Create value, create success

ORLANDO, FLA—What's the most important thing for a business leader to have or to do? It's not having all the answers. Rather, it's knowing what questions to ask. That's what management consultant and keynote speaker Barry Banther, CMC, CSP, told IMDA members during his presentation on "Value Principles" at the IMDA 2013 Annual Conference.

And those questions should be focused on three constituencies: your customers, your associates, and your supply channel partners.

Customer value principles

Take a look at your important customers and ask yourself the following questions, advised Banther:

- What is the competitive advantage this customer has in the marketplace? Is it market position? Most likely, if that customer is a hospital or hospital system.

- Who are my customer's customers? A hospital's No. 1 customer is its physicians, said Banther. They are the determining factor in helping hospital administration get the patient outcomes they desire.

- What are that customer's strategic goals?

These questions aren't just intended for the leader or business owner to ask, said Banther. Sales reps need to do the same. If they can't answer them, they're probably doing little more than disturbing their accounts, instead of helping them, he said.

IMDA members need to know how their customers measure value, continued Banther. To that end, specialty sales and marketing organizations need to ask themselves these questions:

- How does the customer measure success?

- What is the customer's internal value? Every hospital has expressed value, but they also have an internal value goal. The successful specialty distributor will identify that internal goal and help the customer achieve it.

- What do your customers value about you? Banther drew upon the example of Walmart founder Sam Walton, who instituted a practice of installing a mannequin – representing a Walmart shopper -- at the executive conference table, to remind them that every decision they make must represent value to him or her.

Other value-related questions:

- What is your customer's value proposition?
- How do they communicate that value to the market?
- How do their employees express that value?

Study your customers' external drivers, that is, their biggest market influences, advised Banther. Know what is influencing their customers, and become obsessed with it. In fact, become obsessed with your customers. "If you do, your buyer senses you really care about them, and that you really know their business. That's when you move from being just a dealer, to being a real partner.

"Authority doesn't win; market share doesn't win," he said. "Influence wins."

The tyranny of the urgent

After hashing out these questions, successful distributors hard-wire their discoveries into their systems. "Demand that anyone on your sales team can answer all these questions at any moment," Banther said. Doing all this isn't easy or quick. It takes practice and time. But those who want to be successful are willing to pay the price, he said, citing golf legend Arnold Palmer, practicing his game even into his 70s.

What is there to prevent you from making this approach an integral part of your business? "The tyranny of the urgent," said Banther. There's always something at the moment to take precedence over adopting a customer-centric approach.

"But the tyranny of the urgent is a myth," he said. "You always have a choice. And this is a tough choice. We have to take the time to define what's important to us. Too often, we [revert] to the urgent, because we don't know what's important. We use it to avoid the important things." Your people are one of those most important things.

Your people

The most expensive inventory you have gets in the car and comes to work every morning, Banther told attendees. Yet it's the one leaders often ignore -- their employees. The second set of value principles about which he spoke at the IMDA conference were associates.

Every person who works for you carries a natural resistance to being open with you, Banther told those at the conference. Owners or managers have to break through that resistance and understand their associates' goals – and even their goals for their families. Failing to do so will have repercussions, said Banther, pointing out that most people leave their jobs not because they got a better offer, but because they can't take their boss any more.

Openness begins with listening with empathy. “Listening has nothing to do with hearing, but with the environment we create.” Employees know when their boss isn’t really listening to them, but only pretending to. “Remember this: People will forget what you say and what you did, but they will never forget how you made them feel.”

The successful leader of the mid-20th Century was the person who came into the office earliest and left last. In the mid-70s, as the electronic age began to open up, the most successful leaders were the “smartest” ones, that is, those who understood technology. Today, the successful leader is not necessarily the hardest-working or smartest one; it’s the person who facilitates work being done by others. Management guru Tom Peters said it best when he advised leaders to manage by walking around, said Banther. “You have to invest time with your team. You can’t afford to be secluded. They have to see your face.”

Successful leaders help their associates see and appreciate their associates’ strengths, he continued. People get their fill of negative feedback, and face more than enough personal and financial struggles. “They get the messages, ‘You’re not smart enough.’ ‘You’re late.’ ‘You’re the wrong color or ethnicity.’ But you have the opportunity to view that person differently, to be a source of strength, and to help that person contribute to the bottom line,” he said. “Every employee has a strength. It’s your job to draw it out of them.”

Supply chain partners

Just as leaders must provide value for their customers and associates, so too must they provide value for their supply chain partners, said Banther. Those partners may be complex, so value may be added incrementally.

Start by building seamless and virtual communication systems, he said. “Communications are important, but systems trump everything,” because automated systems remember things that people forget.

Seek collaboration with your supply chain partners. And keep in mind the critical distinction between cooperation and collaboration: Cooperation is in the moment; collaboration requires partners to plan together. Align your resources, so each party knows what it has to contribute, he said. “And when something goes wrong, realign them.”

Successful businesses work with their supply chain partners to measure success, and they celebrate together. “Our world is more like a spider web,” said Banther. There’s not a straight line between business partners. Rather, there is an intricate network of overlapping relationships. And the leader is the ringmaster in the middle. “Remember: You’re not the hardest-working or the smartest. You’re facilitating.”

IMDA dealers can take some comfort in the fact that the demand for innovative healthcare products will only grow. “But the competition is smarter, and the only competitive advantage you have will be the value [you can demonstrate to others].

“That is yours to create.”

Healthcare reform: Ready or not

Peter Carmel, M.D., a pediatric neurosurgeon and past president of the American Medical Association, offered IMDA members his take on the future in his keynote presentation at the 2013 IMDA Annual Conference, “A physician’s perspective on the Affordable Care Act.”

The future is clear, but not especially sunny, said Carmel, who battled planes, trains and automobiles to make it to the conference, given inclement weather on the East Coast. In fact, there is one overriding truth about the U.S. healthcare system: The status quo is not sustainable.

“The good old days ain’t coming back. And they weren’t that good anyway,” he said. To wit:

- Too many Americans lack access to healthcare, and an estimated 50 million lack health insurance.
- Care delivery is inequitable. For proof, look at some of this country’s inner city hospitals.
- The system is too expensive for both the states and the federal government.

Medicare, which Carmel called “the linchpin of healthcare reform,” faces a rough road ahead. When the program was created in 1965, the average life expectancy was 66; now it is 78. In the beginning, Medicare covered 19 million people; by 2030, approximately 80 million will be enrolled, and the number of workers supporting each beneficiary will have fallen to about 2.3.

In 2011, the average Medicare beneficiary paid roughly $130,000 into the fund, but consumed about $420,000 worth of services. “It’s not a good business plan,” said Carmel.

Say what you will about the Affordable Care Act, aka Obamacare, but health system reform was – and remains -- a necessity, Carmel said. The law expands health insurance to more than 32 million Americans, provides subsidies to those who can’t afford insurance, and allows for the purchase of private insurance through competitive exchanges. No longer can insurers deny coverage to someone due to a pre-existing condition. And already, an estimated 54 million Americans have benefited from expanded coverage for prevention and wellness measures.

Physicians getting the brunt?

The good news is, the rate of growth of healthcare expenditures has been steadily falling for more than a decade, said Carmel. The bad news, at least for physicians, is

that annual spending for physician services has fallen dramatically. In 2010, physician payments grew just 1.8 percent, the lowest growth rate in 51 years.

Carmel blamed the current Medicare physician payment formula – called the Sustainable Growth Rate, or SGR – for causing physicians to fall behind in terms of compensation. Instituted in 1997, SGR calls for physician payments to increase no faster than the gross domestic product. The upshot is, while spending for hospitals and skilled nursing facilities has increased in the double digits since then, spending for physician payments has not. And though Congress has postponed cutting physician payments over the past 10 years, as the SGR law called for, the threat remains that lawmakers could enact a 24 percent cut in January. It's a threat the profession has faced multiple times over the past 10 years, Carmel said.

Given the slowing down of the rise of healthcare spending, right now would be a good time to end the SGR, he said. Some lawmakers agree, and legislation has been drafted to that effect.

The changing physician

Despite what happens on the legislative front, the medical profession is facing big changes, which ultimately will affect IMDA members and others who sell products to them, said Carmel. A growing number of young physicians, those just coming out of residency, are rejecting setting up their own practice or partnering in an existing practice. Instead, they are pursuing employment, most often by hospitals. In fact, physician recruiter Merritt Hawkins & Associates predicts that by the end of 2014, 75 percent of all newly hired physicians will be hospital employees.

"Physicians have always valued their autonomy, but now they prefer the security of being employed," said Carmel. And hospitals are eagerly pursuing them, as doctors may become their newest profit center. Inpatient care may become a loss leader, while outpatient care will bring the greatest profits. "It's the new nature of the hospital business."

Demographics aside, healthcare reform will also affect physicians' futures, said Carmel. The rapid – and to some, surprising – popularity of accountable care organizations, as well as bundled-payment programs, are changing practice patterns. Already, between 37 million and 43 million Americans are participating in an ACO.

"The basis for physician payment has been fee-for-service – you do something, you get paid for it," he said. "It's a system that encourages the use of services, but not necessarily the promotion of health." ACOs, on the other hand, reward providers and other participants, including insurance companies, for providing high-quality, low-cost care, particularly to those with chronic diseases.

"Our current healthcare system is not sustainable," concluded Carmel. "It's too costly, too inefficient, too inequitable. We need new payment and delivery systems."

Licensed to sell

Frank Fazio, Esq., principal, Porzio, Bromberg & Newman P.C., Morristown, N.J. (and a pharmacist as well), brought IMDA members up to speed on the world of licensing. And what a complex, often burdensome world it is.

“Laws demanding medical distributors to be licensed were originally put into place primarily to prevent the diversion of pharmaceuticals, explained Fazio, who is also vice president, distribution and licensing services, for Porzio Life Sciences, LLC. The firm focuses on helping companies remain compliant with federal and state regulations governing distribution licensing, marketing and sales in the life sciences industry.

But some states have opted to lump medical devices in with pharmaceuticals. Today, approximately 20 states require that manufacturers and distributors of medical devices be licensed to sell medical devices. (More than twice that number require licensure for companies shipping prescription drugs.) In many of those states, the requirements for wholesalers, or distributors, are more stringent than for manufacturers.

Licensure requirements – and fees – differ from state to state. To be licensed in Missouri, for example, a manufacturer only has to fill out a one-page application and submit a $10 fee. Those selling in Florida can expect to fill out a 15-page application, while manufacturers and distributors selling or shipping into Maryland can expect to pay $1,750.

Many states require the distributor to have an approved license in its home state before applying for a license as a non-resident distributor.

In most circumstances, the state board of pharmacy grants licenses. But in others, some unlikely agencies, such as the Department of Education in New York, are in charge. In California, two agencies have jurisdiction over the device distribution chain: the board of pharmacy (for wholesale distribution) and the Medical Device Safety Section of the Food and Drug Branch (for in-state licenses).

In some states, licenses are granted quickly; in others, the distributor can expect a delay of months. Some states demand that even suppliers that never touch a product, but only sell it on behalf of another entity, must be licensed. And the definition of “device” differs from state to state as well. For example, some states only regulate the sale of medical devices if they contain a drug component, others demand licensure if the distributor sells devices intended to introduce drugs into the body (such as syringes), and others regulate durable medical equipment.

Some states demand that personal information, such as corporate officers’ social security numbers, fingerprints, background checks, etc., be provided as part of the licensure process. That is in order to prevent unscrupulous companies from closing shop, then opening up under another name weeks later. Other types of required information include facility photographs and floor plans, articles of formation, inspection reports (state and FDA) and documentation of FEIN, or federal employer identification number.

Penalties vary for non-compliance to state licensing requirements, ranging from fines to closing down of the vendor's facility. Some states not only prohibit vendors from selling medical devices without a license, but they prohibit buyers from buying products from unlicensed vendors. In those states, IMDA members can expect to be asked by their customers, "Are you licensed to sell medical devices in this state?"

Licensure is a fact of life, and will be for the foreseeable future, predicted Fazio. "As states seek new sources of revenue, it's possible the number of states entering this area will increase in the next few years." For that reason, device companies need to keep track of the myriad of state requirements and monitor changes in state laws, he said.