



MEMORANDUM

Medtronic begins distribution of i-port Advance injection port for MDI users - February 14, 2014

Executive Highlights

- [Medtronic announced](#) that it has begun distribution of the i-port Advance injection port device. The wearable port enables multiple daily injections without having to puncture the skin for each dose.
- Each i-port will sell for a cash price of \$12 dollars, translating to \$4 per day and \$120 per month. Medtronic is working with payers to establish a reimbursement policy.
- The i-Port Advance gives Medtronic an opportunity to expand its high margin disposable business to a new market segment, MDI users not on pumps.

[Medtronic announced](#) yesterday that it has begun distribution of the i-port Advance injection port device (see pictures below). The wearable device consists of a septum that sits 9 mm (0.33 in) above the skin, a round adhesive patch (1.5 in or 38 mm in diameter), and a 6 or 9 mm catheter that sits under the skin (similar to an insulin pump infusion set). The i-port Advance is placed subcutaneously using an attached disposable 90-degreeserter (identical looking to the Medtronic mio and Animas inset). Over the three-day max wear period, users would inject medication into the septum via a standard syringe or pen - the device allows a maximum needle size of 8 mm and cannot be used with needles shorter than 5 mm. The main benefit for patients is that the wearable port enables multiple daily injections without having to puncture the skin for each dose. Medtronic also claims "reduce[d] bruising, pain, and scar tissue while promoting healing."

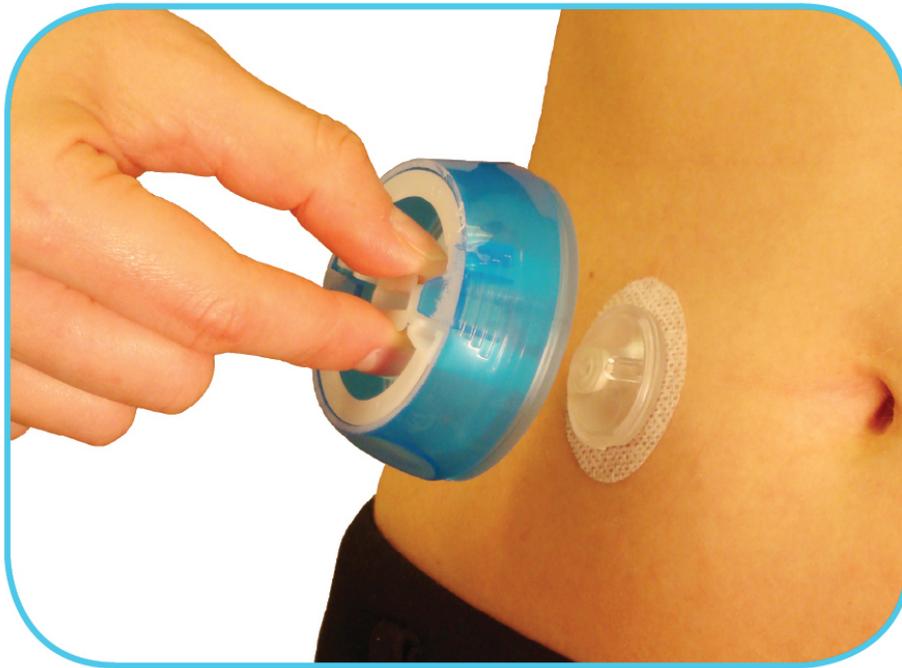
Medtronic acquired assets from Patton Medical late last year and is now the exclusive distributor of i-port Advance. The device is FDA cleared and CE Marked; made by Unomedical; and now available for sale in the US, with expansion to additional global markets planned to take place over the next several months. Each i-port will sell for a cash price of \$12 dollars, translating to \$4 per day and \$120 per month. Medtronic will provide customers with a toolkit to help pursue reimbursement from payers. We imagine this would occur on a case-by-case basis. Medtronic is also working with payers to establish a future reimbursement policy for i-port, and presumably this process will obviously take some time. We suspect this will require a clinical study to establish better adherence or improved patient outcomes.

The i-Port Advance represents an interesting foray for Medtronic into the MDI arena. Time will tell how successful this device is in the marketplace, though it could help address some very fundamental market needs: fear of needles and the pain associated with injections. The i-Port could be particularly well suited to families that have young children with type 1 diabetes on MDI. Certainly not every MDI patient would want to use and pay for the i-Port, though we imagine at least some portion of the ~70% of US type 1 patients not on pumps would be interested. We also assume that some patients may be more comfortable with pumps after using this device. The \$4 per day pricing (without reimbursement at this point) strikes us as fairly steep for most patients, though the benefit of fewer needle sticks could outweigh the cost for some. From a business perspective, the diversified approach addressing MDI users is smart for Medtronic - disposables are a high margin business and Medtronic has lots of market experience selling on the pump infusion set side.

- **Interestingly, the i-port Advance is indicated for patients who administer "multiple daily subcutaneous injections of physician prescribed medications, including insulin"**

- the announcement does not specifically mention any other medications, though GLP-1 agonist and Symlin users could also use the port for injections.

- **We wonder if the i-Port would appeal to healthcare facilities and hospitals, assuming the pricing is reasonable.** The device is not specifically indicated to include or exclude hospital use, and customers have used it in a hospital setting previously. Medtronic leaves that judgment up to the facility.
- **Additional details on the i-Port Advance:** suitable for adults and children; can be applied to the arms, abdomen, and legs; and waterproof. Users cannot inject into the i-Port Advance through clothes (though we wonder if some would do this in practice). [See here for FAQs](#) and [here for a video demonstration](#).
- **This business move comes at a critical time for Medtronic, who has seen six straight quarters of sales growth of $\leq 0.5\%$ in the US.** On the [F2Q14 call](#), management shared its view that the US business would grow in the mid-teens (!) in the next two quarters. We'll hear more when Medtronic reports next week...





--by Adam Brown and Kelly Close