

## Medical Device Segment Adjusts to Outcomes-Based Care Through Patient Engagement

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The Affordable Care Act (ACA) has brought about dramatic change to the healthcare industry. From providers to payers to medical device companies, embracing these changes is required. On the medical device side, we're seeing how the Centers for Medicare & Medicaid Services (CMS) changes to reimbursements is causing medical device companies to take a fresh look at business models. The future of medical device products will be more about patient outcomes and how they contribute to wellness and preventative care.

Healthcare will become focused on quality, not usage. The challenge that must be addressed is how to reduce costs by optimizing the outcome-based model.

But that's not all that changed for medical device companies. The CMS essentially decided, to help reduce cost of care, they would open up the opportunity to provide medical device services to any company that could meet the standards set. For example, in the diabetes care space, the requirement is rudimentary readings that identify a patient's A1C level, discounting additional features and functionality of the device. For that reading, the reimbursement would be a standardized, lower amount than what was previously paid for the device—in some cases more than 50% lower.



Due to this impact on revenues, we've seen one of our clients totally rethink their entire customer service delivery model due to the impact of the change. Other companies are in the process of doing the same.

Medical device companies are now challenged to put the patient at the core of product design. They are taking a proactive approach to look at patients more closely and at using the data collected to analyze a patient's current state to drive adherence. For some devices, the data is also being used to become more predictive about the patient's potential future state to enact interventions that can prevent worsening conditions. Medical devices companies are really about active disease management.

### **Innovation in Medical Device Companies**

According to a recent article written by analysts at McKinsey, medical device companies have an opportunity to drive sustainable value via what they do with patient data, not just their hardware. By developing strategies and capabilities that allow them to interpret data and deliver products and services based on these insights, device companies can harness innovation to take advantage of a market that McKinsey predicts will potentially reach \$300 billion to \$450 billion in value in the U.S.—about half of what's at stake globally.

A focus on prevention and wellness can wield benefits that include:

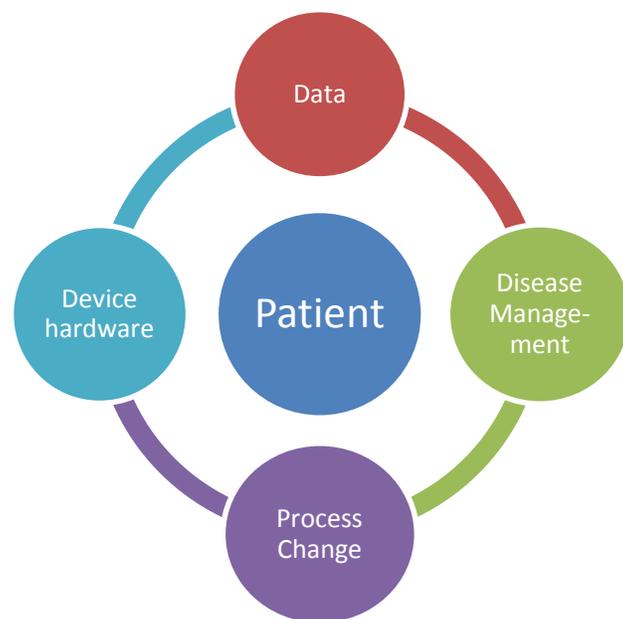
- Better patient engagement
- Promoting greater adherence and compliance
- Using precision medicine and predictive modeling to tailor treatments
- Proactively identifying and treating patients who would otherwise be undiagnosed

A simple scenario for how this plays out in a real-world scenario could be based on a device implanted in patients with cardiovascular disease that provides a readout of their cardio state. This includes data about blood pressure, blood sugar and blood oxygen.

With this information, a patient care navigator can then reach out by phone to enact an intervention by asking the patient if they've taken their medication, or whether or not they're on an exercise program that's been included as part of their therapy. The ability to provide patient care through remote monitoring can remove a lot of cost from the treatment process by reducing the number of doctor visits from patients.

### Partnership Brings Advantages with Innovation

Forming a partnership with a patient care delivery outsourced provider with FDA compliance experience can bring economies of scale for this type of personalized, professional responsiveness that addresses the outcomes-based model. The number one issue we hear from medical device companies is patient compliance. However, many manufacturers try to manage compliance by developing patient care services in-house. Taking this approach to do it all can be fraught with inefficiencies because providing patient care is not the core business of the medical device company.



While rethinking your business model with an eye toward innovation, it's prudent to consider how to provide quality patient care more cost effectively. An outsourced patient care provider can bring economies of scale because they have:

- Infrastructure, workflows and processes in place that have proven outcomes

- On-site and at-home models for support and care delivery
- Access to the right talent

In comparison to an in-house model for patient care, an outsourced provider can bring value from the start that increases over time with a focus on continuous improvement. This is in a large part due to a depth of expertise that contributes to the strategic design of workflow processes and talent recruiting, training and management that can quickly scale up or down as needed.

Providing patient support and care is the core of what an outsourced provider does, just as developing devices for disease management is where your company excels. With a provider that's driven by collaborative partnerships with clients, your company will not only benefit from improved patient adherence, but from data-driven patient insights that can bring new levels of innovation to medical device development in the future.

The U.S. Department of Health and Human Services (HHS) has set a goal for 50% of Medicare payments to apply to value-based alternative payment models, such as accountable care organizations (ACOs) by 2018. History shows that government initiatives often affect the reimbursement system for non-government entities. Partnering with a patient care provider can help medical device companies to demonstrate an increased accountability for the outcome-based model, as well as the total cost of care.

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When he is not working, he spends his time with his wife, son, and daughter or volunteering for several charitable organizations. Pat is also a connoisseur of scotch – his favorite is 18 year Macallan.