breast cancer mortality: cut by 21%.
- Heart attack mortality: cut by 54%.
- Stroke mortality: cut by 63%.

Hypothetical Savings from New Medical Technologies:

New Cure or Treatment	Estimated Annual Savings (\$ in billions)	
	National	Federal
Delay onset of Alzheimer's disease by five years	\$50	\$40
Medical innovation resulting in continued decline in disability among the elderly through 2009	\$73	\$73
Improved efficiency and effectiveness of cancer prevention and treatment by 25%	\$15	\$9
Total savings	\$138	\$122

Sources: Alliance for Aging Research: *The Silver Book 2007*, Kenneth G. Manton, *Journal of Aging Health*, 2007, Cost of cancer from NIH: *Cancer Progress Report*



New Technologies: A Sample of New and Potential Breakthroughs

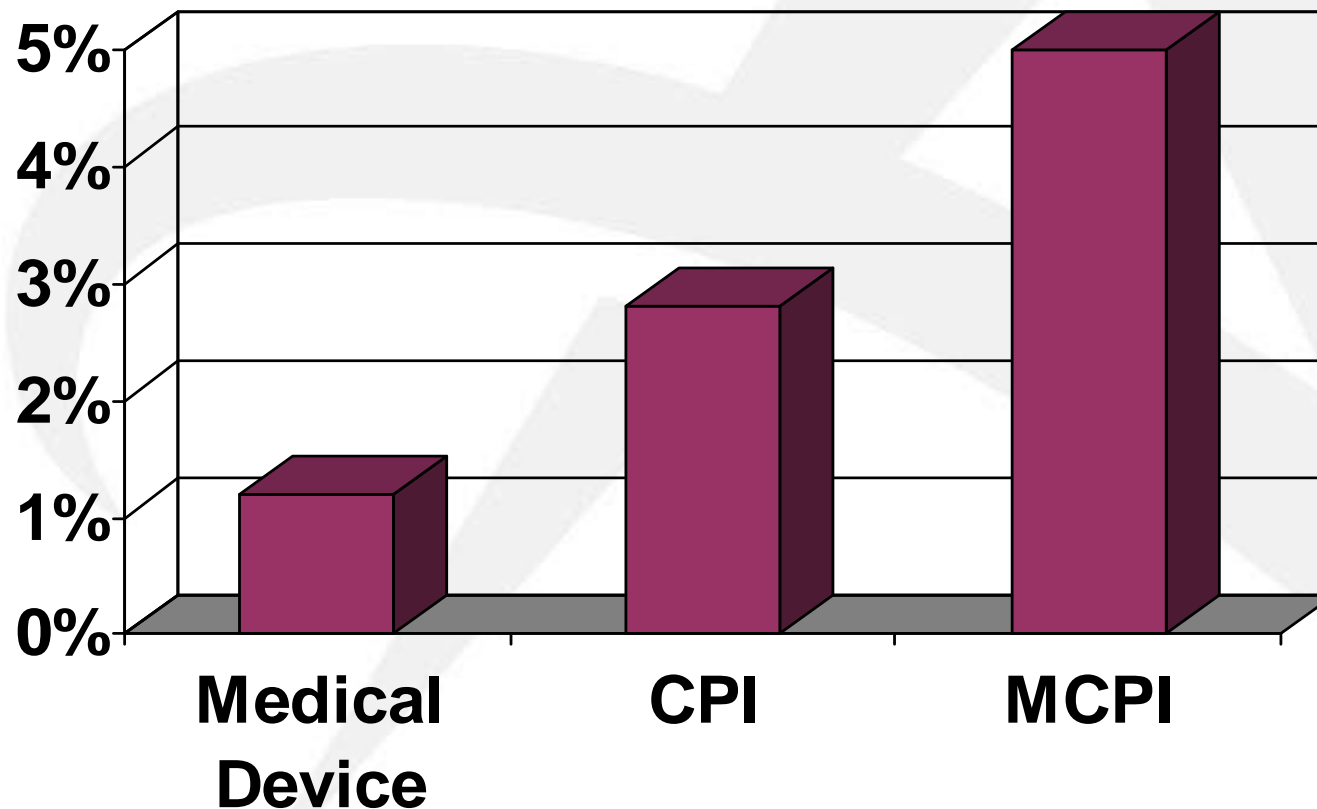
- Extra-cellular matrix: tissue, limb, and organ regeneration
- Molecular diagnostics
- Molecular imaging
- CT angiography
- Deep brain stimulation
- Electric pulses to treat high blood pressure
- Artificial pancreas
- Glucose measurement using light beams
- Electric fields to treat brain cancer

Medical Technology Prices are Not the Health Care Cost Driver



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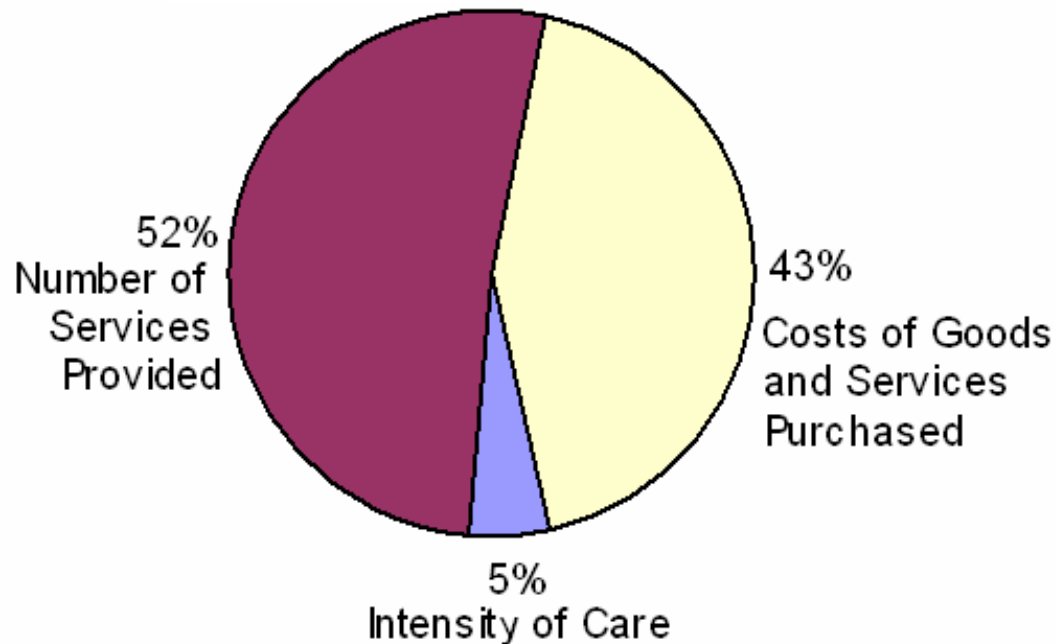
Pricing Over Past 15 Years



Source: Guy King & Gerald Donahue Estimates of Medical Device Spending in the United States Study, 2008

Medical Technology is Not Driving Hospital Costs

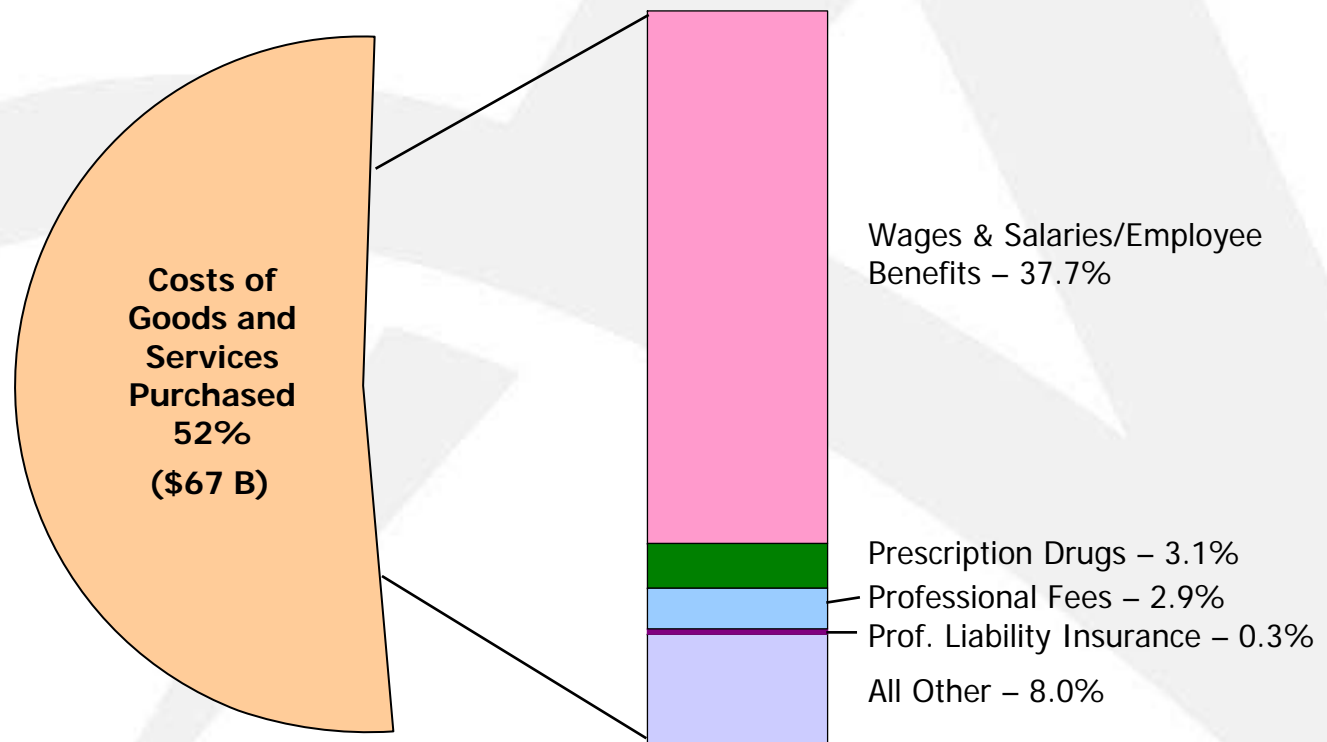
Sources of Hospital Cost Growth: 1998-2003



Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1998 – 2003, for community hospitals; Centers for Medicare and Medicaid Services, Office of the Actuary; Medical Expenditure Panel Survey

Medical Technology is Not Driving Hospital Costs

Costs of Goods and Services Purchased: Key Components



Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1998 – 2003, for community hospitals; Centers for Medicare and Medicaid Services, Office of the Actuary; Medical Expenditure Panel Survey

Price Transparency Legislation: A Nonsolution to a Nonproblem



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“We conclude that mandatory price disclosure policy would likely increase prices hospitals pay for these products and provide no tangible benefits to patients.”

Source: Robert W. Hahn & Hal J. Singer, “Executive summary: Is Greater Price Transparency Needed in the Medical Device Industry?” 2007

Access

- Securing quality, affordable insurance for all
- Fair payment from Medicare and Medicaid

Cost Containment

- The wrong solution
- The right solution



The Wrong Solution

- Arbitrary spending caps or reimbursement cuts
- Global budgets
- Direct or indirect rationing of technology
- “Market-based” solutions that lead to higher levels of unreimbursed care



The Right Solution

- Prevention
- Health information technology
- Quality improvement
- Efficiency
- Innovation
- Payment systems that support these goals



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