

Increasing Patient Comfort through Enteral Feeding Devices



Dr. George J Picha
President

CEOCFO: *Dr. Picha, what is the idea behind Applied Medical Technology?*

Dr. Picha: Applied Medical Technology currently manufactures a focused product line for children who are unable to eat; many of these patients have gastrostomies. AMT designs and manufactures the enteral products for these patients, known as feeding tubes. AMT also provides a tube securement system for nasogastric tubes. The nasogastric tubes maintain nutritional support without the need for surgery. Though AMT manufactures enteral feeding devices primarily for children, we are also quickly moving into the adult market place. What is a gastrostomy device? A gastrostomy device goes from the outside of the body into the stomach or intestinal tract. In addition, we manufacture a system referred to as the AMT Bridle™. The AMT Bridle™ is a rapid placement system that uses rare earth magnets, which connect around the back of the nasal septum delivering an anchoring tape to secure a feeding tube that is used for nasogastric or nasojejunal feeding. Why is this important? There is at least a 40% rate of pullout of feeding tubes.

CEOCFO: *Why would your alternate way for feeding tubes be better?*

Dr. Picha: There are many diseases that children succumb to; it could be premature birth, neurologic, birth malformations, trauma or metabolic diseases. In these situations the child may not be able to swallow or have the incentive to swallow. The goal is to use the intestinal tract, for improved delivery of nutrition, preferably over IV feeding, i.e: Total Parenteral Nutrition (TPN). The gut is the most effective means by which to nutritionally support a patient as well as support the immune system. AMT designs and manufactures devices which access the stomach for feeding. Other times we may have to bypass the stomach, as it might not be functional. Thus, in that case, the gastrostomy device goes through the stomach and into the small intestine. The creation of a gastrostomy typically requires surgical intervention, for example a pediatric surgeon, pediatric GI, or for adults general surgery will create the gastrostomy site. Those procedures require surgical intervention and as an adjunct AMT also sells initial placement kits to create the gastrostomy.

In other cases, for example, adults as well as children, feeding can take place through a tube passing through the nose and into the stomach and/or small intestine, thus avoiding surgery that would be required to create a gastrostomy. However, many times there are several options to feeding that being nasogastric feeding versus a P.E.G. (Percutaneous Endoscopic Gastrostomy). There is a trend we are beginning to see where children who have nasal feeding tubes are going home with the AMT Bridle™, as a result AMT's product is changing the manner in which children are being fed. For example, in the United Kingdom the surgical procedures are either bypassed or delayed because the safety and security of the AMT Bridle™ System is sufficiently stable and safe for children. Many times, these children are able to progress nutritionally to the point where they then can begin self-feeding, thus avoiding a surgical procedure altogether.

CEOCFO: *Are there many companies working in this arena? What is the market and the competition?*

Dr. Picha: In fact, there are quite a few companies, for example Bard, Corpak, Covidien, Boston Scientific and Halyard to name a few. The market is global, thus we do business not just in the U.S. but internationally along with developing countries. Almost 50% of our product is sold outside of the United States.

CEOCFO: *Why would a hospital or doctor want to use an AMT device?*

Dr. Picha: I'm glad that you asked that question. Here are a few reasons: We are completely focused on enteral feeding, with an emphasis on product quality and innovation. We are not a division or a small segment of a larger, public corporation. We are privately held and thus able to choose as well as invest in higher risk and more creative solutions to problems. We innovate constantly while also improving the product's design and performance. I have both a masters and

a Ph.D. from C.W.R.U. in biomedical engineering and material science. I am also a surgeon with training in general surgery and over 30 years of practicing plastic surgery. As a result, my perspective is different from a strictly strategic business perspective. AMT's focus is entirely on the patient and the healthcare provider. We are in direct contact with healthcare providers and families providing extremely high quality products with unique features. Since the start of the company, over 30 years ago, we have incorporated at least twelve innovations and improvements in our low profile feeding device alone. In addition, our competition has copied us in many cases because they have seen what we delivered to the benefit to the patient. Our customer service is also critically important there is always a person who answers the phone. They are a trained customer service team dealing with hospitals, HME's, parents or patients themselves. Our customer service people are proactive and well educated with regard to our products and the patient's needs. We are also aggressively extending our product line to feed children who are not addressed in the marketplace today. For example, AMT's low profile gastro jejunostomy system (G/J) is the smallest French size in the world and has a lumen that is 60% larger than our competitor's. This design reduces the potential for occlusion thus reducing risks by avoiding the replacement procedure, radiation, anesthesia as well as reducing costs. These are significant procedures that children have to undergo in the radiology department. Also for the most part, our G.I. products last twice as long as our competitors'. AMT's G/J also reduces the risk of mis-feeds into the gastric versus the small intestine. AMT also developed the glow in the dark connectors and feeding accessories. When a parent goes in to check on their child at night, they do not have to turn the lights on. They just look for the glowing connections. Both the parents as well as the children love the fact that our connectors glow in the dark. AMT's other product, the MiniONE™, is more durable, smaller as well as much softer, than the competitors'. We are trying to match the tissue properties of the child in our material selection. The final reason to purchase AMT's products is they are manufactured right here in Brecksville, Ohio. We do not import our products from foreign countries in order to improve our margins for our shareholders. I am committed to creating jobs in the United States and specifically in Ohio. In fact, we currently have job openings for approximately 90 people to fill over the next 12 months.

"Applied Medical Technology is truly here for the betterment and caring of mankind. We are here to serve patients and caregivers with products that meet their challenging needs. We listen to what they are saying and we try to innovate to their needs. Their problems are our opportunities." - Dr. George J Picha

CEOCFO: *Is the segment of the medical population that should know about AMT, aware?*

Dr. Picha: The simple answer is yes, and quality is associated with our name. AMT is privately held and began with one sales person, in Independence, Ohio. Now AMT has more than twenty sales people, four regional managers and creating a global market presence. In fact, parents are requesting AMT's products on behalf of their physicians. Some parents are our best sales people. AMT also has an international presence. In the United Kingdom and Norway AMT's products are ranked number one and in Sweden they are ranked number two. Along with many other countries, AMT is also selling in Australia, New Zealand, South Africa and the Middle East to mention a few. Currently we are also expanding into the South American market as well.

CEOCFO: *Do you find that made in America even more important in some of the foreign countries?*

Dr. Picha: There are companies in foreign countries trying to imitate AMT's products, but suffer from a lack of quality. The products are less expensive, but the patient suffers and the failure rate is high. The governments are looking to reduce costs, but in fact are reducing the quality and product durability. In the end, it is costing more in replacing the product and the patients are suffering. Ultimately, people begin to recognize the value of AMT's quality and durability. I am very happy to say that we place tremendous value on a child's life in the United States. When you consider what it costs to maintain a child's health amidst an array of health issues, AMT's products are a very small fraction of the cost while providing tremendous value. As one parent expressed to me, "My child would die without AMT's MiniONE™." That in my book is profound. Made in America still, correlates with quality as well as creating jobs for Ohioans.

CEOCFO: *Are you confident that the current healthcare environment, where costs and fewer repeat visits are becoming more important will help in your growth?*

Dr. Picha: AMT is adapting to the current healthcare environment. For example, the AMT Bridle System studies have shown it saves \$500 to \$1,000 per patient in replacement costs by eliminating pullouts. There is approximately a 50% pullout of nasal tubes, but we reduce that percentage dramatically. The AMT Bridle™ is a healthcare professional time saver and security system. Little children simply want to pull the feeding tubes out. However, our retention system prohibits that, thus AMT is securing a nutritional lifeline while allowing the nurse/doctor to attend to other important issues, without having to worry about a tube pullout or migration. Thus, there is a real cost savings as well as delivering improved

care. Overall, I think the American medical industry recognizes the required direction and innovation is going to drive us into more cost effective devices as well as higher quality of care.

CEOCFO: *How do you deal with the frustration of knowing that you have a safer, better product and not everyone is taking advantage?*

Dr. Picha: There are times when it can be frustrating, but you have to be patient and if we have a barrier we need to understand the origin and cause. We also need to engage other people within the provider system who may be closer to the patient as they will recognize the value of our products on a daily basis, for example the parent or nurse. We also work with parent organizations, allowing us to educate them as to the advantages of our product and their opportunity for improved care and performance for their family. The parents are many times filled with guilt because they feel they are responsible for the child's outcome and their current state. Thus, anything we can do to improve the quality of that child's life, directly improves the quality of life for the family. The other approach is to educate the nurses and physicians as to the advantages of AMT's products. Purchasing always provides a challenge as they are driven by price and cost reductions. Thus, you have to educate them. In fact, AMT's product is a bit less expensive than the leading competitor's, and yet is of much higher quality and durability, thereby reducing healthcare costs. In situations when there has been dedicated use of a competitor's product, we have to go through clinical trials and allow them prove to themselves the value of the AMT brand, the clinical value and improved outcomes for their patients.

For example, due to the design of our balloon when the device is in place within the stomach the apple shaped balloon seals the stoma site with 300% more surface area than the competitor's product. As a result, the button reduces the gastric fluids from passing through the stoma site and thereby irritating the skin. We are quite pleased to find that our device in some cases has a therapeutic effect with a reduction in hypertrophic granulation tissue.

CEOCFO: *Put it all together for our readers. Why pay attention to Applied Medical Technology?*

Dr. Picha: Applied Medical Technology is truly here for the betterment and caring of mankind. We are here to serve patients and caregivers with products that meet their challenging needs. We listen to what they are saying and we try to innovate to their needs. Their problems are our opportunities. If we can solve their problems and deliver products that perform, then AMT will be taken care of by our customers with market success as a by-product of excellence.

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



Applied Medical Technology, Inc.

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