Healthcare organizations (HCOs) are experiencing unprecedented change. Driven by the Affordable Care Act’s mandate to improve the quality of care, increase efficiency and lower costs, many hospitals, health systems and other healthcare organizations are responding by engaging in horizontal integration (the formation of multihospital systems or local hospital networks providing similar levels of care) and vertical integration (alliances of healthcare organizations providing different levels of care) to achieve economies of scale.

According to Healthcare Finance News, a wave of mergers and acquisitions has taken place in the last few months: New Jersey health systems Barnabas Health and Robert Wood Johnson Health System merged; Cardinal Health acquired Harvard Drug Group; Eastern Connecticut Health Network merged with Prospect Medical Holdings in Los Angeles; and Larkin Community Hospital in Florida acquired Hollywood Pavilion Hospital and Hollywood Hills Nursing Home.

These integrations, along with major mergers among payers — particularly Aetna’s acquisition of Humana and Anthem’s acquisition of Cigna — and unique partnerships among healthcare organizations that do not involve change of ownership all have critical implications for the healthcare supply chain.

Expansion gives hospitals and health systems more financial clout and increased market power. New decision-makers are emerging, and decision-making processes are changing. Sharing risk, reducing operating costs and minimizing waste are top organizational goals, fueling the rise of accountable care organizations (ACOs) and increased membership in group purchasing organizations (GPOs).

To succeed amid such a dynamic landscape, healthcare suppliers must adjust their sales and marketing strategies to meet the changing demands and preferences of decision-makers along the supply chain. This whitepaper outlines powerful insights on their purchasing and communication preferences, as well as some of the top concerns facing HCO decision-makers.
Healthcare Data Solutions recently conducted a survey of over 11,000 decision-makers at hospitals, health systems, GPOs and other healthcare organizations to understand their communications preferences. The following are the results of that survey.

**Insight #1: HCO decision-makers like email.**

When asked to rank their preferred method of contact on a scale of 1-5, HCO decision-makers — ranging from the C-Suite, Administrators and Medical Directors to Buyers, Supply Directors and Purchasing Managers — 77% of respondents replied that email was their most preferred method of contact.

You’ll want to be sure to have a reliable method of reaching the correct HCO decision-makers via email.

**Insight #2: They overwhelmingly use desktop computers.**

HCO decision-makers differ from Physicians, who primarily access email through a mobile device. Nearly 88% of HCO decision-makers access email through a desktop computer.

Paying special attention to how your offer grabs attention on a desktop, without ignoring the intricacies of mobile design, is important with this audience.
Insight #3: They prefer Outlook over Apple Mail.

According to our analysis of 9,000 emails sent in one month, Physicians mostly access their email through Apple Mail. HCO supply chain decision-makers, however, are heavy users of Microsoft Outlook.

The company sending your email should be able to perform rendering tests on your creative in a variety of email service providers, and be able to specifically troubleshoot for any issues in Outlook, as well as provide you with best practice suggestions. Processes for managing referral relationships. This involves identifying high-value Physicians, understanding what services attract high-volume referrals, and developing Physician-specific marketing programs.

Insight #4: They want industry news.

Respondents of our survey indicated that HCO decision-makers seek knowledge — more than 63% of decision-makers are looking for industry news. These results support industry claims that “sales” today involves building relationships and forming partnerships. Sharing news with busy decision-makers who are hungry for knowledge but may be too busy to look for it is an opportunity to strengthen both potential and existing relationships.

Information is key – make sure you’re providing something that makes HCO decision-makers’ jobs easier.
Insight #5: Pricing and problem-solving solutions attract.

Make no mistake, when it comes to factors that influence HCO decision-makers to engage with potential suppliers, more than 34.72% ranked pricing as the most important, and 33.33% ranked a solution that solves a current problem second. Nearly 14% of respondents said that company reputation influences their decision to engage.

Not surprising that pricing is a big consideration, and most companies know to keep competitive. But always keep in mind that your client has a pain and you win business when you’re able to solve it. Understanding your influencers and their specific needs is key to standing out from your competition.

Insight #6: Two to seven people are involved in the decision-making process.

It’s important to influence all decision-makers involved in the buying process, but just how many people do you need to reach? Although nearly half of all respondents reported that 2-3 people are involved in the decision-making process, 22.54% said that 4-5 people make the decisions, and 14% said more than 7 people are involved in the decision to purchase from a new supplier or vendor.

Again, having a complete picture of the entire healthcare supply chain, as well as who and what influences a purchase, are crucial to making relationships and, in turn, sales.
Understanding GPO Concerns

Between 96-98 percent of all U.S. hospitals belong to at least one group provider organization.¹

When negotiating with GPOs, medical device, pharmaceutical and other supply chain vendors should be prepared to provide added value to address GPO challenges and concerns.

As negotiators of competitive contract pricing for hospitals, health systems and other healthcare organizations, GPOs have considerable influence. There are approximately 600 active GPOs nationwide from which an estimated 72 percent of hospital purchases are made. It is estimated that GPOs will save the entire U.S. healthcare system $864.4 billion from 2013-2022.²

Some of the most significant savings is expected to occur in the area of implantable medical device (IMD) purchases, which are estimated to cost hospitals $5 billion a year in wasted expenditures.

Yet, while changes in the healthcare landscape have put GPOs in a favorable position, they are not immune to some of the same pressures their customers are facing. GPOs – like the suppliers with whom they negotiate – are being challenged by the global transparency phenomenon: GPO industry practices are experiencing increased Congressional scrutiny; criticism that GPOs favor large vendors because of their high contract administrative fees is on the rise; and accusations that GPOs distribute kickbacks to hospital staff are mounting.

Hospitals and health systems are also demanding more price transparency from GPOs and many are looking to maximize their GPO contracts with guaranteed savings clauses, analytics tools to monitor savings and market trends, and competitive administrative fee terms.

To strengthen relationships with GPOs, supply chain providers must understand the complex relationships GPOs have with their customers and respond to those needs with greater flexibility. For up-to-date information on the intricacies of GPO relationships with various types of healthcare organizations, suppliers should use a solution like HDS’ OSCAR database, which delineates the purchasing relationships between more than 200 GPOs, hospitals and healthcare providers every month.

Waste can be minimized with better segmentation of products and better logistics. Transparency can be achieved through clearer pricing tiers and the adoption of standardized and systematic measurement tools. There is also significant opportunity to improve collaboration between GPOs and suppliers through innovative, shared-savings models that maximize shared capabilities, dedicated resources and senior-level involvement.

While Physicians focus on safety and efficacy when evaluating potential medical products and devices, healthcare administrators are the guardians of savings, efficiency and the bottom line. The transition from a fee-based to a value-based reimbursement model is having a ripple effect on the concerns of healthcare administrators, who are laser-focused on making their organizations leaner and more effective. This means not only reducing waste and lowering healthcare costs, but also demonstrating improvements in health outcomes.

Healthcare supply chain providers can play an integral role in supporting these goals, particularly when selling directly to hospitals and health systems. Although most hospitals route healthcare purchases through their national, regional or local GPO contracts, 21.1% of hospital buys are done through self-negotiated contracts and 11% through off-contract buys.3

Developing relationships with administrators requires a different approach from supply chain providers, however. Unlike other decision-makers, developing an advanced relationship with healthcare administrators is key. Advanced relationships are highly collaborative and partner-oriented; mutual goals are clear and defined, contact is regular, and negotiations are smooth and timely.

Advanced relationships also require the involvement of multiple team members. In addition to the sales rep, involving account managers and medical science liaisons can strengthen relationships with hospital administrators. Utilizing this approach demonstrates a strong commitment to the organization, where mutual benefits can be realized and the opportunity for cost-cutting, waste-reducing, efficiency-enhancing innovations are possible.

Supporting administrator efforts to minimize risk is also critical. Pharmaceutical, medical device and other healthcare suppliers can do this in several ways: ensure that sales reps and account managers have the knowledge and training to discuss the links between products and outcomes; collaborate with administrators to standardize products and streamline processes across locations and care settings; and offer risk-sharing agreements to back up productivity claims.4

To strengthen relationships with health administrators, suppliers should be using a multi-channel approach that integrates in-person meetings and phone calls with on-demand webinars, special offers, and informative industry news, case studies and whitepapers for key customers.

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Understanding Physician Concerns

The consolidating healthcare market has led to numerous mergers, acquisitions, partnerships and affiliations between hospitals, health systems and Physician practices. Notably, this movement in the healthcare landscape has impacted where Physicians now work. From 2000-2010, the number of Physicians employed by hospitals grew by 34 percent; from 2012-2013 alone, the number of hospital-employed Physicians grew from 20 percent to 26 percent.

The preference for employment versus independent practice is not limited to practicing Physicians; even Physicians coming out of residency are gravitating toward employed positions. A number of factors are driving the shift towards employment: uncertainty about the long-term effects of healthcare reform; more interest in practicing medicine rather than running a business; greater emphasis on work-life balance; and increased competition for patients.

Employed Physicians are facing their own set of challenges, too. Healthcare reforms under the Affordable Care Act (ACA) have expanded access to healthcare for millions of previously uninsured Americans. Full implementation of the ACA across all 50 states would increase the demand for doctors – so much so that projections estimate there will be a Physician shortage of 90,000 by 2025.5

These changes have made face-to-face contact with Physicians very rare. A 2013 Med City News survey showed that 62% of Physicians prefer to communicate via email.6 In our own analysis of Physician email behavior, we found that 60% of Physicians use mobile devices to access email and 57% use the Apple iPhone app to read it.

Being employed also means less independence in terms of decision-making. As our survey indicates, decisions at healthcare organizations typically include teams of 2-7 people, of which Physicians are only a part. While Physicians can be an entry point to the broader organization, healthcare suppliers will need to be prepared to answer the needs and concerns of other decision-makers.

Broad organizational goals to increase quality of care, improve health outcomes and lower costs through the adoption of new healthcare technologies and the collection of data have also had a deep impact on the way doctors do their work. The implementation of electronic health records (EHRs) has dramatically changed the day-to-day routines of Physicians, who are now being evaluated and rewarded based on quality and outcomes.

One of the keys for potential suppliers dealing directly with Physicians is to provide proof of how a pharmaceutical or medical device actually improves health outcomes – not only for individuals but also for entire populations. As healthcare organizations move towards Meaningful Use Stage 3, this type of data will become increasingly important, and healthcare suppliers can add value to their products by helping to support those emerging needs.

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Conclusion

The contracting healthcare landscape demands that suppliers and vendors commit to making improvements that will benefit their relationships with healthcare organizations as a whole. This means not only understanding how evolving relationships between GPOs and healthcare organizations impact purchasing decisions but also solving the complex needs and concerns of multiple decision-makers. In this environment, the focus should be less on “selling” and more on building partnerships that are characterized by mutual commitment and support, where new ideas and approaches can be fostered.

One of the keys to surviving this dynamic marketplace is healthcare intelligence that reflects organizational changes on a regular basis. Armed with robust healthcare data to understand the intricate web of purchasing relationships between different types of healthcare organizations, suppliers can be more effective at planning targeted strategies aimed at specific audiences. Rather than attempt to construct this intelligence internally, suppliers can dramatically reduce internal infrastructure costs by partnering with data experts like Healthcare Data Solutions.

To learn more about Healthcare Data Solutions’ healthcare organization databases, such as OSCAR™ and HD360, which include decision-maker, GPO membership, and health system relationship information, visit www.HealthcareDataSolutions.com or call us at 1-877-472-9066.