

Factors to consider when presented with a request for sole source contracting or preferred provider contracting – exclusive of pilots, waivers, or payment innovation models.

DME or Specialty services

Factors	Comments
Stated purpose	To examine an administratively streamlined method of indirect procurement with aims centered on access, quality and effectiveness.
Number of competitors/suppliers	If a product or service has a limited number of potential sources, the state’s evaluation should include a review for network adequacy. Supply should be regularly audited and price should be monitored and reported.
Regulatory hurdles for new market entrants	If sole source contracts are awarded, but a vendor has an alternative product which would significantly increase competition and or quality of care, the state should create a mechanism to review the claim.
Preferred provider	Preferred provider contracts should be awarded, though may also benefit from a triggered state review. Preferred provider arrangements should not be vertically organized, meaning the product being negotiated should be negotiated separately from other contractual arrangements with providers. In other words, if a DME is singularly sourced from a subsidiary of a delivery system, the contract with the delivery system should not be affected in any way.
Sole source	If a sole source contract is awarded through one plan and a similar contract is awarded through another plan but with a different vendor, it may suggest a more competitive market than what the threshold of a sole source should be. The state could consider enabling the plans to commonly negotiate sole source through a broker or establish a “threshold” for competitiveness if a certain number of sole sources are established for common DMEPOS.
Member opt out	Existing DMEPOS could be considered for “grandfathering”. If the MCO holds that the sole sourced item is more effective for treatment, they should be required to contact the beneficiary and the attributed provider and offer an alternative, if possible.
FFS or MC or both	MC because of network adequacy standards that plans should be at risk to ensure. The state could consider consolidating the sole sourcing adjudication in a manner similar to the new UPDL but with greater input from the plans.
Payment – per unit	This has the potential for utilization issues which may increase expense, but could also provide a sensitivity in data to ensure quality is being achieved without forsaking access.

Payment – per diem	Depends on the DMEPOS and the therapeutic benefit/recommended regimen.
Payment – capitation	This may give more flexibility to plans in utilization management and stock management practices. If this is capitated, it should be considered alongside the margin developed from the contract. Is it possible to have an “MLR score”?
Payment – salary/flat rate	Not sure about the difference.
Delivery method	Therapeutic benefit/need should be included in network evaluation. For example, is it something that could put a person at immediate risk without it?
Eligibility categories impacted	Should not be limited. If LTSS is carved in, longer term, this may have to be reevaluated. If, for example, a provider has an arrangement with a supplier in a way that improves outcomes and is preferred by beneficiary, there may need to be an accommodation.
Method for review and approval	Bids and awards should be conducted with ODM oversight and regularly audited for network adequacy and quality. Any bid awardees should disclose conflicts and no vendor should have professional or contracted staff with ties to a medical Board in the state which has regulatory oversight over the clinical application of a DMEPOS.
Factors monitored	<ul style="list-style-type: none"> - Consumer complaints - Expense to state for monitoring and review - Network adequacy - Impact on MLR for MCO - Average price of given DMEPOS
Other	Upon an award, the state should include a termination clause which allows the state to halt all payments upon discovery of a substantial increase in price over a short period of time. For example, if a DMEPOS price within the universe of DMEPOS prices increases at a level 1 sigma above the median price increase for the totality of DMEPOS that is sole sourced, it should trigger an audit. If the audit finds that the increase does not support the maintenance of a given network for that DMEPOS, the vendor shall not have their rate increase awarded.