HEALTHCARE

NAVIGANT LOOKS AT THE COMPLEX CHALLENGES FACING MEDTECH COMPANIES

Announcer: Welcome to Navigant On Healthcare, offering insights for healthcare leaders striving for success in an evolving industry.

Host: Welcome to Navigant on Healthcare. I’m your host, Alven Weil, and today we will discuss the real world and incredibly complex challenges that MedTech companies face when bringing new technologies to market. Here to shed light on ways to navigate this complexity are Navigant’s Mike Fix and Ross Meisner.

Ross is the managing director in Navigant’s Life Sciences practice with 30 years of experience building high tech companies. Ross has co-founded or held leadership positions at four startup companies and two international joint ventures. His experience spans MedTech management consulting, Internet services, and the semiconductor industry.

Mike is a director in Navigant’s Life Sciences practice with more than 15 years of experience across the pharmaceutical and medical device industries. His work focuses on understanding the realities of market landscapes for both startups and multinational market leaders. He also manages the firm’s market development’s software development team. Mike, Ross, thanks for joining us today.

Mike Fix: Thanks for having us.

Ross Meisner: Pleasure to be here, Alven. Thank you.

Host: So, let’s jump right into our discussion. You guys work with many small MedTech clients who are bringing new technologies to the market. Every startup wants a big market, but you often advise clients to start small and stay focused. What do you mean by this and why would that be better for a startup?

Ross: This is the classic question. The essential question for every MedTech company. When you commercialize a product, you’re going to have some initial adoption. Then you’re going to hopefully grow into a large full market penetration, high adoption business. But where are
you going to start on the way to growing into the full market? Our strategy and our advice has always been to start deliberately on the small side when you begin, because you can leave it up to the market to choose how they want to use it and how they want to respond, or you can proactively drive adoption from an early attractive beachhead through deliberate sequences of patient groups or markets or settings into the full market penetration. So, we have always said that we want to help our clients get the full market opportunity, but we want to do it in the most effective and optimal way by being explicit and deliberate about where to start and where to grow next.

Mike: Similar to what Ross was saying, when you’re looking to start something new, the question is, where to do that, how are you going to have them change their experience from something they’ve been comfortable doing and doing for a long time? The more you can guide them through how to find the case where you’re going to show the biggest differences to really create this “wow” result for clinicians, the more that’s going to build confidence and help them be comfortable as they look to expand. And so, that’s the reason, in particular, to answer your question, we advise them to start focused and control that experience — as Ross was saying — so that it’s a higher likelihood for success.

Ross: There are a couple well known business perspectives that help explain why this is and how markets evolve. If you think about any technology adoption that follows an S-shaped adoption curve, there’ll be early adoption. Then it will grow, then it will saturate and slow down as the market is full, and we’re trying to drive that S-shaped adoption curve explicitly. Or you think about Roger’s technology adoption characteristics, people are early adopters or majority adopters or late adopters, it’s going to go through a sequence and we apply those lenses to help MedTech companies think about where to start and how to grow the market.

Mike: The reality is that those dynamics are underneath the surface of every product launch and so we really work hard to help our clients see and anticipate those things before they enter the market so that they can enter it with their eyes open.

Host: So, we talk about companies unlocking adoption and that sounds easy, but clearly it isn’t, otherwise nearly every MedTech startup would be successful at it. How do companies drive adoption, though? And how different is the process across different segments of the industry?

Mike: Yeah, great question. We’ve studied a lot of different technologies, therapies, products across the spectrum of life sciences and I think there’s more similarities than differences. Certain factors always ring true, but you know, every product has their own strengths and weaknesses. So, the specific barriers and focus areas the product has to overcome can be quite different from each other but the overall success criteria we see is pretty similar. And you know, driving this type of behavior change, unlocking adoption can be pretty challenging, but requires this long-term focused investment strategy. And we’ve seen that be successful even when products had been on the market a very long time and seems to be pretty stagnated. The right kind of approach or investments can unlock additional growth and that’s the, some of the similarities we see is, the kind of dynamics that are at play there.

Ross: The other thing, Mike, is these MedTech products are going into markets, healthcare markets, with so many different influencers and entrenched stakeholders. Think about it, our MedTech clients are going into some of the most difficult business environments possible, regulated payments, very sophisticated customers. I mean, I don’t know the last time you tried to convince your physician friend or in-law to change their mind, but these are highly-educated, opinionated, confident, answer people and we’re going in and saying, “Hey doctor, please do something different than you were doing yesterday, which by the way, was working fine for your patients.” It’s a difficult challenge.

So, to unlock adoption means to bring each physician through that behavior change process, like Mike was saying. And it takes a lot of different incentives, the confidence that the technology works better, the clarity that this is the right patient to use it on, the evidence of what to expect if I use it, does it fit into my clinic or hospital, the business model, the economics. There are so many different factors and a MedTech company has to address all of those factors in order to cause this adoption to happen on a broad scale.
That’s true Ross. I think the bigger the disruption is, the more appealing it is for investment, for the story. But then it can be a lot trickier to figure out how to fit it in. But the more it’s a “me too” piece, the less anybody cares. And it depends on the stakeholder you’re talking to. If you’re talking about payers, versus hospital practices, versus physicians, they all have a different perspective on that, from making the care easier from a physician standpoint to incorporating it into procedural dynamics maybe at the hospital site. And then the payers, the question for them is really: “Show me the outcomes in the long-term management. Is it cost effective and over what time horizon?” And sometimes those things can compete with each other as we’ve seen. And it might make sense for one stakeholder and not others.

So, Mike and Ross, please share some of the real-world common pitfalls often faced by MedTech companies when they’re working to bring new technologies to the market.

Yeah, this is always the fun part where the rubber meets the road, the real-world examples and case studies. And there are so many. For example, there are a number of technologies working in the lung cancer space for earlier diagnostic and alternative ways to do biopsies or maybe even treat small nodules. And this is an exciting and promising area for new medical devices, but there’s a little bit of a strange dynamic in the lung cancer world. If you are going upstream and trying to diagnose patients earlier, one of the presumptions that you sometimes don’t even realize as being made is that, oh, there must be a lot of people that would need to be checked, a lot more people than the relatively modest size of actual lung cancer cases that we have in the U.S., but in fact, compared to the people getting diagnosed today, it’s not a huge, 10 times bigger population.

It might be twice as big as the current diagnosis or risk of lung cancer. But the unrecognized fact is that all lung cancer patients eventually get diagnosed. Nobody dies with undiagnosed lung cancer. And so, when you recognize that eventually these patients are all getting into the healthcare and of all eventually getting appropriate care even if it’s late, and then you try to go upstream in the healthcare system and catch them earlier, not that many people with possible lung cancer are actually out there and ready to get diagnosed. So, there are little systemic realities like that, that can limit the commercial market size for very promising technologies.

Another pitfall you see, especially when trying to treat these earlier disease conditions and this something you see across a number of different areas, including prostate conditions, obesity, dermatology, is patient bother, so a lot of conditions, it’s up to the patient to figure out when they’re bothered enough to come in for care. And that’s something that’s a big pitfall that people run into when they’re thinking about the size of the market, how accessible it is, how to get at the patients, because ultimately if the patient’s not feeling bothered, they’re not going to get to the right person and be asking for solutions.

So, to follow on my example on obesity, that’s something where the data shows that even patients who are severely obese, the majority of them believe that they’re in good or excellent health despite sometimes very low rates of exercise and high rates of obesity. But if the patient does not perceive that they are in danger or not feeling well, then there’s no chance of them going in and pursuing a solution. So, that’s the other challenge of getting at some of these big populations that are attractive from an investment standpoint is finding a way to unlock those patients that don’t have a high degree of bother.

There’s one other example I’d like to share. Sometimes as a new innovation comes to market, it’s disrupting the care provider in unexpected ways. There are new therapies being developed for hypertension. We’ve heard of renal denervation where you go in and ablate the nerves around the veins and arteries to the kidney. There are neurostim devices that could be implanted that can possibly lower blood pressure and reduce the dependence on hypertension drugs. But both of these procedures are taking patients currently being cared for by other doctors using pharmaceutical solutions and moving them into an interventional radiologist or maybe even some kind of surgeon or a neurostim specialist, maybe even an electrophysiologist. Patients are leaving certain care sites or care providers as these new technologies come on and again, creating a whole new dynamic around the economics and the patient flow for these new therapies.

And Ross, we’ve seen examples where the type of specialist needed to treat these patients with the new kind of technology doesn’t readily exist, so companies have had to invest in educational programs and certifications in order to actually create this sort of specialist that they need to be successful.
Host: Ross and Mike, where do you see companies getting stuck when chasing market adoption and are any of these obstacles actually avoidable?

Ross: Yeah, there are a number of common areas that we see companies getting stuck. We’ll just throw out a few examples here. The common, every CEO of a MedTech company has a thousand things that they need to be concerned about and juggling at every given moment. Our goal is to help make sure they recognize the two or three that absolutely are at the top of the list and that should be the focus of the company in order to maximize commercial success. So getting narrowly focused on a reimbursement issue when we have a patient access and diagnosis issue, right? Everybody knows they need reimbursement, but even if you get it, you still can’t find the patient. We try and make sure we bring those things to light.

Sometimes there’s a natural desire, a lot of motivation for a company with a newly approved and commercialized product to get some sales folks and knock on doors and drive sales and put the feet on the street and sometimes that’s necessary and appropriate, but oftentimes that’s premature because the healthcare system isn’t ready to adopt. Maybe the usability of the technology just isn’t mature enough yet for widespread use. There was an early technology we looked at 10 years ago and it worked great and it was for acute patients coming in and suffering from heart failure decompensation events and those patients are full of fluids and this was helping to remove the fluids and get the patients out of the hospital, but totally unexpected to the company, it wasn’t being used. And the reason was the process works so well that the nursing staff was afraid to use it overnight because the patient might actually dry out too much and cause other complications and the physicians didn’t want to be called at three o’clock in the morning to address an alarm and the nursing staff wasn’t sure what to do if the alarms went off. So, this subtle little element to how the technology was being used was inhibiting adoption. But once they knew that, the technology could put in a self-limiting feature so that it didn’t work too well and resolve that problem.

Mike: The other thing I’d add, Ross, is — as you mentioned — it’s easy to focus on the short-term goals, get a product in the market, to go sell it. And so, a lot of the long-term underlying issues that the technology or product has are not addressed and what we see, what happens there, is that some of these short-term tactics on getting people to try the product don’t have the kind of staying power, sticking power, if some of these underlying barriers are still there. Because what happens is, people will try it, they’ll use it, and they’ll fall back down and the company will have to keep kind of repeating and attacking these same particular issues versus, if they take the time to more proactively resolve some of these underlying issues then there’s more staying power and annuity to the tactics that they’re trying to take.

Ross: Yeah, that’s very true, Mike. In the end, these companies are going to spend tens of millions of dollars on technology, R&D, clinical work, the regulatory and reimbursement process, the sales and marketing effort, and making sure that all those dollars are being invested down the right path, pursuing the right commercial market opportunity. That’s essential.

Host: Fantastic information, gentleman. Mike, Ross, thanks so much for joining us today and sharing your expertise.

Ross: Alven, thank you, that was a lot of fun. I appreciate the invitation.

Mike: Thanks, Alven. Talk to you again soon.

Announcer: That concludes today’s episode. Be sure to check in with us for future installments on the Navigant On Healthcare podcast series on navigant.com/healthcarepodcast. Navigant On Healthcare is a podcast series produced by Navigant’s healthcare practice. If you enjoyed this episode, please share it with friends and colleagues on social media. Learn more at navigant.com.