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Medtronic Looks Beyond The World Of Doctors And Devices In New Approach To Markets

EMEA President On The Value Of Swiss HQ, Putting The Tech Into Medtech And Ready For The Commercial Challenges Ahead

by **Ashley Yeo**

Focus On Switzerland – Part 2. Health warning to global medtechs: the world's largest medtech company is taking steps to strengthen key account management, retain its market share hold and set up new health care partnerships.

Medtronic's EMEA headquarters in Tolochenaz, on the north shores Lake Geneva, is not just a nice environment to work in, but a key asset in the group's global innovation development process.

As far as Rob ten Hoedt is concerned, *Medtronic plc*'s regional headquarters in Suisse Romande is pivotal in delivering new technologies coming through R&D.

“There is a very important moment when technology is transferred from R&D into a manufacturing environment,” he told *In Vivo*. “Getting the manufacturing environment stable to enable mass production is a vital step in the further development of medical technology,” said ten Hoedt, Medtronic's executive VP and president of the EMEA region.

Medtronic decided in the mid to late 1990s to move its European HQ from Brussels. Dublin was in the frame, but Switzerland tipped the balance. The site at Tolochenaz was available and the efforts of the local authorities were helpful. It was also decided that the traditional skill sets – in watchmaking, precision and microengineering, among others – were good for the brand. Devices



EMEA PRESIDENT ROB TEN HOEDT

“made in Switzerland” had a good ring.

Around the same time, the company’s manufacturing operations in the Netherlands were also moved to Switzerland. Medtronic’s European manufacturing footprint – initially pacemakers, implantable cardioverter defibrillators and neurostim devices – has enlarged over the years. Completing the European restructure, the Dutch and Belgian distribution activities were consolidated in the south of the Netherlands.

Switzerland's Place In the Medtronic Structure

“How we use Tolochenaz now with its 850 staff is exactly what we should be proud of in this part of the world,” said ten Hoedt. “In Switzerland, we take new

Medtronic technologies, bring them into technology transfer in Tolochenaz, make the product stable for mass production, and then move it to one of the global plants for mass production.”

The intellectual work on ensuring high quality and high reliability of products happens in Switzerland, ten Hoedt added. “The work requires a lot of individual input from the operators, who need to be really smart, and that’s the kind of people you can easily find in Switzerland.”

Medtronic supports efforts to grow the region’s scientific expertise by working with the École Polytechnique Fédérale de Lausanne (EPFL), which is one of the two Swiss Federal Institutes of Technology. The company supports a professorship and works with the neuroscience centers in Geneva and Tolochenaz.

Role Of The Regional HQ

“I try to keep my HQ here in the region as small as possible and have as many people located in the field as is possible – whether in the Middle East or Europe,” said ten Hoedt. “I believe strongly that responsibility and authority need

Medtech Innovation And Reinvention Is Part Of The Swiss DNA

By **Ashley Yeo**

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Focus On Switzerland – Part 1: Switzerland is a high-tech microcosm of the medtech industry. It is home to the EMEA headquarters of the world’s largest medtech group, Medtronic, and supports a vibrant SME and start-up community, in the example of hybrid soft tissue robotics company Distalmotion. In Vivo interviewed both for this feature on the contribution of Swiss medtech...

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to be as close to the customer as possible.”

Medtronic uses a model of regional vice presidents in the various countries who oversee all company operations locally. They also represent the group in interactions with government officials and hospital CEOs. “We don’t want headquarters that slow down decision-making and or where decisions are made too far away from where the action is.”

Medtronic has been reorganizing internally and reinvigorating its operating units locally to ensure precisely that they are not constrained by decision-slowness layers of regional management that provide no added value. That money was better spent on R&D and business development, said ten Hoedt. “We wanted to establish direct responsibility for sales in the developed world. That new responsibility sits directly under the operating units.”

He continued: “And in the developing world, we flipped that 180 degrees. There, the region owns full P&L responsibility; and it is the regions that decide which product lines to emphasise and which businesses to investment in.”

Segmentation Of The Market

Ten Hoedt observed that the medtech world and customer types have changed a lot since the turn of the century. There has been much consolidation of health care providers, and Medtronic has met that challenge by segmenting the market and putting its very large EMEA accounts under the responsibility of the regions. It was a fully “regions-led” environment, he said.

He explained: “As a traditional medtech company, we were focused exclusively on technology and doctors. But the reality was that another world had started to exist – the world of corporate accounts and procurement being done in ways that were different to the traditional sales model.”

As a result, “We’re hiring skills around strategic account management – not simply to add discounts, but to look for partnerships that drive better patient outcomes and provide better access and improved care in general. That’s the package we are putting together.”

Medtronic stands as the largest medtech company in the world with the broadest product portfolio. In fiscal 2020-21, its revenues tipped back over \$30bn, with a 4% reported basis increase for the year, after COVID affected its performance in the fourth fiscal quarter of 2019-20.

To make room for further growth in Europe, the company has added a suite of services and solutions to wrap around its technologies and better service its accounts. It also has other potential partnership models to exploit.

The eternal reality for Medtronic and fellow medtechs is that it is innovation that keeps them

going and growing. The larger companies typically prefer to purchase assets that have been de-risked from a technology and regulatory point of view, and then elevate these acquisitions to in-house standards.

In this case, for Medtronic, the challenge is one of execution and of rolling out innovation on a big scale.

Medtech At The Healthtech Crossroads

The environment for medtech innovation has been healthy in recent times, but many medtechs are now finding themselves at a major crossroads. Medtronic CEO Geoff Martha referred to the challenge at JP Morgan in January 2021, when he spoke of the need to “put the tech into medtech.”

Continuous innovation of technology already on the market is one element of R&D, and another is developing new technology and building markets around that.

Ten Hoedt’s view is that Medtronic is very good at developing new markets and new technologies, running clinical trials and engaging the support of clinical experts.

“We are so clinically and patient focused that we sometimes forget to do the hardcore battling with competitors to ensure we keep our business.” – Rob ten Hoedt

He said: “What Medtronic sometimes struggles with, after developing a market, is holding our market share when all kinds of new companies come along. We are so clinically and patient focused that we sometimes forget to do the hardcore battling with competitors to ensure we keep our business.” Martha said much the same in January, vowing that Medtronic must become more competitive.

“We need to be able to hold onto markets better than we sometimes do, and I think that is the right diagnosis for Medtronic and the right mentality we should bring to the company.” That means an improvement in commercial execution. But it’s not the only thing Martha and ten Hoedt want to change.

Medtronic acknowledges that it is focused sharply on the moment of intervention – be it a surgical stapler or a transcatheter valve. “What we are trying to say,” said ten Hoedt, “is that we

should do more than just delivering a perfect product for the intervention.”

In terms of “putting the tech into medtech,” is there a role for Medtronic after the implant has been done, in establishing patient ID or patient pathway support, or doing and post-surgical follow-up using data and artificial intelligence? ten Hoedt pondered.

The company is exploring seriously the opportunities for expanding its responsibilities in these areas and driving better patient outcomes.

Ten Hoedt wondered if there is also a role for Medtronic in chronic disease management, and treating patients at home to avoid them becoming “revolving door” patients at hospitals. “Medtronic hasn’t done this in the past. In principle, we are very focused on delivering the tools and technologies for the interventions, but we have not done a lot in the pre-and post-phases.”

These ideas are not totally new to Medtronic, however, which has pacemakers that feature data storage and sensors. The company is in a good position to collect data and develop opportunities to use AI to make care more efficient.

Ownership Of The Data And AI Space

Many smart start-ups are already adopting this approach, and using data to develop better diagnostic follow-up, for instance. This field is not just for the Googles and Microsofts, and Medtronic can also take ownership of the space, he added.

“The world of true medtech is a regulated world. It means dealing with patients at their most vulnerable time and requires a view of the world that is different from Google’s or Apple’s,” said ten Hoedt. “Those groups might have technologies, but they don’t have the same connection to patients and to the regulated environment that Medtronic has.”

Prevention and lifestyle apps belong to those groups, and their technologies have important roles to play. But the moment people get sick, a different industry becomes involved and different approaches to care are required, and that is where Medtronic plays an important role.

The “consumer” patient has been a serious theme at Medtronic for a very long time, but whether it comes into play for a medtech innovator is dependent on the type of business. Diabetes, for instance, is an area of care where the patient is more and more a decision-maker in their own health care delivery. But for interventions, patients must put their trust in physicians and their choices.

That does not mean that Medtronic will not become a broader, better-known company, said ten Hoedt. “I think we as a company should become a bit better known by the general public, but it’s not a key driver, and whether it can happen depends very much on what kinds of technology you

are talking about.”

And there are grey zones, like uro/gastro, where Medtronic might serve itself better by reaching out a bit more and raising patient awareness, said ten Hoedt. He promised that soon Medtronic will issue new data on renal denervation as a hypertension treatment. “There are patients everywhere who are treated mainly by GPs, but we need to get more patient awareness around it.”

Value And Outcomes

“Everything we do is based on the outcomes motive: we use the data we get out of our devices and feed it back into the system, which leads to better outcomes.” Medtronic was “a little ahead of its time” on value-based care, both internally and externally, and the speed of its adoption generally is not easy to track, said ten Hoedt.

“If the pandemic has shown us anything, it is that the value of all the elective care that takes place every day has tended to be taken for granted. People are now more aware that if patients cannot get elective care and surgical interventions, life expectancy comes down significantly.”

Ten Hoedt continued: “We saved many lives with the enforced COVID-19 lockdowns, but we have probably lost more lives due to the delays in elective care.” It has created an awareness that medtech, access to hospitals and outcomes are of extreme value for the economy and society in general, he said.

“Imagine if we spent a bit more on outcomes...and stopped looking at health care as a cost and saw it more as an economic driver of health in society.”

The focus on outcomes creation is probably more relevant today than it has ever been. “But imagine if we spent a bit more on outcomes, created more access for patients, stopped looking at health care as a cost and saw it more as an economic driver of health in society,” ten Hoedt suggested. “I believe this is the moment for transition in reimbursement models and a shift to outcomes-focused, risk-benefit share programs.” Medtronic already has a number of outcomes-based payment models operating around the world. “We have broken through the silos. It was hard work, but it can be done, as we have shown,” he said.

“The environment is too difficult right now. We must get people to look at it from a patient

outcomes perspective, and understand that for the same amount of money health care can treat many more patients with much more success.” Change in this direction is slow in coming, whereas it should be rapid, he acknowledged.

The beginnings of reimbursement for digital health care in Europe has been a catalyst, and this has allowed people to assess the true value of digital. The “winner” from the pandemic has been the increase in remote patient follow-up, compared with in-office follow up.

Ten Hoedt noted that the pandemic caused a huge backlog of patients waiting for treatment, and the normal incidence of patients will continue to happen, so the year ahead looks good from a revenue and case load perspective for Medtronic. The company is guiding on a 4% revenue uplift in 2021-22.

Major R&D Spend Ahead

The outlook is once again favorable for routine business at Medtronic. In addition, the group is planning to allocate extra funding for R&D this year, so that the allocation reaches the highest single increase in absolute dollars that Medtronic has given for R&D. “It will lead to a little softening in EPS, but it’s an investment in the future,” said ten Hoedt.

Medtronic has a number of high-potential technologies that will require significant investment, including:

- The Hugo robotic-assisted surgery (RAS) system, which in late June completed its first successful patient procedure—a prostatectomy performed at Clínica Santa María in Santiago, Chile;
- The Ardian renal denervation technology, which is seemingly back on track for future use in patients with uncontrolled hypertension; and
- Transcatheter valve technology, which is moving from aortic to mitral.

“We will do that in the next 12 months while growing the topline of the company as fast as we can. I am very comfortable that we’re going to have a good year ahead of us,” said ten Hoedt.