

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 improve quality, cost, and delivery of goods and/or services to members through value-based arrangements
Number of competitors/suppliers	Variable by provider/supplier type, but generally no more than three providers in a given space. Some specialty types may perform better as an exclusive arrangement with a vendor aggregator (vision, dental, as examples)
Regulatory hurdles for new market entrants	
Preferred provider	Ability to tier network is vital to preferred provider networks, where additional same-specialty providers can still participate.
Sole source	Must be alignment in provider network-requirement of majority of existing provider network where there is significant utilization to be contracted by sole source vendor, and removal of “noise” providers who are contracted but do not provide services to the given population.
Member opt out	Varies by provider type-exclusivity is preferred in some specialties, while member condition/safety may indicate an opt-out in others.
FFS or MC or both	MC. Becomes difficult to administer in a FFS environment as the ability to control the network is minimized.
Payment – per unit	Would be similar to a FFS methodology, unless considered an all-in rate for a service or product
Payment – per diem	Possible with some provider types but not all-would not work (or would not be accepted) in PT, dental, vision, etc. but possible in nursing facility and others
Payment – capitation	Generally can be applied across any provider type
Payment – salary/flat rate	Least palatable, should be reserved for special cases only.
Delivery method	
Eligibility categories impacted	In the end can apply to any category; some may be withheld due to other considerations. For example, I would not recommend for new programs or populations-need to get some financial and operational experience to do a sole source well
Method for review and approval	
Factors monitored	HEDIS, utilization, cost
Other	