



## Medical Devices Digital Services Market Overview

Life Sciences IT Services (ITS)

State of the Market Report – July 2020: Complimentary Abstract / Table of Contents

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# Background of the research

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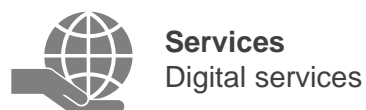
Enterprises have made digital adoption the bedrock of their growth strategy in recent years to optimize processes, reduce costs, and deliver better customer experience; all in the pursuit of higher revenue growth. The medical devices industry is no exception to this. Digital technologies can make internal workflows more efficient, reduce product development timelines, tackle regulatory complexities, offer supply chain transparency, and combat counterfeits.

To support enterprises on their digital journeys, service providers are ramping up capabilities through life sciences-specific partnerships and acquisitions. Also, when we refer to capabilities in life sciences industry, most of the industry refers primarily to the pharmaceutical industry and does not emphasize on medical devices industry, which is heterogeneous in nature. This is driving the need for research and market intelligence on demand and supply trends in medical devices digital services. Everest Group's Life Sciences ITS research program addresses this market need by analyzing outsourcing trends in medical devices digital services.

## In this report, we focus on:

- Key industry trends that dominated medical devices market
- Drivers for adopting digital in the medical devices industry
- Medical devices IT services market
- Areas of high growth opportunity
- Impact of COVID-19 on the medical devices industry

## Scope of this report:



# Overview and abbreviated summary of key messages

This report examines the 2020 medical devices digital services provider landscape and provides a snapshot of the medical devices IT services market. It focuses on the key industry trends in the medical devices space, identifies themes that are expected to gain traction, and discusses the impact of COVID-19 on the medical devices industry

Some of the findings in this report, among others, are:

## Medical devices digital services market

- The overall medical devices digital services market is a US\$1.8 billion+ opportunity
- Having been a laggard in the past, medical devices digital services market is currently witnessing an uptick in demand and is growing at a CAGR of 22-24% from 2018-2021

## Drivers for digital adoption

- Digital adoption is largely driven by initiatives focused on reducing product development timelines, developing smart medical devices, and adapting to the evolving regulatory landscape
- Driving optimization and efficiency across other value chain elements, including clinical trials, manufacturing, supply chain, and sales & marketing are next in line

## Emerging medical devices digital services trends

- Growing adoption of remote monitoring and telehealth solutions is giving rise to significant opportunities in IoT and cybersecurity
- Given the extensive focus on patient safety and health outcomes, industry is witnessing changes in regulatory landscape and traditional pricing engagements

## Impact of COVID-19

- Capital equipment and implant business had taken the wrath of COVID-19, while diagnostic, remote monitoring, and consumables business is expecting a surge in demand

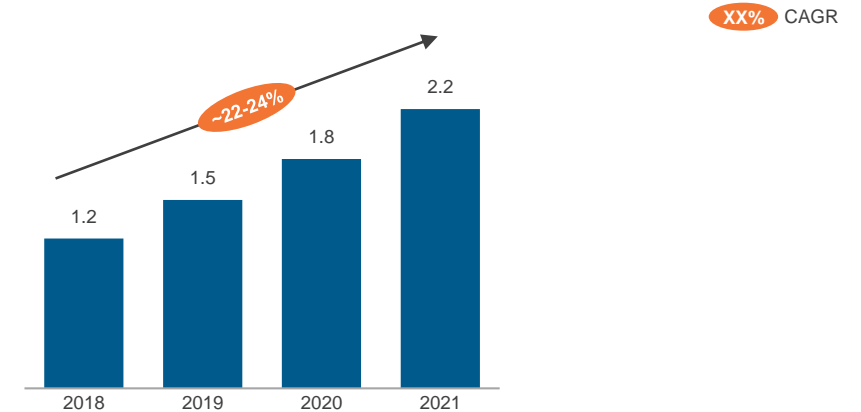
# This study offers a deep dive into key aspects of the medical devices digital services market; the exhibits below illustrate the depth of the report

## Leading trends in the medical devices industry

- Proliferation of remote monitoring and telehealth solutions**
  - Increasing demand for patient-centric solutions, coupled with the ongoing COVID-19 pandemic, accelerated the adoption of remote monitoring and telehealth solutions
  - Telehealth adoption among hospitals and health systems has risen from 54% in 2014 to 88% in 2019
- Industry unpreparedness for the new EU regulations**
  - To address the limitations in the current system, European regulations were revamped with a primary goal of strengthening the safety and effectiveness of medical devices being commercialized
  - However, a recent survey stated that only 27% of medical device companies believe they would be fully compliant with the new regulations by May 2020
- Rise of value-based contracting**
  - Device efficacy and health outcomes are not aligned with the increasing prices, hence, device manufacturers are pressurized to showcase financial accountability and deliver more value
  - Over the last four years, there has been an increase in the adoption of value-based life sciences contracts in the US and this is expected to grow at a CAGR of 15-20% from 2019-2022
- Tapping the enormous pool of Real-World Data (RWD)**
  - With a diverse potential, RWD assists in identifying latent clinical needs, creating robust evidence to complement clinical trial data, and supporting FDA's regulatory decisions for product effectiveness
  - Leveraging next-generation technologies including big data analytics, ML, and AI is key to converting RWD into Real-World Evidence (RWE)

## Sizing and analysis of the medical devices digital services market

Estimated global medical devices digital market size<sup>1</sup>  
2018-2021, US\$ billion



## Drivers for digital adoption

- Expedite product development and improve speed-to-market
- Develop smart medical devices (IoT, remote healthcare, self-care, etc.)
- Deliver operational and cost efficiencies
- Changing regulatory requirements (device tracking, safety updates, etc.)
- Ensure supply chain transparency, efficiency, and security
- Quicker and more accurate clinical trials
- Achieve manufacturing optimization
- Pursue digital marketing and sales efficiency

## Sub-segment view of the COVID-19 impact

Diagnostics	Telehealth and remote monitoring	Capital equipment	Invasive devices and implants	Consumables
<ul style="list-style-type: none"> <li>Diagnostic sales have seen minimal growth in Q1 2020 due to lower routine testing volumes, however, as enterprises continue to receive FDA Emergency Use Authorization (EUA) for COVID-19 tests, diagnostic business segment is expected to grow in Q2 2020</li> <li>In Q1 2020, major life sciences firms such as <b>Roche and Philips reported nearly ~2-5% growth</b> in diagnostics business, led by molecular testing and diagnostic imaging</li> <li>Abbott launched three COVID-19 diagnostic tests toward the end of Q1 2020, this is expected to positively impact its Q2 results</li> </ul>	<ul style="list-style-type: none"> <li>To contain the spread of COVID-19 and ensure safety of both patients and healthcare providers, there is increased focus on remote monitoring tools and technologies</li> <li>Recently, Medtronic rolled out free software upgrades that will allow remote monitoring of ventilators in ICUs; Philips deployed its tele-ICU technology, eCareManager in UK Healthcare to provide 24/7 remote monitoring and access to health care specialists</li> <li>In Q1 2020, Abbott reported a 62.5% growth in its diabetes business due to its FreeStyle Libre, a remote glucose monitoring system</li> </ul>	<ul style="list-style-type: none"> <li>Despite the growing demand for ventilators, capital equipment segment has seen a massive decline as hospitals continue to defer the purchases of capital equipment</li> <li>With unprecedented financial pressure on hospitals and health systems from decline in elective procedures, surge in PPE-related expenses, and benefits for front-line workers, hospitals might prioritize cash preservation and continue to reduce inventory of capital equipment</li> <li>Thermo Fischer's analytics instruments business segment declined by 17% in Q1 2020 due to reduced purchasing volumes</li> </ul>	<ul style="list-style-type: none"> <li>Based on the CovidSurg Collaborative, a 120-country research initiative, nearly 28.4 million elective surgeries will be cancelled or postponed in 2020</li> <li>MedTech giants, such as Zimmer, Medtronic, and Stryker (whose revenue largely comes from elective procedures), have taken a significant hit to their revenues; Stryker sees 50% of the revenue vulnerable to elective procedures, while Medtronic reported 60% decline in the US weekly revenue</li> <li>An orthopedic arthroplasty company, <b>Conformis estimated 3% decline</b> in Q1 2020 due to significant drop in purchasing orders</li> </ul>	<ul style="list-style-type: none"> <li>Enterprises might see a surge in demand for critical medical supplies including masks, gloves, sample collection units, and PPE kits</li> <li>Panic buying of protective equipment might result in shortage of medical supplies for health systems</li> <li>BD's preanalytical systems business reported a 2.5% growth in Q1 2020, driven by additional demand for its push-button blood collection sets</li> </ul>

# Research calendar – Life Sciences IT Services

■ Published   ■ Planned   □ Current release

## Flagship Life Sciences IT Services reports

Release date

Life Sciences Sales and Marketing Data & Analytics Services PEAK Matrix® Assessment 2020 .....	December 2019
Life Sciences State of the Market Report – Trends, Service Provider Performance in 2019, and Outlook for 2020 .....	February 2020
Life Sciences Medical Devices Digital Services – Service Provider Landscape with Services PEAK Matrix® Assessment 2020 .....	June 2020
Life Sciences Medical Devices Digital Services – Service Provider Profiles Compendium .....	July 2020
<b>Medical Devices Digital Services Market Overview .....</b>	<b>July 2020</b>
Life Sciences Clinical Development Platforms – Vendor Landscape with Products PEAK Matrix® Assessment 2020 .....	Q3 2020
Life Sciences Clinical Development Platforms – State of the Market Report .....	Q3 2020
Life Sciences Clinical Development Platforms – Vendor Provider Profiles Compendium .....	Q3 2020

## Thematic Life Sciences IT Services reports

Effective Value-Based Contracting in Life Sciences .....	February 2020
Regulatory Overhaul of the EU Medical Device Market .....	April 2020
Future Readiness of Life Sciences Enterprise Supply Chains .....	Q2 2020
Insourcing in Life Sciences – The Quest for Talent Supremacy .....	Q3 2020
Intelligent Manufacturing for Life Sciences Enterprises .....	Q3 2020

Note: For a list of all of our published Life Sciences ITS reports, please refer to our [website page](#)

# Additional Life Sciences ITS research references

The following documents are recommended for additional insight into the topic covered in this report. The recommended documents either provide additional details on the topic or complementary content that may be of interest

- 1. Medical Devices Digital Services PEAK Matrix® Assessment 2020** ([EGR-2020-46-R-3793](#)); June 2020. With growing need for smart medical devices, remote health monitoring solutions, shorter product development timelines, and regulatory compliance, medical device enterprises are increasingly leveraging digital technologies to achieve higher revenue and remain competitive. To fulfill these objectives, they need to partner with the right service providers. While providers are also ramping up their capabilities by entering into life sciences-specific partnerships and acquisitions, they lay limited emphasis on the medical devices industry. This is driving the need for research and market intelligence on demand and supply trends in medical devices digital services. Everest Group's Life Sciences ITS research program addresses this market need by analyzing outsourcing trends and service provider capabilities in medical devices digital services
- 2. Regulatory Overhaul of the EU Medical Device Market** ([EGR-2020-46-V-3703](#)); April 2020. A series of device malfunctions, coupled with technological and scientific advances in the medical device industry, drove regulators to revamp the EU Medical Device Directive or MDD and the In Vitro Diagnostic Directive or IVDD. The European Commission introduced the European Medical Device Regulation (EU MDR) and the In Vitro Diagnostic Regulation (IVDR) on May 26, 2017, with the actual launch expected in May 2021 and May 2022 respectively. The primary goal was to strengthen the safety and effectiveness of medical devices commercialized in the European market. EU MDR was earlier set for launch in May 2020, however, a series of overwhelming events – primarily the global COVID-19 pandemic, along with the industry's under-preparedness to comply – has forced EU regulators to consider a one-year implementation delay
- 3. Life Sciences Digital Services – Service Provider Landscape with Services PEAK Matrix® Assessment 2019** ([EGR-2019-46-R-3324](#)); September 2019. Enterprises have made digital adoption the bedrock of their growth strategy in recent years, to optimize processes, reduce costs, and deliver better customer experience, all in the pursuit of higher revenue growth. The life sciences industry is no exception. To support enterprises on their digital journeys, service providers are ramping up capabilities through life sciences-specific partnerships and acquisitions. Everest Group's Life Sciences ITS research program addresses this market need by analyzing outsourcing trends and service provider capabilities in life sciences digital services.

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