

The road ahead for medical device innovators

It is promising, but will call for some adaptation

Your provider customers have three big things on their mind:

- Cutting costs.
- Improving patient outcomes.
- Preventing disease.



IMDA members, take your cue accordingly.

That was the message from Charlie Whelan, director of consulting, healthcare and life sciences, Frost & Sullivan, speaking at the 2015 IMDA Annual Conference.

“The market is changing significantly,” said Whelan in his presentation, “What does the future hold for medical technology innovation?” Innovators must be prepared. And that innovation extends beyond offering new products; it also calls for adopting new approaches to one’s business and the market. Here’s why:

A recent Frost & Sullivan survey of hospital executives showed:

- Sixty-nine percent believe that within the next five years, the economic health of hospitals will hinge, more than ever before, on delivering improved clinical and financial outcomes.
- Forty-nine percent said they have to deliver better outcomes than they currently offer. “Nearly all hospitals are thinking, the status quo isn’t good enough,” said Whelan. “That’s great for innovators; you want to work with people who aren’t satisfied with the status quo.”
- Eighty-two percent believe that reimbursement for healthcare services is moving toward a capitated, bundled approach rather than fee-for-service. “When IMDA members evaluate new technology, think about that economic story. ‘How will it be paid for?’ ‘What is its economic value to the provider community?’”

Disappearing act

Technology is doing a “disappearing act,” said Whelan. That is to say, technology is “disappearing” in terms of its:

- Size. In some cases, devices are being replaced by other modalities, such as biologics.
- Cost. Reimbursement pressures are increasing customers’ demands for lower prices from their suppliers.
- Usage. Hospitals are striving to be more efficient in labor and time. Devices that once were standalone (e.g., pulse oximeters) are now integrated with others.

- Business model. Some manufacturers are offering equipment to the user free of charge, in order to gain recurring sales of consumables or services.
- Placement. Today's IDNs encompass not just the acute-care hospital, but primary care, subacute care, long-term care, etc. "You're dealing with fewer, but more powerful, organizations," Whelan said.
- Hype. Administrators are casting a skeptical eye on vendors' claims about the uniqueness of their technologies. The challenge for IMDA members is to partner with manufacturers of devices that offer truly unique operational and/or clinical advantages.

Manufacturers are getting the message, said Whelan. When asked at a recent Frost & Sullivan conference about their big challenges, manufacturer executives cited the following:

- Consolidation among providers – hospitals as well as physicians. Ten or 20 years ago, nearly all cardiologists were in private practice, noted Whelan. Today, many are employed by hospitals. "That has a huge impact, because they are now answerable to the hospital's decision about what devices to stock," he said.
- The fact that clinicians are wielding less control over adoption of new technologies, while healthcare executives are wielding more.
- Providers' growing interest in sharing risk with manufacturers and creating relationships focused on delivering better outcomes.

New realities

The flip side of challenge is opportunity, at least for medical device innovators who are willing to adapt to new realities, said Whelan. Examples:

- Today, suppliers and providers are concerned about how their technologies can help caregivers perform procedures safer and better. In the future, the key question might be, "How can our technology prevent or mitigate illness altogether?" "It's a prevention-driven approach, with more of a focus on primary care."
- In the past, providers and suppliers have paid much attention to technologies that can extend life. But more and more, the emphasis will be on improving the quality of life, he said. That means paying more attention to pain management, minimally invasive procedures, etc.
- Standalone devices have changed medical care, but in the future, more technologies will be geared toward integrated platforms. Devices that can interact with other devices, or, increasingly, with consumer technologies, such as smartphones and even automobiles, will be in demand.
- In the past, imaging devices were king. Today, cardiovascular, orthopedic and surgical tools are on top. But in the near future, technologies that support chronic disease management – including decision support tools, workflow optimization tools, information management tools, etc. – will reign.

Time for a new career?

IMDA member are well-positioned to succeed in tomorrow's market, but they have to read the market dynamics and change accordingly, Whelan said. Opportunities include:

- Respiratory products, for patients suffering from asthma, obesity and sleep apnea or COPD.
- Products for the ED and pre-hospital market, as more medications, technologies and skills are being pushed into the field. There is also discussion about EMS playing a bigger role in primary care, including performing house calls.
- NICU products, as that market moves toward minimally invasive care models.
- New markets. Manufacturers are targeting the home and subacute markets, and others are bringing new solutions or platforms into the hospital, such as connected solutions, and those targeting medication errors and infection prevention. IMDA members must ask themselves, "How can we make sure we are the ones representing these new products and services?" said Whelan.

"Don't think innovation occurs only in an R&D lab or manufacturing facility," he said. Business models are changing. "Moving forward, healthcare will be a services industry," he said. IMDA members who adapt will thrive.