

Capturing The Value of Digital Innovation in Medtech

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Digital technologies have long held the promise of supporting seamless care across the health continuum by reducing care variation, shifting care to post-acute and home settings, and improving chronic disease management. The end goal is value-based, consumer-centric care models that help lower costs and alleviate industry budget pressure.

However, this promise has never been fully realized due to buyer ambiguity in how to assess the value of digital products, too many disparate solutions without a comparative framework and a lack of defined commercial models.

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The COVID-19 pandemic broke down many of the barriers to digital health adoption by creating an immediate need for a replacement to the traditional in-person visit and easing regulatory and reimbursement complications. Providers across the board adopted a range of technologies overnight, from telehealth and remote monitoring to patient engagement solutions. Medtech organizations now have an opportunity to extend momentum postpandemic, permanently redefining the default care models of the future. To cement digital solutions as a core element for future growth, medtech companies need targeted competitive strategies and a willingness to flex business models beyond traditional limitations.

Know Where to Compete

With every major name in consumer technology, from Apple and Best Buy to Google, making investments in the healthcare space, medtech leaders need to be frank about where and how their organizations can best compete.

Most medtech organizations simply lack the infrastructure to go head-to-head against these bellwethers with digital-first, consumercentric solutions. Rather than overhauling an entire organization in order to become the next Amazon, medtech leaders should identify ways to deliver a stronger healthcare experience by playing to their strengths.

One option to consider is bundling hardware and software products. By embedding proprietary analytics technology into medical devices, for instance, medtech organizations create more value for healthcare providers and consumers. Wrapping the digital solution around a product that customers recognize (rather than marketing it as a stand-alone offering) can be a much easier sell for internal teams and a more palatable purchase for buyers.

Another avenue is for medtech organizations to partner with consumer or healthcare technology companies with complementary strengths. As [consumer trust](#) in technology companies' ability to protect their data falls dramatically, working with medtech organizations can give their healthcare ventures needed credibility. Conversely, medtech organizations can benefit from partners' in-house technical talent, tapping into resources to manage more agile product road maps and get products into the market faster.

Transform Legacy Medtech Business Models

Medtech organizations are operating in a relatively new digital ecosystem that does not yet provide clear paths to monetization and sales. For digital solutions to become a viable revenue stream, leaders must rethink their traditional business models by:

- **Redefining the target digital health customer.** Unlike traditional medtech products, digital solutions may require businesses to forge relationships with provider care networks and hospital leaders (including chief information officers or chief experience officers) with buying criteria aimed at implementation at scale across a variety of clinical use cases.
- **Bringing customers into the development process.** The lack of standardization across the digital health spectrum is a challenge for manufacturers, payors and providers alike. But this ambiguity presents medtech organizations with a window to home in on niche, fit-for-purpose solutions. Rather than

attempting to commercialize a one-size-fits-all product for the masses, companies may have more success collaborating with customers to create solutions that address a specific pathway or patient population.

- **Developing new pricing models.** Outcomesbased or risk-based contracts have been a rarity in the medtech space, given that product outcomes can vary widely due to an uncontrollable variable: end-user behavior. With the trove of outcomes data that digital solutions yield, however, medtech organizations may need to get comfortable with taking on more risk upfront to differentiate their solutions in a saturated market.
- **Updating the sales process.** New customers and pricing will require medtech companies to evolve their sales operations, including incentives and field procedures, toward a model replicating the multiyear contracts and discount models of the enterprise software world.

The surge in digital adoption among providers and consumers has been a real-time response to the COVID-19 pandemic, but medtech organizations can parlay this opportunity into a long-term business strategy. In a fragmented market with plenty of noise, organizations that double down on their strengths, seek partners to balance their weaknesses and willingly adapt their business models can begin to capture the value of digital innovation.



Key Takeaways

Building a viable, sustainable business around digital solutions amid a rapidly changing market requires medtech organizations to:

Think differently.

Adopt a radically honest approach to identifying your organization's competencies. Rather than try to become the next Google, devise a digital strategy that highlights your strengths and rely on partners when necessary.

Plan differently.

Take steps to understand how buyers (and users) of digital solutions differ from the traditional medtech customer. Where applicable, integrate customers into the planning process to inform future products and enhancements, and drive greater alignment with market needs.

Act differently.

Develop the pricing models and sales structures required to drive repeatable revenue from digital solutions — even if that means accepting a greater degree of risk upfront and deviating from legacy internal processes.



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