ZIMMER BIOMET

Zimmer Sees U.S. Pricing Stability in Increased Reimbursements

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Move reflects cost-effectiveness of procedure, company says

WARSAW, Ind., Aug. 7 /PRNewswire-FirstCall/ -- Zimmer Holdings, Inc. (NYSE: ZMH) today said that it expects recent decisions by the federal government to result in stable pricing for its implant and trauma products. The Centers for Medicare and Medicaid Services, which provides reimbursements to hospitals and physicians for medical treatments, recently announced that it would increase the reimbursement level for most joint replacements by nearly 7% in the coming government fiscal year.

"Because the majority of our sales are for joint reconstruction and because the United States is our largest market, these decisions should provide a stable pricing environment with the opportunity for upside for our business at least through the end of 2003," said Ray Elliott, Chairman, President and CEO of Zimmer Holdings, Inc. (NYSE: ZMH). "We believe the increase in reimbursement levels reflects a growing understanding that joint replacement is very cost-effective in that the procedure allows most patients to return to their prior level of activity, and in many cases that means people are going back to work."

Zimmer said that in addition to the increased reimbursement level for joint replacement, the federal government also will increase reimbursement payments for trauma cases by an average of nearly 6% in the new fiscal year. In the first half of 2002, Zimmer reported that revenues from joint reconstruction and trauma accounted for nearly 90% total sales. The Americas Region, of which the U.S. is the principal component, accounts for nearly 70% of total Zimmer revenues.

A key element in Zimmer's growth strategy is to develop products that further lower the overall cost of treating arthritic conditions. "Implant costs are a very small percentage of the overall cost of treating arthritic disease," Elliott said. "That's why we are focusing our development on advances such as minimally invasive joint replacement that have the potential to reduce other associated costs by returning patients to productive activities more quickly. We think it's a clear 'win-win' for patients and payors when hospital stays and rehabilitation time are reduced."

The majority of joint replacements in the United States are paid for by Medicare and most private insurance companies have followed the lead of the government on past reimbursement decisions.

Zimmer, based in Warsaw, Indiana, is a global leader in the design, development, manufacture and marketing of reconstructive orthopaedic implants and fracture management products. Orthopaedic reconstruction implants restore joint function lost due to disease or trauma in joints such as knees, hips, shoulders and elbows. Fracture management products are devices used primarily to reattach or stabilize damaged bone and tissue to support the body's natural healing process. Zimmer also manufactures and markets other products related to orthopaedic and general surgery. For the year 2001, Zimmer recorded worldwide revenues of approximately $1.2 billion. Zimmer was founded in 1927 and has more than 3,400 employees worldwide.

Visit Zimmer on the worldwide web at www.zimmer.com and at www.pacewithlife.com

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