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Pulse Of The Industry 2018: How Medtechs Will Create Value In The New Health Ecosystem

When the human body is the biggest data platform, how will medtech companies capture value?

by

In the 12th edition of EY's medtech report, *The Pulse of the Industry*, we examine the annual performance of the medical device industry in the context of the technological advances and rising customer expectations associated with the Fourth Industrial Revolution. To thrive in this transformative age, medtechs must adapt their business models to meet the increased expectations of consumers and other health care stakeholders.

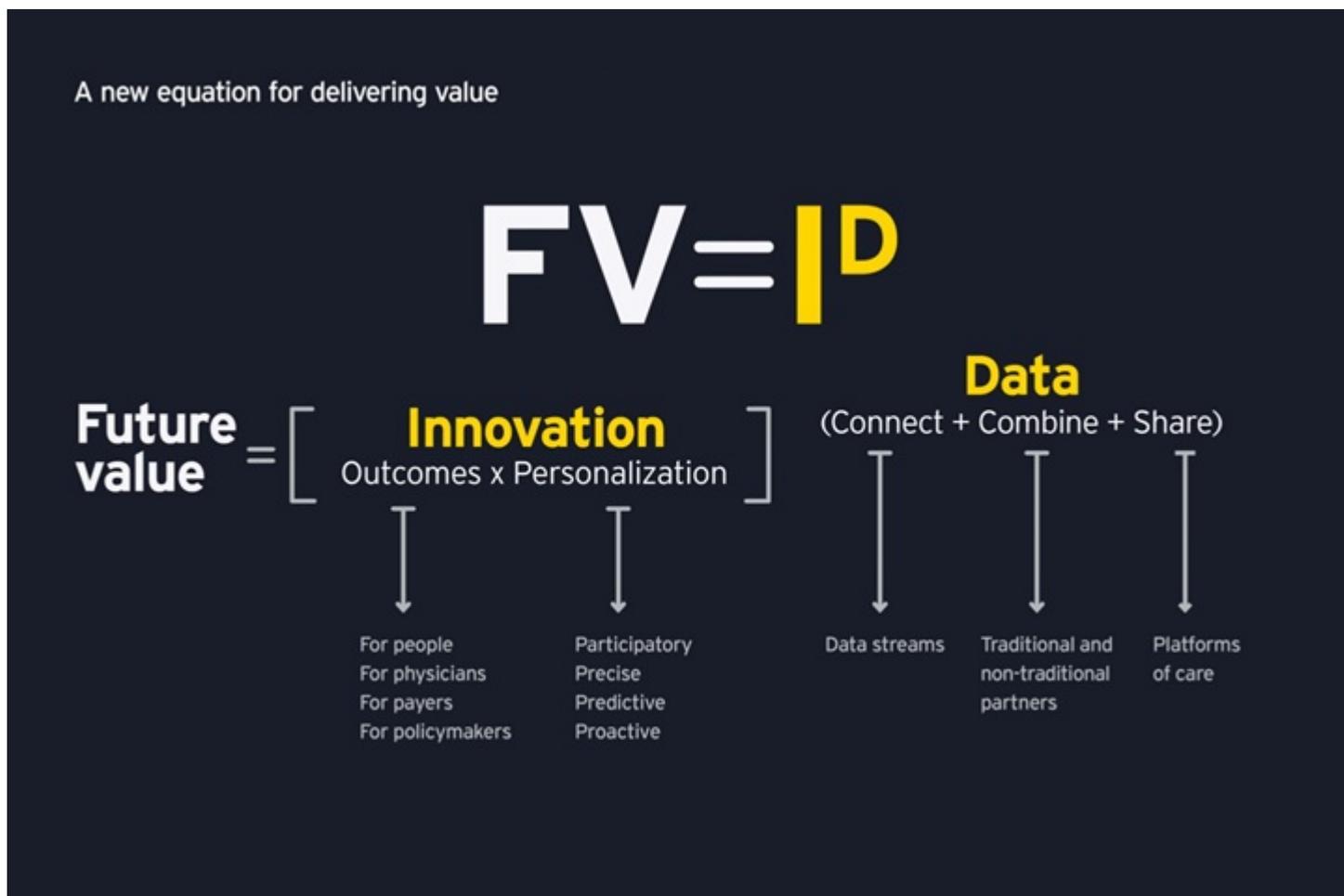
To succeed in the future, medtechs must embed themselves in the health network. Unlocking future value will mean using the power of data to focus innovation on delivering outcomes for all stakeholders in the medtech ecosystem.

In 2017-2018, the medtech industry outperformed the broader indices, with valuations across the industry soaring 50%. Investor confidence was partly driven by growing investment in the non-imaging diagnostics space and continued refinement of chronic disease management. A more transparent US regulatory process, including continued evaluation of a digital health software precertification program, removed uncertainties that weighed down investor expectations in previous years.

Yet, there are also warning signs on the horizon. While certain companies have started to embrace digital, data-rich business models, much of the industry is still focused on "business as usual".

That emphasis on the status quo may make it difficult for some companies to continue to justify their high valuations in the future. Medtechs hold unique expertise in manufacturing devices. But if data and algorithms become the primary products, the new leaders will be the companies that can integrate the information and make it usable and accessible to individuals.

Unlocking future value will mean using the power of data to focus innovation on delivering outcomes for all stakeholders in the medtech ecosystem. Future value (FV) for all stakeholders will come from innovations (I) that unlock the power of data (D) to create personalized health outcomes.



To deliver value, stellar data skills will not be enough; medtechs will also need to share data more broadly with other health care stakeholders. Life sciences companies have traditionally seen data as a proprietary asset. But in future, companies that can form connections with other stakeholders and embed their own devices, services and solutions in the health ecosystem's workflows can exploit the power of "network effects." This phenomenon has had a major impact

in other sectors transformed by digital technology. As platforms bring different stakeholders together, their growing user base makes them linchpin of how the ecosystem functions. As such, the platforms are increasingly difficult to replace even if new ones arise. Companies that ignore the critical influence of networks and focus on delivering siloed solutions risk missing the opportunity to become an integral part of the new health ecosystem.

To embed themselves in this environment, medtechs must break down the barriers that limit data flow and the creation of more holistic solutions. The rapid advances in digital health have created an array of different solutions that solve specific problems but don't work well together. These disease-specific offerings require patients to adapt to the technology, interfering with the seamless customer experience.

The medtechs that seize the opportunities inherent in digital transformation will have to achieve two things. First, they have to accelerate their digital strategies, either through organic investments or partnerships and acquisitions. In the near-term, companies should focus on amassing expertise in areas such as data capture and storage and AI-enabled analytics.

Second, medtech companies will have to focus as never before on the individual. The empowered super consumer will be the final arbiter of future success.

Questions for medtech companies to consider:

How are medtechs embedding the user experience into their innovations?

How can medtechs create health networks to secure their positions in the health care ecosystem?

Which organizations should medtechs partner with to acquire the technologies and talent required for business model transformation?

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