

Transforming Medtech: Strategies for Shifting from Devices to Digital Healthcare Solutions

By Rob Bell, Thiemo Werner, and Raina Park

Key Takeaways

- Medtech companies are moving from product manufacturing to integrated solutions, enhancing patient outcomes and creating revenue opportunities.
- Solution development requires a distinct process prioritizing integration, user experience, and customer engagement throughout the patient journey.
- Transforming business models and monetization strategies, such as outcome-based pricing, is essential for capturing value from complex solutions.

As the healthcare landscape rapidly evolves, medical technology companies are moving beyond manufacturing standalone products to offering integrated solutions that enhance patient outcomes and create new avenues for growth.

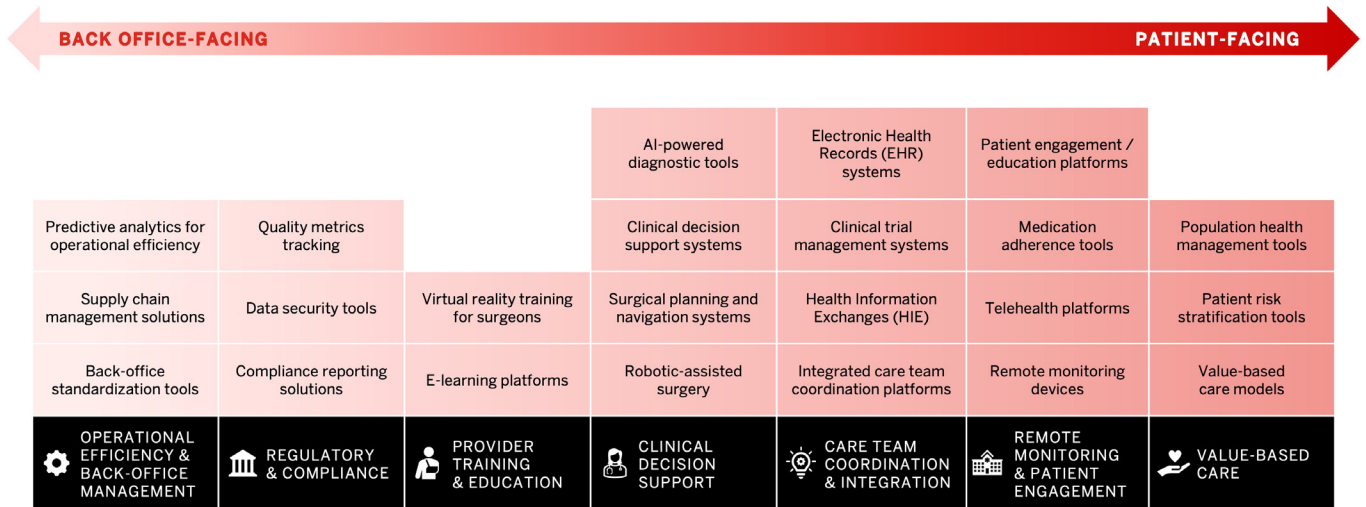
From smart health devices to AI-powered diagnostics and digital platforms for remote patient monitoring, the shift from products to solutions is revolutionizing how medtech companies create value. The economics are particularly enticing – the healthcare solutions market is projected to surpass \$300 billion by 2032 as companies develop new

ways to combine products, software, and services addressing complex needs, as shown in Fig. 1.¹ This offers incumbents opportunities to redefine key markets, embrace new business models, improve clinical care, and capture recurring revenue.

As Philips' CEO Roy Jakobs describes it, this is about developing a “servant technology” – technology that serves the needs of the providers, payors, and most importantly, patients. However, the challenge for companies seeking to make the transition from products to solutions can be immense. Unlike typical B2C or even B2B industries, medical device makers must meet extraordinary

Figure 1: Solution Opportunities Across the Medtech Value Chain

Advances in technology, such as cloud computing and artificial intelligence, create tremendous opportunities for medtech companies to reimagine their products and devices, developing comprehensive solutions across the value chain for both healthcare providers and patients.



Note: Not exhaustive

standards of safety, reliability, and user satisfaction that raise the standards for consumer experience while also navigating regulations governing the use of patient data.

This transformation can take years, and many companies have been stymied by a lack of clear vision, as well as inherent challenges around capabilities and execution. To overcome these challenges, companies are taking a multi-faceted approach that necessitates rethinking innovation processes, organizational structures, and monetization strategies. Let's explore some of the strategies companies are using to empower their organizations, laying the groundwork for developing comprehensive solutions.

1. Design a unique solutions development process instead of relying on your current product development process.

Unlike traditional product development, which typically emphasizes engineering and feature

refinement, solution development necessitates a unique innovation pathway. However, companies still tend to default to standard R&D processes, honed for device and product innovation. This leads to solutions that lack additional value beyond rebranding existing products, resulting in subpar market adoption and customer dissatisfaction.

Solution development should instead focus on integration, user experience, and interoperability. Dedicated teams operate with a degree of independence from the core business, allowing them to focus solely on innovation without being distracted by the demands of traditional product development. By having separate funding for these teams, companies ensure resources are allocated to driving solution innovation, rather than being diverted to support existing product lines.

For instance, Philips departed from its traditional product-oriented approach with HealthSuite, establishing dedicated teams and funding for a cloud-based digital platform and designing it to be enterprise-wide, not siloed in an existing

business unit. This enabled the company to create an integrated solution offering continuous value through real-time health data monitoring, telehealth services, and personalized care plans, connecting patients, healthcare providers, and technology.²

2. Put customer perspectives first in refining complex solutions development.

A key challenge for medtech companies is developing solutions that not only meet the high standards required to treat health conditions but are aligned with the unique needs of both patients and healthcare providers. Often, companies will focus on the new technology or data and neglect the fact that the most successful innovations emerge from a deep understanding of the patient journey, which is demonstrated in Fig. 2. They must also understand the financial implications for providers who are essential partners in delivering solutions to patients.

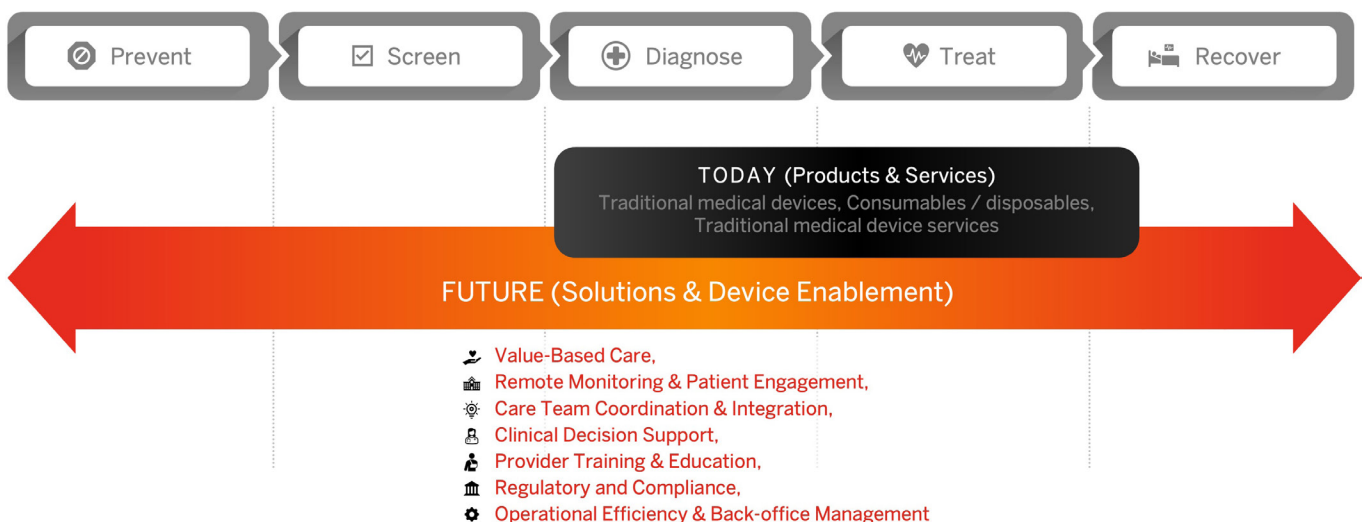
By placing consumer needs first, organizations create solutions that address specific pain points

across the spectrum of care, from prevention to recovery. This requires meaningful engagement, active listening, and co-development with stakeholders to ensure the solution improves patient outcomes. Rather than starting with technical specifications or data insights, companies begin with an exploration of consumer needs, then refine solutions through iterative testing and feedback. This approach allows for more responsive and agile development, where adjustments can be made in real-time to reflect changing market needs and patient expectations.

Medtronic serves as an example of this approach. The company has integrated patient perspectives deeply into its product development cycle for diabetes management technologies. Through its partnership with patient communities, Medtronic has refined its insulin pump designs, and software features based on real-time feedback from users. This customer-centered approach has allowed Medtronic to address unmet needs while also accelerating time-to-market for its innovations.³

Figure 2: Developing Solutions Across the Patient Journey

Moving from products to solutions represents a fundamentally different way of creating value across the entire patient journey, from prevention to recovery.



3. Fundamentally rethink pricing models and monetization strategies.

Unlike products, solutions often involve complex combinations of customer value creation. To command a premium price, though, solutions must demonstrate clear clinical and economic value compared to traditional products. This often requires extensive clinical validation and the production of real-world evidence to secure reimbursement.

As a result, organizations often struggle to develop new types of monetization strategies, remaining trapped in business models that offer services “on top” of products. The challenge is to move from a one-time sales model or a lease with a break-fix contract to more complex and dynamic approaches such as bundling or payments using metrics like hours that equipment is deployed or health outcomes.



Siemens Healthineers rethought its payment strategy by offering five different options for customers: milestone-based, unitary payment, pay-per-use, subscription, and performance-sharing. These models align the company’s success with the outcomes achieved by customers, fostering partnerships rather than transactional relationships. For example, in outcome-based pricing, payments are tied to the achievement of specific health outcomes.⁴

Monetization also requires the effective identification and control of valuable data. For instance, Fujifilm Medical Systems developed backend storage capabilities to better manage and control patient endoscopy images. Once it achieved scale, Fujifilm layered AI analytics onto this vast repository of imaging data, creating significant additional value and enabling effective monetization.⁵

4. Build sales teams to support new pricing models and monetization.

The shift to solutions requires a departure from traditional strategies and necessitates a deeper, consultative engagement with customers. Because solutions are more complex, sales teams must meet a higher burden of proof, acting as advisors while credibly articulating value and evidence. There are also different sales cycles and decision makers in the buying process.

As successful as existing product teams may be, training them in new selling skills might only go so far. To truly activate a new sales strategy, companies recruit new talent to create a solution-selling team, which may require creating new roles and departments focused on service delivery and customer support. Special care should be taken to make sure there are clear lines of authority to minimize potential conflict between existing account leaders and new selling teams.

When Medtronic transitioned to a solutions-oriented model with its diabetes management systems, it built a dedicated sales team specifically trained in solution selling, focusing on comprehensive diabetes care rather than just selling individual products. This team was equipped to handle complex customer needs and provide ongoing support, ensuring a seamless integration of their technology into the patients’ daily lives and ultimately driving better health outcomes.⁶

Medtech companies that successfully navigate a transition to a solutions-focused business model can unlock significant growth potential, reflecting a shift to a more digitally enabled enterprise. This necessitates capabilities that may be at odds

with a traditional business model centered on product superiority or cost leadership. The leaders who anticipate and proactively address these challenges are the ones most likely to reap the potential rewards of this strategic shift.

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ENDNOTES

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