

33451b - Medical Device Manufacturing in the US

iExpert

Key Statistics Snapshot

Revenue

\$64.7bn

Annual Growth 07-12

12.8%

Annual Growth 12-17

6.4%

Profit

\$5.8bn

Exports

\$13.2bn

Businesses

828

Market Share

Medtronic Inc. 13.6%

General Electric Company 12.9%

St. Jude Medical Inc. 4.2%

Revenue vs. employment growth



Number of physician visits



SOURCE: WWW.IBISWORLD.COM

Key External Drivers

Number of physician visits

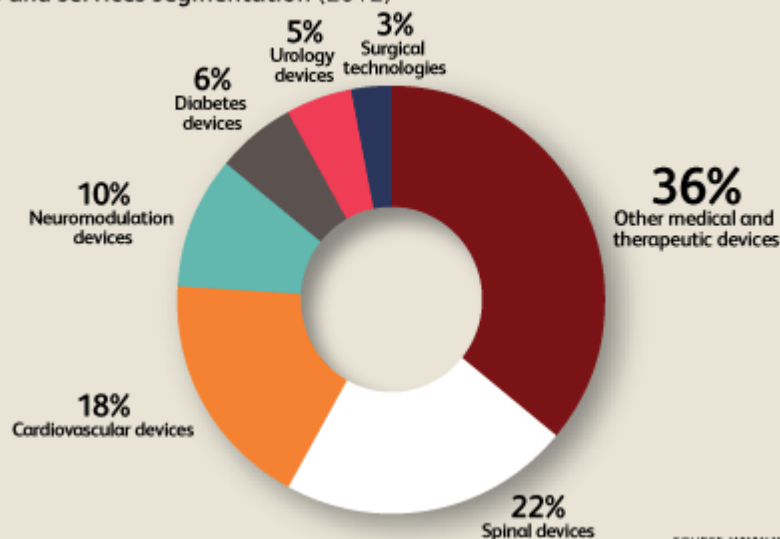
Federal funding for Medicare and Medicaid

Per capita disposable income

Number of adults aged 65 and older

Trade-weighted index

Products and services segmentation (2012)



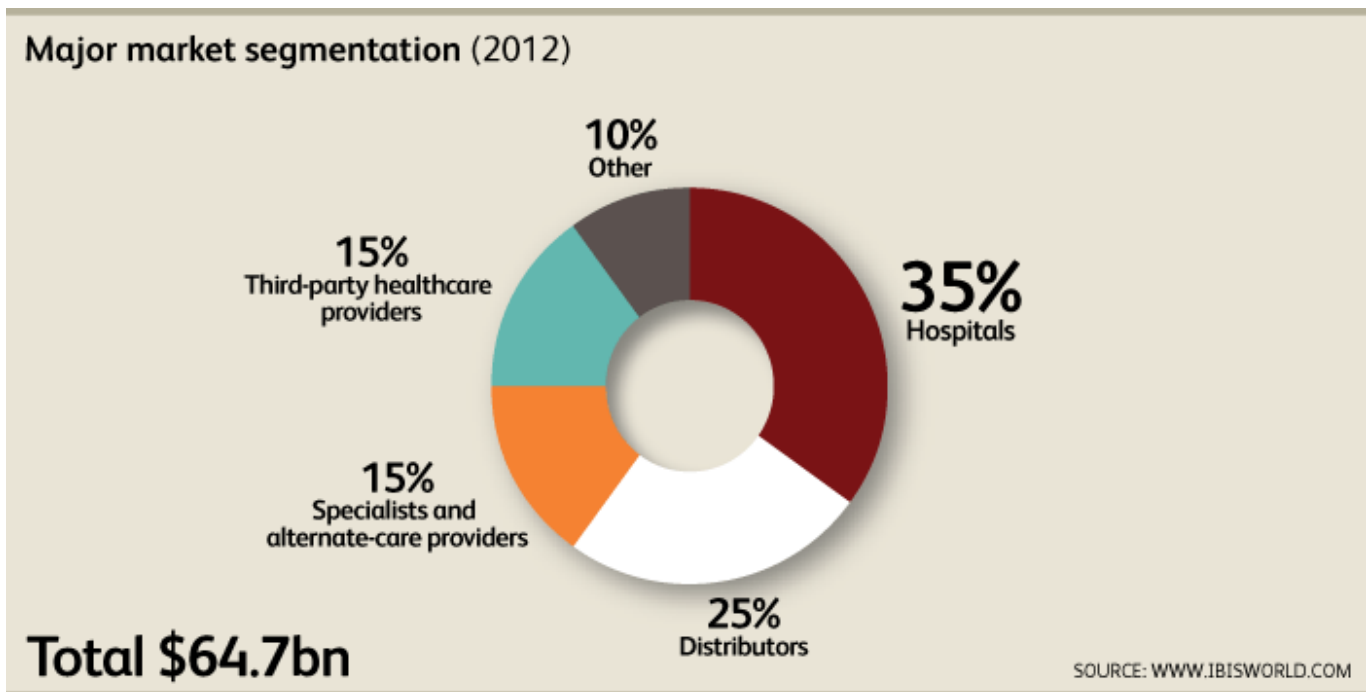
SOURCE: WWW.IBISWORLD.COM

Industry Structure

Life Cycle Stage	Growth	Regulation Level	Heavy
Revenue Volatility	Medium	Technology Change	High
Capital Intensity	Medium	Barriers to Entry	Medium
Industry Assistance	Medium	Industry Globalization	Medium
Concentration Level	Low	Competition Level	High

Industry Benchmarks

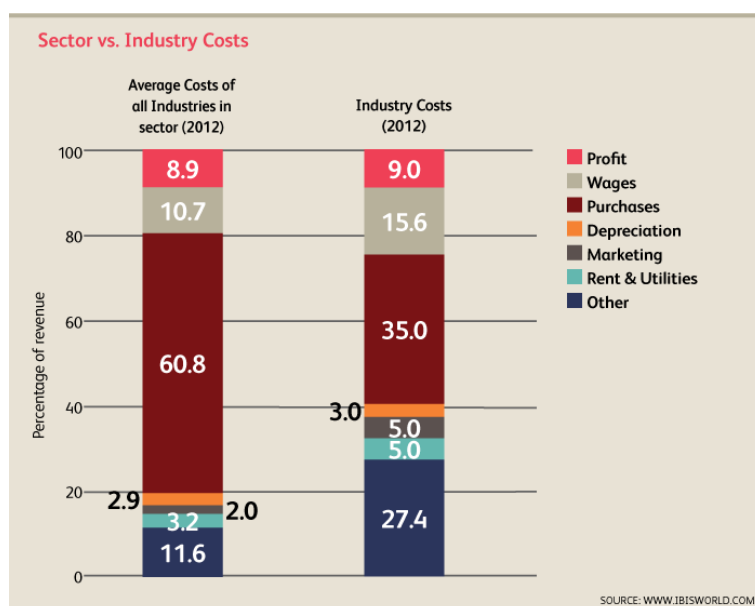
Major Markets



This chart shows the size of the markets that buy the industry's products or use its services.

It is based on the proportion of revenue each buying segment contributes to total industry revenue.

Cost Structure



This chart represents the latest cost structure of the industry. It shows the proportion of revenue each cost item absorbs, with the remainder representing profit.

The comparison to all other industries in the sector provides a benchmark that shows how the industry differs from its peers.

Industry Performance

Performance Summary

The Medical Device Manufacturing industry has enjoyed strong revenue growth recently and is forecast to continue expanding in the years ahead. Since 2007, revenue increased at an average annual rate of 12.8%, and is expected to grow 7.4% in 2012 alone to \$64.7 billion. The US economic downturn did little to deter hospitals and other customers from purchasing medical devices. In fact, the number of industry companies that gained sales in 2008 and 2009 outnumbered those that experienced declines. The aging US population is a major factor driving demand because the occurrence of health issues that require medical devices is higher in the elderly population. This demographic is forecast to expand further as a percentage of the total population during the five years to 2017, which will help maintain industry growth.

By 2017, revenue is forecast to reach \$88.2 billion. While revenue is forecast to grow at an average annual rate of 6.4% from 2012 to 2017, this percentage represents a decline from the previous five-year period. The changing regulatory environment will be the main hindrance.

For example, the Patient Protection and Affordable Care Act of 2010 will place an excise tax of 2.3% on medical devices, reducing industry profit to about 8.5% of revenue in 2017, versus 9.0% in 2012. Also, potential reform to the approval process for new devices will likely hamper innovation and encourage more companies to shift functions overseas.

Foreign outsourcing of manufacturing, research and development, and other operations, combined with industry consolidation, is forecast to decrease the number of industry operators at an average of 5.8% per year during the next five years to total 615. This decline represents continuing consolidation experienced from 2007 to 2012, when the number of companies decreased at an average annual rate of 5.5% to total 828. Similarly, industry employment is projected to grow at a slow average annual rate of 0.5% to 90,524 through 2017. Emerging markets like China and Brazil will attract medical device manufacturers as US customers face more stringent Medicare reimbursement requirements and other cost-cutting pressures.

Industry Issues

THREAT

Federal funding for Medicare and Medicaid

Health coverage is an important determining factor when patients and doctors choose among various treatment options. Medicare coverage is particularly significant in that it directly affects how much patients have to pay for industry products and how much operators will receive in payments from Medicare. Federal funding for Medicare and Medicaid is expected to decrease slowly during 2012 and is a potential threat to the industry.

OPPORTUNITY

Number of physician visits

Hospitals are one of the industry's major markets. As such, when more individuals visit physicians, demand for medical devices increases. The recent healthcare reform bill is designed primarily to expand coverage to a broader range of patients. A rise in the number of insured will boost the number of physician visits and enhance demand for medical services and some devices. The number of physician visits is expected to increase slowly over 2012, resulting in a potential opportunity for the industry.

Industry Questions

External Impacts

ISSUE

Hospitals are one of the industry's major markets. As such, when more individuals visit physicians, demand for medical devices increases.

QUESTIONS

Does your company have contracts to supply devices to several large hospitals? How much of your revenue is derived from hospitals? Does your company produce devices aimed at diseases of the elderly, who are more likely to require physician care?

ISSUE

Health coverage is an important determining factor when patients and doctors choose among various treatment options. Medicare coverage is particularly significant in that it directly affects how much patients have to pay for industry products and how much operators will receive.

QUESTIONS

How does your firm expect healthcare funding to affect sales? Has the recent healthcare reform legislation influenced revenue? What changes in Medicare funding are on the horizon, and how will they affect your business?

ISSUE

An individual's ability to pay for a medical device and the care associated with getting the device affect demand for industry products. This driver is expected to increase slowly during 2012.

QUESTIONS

Does your company offer a variety of products in many different segments of healthcare? Are the products your company offers considered necessary to health? How does your company handle a down economy, when disposable income drops?

Internal Issues

ISSUE

As reflected by the high average wage, skilled staff are vital to the design and production of medical devices.

QUESTIONS

From what pools do you draw your staff to ensure qualifications and skills? Are your wages competitive with the industry average? How high is employee retention, and what steps can you take to reduce turnover?

ISSUE

Firms must have access to the latest technology either by investing in research and development or acquiring it through the purchase of other enterprises with patented technology.

QUESTIONS

How up-to-date is your firm's technology? Do you need to make any significant investments in upgrades in the next five years? What patents does your firm have pending, if any?

ISSUE

The industry is global, so successful firms must develop export markets to increase capacity utilization and reduce reliance on the domestic market.

QUESTIONS

Is your firm part of a global business? Are you active in exporting or importing products? What foreign markets do you seek to penetrate in the near and long term?