

Hospital Sales 101: I Never Saw It Coming!

By Tom Williams & Tom Saine

It's the 27th of June and the hospital's fiscal year ends at the end of December. You have completed the trial and the product worked flawlessly. All the clinicians loved it and the feedback from all three shifts was better than expected. Another plus is that you have critical support from all of the key physicians. The Biomedical Engineering and Information Technology folks were initial detractors but now they have voiced their approval on the solution. You even caught a break. Since this is a re-order of existing capital equipment that has already been authorized by the Value Analysis Committee it does not have to go back through the process.

The department director mentioned that the \$250,000 purchase was in his budget and that the hospital's capital budget was approved earlier this year. You're feeling pretty good about getting the PO before year end.

Although you are almost through Q-2 in your fiscal year, this order will put you at 106% of plan thus ensuring that you make your yearly goal. Already you're making plans for a well-deserved vacation to Hawaii.

As you stop at Starbucks for your Monday morning double espresso you pick up the daily newspaper and read that the hospital is:

"Cutting up to 400 jobs immediately, which represents a 2-3 percent workforce reduction for the system," according to the report.

The job cuts will occur in two phases. The first group of employees received their notices last Friday and the next wave of layoffs will occur in 45 days. The staff cuts will affect all departments and includes all eight of the health system's hospitals.

The health system said it will also reduce staffing through attrition, the elimination of unsustainable programs and delayed capital spending, according to the report.



The system will, however, continue to move forward with the \$300 million expansion and renovation program of its flagship Regional Medical Centre already in progress.

The \$50 million for a health information system to manage and integrate clinical, financial and operational information is still in the works, the purchase is set to be completed next month.”

As you continue reading you learn that the layoffs represent the largest workforce reduction in the Health System’s nearly 100-year history.

As the double espresso begins to sour your stomach you immediately begin to think of the following:

- Does the department director you’re working with still have his job?
- Why didn’t he know about these layoffs and warn you?
- Will the capital purchase for his department be delayed? If yes, for how long?
- Could the funding for the capital purchase be rescinded?
- How will you explain this sudden event to your region manager and VP of Sales? You and they have forecasted this sale.
- What can you do to preserve the order and expedite it?
- Has your spouse booked the airfare and hotel accommodations to Hawaii in January and if so what are the penalties for cancellation?

For most of us in healthcare sales, this situation has happened at one time or another.

What lessons can we learn from this nightmare scenario?

- Hospital department directors do not always know that job reductions are pending.
- Hospital department directors do not always have knowledge of what can cause capital funds to be delayed.
- Hospital department directors do not have the authority to commit to an expenditure of \$250,000. As a seller you have to be positioned higher within the hospital hierarchy.
- An approval of a capital budget is just that, an approval of a budget. Funds still have to be allocated. How well positioned are you with the person that can say “yes” and release the funds?
- Do you know what circumstances can cause the funds to be re-allocated, canceled or delayed?
- The C-Suite executives determined how much they had to reduce their labor costs and that translated into how many jobs needed to be eliminated to meet the budget.
- The C-Suite team makes the decision on which projects to fund and which to delay. It is not uncommon today to see the hospital set aside a pool of money for all of its capital requirements, (instead of by department) and then spend those funds quarterly based upon priority. Projects that are deemed crucial to their long-term success will continue to receive funding.

How Can Sellers Improve Their Position?

- Sellers need to ensure that their solution is seen by the C-Suite as positively impacting metrics that are important.
- Sellers must understand the pathway to getting the PO. This means who needs to sign it, in what order, what information they require and how long it takes to typically get these activities completed.
- Sellers need to ask about the factors that can cause the funds to be frozen. What situations are likely to cause a delay in signing the PO and the release of the funds?
- Sellers need to verify that the funds are still available for their project and when they will be released.
- Sellers need to know how important the purchase of their product is to the hospital versus the other projects that have been approved in the budget. In other words, how does their solution rate on the priority list?
- Finally, is the hospital performing well financially? What does the future hold in the face of constant changes in healthcare legislation?

This article was originally published on our website on May 28, 2013. It is still as relevant today as it was then. This is the first time we have published it on LinkedIn as a post.

As always we welcome your thoughts and input. Let's start a discussion and elevate the sales profession with a thoughtful, civil and informative discourse.

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