


<b>CHAPTER</b> Administrative	<b>CHAPTER</b> 01	<b>SECTION</b> 002	<b>SUBJECT</b> 65
<b>SECTION</b> Operations		<b>DESCRIPTION</b> Provider Procurement and Best Value Purchasing	
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**APPLICATION:**

<input checked="" type="checkbox"/> CMH Staff	<input checked="" type="checkbox"/> Board Members	<input checked="" type="checkbox"/> Provider Network	<input checked="" type="checkbox"/> Employment Services Providers
<input checked="" type="checkbox"/> Employment Services Provider Agencies	<input checked="" type="checkbox"/> Independent Contractors	<input checked="" type="checkbox"/> Students	<input checked="" type="checkbox"/> Interns
<input checked="" type="checkbox"/> Volunteers	<input type="checkbox"/> Persons Served		

**POLICY:**

Lapeer County Community Mental Health (LCCMH) utilizes the principle of Best Value Purchasing in selecting providers and ensuring compliance with all applicable Federal and State rules in provider selection and procurement.

**STANDARDS:**

- A. All provider selection and service functions performed by LCCMH are in accordance with the applicable federal and state laws and any applicable provisions of the Michigan Department of Health and Human Service/Pre-paid Inpatient Health Plan (MDHHS/ PIHP) contract.
- B. LCCMH selects providers using the Best Value Indicators and encourages the involvement of the persons served, family members and other stakeholders.
- C. LCCMH is accountable for developing and maintaining a local service provider network including both directly-operated services and those procured from external sources. LCCMH ensures determinants of Best Value are incorporated into its contract with service providers.

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- D. LCCMH network development initiatives are prioritized according to potential positive impact upon the system-wide network sufficiency, quality, ability to provide reasonable choice, and value to the persons served.
- E. LCCMH may procure services to meet the specific needs of a person served. This is considered a special type of procurement initiative, prioritized on the basis of service need and demand by the agency, not subject to competitive bidding regulations.
- F. The procurement process is structured in order to achieve administrative efficiencies. Files regarding all procurement initiatives are maintained for a minimum of seven years.
- G. When carrying out procurement activities, LCCMH employs one of three primary methods of contracting in its procurement efforts:
  - 1. Sole Source Contracting: This method selects specific providers for contracting without a competitive procurement or bidding process. In general, this is used at the agency's discretion when it seeks providers having pre-existing specific infrastructure, comprehensive service capabilities, or capacity to serve a specified population within a specific region, and the desired requirements can only be reasonably met by a single source. In addition, LCCMH uses sole sourcing under any of the following circumstances:
    - a. There is a public emergency service need to be fulfilled and the delay involved in following a competitive process is unacceptable.
    - b. A specific gap has been identified, and there is no existing provider in the current Provider Network who has capacity or capability to provide such services.
    - c. After solicitation of competitive bids, competition is deemed inadequate.
    - d. The required services are professional services of limited quantity and duration.
    - e. The required services are unique and/or the selection of the service provider has been delegated to the person served under a self-determination program.

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- f. There is concern for continuity of care, as in the case of services of residential providers.
  - g. Existing provider can efficiently meet the required need.
  - h. The agency does not discriminate against a provider(s) who is acting within the scope of his/her license solely upon the licensing of the provider.
2. Any Willing Provider Contracting: This method may be used at any time for any specific program or service, and entails the agency first setting a reasonable price (based on market pricing, bid solicitation, historical experience, funds available, or acceptable regional or national, e.g. Centers for Medicare & Medicaid Services (CMS), benchmark for the services to be procured), and then contracting with any providers willing, qualified and capable of meeting the contract and payment terms.
3. Selective Contracting: This method is used to contract selectively for a specific program or service with a limited number of providers, or exclusive provider when:
- a. There is a need for a new or expanded program or service (i.e., program or service as required does not currently exist), and there are multiple providers available who may be able to effectively meet the service requirements; or
  - b. The current provider of an existing service persistently (i.e., despite corrective actions) or dramatically fails to meet the agency's standards, and the agency seeks an alternative provider.
- H. The Best Value Analysis and Protocol is followed by the agency in selective contracting situations.
- I. Providers must be excluded from the panel if they have been excluded from participation in federal health programs under either §1128 or §1128A of the Balanced Budget Act.

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**PROCEDURES:**

- A. LCCMH complies with the PIHP Procurement Policy and Best Value Analysis and Protocol in procuring services.
- B. LCCMH ensures compliance with all Federal and MDHHS rules on procurement.
- C. LCCMH complies with PIHP Procurement Policy and Best Value Purchasing in the selection of providers.
- D. LCCMH assesses the capacity of and capability of contracted providers to perform under the terms of the contract for services.
- E. The LCCMH Board enters into a Contract Agreement with each selected provider.
- F. LCCMH monitors the provider’s compliance with contract terms and overall performance through established contract monitoring process and oversight mechanisms (See Network Management Policy 01.002.30).
- G. LCCMH notes deficiencies and LCCMH makes attempts to obtain compliance through corrective action and/or other measures (See Network Management Policy 01.002.30) when a provider is not meeting the terms of the contract.
- H. If a provider consistently fails to meet the terms of the contract and does not comply with corrective action plans or other measures LCCMH terminates the provider contract.
- I. LCCMH ensures compliance with the PIHP network selection policies and establishes uniform provider selection policies and procedures for the provider network.

**DEFINITIONS:**

Best Value Purchasing: A process for selecting providers, which includes evaluation of service quality, service outcome and service cost.

Best Value Indicators are eligibility, capacity and performance.

- 1. Eligibility criteria: A status which must be achieved prior to consideration as a service provider.

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2. Capacity criteria: The ability of the service provider to accomplish contracted functions at the level or volume required.
3. Performance criteria: Indicators measuring the degree to which quality, outcome and cost meet an established standard.

PIHP (Prepaid Inpatient Health Plan): The Region 10 managed care entity under contract with the Department of Health and Human Services responsible for ensuring delivery of Mental Health and Substance Use Disorder Services to Medicaid-eligible persons in Lapeer, St. Clair, Sanilac and Genesee Counties.

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This Policy supersedes  
#07/06047 dated 07/20/2006.  
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