

Today's Health-Care

INDUSTRY FOCUSES ON COST CONTAINMENT

An interview

with Clateo

Castellini,

Chairman,

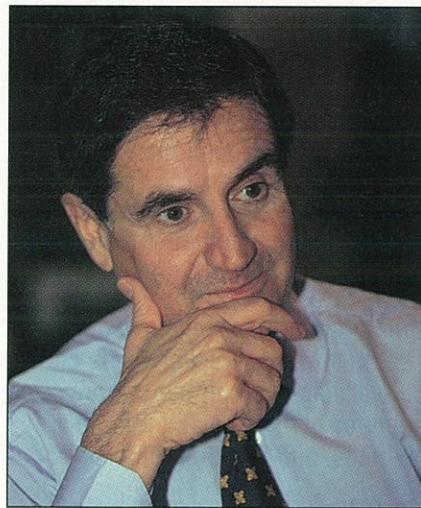
President,

and CEO,

Becton

Dickinson

and Co.



There is no doubt that today's market for health-care products and services is changing. At a time when progress continues to be made along the information superhighway, patients, their families, and their employers are looking for ways to contain medical costs while still reaping the benefits of new medical technologies. It is the market in which manufacturers of medical devices currently find themselves, and it is certainly different from the medical marketplace of 100 years ago, as Clateo Castellini, chairman, president, and CEO of Becton Dickinson and Co. (Franklin Lakes, NJ), can attest. As head of a century-old company that earns nearly \$3 billion in annual revenues from domestic and overseas sales, Castellini has a global perspective on the device industry. In this interview with *MD&DI*, he discuss-

es the trends and challenges that will face medical product manufacturers in the years ahead.

Q. What are the major changes occurring in today's health-care marketplace, and how are they affecting device companies?

A. Health-care costs have grown out of proportion in the United States, and society is beginning to make major adjustments to contain these costs. As a result, several trends are emerging. Hospital and purchasing groups are forming to take advantage of economies of scale, which concentrate hospital purchasing power as never before. Three organizations—the Columbia Health Care System, the Voluntary Hospital Association of America, and Premier—now have purchasing power over 70% of the hospital beds in the United States. This sort of consolidated purchasing also takes place outside of the United States. In many countries, purchasing power lies with the government, which provides health-care coverage.

As a result, device companies must respond to their customers' efforts to contain costs. For example, Becton Dickinson has reorganized its selling activities so that hospital organizations contract with the entire company. Customers now deal with only one entity as opposed to the separate Becton Dickinson business units that contacted them previously. We used to operate with seven or eight such independent business units, each with its own costs and shipments.

Now, the customer sees one company, one order, one shipment, and one invoice for Becton Dickinson products. Where traditionally our company representatives sold to doctors, nurses, and laboratory personnel in the hospital, they now write a contract with top hospital management for the whole product line. Acting as one company allows us to reduce costs. It's a

New technology will aid in making procedures less costly and less problematic.

big change in our way of doing business compared to 10 years ago.

Advances in information technology have also helped device companies in terms of product delivery and cost containment. Information technology allows

a company to consolidate its orders and automate much of the distribution process. For instance, customers are now able to replenish their supplies of a company's products automatically when those supplies fall below a specified level.

Q. What types of medical products and procedures do you expect to emerge as a result of current cost-containment efforts?

A. As health-care laboratories become fewer in number and larger in size, bigger laboratory diagnostic machines with higher throughput and lower unit cost will continue to be sought. Automation becomes crucial to accomplish this, and automated diagnostic instruments will fill this need.

At the same time, health-care cost containment has triggered the need for small, low-cost, quick-response diagnostic machines to be used at a patient's bedside in a clinic, doctor's office, emergency room, or home. Examples of these sorts of products are small automated blood analysis systems and small hematology instru-

ments used in clinics and doctors' offices.

Another promising product is the pre-filled syringe. In U.S. hospitals, hospital pharmacists generally fill syringes with medications every morning. In Europe, nurses usually fill syringes at a patient's bedside. With ready-to-use syringes, however, accurate dosages can be administered easily, saving hospitals both time and money. Syringes may be basic, low-cost products, but they are used by every specialty on every hospital floor, and they're sold by the billions around the world.

New technology will of course aid in making medical procedures possible in the next 15 years that are less costly, less problematic, and less time-consuming, and that allow patients to return home faster. For instance, we can expect to see more techniques like laparoscopic surgery, which minimizes trauma, speeds the operation, is simpler, and costs less.

Disease management will also play an important role in the future. This concept addresses cost containment and emphasizes new technology. Today's new health-

We're already working on your next silicone project.



Our proactive participation puts us ahead of any other custom silicone fabricator in the industry.

- Rapid prototyping by experienced applications engineers moves your idea to market...fast.
 - High quality single- and multi-lumen tubing, profiles and tape extrusions.
 - Insert and injection molding of milled and liquid silicones.
 - Continuous engineering support for the life of your product.
- Call 1-800-236-7600 to see how far we've already taken your next project.



mox-med

2316 West Wisconsin Street *a versa|tek company*
Portage WI 53901 FAX 1-608-742-3179 © 1995 Mox-Med, Inc.

**SPECIALISTS IN OEM INSTRUMENTS
FROM 1 MM TO 3.3 MM OD**

A totally computer integrated modern manufacturing facility dedicated 100% to medical devices and components.

- ▲ Design
- ▲ Manufacturing
- ▲ Assembly
- ▲ Packaging
- ▲ CNC Milling
- ▲ CNC Turning
- ▲ Wire EDM



Offering complete Services, Prototype through Production

- Components • Complete Finished Devices
- Class 10,000 and 100,000 Clean Room Assembly
- FDA Registered, GMP Compliant

Celebrating 26 years of OEM Manufacturing

Portlyn Corporation

Medical Products Division
RFD 1, Route 25, Box 451
Moultonboro, NH 03254



(1) 800-237-8248 Fax (1) 603-476-5019

See us at Medical Design & Manufacturing West 97, Booth 1021

See us at MD&M West 97, Booth 782

care organizations like to see someone who can manage a disease—someone who can diagnose it, offer a drug therapy for it, and provide a device to deliver the drug. Companies that can provide these elements will be in a good position.

Becton Dickinson has for years been helping patients manage diabetes by supplying insulin syringes and tests for blood-sugar levels. We are moving deeper into diabetes management by supporting the International Diabetes Center's Staged Di-

abetes Management program, which is a scientifically based, clinically piloted model for reducing variability and improving diabetes patient care through better control of glucose levels. This sort of disease management program is likely to become more common in coming years, when device companies will work more closely with pharmaceutical companies to diagnose and treat certain diseases.

In theory, many drugs would work very well if they had an easy-to-use test. For

example, the correct dosage for Merck's drug for osteoporosis depends on calcium concentration in the patient's bones. To date, patients need to have their calcium monitored on a large hospital machine. But what if we could develop an easy-to-administer test at home or in the doctor's office that would give precise readings of calcium levels? In such a case, the diagnostic test and the drug's success would go hand in hand. We expect to see more tests like this one that would be used in concert with drug therapy and that would be easy to administer at home or in the doctor's office.

There will also be more partnerships and alliances between diagnostic, device, and drug companies to solve disease problems together. Here we will deploy our special skills to solve a problem and, when limited to these projects, we will

Perfecseal®

We're perfecting the medical package.



Complete packaging systems that perform today, and prepare you for tomorrow.

Tyvek®, and then some.

Perfecseal is a world leader in heat-seal coated materials, thermoplastic flexible rollstock and rigid trays. So you get everything you need in medical packaging from top to bottom— from one source.

A global resource, close at hand.

Perfecseal is your global resource, combining an outstanding customer service record and extensive capabilities in manufacturing, technical service and R&D. And you deal with one company through one rep who delivers it all directly to you.

Products and capabilities as broad as your needs.

Perfecseal will make a material difference in meeting your medical packaging needs. Here's just a partial list of your options:

Call 1-888-673-4100 and talk to Perfecseal, where products, service and support are all part of the perfect medical package. And visit our home page @ www.Perfecseal.com

Products

PerfecSeal® heat-seal coated Tyvek®
PerfeCraft® coated papers
Breather Bag®, linear tear and PerfectPouch™ packaging
PerfectFlex™ forming and top web materials, foils and metallized films
PerfecForm® thermoformed trays and die-cut lids
Pharmaceutical labels

Capabilities

Seven-layer coextrusions
Adhesive and extrusion laminating
Air knife, extrusion and saran coating
Flexographic and rotogravure printing
Cold seal technology
The Perfecseal Advantage™ total value program

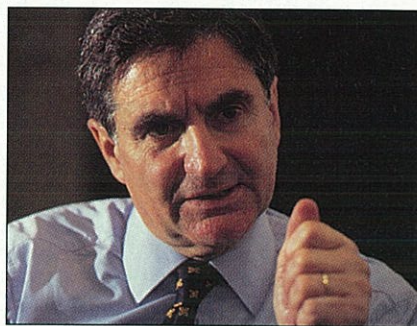


Perfecting the Medical Package™

Perfecseal Philadelphia • Perfecseal Oshkosh
Perfecseal Mankato • Perfecseal New London
Perfecseal Puerto Rico • Perfecseal Limited
Perfecseal Asia-Pacific

Tyvek® is a registered trademark of DuPont.

See us at MD&M West 97, Booth 1431



not be regarded as a competitor of the pharmaceutical company. The increasingly more costly, more difficult task of finding new drugs encourages this ad hoc approach.

Q. How is the global market for health-care products and services changing?

A. Health-care spending in countries with underdeveloped health-care systems falls many times below that in the United States, Europe, or Japan, but the ratio is rising as these countries increasingly democratize and allow public participation. As emerging countries begin to upgrade their health-care systems, they begin to adopt our products.

While health care hasn't yet reached large groups among the populations of lesser-developed countries, economic and political improvements in such regions are bound to push health-care spending to higher levels. When people start participating more, the first thing they want is better health care. Such economic improvements around the world will create