

## COMPETITIVE BIDDING: TIME FOR MANAGED CARE CONTRACTING?

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Competitive bidding (CB) in home care/HME is here to stay and although disagreements with the process as well as the anticipated savings identified by Medicare exist it is unlikely CB will be eliminated. There may be a few bumps in the road however policymakers will continue to press forward despite the feeling by many in the industry that the process is moving too fast. Discussions regarding competitive bidding have been ongoing for years yet many providers have relied upon unforeseen miracles to simply make it all go away. The facts are as plain as the sun in the sky and unlike the bright warm days of rich reimbursement home care providers are faced with the gray cool reality of competitive bidding and the need to change old approaches with fresh perspectives is necessary for survival. The bid process has begun and providers in competitive bidding areas (CBA) must submit their bids prior to the July 2007 deadline. So, what is on the horizon for the home care/HME industry? The answers are different depending on the group or persons you speak with, their experiences, research on healthcare economics and understanding of the need to reduce annual increases in the gross domestic product (GDP) for healthcare. A perspective that many may not agree with yet is a reality that is apparent is the possibility of direct contracting between managed care organizations and manufacturers; Medicare and manufactures and direct contracting between employers and manufactures. Providers can ill afford to capitalize

on opportunities to repackage themselves as an integral component in the healthcare continuum, begin demonstrating quality and positive health and economic outcomes. There are solutions to mitigate the challenges with competitive bidding and they involve contracting with managed care organizations, collaborative contracting with manufacturers and direct contracting with employer groups.

### Direct Contracting in Healthcare

Direct contracting is an agreement whereby an entity directly contracts with employers or health plans to provide services or products to their employee or members. While this type of arrangement requires a high degree of integration and cooperation it offers flexibility that allows the parties to fully integrate healthcare financing and delivery systems thus eliminate traditional delivery models. Direct contracting with manufactures is an option that is receiving increased attention from both health plans and employers. In fact the largest integrated staff model health maintenance organization (HMO) in the country has and continues to contract directly with manufacturers and has engaged their venture capital "arm" to purchase significant controlling shares in companies that provide Prosthetics and Orthotics (P&O) to mitigate the expense associated with P&O providers. Employers are beginning to realize that even the best designed health insurance plan cannot control healthcare costs or premium increases for their employees and recognize that strong management of healthcare benefit programs to contain costs is a realization that makes them increasingly reluctant to leave the management of healthcare programs to insurers. As a result, many companies have begun to take a more active role in managing the care of their employees versus surrendering the process to health plan providers and more and more employers are contracting directly with manufacturers and in many cases physicians to manage the care of their employees and have developed health care prevention and wellness programs without the assistance of insurance plans. They negotiate prices, manage utilization programs, monitor quality, and only pay contracted providers based on performance and outcomes without the added cost of an intermediary or "middle man". These approaches pose a significant risk to the long-term existence of home care [HME] providers unless they begin to demonstrate value added services and "outcomes" that establish them as essential in the continuum of care.

A proactive approach for home care/HME providers is contracting with managed care organizations (MCOs). The Medicare program administrators have strategically planned for additional savings by requiring beneficiaries to enroll in a Medicare managed care health plan. Beneficiaries will be enrolled in Medicare managed care health plans if they do not choose [or select] a health plan prior to the deadline imposed by Centers for Medicare & Medicaid Services (CMS). When managed care begins to make inroads in primary Medicare markets, many home care [or HME] providers will begin to compete for covered lives however once the tide is evident it may be too late. So, its time to do a number of things if you chose to stay in the business as an HME provider: First and definitely foremost is to prepare for competitive bidding by becoming accredited; second and equal-

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