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Omar Ishrak interview at the World Healthcare Congress

**Omar Ishrak, Medtronic's Chairman and CEO
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Hello I'm Mabel Jong and thanks very much for joining us. In the studio right now is Omar Ishrak, who is the new CEO of Medtronic.

Mr. Ishrak thank you so much for being here today.

You're welcome, thank you.

Well, you've been at the helm for almost a year now, how is it going?

It's going very well. I'm learning a lot about this industry and I think there's lots of opportunities, both globally as well as in the United States. There's obviously many challenges but I'm very optimistic that we can really not only take Medtronic to become a real leader in overall healthcare but to fulfill the mission that we've embarked on over 50 years ago when Medtronic was founded.

Will your vision be hampered in any way by the uncertainty in the healthcare space right now, several key decisions having to be made by the Supreme Court for instance?

Look, in our view, there's certain fundamental underpinnings about healthcare, which are true about whatever kind of system you work in. We've got to work globally, and every country in the world has a different healthcare system, so we can't really be too concerned about the specifics of any one country's healthcare system.

However, we find there are three fundamental points. One is the constant quest for

improvements in standards of care in healthcare is something that's not going to go away. Second, there's an increased sensitivity and need for a concurrent reduction in costs of healthcare delivery in addition to improving outcomes at the same time. And third it's pretty obvious there's a big need among the underserved around the world for healthcare. There's literally billions of people in the world today who do not have any access to healthcare. And that's a challenge and a problem that we need to collectively address. And it's a societal problem but it's also a business opportunity because this need will be fulfilled.

Of course and Medtronic's vision does include an active role in overseas healthcare markets. So what are some key specific unique issues that some countries may face that Medtronic needs to adjust and adapt to?

Look I think every country's different. So I don't want to get into the specifics of any one country. But I can tell you amongst the emerging markets of the world, we look at those markets in three different patient categories.

The first category which addresses about 15 percent of that population in emerging markets, are people who can actually afford the treatments that are available in the developed world. Now 15 percent of the entire emerging market population is a big number. And so here are people who can afford the treatment, the quality of the treatment is understood and accepted in the western world, and yet they're not getting that treatment which is already available.

So that's our first opportunity. And the reason they're not getting it is primarily because of a lack of awareness, a lack of infrastructure, and a lack of training. And we intend to work in those countries in specific ways to break those barriers down one by one.

So bringing more of an education component...

More of an education, training and assist in building infrastructure and awareness, create awareness because people simply don't know that certain treatments are available for certain conditions.

Something as simple as a pacemaker, which is highly penetrated in terms of adoption in developed countries, to the tune of 60 or 70 percent. In a country like India the penetration level is only 10 percent amongst people who can afford it.

And why is that?

Because they don't know. And because there aren't enough hospitals in which they can actually deploy it, and there aren't enough trained electrophysiologists who can do the implanting. So you put all that together and the result is ten percent.

And so one of our first goals is to address those barriers, and that in itself in our mind is a very big opportunity. Beyond that, we have as this infrastructure and training is created, we're going to concurrently lower the cost of our products. And so we can come up with second tier products that'll address a broader set of that population. Maybe up to about 50 percent of the population can be addressed that way.

So there would be a second tier of products specifically tailored for those overseas markets or would they be available here as well?

They could eventually be made available in the US as well. In the developed countries. But the lower cost, and understanding clearly what to de-feature, is something that we have to go through. Because at no point, and I want to make it very clear would we ever compromise safety or effectiveness of the product itself, but there may be convenience features that we might remove, if you like, for lower cost. And it's quite possible that that category of products might find its way back into the developed markets, and further lower the cost of care in the developed markets under those conditions.

Now beyond that, there's still another 30 to 50 percent of the population who we loosely call the bottom of the pyramid. To address that population, which is again billions of people in the world with these conditions, we probably have to come up with disruptive technologies for sure, but in addition disruptive delivery models. And new types of maybe healthcare workers do a certain degree of delivery, which are normally done by physicians. And I don't know how we do that, part of this conference actually addresses that, and we need to pilot certain schemes, we need broad based agreement with different stakeholders, and we need to plot strategies in that marketplace as well in parallel to the more conventional efforts which is already there in the western countries.

So how much of your business will start to, well, will continue to focus on your overseas markets?

I think a lot.

Versus what you have in the United States, do you have a percentage, a picture of what you think it would look like?

Today we have something like 45 percent of our sales are outside the United States. And we're growing that at 20 percent. And so we expect that over the next five years we should get to more like 60 percent of our sales are outside the United States. So the majority of the sales will be outside the United States. And maybe more. Because we find that those markets are growing, that our business in those markets, we should be able to sustain at a least a 20 percent a year growth in those markets, while in the developed world it will be slower.

Mr. Ishrak thank you very much. I hope you'll come back to us with an update.

Absolutely.

I'm Mabel Jong, thanks very much for watching.

