ZIMMER BIOMET

# Major U.S. Insurer More than Doubles Surgeon Payment for the Zimmer MIS 2-Incision Hip Procedure

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## Action Recognizes Technical Skill and Unique Training Required

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The potential for dramatic patient benefits with the Zimmer Minimally Invasive Solutions(TM) (MIS(TM)) 2-Incision(TM) Hip Replacement Procedure has been recognized in a recent decision by a major private U.S. healthcare insurer. The insurer has elected to substantially increase reimbursement by more than double to a physician practice whose member surgeons have now demonstrated their ability to deliver significantly improved outcomes for patients with this specific technique. The decision applies only to Zimmer's new patents-pending, muscle-sparing 2-Incision hip technique.

According to Zimmer, the insurer took the action after considering information that detailed critical elements of the surgical technique, post- operative patient functional benefits, and protocols used for the comprehensive surgeon training that is a prerequisite to performing the procedure. The insurer concluded that the Zimmer MIS 2-Incision procedure is clearly differentiated from routine total hip arthroplasty techniques, and results in significantly improved postoperative quality of life for patients undergoing the new muscle-sparing operation. Zimmer is the only company providing the training and instruments required to perform the Zimmer MIS 2-Incision procedure.

The company also noted that in another case, a national insurer has agreed with a patient who appealed for coverage of increased surgeon fees for the MIS 2-Incision procedure based on the potential for rapid recovery and return to work. The company says that in many cases, patients are the driving force behind coverage requests because of their interest in the potential benefits of the procedure.

These payment decisions are consistent with reimbursement strategies that have been proposed by some payors, including the Centers for Medicare and Medicaid Services, to pay on the basis of the quality of outcomes achieved by healthcare providers.

"We applaud these progressive, unprecedented decisions and the impact they can have for hip replacement patients," said Ray Elliott, Zimmer Chairman, President and CEO. "The Zimmer MIS 2-Incision procedure has the potential to greatly reduce post-operative pain and rehabilitation time, allowing patients to more quickly resume their normal activities. We hope these actions will encourage other payors to look at our procedure comprehensively and consider its beneficial impact on patients and on the potential total cost savings to provide a hip replacement."

According to Leah Amir, who heads Zimmer's Reimbursement and Health Technology Assessment function, increased surgeon reimbursement could remove an additional obstacle to wider patient access to MIS joint replacement. "Some surgeons may have been hesitant to pursue the Zimmer MIS 2-Incision approach given the complexity of learning and implementing a completely new procedure in their hospitals," she said. "That may change if payors are willing to increase compensation to surgeons for their additional commitment to producing demonstrably better patient outcomes."

Compared to standard hip replacement surgery, benefits for patients receiving the MIS 2-Incision procedure may include: less tissue trauma; faster and significantly less painful rehabilitation; smaller incisions and less scarring; less blood loss; and a shorter hospital stay--1 to 2 days, rather than 3-5 days for standard surgery, with some patients expressing a desire to go home in less than 24 hours. Of more than 300 patients at three medical centers who were treated with the Zimmer MIS 2-Incision procedure, over 80 percent were discharged to their homes within 24 hours or less of their surgery, according to a report made at the recent annual meeting of the American Orthopaedic Association (AOA).

With the Zimmer MIS 2-Incision procedure, the surgeon makes two incisions as small as 1.5 to 2 inches each, and generally separates the muscles, ligaments and tendons to access the hip joint. Traditional hip replacement surgery involves making a 10- to 12-inch incision and cutting a great deal of muscle tissue to gain access.

One key to making the benefits of the Zimmer Institute-trained MIS 2-Incision hip replacement more widely available, according to Zimmer, is assuring that surgeons are trained to perform the procedure. Earlier this year, the company launched a major educational initiative for surgeon education when it opened the Zimmer Institute in late March, 2003. The Institute involves facilitating training at a dedicated 16,000 square foot facility at Zimmer's headquarters in Warsaw, Indiana, and at affiliated satellite institutions around the world.

For more information about hip replacement and other minimally invasive orthopaedic procedures, consumers can visit www.pacewithlife.com or call toll-free, 1-866-FIND-MIS.

Zimmer (NYSE: ZMH), based in Warsaw, Indiana, is a global leader in the design, development, manufacture and marketing of reconstructive orthopaedic implants and trauma products. Orthopaedic reconstruction implants restore joint function lost due to disease or trauma in joints such as knees, hips, shoulders and elbows. Trauma 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 surgery. For the year 2002, Zimmer recorded worldwide revenues of approximately $1.4 billion. Zimmer was founded in 1927 and has more than 3,600 employees worldwide.

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