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MEDTRONIC AND VALUE-BASED HEALTHCARE:

PARTNERING TO IMPROVE OUTCOMES AT LOWER COST

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MEDTECH AND THE SHIFT TO VALUE-BASED HEALTHCARE

OPPORTUNITY TO PARTNER AND LEAD

- Overarching goal is to share in accountability for improving outcomes at lower cost
- Long history of collaboration with physicians to improve patient outcomes
- Clinical trial and healthcare economics expertise can accelerate standardization of patient cohort selection, optimization of care pathway and definition of outcomes
- Appropriate application of medical technology in healthcare system can help drive inflection points in value creation
 - Iterative innovation will be required to ensure continual improvement in outcomes and reduction in costs rather than one-time savings
- Use of technology capabilities can address inefficiencies across the bundle, especially in post-acute care
- Risk-sharing (shared accountability) is central to value-based healthcare models

VBHC MODEL EXAMPLE - RESPIRATORY COMPROMISE

MICROSTREAM CAPNOGRAPHY

“Respiratory Compromise is a state in which there is a high likelihood of decompensation into respiratory insufficiency, respiratory failure or death, but in which specific interventions (continuous monitoring and therapies) might prevent or mitigate decompensation.”

- Respiratory Compromise Institute

www.respiratorycompromise.org

Common, Costly and Deadly:

- Nearly 11.6% of adult elective surgery patients and approximately 7% of all Medicare patients¹
- Patients with respiratory compromise that originates on the medical surgical floor are 29 times more likely to die compared to those in other areas of the hospital.²
- Cost projected to exceed \$37 billion by 2019.³



Name: Amanda Abbiehl

Age: 18

Diagnosis: Severe pain from throat infection

Monitoring: Intermittent SpO₂ and vitals

[HTTPS://WWW.YOUTUBE.COM/WATCH?V=GNZBVS3ABYC](https://www.youtube.com/watch?v=GNZBVS3ABYC)

VBHC MODEL EXAMPLE - RESPIRATORY COMPROMISE

- Program Goal
 - Improve clinical outcomes and reduce costs associated with Respiratory Compromise
- Program Mechanics
 1. 3-5 year program
 2. Clinical protocol
 3. Clinical training
 4. Capnography product purchase commitment
 5. Patient clinical outcomes and cost data tracked
 6. Medtronic pays 50% rebate on capnography consumables if clinical outcomes not met
- Risk-sharing through a rebate protected as a discount under the AKS Discount Safe Harbor

- Other forms of risk-sharing are challenged under existing AKS laws
 - Compensating customer for cost of additional medical expenses
 - Compensating customer for loss of reimbursement due to complication or readmission

CHALLENGES TO INNOVATION VBHC SERVICES AND SOLUTIONS

- Existing AKS laws present challenges
 1. AKS laws assume transactions are for the sale of items and services, not for the sale of clinical or economic outcomes
 - AKS Warranty Safe Harbor is designed to protect provision of items and services due to a product defect, not a failure to achieve targeted clinical or economic outcomes
 - AKS Discount Safe Harbor is designed to protect discounts and rebates, not accounting for combined product/service offerings aimed at reducing adverse events and associated costs
 2. AKS laws assume traditional reimbursement models rewarding volume, not value, are in play
 3. AKS laws not waived for industry/provider/payer collaborations under new reimbursement models rewarding value
 - Limit ability of a non-provider to risk-share around improving health outcomes and lowering costs

ROADMAP TO ENABLING MEANINGFUL INNOVATION VBHC SERVICES AND SOLUTIONS

- Recast image of industry from mere “widget producers” to valuable contributors of healthcare outcomes
- Partner with providers and payers to develop programs targeting critical areas of clinical focus and cost drivers
- Evaluate opportunities to modernize fraud and abuse legal landscape
 - Proposed AKS Risk-Share Safe Harbor
 - Promote value-based payment arrangements between industry, providers, payers
 - If all parties are sharing in the financial risk of a certain outcome, potential for overutilization and increased cost is limited
 - Proposed AKS Value-Based Pricing Arrangements Safe Harbor
 - Iterative to current AKS Discount Safe Harbor
 - Protects price adjustments dependent on achievement of clinical and/or cost outcomes
 - Proposed AKS Value-Based Warranty Safe Harbor
 - Iterative to current AKS Warranty Safe Harbor
 - Protects items and services conditioned on achievement of clinical and/or cost outcomes
- Evaluate opportunities to support design of innovative VBHC reimbursement models

SOURCES

1. Linde-Zwirble, WL. Postoperative pulmonary complications in adult elective surgery patients in the US: severity, outcomes and resources use. Crit Care.2010; P210
2. Kelley SD, Agarwal S, Parikh N, Erslon M, Morris P. Respiratory insufficiency, arrest and failure among medical patients on the general care floor. Crit Care Med. 2012;40(12)-764.
3. Agarwal SJ, Erslon MG, Bloom JD. Projected incidence and cost of respiratory failure, insufficiency and arrest in Medicare population. 2019. Abstract presented at Academy Health Congress, June 2011.