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CURRENT AND CRITICAL

The Changing Role of the Orthopaedic Sales Rep

By Hannah Corcoran

Amid efforts to lower costs and increase value, sales and purchasing models are shifting. This is exemplified by the introduction of rep-less approaches, technology-driven inventory models and the evolving role of value analysis committees.

As traditional sales models are shaken up by shifts in the overall system, what's in store for sales reps? While it seems unlikely that sales reps are going anywhere, conversations on the rep-less approach continue.



Christopher Provines
CEO, Value Vantage Partners

In 2015, Christopher Provines, CEO of Value Vantage Partners, surveyed 50 medical device industry executives and found that just over 1/3 of respondents thought that the rep-less model would gain 30 percent or more market share in the next decade. Forty percent of respondents thought rep-less models would gain ten to 30 percent of market share in the same timeframe. Though only 25 percent of respondents hailed from orthopaedic companies, the responses were the same across all medical segments, Provines says.

Like any approach, the model offers advantages and disadvantages for both device companies and hospitals. For device companies, cost reduction is the main advantage to eliminating or reducing sales reps in the OR.

By limiting OR time, sales reps can support four to five times the number of surgeons they serve, says Brian Timberlake, Senior Vice President at Medical Tracking Solutions.



Brian Timberlake
Senior Vice President, Medical Tracking Solutions

"Sales representation in the orthopaedic market can represent 35 to 50 percent of the cost of sales," he says. "If the number of sales reps is reduced by 30 percent, the cost of selling will drop by ten to 15 percent."

According to Scott Nelson, Founder of Medsider, the advantages of a rep-less model begin and end with this: quality of care delivery is more likely to suffer without reps.

Though an oversimplified example, some hospitals focus on cost and do not consider the potential long-term impact of decreased customer service supplied by device companies.



Scott Nelson
Founder, Medsider

"Some [hospitals] are willing to forgo the benefits of a local rep for the increased cost savings they'll get from companies that employ rep-less models," Nelson says.

This will occur at the expense of services provided by reps, such as inventory management.

"In a rep-less model, [hospitals] won't be able to call a local rep for 'trunk stock' inventory," he says. "Another example would be pricing. What if the OR manager would like to pursue bundled pricing on certain devices? That OR manager is going to have a hard time getting this accomplished without the help of a local rep. These are only a few examples. The list could go on and on."

The Orthopaedic Sales Rep...

A reduction in sales reps and a more scrutinized surgeon/rep relationship puts the duty on hospitals to gain better awareness of their inventory management systems and train their personnel accordingly.

"With less emphasis on the relationship between a sales rep and a surgeon, surgeons will have diminished influence over purchasing," Timberlake says. "Hospitals are creating a coordinated purchasing process that *includes* surgeon input, but is *not* surgeon-directed. More effort will be required to train hospital staffs and third parties to replace the technical support provided by the rep in the OR."

Nelson notes that this can negatively affect surgeons, as the outcomes will fall back on them.

"Let's consider the new scrub tech who is assisting Dr. Jones in his case," he says. "Who's going to help that tech become accustomed to Dr. Jones' preferences? Who will make sure that the case proceeds as smoothly as possible? In a rep-less model, the burden will fall on the physician and his or her support staff. In a lot of cases, the physician and staff are dependent upon the local rep and the device/procedure experience that he or she provides. In this particular situation, without the expertise of a local rep, case times will undoubtedly increase, which could lead to higher per-procedure costs for the hospital. This in turn would eat into any supply cost savings the hospital would experience through a rep-less model."

This affects device companies as well, as they will need a management system for visibility of their inventory without a rep at the hospital.

Timberlake does not see a future without reps, but rather a potential reduction in their numbers (meaning fewer reps for more cases) and changes in their responsibilities.

"Great sales people will always be needed and their value will increase in this model," he says. "There will be fewer sales people, but those who remain will do what they're great at: selling. Reps will focus on promoting clinical and economic benefits of their products. Those who adapt will continue to add value by negotiating contracts that provide consistent revenue to the companies they represent."

Richard Ruff, Ph.D., Managing Partner of Sales Horizons and Sales Momentum, says the rep's role will not diminish but be redefined, based on orthopaedic market conditions.

"The highly-trained sales rep will be more important than ever, because there is so much disruption in the market," he says. "There are just too many disruptive forces from legislation – hospitals are consolidating, doctors are becoming hospital employees, the whole electronic data systems that have to be installed. I don't see any great



Richard Ruff, Ph.D.
Managing Partner,
Sales Horizons and
Sales Momentum

advantage for the orthopaedic market to use a rep-less sales model, and I don't think the big companies are going to go that way."

Rather, reps will be called upon to sharpen their skills and offer solutions on ways to deal with the changing market and hospitals' needs, with the top-down pushes for value.

"How [hospitals are] buying, what they're buying and what they're willing to pay for today is altogether different than it was five years ago," Ruff says. "They're under tremendous price pressures. The expectation is that their reps are going to be trusted advisors to provide insight on how to deal with all of these pressures. Hospitals don't need the reps to tell them about the product. That kind of information, with the digital revolution, is available to anybody. The difference now and in the future will be the expectations of the buyers; they'll want insights from the rep, not product information or pitches."

The future of sales reps will be determined as different hospitals assess their different needs.

"The rep-less model won't be right for every hospital," Provines says. "In fact, one could argue that, with increasing complexity of healthcare and the change in buying behavior, there's an increased need for highly-skilled sales people who can bring both clinical expertise as well as business/financial insights to help hospitals. In any case, it will be interesting to watch."

Nelson predicts that device companies will continue to test their models, but not completely overhaul them.

"Depending upon the particular stage of growth, companies may combine certain salesforces, which could lead to some attrition," he says. "Alternatively, they may employ models that align more closely with Integrated Delivery Networks (IDNs) and their associated hospitals. But I don't think that device manufacturers will make drastic changes, because they are still measured on quarterly revenue growth. And smart business leaders realize that major changes within a salesforce will most likely impact revenue negatively."

Ruff recommends that device companies can get on the other side of the industry's push for value and greater outcomes by arming their reps so they're ready to have those conversations. "Device companies are going to have to look at their entire process, how they recruit, train and compensate reps, because reps are going to have to know more and know it at a higher level of proficiency than ever before,"

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he says. "In times past, when you talked to a doctor, it was fundamentally a clinical discussion; if you could talk about the clinical value of your product, that would probably win the day. Today, you have to talk about the financial value of your product, as well as the clinical value, and not every rep can do that. Reps aren't going to do that on their own."

Sales reps can bring value to their customers by making the purchasing process easier, Ruff says. This involves the rep working with their colleagues to sharpen their skills.

"When I do training, I ask, What kind of technical and engineering support do you have?" he says. "If we're doing sales training, I want *those* people as well, because they're going to have to go on calls with reps. If you don't train as a team, it's awfully hard to sell as a team. The engineers need to learn how to go on a call. They don't have to be a salesperson, obviously, but they have to know how to participate in a team sell. If companies don't have those kinds of support people, and they're trying to force the reps into doing that, I think that's foolish. You have to bite the bullet and get real expertise – the customers are going to demand it."

The move toward more stable technologies in the industry can also bring value, and may affect ways that companies sell and hospitals purchase. It seems that the rep-less or rep-reduction approach is more suitable for stable, more established technologies, rather than complex procedures.



Stuart Morris-Hipkins
Senior Vice President
and General Manager,
Syncera

One example of the rep-less model at work is Smith & Nephew's Syncera business, which sells clinically-proven primary knee and hip systems to hospitals at a discounted price. The model's technology applications facilitate OR training, set-up and inventory tracking.

According to Stuart Morris-Hipkins, Senior Vice President and General Manager of Syncera, the technology offers savings by improving OR efficiencies, allowing central processing to populate instruments into procedure trays, and reducing incidences of near-misses and waste in the OR.

"If you're doing around 700 total joints a year over a three-year period, you can basically realize some \$4 million in savings," Morris-Hipkins says.

Around five to ten percent of the U.S. market is ready for a model like Syncera, Morris-Hipkins says. These models include hospitals mandated to implement Comprehensive Care for Joint Replacement (CJR) as well as those voluntarily implementing bundled payment programs. Smith

& Nephew is expected to provide an update on Syncera's progress during its second quarter earnings call.

Another example of a nontraditional sales approach is employed by Impact Medical, a device company that sells cost-effective, established trauma products, in an effort to bring value to hospitals and ASCs.

While the company still uses reps, they use fewer than most companies, and don't require a rep for every case. By selling established technologies, they don't need to spend time teaching surgeons how to use products with which they're familiar.

"We are meeting a demand and an ongoing market correction, at this point," says EJ Duffy, Founder and CEO of Impact Medical. "The cat's out of the bag with the Affordable Care Act and everyone is talking about making healthcare accessible. The more that a company like mine is out there, showing people what they're paying, and what they could pay for an identical product, the more people are saying, Well wait a minute, why am I paying that much?"

Thus, Impact Medical is finding success with the model, despite a strong sales rep presence.

"Other companies will tell the hospital, 'But look at the service we give you; you could make one phone call to us and get everything you need as opposed to Impact Medical: maybe they have it, maybe they don't. We have a sales consultant who's on call seven days a week, 24 hours a day.' But more and more, we're finding that hospitals and the ASC market don't buy all of their products from one company; they already buy products from four or five different companies, so to add Impact Medical is not a big thing. Second of all, the hospitals and ASCs don't need that sales consultant in every day, all day long."



EJ Duffy
Founder and CEO,
Impact Medical

Some of these models may work better for physician-owned practices or ASCs, where physicians pay closer attention to costs and overall profitability.

As CJR plays out and value committees continue to make decisions based on improving outcomes and reducing costs, the most effective selling and purchasing models will ultimately be based on the characteristics of those involved in the transactions. ■

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