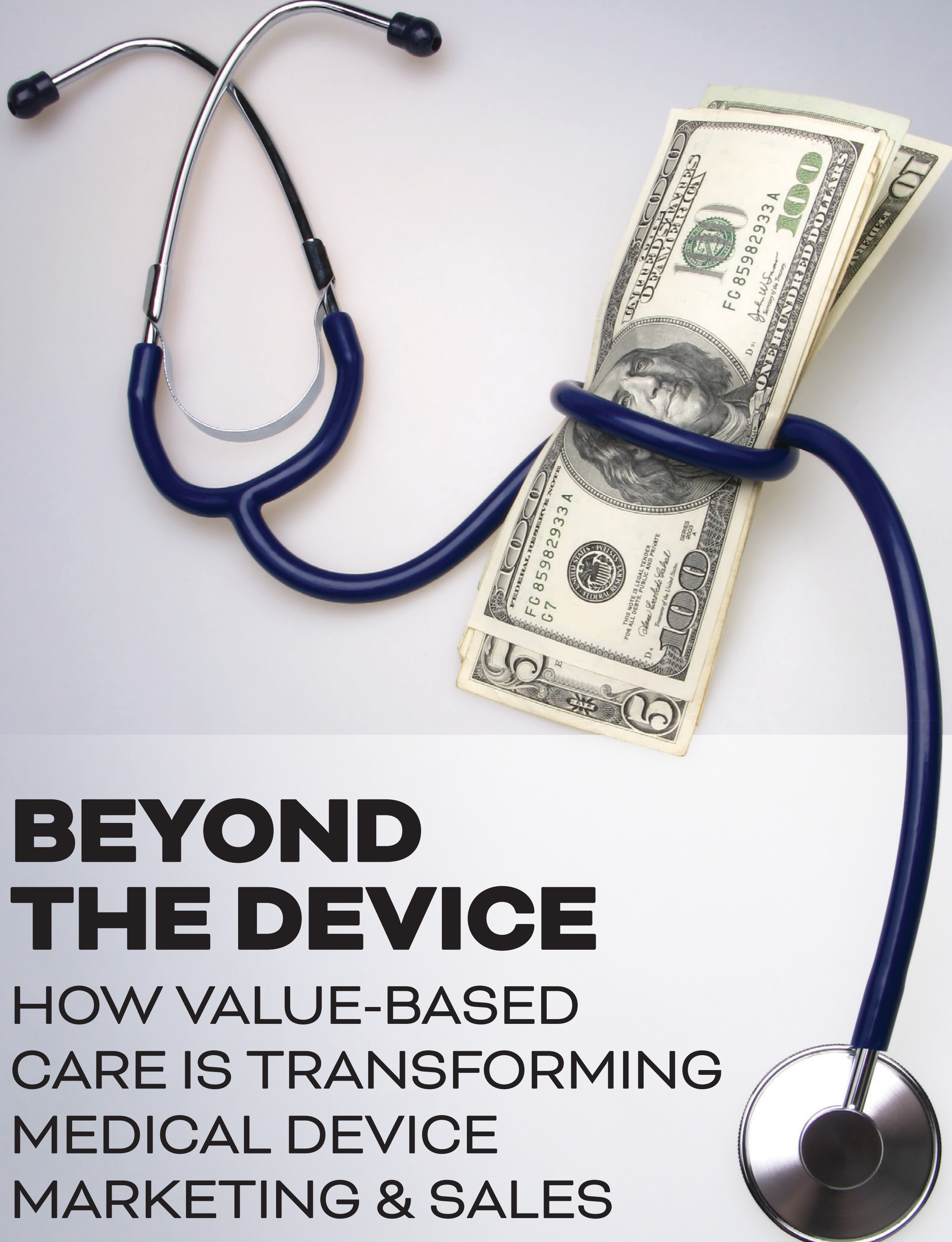

BEYOND THE DEVICE

HOW VALUE-BASED CARE IS TRANSFORMING MEDICAL DEVICE MARKETING & SALES

"Value-based care is steadily gaining ground across the healthcare industry. With payers, providers, investors, patients and technology companies joining in the effort, there are no signs that value-based care adoption will slow down. Government and commercial payers are projecting increased investment in the transition to value-based healthcare, and providers are embracing the reality that value-based care represents the future of healthcare."

MICHAEL PATTWELL, MEDICAL ECONOMICS

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Value-based care is accelerating the need for customer-centric marketing and sales strategies.

EXECUTIVE SUMMARY

The players in the healthcare industry are adopting value-based care strategies as the U.S. healthcare system strives to place the patient back at the center of care. As we see evidence of increased investment in the transition from fee-for-service models to a patient-centric one, Medtech companies have become uniquely positioned to help meet the demand for quality care at a reduced cost.

More health plans and providers are entering into value-based contracts, shifting medical device procurement from a traditional approach to a value-based model. As providers are held more accountable for patient outcomes, they increasingly seek to procure devices or services that help them meet their goals.

In value-based device procurement, Medtech companies need to both align with each stakeholder's definition of value and provide clear evidence that their products achieve better health outcomes at a reduced cost. To neutralize the concern of a potential decrease in profit margins, Medtech companies may consider developing procedures in their product lifecycle to address value.

To gain access to the $2.47 billion (2023)[1] value-based market, manufacturers need to think beyond their devices. This sees a shift in both mindset and business models. Medtech companies that are best able to effectively communicate how well their device can improve patient outcomes and reduce costs are positioning themselves for success.

Information is at the heart of value-based care. Medtech companies that install a marketing team early in their development processes are more likely to generate valuable information that can be leveraged to prepare marketing collateral earlier than competitors. There are two vital marketing and sales exercises to execute, (i) develop a go-to-market plan and (ii) develop a customer-centric marketing and sales strategy.

[1] *Reporterlinker, 2023.*

IMPACT OF VALUE-BASED CARE ON THE MEDICAL DEVICE INDUSTRY

The value-based healthcare market is rapidly growing. It is estimated that the U.S. market size of "value-based care in 2030 is set to reach $6.16 trillion,"[2] making up 70% of total healthcare spend. This exponential growth uniquely positions Medtech companies as drivers of the value-based healthcare market and presents enormous opportunities in a fiercely competitive market for investment and innovation.

"Our analysis suggests fee-for-value arrangements will capture 15%–20% market share from traditional FFS providers in primary care by 2030, creating strong macro tailwinds and supporting further investment in the space."[3]

BAIN & COMPANY

[2] *Grand View Research, 2023.* [3] *Fry Sharon, Dave Nierenberg, Grace Wynn, Kara Murphy, and Nirad Jain, 2023.*

The concept of value-based care has been around the industry for the last decade. Increasing pressures, such as unsustainable costs of care and variation in the quality of care, have driven a transformation from a fragmented fee-for-service model to a new patient-centered approach. This shift in healthcare systems and care delivery sees patient outcomes and quality of care at the center of business models. We are seeing an increase in coordination and collaboration among healthcare providers to achieve the goals set out by this model.

So, what defines value? While there are differing opinions about what value means, we can quantify "value" in healthcare as the measured improvement in patient health outcomes for the costs of achieving these outcomes. Thus, value-based care models need to be clearly structured and designed to enable healthcare systems to create and deliver more value for patients.

SOME FACTORS ACCELERATING THE IMPLEMENTATION OF VALUE-BASED CARE [4]

- Long-term financial success is dependent on healthcare providers' capability to grow market shares and increase patient stickiness.
- Declining fee-for-service rates and the changing payer models.
- Increased pressure to reduce costs through value-based care contracts and interoperability.
- Care in the U.S. has become inaccessible and unaffordable in some communities, exacerbating existing health-equity challenges.

THERE ARE SIX ELEMENTS THAT ARE FUNDAMENTAL IN A VALUE-BASED SYSTEM [5]

1. Organize care around medical conditions. Care delivery is centered around the medical conditions of a patient or population.
2. Measure outcomes and costs for every patient. Every patient's outcome and total costs are measured.
3. Aligning reimbursement with value. Bundled payments, global capitation, shared risk, and shared savings are the four main reimbursement models that reward improved outcomes and efficiency of care.
4. Systems Integration. Interoperability between multiple systems and organizations is essential to address fragmentation and improve the efficiency of care.
5. Geography of care. Strategic expansion and integration with industry providers can widen access to care, improve treatments, drive innovation, and reduce gaps in services.
6. Information Technology. Healthcare systems can leverage information technology to measure results and restructure care delivery.

[4] Lowry Adam, 2021. [5] Porter, Michael E., Elizabeth O. Teisberg, and Marc Harrison.

WHY SHOULD MEDICAL DEVICE MANUFACTURERS BE ACTIVELY LOOKING TO IMPLEMENT BEST PRACTICES AND STRUCTURES TO ENTER OR SHIFT INTO THE VALUE-BASED CARE MARKET?

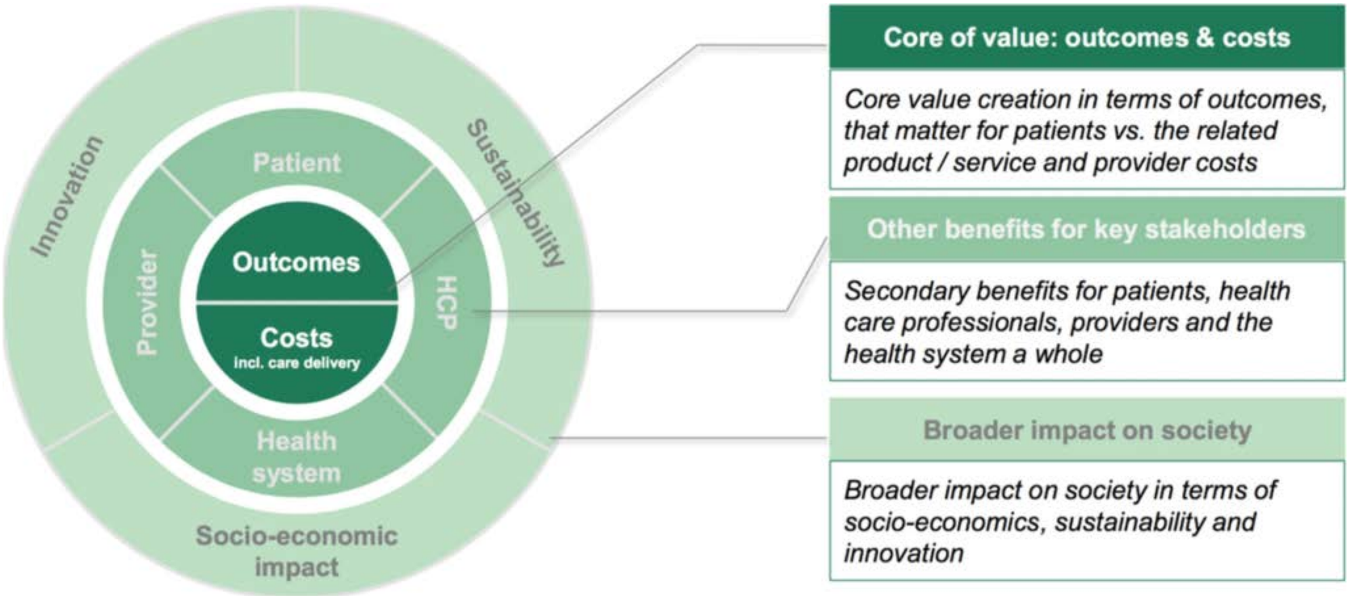
In 2021, Centers for Medicare & Medicaid Services (CMS) initiated a goal to ensure that "100% of original Medicare beneficiaries and most Medicaid beneficiaries" are in some type of value-based or accountable care agreement by 2030[6]. As more health plans and providers enter into value-based care contracts, there is an increased demand to include medical device manufacturers to help further regulate costs.

> "*Be a good steward as a partner to the hospital systems. You're not going to meet your objectives unless you help the hospitals meet theirs.*"
>
> **TED NEWILL, MEDICAL DEVICE SUCCESS PODCAST**

As value-based care contracts are based on performance and patient outcomes, providers are predominantly only procuring products that help them achieve their quality goals. This provides medical device companies with an opportunity to help providers fulfill their value-based contracts and creates opportunities for innovation.

Another reason for Medtech companies to aggressively plan to move into the value-based care market is that they are uniquely positioned as key drivers of value-based healthcare systems. Through innovation, medical device manufacturers can meet the demand for new technology to replace devices and services that are not patient-centered.

[6] *CMS, 2022.*



Source: Health Economics Review [7]

It is given that this fast-growing market is highly competitive and faces challenges such as tighter budgets and regulatory analysis. These challenges also serve as opportunities for Medtech companies to adapt their value propositions and business models to a patient-centered approach that highlights the quality of care, cost, and access.

If value-based contracts are designed and implemented correctly, the health system, patients, payers, and device manufacturers all stand to benefit.

[7] *Stanberry Benedict, Gerhard Bothma, and Katie Harrison, 2021.*

BRINGING MEDICAL DEVICES TO MARKET IN A TRANSFORMING INDUSTRY

Under fragmented fee-for-service models, most medical devices are sold directly to healthcare providers, with the exception of durable medical equipment; health insurers seldom pay for devices separately. This traditional approach of selling and buying medical devices exclusively focuses on the price factor, where device manufacturers are not involved in any other costs of the procurement process or the long-term outcomes.

The transition to value-based care models now sees providers shoulder more accountability for patient outcomes. This has required a shift to a more comprehensive value-based approach to selling and buying medical devices, as providers are only being reimbursed based on the effectiveness, efficiency, and quality of care they provide.

	FEE-FOR-SERVICE MODEL	VALUE-BASED CARE MODEL
Provider Responsibility	Responsibility for patient outcomes is minimal, with little thought on long-term outcomes and cost.	Responsibility for patient outcomes is higher, with a shift in focus to the long-term cost of care and outcomes.
Reimbursement	Providers are reimbursed based on the number of services they provide	Providers are reimbursed based on the quality, effectiveness, and efficiency of care the patient receives
Cost to Patients	Higher out-of-pocket costs	The focus is on value, with shared responsibility for costs
Focus on Quality vs. Quantity	Primarily quantity-focused	Primarily quality-focused

As providers are held more responsible for delivering improved patient outcomes at a lower price, there is a concern that this could result in medical device manufacturers lowering their costs to remain an attractive option. To neutralize the potential decrease in profit margins, manufacturers should look at developing steps in the product lifecycle to address value.

To gain access to the market and obtain value-based care contracts, Medtech companies will need to transition from traditional market access models, which are typically focused on commercial or sales and marketing functions, to value-based strategies. Stakeholders now require medical device manufacturers to clearly show evidence that their products achieve better health outcomes at reduced or reasonable costs. This transition requires both a mindset and a business model shift to how your products and services are pitched and marketed.

> *"When you communicate with hospital decision-makers, you must focus not on the device itself but rather on how it impacts the overall episode of care. If it makes a positive impact on patient-reported outcomes, a hospital system may actually be willing to pay more for a device if it provides greater overall value."*
>
> **ELEANOR MANGO, MD, VALUE-BASED CARE EXPERT**

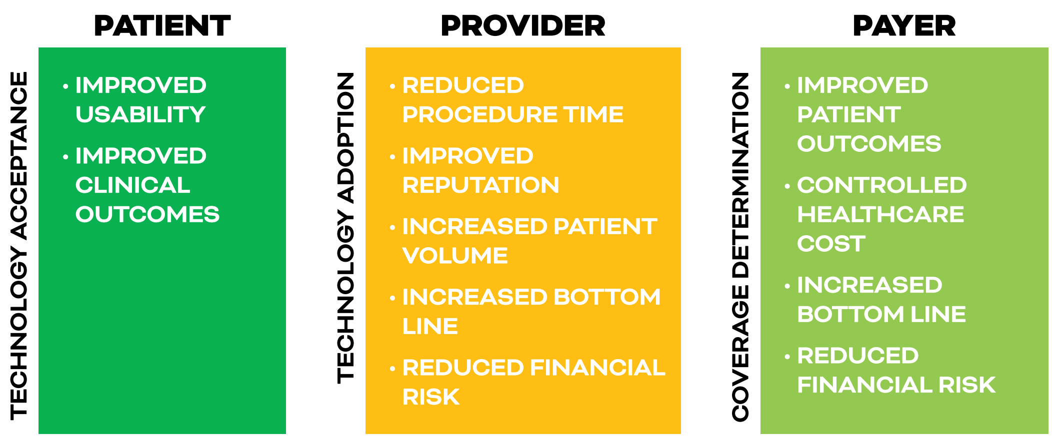
EXAMPLES OF THREE VALUE-BASED STRATEGIES THAT HAVE BEEN UTILIZED IN VARIOUS SECTORS OF THE MARKET [8]:

- From stand-alone products to value-based solutions. This strategy supplements the company's original product or service with a new product or service that meets the value-based care outlines. For example, Zimmer Biomet Signature Solutions integrated their existing traditional consulting services with new telerehabilitation technology to help speed up patients' postoperative rehabilitation.
- Leveraging Value Measurement. This strategy sees opportunities for companies to collect data that demonstrates the value of their products and services. This data can then be leveraged to create new data-based offerings focused on continuous improvement and benchmarking.
- Investing in value-based care delivery. Value-based care models require Medtech companies to move beyond their traditional product-based business model. This strategic approach requires the largest commitment and investment.

[8] *Lüdtke Laura, Bob Lavoie, Daniel Schroer, Götz Gerecke, and MD Jens DeerDeerberg-Wittram, 2017.*

HOW DOES THE PROCUREMENT OF MEDICAL DEVICES WORK IN A VALUE-BASED MARKET?

Procuring medical devices is complex, with process steps, value analysis committees, industry leadership (IND), group purchasing organizations (GPOs), and other nuances to consider. Value-based procurement transitions from a traditional short-term cost-savings approach to a complete approach where stakeholder decisions are based on health system performance, patient outcomes, the long-term efficiency and effectiveness of the product or service, and cost. Thus, the relationships between Medtech companies, providers, and payers must shift to accommodate the procurement process.



Source: In Vivo Citeline Commercial [9]

As stakeholders have become accountable for patient outcomes and are being reimbursed based on the quality of the care they supply, they have had to implement multiple measures of determining value when looking at purchasing medical devices or services. This has also changed the way they evaluate innovation.

Medical device manufacturers looking to thrive in the value-based care market must align with each stakeholder's definitions of value. For example, governments and payers may emphasize cost reduction and population health impact more than patients and physicians, who might see clinical efficacy and convenience as valuable. To address these varying measures of value, medical device companies must shift their focus "beyond the device."

[9] *Liu Harry, 2017.*

HOW DOES DATA INFLUENCE THE PROCUREMENT PROCESS OF MEDICAL DEVICES AND SERVICES?

HOW TO POTENTIALLY INCREASE HEALTH PLAN COVERAGE

For example: A medical device company develops a product that decreases the risk of biofilm-forming on implanted devices in patients. Despite the benefits of reduced infection rates, health plans won't likely cover this product, which means, according to value-based care contracts, there is little incentive to purchase it. However, if the manufacturer can demonstrate to stakeholders that there is a reduction in biofilm formation and, thus, infections, a performance guarantee through a value-based contract may be offered. On the other hand, the medical device manufacturer could agree to cover any medical costs related to biofilm formation.

Data is essential in transitioning from fee-for-service models to value-based care models. Device manufacturers need to collaborate with providers by integrating their data and insights into workflows to improve clinical outcomes and quality of care. Stakeholders should easily be able to adopt devices in health systems. Devices that are automated, able to deliver data, and provide physicians with relevant and actionable insights are deemed more valuable than those that do not. For example, medical devices that can connect to the internet can facilitate remote patient monitoring, improving the effectiveness of treatment plans.

CASE STUDY

Bloomfield Internists adopted an ambulatory blood pressure monitoring solution to obtain a more accurate and comprehensive patient blood pressure analysis. The Welch Allyn Ambulatory Blood Pressuring Monitoring System with CardioPerfect® WorkStation software improved patient diagnosis, as it provided healthcare professionals with comprehensive analysis of diastolic, systolic, heart rate, and mean blood pressure over 24 hours. [10]

A challenge that medical device manufacturers will encounter in value-based procurement is that they can no longer be reliant on performance data for their devices from healthcare providers. Stakeholders expect data proving performance and clinical efficiency in the purchasing and procurement process. Thus, medical manufacturers may need to conduct clinical trials to generate their own data required to succeed in the value-based healthcare market.

Medtech companies already offering analytic capability and valuable data expertise are positioning themselves to benefit the most during this transition.

[10] *"Comprehensive Blood Pressure Analysis with Welch Allyn ABPM".*

CUSTOMER-CENTRIC SALES AND MARKETING

"Manufacturers need to think beyond their device. How can you help me understand how it compares to what we're currently using? How do I build a case to sell it within my healthcare organization?"

BARBARA STRAIN, HEALTHCARE VALUE CONSULTANT

Medtech companies wanting to successfully appeal to all relevant stakeholders involved in value-based care require a customer-centric marketing approach that will effectively communicate how well their device can improve patient outcomes and reduce costs. This is the type of business case information that is useful to your champions who are working to move your proposal forward in their organizations.

Historically, traditional market access models have not placed enough emphasis on marketing throughout the product lifecycle. The benefits of involving marketing teams from the start of the medical device lifecycle are clear:

- Providing customer feedback and research
- Guaranteeing company marketing requirements are maintained throughout the device development process
- Preparing for product launch
- Managing post-market activities and field services

Medtech companies that install a marketing team early in the development processes are more likely to produce valuable information that can be leveraged to prepare marketing collateral earlier than competitors.

There are two vital marketing and sales exercises to complete.

1. Develop a go-to-market plan.
2. Develop a customer-centric marketing and sales strategy.

GO-TO-MARKET PLAN

1. Growth Goal	State revenue growth goal year-over-year State profitability year-over-year
2. Objective	State sales objectives State marketing objectives
3. Growth Strategy	Place a laser focus on how to achieve growth goals and objectives

With the go-to-market plan in place, a focus on four marketing strategies drives results for strategically-minded medical device manufacturers.

1. Growth Marketing	Drive results with Growth Marketing. Its focus is on using data gained through marketing campaigns to make constant improvements.
2. Experience Design	Leverage strategically developed content to build richer relationships with ideal prospects through the buyer journey.
3. Revenue Engineering	Design, build, and operate the infrastructure needed to run an effective marketing and sales engine—an experienced team, streamlined technology stack, and proven processes—all leading to achieving a predictable sales pipeline and revenue objectives.
4. Key Opinion Leaders (KOLs)	Recruit KOLs. In value-based procurement, key opinion leaders are physicians who have influence in your target market. KOLs will help validate and pinpoint the value of your product.

When designing and implementing marketing strategies, keep in mind that information is at the heart of value-based care. What information and how you present it will significantly impact your company's ability to bring the product to market successfully.

It is essential to ensure that the marketing strategy is focused on highlighting the clinical benefits and key messaging to the physician, patient, and other stakeholders.

The marketing strategy should incorporate data from clinical trials to substantiate the medical devices' claim.

Take it a step further, translate the data to useful information, and then actionable insights.

KEY PRINCIPLES OF GROWTH MARKETING

- Focus on the customer.
- Use data to drive decisions.
- Be creative and innovative.

SUCCESSFUL GROWTH MARKETING TOOLS AND STRATEGIES

- Content Marketing. Content creation and digital marketing are powerful tools to build brand awareness and attract new customers to your product or service. It is also a great way to position your company as an authoritative source of information.
- Inbound Marketing. When visiting your website, the user experience is prioritized through personalized messaging, relevant and valuable content.
- Conversion Optimization. Conversion optimization is the skill of refining the effectiveness of your marketing campaign.
- Testing. Multivariate and A/B testing is a powerful technique that helps identify the most effective marketing approach by comparing different marketing campaign versions.
- Account-Based Marketing. The collaboration of sales and marketing to identify, engage, and win businesses from a specific group.

"To effectively leverage growth marketing strategies, it's essential to have an in-depth understanding of your target audience. Ask yourself: Who are you trying to reach? What are their needs, wants, and pain points? By delving deep into their demographics, behaviors, and psychographics, you can create highly targeted and personalized marketing campaigns that truly resonate with your audience."[11]

MARYANN LONG, AGENCY DIRECTOR, CULTIVATE COMMUNICATIONS

[11] *"Growth marketing: Science and art," 2023.*

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DATA > **INFORMATION** > **INSIGHTS**

Hiring or investing in a skilled marketing team should be a priority when operating in the value-based healthcare industry. Marketers are skilled at conveying value in messaging and content. They translate technical data and information into insights that resonate with different perspectives. Each stakeholder will have different perspectives of value-based on their roles in the healthcare system. One of marketing's key objectives in customer-centric marketing is to ensure the value of your medical product is communicated effectively to the individual stakeholders.

Medical device manufacturers looking to thrive in the value-based care market must align with each stakeholder's definitions of value. For example, governments and payers may emphasize cost reduction and population health impact more than patients and physicians, who might see clinical efficacy and convenience as valuable. To address these varying measures of value, medical device companies must shift their focus "beyond the device."

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