

# Seven Steps to Better Healthcare Sales

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New technologies and government regulations in the 1980s and 1990s permanently changed the way that many industries conduct business. Digital communications, global networking, outsourcing and the World Wide Web have transformed how products and services are designed, tested, manufactured and marketed. At the same time, mergers, acquisitions and deregulation have affected revenue flows and economic decisions across the board. Almost no industry has been untouched by these developments.

Yet, over the past decade, selling to most industries has changed relatively little compared to how much selling to healthcare organizations has changed. From a professional salesperson's perspective, selling healthcare products – medical supplies and devices, pharmaceuticals and capital equipment – is virtually a different job than it was 20 years ago. This paper will explore the causes and effects of changes in healthcare sales, and, most important, seven ways sales professionals can adapt their strategies moving forward.

### **Here Come the Regulators**

Through the 1980s and into the '90s, a career in healthcare sales was simpler than it is today: Doctors, nurses or technicians were nearly always the “economic buyers” with final decision-making

authority to purchase drugs, equipment and supplies. Not only were most medical practices profitable, but the economic buyers were relatively accessible – and the sales process was less complex: A salesperson called a doctor's office and made an appointment just a few weeks out. Even in a hospital setting, salespeople without an appointment simply dropped in, caught the decision maker in the hall, dispensed a few coffee mugs, pens or notepads and sat in the waiting room until the buyer had time for them – usually between patients.

Beginning in 1997, all of that changed in the U.S. That's when the Balanced Budget Act reduced the payments that providers received from Medicare. Since Medicare covers a large percentage of patient costs across the board, the Balanced Budget Act was far-reaching and widely felt. And although some of these cuts were reversed in 1999 and 2000 under the Balanced Budget Reform Act and the Budget Improvement and Protection Act, these regulatory changes forced healthcare providers to keep an eye on the bottom line like they never had before.

For most U.S. hospitals – especially those in rural and inner city areas – cuts in Medicare reimbursements threatened economic stability and led to big changes in operations – purchasing in particular. The first cuts were in reimbursements for

physician training, followed by long-term hospital stays, inpatient rehabilitation, skilled nursing, outpatient rehabilitation, home-health and hospice care. Although funding models differ in the U.S., U.K. and Canada, by 2001, worldwide, nearly every aspect of inpatient and outpatient healthcare saw cuts in reimbursements plus greater scrutiny from regulators, the media and consumer advocates.

While government healthcare in the U.K. was tightly controlled and seemed to undergo constant change, in the U.S. regulatory requirements drove huge strides in managed care. Its purpose: control the use of healthcare services in myriad ways. Managed care organized doctors, hospitals and other providers into large groups (HMOs, PPOs, POS, etc.) in order to enhance the quality and cost-effectiveness of healthcare. Thus, the economic buyer changed from clinician to executive as most healthcare organizations added new layers of management. It lengthened the buying cycle; and it complicated the buying process. No more dropping by doctors' offices dazzling them with the latest and greatest products, and leaving an hour later with a big purchase order. Today's healthcare sales professional must plan early, sell at a different pace and in most cases conduct research to learn who the economic buyer actually is.

### **A Whole New Ballgame**

In the old days, a healthcare sales rep with a good command of "Clinicalese" could talk shop with and make sales to doctors, nurses and technicians – the economic buyers. Today, however, the new economic buyers often speak a different language. "People with great clinical knowledge can communicate with doctors and nurses, but they can't always communicate in an economic perspective," says Miller Heiman consultant Pam Switzer. The number one problem I hear from sales executives," she says, "is the need for sales professionals to communicate more effectively in the language of business and organizational issues."

Miller Heiman consultant Tom Williams agrees. "Clinical people are most comfortable talking with clinical people. But they're less comfortable talking with administration."

In a recent roundtable discussion focusing on the challenges of selling healthcare products, Switzer, Williams and a number of other Miller Heiman consultants said the big challenge lies in the message. Most salespeople in general, says Miller Heiman's Mike Johnson, don't understand how to develop strategies for reducing costs, or increasing throughput to increase revenue. Healthcare system executives want to partner with those who can

maximize their growth. It goes beyond selling more product and takes on the identity of a strategic alliance. Those who will succeed will position themselves as consultants. According to Johnson, “Salespeople need to be able to understand what the executives really want.” Executive decision makers are unresponsive to features, benefits, trial closes and handling objections. Most healthcare executives decline to meet with salespeople for this reason. You can get to the top once but getting invited back is the key to success. Unless you get invited back there will be no knowledge of the customer’s business. That’s why you need to change your paradigm to sell successfully in this new healthcare environment.

Aside from identifying the economic buyer, salespeople need to know who develops the purchasing budget and how the organization does its buying. This is unique and different for each type of organization. For example, depending on the type of product, a buying decision for complex medical equipment may be made months – sometimes years – ahead of the actual purchase. In that case, the salesperson should reevaluate the purpose of a sales call. When selling equipment dependent on capital equipment funding, the salesperson must get into the buying process early, in order to get his or her product recommended. Many, many buyers may influence the sale. While salespeople should

concentrate their efforts on the economic buyer, they must also include technical influences and equipment users in their sales strategy.

In contrast, according to Tim Call, Miller Heiman’s sales vice president, “Pharmaceuticals are more of a concept sale.” Physicians drive the decision making based on whether they believe that the product will bring the desired result. With physicians, the key is to look at the sales call as an opportunity to educate, not necessarily as an opportunity to sell. The selling will come later – according to the customer’s buying schedule and budget. The end result – a successful sale – is the same as ever. The way you get there, however, is different. Call points out a particular challenge: Noting that some sales calls to physicians are scheduled up to two years in advance, he says, “Then you only get five minutes with them!” When the client is an organization employing many physicians, a sale is dependent not on an individual physician’s decision, but on whether the drug is included in the organization’s formulary. Pharmaceutical reps, accustomed to educating physicians on the efficacy of their drugs, must now make a transition to a complex sale requiring additional skills.

### **A Meaningful Discussion**

According to Mike Johnson, the best salespeople understand how to talk to top management at a health

system. For a good understanding of the complexities of selling to a healthcare organization, Johnson suggests interviewing top management about their self-interests in financial improvement, productivity improvement and operational improvement. The successful sales professional will take a consultative selling approach and develop credibility and trust. He or she will extract inside executive information and move from a commodity supplier to a business alliance. This executive information may include fiscal year determination, key buying influences, budgeting cycles and product identification processes. Without information, the salesperson will remain a commodity supplier. It has been very difficult for companies to break out of the vendor or traditional detailing cycle and get positioned as a trusted advisor. This all begins with intimate customer knowledge at the executive management level.

How can a sales professional make a credible proposal without knowing the financial improvement challenges, people/productivity challenges and operational efficiency challenges that are impacting the health system? “It’s not just about making a presentation,” says Johnson. “It’s about entering into a meaningful discussion. It’s about finding out who the executive decision makers are, how they work and what their personal and professional self interests are. All other approaches are dinosaurs.”

Switzer agrees: “Access to administration is important,” she says. “It’s an economic decision, not a clinical decision.”

Understanding how the healthcare organization budgets and buys is critical for another reason: Just because the competition “won a contract” does not necessarily mean you should give up on making a sales call. Often, the contract is not exclusive – it merely gives the sales organization the right to sell. Instead of saying, “We can’t get in there, we have no contact,” try to identify niche products that are not covered by the contract. This is a perfect opportunity to communicate about your product’s value or the solution it offers. As Switzer points out, a group purchasing organization (GPO) may negotiate the contract, but the GPO is not the buyer. “Depending on the contract, the hospital may be able to still go out there and buy from whom they wish,” she says. “What’s really important is for the rep to get coaching on the content of the contract.”

### **Knowing the Space**

To understand healthcare sales, it’s important to distinguish between three categories of products: medical supplies/devices, pharmaceuticals and capital equipment. Each category has its own nuances, challenges and opportunities.

Medical supplies such as bandages, tongue

depressors and syringes are usually funded by operating budgets and in general are a less complex sale. Typically, a budget for such items is developed by forecasting the number of procedures times the cost of the supply. Medical device sales are usually driven by agreements – which, as we mentioned earlier, do not necessarily translate into sales. By understanding when and how operating budgets are developed, a sales professional will get a better understanding of whom to talk with – and when to talk with them.

One of the most visible budget areas is pharmaceuticals. New and better drugs are getting approval every day and the advent of more complicated drugs creates a very difficult situation for today's pharmacy director. Unfortunately, the pharmacy budget doesn't always expand at the same velocity as the list of available drugs. Today's health care system focuses on the pharmacoeconomics of drugs – a return on investment process that changes the dynamic of the pharmaceutical sale. Of course, if a drug is not on an organization's formulary, you can't sell that drug to the organization. That's why it's crucial to know what the organization is empowered to purchase – and to make sure your drug gets on their formulary. Like the medical device rep, today's pharmaceutical rep needs to be able to speak from an economic, as well as a clinical perspective.

For pharmaceutical sales to individual physicians or group practices, today's focus is on educating the physicians who write prescriptions, not necessarily on selling to them. And, unlike yesterday, there are virtually no more 30-minute sales calls. Instead, sales calls may last just 60 seconds! That's why it may be critical to deliver educational materials such as DVDs to physicians for them to view on their own time.

Capital equipment sales – items such as MRI machines – are often the most complex in the industry. The buying cycle is dramatically longer than for devices or pharmaceuticals. Selling capital equipment requires an in-depth understanding of the organization's long-term strategies, its decision makers, its economic buyers and its stakeholders.

### **A Prescription for Effective Healthcare Sales**

Based on Miller Heiman research and insights from its industry experts, here are several key steps healthcare sales professionals should take to improve their effectiveness:

1. Research the institutions that you are responsible for. Understand the funding mechanism of the organization and how the dollars flow. Get coaching from your vice president of finance about how to read financial statements and what organizations desire from a return on investment perspective.

2. Complete a win/loss analysis on all deals. Interview your customer to determine why they bought or didn't buy. Pay particular attention to what administration says. Use this language in your selling efforts going forward.
3. In existing accounts, develop a strategy to retain and grow the business. Communicate every six months with administration to show that you understand their business and organizational issues and how you are helping them to achieve their objectives.
4. Pay attention to what successful salespeople in your organization are doing. Who are they calling on? What do they say to move the sale forward? How have they enhanced their credibility? What language do they use when communicating with their customers? Ask them to coach you.
5. Understand your customers. This is very different from pushing products. You may have the greatest product in the world, but without a keen understanding of how an organization makes its buying decisions, who in the organization makes the decisions and when they make them, you're probably wasting your time.
6. Speak the right language. Executives may not speak "Clinicalese" – and even if they do, that is not the language they use every day to discuss

their needs and their challenges. What language do they speak in administration? Successful salespeople will make the effort to find out before making a presentation. If you don't understand the executives' issues challenges and concerns (that is, if you don't speak the C-suite language) consider finding someone in your organization that does, and pooling your resources.

7. Identify coaches. Speaking the right language, grasping the complexities of a budget or identifying an organization's decision-makers and their concerns may not come easy. After all, those activities were barely in a healthcare salesperson's repertoire a decade ago. But they are today. That's why it may be a good idea to find a coach who can help you understand the organization, its sales process, its key players and its decision makers.

Selling to healthcare organizations is complex, it involves long sales cycles and it involves a broader cast of characters than ever before. Sales professionals who cling to yesterday's selling strategies will be left behind by today's reps. However, with the right knowledge, the right tools, the right language, a little help from a great coach and the willingness to change their approach and update their strategies, serious-minded healthcare sales professionals can prepare themselves for a highly rewarding tomorrow.

### **Miller Heiman: The Sales Performance Company**

For nearly 30 years, Miller Heiman has helped thousands of companies, their salespeople, and executive teams overcome the most significant challenges that affect sales productivity and top-line growth.

We help our clients move beyond treating symptoms by applying the Miller Heiman Sales System and our world-renowned benchmarking database to diagnose the root cause of their issues. We have the tools, data and experience to move quickly from diagnosis and validation through implementation and results. Our workshops encompass the entire sales process and build common process and common language to align your sales team for high performance results.

If you have a sales issue you'd like to discuss with one of our sales experts, please contact us for a free preliminary consultation.

### **Knowledge Center**

Miller Heiman is a thought leader and innovator in the strategy, process, and skills training necessary to drive sales performance. Our active research and publishing agenda helps us stay current on important developments in the world of sales in order to provide the best advice possible to our clients. Please feel free to browse our Knowledge Center, download articles, and register for alerts that will help you and your company win more business.

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