

White paper

Innovative business models for improved patient care

New business models deliver financial flexibility, transparency,
and predictability for improved outcomes and sustainable growth

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Value
Partnerships

Edition #04



Unrestricted

Executive Summary

The pace of technological advancement has become a great challenge for many health systems, a challenge that can be further complicated by macro trends in healthcare. Providers continuously seek the best diagnostic and therapeutic medical technology to serve their patients, but adopting innovative medical technology requires strategies for capital efficiency as sustainable growth.

Consumerization is on the rise in many markets, driving care providers make every effort to deliver a superior patient experience. Value-based models create incentives for providers to improve clinical outcomes cost effectively. At the same time, the ongoing decentralization of care delivery has healthcare systems rethinking how to best allocate technology and staff to satellite locations without compromising the quality of care delivered at hospitals. Adapting to the ever-changing realities of healthcare requires access to capital.

Against this background, many healthcare providers have shifted their medical infrastructure and technology investments from one-time capital outflows to sourcing arrangements that are better financially aligned with their projected revenue streams. In partnerships with MedTech, several business models have already been developed to grant healthcare providers the flexibility to upgrade technology, reduce financial risks, improve performance, and gain access to medical innovations using their operational budgets. These innovative business models deliver financial flexibility, transparency, and predictability for improved outcomes and sustainable growth.

To stay competitive in an increasingly complex healthcare environment, providers need partners that can support them. Long-term, performance-oriented, collaborative engagements and agreements that include innovative business models are an effective way to add value to partnerships between MedTech and healthcare providers.

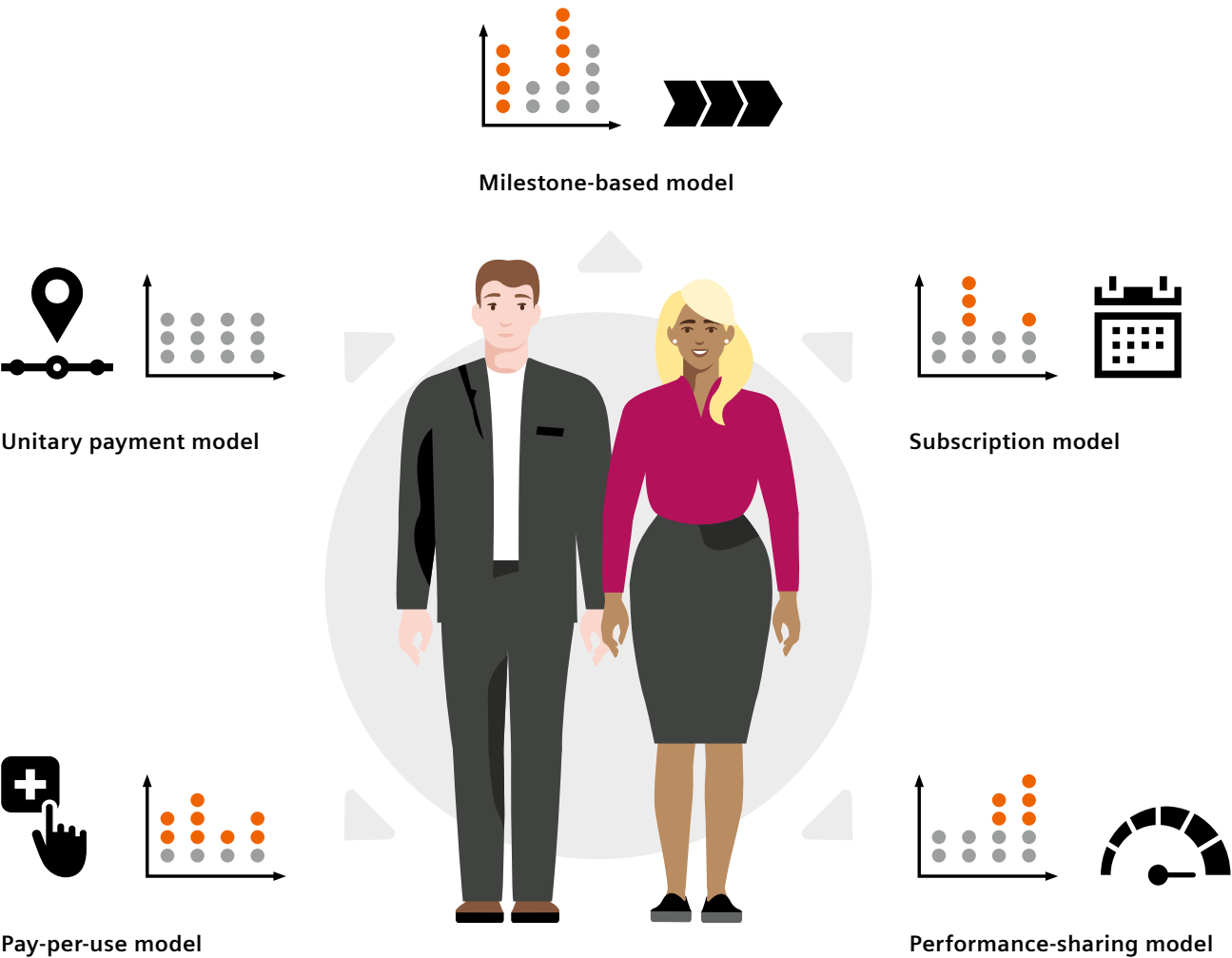
Moreover, healthcare projects in developing countries face additional challenges and opportunities, including substantial infrastructure gaps and limited access to financing sources due to the perceived credit risk. Effective healthcare partnerships enable providers in these countries to create projects with sustainable business models that result in increased efficiency and effectiveness.

Innovative business models are components of long-term, performance-oriented partnerships with MedTech, and they empower care providers to focus on delivering quality care of the highest value to the patients they serve and helping them to meet their clinical, operational, and financial needs.

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**Business Models:
Supporting transformative growth in healthcare**



Ground-breaking business models enable innovation in care delivery

Innovative business models present a tremendous opportunity for healthcare providers. In the USA alone, financial arrangements with MedTech partners to increase sourcing arrangements and maximize revenue for services represent a \$13 billion annual opportunity for care providers.¹ Smart, customizable, flexible business models allow these organizations to reach important goals like increasing access, delivering higher-value care, and maximizing competitiveness.

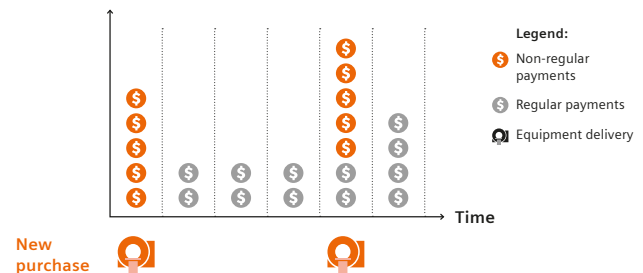
Because every healthcare provider faces different pressures and opportunities, the business model must be selected taking into consideration the specific needs of each customer. MedTech companies that can match their customers with the best business models available to enable ambitious and transformative projects can open the door to unprecedented success for care provider organizations.

On the following pages are five business models that are typically utilized in larger, more complex projects and long-term partnerships.

1. Milestone-based model

This model offers partners a pay-as-you-go agreement, with a series of fixed payments in known intervals matching deliverables once pre-established goals – often tied to the technology roadmap – have been accomplished. In addition, regular service payments apply. This model is frequently used when care providers depend on governmental funds to keep up with technology transformation of the healthcare market.

Milestone-based



What is it?

Arrangement that offers regular payments based on the completion of milestone objectives e.g., technology roadmap and a services fee

Who's it for?

Providers with available funds to keep up with technology transformation

Key advantages

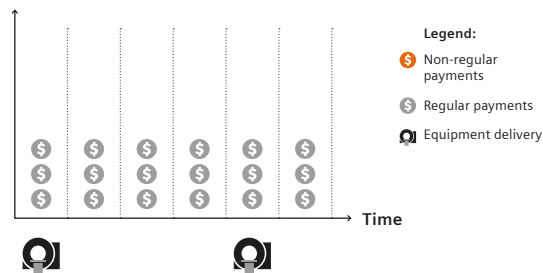
- Ensuring a short-term monetary allocation into an investment goal
- Payments tied to pre-defined technology roadmap

2. Unitary payment model

This is an easy-to-understand model that involves bundling equipment, maintenance, operations-related expenses, and ongoing advisory services (e.g., technology management or managed departmental operations) in single fixed payment over regular intervals. Unitary payments give healthcare providers financial predictability, allowing them to plan for sustainable growth. This solution is attractive for organizations that want to avoid heavy up-front capital investments.

The increased flexibility of a unitary payment model helps care providers plan and execute transformative initiatives like expanding clinical capabilities, hiring new talent, training and retaining staff, and investing in new technology to improve the quality and efficiency of care. Additionally, these arrangements allow healthcare providers to change the scope of the contract – and, potentially, the regular payment amount – to optimize financial health while adapting to new circumstances.

Unitary



What is it?

Capital investments and service fees rolled up into a regular flat fee

Who's it for?

Providers seeking long-term, predictable and fixed payments to have stable cashflows

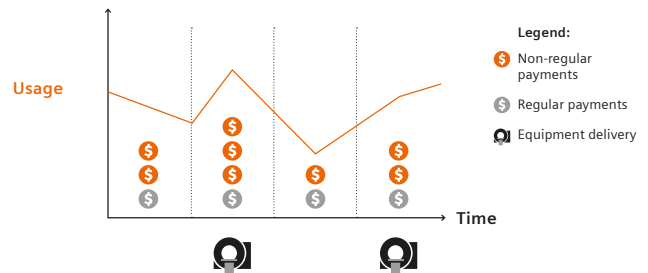
Key advantages

- Financial stability/predictability
- Simplified vendor relationships
- Partnership with a leader in technology management

3. Pay-per-use model

This payment model includes a regular minimum floor payment and variable payments in which healthcare providers pay a given fee per use of a medical technology asset. Cost-per-test and cost-per-result arrangements are variations on the pay-per-use model, often seen in diagnostic laboratory partnerships. Some providers – especially those who receive direct reimbursement from a payer – also prefer variable-cost models, where incoming and outgoing cash flows are aligned, and operational risks and opportunities are shared with medical technology manufacturers.

Pay-per-use



What is it?

Payment per scan/test/report

Who's it for?

Providers who prefer a balanced cashflow and are seeking a partner who partly takes over utilization risk

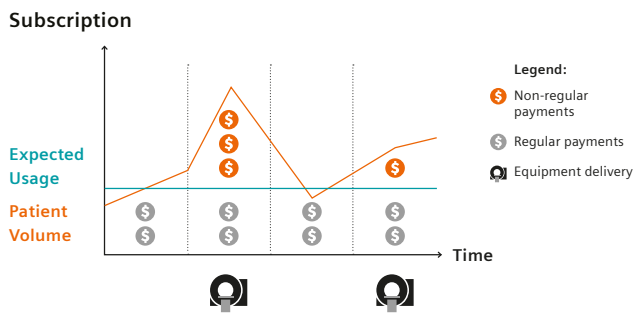
Key advantages

- Avoids up-front capital expense
- Allows alignment of cashflows
- Partnership with a leader in technology management

4. Subscription model

A hybrid between unitary and pay-per-use payment arrangements, the subscription model allows for a fixed monthly payment up to a specified volume. Additional uses beyond the contractually specified volume incur coverage fees at agreed-upon rates. These arrangements provide a mix of financial predictability and flexibility to adapt to changing patient volumes.

In these models, high initial investments and the corresponding capital commitments are eliminated. Customers get continuous access to the latest technologies, with the option of paying per tier of usage. This reduces the investment risk, a clear advantage in times of volatile markets and uncertain times.



What is it?

Fixed payments for specified volume & variable payments for coverage fees at agreed-upon rates

Who's it for?

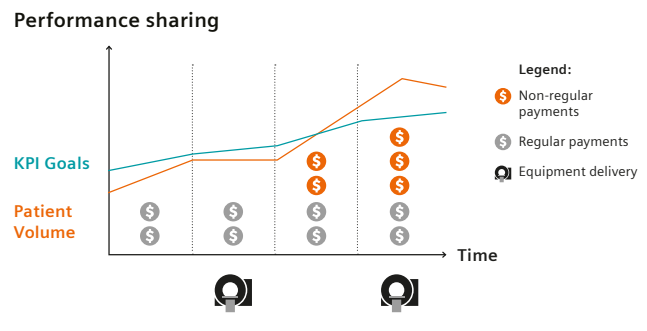
Providers who want to combine flexibility and stability

Key advantages

- Helps optimize cashflows
- May include guaranteed access to innovations at no additional software and support fee
- Partnership with a leader in technology management

5. Performance-sharing model

Simply put, performance-sharing contracts tie a part of suppliers' compensation to the performance of a given asset or service. Upon reaching pre-established Key Performance Indicators (KPIs), performance-based incentives are triggered. These contracts are structured such that reaching the agreed-upon KPIs is mutually beneficial, thus encouraging the partners to pursue these goals.



What is it?

Arrangement that ties payment to predefined key performance indicators

Who's it for?

Providers seeking partners for ambitious quality and efficiency goals

Key advantages

- Having "skin in the game" ensures that partners are committed to continually improve performance and share operational risks
- Partnership with a leader in technology management

Forces driving interest in new payment models in sourcing arrangements

Policy and regulatory



- New regulations: E.g.; Physician Self-Referral Law
- Guidance spurring approval of digital therapeutics, software-as-a-service
- Health Insurance Portability and Accountability Act (HIPAA)
- Interoperability

Drive toward value-based care



- Providers taking risk for cost and quality outcomes
 - Bundles
 - Value purchasing
 - Readmissions
 - Accountable care organizations (ACOs)
- New payment models from Medicare, private plans
- Government pushing for value-based care, developing measures

Market dynamics



- Consolidation and integration
- Higher cost pressure from customers
- Economic buyers' increasing decision power
- Market commoditization

Technological advances



- Remote monitoring
- Products: robotics, 3D printing
- Engagement: IoT, VR/AR
- Insights: big data, AI

Care transformation



- Shift in site of care from inpatient to outpatient to home
- Shift to wellness and prevention
- Rise of retail and virtual care
- Vertical integration

Source: Many trends are making the time ripe to develop new payment models, Deloitte Analysis, 2019. The Deloitte Center for Health Solutions interviewed US and global medtech manufacturers, health systems, health plans, and former government officials as well as Deloitte professionals during fall 2019.

Enabling transformative growth of emerging health systems

Developing countries often face special challenges when it comes to large-scale healthcare projects.

Given their expertise, MedTech manufacturers are well positioned together with other (financial) partners to take a different perspective when it comes to medical infrastructure projects. A strong MedTech partner will view flexible business models as a means of enabling an operational partnership.

“There are other fundamental aspects that are critical to the success of a partnership. Has the country strategically prioritized healthcare? Is it committed to ensuring performance of its healthcare system? This strategic commitment to the performance of the healthcare system is a key ingredient of a successful long-term partnership,” said Agnes Mwagiru, Head of Enterprise Services MESA.

A MedTech partner can help guide development of a robust healthcare infrastructure in developing nations. A big part of that is ensuring that proposed solutions are right sized for the context in that country. Mwagiru describes a common challenge for healthcare provider organizations in developing countries.

“In the case of medical technology, often the wrong equipment was purchased, clinical staff has been lacking or has lacked the right skill set, maintenance contracts were absent, hospital construction was delayed, or simply, the electrical connection was unstable. In some cases, developing countries were used as a backyard for ‘dumping’ outdated medical equipment. While this might sound like a disaster, in reality, these hurdles have created a substantial opportunity for Public-Private Partnerships and new business models. Through these partnerships, healthcare providers are able to tap into the deep clinical, technological, and business expertise of MedTech manufacturers to develop progressive policies, embrace innovative treatment approaches, optimize resource allocation, and adopt technology faster – and through this, leapfrog some of the complexities that high-income countries have previously faced in healthcare provision,” she said.

“One of the key things we do is to help our partners develop projects that are bankable, that will pay for themselves and make sense in the larger socio-economic context of that country.”

Agnes Mwagiru, Head of Enterprise Services for the Lower Gulf, Southern & Eastern Africa

Facilitating value in healthcare with long-term, performance-oriented partnerships

As healthcare providers continue to see value in trading capital expenditures for operating expenses in terms of their cash outflows, there are several compelling advantages to do so for providers. These include the provision of innovative medical technology products and services that deliver real benefits to patients.

Robust global footprint

MedTech companies have extensive experience with both public and private organizations, and some benefit from a global reach. These manufacturers understand the unique regulatory, logistic, and cultural challenges and pressures of different countries require different business models for robust transformational development. They might bring healthcare providers in touch with financial institutions to get the right technology, services, and facilities in place so that they can focus on delivering quality care.

“By working closely with Siemens Healthineers and our external partners in the healthcare industry, our passionate team is able to accelerate innovation and competitiveness for our customers, offering tailored financing solutions that make a difference for providers and patients.”

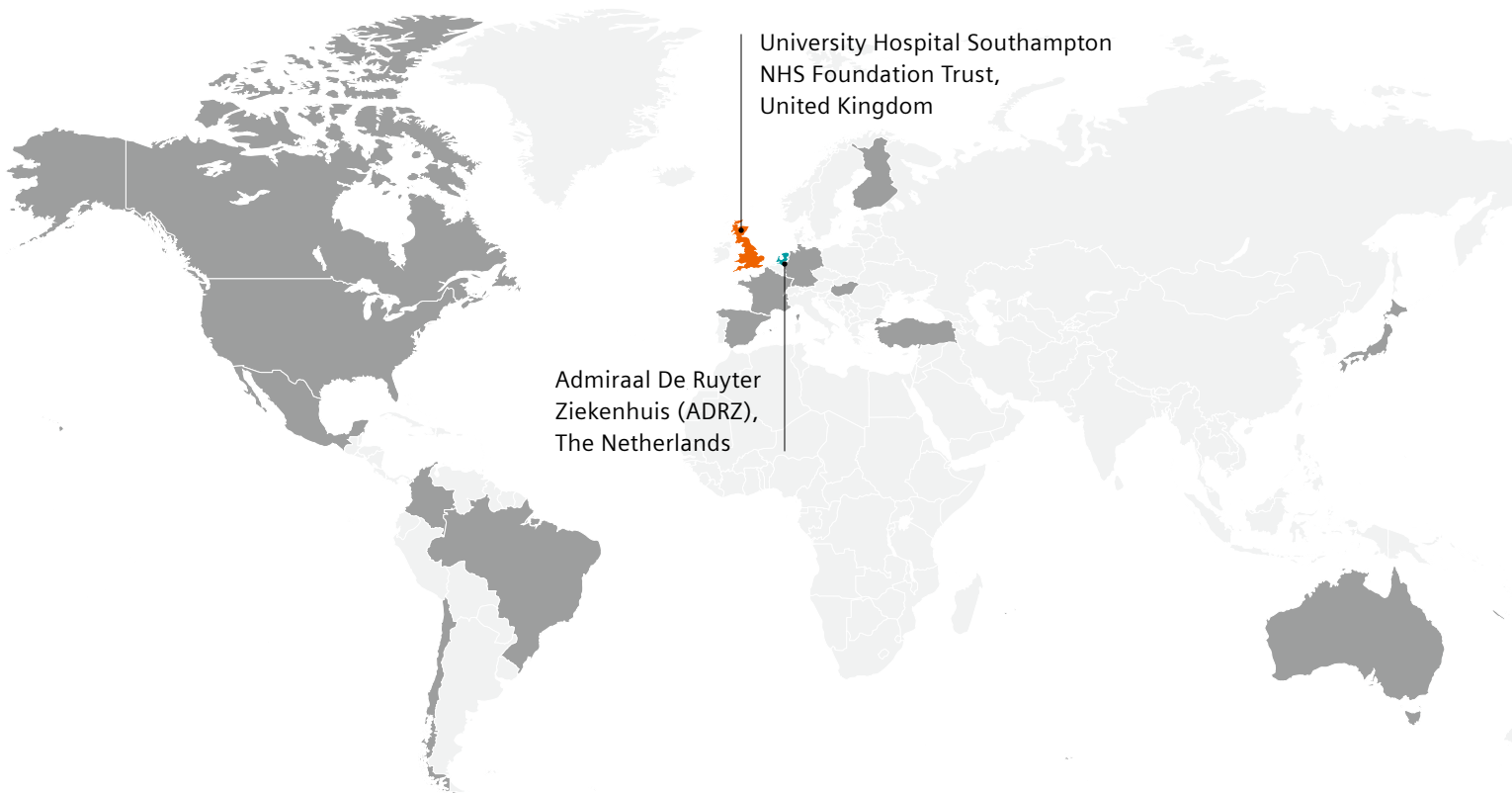
Veronika Bienert, CEO, Siemens Financial Services

“Our partnership with Siemens Healthineers rests on two objectives: optimized patient care and delivering exceptional long-term value to healthcare providers.

By collaborating closely with the Siemens Healthineers team, we’re in a strong position to get really close to the specific needs and challenges of every individual hospital. We use these insights to structure tailored financial solutions that make it possible for our clients to access innovative technologies and services, enabling budgets to be utilized efficiently over multiple years, with fast payback periods.”

Jeroen Veldhuizen, Global Head of Healthcare Market, BNP Paribas Leasing Solutions

Success stories: Innovative business models for improved patient care



● *Siemens Healthineers Value Partnerships with innovative business models*

Admiraal De Ruyter Ziekenhuis, The Netherlands

Flexible financing to improve competitiveness

Public/Private: Private

Beds: 500

Duration: 10 years



Admiraal De Ruyter Ziekenhuis

Scope of Partnership

ADRZ and Siemens Healthineers started a Value Partnership in 2015 as a way to ensure high quality, efficiency, and safety of patient care while effectively managing investments with a fixed annual fee.

With this 10-year partnership, Siemens Healthineers is providing structure supporting, medical technology, management services, and turnkey solutions for new healthcare facilities.

Key services

- Facility design advisory
- Support for finance structure
- Clinical workflow design
- Provision of innovative medical technology
- Optimization of medical technology and integrated services

Established Benefits

- Saved >1.2M euro capital expenses
- Unlocked >12M euro capital for investment in improving patient care
- Added 1000 operating hours per year

**University Hospital Southampton
NHS Foundation Trust, United Kingdom**
Finance enables streamlined technology management

Public/Private: Public

Beds: 1,096

Duration: 13 years



University Hospital Southampton, NHS Foundation Trust

Scope of Partnership

University Hospital Southampton (UHS) needed a flexible funding arrangement that would accommodate year-to-year changes in demand and capabilities in medical imaging. The Trust chose to work with Siemens Healthineers to co-develop the image service strategy, define the equipment replacement and refresh program, and provide comprehensive maintenance on medical technology.

Key services

- Develop and refine technology roadmap
- Implement KPI-driven maintenance plan
- Unitary payment model
- Bespoke financing solution via Siemens Financial Services

Established Benefits

- Created fiscal flexibility to keep imaging services competitive
- Enhanced patient experience
- Improved financial transparency and stability

“The need for transparent and secure financial planning and the ability to accommodate flexibility in managing the investment program made us think of [Siemens Healthineers Value Partnerships].”

Aaron Hutchison, Project Lead and Program Manager,
University Hospital Southampton, United Kingdom

Conclusions

Healthcare providers around the world face unique challenges related to their larger socio-political, and capital financing. The valued relationships with MedTech companies can help them to face these challenges and to focus on delivering quality care of the highest value to the patients they serve.

Innovative business models deliver financial flexibility, transparency, and predictability for improved outcomes and sustainable growth. They grow and evolve to ensure they support healthcare providers reaching important goals, like increasing patient access, delivering higher-value care, and maximizing competitiveness.

New ways of collaboration between MedTech companies and healthcare providers, including tailored procurement services, advisory services on technology and, different business models help healthcare providers to meet the clinical, operational and financial needs of their organization.

Get in contact

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“At Siemens Healthineers, we support a wide variety of sustainable business models for our customers with clinical and operational expertise enabling healthcare providers to deliver high-value care, expand patient access and continue innovating.”

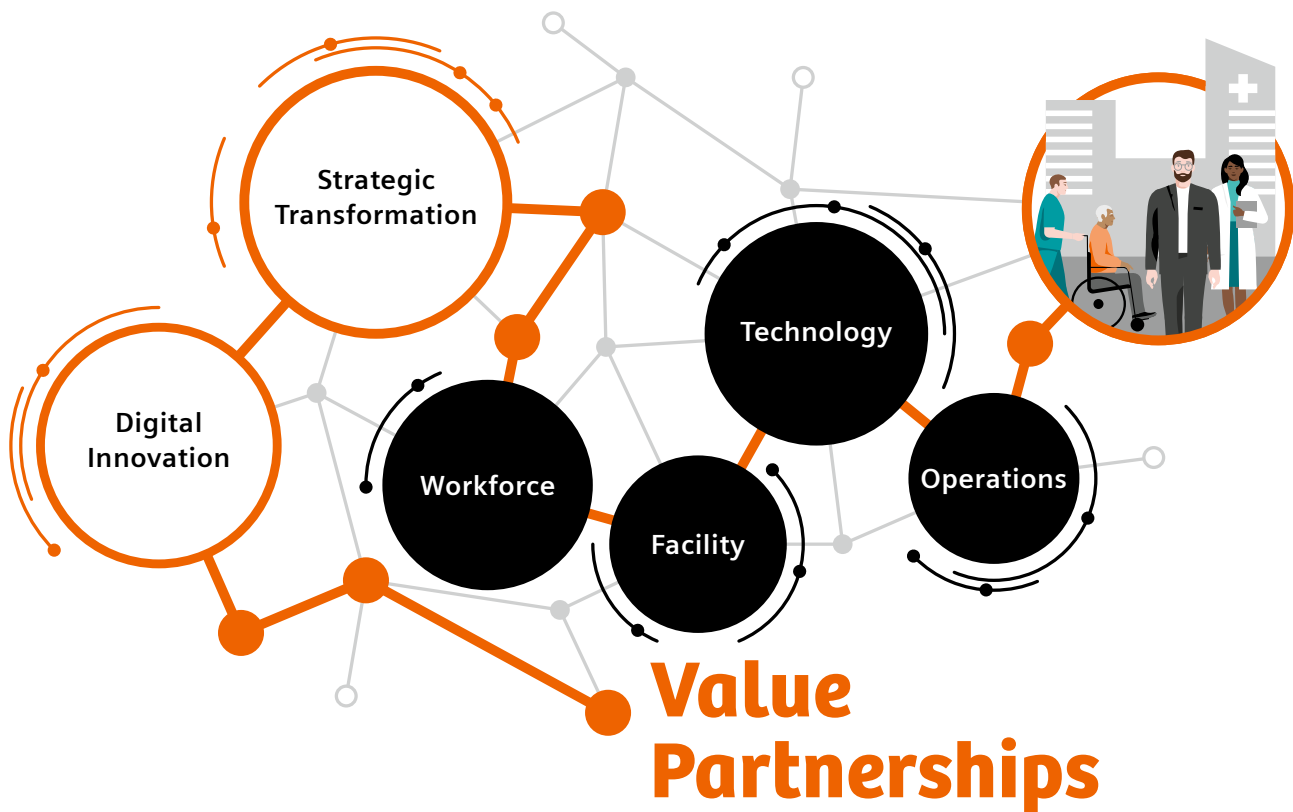
Alexander Raiser, Global Head of Finance,
Siemens Healthineers Enterprise Services



About Value Partnerships

Siemens Healthineers Value Partnerships are long-term, performance-oriented, collaborative engagements. We bring a combination of clinical insight, medical technology innovation, strategic vision, implementation expertise, and operational excellence to the table for you. As trusted partners, we help you formulate and achieve your strategic goals, increasing enterprise-wide value.

Value Partnerships drive value across your entire enterprise with focus on four domains: Technology, Operations, Workforce and Facility. Furthermore, together we enable breakthroughs through holistic and transformative initiatives such as Strategic Transformation and Digital Innovation.



References

- 1) McKinsey; <https://www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/improving-health-care-while-curbing-cost-med-tech-companies-offer-a-solution>

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The products/features and/or service offerings (here mentioned) are not commercially available in all countries and/or for all modalities. If the services are not marketed in countries due to regulatory or other reasons, the service offering cannot be guaranteed. Please contact your local Siemens Healthineers organization for more details.

The results described herein by customers of Siemens Healthineers were achieved in the customer's unique setting. Since there is no "typical" hospital and many variables exist (e.g., hospital size, case mix, level of IT adoption), there can be no guarantee that other customers will achieve the same results.

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