

Bill's passage key to \$60B imaging industry

GE, Philips, Siemens awaiting outcome of diagnostics bill; legislation could boost sales of imaging machines.

By Aaron Smith, CNNMoney.com staff writer
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NEW YORK (CNNMoney.com) -- Medical imaging and diagnostics - the high-tech art of peering inside the body to detect disease without invasive surgery - is a fast-growing business that could accelerate in step with the aging population, experts say.

But much of the \$60 billion industry's success depends on a bill that is currently moving through Congress. Diagnostics companies like [General Electric](#) (up \$0.31 to \$37.27, [Charts](#), [Fortune 500](#)) are hoping that the bill will lift current restrictions that are holding back profitability and making it difficult for patients to access the potentially life-saving technology.

GE chief executive Jeffrey Immelt, at a recent conference in New York, called medical diagnostics "one of the fastest growing markets inside the company." Joseph Hogan, chief executive of GE Healthcare, said sales in CT and MRI have experienced 5 percent annual growth, while ultrasound has grown as much as 12 percent.

The diagnostics market is dominated by General Electric, the sixth-largest company listed in the Fortune 500, the Dutch company [Royal Philips Electronic](#) ([Charts](#)), and the German company [Siemens AG](#) ([Charts](#)).

The fate of the bill, called the Access to Medicare Imaging Act, is unclear. Rep. Carolyn McCarthy (D-NY) re-introduced the bill, which would lift a cap on Medicare coverage of diagnostic imaging services after a prior version of the bill failed to pass in the last session. Current coverage rates are frozen by prior legislation.

Peter Kay, legislative aid for McCarthy, said the new bill has bipartisan support but has a brought on "a lot of hostility" from detractors, who think that lifting the caps will invite fraudulent behavior. Kay doesn't see the bill as a fraud risk, but as a way to prevent late-stage disease.

"We don't want to see unnecessary surgery, and that's what these high-end imaging services help us to avoid," said Kay.

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Scott Geels, analyst at research firm Sanford C. Bernstein, said Medicare coverage is limited under the current legislation, but if the new bill is allowed to pass, that would be a boon to diagnostic machine purchases.

"People who buy the multi-million dollar machines are waiting to see how the bill plays out," said Geels.

<http://money.cnn.com/2007/05/21/news/companies/diagnostics/index.htm?postversion=2007052111>

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The market for medical diagnostics, estimated at nearly \$60 billion worldwide by the research firm Kalorama Information, consists of ultrasound, MRI (magnetic resonance imaging,) X-Ray, CT (computerized tomography) scans and PET (positron emission tomography) that creates 3D images of the body by detecting radioactive markers.

Overall, the diagnostic imaging industry has been growing 6 percent annually in recent years, said Bruce Carlson, associate publisher of Kalorama, in an email to CNNMoney.com. Growth is expected to reach 8 to 10 percent annually over the next four or five years, he said, with the industry swelling to \$80 billion in revenue by 2010. This estimate does not include any impact from the possible passing of the bill.

But in order for the industry to realize its full potential as a money-making preventative for heart attacks and cancer, it has to win the hearts and minds of insurers as well as legislators, say analysts and researchers. Many hospitals have yet to embrace the high-technology offered by cutting edge diagnostics technology.

"Reimbursement remains a big challenge for new products in diagnostics," Kalorama's Carlson said in his e-mail. "Products and procedure techniques need to have excellent cost-benefit data from well-designed outcomes studies to make the case for their widespread use."

Carlson said that diagnostics' ability to detect diseases in the early stages could help improve healthcare for patients while keeping costs down. "It's just a matter of getting around the short-term hurdle of convincing government and insurance entities and the clinical community that these procedures are valid."

Hogan of GE Healthcare said the importance of this technology as a preventative for heart attacks and serious diseases cannot be stressed enough, and that more prevalent use could save lives.

Half of all heart disease patients will "hit the floor dead as their first indication of heart disease, with all the sophisticated tools we have today," he said. ■