



MEDTECH

Identifying Opportunities in MedTech Amidst COVID-19

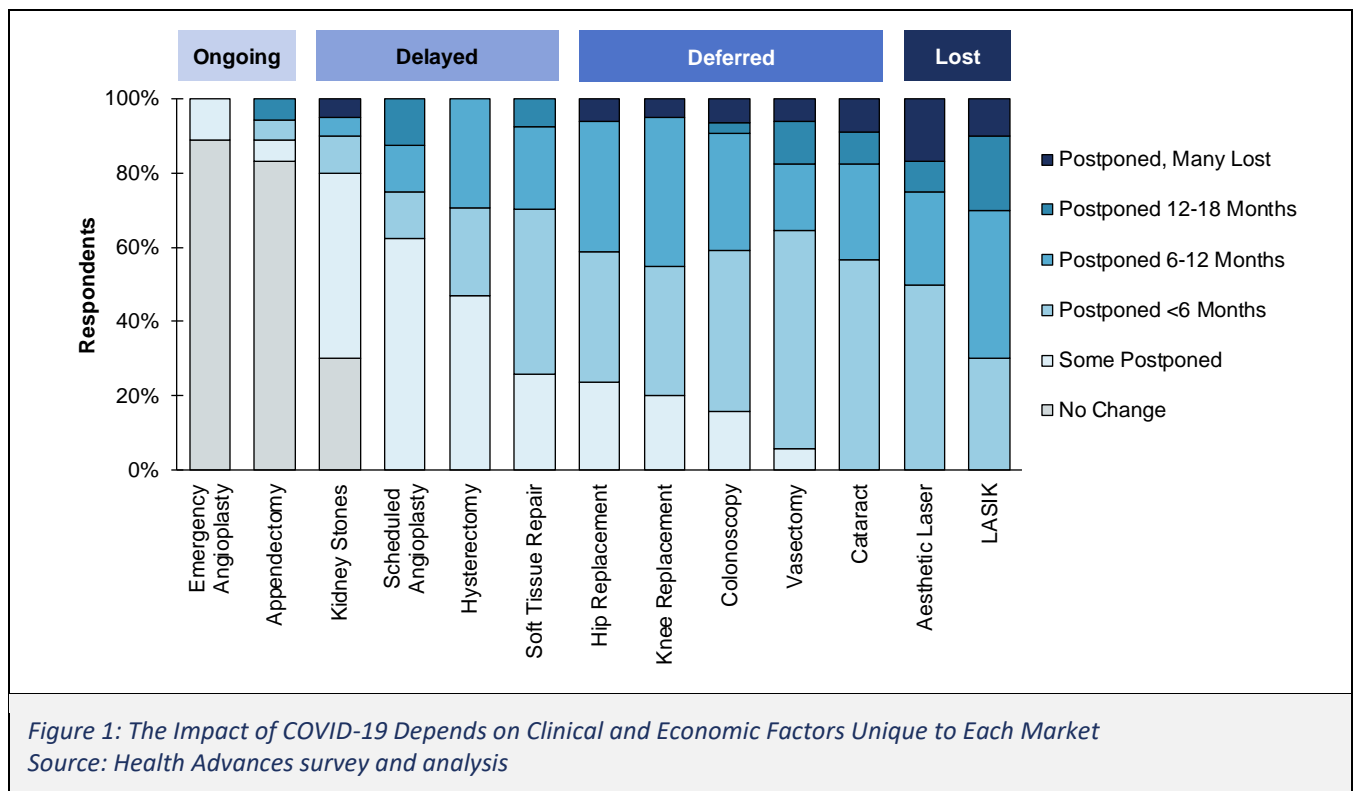
The US healthcare ecosystem has felt the impact of COVID-19 in varying ways as the pandemic and our subsequent reactions to it have progressed. Providers have more information now relative to March in terms of how to manage and care for patients. Hospitals are better equipped with PPE and protocols to triage potential new waves, and the near-term impacts of COVID-19 (such as the drastic drop-off in elective procedures) have relented to a new steady-state in recent months that portends a series of major changes to the healthcare system that likely will persist even after COVID-19 is in the rearview mirror.

As management teams are continually refining their predictions of how to 'weather the storm' it's clear that recognizing the key lasting impacts of COVID-19 and adapting strategies to limit the effect will be critical. Health Advances helps management teams anticipate the drivers and barriers specific to their company's markets and suggests tactics to mitigate disruption while positioning for future growth. The following is a summary of the underlying trends and implications we observed as well as focused insights on unique markets that Health Advances has identified as areas of rapid change.

Anticipate and Adapt to Patients' Propensity to Defer Procedures by Type

The pandemic caused a deceleration in healthcare product markets, but the effects vary significantly across therapeutic areas and procedure types. In fact, when considering the clinical and economic factors unique to each segment, many experienced only modest and temporary declines.

Health Advances compiled a list of criteria that determine a patient's propensity to defer interventions to help estimate the behavior of each product market. These criteria combine to form a measure of resilience through the pandemic, termed the deferral index. The deferral index enables us to assess the impact of these factors, and group procedure types based on their resilience through the pandemic.



In April of 2020, we conducted a survey of ambulatory surgical center (ASC) and hospital outpatient department (HOPD) administrators to understand their observed impact on procedure volumes due to the pandemic (Figure 1). We were able to identify groups of procedures that had experienced similar impacts and paired these data against our analysis of the segment's deferral index to develop a robust framework to make broader market comparisons to drive strategies that enable medtech companies to adapt.

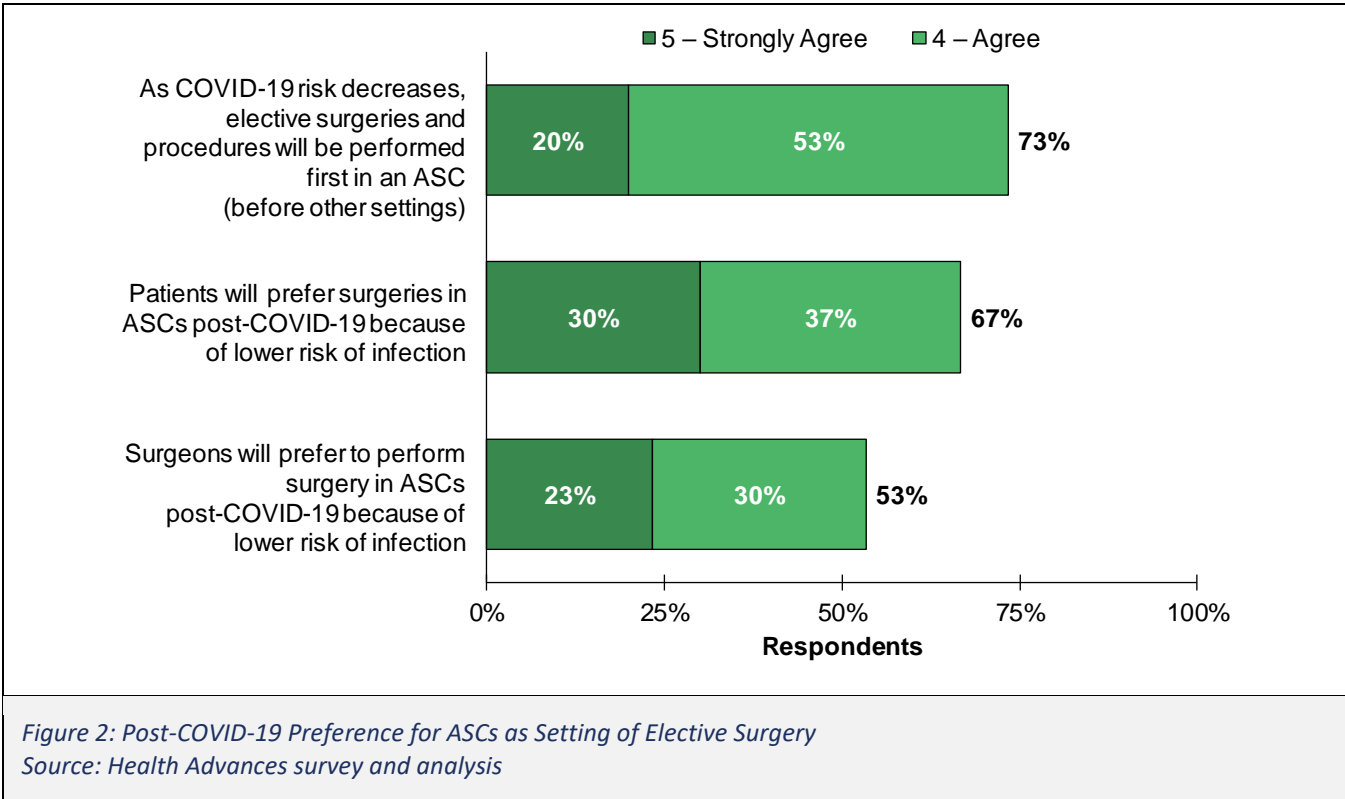
While procedures have generally returned since April, job loss and on-going economic volatility continues to affect many individuals, especially those who may have lost health insurance or the ability to afford elective procedures. With a large portion of the country entering a new-surge of COVID-19 cases, understanding how to accelerate out of another potential slowdown can be a critical learning. One intriguing insight coming out of our analysis is the fact that COVID-19 is presenting an unusual opportunity for medtech companies to focus more on

DTC marketing. At a time when advertising rates have plummeted due to the decrease in advertising by consumer goods and services companies, there is a near-term opportunity to try to influence these patients to form brand preferences or consider alternative procedure options while they have the time to conduct more research that they can bring to their physicians.

COVID-19 will Accelerate the Shift of Procedures to ASCs

While hospitals focus on COVID patients, ASCs are playing an important role in driving the healthcare systems' recovery. Prior to the onset of COVID-19, ASCs experienced significant growth and represented an important market segment for medical device companies. However, during the peak of the COVID-19 crisis, all elective procedures and the majority of semi-elective procedures were temporarily cancelled.

We have since seen a return of elective procedures in recent months, and in some cases, volume has exceeded pre-COVID levels. However, the resurgence has varied depending on the clinical and economic factors that influence patient propensity to defer different procedures. Companies should step back and plan a targeted ASC strategy to fully take advantage of this trend and gain market share.



One of the key drivers of this shift coming out of COVID-19 is a lower perceived infection rate in outpatient facilities versus inpatient settings (Figure 2). Some ASC Administrators suggest that infection rates can be up to 10x lower than that of hospital settings due to fewer patients, less sick patients, and a need for ASCs to rely on their brand and quality to drive traffic. Additionally, administrators acknowledge that some physicians prefer to perform procedures at ASCs due to decreased infection risk. Coming out of the pandemic, we anticipate the share of procedures performed in ASCs to continue to accelerate, therefore developing strategies to target this market segment is even more critical.

Innovative Solutions to Challenges of a Peri-Pandemic World are Driving Rapid Growth in Nascent Markets

Although ASCs have seen a slow return of procedures, COVID-19 has stressed hospital systems and highlighted the importance of rapid improvements to efficiency across the entire healthcare continuum.

The immediate need for contact-free medical visits thrust digital health solutions into the limelight. The growing utilization of virtual visits and other telemedicine approaches has led to improved awareness and credibility, driving favorable and likely lasting policy shifts that could expand adoption of digital technologies in medicine coming out of the pandemic.

However, other industries have also benefitted from this growing demand for efficiency. As the demand for PPE and critical supplies continues to grow due to oncoming surges in infection, companies are focusing on re-deployed 3D printing capabilities to manufacture these supplies. As manufacturing capacity catches up, we anticipate manufacturers will quickly migrate to more complex, longer-term applications like parts for outdated ventilators, or new designs for existing devices.

These insights are a sample of broader findings from a series of articles about the impact of COVID-19 on various healthcare markets. Please click on the links below to see our detailed coverage on the impact to the medtech industry or [click here to visit our blog](#) to learn more about Health Advances' perspectives on the Healthcare Industry



[The Procedure Deferral Index](#)

[ASCs- Accelerating an Already Changing Market](#)

[3D Printing in a Pandemic](#)



[How COVID-19 Could Impact Digital Health](#)



[COVID-19 and the MSK Industry: Part 1 – Impact of Past Economic Downturns](#)

[COVID-19 and the MSK Industry: Part 2 – The Unique Impact of COVID-19](#)

About Health Advances Global MedTech Practice

Health Advances MedTech Practice supports medical device executives evaluate and execute upon commercial opportunities, both organically and through M&A. We serve as a partner to medical device companies throughout the product lifecycle including identifying unmet needs, developing value propositions for new products, assessing market opportunities by segment, gaining market access at attractive value-based prices, and launching new products through direct sales and/or creative partnerships. If interested in more information, please contact one of the members of our MedTech Practice at <mailto:medtech@healthadvances.com>.