



Healthcare

Market Scan

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Major Forces Shaping the Future of Healthcare

1

US Medical Cost Inflation Demands Immediate, Systemic Change

2

Aging Population: More Acute Expensive Patients

3

Changing Face of Providers: Move to Collaborative Care

4

Personalized Medicine: Lower Costs Drive Mass Market Feasibility

5

Medical Tourism

Payors' Increasing Influence on Care Decisions

6

Preventative Care and Wellness

7

Evidence-Based Medicine: Codifying Care Decisions to Drive Outcomes

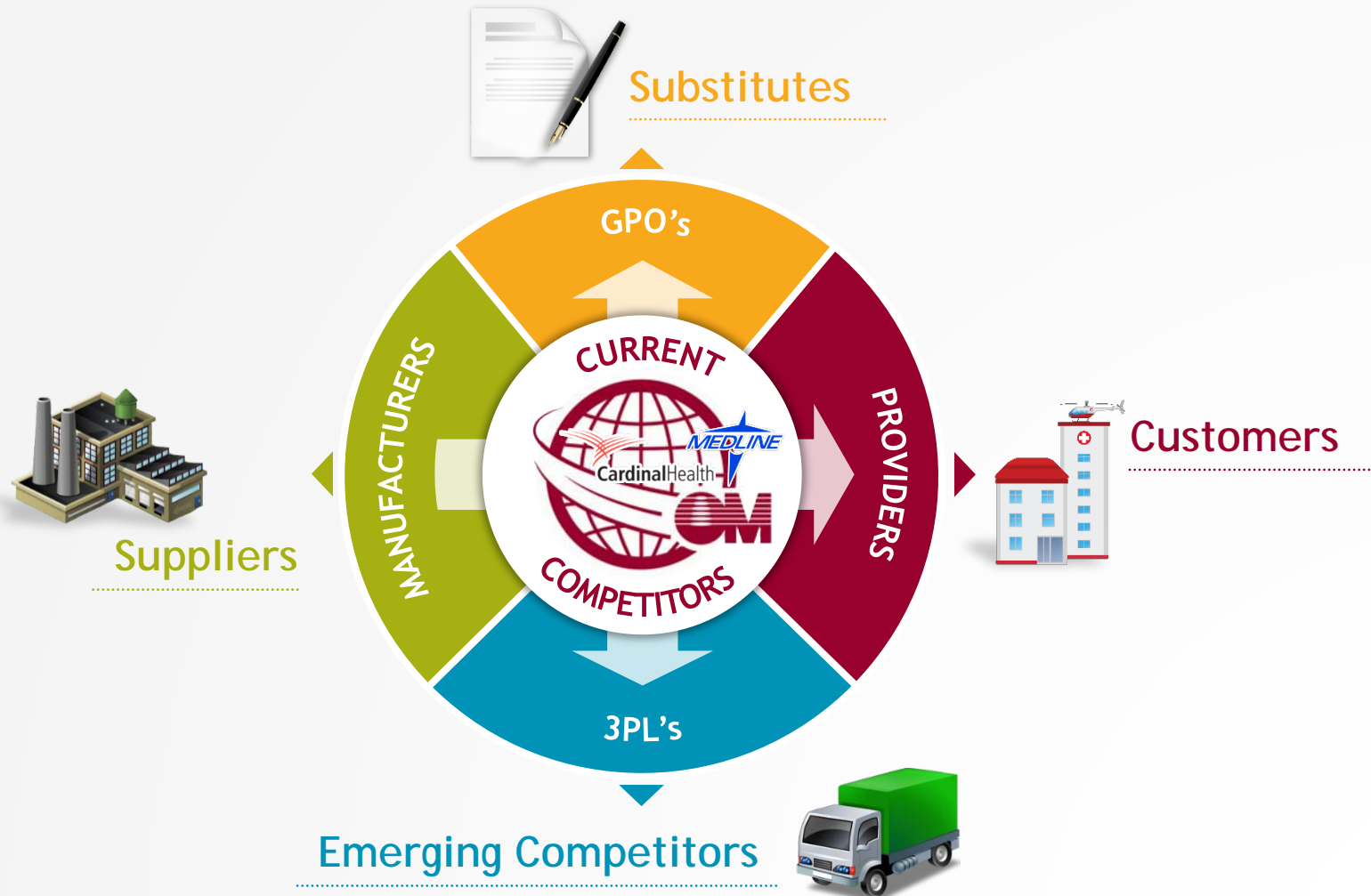
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The Emerging Market: Fueling Innovation

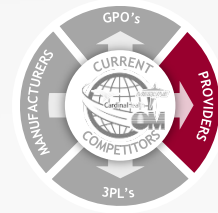
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The Framework of Our Industry

How It Works



The Provider Landscape is Changing



Structural Shifts in the Provider Market

- ▶ Fewer, larger healthcare providers
- ▶ Great insurer-hospital alignment



Emergence of delivery and risk-sharing models that reward on outcomes



Focus on the entire continuum of care



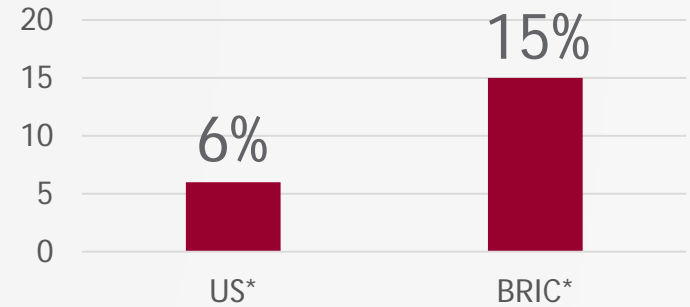
Drastically lower reimbursement

Forces Also Impacting Manufacturers



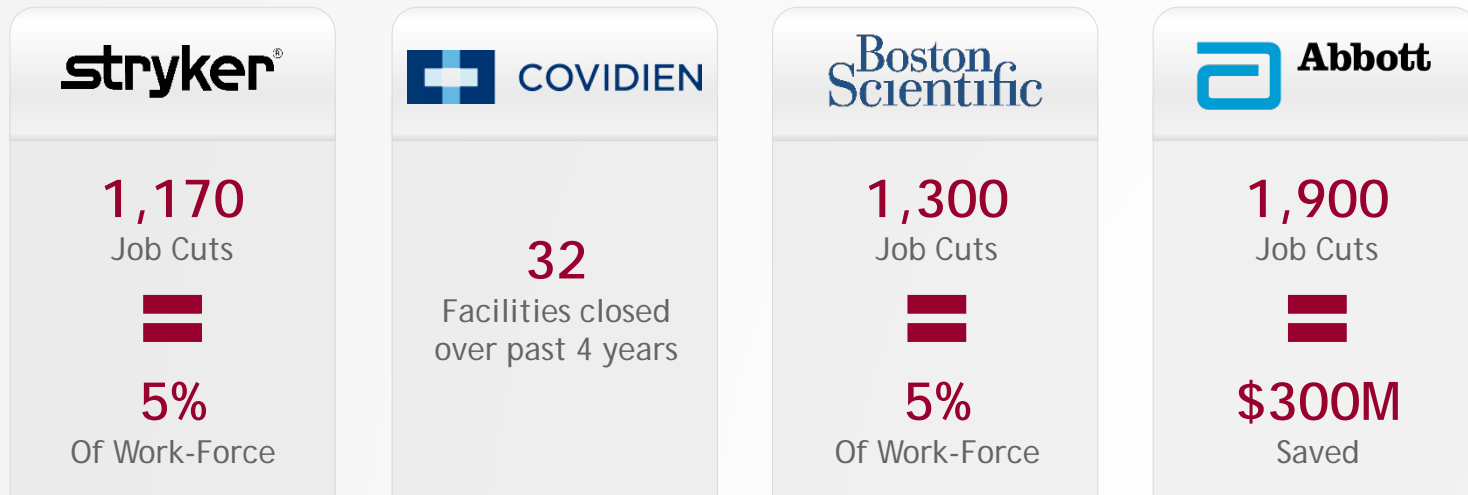
Slow growth domestically - emerging markets outpacing U.S.

* Medical Supply/Device 5 Year Projected Growth Rates



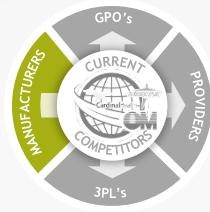
Source: Frost & Sullivan, Emurgo Group, O&M Business Intelligence

Manufacturer responses center around cost containment

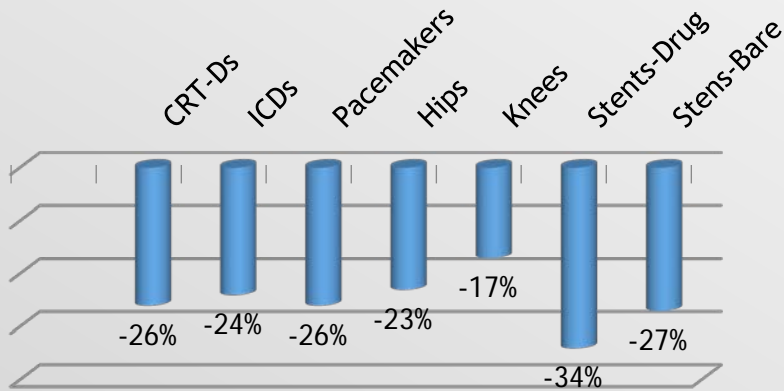


Source: Company 10-Ks, Earnings call transcripts, The Motley Fool

Forces Also Impacting Manufacturers



Change in Average Real Prices
2007-2011



Source: Long, Genia, Richard Mortimer and Geoff Sanzenbacher, "Recent Average Price Trends for Implantable Devices, 2007-2011", Analysis Group, September 2013. Research supported by Advanced Medical Technology Association.

Source: Company 10-Ks, IBM Research Database

	SG&A%	AR DOH	Inv. DOH
Alpha	41%	72.2	322.9
Beta	37%	63.2	221.7
Gamma	35%	61.3	137.4
Delta	34%	85.9	168.9
Epsilon	31%	61.4	126.3
Zeta	25%	59.2	120.6
Eta	31%	52.4	119.0