

Zimmer's Sustainable Model for Industry-Physician Collaboration

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Medical Device Industry Scrutiny

- About Zimmer
- Conflicts of interest inherent in consulting relationships between the industry and healthcare professionals
- September 27, 2007 resolution agreements between U.S. Government and major orthopaedic companies
- Ongoing scrutiny and enforcement efforts around the globe
- Environment is changing forever
- It's not just about the companies

We Must Protect and Preserve Essential, Appropriate Collaboration

- Industry-Physician collaboration will always be central to advancing medical technology that improves patients' lives
- Our key mission is to develop products that are best in class
 - Benefits they deliver to patients
 - Difficult problems they solve across the clinical continuum
 - Quality
- Protect collaboration against undue scrutiny and skepticism
- Historical model for collaboration requires change to continue to inspire the confidence and trust of key stakeholders
- Conflicts of interest are overcome/neutralized by trust

Zimmer's Approach to Change

- What conflicts of interest or potential conflicts of interest are clearly non-essential and actually can be eliminated?
- What conflicts of interest are essential to innovation and the delivery of quality care? How can we neutralize them to reduce the risk of abuse while preserving their benefits?
- We have re-evaluated practices with respect to product development, marketing, charitable grants, fellowship and CME funding, surgeon training and education, and research
- We have developed a new model that we believe is sustainable and will inspire confidence and trust
- Seek to avoid even the “appearance” of impropriety

1 – Collaboration for Product Development

New engagement and compensation structures for consultants that reduce the potential for conflict while safeguarding the ability to collaborate

Review royalty-bearing development agreements to ensure consistency with fair market value principles

Engage a third party to potentially establish new compensation structure for future agreements

Continue to implement enhanced controls to ensure design of development teams is efficient

2 – Marketing Systems and Infrastructure

Realign marketing systems, infrastructure and practices to ensure that surgeons' product selection is based on unique and differentiating features of our products and techniques

Improve Zimmer's internal firewalls across the Organization

Prohibit educational, practice-related and branded company gifts

Prohibit company-sponsored presentations by healthcare professionals at medical society events

3 – Integrity of Surgeon Training

Centralize all surgeon training and education under Zimmer corporate, reducing the risk of potential conflict

Require objective-based training using corporate curriculum and measurable outcomes

Surgical skills training to be held at Zimmer Institute sites

4 – Charitable Contributions and Grants

Create third-party mechanism to oversee Zimmer's worldwide charitable giving, separating the Company from final grant decision-making and distribution

Grant annual monetary donation for all general educational funding

Make global in-kind product donations to third party for further dissemination

Give cash donations so third-party institution can determine the dissemination of education-related items

5 – Global Systems and Standards

Require that Zimmer and its stakeholders globally align with these business practices

Align Zimmer business units throughout the world

Provide healthcare professional consultants with compliance and ethics training

Ensure existing consultant relationships align with commitment to ethical business practices

Promote transparency of consultant compensation arrangements with Zimmer

Implementation, Execution & Leadership

- Implementation and execution is hard work, challenging and disruptive, particularly if others do not follow our lead
- As the market leader, it makes sense to us that we should lead in the area of compliance and ethics as well
- We want to go through this once, not incrementally
- We're committed to these strategies, as it is the right thing to do for our Company and our industry as a whole
- Ultimately, our goal is to ensure that patients benefit from innovations focused on their needs, and that everyone with a stake in quality healthcare can rest assured that physicians choose products based solely on what they believe is best for patients