



Dan Mendelson: Selling The Device Is Not Enough

► By Dan Mendelson

IN THE CURRENT ERA, DEVICE DEVELOPERS MUST CONSIDER VALUE, costs and bundling of their products to health-care buyers, not just securing fast approval from US FDA and a reimbursement decision from CMS, Avalere President Dan Mendelson writes in this guest column.

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There was a time when originating a compelling device, testing it carefully, moving it through US FDA, and securing reimbursement was sufficient for driving adoption. When I was running the health-care division of the White House Office of Management and budget in 2000, this was certainly the case.

Appropriate for the model at the time, device companies focused their energy on securing rapid approval from the FDA followed by engaging the Centers for Medicare and Medicaid Services in coverage, coding, and payment discussions to ensure strong markets before selling commenced.

In 2003, before the passage of the Medicare Modernization Act:

- About 13% of seniors were in Medicare Advantage (MA);
- The balance of the program was paid for by fee-for-service;
- There were no quality measures linked to payment; and
- Health IT was a distant aspiration.

As a result, the medical-device model was very focused on relationships with physicians, who were largely in control of local-level buying decisions. Times have changed.

Today, it is no longer enough to just originate and test the device. In the push to value-based health care, de-

vice purchasers are increasingly being held accountable for both quality and cost management. Insurance plans are contracting with providers on the total cost of an episode, including accountability for hospital readmissions. As such, device-makers need to deliver products in an environment that is driven by four new rules:

1. Providers increasingly face a capitated or cost-constrained environment.

Medicare Advantage enrollment is growing 5%-10% per year with more than 30% of seniors enrolled, according to an Avalere analysis of CMS enrollment reports (available here). The Medicare fee-for-service program has a range of additional programs, such as alternative payment models, that drive toward value. Medicare, as well as many commercial plans, now pays for many joint replacements and other conditions on a bundled basis, including the procedure and related care in the subsequent 90 days.

2. Health system integration is shifting the locus of decision making.

As the portion of physicians employed by health systems grows steadily, purchasing decisions are increasingly being made at the hospital/system level, rather than by individual clinicians.

3. Quality measures drive profitability and value assessments for both plans.

Quality measures make the difference between profitable and unprofitable health plans. As such, plans have introduced additional layers of data, analytics, and interventional automation to drive quality and reduce costs. Such data can be used to build narrow networks centered on the high-value providers that are most efficient.

4. A robust and evolving health IT environment is increasingly driving decision making.

Buyers expect data to identify patient needs and demonstrate the return on investment for both providers and health plans.



New Strategy

As a result, device companies require a new go-to market strategy – incorporating sales and an operational model that enables customers to better achieve cost and quality outcomes. Device firms need patient-level analytics to determine appropriate uses for their product. Further, patient- and physician-level interventions can drive clinical improvements by monitoring follow up and ensuring continuous learning. Device companies need to be viewed as important partners to providers and plans to drive better quality at lower costs to help achieve care-management objectives.

That is why engaging care management resources and investing in a scalable data platform for care improvement is critical for future success. Device companies need to invest in real-world-data analytics during the development stages and after approval; develop algorithms that fit within the provider and plan data environments; and sell devices as platform-enabled with associated value-based guarantees.

ABOUT THE AUTHOR



Dan Mendelson is president of Avalere Health. He leads the firm's operations, and engages in data-driven strategic work for major clients in life sciences, managed care, and the provider sectors. Prior to founding Avalere in 2000, Dan served as associate director for Health at the White House Office of Management and Budget.

This transformation requires a reimagined sales strategy that goes beyond individual provider relationships and instead present an evidence-driven value proposition for health systems. This new way of looking at devices is emerging now, and will soon benefit the rapid adopters with a strategic advantage, while others play catch up.

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