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## Guesstimates Rarely Add Up



*By: Joe Galatowitsch, President*

Guesstimates make for exciting quotes and tasty news tidbits, but they rarely add up to an accurate view of a market's potential.

Historically and consistently, the market for catheter ablation for AF has been counted in the billions.

Investigation of several critical factors suggests a much more modest—albeit still very healthy—market potential for catheters to treat AF.

Since catheter ablation effectively “cures” the arrhythmia, the “lifetime” revenue per patient is usually a one-time event, or potentially 1.5 times if you consider the subset of patients who need a second procedure. That means there is no annuity revenue and, once you treat all the prevalence, you're left with the underlying incidence rate as your ongoing treatment source.

Prevalence is related to incidence by duration, or how long patients live with the condition. So understanding the average age of onset is pretty important if we want to understand the annual revenue potential for catheter ablation for AF. Also, these patients typically are scattered all over the healthcare system. Consequently, it's difficult to identify, diagnose, and treat patients faster than the underlying incidence rate. The annual de novo volume for many well-known and highly successful medical technologies—including pacemakers, defibrillators, CRT devices, spinal fusion, stents, hips, and knees—never exceeded their underlying incidence rates. In effect, the underlying incidence rate frequently drives the realistic maximum annual revenue.

Prevalence is often (mis)quoted as a measure of unrealized opportunity. In cases such as AF where there is no annuity revenue from the prevalence population, this is a highly misleading statistic. We often hear ‘only 37% of the prevalence pool has been treated’. However, this can be meaningless; penetration of the prevalence pool is a lagging measure. It eventually equalizes with penetration of incidence, and, therefore, neither represents the size of the opportunity, nor provides an accurate measure of progress toward full adoption. Also for progressive diseases like AF, not everyone progresses, so there may be many patients with the condition that never progress to meet the indication and many more who never get diagnosed or get diagnosed too late.

Lastly, for many medical technologies, the net addressable population is far smaller than the gross indicated population.

Indeed, many clinical exclusions exist that may render the net addressable population to be a fraction of the gross indicated population. For catheter ablation for AF, the difference between the gross and net indicated population is substantial, which further limits its market potential.

In other words, take the gross incidence of AF, discount by progression rates, time of diagnosis, actual indications for ablation and clinical exclusions, then multiply the result by the price of a catheter or two to understand the real market potential. What you'll derive is a great business opportunity, but not a multi-billion-dollar one.

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