Stellarix

eBook

The Strategic Shift from B2H to At-Home Care



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The Transition

In the last 5 years, hospitals have been under pressure to cut device margins due to a combination of the following reasons:

1. Shift towards bundled and value-based payments
2. Consolidation of Group Purchasing Organizations (GPO)
3. Growth in Medicare/ Medicaid enrollments (dual population)
4. The migration of procedures to ASCs

Our study expects that the trend will continue.

As a result, providers are aggressively targeting reductions in length of stay, procedural complications, and total episode costs.

These pressures are now cascading into Class I and Class II categories (e.g., drug-delivery tools, vascular access, surgical disposables, hemostats, NPWT, advanced dressings, infusion pump); segments that historically enjoyed stable, hospital-based demand.





What Transition Means for Surgical OEMs

The center of surgical value creation is shifting beyond the hospital. Rising margin pressure is forcing Surgical OEMs to rethink their models, moving from feature-led products to solutions that improve post-discharge recovery, reduce complications, and lower total-episode costs across ASC and home-based pathways:

Outcome-Based Value Shift

"Value of a device or surgical offering is judged by what happens after discharge"

Shifting EBITA Share

Premium features ≠ Premium Margins, anymore.
Hospitals now demand the same clinical outcomes at lower prices

Workflow Simplicity

Features should drive time, cost, and outcome quality value; not the features for the sake of innovation

How Surgical OEMs are Responding to Rebuild Margin Advantage

(Top 3 Models)

OEMs are pursuing various business model innovations to navigate margin pressures, achieve stable revenue, and bring customer value, without overloading product features. Our research shows that they are primarily adopting the following three models to rebuild their margin advantage and navigate the VBHC + H2H shift.

Model 1 Patient Recovery Pathway Orchestration:

This model includes designing post-discharge pathways to reduce complications and support earlier discharge.
Examples include developing:

Digital recovery dashboards	Home mobility protocols	Device-specific wound / vascular site monitoring	Risk stratification alerts that help accountable care organizations (ACOs) & hospitals to intervene earlier

Margin advantage is offered by shifting the conversation from “price” to “avoided downstream cost,” thus protecting Average Selling Prices.

Model 2 Home-Enabled Training Ecosystems

Companies (e.g., Abbott) are offering expert-led remote onboarding and guided home use even for hospital-initiated therapies. **This includes:**

App-based trainer support	Multi-language video guidance	On-demand troubleshooting	Integrated clinician dashboards

Margin advantage is achieved by removing the hospital training burden, and strengthens OEM preference in tenders.

Model 3 Predictive Risk + Device-as-a-Service

A few OEMs are bundling hardware, remote analytics, and replenishments into a subscription, and not in CAPEX.
This includes:

Predictive alarms for pump occlusion	Consumable auto-replenishment without hospital reorder	Remote QA and device uptime guarantees

This model offers a stable recurring revenue and higher patient stickiness in the price-pressured categories.





Case Study:
Smith + Nephew

Challenge

Hospitals face rising surgical-site complications (SSCs) (e.g., infections, dehiscence, seroma) that increase length of stay (LOS), readmissions, and overall episode cost, putting pressure on margins.

Thus, there was a need to:

- Migrate the wound-care from the inpatient setting to the outpatient/home or short-stay settings.
- Offer an easy-to-use prophylactic wound-management solutions that reduce SSC risk, supports early discharge, and value-based care economics.

Approach

Smith + Nephew introduced:

- A single-use, easy-to-apply NPWT dressing, **PICO sNPWT**, enabling outpatient or early-discharge use.
- **Partnered with HOPCo** to provide digital analytics, remote care-management, and outcome dashboards (via the myrecovery® and Vitals® platform) to support VBHC in ASCs and outpatient settings.
- Published a **real-world evidence (RWE) study** over 22,000 patients with reductions in wound dehiscence, LOS, and healthcare costs, with PICO and competitor devices.

Impact

- Demonstrated statistically significant reduction in wound dehiscence (up to ~57–64%), lower SSC rates, and delivered material cost savings and improved value-based outcomes for hospitals.

Together, myrecovery®, Vitals®, and PICO sNPWT helped Smith+Nephew shift from selling a dressing to owning the post-discharge pathway, thus reducing complications for providers while protecting margins in value-based care.

OEMs' Challenges and Risks in Executing Margin-Improvement Programs

Once surgical OEMs decide to overcome margin challenges, they will be exposed to new risks such as regulatory ambiguity, product liability risk in at-home settings, and unclear P&L ownership.

Apart from the above obvious risks, other critical risks are:

New Distributor Relationships:

Pilot programs may look successful, but scaling requires building new logistic lines, warehousing infrastructure, marketing & compliance processes, and cross-functional ownership, which traditional B2H organizations are not built to manage.

Channel Conflict:

While building a new downstream distribution channel, while maintaining the relationships with existing hospital distributors, who currently control the large downstream volume.

Working-Capital Sinkholes:

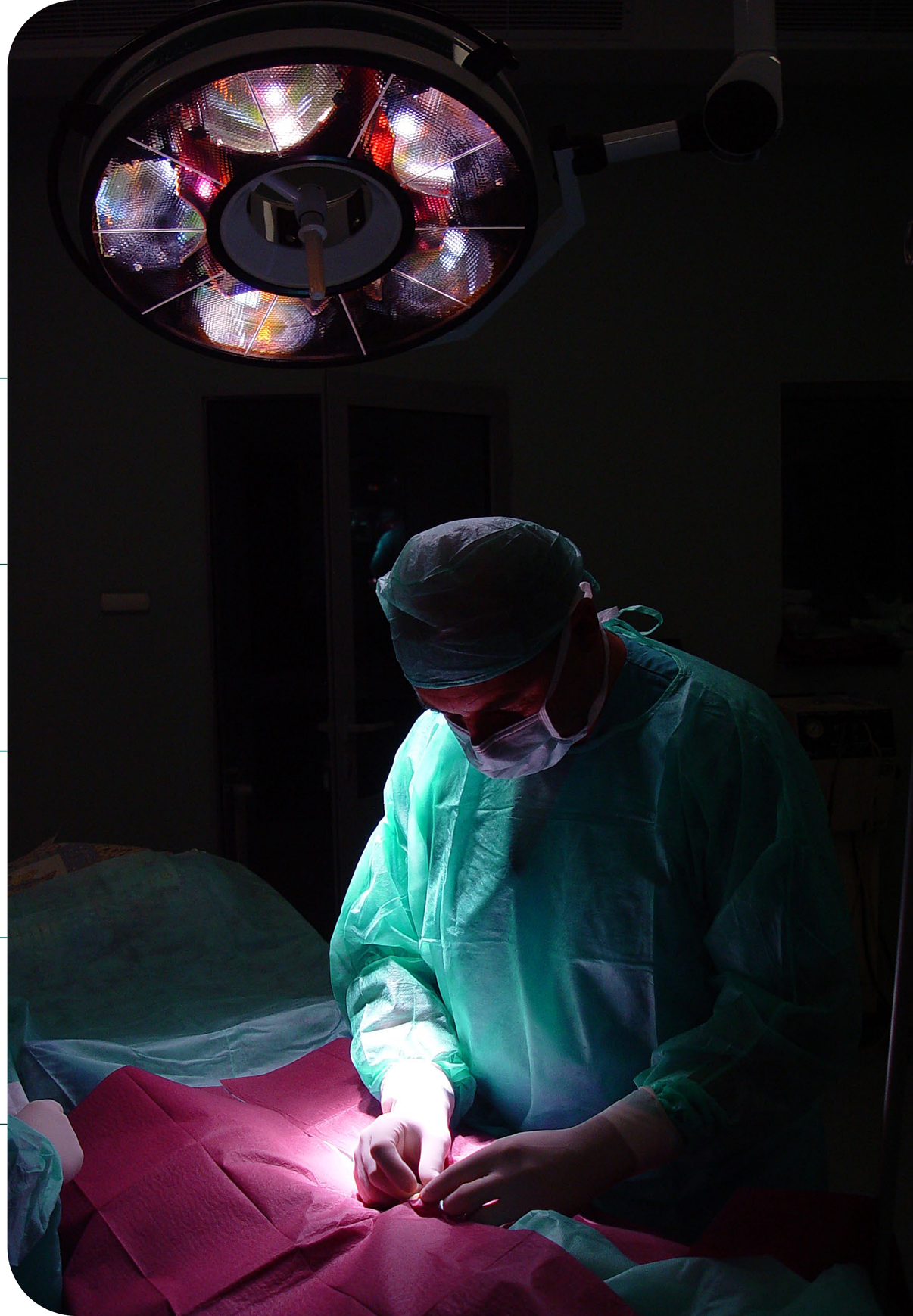
At-home models require larger inventories, faster fulfilment, and higher returns; that would increase exposure to high working-capital drag that alarms CFOs.

Clinical Pathway Boundary Risks:

Hospitals value support, but may push back if OEMs appear to “overstep” into education, monitoring, or care-coordination, thus risking clinical friction and procurement backlash.

Risk of Commoditizing Hardware:

If services become the differentiator, the traditional engineering-led value proposition weakens.





Practical Moves OEMs are Adopting to De-Risk Margin-Improvement Programs

Studies suggest that leaders in the surgical space are adopting either or a combination of approaches to de-risk transformation, with the ultimate objective of improving margins and building new business models.

Commercial Model Insulation

- **Launch parallel GTM** for home solutions, keeping hospital sales target intact.
- **Pilot in non-overlapping segments** to avoid channel conflict.
- Build value-based contracting **toolkits to reward clinicians** for outcomes.

Low-Risk, Modular Product Strategies

- **Start with accessories**, consumables, and lightweight monitoring add-ons.
- **Use "Prototype-as-a-Service" bundles** remote onboarding and limited SKUs.
- **Leverage software-first layers before** scaling hardware.

Partnership-First Operating Models

- **Use partnerships** (e.g., with virtual-nursing providers, ACOs) to handle last-mile complexity.
- **Co-design care pathways with payers** to ensure clinical and reimbursement alignment.

Governance, Risk & Evidence Engine

- **Running signal-reading pilots** (60–120 days) to gather adoption, reimbursement, workflow, and drop-off insights.

What Next?

Surgical OEMs can follow these approaches to make this transition safely and strategically.

Mitigate

- Map the episode-of-care impact of each device
- Identify where post-discharge value is feasible + low risk
- Benchmark competitor moves (including hidden service models)

Monitor

- Ongoing landscape scans on digital recovery tools, predictive risk algorithms, and home-care pathways
- Track hospital procurement signals shifting toward workflow metrics
- Build early-warning dashboards for VBC changes influencing your category

Minimize

- Craft evidence stories that resonate with clinicians and administrators
- Build risk-mitigation frameworks for new service offerings
- Design commercial messaging for “episode efficiency” instead of device-centric selling





Wondering how Surgical Peers are navigating the shift?

Stellarix helps Surgical OEMs to navigate the shift toward outpatient and home-based care by monitoring emerging recovery models, de-risking investments, and identifying real margin-defending opportunities.

We deliver evidence-backed market research, competitor intelligence, and strategic advisory so every move is intentional, value-aligned, and future-ready.

About us

Stellarix Consultancy Services

Trusted partner in future-readiness, from idea to impact.

As an innovation and strategy consulting company, our main focus is sustainable growth through critical innovation and commercialization. With more than 16 years of innovation research experience, we enable sustainable business growth by bringing together non-conventional consulting approaches.

Stellarix

Who We Are?

We offer consulting services to make businesses future-ready and improve goals and strategies with innovative solutions.

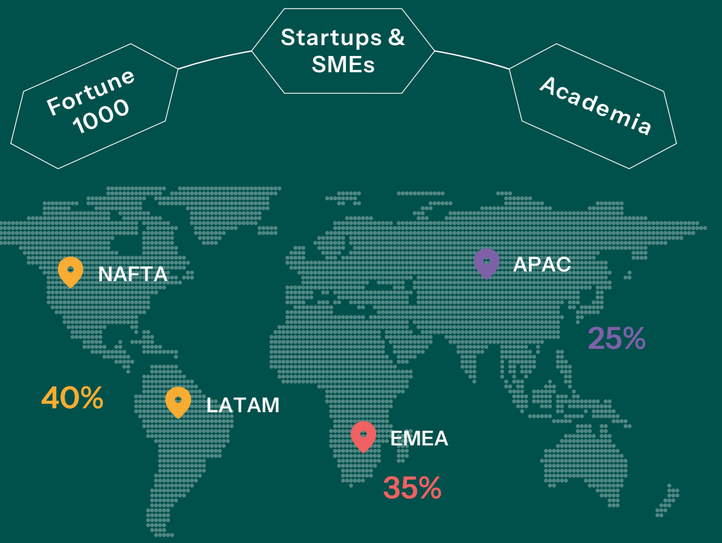
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Our Experience

In the Business	Expert Network (KOLs)	Partners Supported	Consulting & Advisory Team	Engagements Delivered
Since 2009	500K+ and Growing	500+	250+ and Growing	16000+

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