Interview: Lo Wuite – General Manager Managed Equipment Services Europe; Dick Blesing – General Manager Netherlands, Toshiba Medical Systems Netherlands



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In many aspects, 2016 truly marks the dawn of a new era for Toshiba Medical Systems. Lo Wuite (LW), General Manager Managed Equipment Services (MES) Europe, and Dick Blesing (DB), General Manager Netherlands, explain how Toshiba Medical System is becoming a true healthcare service provider, thanks to an innovative and flexible "state-of-need" business model.



What is the positioning of Toshiba Medical Systems for imaging products, both at a global scale and in the Netherlands?

LW: Toshiba displays one of the most important growth potentials in comparison to its competitors Siemens, Philips and GE's healthcare divisions. While GE is the market leader in the United States,

and Siemens and Philips are competing for the first place in Europe, Toshiba is obviously the historical leader in Japan and in many other Asian countries. Our main diagnostic imaging products in Europe are CT, MRI, Ultrasound and X-Ray devices. Clinical laboratory systems are distributed by Abbott on the European territory.

DB: In the Netherlands, we are number four on the imaging market, mainly because our products portfolio is locally smaller than Siemens, Philips or GE's product offerings. The Netherlands is a replacement market – as new hospitals are indeed rarely built. Furthermore, there is a developing trend of hospital mergers, and the synergies created by this consolidation also means that the market is steadily reducing in terms of volume for MedTech companies, specifically for high-end products.

Toshiba is in the process of transforming its Medical Systems business model, and has now added "provider of services" to its historical role of "technology supplier". What are the rationales behind this structural transformation?

LW: From a macroscopic point of view, European healthcare markets are for the most part affected by important cost-saving measures, while facing the complex challenges of an aging population and increase of chronical diseases. These markets are at a turning point of their history and thus have to innovate and renew the way they provide care to their citizens. Given this context, the old model where a company like Toshiba would basically sell medical equipment financed by hospitals or any another public or private stakeholders appeared to us as becoming outdated and unsustainable.

As a matter of fact, we are moving our main focus from a purely product approach to combined approach of products and Managed Equipment Services (MES) offering, where we partner with our customers by providing a very broad range of solutions that specifically aim to tackle main hospitals' hurdles. MES can thus include purchasing and financing (directly or via a third-party partner), technology supplying, performance management and optimization, and education.

In our new business model, hospitals primarily deal with our MES division, which means that they don't primarily buy products anymore. In our new approach, hospitals now partner with Toshiba, which supports them with a comprehensive service offering through an outsourcing agreement, which stipulates the level of collaboration and service level agreements that ties Toshiba and its partner. Together with the hospital, we jointly discuss the requirements of the hospitals, in terms of the technology, services and replacement timelines they foresee for the future.

Do you perceive some reluctance from your healthcare partners in truly partnering with private companies to improve their processes?

LW: This shift of Toshiba from a product-centered approach to a service focus is evolving in almost all pharma markets globally, and the cost-containment context currently hitting most of the other European healthcare systems has been a powerful catalyst to implementing these new kinds of partnerships. The Netherlands situation stands as a very edifying illustration of how quickly these partnerships can be developed: before 2008, only hospitals facing major financial problems were interested in partnering with the industry, whereas an increasing number of hospitals have shown interest over the past few years. Due to changes in the way the government subsidies hospitals, the hospitals are forced to steadily rethink the way they can continue to provide high quality healthcare and how to finance it..

Nevertheless, there are still a large number of hospitals that consider their processes are being optimal, meaning that the use of external benchmarks and implementation of best practices remain rather poorly executed.

DB: We still notice that hospitals that are not facing financial problems are probably more reluctant to revaluate their processes. It is thus our role to ensure they understand the value we can offer them. Nevertheless, Dutch hospital board members stay in the board for a relatively short period before moving to another challenge. Long-term benefits are thus probably less valorized than short or mid-term perspective approaches.

This also explains why we strive to engage as much as possible the management level (below the hospital board), who are usually staying longer in the same institution than hospital board members and can enjoy the benefits of long-term partnerships.

Nevertheless, the general trend in the Netherlands is that hospitals will have deal with more complex patients in the upcoming years (due to aging population) with less money, so hospital mindsets are also steadily more open to partnering with private companies and jointly finding solutions.

Some other MedTech competitors like Siemens or Philips are also currently deepening their commitment within the healthcare system far beyond the basic delivery and maintenance of technology products. What differentiates Toshiba MES's offering from that of your competitors?

LW: Contrarily to our competitors, Toshiba's service offering is not primarily focused on our in-house technology, and strives to propose a broader freedom of choice to our partners. As service provider, our essential target is to provide the most adapted solution to our clients. In this vein, we can also provide, finance, and manage competitors' equipment- if they are the most adapted to our partners' needs! We obviously prefer providing our partners with Toshiba's equipment, but sometimes our solutions are not the best fit for our customers' requirements. Operating now truly as a service provider, our main objective is that our solutions perfectly meet the needs of the hospitals, whatever the brand of the products we ultimately supply would be.

DB: In this vein, the Dutch Toshiba Medical Systems affiliate truly operates as a supplier of the MES division. When the MES agree on a partnership with a healthcare institution, they will then benchmark which brand, which product, and which technology will offer the best fit with this medical institution's needs. Depending on the products that the Dutch affiliate can offer to the MES division, this latter will thus decide to choose our products… or not! Operating as a supplier also means that the local affiliate is obviously not aware of the details of the partnership that ties the MES division and the hospitals, and we then truly apply to the different tender calls coordinated by the MES division like any other supplier of the market will do it.

At first sight, this business model could potentially render us more vulnerable, but in reality it really strengthens our organization. Firstly, we believe that if we are able to provide an excellent service offering to our partners, we will also ultimately receive more demand for our equipment. Secondly, creating this technology competition between our products and our competitors' is the best driver to move us forward: we know that even if Toshiba has a partnership with a hospital, we will nevertheless have to offer the best products solution to ensure our products are eventually chosen by the MES division.

How do hospitals and other business partners react when you announce that you are ready to finance competitors' products if they are the most adapted for your patients' needs?

LW: Hospital boards are sometimes doubtful – particularly at the beginning. We are however able to showcase many corporate case studies and real situations that demonstrate this openness to truly act as a service provider as well as our effort to not exclusively give advantage to our products. For instance, in a mid-size hospital in the UK, we financed, supplied and now manage the entire equipment solutions of this hospital, which represents more than 8,000 pieces of equipment. In this hospital, only a minor share of the overall volume equipment distributed are actually Toshiba products.

DB: In a 10 or 15-year period, if we honestly analyse the situation, it is really seldom that one single company alone is able to offer the best or most suitable solution to its partners for a given technology. Our competitors use a less flexible business model, where clinical freedom of choice is much more limited.

LW: While our competitors' service offering remains mainly based on their products, our service offering is primarily and strictly oriented toward the final quality of service we want to deliver, even it implies distributing our competitors' products. We focus on the best solution for our customers rather than the "brand" of the product.

Beside the possibility to distribute your competitors' products if they offer the best fit with your partners' needs, what other key features of the MES demonstrate its flexibility?

LW: Technology is evolving very quickly and products' innovation cycles are shorter than the current replacement cycles – usually between 10 and 15 years – that most of the hospitals are financially able to sustain. As a result, hospitals currently tend to ask for state-of-the-art products at each replacement, as they know the next ones will only be acquired at least a decade later. As premium equipment also obviously comes at the highest price, hospitals over-invest at the beginning of their equipment contracts despite already knowing this technology will probably become technologically obsolete well within the financial life cycle of the product

To tackle this non-sense, we implemented a "state-of-need" approach in our MES partnership. "State-of-need" can obviously sometimes be synonym of "state-of-the-art" equipment, for spear point clinical and development areas of the hospital for instance. Most of the hospitals however don't need such ultra-sophisticated equipment for all their daily treatments.

With our "state-of-need" approach, the MES offering provides hospitals with the technological level they truly need for their patients, either with brand new or even sometimes refurbished equipment. We indeed have partnerships with University Medical centers, where state-of-the art products are always replaced every two or three years. Once it is removed from these hospitals, this kind of equipment can perfectly suit smaller or peripheral medical centers, which do not treat the most complex patients. These centers can thus access high-quality products, which are only two or three years old, for a very competitive price.

Beside financial and technological aspects, how are clinical and patient outcomes improved by your offering?

DB: Firstly, the MES makes hospital staff's life easier, as the MES manager operates towards the hospital as a "one-stop shop" supply manager, while an average European hospitals can deal with over a 100 different suppliers only for imaging departments!

LW: Physicians and hospital managers should be able to uniquely focus on treating their patients and improving the clinical outcomes of hospitalization. Thanks to our approach, the medical teams give us their requirements, and we will prepare a benchmark of the best available options to fulfill their needs. As this kind of partnership is gaining in importance, we notice that physicians increasingly rely and trust our propositions, while they particularly enjoy not wasting time anymore in product negotiations with different suppliers. Thanks to our partnerships, physicians and medical staff simply provide care, and this is exactly how the situation should be.

The MES business model is progressively being implemented in all European markets. Do you think that it is set to become the partnership of reference in the Netherlands in the upcoming years?

DB: Without any hesitation: yes! This approach, which is not centered nor conceived to exclusively sell our products, is the service offering that displays the better outcomes for healthcare partners, by providing them with the solutions that will truly and perfectly meet their needs.

Nevertheless, I call for a closer collaboration with hospitals: we still do not perceive each other enough as true partners; despite this being the only way to strengthen an affordable and innovative Dutch healthcare system. Companies and hospitals have their own knowledge and expertise, but if we don't manage to combine these two expertises, we will never be able to effectively improve the Dutch eco-system, which should be our shared responsibility and duty. If the MES offering indeed represents a new business model for Toshiba, it is above all a true partnership that we want to propose to our Dutch healthcare partners.

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