



HEALTHY CHECKUP

B. Braun Medical, Inc. has made positive inroads in the U.S. health care industry, just as parent B. Braun Melsungen AG has done internationally for more than a century. Erica Gallagher speaks with Chairman and CEO Caroll Neubauer about how the company is living up to its name.

BRAUN MEDICAL INC., supplier of health-care products and services, is fairly new to the industry and the United States, considering its parent company, B. Braun Melsungen AG, has been in the field for more than a century.

More than 160 years ago, German purveyor Julius W. Braun opened his pharmacy for business. Established in Melsungen, Germany, the pharmacy's first products included silver-nitrate drops, baking soda and styptic pencils. It wasn't until later in the 19th century that his son, Bernhard Braun, the company's namesake, began manufacturing medical pharmaceutical products.

Since its inception, B. Braun Melsungen AG, which ranks among the top 100 German companies, has made a number of medical product breakthroughs. Through a corporate-wide dedication to health over the years, B. Braun introduced many originals, such as the first sterile resorbable suture in 1909; the first commercially prepared intravenous solution introduced in 1929; the first plastic

disposable syringe, invented in 1957, and the first needle-free IV system invented in 1989.

The upshot of more than a century worth of innovation and growth is B. Braun, a \$2 billion-plus hospital supplier of medical supplies and products. Now in its fifth generation of leadership, B. Braun remains privately held by the Braun family with manufacturing sites in more than 25 countries.

Today, B. Braun is divided into four business divisions. Its largest is the Hospital Products Care Division, which markets a wide range of medical and pharmaceutical supplies, including IV solutions and administration sets, IV pumps, needles and syringes, sutures, anesthesia supplies and monitoring equipment. Its Aesculap Division is a leader in both surgical instrumentation and orthopedics. B. Braun's MedTech Division is in the kidney-dialysis and renal care businesses. Finally, the Outpatient Market Division promotes a large number of B. Braun products to the home health and alternate-site markets.

By offering a breadth of product lines, B. Braun has become a leading supplier in many geographic markets, including Central ▶



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▷ European countries such as Germany, Austria, and Switzerland. Today, the company has strong market positions in many European, South American and Pacific Rim countries.

B. Braun has been successful in overseas markets for many reasons, including its expertise and innovation. The company sets the pace in the marketplace, creating new standards in product development. Whether for hospitals or private practitioners, in operative medicine or medical technology, B. Braun focuses on practical solutions directly related to clinical objectives.

IT'S NO SURPRISE THAT B. BRAUN now enjoys a reputation as a supplier of indication-based system solutions around the world. In the health-care field where research and development are indispensable, B. Braun's efforts are second to none. Valued principles, such as innovation, technology and training, remain a driving force today. In fact, in the tradition of health-care advancement, the company consolidated its expertise in the medical field at designated Centers of Excellence around the world.

In 1979, B. Braun began its expansion into the United States. Burron Medical, which was founded in 1957 in Bethlehem, Penn., was acquired by B. Braun and later designated as B. Braun Medical Inc., with manufacturing and technology headquarters located in Allentown, Penn. In 1997, B. Braun acquired McGaw Inc. — the largest acquisition by the company — which encompasses facilities in seven U.S. locations: Bethlehem, Penn.; Irvine, Calif.; Carrollton, Tex.; Sabana Grande, Puerto Rico, and Cherry Hill, N.J. Other B.

Braun facilities in the United States include Aesculap Inc. in Bethlehem, Penn., and St. Louis, Mo., Together, B. Braun's U.S. operations employ more than 4,300. The company reports that its U.S. sales have grown by more than 1,200 percent from \$5 million in 1978 to an expected \$650 million in 2001.

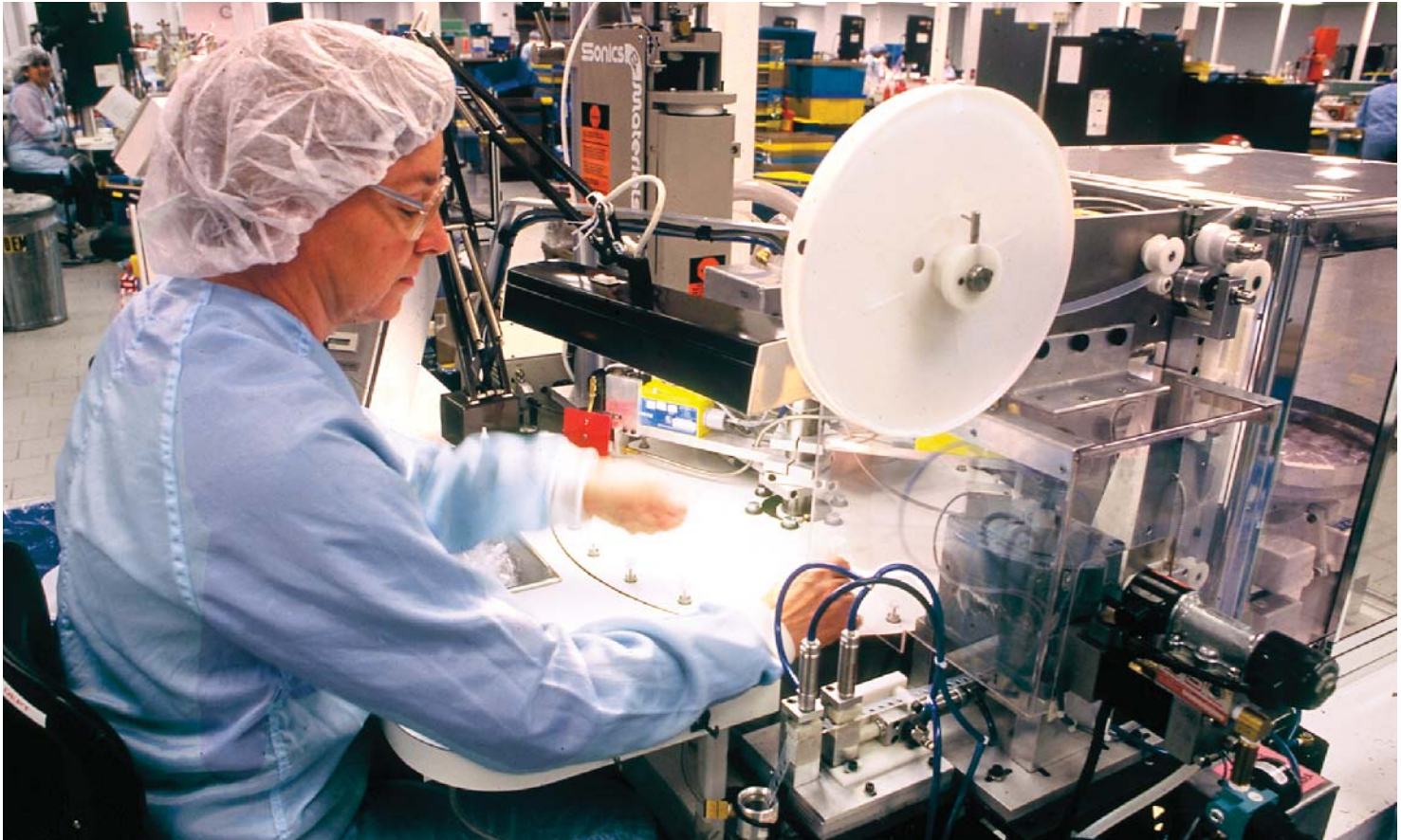
The young company continues to maintain strong market shares in the U.S. health-care arena. Amid industry-wide challenges, it continues to maintain a tight focus on its ultimate goal: to improve, and in some cases, save lives through state-of-the art medical supplies and support. The company's medical products range from infusion and transfusion systems to cardiology products and procedure kits.

B. Braun Medical, in addition to offering a host of product lines, offers Central Admixture Pharmacy Services (CAPS), a subsidiary that was pioneered in 1991 to deliver high-quality admixture services and solutions to a dynamic and challenging hospital pharmacy environment.

Today, CAPS has grown into a nationwide network of state-licensed, FDA-registered pharmacies, providing service to more than 400 hospitals and home care customers. From various locations, CAPS pharmacies operate 365 days a year to admix, dispense and de▷

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We at Robin Industries congratulate B. Braun on its many achievements and contributions to the medical profession. Its advanced medical devices make a difference to quality of care and quality of life. We're proud to be a key business partner, supplying precision-molded elastomeric components. Our Elasto-Tec division uses advanced technology, including liquid injection molding and "flashless" tooling under clean-room conditions to mold vital flow control/engineered elastomeric products. These include silicone seals and diaphragms, duckbill valves, plunger tips, flapper ports and pressurizers, among others. Our designs and manufacturing operations are certified to ISO 9001/QS-9000 standards with assured quality and full traceability. We understand that lives depend on what we do; so we make sure our customers in HealthCare and other industries can depend upon us as well.



“B. BRAUN MEDICAL STRIVES FOR EFFICIENCY. OUR JOB IS TO HELP HEALTHCARE PROVIDERS AND CLINICIANS PROVIDE BETTER, SAFER AND MORE EFFICIENT PRODUCTS AND SERVICES.”

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▷ liver labeled, patient-specific and anticipatory IV prescriptions to the company’s growing family of outsourcing pharmacy providers. “Through CAPS, providers receive outstanding service,” says Chairman and CEO Caroll Neubauer. “It reduces pharmacies’ need for equipment maintenance, staff training, testing, and managing product expirations — and it allows pharmacies to expand services without increasing staff.”

B. BRAUN’S FUTURE IN U.S. markets, according to Neubauer, is reliant also on a series of specialty products. Neubauer says the company’s unique standalone products will accelerate the company’s success. These products include: SAFSITE and ULTRASITE needle-free administration sets; Introcan Safely, a needlestick-prevention version of B. Braun’s IV catheter; the Horizon Outlook infusion pump line and others.

The company is supporting a nationwide movement toward improved safety standards. In October, passage of bipartisan legislation in the U.S. Senate set out to protect health-care workers from

deadly needlestick injuries that can spread HIV and hepatitis C. The bill requires the use of newer, safer devices in health facilities by strengthening OSHA’s standard on bloodborne pathogens. These devices automatically retract, cover or blunt needles after they are used.

B. Braun Medical is carrying the torch in this endeavor. The company, a pacesetter in needle-free IV technology, continues its focus on innovation and health-care safety. In the 1980s, the company created a needle-free IV system with the goal of improving safety across the health-care continuum. Today, B. Braun Medical is the leader in valve-based needle-stick prevention.

SAFSITE, ULTRASITE, SafeLine and Clave are major constituents in advanced IV system safety, on which B. Braun Medical prides itself.

“Needlestick legislation is a big initiative. Hundreds of thousands of clinicians experience needlesticks every year,” Neubauer says. “B. Braun Medical is among the leaders to bring this level of safety to the industry. The addition of the needle-free IV systems prevents clinicians from accidentally getting stuck with a needle.”

Introcan Safety IV catheter is the latest addition to B. Braun Medical’s leading line of needlestick preventive IV products. As a passive device, Introcan Safety meets the requirements of the federal directive calling for health care providers to adopt products and measures that decrease the risk of inadvertent needlesticks.

Neubauer also highlighted B. Braun Medical’s non-PVC, non-DEHPP EXCEL and PAB IV containers, which feature biologically inert, non-toxic plastic construction. EXCEL containers are environmentally safe because, upon incineration, they form carbon ▷

▷ dioxide and water. In landfills, they require less space and will not leach harmful chemicals into the soil or ground water.

The containers' unique non-PVC and DEHP-free design provides for a safe, accurate means of administering IV medication. DEHP is a chemical additive used in the manufacture of some plastic IV bags and tubing, but has been identified by the U.S. Environmental Protection Agency as a probable human carcinogen. B. Braun Medical, through its non-PVC products, eliminates any harm DEHP might cause.

"We are a leader in non-PVC IV containers and are proud of our safety measures," he says. "One of our corporate objectives is to be a responsible member of society, which includes being environmentally responsible."

Neubauer, who holds law degrees from Georgetown University and Albert Ludwig University, a German law school, says although parent B. Braun ranks high in Europe, South American and the Asia-Pacific region, its U.S. medical operations rank lower in market share. And although sales skyrocketed for the past two decades, B. Braun Medical is diligently trying to enhance the B. Braun Medical name through high-performance supplies.

The United States is an important market for B. Braun Medical, but the immense consolidation among group purchasing organizations has combined with consolidation among suppliers to create a thorny situation. It means that only a few, large suppliers conduct business with a few, large customers. And the difficulty faced by B. Braun Medical, a subsidiary of a long-established international player, accentuates how difficult it is for outsiders to tap into this market.

Moreover, competition is heavy on the home front with literally hundreds of medical-supply companies racing to top industry positions. Although big names like Tyco Health care, Baxter Health care Corp. and Abbott Laboratories are among numerous competitors in the health care industry, Neubauer says B. Braun is among the leaders in North America in several of its product fields.

Competition and consolidation, while threatening to any industry, are not enough to put B. Braun Medical in a subdued position. The company is not only backed by a long-established and internationally known parent, but it is a pioneer in its own right, having made continuous progressive inroads in the health care industry. With B. Braun Medical's line of clinician-preferred products in addition to cost-effective and value-added initiatives, the company hopes to realize increased brand recognition.

"B. Braun has a long history in health care," Neubauer says. "Competition is always fierce in innovative markets, but through safety, high quality and cost-effectiveness, we gain an advantage."

Neubauer says that as a private company, the its set of priorities is much different than those of public companies.

He says though it is currently looking at acquisition opportunities, it does not make them for the sake of growing its market share. Instead, he stressed, the company is keenly focused on strategic acquisitions that assist B. Braun Medical in growing organically. "We want to be known as the fastest-growing health care company in the United States, with a focus not on acquisitions, but organic growth," Neubauer says. "B. Braun Medical will continue

to advance because of our innovative safety and quality focus, which is passed along to customers and their patients "

Today, the health care industry is seeing important changes and challenges it must cope with. These events do not solely affect hospital and clinic personnel, they directly hit suppliers such as B. Braun Medical. Neubauer says the industry is under a tremendous amount of cost-saving pressures. One major cause of these pres-



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ures is the Balanced Budget Act of 1997, which was signed into law by President Clinton in August 1997. This legislation enacted the most significant changes to the Medicare and Medicaid Programs since their inception more than 35 years ago.

Throughout the United States, in rural and urban areas alike, health-care systems are feeling the effects of the Balanced Budget Act because it has affected their bottom lines. B. Braun has felt the strain on the health care industry's resources and has adapted accordingly. By cost-effective solutions and health care provider support, the company strives to lessen the industry's burden.

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"B. Braun Medical strives for efficiency. Our job is to help health-care providers and clinicians provide better, safer and more efficient products and services," Neubauer says. "We provide customers with labor-saving, high-quality, safe products."

B. BRAUN COMBINES RENOWNED research and development with state-of-the-art manufacturing capabilities. Neubauer says the U.S. division's main priority is heavy internal training. From manufacturing to general administration to sales, employees must be proficient in a heavily regulated industry. Not only does B. Braun comply with quality-control regulation enforced by the FDA, it achieves its own standard of quality.

"Patients' lives depend on our products, so it's important to intensively train our employees," Neubauer says. "Hourly employees must learn to work in a clean-room environment and our administrative and managerial staff must complete a very intensive internal education program. Sales representatives support and advise health-care professionals in using our products and require extensive training."

From manufacturing to corporate culture, the company relentlessly pursues the latest and most up-to-date approaches. For B. Braun Medical, brand recognition in the states is important as it is in other regions. In efforts to better express a "one true company" image to outsiders, B. Braun uses a sole logo and tagline. Internally, according to Neubauer, it is not always as easy, but the company is making inroads to achieve high standards and communication.

Communications initiatives, such as corporate-wide Lotus Notes system, Intranet and video conferencing, according to Neubauer,

have made a significant improvement to communications among the division and the parent company.

Externally, B. Braun's divisions are dedicated to aiding in the development of surrounding communities. The company's entrepreneurial commitment is extended to promoting a sense of cultural responsibility. In each region in which its divisions reside, it supports social and cultural development. B. Braun supports sports, museums, cultural events and the B. Braun Art Collection for young artists.

"It's a corporate objective to take social responsibility," Neubauer says. "B. Braun Medical does its part to be a responsible member of society. Employees of all ranks participate in charitable events, assume community responsibility, and we are especially supportive of our community hospitals."

Related to its philanthropic efforts, in 1999, B. Braun Medical assisted Kosovar refugees in Macedonia, which numbered more than 225,000. The company contributed life-saving IV solutions and drug-delivery devices. The company also enlisted the cooperation of the University of Chicago Hospitals and Regent Medical to donate more than 90 cases of latex gloves.

Exclusive B. Braun Medical products with the vision to become the fastest-growing company in the U.S., are what B. Braun Medical is striving to achieve. Not only that, but according to Neubauer, the company is dedicated to corporate-wide safety, environmental responsibility and overall high standards. Much of what is going on in stems from what has already been established in other countries by its parent company for more than 160 years. ■

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