

Leading exports were medical and related instruments and equipment, surgical and medical supplies, ophthalmic goods, orthopaedic appliances, hearing aids, and dental supplies.

Healthcare is a multi-payer system. Private healthcare insurance programs pay out nearly US\$225 billion annually, while annual federal Medicare and Medicaid payments are US\$146 billion and US\$100 billion, respectively. The distribution of payment sources for the average American family is: consumer out-of-pocket, 19 per cent; private insurance, 31 per cent; other private sources, 4 per cent; federal government, 32 per cent; and state and local governments, 14 per cent.

Buyers and Distribution Channels

Physicians and other end-users of medical devices are becoming less involved in purchasing decisions, as Group Purchasing Organizations (GPOs) expand, and as purchasing decisions become more influenced by competitive and value-analysis factors.

Typically, there are four channels through which medical devices are distributed: direct sales; manufacturers' representatives or sales agents; distributors; and strategic alliances.

Commissions paid to manufacturers' representatives or sales agents vary from 3 to 20 per cent. Medical representatives/sales agents tend to specialize according to customer or product to develop a competitive edge.

Discounts to medical distributors in the U.S. range from 15 to 60 per cent, depending on the resources and risks required to market the product, the rate of inventory turnover, and the amount of customer training, support and service required. In cases where the manufacturer/product is new to the market, distributors may require inventory on consignment.

Distributors range from specialized independent companies to general-line firms, catalogue companies, mail-order houses, and large national firms. Some medical device manufacturers distribute not only their own products, but also those of non-competing firms.

Hospitals normally purchase medical supplies in two ways: individually on a local level, via the bid process, or through a Group Purchasing Organization. The majority of hospitals use the bid process to some degree, or they use it in combination with other purchasing methods.