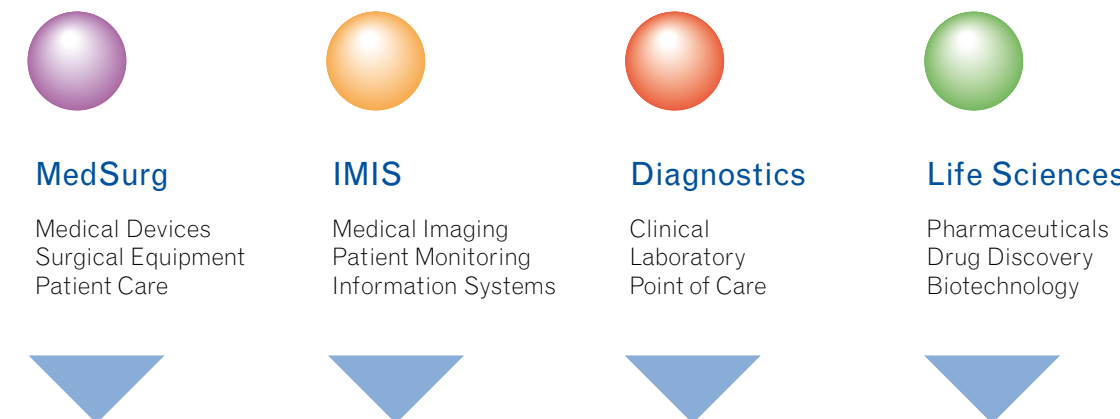


About HBS Consulting

HBS Consulting is an international consulting firm which aims to maximise return on investment on strategic initiatives and marketing expenditure – working in partnership with corporate strategy and marketing teams exclusively in the medical device, diagnostics and lifescience industries.

HBS Consulting provides client solutions through four industry operating groups, each offering eight service lines. These provide specialist insight and market knowledge to take advantage of today's opportunities.

Operating Groups Functional Expertise



- Services**
- Market Entry Strategy
 - Market and Product Positioning
 - Product Development & Product Launch
 - Corporate & Business Unit Strategy
 - Investment Appraisal and Product Valuation
 - Mergers and Acquisitions, Licensing, Due Diligence
 - Leveraging Strategic Partnerships and Alliances
 - Customer Relationships



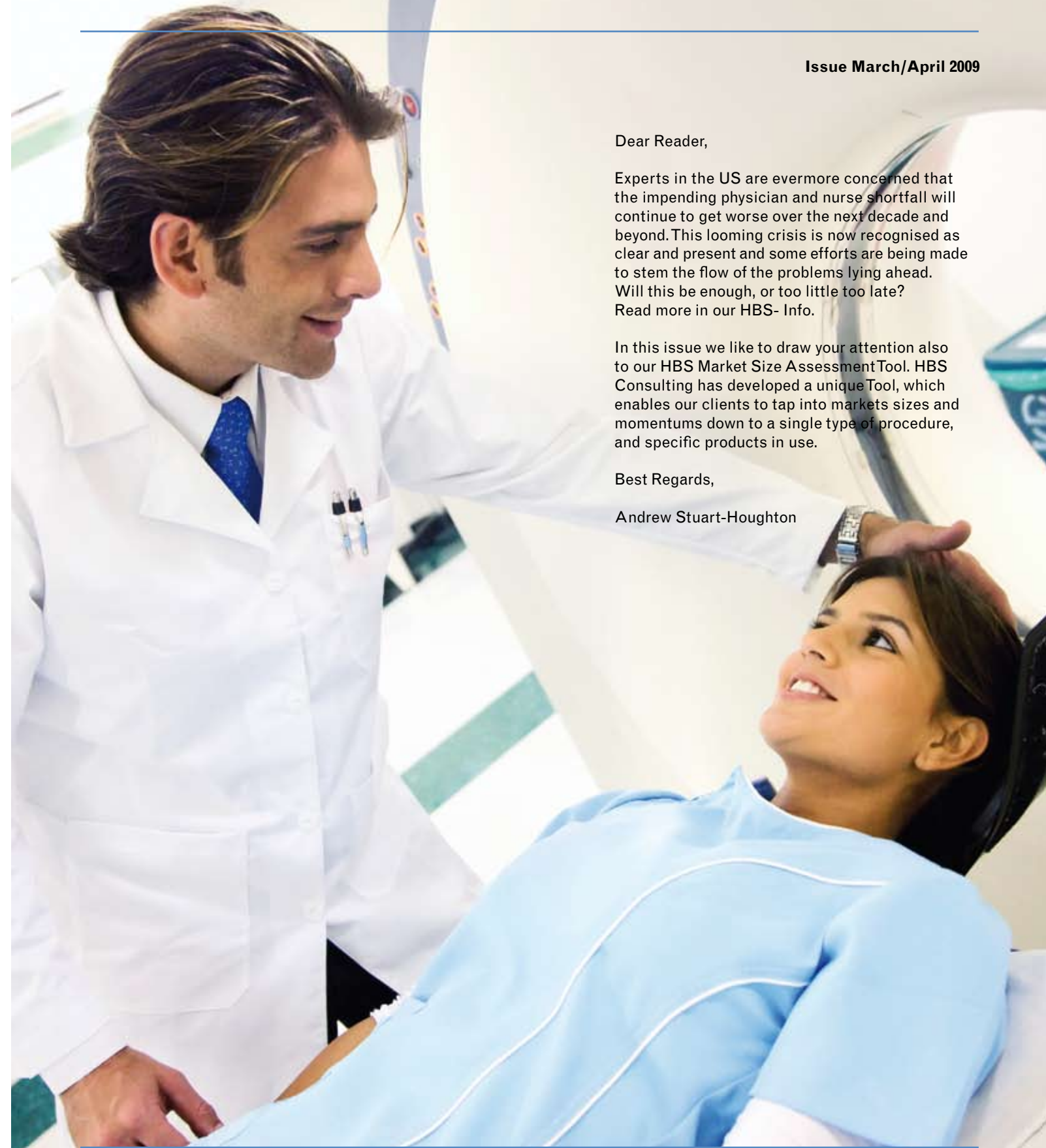
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HBS-INFO

HBS Consulting's insight on business strategy for the healthcare industry.

Issue March/April 2009



Dear Reader,

Experts in the US are evermore concerned that the impending physician and nurse shortfall will continue to get worse over the next decade and beyond. This looming crisis is now recognised as clear and present and some efforts are being made to stem the flow of the problems lying ahead. Will this be enough, or too little too late? Read more in our HBS-Info.

In this issue we like to draw your attention also to our HBS Market Size Assessment Tool. HBS Consulting has developed a unique Tool, which enables our clients to tap into markets sizes and momentums down to a single type of procedure, and specific products in use.

Best Regards,

Andrew Stuart-Houghton



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Knowing the market – HBS Market Size Assessment Tool

To create growth, medical device companies are constantly looking into new markets and opportunities at the same time as conducting their core business. An essential element in this process is to recognise market potential. No investment is worthwhile, if the target market does not show potential volume for return on investment. This goes without saying, but how to gather such intelligence, when your solution, or single product is a highly sophisticated one, and is designed for very specific procedures or healthcare environments, is not so elementary.

HBS Consulting has developed a unique Market Size Assessment Tool, which enables our clients to tap into markets sizes and momentums down to a single type of procedure, and specific products in use. This is based on extensive market knowledge, enhanced by web based data collection, which allows for sophisticated and transparent data analysis.

Identification

The first step is the identification of potential markets. This could involve countries or global regions and market segments which haven't been entered yet. Furthermore, HBS Consulting often face the situation where our clients are already in certain market segments, but need an improved perspective on it, or a tweaked sales set up to gain maximum revenues from it. We collaborate closely with our client in order to recognise market characteristics and potential applications prone to our client's portfolio. This pre assessment results in a clear target definition and set up of appropriate questionnaires and strategies.

Data Collection

The second step is the data collection. In order to achieve a reasonable sample size, we typically work with enhanced web based surveys which are appropriate for medium to large numbers of respondents. There often exist arguments against online surveys, such as "shallow levels of information which can be achieved", or "you get what you ask for and nothing more". These arguments are valid, and yet not. Yes, you just get the answers to those questions which you ask, but due to our long term experience in the healthcare industry, we are able to put the right questions to the appropriate respondents. Apart from that, our online surveys can provide for up to 25% free and spontaneous answers, which give us a high level of qualitative

information to understand motivations and "the reasons beyond". We are capable to process, interpret, and analyse large amounts of open question based, qualitative information.

Enhanced analysis

The third step is the enhanced analysis. We are using traceable and efficient analysis methodologies which enable views of the market from not only different angles, but also on different levels. Using statistical data based on number of hospital departments, procedures, cases etc. we are able to extrapolate market size, both in terms of products in use, and revenues. Our findings are then verified with a series of interviews with key opinion leaders, competitors, and related associations. Finally, the client receives detailed reports of the investigated markets, and an executive summary which support our clients in substantial go or no-go decisions.

The HBS Market Assessment Tool has been engaged by a number of our clients in the fields of orthopaedic implants, patient monitoring technologies, and surgical tools to name but a few. In comparison to the shelf market reports, in which market size calculation remains at least questionable and non transparent, our clients have been able to acquire substantial, evidence based and traceable market size data, which address their exact target definition.

US – More patients fewer carers, spells tough times ahead

A large number of varying reasons could be cited for the current and projected shortage of both doctors and nurses. These usually include key factors such as growing demand/ diminishing supply, aging population, changing practice styles, and fewer new entrants, to name but a few. The effects on both patients and care providers are just as varying, ranging from practitioners needing to work longer hours, extended time for follow up visits, to longer waiting times for appointments, greater distances to travel to receive care, and even some patients not receiving care at all. The number of residents who are sub-specialising is on the increase, albeit not in line with projected demands, it is still feared that some specialities are, and would be in serious danger of a shortfall. Another major concern is that there is a decline in the number of med students in primary care due to relatively poor remuneration and job satisfaction, and unless a solution could be found it would continue to do so. Overall, the US rural areas are where the darkest clouds are hanging over health care supply.

So what is being done? The American Medical Association has encouraged the opening of new schools, and has recommended that existing ones should increase enrolment in an effort to provide approximately 3,400 new medical students per year. Furthermore, The Physician Shortage Elimination Act is being considered at the moment, this would provide scholarships to med students, and increase grants for primary care facilities in areas where there are serious shortfalls. Federal officials are also considering plans which would encourage greater use of physician assistants and nurse practitioners, and at the same time to expand the National Health Service Corps, which deploys doctors and nurses in rural areas where they are very much needed. But not everybody is pleased with some of the proposals; many specialists are concerned that they would be adversely affected by plans to reduce payments for services which they provide. The Medicare Payment Advisory Commission, an independent federal panel, has made recommendations to increase payments to many primary care services of up to ten percent. Although the Obama administration is spending hundreds of millions of dollars on community health centres, another concern exists that many clinics may not be able to find doctors and nurses to fill their vacancies.

It cannot be doubted that together with the economic downturn, new policies for the American healthcare system and the nurse and doctor shortage in the US, that US healthcare will be dramatically reshaped during the next decades. Its effects would also go beyond patient and clinician. The medical devices industry should focus on some of these effects and recognise opportunities where it can play a role to alleviate increasing difficulties for doctors and nurses alike. With a diminishing ratio of nurse/doctor per patient, it is feared that the quality of care also goes down. Medical device manufacturers should develop more products which would improve nurses' workflow

and increase their efficiency. Improvements have been seen with radiology systems, patient-monitoring devices, and point of care testing. Yet there remains a huge need for many devices to improve in this respect, and thus many opportunities for device manufacturers. Many medical devices are complex by nature, so it is essential that manufacturers do not underestimate the importance of ease of use, improved workflow, and better patient safety. According to Paul Smit, director of strategy and business development for Philips Medical Systems "a re-design of a care process or department, focusing on the patient and the nurse, can often improve workflow tremendously." It is often felt that nurses are not being listened to enough, and that if a facility had the opportunity to invest in technology to make them more profitable, or invest in more efficient nursing, nursing would be second in line. One way to relieve the burdens for nurses could be to empower patients to assume more responsibility for their own health through innovative technology. If devices like, heart monitors, automatic external defibrillators, infusion pumps etc. are intuitive enough, patients could take them home. This would shorten the lengths of hospital stays, and free up more beds. The future of medical devices, healthcare information technology, and telemedicine and so on, could very much be one of many remedies needed to cure the current and future situation of healthcare supply in the US. The medical device industry should not only seek opportunities in this regard, but also assume a responsibility in creating the possibility for better patient outcomes.

HBS Consulting has extensive experience in building bridges between manufacturers and medical device users. We help device manufacturers understand the needs and issues which clinicians face, in order for them to design the ideal and successful product.