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Manufacturing Returns to United States

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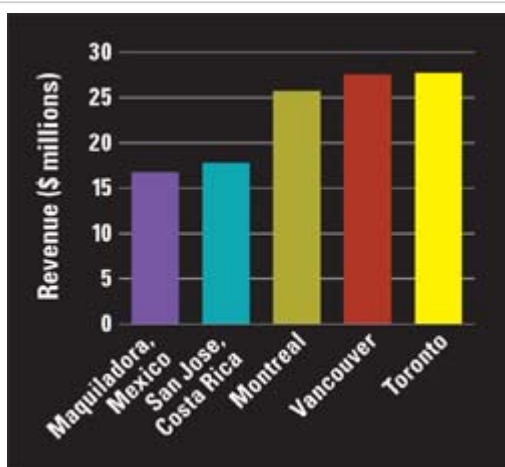
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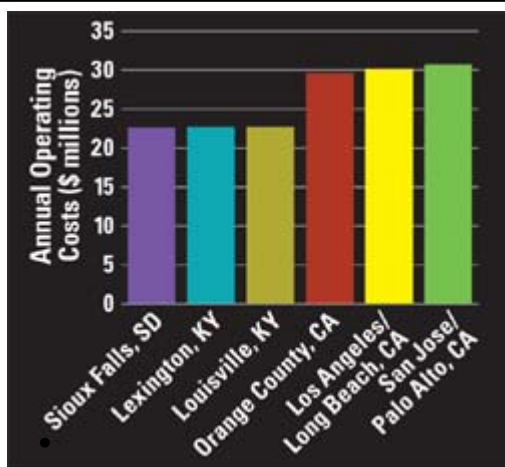
By: Maria Fontanazza



Medical device companies have a lot to think about when choosing a site for a manufacturing facility. Although many manufacturers have opted for low-cost offshoring options, a recent study conducted by site-selection consulting firm The Boyd Company, Inc. (Princeton, NJ) predicts that thousands of final assembly and quality control jobs will be returning to the United States from China, India, and the Caribbean over the next 10 years. Factors for the anticipated influx of domestic manufacturing include security concerns related to patents, counterfeit products, and piracy, as well as heightened FDA scrutiny.

Five international manufacturing locations fell into The Boyd Company's list of 55 sites. San Jose and Maquiladora were among the lowest cost locations.

San Jose, Costa Rica is the heart of medical device manufacturing in Latin America. It had the second lowest annual operating cost among the 55 manufacturing locations included on the list. Companies that have manufacturing facilities in Costa Rica or Mexico include Medtronic, Boston Scientific, Baxter Healthcare, and Abbott Vascular. They're often lured by lower operating costs and the tax incentives of free-trade zones.



Within the United States, Minnesota—more specifically, the Minneapolis-St. Paul region—has long been a key hub for medical device manufacturing. However, the Twin Cities are being given a run for their money by nearby cities such as Rochester, MN; Sioux Falls, SD; Madison, WI; and Kalamazoo, MI. Out of the 55 surveyed locations, Sioux Falls also has the lowest annual operating cost at about \$22.6 million.

What Could Hurt U.S. Medical Device Manufacturing

Healthcare reform legislation: 2.3% excise tax on medical device manufacturers.

The U.S. medical device manufacturing locations with the highest operating

costs are in California and the nearly tied bottom three are in Kentucky and South Dakota.

Cost of device approval process is responsible for more than 75% of the cost to take a device from concept to market, according to Stanford University.

FDA approval takes about two years longer than similar product

reviews in Europe.

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Key Factors	Costa Rica	Minnesota
Manufacturing Location Ranking (out of 55)	54 (San Jose)	17 (Minneapolis/St. Paul)
Annual Operating Costs	\$17.8 million	\$26.2 million
Employees in Medical Device Industry	Nearly 12,000	28,000+ (three times the national average)
Regional Benefits	Labor training programs, rich water supply, hydroelectric power, and free trade zone industrial parks	Large life sciences workforce, geographic neutrality, and proximity to I-35 highway (known as the NAFTA Superhighway)
	Two international airports and three seaport terminals	Major air travel hub (Delta)
	Home to 50+ medical device companies	Access to life sciences centers (i.e., University of Minnesota)
The Boyd Company analyzed the operating costs of 55 manufacturing locations in the United States, Canada, Mexico, and Latin America. Using a hypothetical model, the costs were scaled to a 175,000-sq-ft production plant and 325-employee site that ships to the U.S. market.		

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