



This is an artificial knee made by US medical giant Stryker. The firm is under investigation for multimillion-dollar donations to hospitals. The money trail leads to Melbourne.

By **RICHARD BAKER**
 and **NICK MCKENZIE**
 AGE INVESTIGATIVE UNIT

MEDICAL device companies that are among the biggest financial donors to Melbourne's top hospitals are being investigated by US authorities over payments to doctors in return for the exclusive use of their products.

Several American companies that make hip, knee and spinal implants are being investigated by the Securities and Exchange Commission for illegally paying kickbacks to overseas doctors to win preferential treatment for their products.

Two of the companies, Stryker and Zimmer, are among the biggest corporate donors to The Alfred and the Royal Melbourne hospitals in recent years.

They and other medical implant companies also have lucrative financial arrangements with several of Melbourne's leading surgeons, raising conflict-of-interest perceptions.

The revelation of the US investigation — as well as the companies' financial ties to Melbourne hospitals and surgeons—yesterday prompted the Australian Medical Association and medical ethics experts to call for greater transparency in the relationship between the implant makers and surgeons.

Several hospital sources have told *The Age* that doctors' financial arrangements with medical implant makers had led to products receiving preferential use in hospital departments.

"These are contracts that are given for exclusive supply without being tendered for in public hospitals," a senior doctor at a leading Melbourne hospital said. "They are worth hundreds of thousands."

"There are instances when the sales reps will actually do the rounds of the hospital and threaten junior staff, like residents, if they see them using other companies' implants."

At The Alfred, Stryker is listed in annual reports as one of the hospital's biggest financial supporters since 2004.

The company, which until recently had a contract with The Alfred's suspended trauma director, Thomas Kossmann, donated \$250,000 towards the National Trauma Research Institute established at the hospital by the German surgeon in 2004.

Professor Kossmann is also president of the South Pacific chapter of an orthopedic association funded by Stryker.

A spokesman for Professor Kossmann said yesterday donations by medical companies had no bearing on clinical decisions about which products to use on patients. Any money he received from Stryker had been donated to the hospital.

Trauma research at The Alfred also received an \$80,000 donation from Zimmer in 2003-04 and a \$75,000 cheque from another US implant maker,

DePuy, a year later.

Stryker is also acknowledged as a big donor by the Royal Melbourne Hospital, and Zimmer has been regularly listed in financial reports by the hospital as one of the principal sponsors of its research in recent years.

Several Royal Melbourne surgeons are believed to have financial links to medical device makers.

The Alfred and the Royal Melbourne said yesterday that

▶ Continued **PAGE 2**





Money trail in US medical devices investigation leads to Melbourne hospitals and surgeons

◀ From **PAGE 1**

individual doctors did not have a role in the purchase of medical devices.

Such instruments were bought through tendering or price agreements negotiated "at a whole-of-health-service level, or by Health Purchasing Victoria on behalf of all hospitals", an Alfred spokeswoman said.

A Department of Human Services spokesman said a departmental committee was establishing new guidelines on the use of orthopedic devices in Victorian hospitals.

The US Government's focus on payments to foreign doctors by the medical device companies follows a US Justice Department investigation last year into kickbacks to American surgeons.

The probe found five of the biggest medical implant companies, including Stryker and Zimmer, paid \$US222 million (\$US240 million) to US doctors last year to get their products used exclusively.

In some cases, individual surgeons were receiving as much as \$US1 million from a single company.

Four of the companies, including Zimmer, were found to have violated anti-kickback laws. They received a deferral of criminal charges after agreeing to pay \$US310 million in fines and to adopt a new code of conduct allowing federal officials to monitor them for 18 months.

The new code of conduct requires doctors to disclose to patients any links they have to medical implant companies.

The companies have to annually declare how much they are giving individual doctors in cash and other inducements.

Stryker escaped fines and the deferred criminal charges after being the first company to agree to co-operate with the investigation.

But it is subject to US Government monitoring and last month was issued with a subpoena by federal investigators to hand over documents relating to its agree-

ments with doctors overseas.

Medical ethics expert Thomas Faunce, an associate professor at the Australian National University's college of law, said greater scrutiny was required because of a big increase in the use of medical implants in recent years.

Australian Orthopedic Association vice-president John Batten said orthopedic surgeons were required to have a relationship with the companies that made devices they regularly used in surgery.

He said the association's members were subject to a strict code of conduct to ensure that any financial ties to companies had no bearing on what was in the best interests of patients.

A Stryker spokeswoman said the company was unaware if its links to Australian doctors would be examined by US investigators. Zimmer Australia declined to comment.



PICTURE: LOUIE DOUVIS



Founded in 1927 in the US, Zimmer is one of the world's biggest manufacturers of orthopedic implants, including artificial knee, hip and shoulder joints. Its 2007 sales amounted to \$US3.9 billion. Last year, US federal investigators found it paid \$US86 million to American doctors to give its products preferential treatment. It has commercial links with leading Melbourne surgeons and has been a significant donor to the Royal Melbourne and The Alfred hospitals.



This industry routinely violated the anti-kickback statute by paying physicians for the purpose of exclusively using their products. Prior to our investigation, many orthopedic surgeons in this country made decisions predicated on how much money they could make – choosing which device to implant by going to the highest bidder.

– US Attorney Christopher Christie on his investigation



Is a global top-10 medical technology company, specialising in implant devices including hips, knees and spines. Stryker paid about \$US40 million to US doctors last year. In 2006, it turned over \$US5.1 billion. The company has strong financial ties to The Alfred hospital, including a \$250,000 donation to its National Trauma Research Institute. The Alfred serves as the headquarters of a South Pacific branch of a Stryker-funded orthopedic association.

