

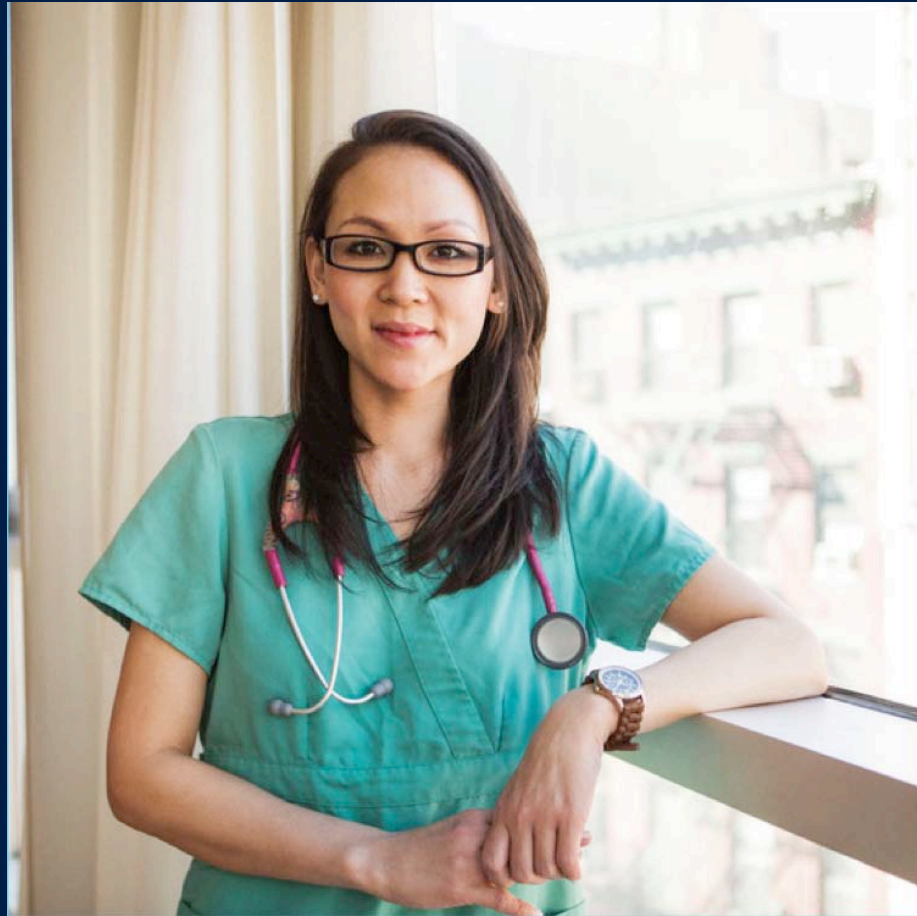
June 20, 2016

# LEADING THE SHIFT TO VALUE-BASED HEALTHCARE

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**Medtronic**  
Further, Together

# 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



Shared accountability  
for costs and patient  
outcomes

- 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**

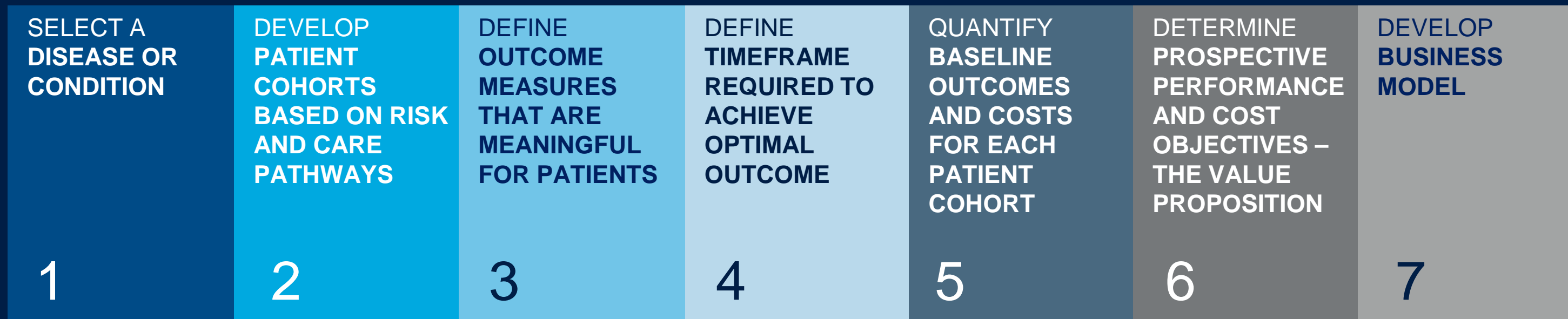
Value-based healthcare is the right strategy for Medtronic

# FRAMEWORK FOR ACHIEVING VALUE-BASED HEALTHCARE

## CATEGORIES OF BUNDLED CARE OFFERINGS



## MEDTRONIC 7-STEP VALUE-BASED HEALTHCARE FRAMEWORK™



# 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

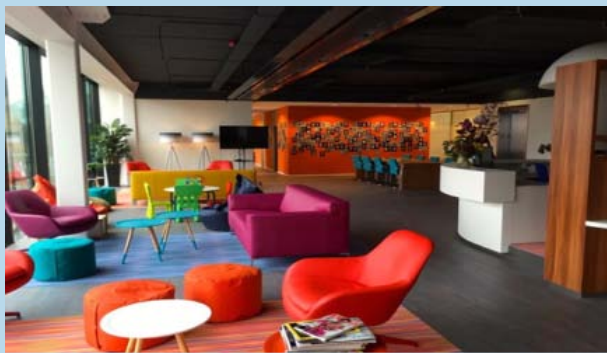
Commercially Available Knee  
~1H CY17

Commercially Available Hip  
~1H CY18

# DIABETER CHRONIC CARE MANAGEMENT SOLUTIONS

## A UNIQUE DIABETES MODEL

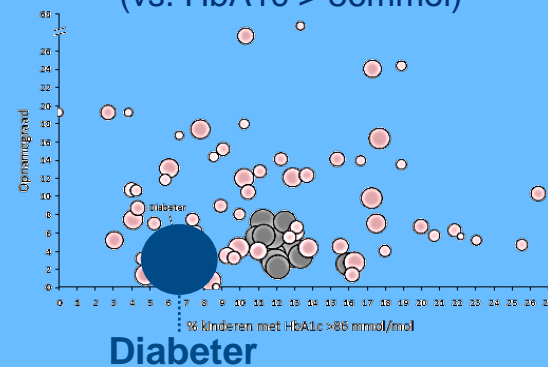
- ❑ **Integrated diabetes management**
  - Expert staff through scale and focus
  - Patient-centric pathway
  - Proprietary IT : V-Care
  - Remote care through connectivity



## DIFFERENTIATED OUTCOMES

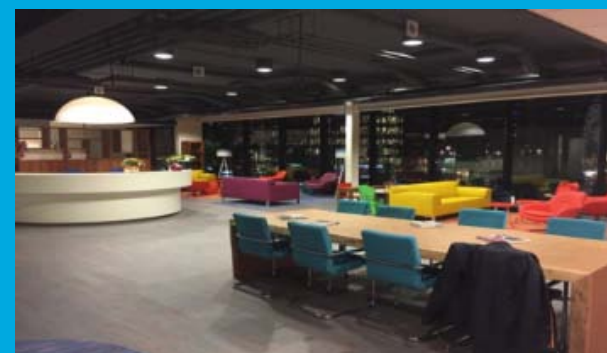
- ❑ **Patients**
  - Optimal glucose control
- ❑ **Providers**
  - Lowest quartile of hospital admissions
- ❑ **Payers**
  - Lowest decile of cost
  - Preferred supplier by insurance

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



## STANDARDIZE MODEL TO SCALE

- ❑ **Turnkey solution**
  - Medtronic owned
  - Stand-alone clinic
  - Integrated care model
- ❑ **Franchise model**
  - Provider owned
  - Care pathway optimization
  - V-Care implementation
  - Benchmarking



## GLOBAL EXPANSION

- ❑ **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**