

THE IMPACT ON MEDICAL DEVICES IN CANADA WITH A WEAK U.S. DOLLAR

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In this current economy, the business facts need to be recognized in light of the strength of the Canadian dollar versus the U.S. dollar for manufacturers and distributors of medical device technologies in Canada.

- Companies are being questioned and sometimes challenged about their prices on imported medical devices due to the strong Canadian currency.
- Companies are being questioned about their prices on medical devices manufactured in Canada that typically require imported materials to develop.
- The Canadian dollar's value has been unpredictable and changes in its value will continue.

MEDEC POSITION

- The medical device industry will continue to monitor the ongoing fluctuations in the value of the Canadian dollar.
- MEDEC member manufacturers and distributors of medical device products will continue to manage their supply costs and provide excellent value.

CURRENT SITUATION

- In 2007, the Canadian dollar hit an all time high over the past 30 years. However, the dollar has had its share of ups and downs against the American dollar over the last 50 years and the dollar will be corrected by economic market factors. The current blip is seemingly already undertaking a market correction.
- On September 20th, 2007, the Canadian dollar reached parity with the US dollar. At the same time, the prospect of further U.S. interest rate cuts sent the dollar to new lows against the Euro.
- As the dollar fell from its historical high in the 1970s, Canadian manufacturers and distributors were reluctant to raise their prices in the Canadian market. Foreign companies that entered the Canadian market when the dollar was high did not abandon their investments when the dollar fluctuated.
- Not all medical devices and raw materials are sourced from the U.S. In many cases, due to regulatory and not financial reasons, the majority of devices are sourced from Europe and Asia where the currency is strong.
- When medical devices are manufactured in the U.S., the raw materials and inputs are often sourced from other jurisdictions where the currency is strong.
- The majority of the expenses of Canadian medical device companies are associated with wages, customer service, taxes, distribution and transportation costs which are relative to the Canadian system and environment and not determined or associated with the value of the U.S. currency.
- World oil prices have hit an all time high closing in near one hundred dollars a barrel. Steep cost challenges are faced by manufacturers whose products contain any plastics as oil is the primary raw material in most plastics.
- Officially, the Conference Board calls for the Canadian dollar to fall to 93 cents US by 2011.
- Although not factored in by companies today, Health Canada's role of "supporting a dynamic, efficient, and sustainable healthcare system for Canadians by assisting Canadian manufacturers and distributors of medical device technology in the advancement of healthcare" requires the funding of its programs through appropriation and fees should never exceed a ratio of 50:50. Yet, the manufacturer's portion will reach 70 per cent in 2008 in some categories under Health Canada's proposed Cost Recovery Initiative.



ABOUT MEDEC

- MEDEC is the national association representing medical device and diagnostic companies. Our members are dedicated to serving the healthcare community through research and development and the provision of high quality medical products and services that benefit Canadians – safely and efficaciously
- MEDEC members are committed to advancing healthcare in Canada by ensuring patients have access to safe medical device technologies.
- Member companies represent a range of medical devices such as operating room devices and hospital equipment as well as medical specialties such as cardiovascular, orthopaedic, ophthalmic, diabetes, and in-vitro diagnostics
- The medical device industry in Canada employs over 35,000 Canadians in close to 1,500 corporate facilities, and contributes nearly \$6 billion in national sales per annum.
- MEDEC's mission is to strengthen and grow the industry in Canada by working closely with governments, medical associations and the public to establish an environment that supports the adoption of new technology from both regulatory and reimbursement perspectives.
- MEDEC members are committed to the highest standards of professional conduct. MEDEC has designed and adopted a Code of conduct to promote ethical business practices and socially responsible industry conduct to govern interactions with healthcare professionals.