Q: I understand that Smith & Nephew has a huge commitment to the NPWT sector. How has your division developed more products for NPWT or enhanced the already existing NPWT products in its portfolio?

A: A couple of things come to mind. First of all, we really enhanced our entire product offering, and our corporation has made a huge commitment to this segment. As we’ve gotten into the business, we’ve seen a continual improvement from our first generation products. We introduced a completely new line of Smith & Nephew developed products in 2009, our RENASYS™ NPWT System. Subsequent to that, we added RENASYS-F Foam Dressing kits to the previously available RENASYS-G Gauze Dressing kits.

In 2010, we launched a new port and drape system with the foam dressing kit. This improved the overall performance of our system and removed barriers for clinicians who want to switch to our systems. We’ve also gotten tremendous feedback on our drapes, which is not surprising, because Smith & Nephew is an expert on drapes, films, and adhesives. This proprietary drape has improved the ability to create a seal around the wound.

This year we also launched a software enhancement for our portable RENASYS GO pump, making it easier to use. We’re also about to launch a new iteration of our RENASYS EZ pump, the RENASYS EZ Plus. It will have enhancements to improve the usability of the product. Finally, we have a strong healthy pipeline in terms of product development, and we expect to have a number of new things in 2011 and beyond.

Q: Has the company’s brand innovation been the result of technology—i.e., dressings, pumps, and educating your consumers and patients?

A: As a worldwide market leader, Smith & Nephew has a very strong brand in wound care. We treat more wounds than any other company in the world, so we bring a strong history and tremendous experience to the wound care market. I think our expansion into negative pressure wound therapy certainly broadened the awareness of our brand and what it stands for to customers, and you’re starting to see Smith & Nephew being viewed as more than just a dressings company. Now we’re bringing other technology to the market and ultimately our customers are going to see the synergy between the advanced technologies we have in wound care dressings and negative pressure. For example, we can combine our infection management expertise and technology with negative pressure wound therapy.

We’ve always had a very strong position with clinicians, both in terms of engaging and educating them. For example, our Global Wound Academy is an online source...
for education and training in wound care. That’s something that we pioneered and it has numerous users across the world. There’s been a strong commitment to that sort of activity at Smith & Nephew; we’re trying to expand it into other areas.

Overall, you can bring all the technology you want into the marketplace, but it’s got to be technology that addresses clinical needs. Additionally, you have to support it by educating clinicians on how to use the technology, along with the appropriate application for clinical situations. As we move forward with negative pressure wound therapy and our advanced wound care dressings, we’re trying to help clinicians understand the appropriate role for the different treatment modalities and which wounds should be transitioned from negative pressure wound therapy to an advanced wound care dressing. It’s a learning process we’re going through along with our customers and that’s why the education and engagement with the clinicians is so important.

Q: According to a recent spike in revenue, the wound management division continues to deliver and succeed within the market. What types of things would you attribute to this success?

A: I would characterize it as an evolution in the management and performance of our worldwide wound management business. We have new leadership under Roger Teasdale, our worldwide President, and I think the entire North American Senior Management team and our employees have done a tremendous job in growing our business in a profitable manner. I think that’s been attributable to good management laterally and across the business. We have a lot of new professionals who have joined us and we’ve done a tremendous job of integrating them and taking advantage of the capabilities that have come into the organization.

I think the steady flow of new products has clearly helped us, both in advanced wound care dressings and negative pressure wound therapy—opening up new market opportunities that have enabled us to build upon a great infrastructure with partners like Universal Health Services and Apria Healthcare in the United States.

We also have positive market dynamics. When you look at the things that impact wounds and all of the comorbidities that surround that, whether diabetes, obesity, or lack of medical care, these are all significant issues for the healthcare market in the US and across the world. Though very positive for us, those issues are going to continue, unfortunately, because some of those disease states are not going away any time soon. Despite efforts to eradicate them, they are going to be prevalent for some time to come, so wound care will continue to be a very important challenge for the healthcare system. That will be offset somewhat by the changes in healthcare reform, not only in the US but other parts of the world as well. Government and payers are trying to rein in the cost of healthcare, and that will certainly have an impact. Overall, the prevalence of disease as well as a greater number of patients having access to the healthcare system bode well for our business in the future.

Q: How does Smith & Nephew plan to continue its growth throughout North America?

A: We’ve been focused on building the North American business and we expect to see continued improvement and growth. At the end of the day, it’s really about focusing on clinicians, their unmet needs, and understanding and addressing the economic challenges those clinicians and their institutions face. Providing both clinical and economic solutions is the route to success. You really have to understand those dynamics in terms of product development, how you direct your sales organization, and clinical support and financial packages provided for your products.

Beyond that, we just had a tremendous legal victory in our case with another provider in the negative pressure market and I think that’s taken away customer concerns pertaining to the litigation front. This decision opened up that market opportunity for us to grow our negative pressure wound therapy business, and in the long term, you’ll see that as a very positive area for us.

Q: What kind of product related or regulatory influenced trends do you see on the horizon that will affect the already robust and evolving market?

A: We’ve talked about a couple of these things, including the disease states and how they will continue to impact the market. Healthcare reform is going to impact growth of the market by reining in some of the growth through cost controls. On the other hand, that will be offset by more patients coming into the system.

There are still a lot of questions about exactly what healthcare reform means. I’ve spent some time in Washington and as this debate has evolved, the one thing that’s clear to me is that initiatives like comparative effectiveness are largely focused on the models used in the pharmaceutical market, which may not be appropriate for other markets. The pathways to providing proof of comparative effectiveness and clinical evidence being discussed are based on large multicenter, randomized trials. This approach isn’t always applicable to every situation, in particular, wound care. I think there are a lot of questions that have to be answered about what standards and levels of comparative effectiveness and clinical evidence are required to justify product acceptance and reimbursement.

These questions will influence not only product design, but whether some products can even be developed in a profitable manner. So there are a lot of questions to be answered over the next couple of years. One thing is clear: there will be more hurdles in getting products to market. It’s no longer going to be enough to say that you have a better widget. You’re going to have to provide proof. It’s going to be a question of how much proof will be required, how much it will cost to provide
that proof, how long it will take, and how much risk is involved. So it’s going to be up to companies to decide whether to go down a particular product development path. It’s a big strategic issue that a lot of companies are wrestling with and I don’t think there are any simple answers.

At the same time, the effective management of wounds will play a central and more important role in healthcare. Whether you’re preventing or treating wounds, it can have a significant effect on patient satisfaction and economic outcomes. Proactive wound management can help reduce the length of stay and reduce the risk of hospital acquired infections, pressure ulcers, and readmissions. Effective wound management also directly impacts patient satisfaction and influences a patient’s perception about the quality of care. This has become more important and transparent as national comparative databases such as the Hospital Consumer Assessment of Healthcare Providers and Systems (HC-AHPS) are developed to create incentives for hospitals to improve the quality of care.

Q: Mr. Dugan, can you tell me what business development/endeavors the company has accomplished since we last spoke with you in 2009?

A: Two key things—one, we acquired the Canadian based Nucryst business, the company from which we licensed our Nanocrystalline silver technology, which is used in our ACTICOAT™ products. As you know, preventing hospital-acquired infections is important to clinicians, especially as it relates to patient safety and risk, as well as reimbursement. We made a significant investment in acquiring Nucryst in order to be in control of that technology. The Nanocrystalline technology is very unique and proprietary to Smith & Nephew and we’re expanding the use of it in wound care and with a variety of medical devices.

We also completed our purchase of Blue Sky Medical, which gave us our original entry into the NPWT Market.

Beyond that, we’re constantly looking at a variety of opportunities. I can’t speak specifically about them, but I can say we look at everything ranging from partnerships or licensing arrangements with companies and institutions to acquisitions of substantially sized businesses, so we have a lot of interesting options in front of us. Fortunately, our large presence in the

market leads people to bring us a significant amount of ideas. From a business development standpoint, we have significant activity and opportunity.

Q: Please discuss your division’s latest product launches:

A: There’s ALLEVYN™ Gentle Border Heel, which leverages our Gentle Border technology, and its outstanding ability to absorb fluid. This product can be used on a variety of body locations that are usually not amenable to standard dressings. It has the ability to wrap and flex in areas where it’s difficult to apply a dressing, and not only will it be easier to apply, but it also will maintain its position on the wound. It was a very well-received product with our customers.

We’ve also launched new products in our skin care line, in particular, NO-STING SKIN-PREP™ Spray, that has been very well-received.

We’ve entered the gelling fiber market with our DURAFIBER™ product, which is currently in limited launch. DURAFIBER is a strong gelling fiber dressing. Its fiber structure allows it to retain shape and remain intact when removed from the wound, even when wet.

We’ve also gotten positive feedback on ACTICOAT Flex. ACTICOAT Flex, which also is available in a ribbon version, is compatible with our RENASYS™ NPWT offerings. This is a great example of the synergies we’re able to achieve across our product portfolio.

In negative pressure, we have a couple of improvements to our pump technology and you’re going to see some more things come out later this year.

Q: How has Smith & Nephew remained such a significant force in the wound care market? What are some keys for perpetual success? How does one stay current and relevant amidst a recession and the competition?

A: We have a broad presence across the world and we treat more wounds than any other company, so we have tremendous reach, not only geographically, but also into all care settings: hospitals, acute care, long-term care, and community markets. We understand those markets very well. When you look at our product line, you see solutions that clinicians value. The clinicians also see that we’re
able to innovate and bring high performing technology to them.

The other key is recognizing and addressing all of the issues surrounding healthcare reform. Not only focusing on all of the changes to regulations and laws, but also the fact that there is tremendous economic pressure already being exerted on our customers even though healthcare reform is not fully implemented at this stage. At the same time, they’re feeling the pressure from the overall economy and this is compounded by the fact there’s so much cost containment going on. We’ve had to be creative and proactive in finding ways to help them address these challenges and I think customers recognize and appreciate that we’re stepping up to the plate and helping them in that manner.

I think one of the biggest ways we can help is by offering alternatives in negative pressure wound therapy. Customers and patients have had few choices up to this point and with our recent win in the litigation against another provider, the market has really opened up. Customers can now take advantage of the choices we offer from a clinical standpoint, using foam-based or gauze-based dressings as appropriate. More importantly, the ability to have a choice in providers, has returned the economic power back into the hands of the customer. When you’re dealing with one supplier, you generally have to do it on the terms that the supplier dictates. Now, with more choice, customers are in a position to negotiate terms, so the economic power has shifted back to them. We believe that we can help customers address significant economic and clinical challenges with our products.

Finally, you have to innovate with a continual pipeline of new products and services to help clinicians with daily patient care. That’s the main focus for us as a company.

Q: What are some things you’d like the readers of OWM and WOUNDS to know or keep in mind regarding your division and Smith & Nephew as a whole?

A: First of all, I’m not sure how many people recognize how big of a presence Smith & Nephew is in medical devices in general, and what we might be already doing in your facility, particularly in hospitals. We have a very large orthopedics business, both reconstructive and trauma. We’re a market leader in endoscopy, and our biologics business is on the cutting edge of some very exciting technologies like the EXO-GEN™ Ultrasound Bone Healing System and SUPARTZ™ Joint Fluid Therapy.

We may already have a significant presence in your institutions and that gives us the ability to offer broader product packages, services, and economic plans. We’re constantly looking for ways to improve our presence. For example, we recently combined our corporate account activity from four divisions into one team under Smith & Nephew Healthcare Systems. The Healthcare Systems Team is another way for us to help customers address their economic challenges.

I think addressing clinical needs is the single most important thing we can do—heal wounds faster, better, and more effectively. We’ve got a vibrant product pipeline and some great people in our organization. Finally, our investment in negative pressure wound therapy reflects a major commitment from Smith & Nephew. We’re doing this because we believe we bring something different and unique to this area of healthcare.

Q: What are some things your supporters and consumers can look forward to?

A: They can look forward to a continued commitment and investment in the wound management business. Wound Management is an important business for Smith & Nephew. In fact, it is the basis of a 153-year business in serving patients and clinicians. As you’ve seen from our quarterly results, we are continuing to make a strong contribution to the corporation.

Customers can anticipate a continued flow of new products along with investments in unique, innovative products and technologies designed to help people regain their lives. They will continue to see a high degree of support and service from our organization. Finally, you’re going to see a continued investment in our people will be visible. At the end of the day, having the right people is critical, whether they’re in product development, finance, medical education, marketing, or sales. We all serve the clinicians and patients every day. The good news is that we’re in a market where there’s still a lot of opportunity for growth. We’re going to continue to build upon the 153-year heritage that we’ve established as leaders in wound care.

For more information, visit www.smith-nephew.com.