Suture Anchors, Graph Suspension Devices, Interference Devices
And Screws for Ligament Reattachment in Sports Medicine

Interview with: Mark Brunsvold – President, Parcus Medical, LLC.

CEOCFO: Mr. Brunsvold, what is the focus for Parcus Medical?
Mr. Brunsvold: The focus for Parcus is sports medicine. Our concentration is in making products for soft tissue reattachment.

CEOCFO: Overall, what are you making and what do you understand about these products that puts them in a superior class?
Mr. Brunsvold: Since our focus is soft tissue reattachment, we manufacture suture anchoring devices and an assortment of ligament fixation devices that are typically used in an active patient population. We use PEEK CF, a strong radiolucent polymer, to make many of our popular products. It has mechanical properties that mimic bone and we emphasize reusable instrumentation. This approach allows us to offer an economic advantage and become better stewards of our natural resources.

CEOCFO: What are some of the challenges in your line of products?
Mr. Brunsvold: Regulatory issues can be challenging. Our implant products are Class II and need to be cleared for sale in the U.S. under the 510K process, because we sell in over 50 countries, we also comply with the CE process. There is some overlap there, to be sure. We also manufacture what we sell, so ISO 13485 imposes another layer of compliance. There can be no compromise in product safety and quality but the cost of healthcare has to be reduced. That can come from a reduction in implant costs, reduced surgical time, or better outcomes. We always aim to deliver on all three of those things. We can’t expect to gain market share against world class competitors unless we do.

CEOCFO: Are you seeing a greater focus today because of the new healthcare environment?
Mr. Brunsvold: Surgeons, and the facilities in which they provide patient care, have always been focused on delivering great outcomes. Now they have the additional burden of doing it at reduced costs. Since Parcus was founded on the principle of offering cost effective solutions, our focus remains the same. Changes in reimbursement have required many surgeons and facilities to examine procedure costs. Change is never easy for anyone but we believe that providers want to provide the best patient care always. Parcus was created to provide part of the solution.

“Parcus has proven that a U.S. based manufacturer can offer state of the art products, at prices that allow surgeons and facilities to continue their focus on providing the best surgical results. We understand the compelling economic challenges facing our customers and we are committed to be a part of the solution for them and their patients.”
- Mark Brunsvold

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CEO CFO: *Would you give us an idea of a particular procedure - how many options a doctor might have and what you are able to provide so that they will choose one of your products?*

Mr. Brunsvold: Rotator cuff repair is a good example. There are probably ten different companies that provide suture anchors in the U.S. and even more internationally. The four market leaders are here in the U.S. There are many different sizes, materials and designs, from which to choose. We match up with the popular solutions, in those terms, but our anchor insertion instrumentation is simple to use and in most cases provides and the critical economic benefit I mentioned earlier.

CEO CFO: *What is new in the industry?*

Mr. Brunsvold: I would have to say that the newest thing is a soft anchor, which is made almost entirely out of suture material, ultra-high molecular weight polyethylene. Biocomposite materials, a blend of absorbable polymers and ceramics are also growing in popularity. Parcus has a soft anchor and we will be coming out with a biocomposite sometime in 2016.

CEO CFO: *Would a hospital maintain an inventory of your products or buy directly from you?*

Mr. Brunsvold: In the US, we have customers that order directly from us and others that are served by manufacturer’s agents. We also have some distributors, which are typical in the international markets we serve. No matter how they buy, most of our customers inventory our products.

CEO CFO: *What factors go into newer products? Is it doctors’ requests or is it new materials that you might be looking at and decide to develop?*

Mr. Brunsvold: Many of our decisions are based upon surgeon requests. It can be as simple as adding a new suture color, expanding a size range, or designing instruments to innovate a surgical technique. Many of the changes we make are changes that provide incremental improvements in performance or convenience. New materials that offer the potential for disruptive changes in the market are exciting but can require lots of capital and take years to bring to market.

CEO CFO: *Would a customer tend to buy all of the products that you can supply?*

Mr. Brunsvold: It is more picking and choosing.

CEO CFO: *Why not get everything from Parcus?*

Mr. Brunsvold: Surgeon preference is amazingly diverse. It is difficult for any one company to provide the best solutions for every surgeon in every category or procedure. Many are technique driven solutions, so training and familiarity are important considerations in product selection. Most products available today will get the surgeon from start to finish, with a great result, but some will provide time savings and a more economically responsible alternative.

CEO CFO: *Does quality trump price in your arena?*

Mr. Brunsvold: Quality is definitely number one. We do not believe that our surgeon and hospital customers would ever want to compromise patient results with inferior, less expensive products. There is no real economic benefit in that kind of decision.

CEO CFO: *Where do you manufacture?*

Mr. Brunsvold: We manufacture in Sarasota, Florida.
CEOCFO: Is it important to be US based for manufacturing?
Mr. Brunsvold: Yes I think so. US made medical products are perceived by many to be the best in the world. U.S. made products are consistent in quality and performance and that earns the respect and confidence of surgeons world-wide.

CEOCFO: What is the Parcus Braid?
Mr. Brunsvold: Technically, the material is ultra-high molecular weight polyethylene. Parcus Braid is strong and abrasion resistant, making it ideal for orthopedic procedures, like tendon and ligament repair. It is one of the most ubiquitous suture material used in our specialty today.

CEOCFO: What products are not getting the traction you would expect?
Mr. Brunsvold: When Parcus entered the market seven years ago, with a value driven product proposition, we thought that the changes in reimbursement would drive an immediate adoption of our model. Well, I guess we were a little ahead of our time. Surprisingly, the products we thought customers would switch to without issue, like guide pins and wires are still the ones that are still under under-performing. Now, everyone is cost conscious and we feel we are right where we need to be.

CEOCFO: Are there any special challenges in the industry of sports medicine compared with general surgeons?
Mr. Brunsvold: No, I do not think there are any great differences. All surgeons are driven individuals. Training, personal sacrifice and a dedication to patient care are really hallmarks of the profession. I think that any difference lies in the expectations of their respective patient populations.

CEOCFO: How do you manage inventory?
Mr. Brunsvold: Medical device companies end up holding more inventory than other businesses because backorders can be disastrous. Patients have to be rescheduled, resulting in stress and inconvenience, at best, for all involved. Backorders erode customer confidence and open the door to competitors. None of those things produce good outcomes for a company in our space. We pay close attention to historical sales data and our forecasts and when in doubt err on the side of more.

CEOCFO: Is there a shelf life to any of the materials you are using?
Mr. Brunsvold: All the sterile products have a three or five year shelf life.

CEOCFO: How is business?
Mr. Brunsvold: It is very good actually. We thought we would have a bigger increase in our international markets but the strong dollar made for tough sledding in some countries. We had hoped for a little more growth but we were still up significantly. We cannot complain.

CEOCFO: How are you able to make manufacturing in the US work?
Mr. Brunsvold: It is all about being efficient in your operations. I have been in manufacturing most of my adult life. We were forced to downsize a bit when we lost a contract manufacturing customer to a Malaysian firm. The difference in the cost to the customer was less than 10%, but the Malaysian manufacturer was located much closer to the end user market so there were other factors involved in their decision. A 10%
difference between what we could make it for in the US and what they can make it for in Malaysia would normally have an insignificant impact on the final sales price of the product.

CEOCFO: What surprised you over the years as Parcus has grown, evolved and prospered?
Mr. Brunsvold: As I mentioned earlier, we were a little bit early to market, in 2009 with our value based product proposition. We saw changes coming then, but we really weren’t seeing the growth we expected until Obamacare and the global reimbursement models started to have an impact.

CEOCFO: Why choose Parcus?
Mr. Brunsvold: Parcus has proven that a U.S. based manufacturer can offer state of the art products, at prices that allow surgeons and facilities to continue their focus on providing the best surgical results. We understand the compelling economic challenges facing our customers and we are committed to be a part of the solution for them and their patients.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine