



Rewiring Medtech: Four Moves for Device Makers to Become Strategic Health Partners

By Raina Park, Rob Bell, Josh Suskewicz, and Thiemo Werner

Key Takeaways

- Hospitals facing financial pressure and workforce shortages want stronger proof that medtech solutions deliver value in real-world care.
- Medtech companies can respond to this opportunity by embedding solutions into care delivery and taking on a degree of financial risk.
- Leaders that pursue long-term partnerships and align innovation with hospital priorities will deepen their role in improving care delivery.

The financial crisis in healthcare provision is accelerating the need for a step change in medtech innovation. Hospital systems, facing a bleak financial outlook with operating margins under significant pressure, are increasingly targeting medical devices and supplies for cost savings. This follows a surge in spending in this category, which nearly doubled to \$57 billion a year between 2017 and 2023.

For medtech companies, this is creating an existential challenge. Hospital systems are tying procurement more closely to system-wide goals, while budget limits and rising costs are stretching

decision cycles. At the same time, new technologies are expanding treatment options and making interventions more complex. As a result, hospitals want transparency and stronger proof that devices deliver value, with evidence drawn from real-world use in their own systems, along with lifecycle cost analysis and post-market surveillance.

These changes cut directly against medtech's commercial strategy and traditional pricing model. Rebates tied to volume offer limited incentive when hospitals focus on total cost of care rather than unit price. Physician preference carries less weight as purchasing shifts to system administrators.

Premium prices tied to innovation are harder to defend without real-world proof of outcomes and efficiency. Industry profitability reflects the strain, with margins slipping below pre-Covid levels as companies struggle to pass rising costs through to buyers.

Still, this moment favors companies that understand clinical processes as deeply as providers and can embed solutions directly into care delivery. By taking on some of the risk and reward in how value is measured, device makers give hospitals greater cost certainty and confidence to adopt new technology. They can also make innovation attainable in a capital-constrained environment through long-term partnerships. When those offerings are paired with training and workflow support, they help ease day-to-day strain created by workforce shortages.

Based on our work advising both device makers and care providers as they grapple with disruptive changes in their markets, we see four moves companies can make to meet this moment. Each

one is aimed at improving how medtech can partner with hospital systems to navigate complexity and deliver both near-term and long-term results.

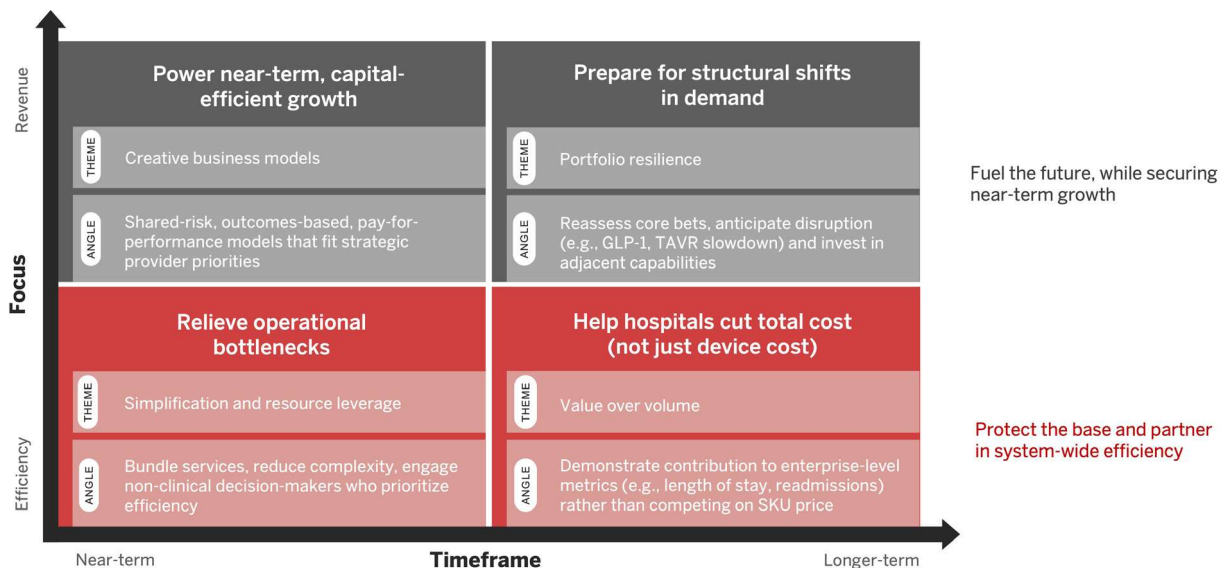
Relieve bottlenecks and maximize utilization.

Hospitals are being asked to deliver more complex care while facing persistent labor shortages and mounting financial pressure. Technology adoption creates further strain, as new systems require specialized training and integration with hospital IT, which slows onboarding and complicates workflows. Electronic health record platforms keep expanding in scope, layering on new functions that lengthen the time clinicians spend on each patient encounter. Employee burnout is exacerbating operational challenges.

Healthcare executives say these pressures now rival clinical outcomes in shaping hospital performance. This has created a need to improve the financial return on existing capacity and to understand how technology affects both efficiency and service-

From Efficiency to Growth: Four Pathways to Strategic Partnerships

This framework highlights four moves medtech companies can make to support hospital priorities today while positioning for future growth.



Delivering Near and Long-term Solutions

Based on our work advising both device makers and care providers as they grapple with disruptive changes in their markets, we see four moves companies can make to meet this moment. These draw on our experience—alongside Huron—in helping major U.S. healthcare systems transform:

1. Relieve bottlenecks and maximize utilization.
2. Help hospitals cut total cost, not just device cost.
3. Unlock growth with capital-efficient models.
4. Prepare for structural shifts in demand.

line performance. Medtech companies can help hospitals meet this goal by developing solutions that address growing operational bottlenecks and make full use of the resources already in place.

What medtech should do:

- **Expand support services.** Provide training programs and digital tools that help hospitals prepare staff more quickly and sustain capabilities over time.
- **Simplify product use.** Design devices and platforms that reduce workflow steps and enable seamless hospital system integration with existing IT systems such as Epic and Cerner.
- **Engage operational decision-makers.** Equip commercial teams to work with executives who manage hospital operations and finances, in addition to physicians.

Medtronic’s “Touch Surgery Enterprise” demonstrates how device makers can address these challenges. The platform uses digital simulations to train staff outside of the operating room, helping hospitals accelerate onboarding and ensure consistency in performance. This reduces reliance on senior clinicians for repetitive training tasks and allows staff to adapt more quickly to new technologies.

The company also offers operating room integration tools that link equipment with hospital systems. These tools help reduce delays in scheduling and documentation, keeping operating rooms running at higher capacity even when staff are limited. These tools can also help hospitals backfill operating room time with more advanced procedures as routine cases shift to outpatient centers.

Help hospitals cut total cost, not just device cost.

As hospital leaders search for new ways to reduce costs, their focus is also shifting. Rather than asking, “Can you lower the price per unit?,” they are asking, “How can you help reduce the overall cost of care?”

By framing solutions around total system value, medtech companies can position themselves as strategic allies in addressing cost challenges. Instead of focusing on the volume of devices sold, they can engage in how procurement decisions support long-term performance and financial sustainability.

What medtech should do:

- **Frame offerings around outcomes.** Highlight how solutions can shorten length of stay, reduce admissions, or minimize complications, not just how much a single device costs or rebate brackets based on units sold.
- **Enable integrated procurement.** Supply chain

leaders are expecting data-driven insights and holistic offerings, rather than piecemeal SKUs. For example, for surgical robotics, hospital systems expect consistent insights around utilization and capacity thresholds in addition to upfront installation and training support.

- **Deliver more value per dollar.** Leaders say the new benchmark is how a device changes outcomes and efficiency at the procedure level, not how deep the rebate runs. So, the winning proposition offers the most value per investment, not the lowest sticker price.

We've seen instances where a hospital system was purchasing valve replacement devices from two major companies. The contracts followed a traditional rebate structure in which higher purchasing volumes triggered larger discounts. Because patient care outcomes were essentially the same, the hospital didn't factor them into the purchasing decision. It focused on securing the better rebate, but in doing so it was missing the opportunity to reduce the total cost of care by looking beyond discounts to outcomes and solutions.

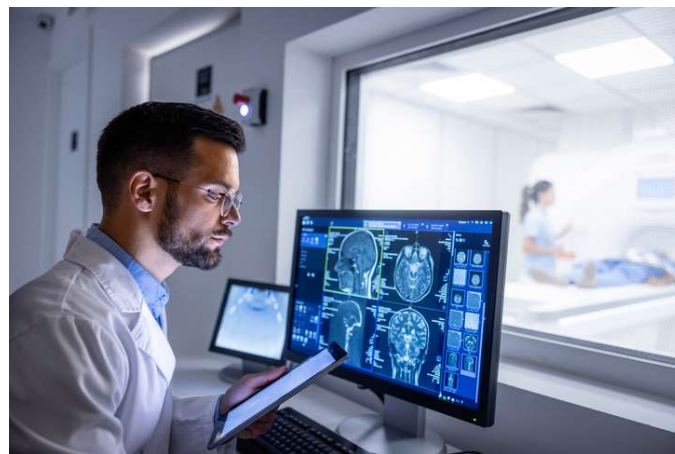
Medtronic helps illustrate the shift hospitals are seeking. It has developed partnership programs with hospitals where it pays fixed rebates to offset costs if patients develop infections within 12 months of receiving its antibacterial envelope implants, which are used during cardiac device surgeries. Because the implants have strong clinical evidence showing they lower infection rates, Medtronic believes it can limit its financial downside while giving hospitals greater confidence to adopt the product.

Unlock growth with capital-efficient models.

Growth remains a top priority for health systems, but leaders are cautious about how they pursue

it. Capital budgets are under heavy pressure, and executives hesitate to approve major investments that take years to generate returns. At the same time, hospitals still want access to advanced technologies that can improve outcomes and efficiency. They are looking for ways to adopt innovation within tighter financial guardrails.

This creates an opening for medtech companies that can position growth as both fast and financially flexible. Hospitals are receptive to solutions that lower up-front spending while also limiting risk and connecting payment more directly to demonstrated value. Device makers that rethink their approach to financing and delivery can accelerate adoption and help hospitals direct capital toward high-growth areas, even when budgets are constrained.



What medtech should do:

- **Rethink financing models.** Offer outcomes-based agreements and shared-risk partnerships, and explore alternative payment structures such as pay-per-use or subscription pricing that reduce up-front outlays and link payment to delivered value.
- **Focus on reimbursable pathways.** Align new offerings with procedures and care settings that already have reimbursement support, which allows hospitals to adopt innovation without adding financial exposure.

- **Support capacity shifts.** As more care moves to outpatient and ambulatory settings, provide tools that help systems balance demand across sites without large capital strain.

A recent partnership between Sutter Health and GE HealthCare shows how this approach can work. The two organizations entered into a seven-year, \$1 billion agreement that gives Sutter access to advanced imaging technologies such as PET/CT and MRI, together with GE's AI-enabled tools. Instead of requiring a series of large one-time purchases, the deal spreads investment across the contract period and embeds ongoing support from GE HealthCare professionals.



Sutter executives emphasized that the relationship is moving from transactional to collaborative. By including technician services, workforce training, and guaranteed equipment upgrades as part of the agreement, GE reduced the financial risk for Sutter while ensuring reliability and faster access to new technology. This structure gives Sutter a path to growth and modernization that is capital-efficient, while GE strengthens its role as a long-term strategic partner.

Prepare for structural shifts in demand.

Medtech companies can no longer count on stable growth in their core markets. Demand for once-reliable procedures is shifting as new forces

reshape patient care. GLP-1 drugs are reducing bariatric surgery volumes. Liquid biopsy and other screening technologies threaten to draw patients away from traditional endoscopy. Even procedures once seen as engines of growth, such as aortic valve replacement, are flattening. These shifts call into question the assumption that past demand patterns will continue into the future.

This environment requires medtech leaders to pursue dual transformation. On one track, they can bolster the core by reevaluating portfolios and adapting to changes in procedure demand. On the other, they can explore disruptive growth through adjacencies and digital platforms that extend value beyond episodic care. Together, these moves allow companies to protect near-term performance while building new business models that position them for the future.

What medtech should do:

- **Reassess market bets.** Review portfolios through the lens of disruption and pivot away from therapeutic areas where volumes are shrinking.
- **Anticipate shifts with evidence.** Use real-world data to spot early signals of decline and to identify where new opportunities are emerging.
- **Expand into adjacencies.** Move into services and platforms that complement core offerings and generate recurring value.

We worked with one incumbent device maker as it confronted this challenge. The company had built its success around high-volume procedures that were beginning to plateau. Leadership recognized that defending the core alone was not enough. Instead, they committed to a dual path: taking steps to streamline their existing portfolio while also moving into digital health with the acquisition of a startup offering at-home diagnostic testing.

The acquisition gave patients a way to complete assessments outside the hospital and ensured results flowed directly into provider workflows. More importantly, it marked the beginning of a broader evolution. By combining clinical expertise with the startup's digital capabilities, the company preserved its position in established markets while opening new channels for growth. That shift deepened its relationships with providers and payers and created growth engines resilient to structural demand shifts.

Medtech's traditional growth engines are under strain, yet the industry's future does not need to be defined by decline. Hospitals want partners who ease operational pressure and strengthen their ability to deliver care. Device makers that step into this role can move beyond transactional sales and become strategic health partners. By focusing on outcomes and building long-term relationships, they can reposition themselves at the center of healthcare delivery and capture growth that lasts.

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