



# ***Why is the*** **INTEGRATED DELIVERY NETWORK** ***one of your keys to success in Healthcare?***

*By Robert J. Oosdyke - Health Care Furnishings, Inc.*

**In our recent columns you have read: To be professional in selling to healthcare, you must possess the knowledge to navigate through the procurement process required to sell furnishings to healthcare customers, having respect for all the players from materials managers to hospital end-users, and the A&D firm, local Integrated Delivery Network (IDN) and the Group Purchasing Organization (GPO) acting on behalf of healthcare end-users.**

What is an IDN?

An IDN is an organization or group of healthcare providers, which, through ownership or formal agreements, aligns local healthcare facilities and manages them with one governing board. They share a vision and mission of improving the quality of care and patient satisfaction. This alignment positions IDN members to negotiate competitive payer contracts, physician relationships, and enhanced supplier relationships, and to drive contract compliance for products and services by leveraging the combined influence and buying power of the entire group.

In the 80's and 90's many hospitals pursued twin strategies of vertical and horizontal integration. Each type of integration assumed multiple forms. Vertical combinations included:

- Acquisition of Primary Care Physicians (PCPs)
- Strategic alliances with physicians in Physician-Hospital Organizations (PHOs) and Management Services Organizations (MSOs)
- Development of Health Maintenance Organizations (HMOs) and Preferred Provider Organizations (POPs)

Horizontal combinations included the formation of multi-hospital systems, mergers, and strategic alliances with neighboring hospitals to form local integrated networks. All of these combinations are collectively referred to as Integrated Delivery Networks, or IDNs. Simplistically put, an IDN can contain a children's hospital, other specialty hospitals, nursing homes, out patient clinics, and other forms of provider care giving the IDN "cradle to grave" abilities.

While the forms of integration varied across hospitals and markets, their economic performance after a decade of experience was so-so in some areas and poor in others. However today, vertically and horizontally integrated IDNs are doing better. New management philosophies have been implemented because prior management couldn't adapt to the Managed Care approach, and in reality, had little understanding of running a business. Healthcare Providers today operate as businesses no longer dependent on scheduled government hand-outs.

As a bit of history, prior to 1983's introduction of Diagnostic Related Groups (DRG's), Providers were able to run inefficient operations and still show profits. They simply added up their costs for procedures, handed the bill to Medicare and received payment with a sizable margin. You can understand why it was easier for Providers to be successful then than it is today.

This began to change after DRGs entered the scene. Today, Providers are significantly challenged to change their culture from the more traditional charitable foundation-type organizations to true businesses and profit centers. This paradigm shift created a great deal of competition among Providers and the inherent need for differentiation. The Provider's greatest challenge is often the adversarial relationships that exist among Suppliers, GPOs, and Payers.

At the same time, a Provider's greatest chance for success is to drive and demand collaborative relationships among and with these parties to take advantage of their resources, business expertise, and intellectual capital. Quality business partner relationships assist the IDN with work flow methodologies

and performance measurements for continuous process and quality improvements resulting in greater patient satisfaction and better care.

Why do new mothers go home 24 hours after giving birth today? Why, after back surgery, are you up and walking the same day and going home in the next few days?

Because healthcare is now a business, due to the Managed Care approach. Healthcare administrators have adjusted to this approach. You must adjust your business to this approach as well. During the "Health Care Furnishings Forum" at NeoCon, we will have IDN representatives on the panels so you can learn first hand what these executives need and expect and come to understand just what you are facing as you pursue business in healthcare.

Today, sophisticated healthcare customers better understand their own costs in running their business. They have no choice as they compete for your healthcare dollar with competitive Providers and third party payers. They know that their own survival depends on understanding these economics. Every buying decision they make is driven by these economic factors.

Let's look at a typical scenario.

You own a furniture company. You want to enter healthcare. You know the furnishings market. How different could healthcare be? So you instruct your Sales Manager to begin calling on hospitals and selling your company's products and services.

Your Sales Manager develops a strategy and says to the sales team: "There are 11 hospitals in our immediate area. They all purchase seating products. Let's introduce the benefits of our new chair line to the buyers at these hospitals. Our goal is to sell 50 each in the next 60 days. Make it so!"

So much more than a standard features/benefits approach is required if you want to be successful in selling to Healthcare Providers. If you use the standard features and benefits approach, you look, act, smell and feel just like every other furniture salesperson the healthcare people see weekly. How about differentiating yourself with knowledge?

If Sales Managers understood customer insider perspectives such as the..."competition among Providers and the inherent need for differentiation", they would be prepared to develop a strategy that assists their hospital customer in beating their competition while differentiating themselves in the process! Your selling approach must speak to the healthcare buyer's business situation if you expect to be a winner with Integrated Delivery Networks such as the ones listed here:

- Sharp Healthcare - San Diego
- Promina - Atlanta
- Allina - Minneapolis
- Catholic Healthcare West - Phoenix
- BJC - St. Louis

- Iowa Health System - Des Moines
- Advocate - Chicago
- Sentara - Norfolk

Inside knowledge, and the ability to address the needs of healthcare customers in a manner that demonstrates an understanding of the hospital's business pressures, would go a long way with establishing credibility and getting the sale.

*HCFI will be presenting the "Health Care Furnishings Forum," during NeoCon in June, bringing together key executives from Group Purchasing Organizations (GPO), Integrated Delivery Networks (IDN), furniture manufacturers, dealers, independent rep groups, and A&D. You will hear first hand the issues relating to the sales/marketing of products and meeting healthcare customer expectations. If you are serious about selling in the healthcare market, don't miss this opportunity.*

*This program is being held on Tuesday, June 15th from 8:15 a.m. to 12:30 p.m. at the Holiday Inn Mart Plaza, Chicago Merchandise Mart. Seating is limited! For details about the "Health Care Furnishings Forum" and a Registration Form, visit our website at [www.hcfurninc.com](http://www.hcfurninc.com) or e-mail [info@hcfurninc.com](mailto:info@hcfurninc.com).*

**Registration Fees:**

*Prior to May 15, 2004 – 1st Attendee: \$199 each – Additional Attendees: \$179 each  
After May 15, 2004 – 1st Attendee: \$249 each – Additional Attendees: \$229 each*

*For a thorough discussion of your sales opportunities within healthcare, HCFI provides a two-hour on-site presentation, "Education in Healthcare," delivered and customized to your organization. It provides a thorough overview of everything you need to know about pursuing business in the dynamic and growing industry of healthcare!*

*Designed specifically for the contract furniture industry, HCFI is offering "Selling to the Healthcare Buyer," a "new business development" program providing web-based and classroom education on the healthcare marketplace and the healthcare buying process that puts in motion the selling activities that result in success with healthcare customers. The combined experience of healthcare expert, Robert J. Oosdyke, and furniture industry veterans and training experts, Juanita Brown, Steven Smith, and Royce Robinson culminates to provide this new resource.*

*For information on HCFI's seminars, consulting and training programs, contact HCFI at [info@hcfurninc.com](mailto:info@hcfurninc.com), view our website at [www.hcfurninc.com](http://www.hcfurninc.com), or phone Mr. Oosdyke at 949-500-4636.*



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