LEADING THE SHIFT TO VALUE-BASED HEALTHCARE

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CORE SET OF UNIVERSAL HEALTHCARE NEEDS HAS EXPANDED BEYOND CLINICAL OUTCOMES ALONE

- Improve clinical outcomes
- Expand access
- Optimize costs and efficiencies
MEDTRONIC STRATEGIC PRIORITIES

Therapy Innovation
Develop new therapies and complementary offerings to address unmet clinical needs, expand penetration, and grow share

Globalization
Develop tailored solutions to address market-specific needs and expand access

Economic Value
Develop new integrated health solutions and business models to win in Value-Based Healthcare environment
VALUE-BASED HEALTHCARE IS HERE TO STAY
NO PRE-EXISTING FRAMEWORK FOR MEDTECH

- Healthcare stakeholders are **aligned** (and incentivized) to improve **value**
- Medtronic Mission – Use technology to **improve** patient outcomes
- Implementation of VBHC **aligns payment models** to Medtronic’s Mission
- Will reward us more directly for innovation and **enhance engineering** and R&D productivity

Value-based healthcare is the right strategy for Medtronic
# Framework for Achieving Value-Based Healthcare

**Categories of Bundled Care Offerings**

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<th>Therapy Optimization</th>
<th>Episodic Care</th>
<th>Chronic Care Management</th>
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**Medtronic 7-Step Value-Based Healthcare Framework™**

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<th>Select a Disease or Condition</th>
<th>Develop Patient Cohorts Based on Risk and Care Pathways</th>
<th>Define Outcome Measures That Are Meaningful for Patients</th>
<th>Define Timeframe Required to Achieve Optimal Outcome</th>
<th>Quantify Baseline Outcomes and Costs for Each Patient Cohort</th>
<th>Determine Prospective Performance and Cost Objectives – The Value Proposition</th>
<th>Develop Business Model</th>
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THERAPY OPTIMIZATION: MANAGING CARDIAC DEVICE INFECTION
THE TYRX™ ABSORBABLE ANTIBACTERIAL ENVELOPE

THE PROBLEM. Infections occur in **1-4%** of all CIED Implants

THE IMPACT. **50%** Mortality at 3 Years

**$50,000** average cost to treat an infection

THE SOLUTION. TYRX™ Absorbable Antibacterial Envelope Helps Prevent Infection:

**70-100%** Reduction in High-Risk Patients

The TYRX Risk-Share Program
EPISODIC CARE: SHARING DIRECT ACCOUNTABILITY FOR OUTCOMES
INTRODUCING MEDTRONIC ORTHOPEDIC SOLUTIONS

MDT Orthopedic Solutions

Reduce system costs across the entire episode while maintaining or improving outcomes

Comprehensive Solution
Integrated Offering

Approach
Leading Clinical Practices
Surgeon Driven
Data & Analytics

Components
Primary Knee & Complication Management
Post-Acute Monitoring

Business Model

Shared Savings

Key Milestones
Communicate Commitment
Customer Targeting and Care Pathway Deployment ~2H CY16
Commercially Available Knee ~1H CY17
Commercially Available Hip ~1HCY18
DIABETER
CHRONIC CARE MANAGEMENT SOLUTIONS

A UNIQUE
DIABETES MODEL

DIFFENTIATED
OUTCOMES

STANDARDIZE
MODEL TO SCALE

GLOBAL
EXPANSION

- Integrated diabetes management
  - Expert staff through scale and focus
  - Patient-centric pathway
  - Proprietary IT: V-Care
  - Remote care through connectivity

- Patients
  - Optimal glucose control

- Providers
  - Lowest quartile of hospital admissions

- Payers
  - Lowest decile of cost
  - Preferred supplier by insurance

# Acute Hospital Admissions (vs. HbA1c > 86mmol)

- Turnkey solution
  - Medtronic owned
  - Stand-alone clinic
  - Integrated care model

- Franchise model
  - Provider owned
  - Care pathway optimization
  - V-Care implementation
  - Benchmarking

- Netherlands expansion:
  - 5th clinic
  - Double digit growth

- Pipeline of prospects:
  - UK
  - KSA
  - MEA
  - US
MEDTECH AND THE SHIFT TO VALUE-BASED HEALTHCARE

- Appropriate application of medical technology in the healthcare system can help drive inflection points in value creation.

- Clinical trial and healthcare economics expertise can accelerate standardization of cohort selection, optimization of care pathway and the definition of outcomes.

- Use of technology capabilities can address inefficiencies across the bundle, especially in post-acute care.

- Applying the principles of outcomes-based payments into existing payment models can lead to new partnership opportunities and serve as a stepping stone to full bundled payments.

Medtronic Helping to Shape the Future of Healthcare