


MANAGEMENT DEVELOPMENT



IS YOUR HOSPITAL STRATEGY STUCK IN THE BASEMENT?

INFLUENCING THE C SUITE CAN SERIOUSLY ELEVATE PERFORMANCE.

by Pam Marinko with Barbara Biehner

Photography by Tormod Rossauik

The new reality in hospital sales is that it's all business. And if your representatives don't know how their products impact a hospital's business, your sales cycles will take longer and utilization uptake will be far lower. The new price of admission is the ability to deliver significant value to clinicians and administrative staff. In order to do so, representatives must be able to describe how they - and their products - provide that value to each customer and eventually the ultimate economic decision makers—the hospital's C-Level management team, sometimes called the administration suite.

Pharmaceutical products represent a significant percentage of hospitals' spend, and senior management pays close attention to this metric. The ability of a representative to influence this at a strategic level is thought to be somewhat limited. So how do you prepare representatives to operate in this

environment, while explaining to them that calling directly on the administrative suite is probably not the answer?

This issue presents significant opportunities for training leadership. While the key is not in selling *directly* to the C Suite, there are definitely ways to create an environment where your value proposition is more likely to be heard in the way it is intended. The skill sets involve the ability to effectively adopt the customer's point of view, in their vernacular, and in the terms and metrics they use when talking about their business.

Recently I had a chance to talk with a former hospital CEO, Barbara Biehner, to get her perspective on a range of issues that impact pharmaceutical sales in hospitals and how pharmaceutical representatives can adopt a strategic view of their business that will resonate and influence C-Level decision makers.



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Pam Marinko: What are the biggest financial and operational challenges facing hospitals today?

Barbara Biehner: From an administrative perspective, we have been challenged to provide more services and maintain high quality care, while receiving reduced payments or no payments at all. That makes it a very tough business to operate. I don't know of any other business that allows the customer to determine what, when, and how much he or she will pay for services provided. In most hospitals, we must treat anyone that enters the emergency room, regardless of his/her ability to pay. Yet we have to continue to pay the salaries of our staff and the agreed upon amount for supplies, equipment, etc. *So the biggest challenge is to keep operating the hospital with less reimbursement, but still maintain high quality level of care for our customers.*

PM: How does the pharmacy budget impact the hospital and what role does the administrative suite play in influencing the pharmacy budget?

BB: At the administrative level, our focus is more on the overall budget of the hospital. We depend on the pharmacy director to examine the benefits and risks between pharmaceutical products both clinically and operationally and then present us the overall budget for his or her department. In the past, we could raise our rates based on increased operating expenses, it did not matter how many products we carried in the pharmacy. Currently, supply budgets make up about 15 percent of the hospital's annual budget which is the second largest expense—the first being salaries and benefits. There is constant pressure to reduce costs in the pharmacy budget and we depend on the pharmacy director to lead the charge on this.

When you think about the actual dollars, what representatives may interpret as significant savings may only account for a small amount of the savings a hospital needs to just break even. For example, 10 or 20K is not really a significant savings overall. *The key is to show how your drug can provide value beyond price if the savings are not significant to the overall budget.* For example, decreased length of stay or decreased amount of time in the emergency room.

In addition, many of the drugs available in each class are comparable in efficacy and safety. With the increasing pressure to reduce costs, hospitals use drug formularies,

group purchasing organizations (GPOs), and internal hospital committees (Pharmacy and Therapeutics, or P&T, for example) to manage the numerous products. It is not necessary to carry every product in each class, especially if the efficacy and safety are similar. At the same time, physicians have expectations, preferences, training, and experience that impacts their choice of medications for patients. That's where the representative can provide value to the pharmacy director. *Show them how the drug can impact the hospital clinically and how it can impact the pharmacy budget and the overall hospital budget operationally.* The pharmacy director must balance clinical and operational value for each product. They must take into consideration utilization and payer contracts. For example, some drugs may not be reimbursed separately from the inpatient rate. When the pharmacy director meets with the administrative suite, they must show how their budget will impact the hospital overall. Meeting the expectations of all parties, while managing the drug costs is an ongoing challenge where pharmaceutical companies can truly partner with hospitals to achieve better patient outcomes and lower total cost of services.

Attempting to influence the hospital C-suite requires each representative to have a strategic plan. It is important to understand how various people within the hospital interact.

PM: Tell me about the evolving role of the P&T Committee and its influence on drug utilization.

BB: The P&T Committee is a standing committee typically with representatives from several of the medical departments as well as management. Individuals are appointed based on their role in the medical staff hierarchy. They are the oversight group for protocol development and revisions, joint commission standards, medical utilization evaluation, medical errors, and nonformulary requests for example. They continue to influence decisions about drugs placed on formulary as the oversight body for the hospital. They are often in the role of a gatekeeper. The pharmacy director is on the P&T committee and is often the individual that creates the agenda, minutes, and discussion documents. If a drug is not on formulary, it is more difficult for a physician to order the product. *While certain therapeutic areas such as oncology still have access to more products in the same treatment class than others, the ability to add new products is more of an exception, particularly as the treatment costs get higher and become more visible in the budget.*

PM: Thinking about the hospital selling environment, what are some of the major changes in the past few years?

BB: One major change is the emphasis on patient confidentiality and privacy. This has made access to the hospital more limited than ever before. Also with the need for infection control and the proliferation of communicable diseases (such as H1N1 and penicillin resistant infections), hospitals limit access of nonpatient specific visitation on patient floors. With these changes, vendors and their representatives must sign in with their respective areas (pharmacy, materials management, etc.), and in most hospitals the areas the individual has access to are limited. Many hospitals are using, or will soon use vendor certification systems to approve vendors for access (e.g., RepTrax, Vendor Clear, Vendor Mate). This will create more roadblocks for sales representatives to get to their customers, but it is becoming the norm. Once in, you still need to follow the rules set by the pharmacy and other parties.

PM: In your experience, what strategies enable increased access for representatives?

BB: In the administrative suite, we usually do not have direct interaction with representatives. When talking with my staff, they describe trust and value as the keys to access. Trust in terms of utilizing time efficiently and respectfully, communicating true and accurate information, and following the rules. Secondly, provide value. Resources in the institution are limited and pressure to continue to do more with less is increasing. Finding out what issues the hospital is facing (payer mix, capital needs, etc) is critical before trying to demonstrate how your product delivers value to the hospital and why it's relevant to upper level management. This means meeting with the director of pharmacy or the nursing manager or scheduling follow up meetings to provide new and useful information in relation to the hospital's issues or goals. Representatives need to fully understand the role of each person who influences the purchase and utilization of their products. For example, if someone schedules a meeting to ask basic questions he or she could have learned from the organization's Web site, annual report or community service report, their opportunities to follow up with another meeting will be slim to none.

MAIN TAKEAWAYS FOR A REPRESENTATIVE:

- Relationships are key. Get to know and understand the director of pharmacy. If you want to approach the administrative suite, do it only with the Director of Pharmacy's explicit endorsement (or in collaboration with another person with

authority).

- Provide value in the form of education, in-services, training, and updates. Support your customers in ways that will help them do their jobs better or faster.
- Understand the political role of each person and the importance reimbursement has on the operations of the hospital. You need to understand what issues the hospital is facing (e.g., knowing the percent of Medicaid and Medicare patients they are servicing, what is the rate of reimbursement for this group).
- Recognize hospitals will always look for the most effective, yet least costly alternative. They can do that through the GPO, formulary, product standardization, or clinical protocols. These are ways to help reduce expenses and become more efficient and effective with care.
- Recognize the importance of balancing clinical with operational selling. Representatives need to frame the value of their products in the context of the overall goals and budget of the institution or health care system.
- Have conversations with customers using their language. Be sure what you are providing will help them achieve their goals and meet their needs.

**CONNECTING TO THE C-SUITE:
TRAINING IMPLICATIONS**

Hospitals are accountable for business results. Selling in this complex environment requires a high level of knowledge, skill, and confidence. Influencing decisions that are made at the highest levels in the organization will give your representatives a competitive edge.

While it is vitally important to know your customer, it is equally important for your representatives to know their product—from the perspective of the C-suite:

- How does it improve efficiency, productivity, or patient outcomes?
- Are staff tasks consolidated when using your product?
- What is its impact on space utilization or medication delivery?
- What is its impact on stocking inventory?
- Are there any issues related to your product?

Many uncovered opportunities for growth exist within the hospital environment. To capitalize on this, representatives must first and foremost understand the hospital, at all levels. They must recognize that to influence decisions being made at the C-level they must begin by learning their roles, views, tools, and language without calling on them. How does each of



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these C-level executives view their business? Building on this deep understanding, the representatives can begin to align and prioritize their account goals with their key customers based upon impact on sales/market share metrics and hospital value potential.

Attempting to influence the hospital C-suite requires each representative to have a strategic plan. It is important to understand how various people within the hospital interact. Hospital executives are influenced by the people all around them. How do their customer contacts interact with C-level executives? What terminology and metrics do they use to describe their department's impact on the organization? What action would the representative like for these advocates to take? Understanding that each C-level executive is guided by the institution's financial, clinical, and operational priorities, what value can you bring to your key customers that will help them in turn communicate more effectively about your product with executives in the administrative suite? Evolving

representatives to this way of thinking and approach will require a significant shift in training priorities and companies' institutional sales strategies.

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