Medical device outsourcing poised to grow rapidly

More sponsors using larger, complex clinical trials to enhance product positioning

Medical device companies increasingly turn to CROs for clinical development work as they look for cost-effective and efficient ways to meet rising regulatory demands and pressures to expand into global markets.

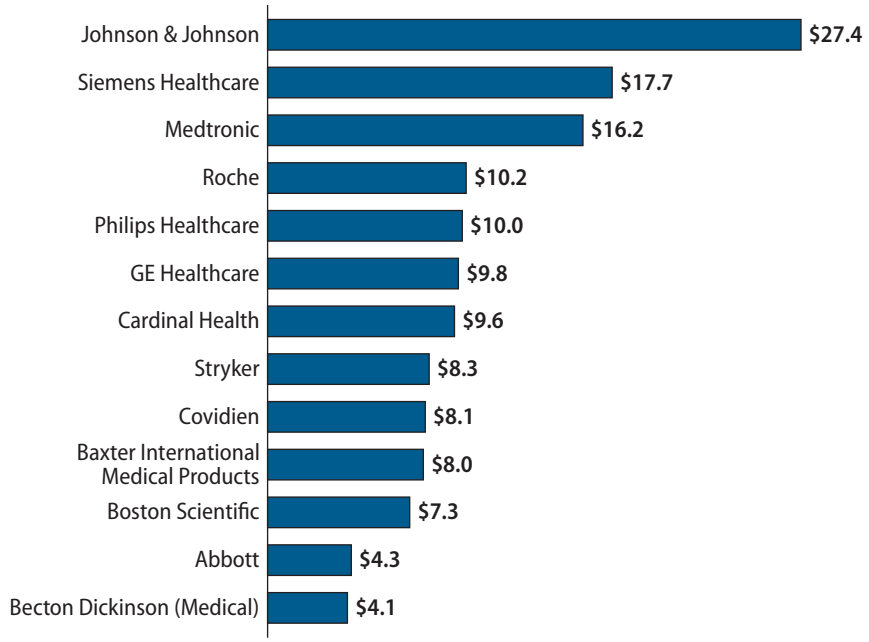
Over the next five years, the global medical device CRO market is expected to grow at a compound annual growth rate (CAGR) of 12.5%, according to a study by healthcare market analysts at GlobalData, to reach about $7.4 billion by 2018. The market was estimated at $3.6 billion last year.

Demand for outsourced medical device services has soared as products have become more complex, regulators require more rigorous data and sponsors seek to move into overseas markets both to conduct clinical studies and market new devices. At the same time, medical device companies have moved toward full-service outsourcing and have become more strategic in their outsourcing relationships, turning to CROs as a first-line approach to clinical development, as opposed to as a back-up for when they lack the internal resources to conduct a study.

"We are seeing more outsourcing and more rigorous outsourcing," said Ryan Wilson, general manager of medical devices at Medpace, which recently expanded its global medical device services through the acquisition of European CRO MediTech Strategic Consultants. "There are people who see the economic and expertise proposition with outsourcing. They are seeing it not just as capacity overflow, but also the ability for these CROs, who are really expert in running trials, to be able to handle them globally."

Top medical device manufacturers

Total device revenues in U.S. billions, 2012



Source: CenterWatch Analysis of Company Reports, 2012

Sector lags behind pharma

The strategic use of CROs for medical device studies marks a significant shift, since the device industry historically has lagged behind drug industry outsourcing.

The device sector last year outsourced only a quarter of its clinical development work, compared to 60% from pharma companies, and typically it conducts key activities in-house, according to a survey of medical device companies conducted by Best Practices, a research and consulting firm based in North Carolina. Since even large device studies rarely involve more than a few hundred participants, compared to the thousands of patients enrolled in late-stage drug trials, and typically require fewer trials per product, large medical device companies often build their own staffs to conduct small trials and then add employees, when needed, for larger trials.

"The number one reason we lose out on a bid is that clients chose to