

# VALUE BASED PAYMENT & IMPLICATIONS FOR HEALTHCARE STAKEHOLDERS:

## A MEDICAL DEVICE PERSPECTIVE.

JORIE SOSKIN  
GENERAL MANAGER,  
MEDTRONIC INFECTION CONTROL



**Medtronic**  
Further, Together

A THANK YOU.  
A PITCH, &  
A PROMISE.



#3

### VALUE-BASED PAYMENTS

Targeting specific medical conditions to manage cost and quality of care

How can the world's largest medical device company partner with payers and providers to help lead the transition to value based payments?



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# FOUNDED ON INNOVATION AND COLLABORATION

Innovation and collaboration are central to who we are. Since the late 1940s, we have been working with others to alleviate pain, restore health, and extend life. Today, we are a medical technology leader offering therapies and solutions that enable greater efficiency, access, and value — for healthcare systems, payers, providers, and the people they serve.

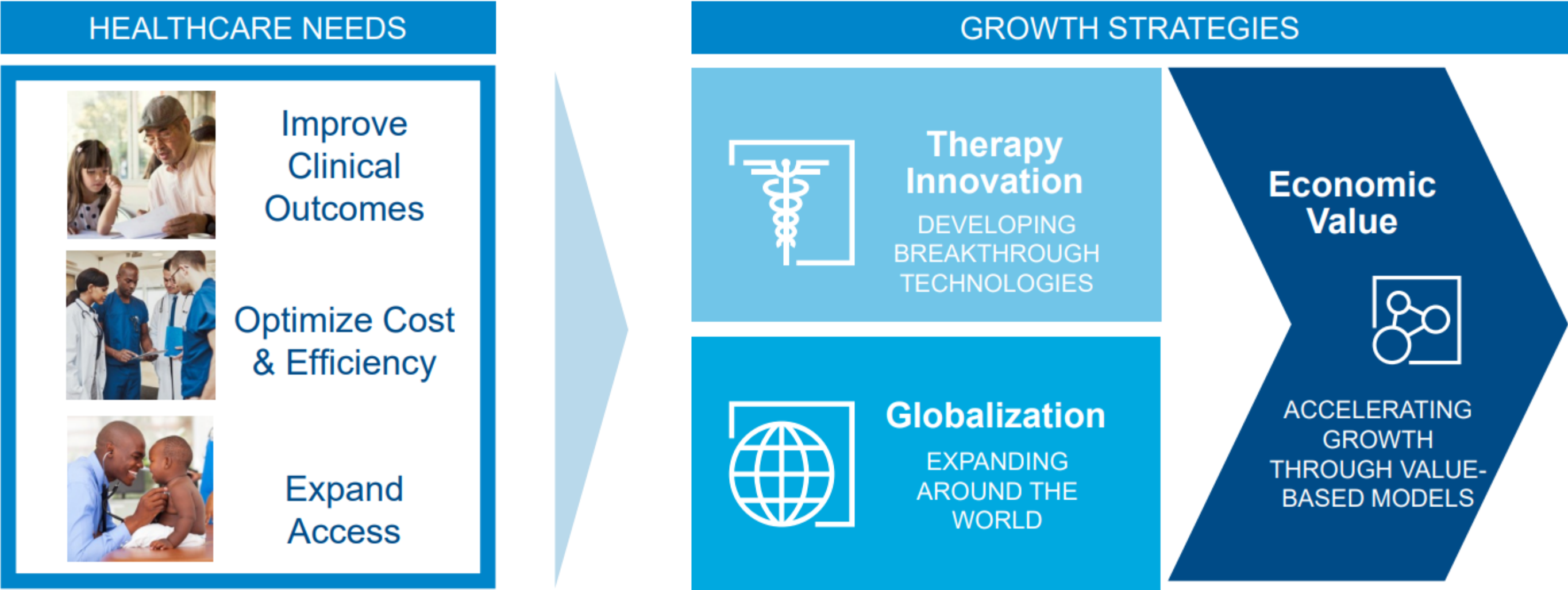


Surgeon C. Walton Lillehei in 1961, with a young patient wearing a Medtronic battery-operated pacemaker.

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# UNIVERSAL HEALTHCARE NEEDS DRIVE OUR GLOBAL GROWTH STRATEGIES



# OUR ROLE IN THE SHIFT TO VALUE BASED HEALTHCARE

## VALUE DEFINED

The **health outcomes** achieved that matter to patients relative to the **cost** of achieving these outcomes.

**OUTCOMES  
MUST BE  
CLEAR AND  
MEASURABLE  
TO STRUCTURE  
BUSINESS  
MODELS**



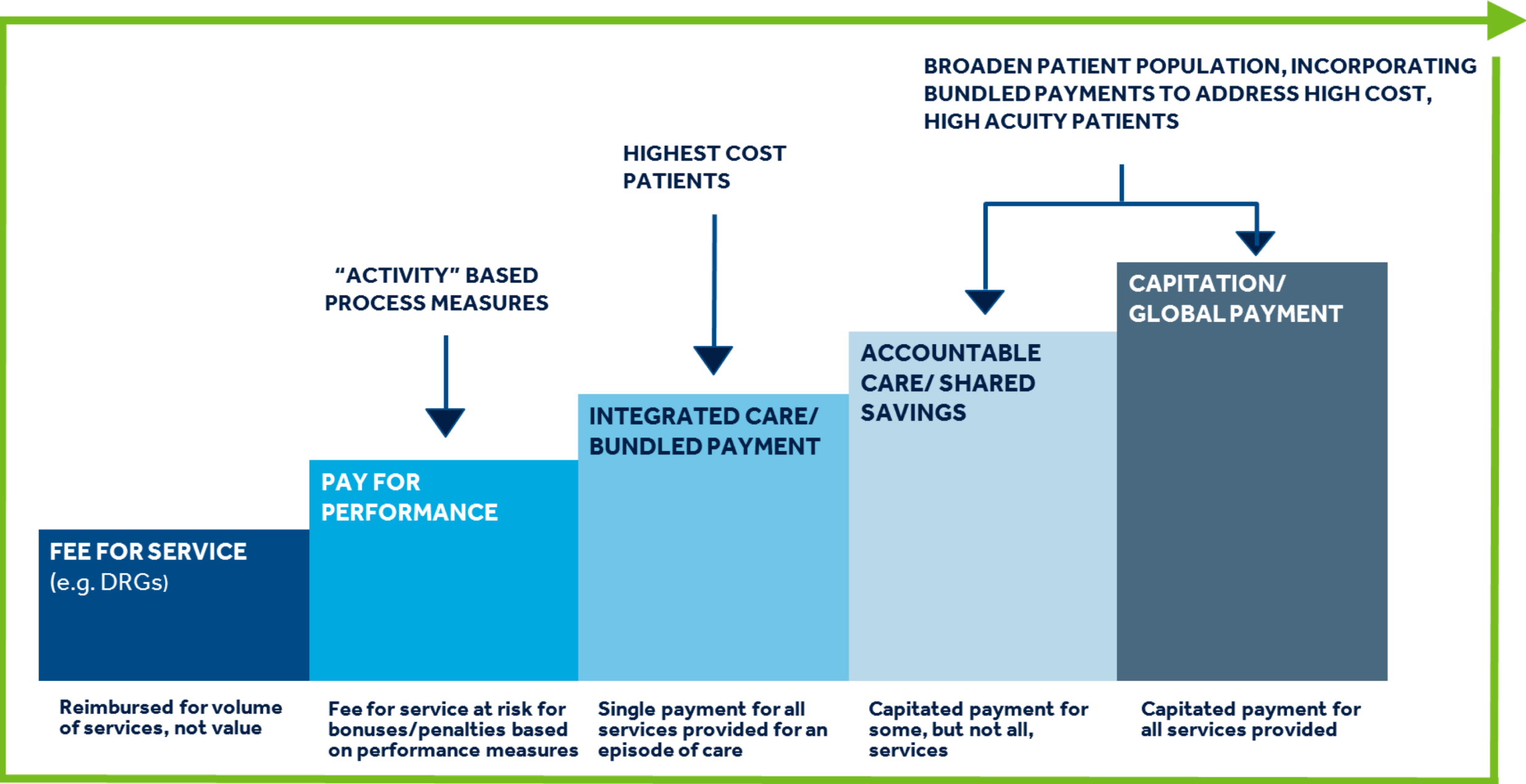
**COHORTS  
MUST BE  
SPECIFIC  
TO OPTIMIZE  
OUTCOMES  
AND COST**

## MED TECH POSITIONED TO HELP DRIVE THE SHIFT TO VALUE-BASED HEALTHCARE

- Long history of collaboration with physicians
- Clinical trial and healthcare economics expertise
- Innovation measured in short timeframes
- Clear outcomes enable VBHC business models
- Technology can help drive inflection points in value creation

THERAPY OPTIMIZERS | EPISODIC BUNDLES | CHRONIC CARE

# UNDERSTANDING THE PROVIDER TRANSITION FROM FEE-FOR-SERVICE TO VALUE BASED HEALTHCARE





# OUR FRAMEWORK:

## THERAPY OPTIMIZATION

PRODUCTS OR  
TECHNOLOGIES THAT BY  
DESIGN IMPACT  
OUTCOMES AND COST

## EPISODIC CARE BUNDLES

ROUTINE TREATMENT  
DELIVERED TYPICALLY  
INCLUDES OUR PRODUCT

## CHRONIC CARE MANAGEMENT

IMPACTING CARE OVER A  
MORE SUSTAINED PERIOD  
OF TIME





# OUR APPROACH:

## TRANSFORMATIVE INNOVATION

WITH OUTCOMES  
THAT MATTER TO  
PATIENTS

## DEFINED COHORTS AND EVIDENCE

WITH MEASUREABLE  
CLINICAL AND  
ECONOMIC IMPACT

## CHRONIC CARE MANAGEMENT

WHERE MEDTRONIC  
SHARES DIRECT  
ACCOUNTABILITY FOR  
HEALTHCARE COSTS  
AND PATIENT  
OUTCOMES

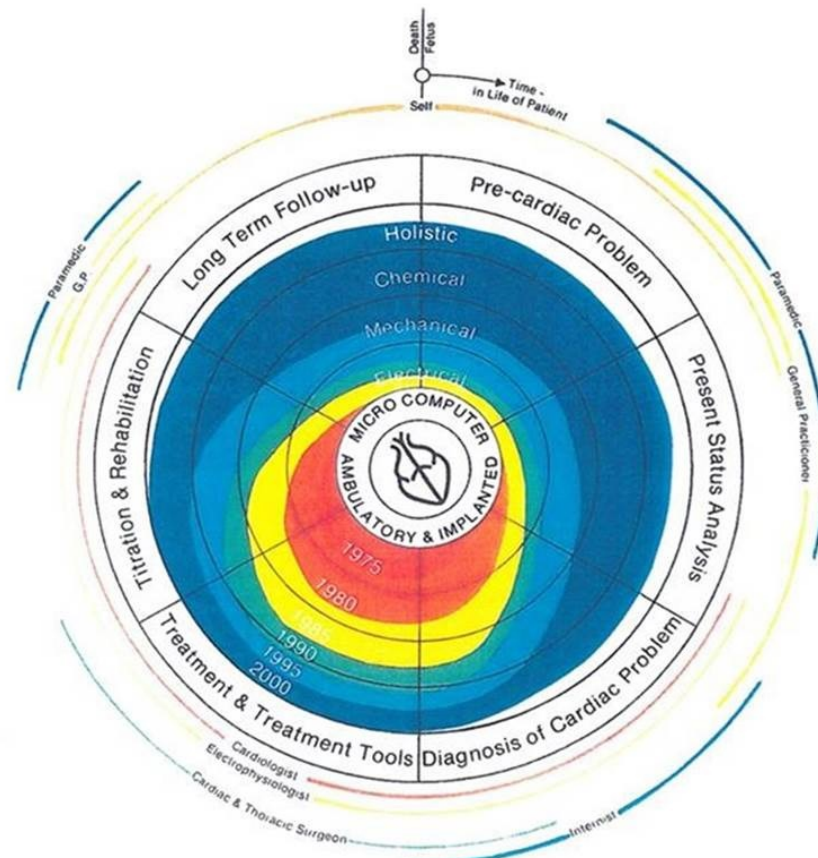




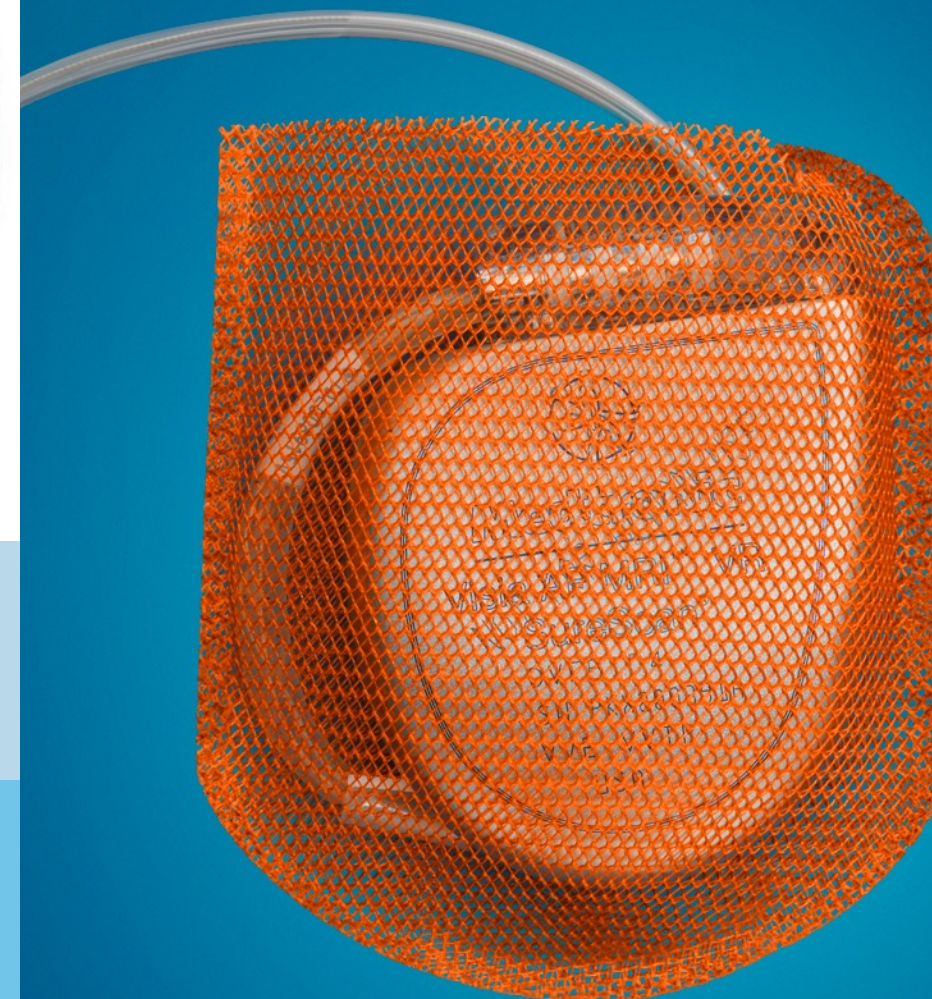
# WE ARE RESHAPING MEDTRONIC TO DRIVE MORE VALUE INTO HEALTHCARE

“We believe that our technologies, the data and insights they create, and our expertise can be combined in partnership with hospitals, payers, and governments to help create aligned, value-based healthcare models that can deliver better patient outcomes — while maintaining or reducing costs.”

— OMAR ISHRAK  
CEO, MEDTRONIC



- 1 We recognize that financial risk is shifting to providers based on clinical outcomes.
- 2 We believe our products provide unique benefits, which improve outcomes and reduce costs.
- 3 We stand behind our products and evidence in partnership with our customers.





# CARDIAC DEVICE INFECTION: A CASE STUDY IN THERAPY OPTIMIZATION

## THE TYRX™ ABSORBABLE ANTIBACTERIAL ENVELOPE

### THE PROBLEM.

Infections occur in **~1-4%** of all Cardiac implantable Electronic Device (CIED) implants\*

### THE IMPACT.

**50%** mortality at 3 years<sup>1</sup>

**\$57,322** average longitudinal cost, and **\$10,000** average provider margin loss per CIED infection<sup>2</sup>

### THE SOLUTION.

The TYRX Envelope is intended to stabilize a device implant and may help reduce infection:

**70-100%** reduction in High-Risk Patients<sup>3-7</sup>

\*Infection rate is an aggregation of data; see Data on File at Medtronic TYRX.

1. Sohail MR et al. *PACE*. 2015;38(2):231-239. 2. Centers for Medicare & Medicaid Services, U.S. Department of Health and Human Services Inpatient Prospective Payment System (IPPS) Final Rule FY13. 3. Bloom HL et al. *Pacing Clin Electrophysiol*. 2011;34(2):133-142. 4. Mittal S et al. *Heart Rhythm*. 2014;11(4):595-601. 5. Kolek MJ et al. *J Cardio Electrophysiol*. 2015;26(10):1111-1116. 6. Shariff N et al. *J Cardio Electrophysiol*. 2015;26(10):783-789. 7. Henrikson CA, Citadel and Centurion Study Results: Use of Antibacterial Envelope is Associated with Low 12-Month CIED Infection Rates. Oral presentation at European Heart Rhythm Association (EHRA) EUROPACARDIOTIM 2015.

# THE TYRX™ RISK-SHARE PROGRAM

## THERAPY OPTIMIZATION U.S. PROVIDER PROGRAM

1	Participating Facility	Contracted facility <b>where patient is admitted</b> for Qualifying Infection
2	Qualifying Infection	Patient with a <b>Medtronic device + TYRX Envelope</b> admitted for Qualifying Infection within 6-months of implant during contract Term
3	Risk-Share Rebate Credit (i.e. amount per Qualifying Infection)	<b>\$10,000</b> Rebate Credit per Qualifying Infection (i.e MDT device + TYRX)
4	Risk-Share Rebate Credit Cap (i.e. limit on total value of credits)	<b>\$50,000 cap</b> over 12-month Term
5	Medtronic Annual Performance Target*	<b>Performance Target*</b> must be achieved during 12-month Term

\*Medtronic Annual Performance Target does not represent any contractual commitment or obligation. Sites participating in the WRAP-IT Study are not eligible to begin participating in The NEW TYRX™ Risk-Share Program until completion of enrollment or study closure. Program is only available to eligible accounts as determined by Medtronic.

# THE TYRX™ RISK-SHARE PROGRAM

## ESTIMATED CLINICAL AND ECONOMIC IMPACT\*



1. Henrikson et al. JACC EP. Online publication, May 2017

2. Mittal S et al. *Heart Rhythm*. 2014;11(4):595-601

3. Eby EL, et al. Analysis of Cardiac Implantable Electronic Device Infection Costs at One Year in a Large United States Health Care Organization. Poster presented at IDWeek 2017, San Diego, CA October 4-8.

*\* Note: TYRX can be freely used on all Cardiac Implantable Electronic Devices. The TYRX Risk-Share program may represent one of several potential factors contributing to account performance. Medtronic CRHF (including Infection Control) includes products that are FDA-approved or cleared and available for sale in the U.S. provided, excluding all Medtronic AF Solutions, Diagnostics & Monitoring, Peripheral Drug Coated Balloons (“DCB”), and Catheter Based Technology (“CBT”) products.*

*\*Data as of 05/13/18*



# OUR APPROACH:

## TRANSFORMATIVE INNOVATION

WITH OUTCOMES THAT  
MATTER TO PATIENTS

The TYRX™ Absorbable  
Antibacterial Envelope

## DEFINED COHORTS AND EVIDENCE

WITH MEASUREABLE  
CLINICAL AND  
ECONOMIC IMPACT

Patients at high-risk of  
CIED Infection within  
6-months of implant

## CHRONIC CARE MANAGEMENT

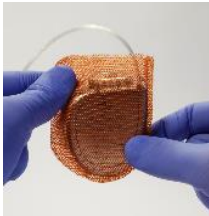





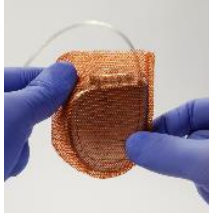


WHERE MEDTRONIC  
SHARES DIRECT  
ACCOUNTABILITY FOR  
HEALTHCARE COSTS  
AND PATIENT  
OUTCOMES

The TYRX™ Risk·Share  
Program

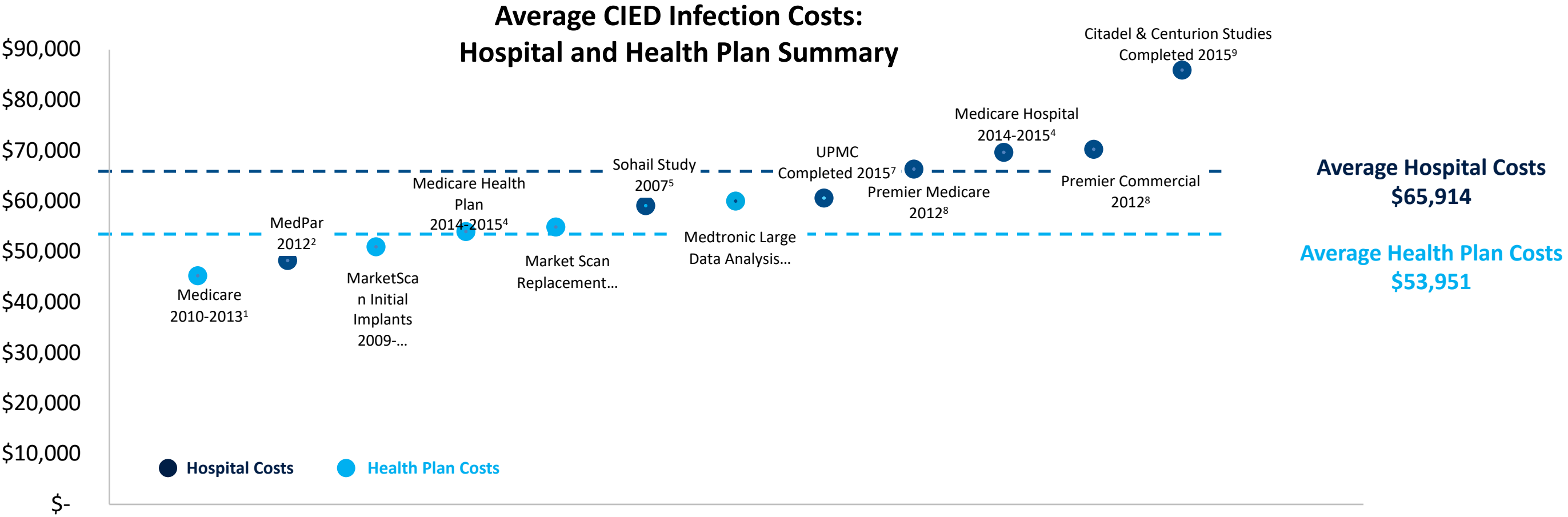


# ACTIVE MEDTRONIC VALUE-BASED HEALTH CARE PROGRAMS

## NEARLY 1,700 PROVIDERS PARTICIPATING IN MEDTRONIC VBHC PROGRAMS

THERAPY OPTIMIZATION PROGRAMS								
CVG					RTG	MITG	DIA	
 <p><b>TYRX</b> for CRM</p> <p>Protection against CIED-related infection w/in 6 mos of CIED implant</p>	 <p><b>Smart Shock ICD</b></p> <p>Protection against health care utilization related to non-VT/VF shock w/in 2 yrs of device implant</p>	 <p><b>Adaptive CRT</b></p> <p>Coverage for HF hospitalization followed by 30-day readmission w/in 12 mos of CRT implant</p>	 <p><b>Cryo Balloon</b></p> <p>Protection against AF-related hospitalizations w/in 6 mos of an index PVI ablation for AF</p>	 <p><b>DCB</b></p> <p>Protection against reintervention on target lesion w/in 1 yr of index procedure</p>	 <p><b>AAA Stent Graft</b></p> <p>Protection against reintervention w/in 4 yrs of index procedure</p>	 <p><b>TYRX</b> for DBS, SCS &amp; Pelvic Health</p> <p>Protection against device implant related infection w/in 6 mos of device implant</p>	 <p><b>Respiratory Compromise</b></p> <p>Reduction of ‘Code Blues’ by use of Capnography monitoring</p>	 <p><b>670G Closed Loop</b></p> <p>Coverage of hospitalization costs related to hypo-glycemic events</p>

# WHILE THESE PROGRAMS PROVIDE A STARTING POINT, THE REAL OPPORTUNITY TO CREATE CHANGE LIES IN ALIGNING HEALTH PLAN AND PROVIDER INCENTIVES



1. Greenspon AJ, et al. Treatment Patterns and Resource Utilization among Medicare Beneficiaries with Cardiac Implantable Electronic Device Infection. Pacing and Clinical Electrophysiology. 2018. DOI: 10.1111/pace.13300

2. Medicare Provider Analysis and Review (MEDPAR) File, FY 2012, on file with Medtronic, plc.

3. Sohail MR, et al. The Incidence, Treatment Intensity and Incremental Annual Expenditures for Patients Experiencing a Cardiac Implantable Electronic Device Infection: Evidence from a Large US Payer Database One-Year Post Implantation. <http://dx.doi.org/10.1161/CIRCEP.116.003929>. Circulation: Arrhythmia and Electrophysiology. 2016;9:e003929. Originally published August 9, 2016.

4. 2014-15 Medicare 100% Standard Analytic File (SAF), data of file with Medtronic, plc.

5. Sohail et al. Mortality and Cost Associated With Cardiovascular Implantable Electronic Device Infections. Arch Intern Med. 2011;171(20):1821-1828.

6. 2011-15 large US healthcare claims analysis, data on file with Medtronic, plc.

7. Shariff et al. Health and Economic Outcomes Associated with Use of an Antimicrobial Envelope as a Standard of Care for Cardiac Implantable Electronic Device Implantation.

8. 2012 Premier Healthcare Database. Data on file with Medtronic plc.

9. Lopatto, et al. Antibacterial Envelope is Associated with Medical Cost Savings in Patients at High Risk for Cardiovascular Implantable Electronic Device Infection. Poster presented at ACC 2017 Scientific Sessions. Data on file with Medtronic plc





## Supplier and Provider

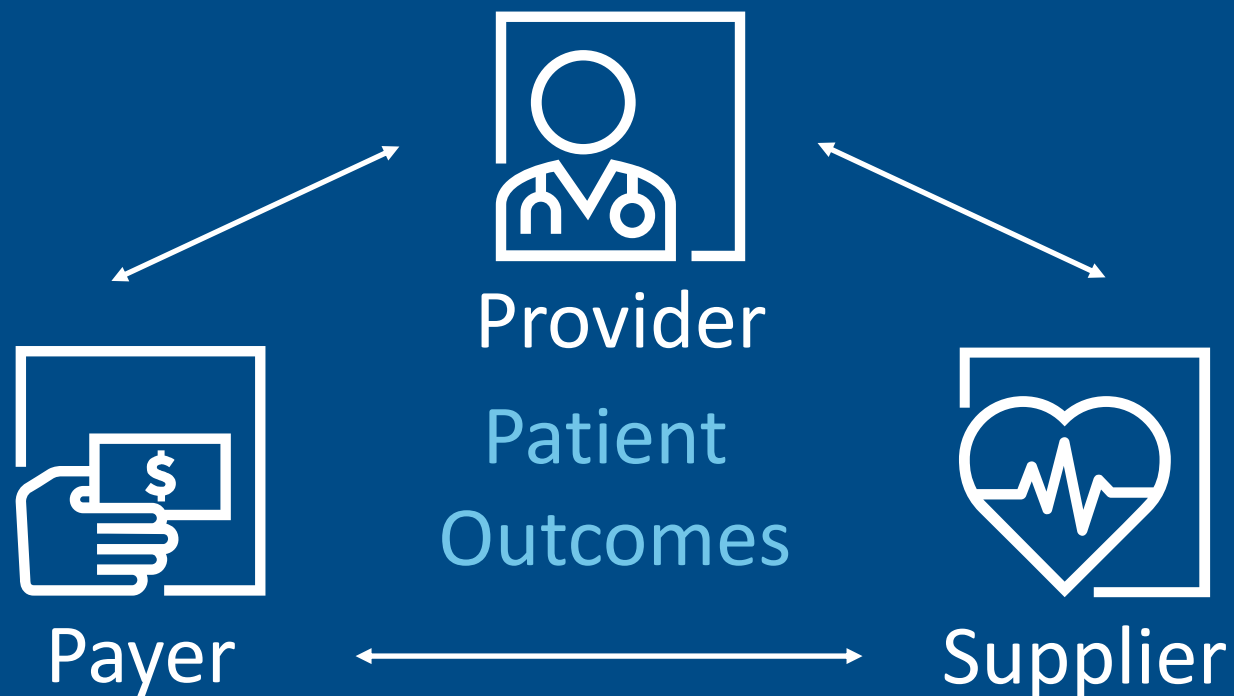
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## Payer and Provider

“The question is, which organizations will lead the way and how quickly can others follow? The challenge... should not be underestimated, given the entrenched interests and practices of many decades.”

Porter M, Lee T. The Strategy that Will Fix Health Care.  
Harvard Business Review. October 2013.



**THANK YOU**  
**FOR ENGAGING**  
**US IN THE CONVERSATION**  
**TO DELIVER MORE VALUE,**  
**TOGETHER.**



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