

Will the Sales Representative in the Operating Room Become Extinct?

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Few patients that go in for spine, hip or knee replacement surgery realize that a sales representative is often present to provide technical assistance to the surgeon during the procedure. This is a practice that has been prevalent for decades and has traditionally provided great value to hospitals and surgeons but is now under fire from several start-up organizations and selected hospitals that have embraced a rep-less model that eliminates the sales representative from the Operating Room (OR) and replaces them with hospital or

out-sourced personnel. Is this a trend or a niche market? Here are the facts.

Role of the Sales Representative in the OR

The role of the sales representative has always been to ensure the safe and effective use of their technology within the OR. The role can be broadly placed into two separate and distinct categories called consultation and service and which occurs before, during and following surgery.

Consultation	Service
Providing information on the changing technology of surgical instrumentation and equipment	Ordering, shipping, unboxing and stocking products; replacing parts and performing instrument calibrations
In-servicing and training staff on the use and maintenance of the product	Sets up product trays often with hundreds of instruments and ensure instruments are in working order
Attends surgical cases and provides an advisory role that is limited to a verbal and technical response	Deliver implants to the OR ahead of the procedure

For years surgeons have been dependent on sales representatives to provide educational information on new devices. This expertise can range from providing input on the instruments used to influencing the type of product or size of product that is used during the surgery. For example, during pre-op a sales representative may assist the scrub technician to ensure the correct trays and instruments that the surgeon prefers are sterilized. This is very useful because the surgeon does not always have the same scrub technician and circulating nurse with him/her on every case. The sales representative knows the surgeon's preferences and this allows the case to go smoothly thus saving time and surgeon frustration.

Sales representatives also provide a critical role in delivery and storage of the devices used in surgery. Because the surgical instruments are generally on loan to the hospitals, they perform several service related functions such as ensuring torque handles are calibrated, replacing pedicle probes that were broken during surgery etc. Providing education, product delivery, inventory management and service is not free.

Sales representatives don't just show up for a surgery; they are invited by the surgeon. In most hospitals formal permission is granted by the Surgery & Anesthesia Services Department or their designee.

Medical societies such as the American Medical Association, American College of Surgeons and the Association of Peri-Operative Nurses have stated that health industry representatives based on their training, can provide technical assistance to the surgical, team¹.

Sales representatives also have to be credentialed by each hospital to get access to the OR. This fee is paid by either the sales representative or their company. It can run as much as \$200+ per sales representative per year per hospital. Since a typical sales representative provides services to several hospitals this is not an insignificant expense for the sales representative or their company.

The Case for Going Rep-Less



Proponents for removing the sales representatives from the OR all base their claims on several assumptions:

- the sales representatives are simply providing coverage or acting as baby sitters to the surgeons that use their products instead of selling to new surgeons
- the alleged commissions that the sales representatives earn from the sale of the products used is too high
- the sales representatives are motivated to recommend their own products and not necessarily what is best for the patient

Their analysis claims that the products used during surgery can be purchased and the services performed by the sales representative can be done less expensively. In essence the pundits do not see the value that the sales representatives bring to the OR and the hospital.

Drivers for Change

The main drivers for change is from the hospitals need to control costs because:

- Reimbursement rates for most surgical procedures are declining while the number of patients requiring spine surgery or hip/knee replacements is projected to increase markedly in the next ten years.
- Many hospitals are seeing declining patient volumes as surgeries are being put-off because of high patient deductibles or patients going to alternate sites like surgery centers.
- Bundled payments are forcing hospitals to scrutinize their in-patient and post-acute care costs carefully. For more information on the Comprehensive Care for Joint Replacement Model proposed rule by CMS readers should read the link at the end of this article.²
- Price transparency has more consumers doing price comparisons to reduce their out-of-pocket costs.
- Sophisticated supply chain personnel realize that the sales representative's expertise is not free. Instead it is bundled into the price of the product. Some industry personnel have stated that the "cost of a sales representative" is about 40% of the price of the medical device.
- New companies that make implants are emerging with products that appear to be equal in appearance, quality and longevity. Since many long standing patents are getting ready to expire it can be expected that prices from existing manufacturers will drop concomitantly.
- An alternative delivery model is evolving that may be more cost effective.

Parting Thoughts

We live in a free market society. Each hospital has to decide for themselves if having a sales representative in the OR is of value. It's incumbent on the sales representative and their company to deliver value, document their value and have the hospital acknowledge having received it. This has not

been done well by most manufacturers. Unless this is done hospitals will continue to look for ways to reduce their costs and going rep-less will become an attractive option.

It is ludicrous, however, for pundits to say sales representatives are paid too much. Most are highly trained professionals that work on straight commission and many pay all of their own travel expenses. Many receive no sick days; vacations or holiday pay. If they don't sell, earn commissions and provide outstanding service, they cannot feed their families.

References

1. Eucomed Position Paper: Access to the Operating Room for Medical Device Company Representatives. October 1, 2011.
2. <http://innovation.cms.gov/initiatives/ccjr/>

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

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