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Disruption and innovation, two sides of the coin: 2022 Medtech industry trends

The pandemic continues to shine a spotlight on how medtech is critical to our nation's healthcare infrastructure and our ability to respond to extraordinary events. It is time to harness that momentum and take advantage of the opportunities that lie ahead. Deloitte's Glenn Snyder discusses these opportunities, and 6 trends that organizations can expect in 2022.

By Glenn Snyder, Principal, Deloitte Consulting LLP

2021 was a mixed year for the medical technology (medtech) industry. The continuing COVID-19 pandemic challenged companies' manufacturing and supply chain capabilities to meet unprecedented demand for tests, supplies, protective equipment, and technology that supported patients who received treatment in the hospital. Delayed and cancelled elective procedures exerted downward pressure on orthopaedics producers.

Still, there were a number of positives. 2021 was the year that diagnostics really started to shine: Consumers and clinicians saw the value of rapid COVID-19 diagnostics and the government and health plans saw the value of reimbursing for them. Digital capabilities continued to flourish and are now a major focus of medtech companies as they seek to address market needs such as care at home. In addition, virtual care and remote monitoring received a lot of attention and opened people's eyes to how leveraging technology can make health care more efficient, convenient, and cost-effective. And concerns about semiconductor chip shortages alleviated somewhat with medtech receiving priority status for chips relative to other industries, although shortages remain an issue as 2022 is expected to be another year of robust demand.[1]

The pandemic's reach is already extending into 2022. Fortunately, medtech companies have been learning to deal with its clinical and business impacts; many are looking at ways to boost supply chain resilience and visibility across the global ecosystem. But COVID-19 isn't—and shouldn't—be leaders' sole focus. Based on our client work, industry observations, and a recent collaboration with MedTech Innovator (MTI)—the world's largest health care accelerator for medical devices, digital health, and diagnostic companies—we have identified several trends that we expect to shape the medtech landscape in 2022.

1. Operating model restructuring

I've been seeing some medtech companies hit hard by the decline in elective procedures restructure their operating model to focus on cost reduction, profitability, and business simplification. Some have formed enterprise-level programs with components such as global business services, inventory optimization, and product profitability with an eye toward enabling profitable long-term growth while also achieving near-term cost savings. Other medtechs are indexing toward decentralization; perhaps as a way to accelerate innovation. The general philosophy around decentralization is that business units, if they're more autonomous, can be more flexible and responsive to the marketplace. But there are counterpoints to that: First, most business units have an even shorter-term focus than the corporation as a whole, so the BU is less likely to invest for the future. You have to layer in some level of innovation investment at the corporate level to seed longer-term innovation through acquisitions or a skunk works-type of initiative. Second, the more a company decentralizes, the less likely it is able to take advantage of customer crossover opportunities between individual BUs. Third, large medtechs can lose infrastructure efficiencies from shared services and other capabilities—supply chain, in particular—when they decentralize.

2. Digital transformation

From start-ups to incumbents, digitizing at both the process and enterprise levels is a 2022 imperative for medtech companies and another driver of operating model restructuring. Everything from research and development (R&D) to supply chain to human resources is being reimagined and transformed at a pace that we haven't seen before. Case in point: Medtechs spend, on average, a large portion of their budget on selling, general and administrative (SG&A) operating expenses, particularly for surgically implanted devices. It's a very hands-on business, and salespeople develop very close relationships with the physicians. The pandemic is upending the traditional medtech sales model—face-to-face meetings are few and far between—and increasing the need for more and more sophisticated digital capabilities, including virtual meetings and education sessions. R&D and product development—from preliminary research to clinical trials to production and marketing—are also becoming more digitized, raising the age-old question: Build or buy the needed capabilities? Seventy percent of start-up technologies include digital capabilities such as artificial intelligence and machine learning (AI/ML) (28 percent), making them attractive acquisition targets for medtechs.[2]

3. Product and market expansion

Medtech companies that have historically targeted specific therapeutic areas defined by a procedure (e.g., implanted devices) are adding products and solutions to their portfolios to help address the full patient journey, from diagnosis to rehabilitation. Nearly half of startups (46 percent) have a focus on prevention and/or wellness or detection/diagnosis, and only 19 percent include a focus on treatment.[3] Ambulatory clinics, at-home care, self-administered diagnostics, and always-on remote monitoring are also growing areas of interest. Seventy percent of startup companies in the diagnostics sector have a product applicable to the point-of-care.[4] 2022 product and market expansion trends have implications for development, commercialization, reimbursement, and clinical support. Consider the burgeoning software as a medical device (SaaMD) category. To meet the dual challenges of navigating the regulatory approval process and quickly responding to changing consumer preferences, companies may need to evolve from a waterfall to an agile development process.

4. ESG and health equity

Environmental, social, and governance (ESG) issues are getting a lot of attention from medtech board members, shareholders, and advocates. Climate change, for example, is impacting the conditions in which people are born, grow, work, live, and age, as well as the wider set of forces and systems shaping the conditions of daily life—the drivers of health (DoH).[5] Social and economic factors across the

board are at risk from climate change, which has prompted many industries to develop environmental strategies to reduce their carbon footprints.[6] Medtechs and other life sciences companies are also continuing to emphasize their role in improving health equity, as current disparities manifest themselves across a broad range of illnesses and conditions—from COVID-19 to diabetes and heart disease to mental and behavioral health difficulties. Improving diversity in product clinical trials, provider and patient education, and dissemination and access to devices are all important considerations in companies' efforts to address social and health inequities.

5. Competition for talent

The so-called "great resignation" trend and medtech's continuing digital transformation are creating unprecedented challenges in attracting, motivating, and retaining the best and the brightest employees. The war for talent is intense: both startups and established medtech are competing with similar organizations and other industries for in-demand digital and data science talent, especially individuals with AI/ML, data analytics, and consumer engagement experience. Focus areas in 2022 include supporting a flexible and hybrid workforce, and reimagining workforce experience including total rewards, culture, collaboration, co-location, and diversity, equity, and inclusion (DEI). Nearly all of the company executives we interviewed—and 83 percent of the companies in the MTI database—have diversity and inclusion strategies for talent, although representation still has room for improvement: While 49 percent of startups have female employees in leadership positions, only 16 percent have Black, Indigenous, and People of Color (BIPOC) leadership, and 35 percent have other POC leadership.[7]

6. Partnerships and collaborations

The importance, potential, and power of joining forces to reach a common goal were made abundantly clear in the life sciences industry's response to the unprecedented health, social, and economic challenges arising from the COVID-19 pandemic. The companies that have been most successful—particularly in the development, commercialization, and distribution of COVID-19 diagnostics, vaccines, and therapies—have been those that don't try to go it alone; rather, they draw inspiration and expertise from their organization and the wider ecosystem. I expect partnerships and collaborations will continue to be an active lever to advance diagnostics and medical devices in 2022 and years to come. Medtechs and consumer technology companies have already stepped up their partnering efforts. For example, Zimmer Biomet partnered with Apple to create a consumer-friendly way for patients to track their recovery from knee or hip replacement surgery. The Zimmer Biomet mymobility app uses Apple Watch to facilitate a new level of connection between patients and their surgical care teams.[8] More recently, Zimmer Biomet collaborated with Canary Medical on a smart-knee device that sits inside the non-weightbearing part of a knee replacement and uses sensors, 3D gyroscopes, and 3D accelerometers to track and measure physiologic metrics of post-operative patient activity such as steps, walking speed, stride length, cadence, and distance walked.[9] The device, called Persona IQ, combines Zimmer Biomet's Persona Knee System with Canary Medical's new Canturio tibial extension.[10]

I think 2022 will be an exciting year for the medtech industry. Once new COVID-19 variants and their outbreaks are brought under control, we should see a return to elective procedures, which will be welcome news to certain device manufacturers. And while demand for certain products and services that had to be purchased to support hospital staff and patients will wane, the increased use of virtual health care and remote diagnostics will open the door to new innovative medical technologies that can assist in testing, monitoring, and tertiary-level patient care being done in the home. Challenges will always be present—that's the nature of health care and business in general. However, the pandemic has shined a spotlight on how medtech is critical to our nation's health care infrastructure and our ability to respond to extraordinary events. It is time to harness that momentum and take advantage of the opportunities that lie ahead.

1 2022 will be another year of robust demand for semiconductors, says Bain & Co. (msn.com), January 4, 2022.

2 us-insights-from-medtech-innovator-and-industry-leaders.pdf (deloitte.com).

3 Ibid.

4 Ibid.

5 2022 Global health care sector outlook | Deloitte.

6 Ibid.

7 us-insights-from-medtech-innovator-and-industry-leaders.pdf (deloitte.com).

8 us-lshc-six-winning-roles-for-medtech.pdf (deloitte.com).

9 https://www2.deloitte.com/us/en/blog/health-care-blog/2021/smart-knee-brings-future-of-health-one-step-closer-a-conversation-with-canary-medical.html.

10 Ibid.

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