

**Industry Roundtable Part II: Healthcare Sales & Marketing in the Era of Reform**

While healthcare reform is well underway, a true shift in care delivery and economics appears to be more of a looming threat than a proven reality. The question remains: How do you manage and grow a successful business in the dynamic environment of today while positioning for the future?

We asked a few of the River Cities’ portfolio company CEOs some of the most prevalent questions on the minds of healthcare management teams when preparing for the year ahead. Part I of the roundtable addressed the general concerns about the year ahead and shifts in the industry that may arise. Part II discusses sales and marketing and how the CEOs plan to thrive in the face of reform. Participants included:

			
<b>Terry Edwards</b> CEO, President <b>PerfectServe,</b> Clinical communications workflow service	<b>Jim Pearson</b> CEO, President <b>NICO Corporation,</b> Minimally invasive neurosurgical devices	<b>Tom Dugan</b> President, CCO <b>Surgiquest,</b> Abdominal surgical access systems	<b>Mark Gilreath</b> CEO, President <b>EndoChoice,</b> Platform technology supporting GI specialists

**Value-based reimbursement may be the future, but today the fee-for-service model largely remains in place. How are you preparing for this transition while selling in the present environment?**

Terry Edwards, 

“Our value proposition works in both environments. Every organization needs to improve outcomes and operating efficiency regardless of the reimbursement model.”

Jim Pearson, 

“NICO would welcome the movement to a value-based reimbursement model and would actually consider a shared cost-saving plan if we were confident that the healthcare system could capture ‘end-to-end’ savings for patient care.”

Tom Dugan, 

“There will be less of an impact on this for our business as our products are utilized within a procedure (covered under the DRG).”

Mark Gilreath, 

“In our industry of GI endoscopy, bundled payments are a hot topic and several payers and providers have made the necessary commitments to share risk within a capitated contract. This topic of population management will remain a key focus for our industry in 2014.”

## What advice would you give to another CEO that is selling products and services to health systems/providers today?

Terry Edwards,  perfectserve

“If a new start up or early stage company, I’d make sure there is a clear line of site in my business model between how I generate revenue today and how I’ll generate revenue five to seven years from now. Will there be a difference? We are at the beginning of the end of the old health care system and any time, money and energy invested now needs to payoff in the new system of the future, which is forming now. But we still need to feed ourselves today.”

Tom Dugan,  SURGIQUEST  
Laparoscopy without Limits

“You should have a very clear understanding of your customers and why the clinical and economic benefits of your products make a difference for them. Give them the ammunition and justification to carry the case through the value analysis committee. This requires savvy marketing and clinical teams, but also a well-educated sales force. Work smarter by providing the sales force with clear direction as to the most appropriate targets – places where their probability of success is highest – and support this through building awareness of the clinical issue and your solution.”

Jim Pearson,  NICO  
NEURO AND SPINE

“Be 100% confident that your technology is innovative, is a platform technology versus a ‘widget’, and has demonstrated improved clinical and economic outcomes.”

Mark Gilreath,  ENDOCHOICE

“It’s more critical than ever to be able to clearly communicate your value proposition.”

## What are some of the marketing best practices that you have found work when selling to hospitals?

Tom Dugan,  SURGIQUEST  
Laparoscopy without Limits

“Clearly identifying the unmet clinical need or less understood clinical issue – creating awareness of the issue and providing a solution that comes with proof sources. It is also critical to understand what type of environment you are selling to and tailor things for that environment. For example, for- vs. not-for-profit hospital can take a different approach to acquiring capital equipment. Teaching centers may not quickly adapt to new surgical techniques and products.”

Terry Edwards,  perfectserve

“Persistence, patience and an iron stomach. There are no silver bullets. Focus more on solving problems than product features. Find out the strategic goals an organization wants to achieve and demonstrate – through actual client cases – how you can help them achieve those goals. Measure results and continuously refine and improve. Monitor direct sales force activity closely.”

Jim Pearson,  NICO  
NEURO AND SPINE

“Partner with various healthcare systems that have adopted the technology and new surgical approach to assist them in sharing patient stories through press releases and social media platforms that can validate the clinical outcomes and technology claims. This allows the hospital to be the voice of the technology’s clinical validation versus just sending company press releases.”

Mark Gilreath, 

“Deliver your value proposition in one sentence. Share the clinical benefit AND the economic benefit up front.”

**What are the most prominent responses the sales teams are getting from prospective customers when being turned down? (i.e. capital constraints, not strategic, incremental not game changing, etc)?**

Tom Dugan,  Laparoscopy without Limits

“Capital constraints are the most typical issue we see.”

Terry Edwards, 

“Capital constraints, inability for an executive champion to build consensus among his/her peers and, thus, prioritize dollars.”

Jim Pearson,  NEURO AND SPINE

“The most prominent responses include, ‘I need to see the clinical evidence in the form of a published study’ and ‘We are not approving any new capital purchases at this time.’”


Mark Gilreath, 

“Lack of budget.”

**Based on your experience, what are the pros and cons of a direct sales force vs. distribution partnerships? What works best for your business?**

Tom Dugan,  Laparoscopy without Limits

“It is usually preferable to have a direct sales force because you have complete focus and control. However, direct organizations can be costly. Distribution partnerships also require hands-on management. Distributor reps can be uneven in terms of product knowledge and organization support. You are constantly competing with other products in the bag, their compensation programs, etc. My view is that building a smaller, direct organization is the best avenue since you have quality control over the people, training, focus and performance. Although you may not have broad coverage, it enables the entire organization to support the field and success can usually be replicated and scaled up, especially in a larger corporate organization.”

Terry Edwards, 

“PerfectServe’s sales process is complex and requires a direct sales force with the appropriate clinical support. With this said, we have signed our first third-party referral relationship and a second is in process. These relationships are designed to create more channels to add to our pipe while our direct sales force works opportunities through the pipe.”

Jim Pearson,  NEURO AND SPINE

“We have had much more success with a direct sales and clinical team versus using a distributor model. The amount of training and behavioral change required to implement our technology platform has, to date, run counter to a distribution model of selling as many products as practical in the shortest time frame possible.”

Mark Gilreath, 

“It appears that most companies begin with distribution partners and transition to a direct force over time. Distribution partners enable a fast ramp up with lower costs. However, they typically carry several product lines and can only provide limited attention to you products. At EndoChoice, we have a direct sales force in the US and Germany, and we work with distribution partners in 30 other countries.”

**The differentiation between payors and providers continues to disappear. Do you expect this trend to continue? What effect do you anticipate this evolution will have on your business and sales force?**

Tom Dugan,  Laparoscopy without Limits

“I expect the trend to continue, but not become the norm. It requires a special organization and culture to mesh both the payor and provider role (e.g. Kaiser, Geisinger, Mayo, etc.) and the profit motive in healthcare, plus the insurance industry, is too strong. As mentioned earlier, sales force education, targeting and direction are keys to success. Understanding the customer, both from a clinical need and economic perspective is crucial to becoming a valued partner.”

Terry Edwards, 

“I think most of the leading health systems will become population health managers in some form or another. This is the driver of the differentiation. Population health managers will be judged based upon their outcomes, cost and patient satisfaction.”

Jim Pearson,  NEURO AND SPINE

“Personally, I believe this trend will continue and that truly innovative technology platforms that provide improved patient and economic outcomes will be the benchmark for successful businesses in the future. It is too early to be able to predict the long-term impact of our sales force, although we do see an increased need for an ongoing clinical presence with our customers.”

Mark Gilreath, 

“The payor / provider profile is starting to blur in some regions. For those companies that offer solutions to lower costs and contribute to improved outcomes, this will be a huge opportunity. Sales forces are facing a requirement to evolve and develop new skills of selling in the C-suite of the hospital. It’s a bold new world in healthcare today, and companies will need to adapt rapidly to thrive.”

**What are the top three key performance indicators that you are using?**

Terry Edwards, 

“Number of weekly meetings and conversations our sales people are having with prospects, monthly pipeline growth and velocity.”

Jim Pearson,  NEURO AND SPINE

“Our three top performance indicators are:

1. Validation of improved patient outcomes through published peer-reviewed clinical articles
2. Increasing number of academic university hospitals and medical centers, private hospitals, and rural/community hospitals that have adopted the new standard of care in minimally invasive corridor neurosurgery
3. Increased number of neurosurgeons trained on the new neurosurgery approach called the 6 Pillar Approach

Ultimately, achieving these indicators will lead to our fourth performance indicator, year over year revenue growth.”

Tom Dugan,  **SURGIQUEST**  
Laparoscopy without Limits

- “1. Revenue/growth
2. Profitability
3. Production margin”