



# MCO Procurements: Medicaid Agency Best Practices and Not-So-Best Practices



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# MCO Procurements Represent a Critical Juncture in a State's Medicaid Program

- Selected MCOs are typically among a state's largest-dollar contractors.
- The selected MCOs play a central role in how the low income population's health services are accessed, delivered and paid for.
- Implementing a large MCO procurement is therefore one of the more important things state Medicaid agencies ever do.
- Considerable variation exists in how well states perform this function.



“For everyone’s sake, please specify page limits for each question when you produce your RFPs. There, I said it. Whew, I feel much better now!”

-- Millicent

# Number of Selected MCOs Is Important; Maintaining Some Flexibility is Advised

- Concept of contracting with a small number of statewide MCOs has gained favor recently.
- While some states have contracted with a vast array of MCOs – many of which have few members – our sense is that many states are selecting too few MCOs.
  - The administrative advantages of having 1-2 fewer MCOs to contract with have often been overstated
  - Conversely, if a large state selects three statewide MCOs, it has very little chance of selecting the best three qualified MCOs in every geographic region
- Selecting MCOs by region, and maintaining latitude to select 3-5 MCOs in each region, often gives a state its best opportunity to contract with strongest organizations, promote competition, and react optimally to the proposals it receives.



“Medicaid expansion increases the optimal number of MCOs. Let’s say you had 3 cows grazing on 3 acres. But now you’ve expanded the farm to 4 acres. Whoop der it is – makes sense to add a cow.” -- Franny

# Reviewers Need to Differentiate Concrete Commitments from Carefully Crafted Avoidance of Commitments

- “We will explore implementing x, y and z and expand those programs that are working well.” (No commitment has been made here whatsoever; it deserves no value in the scoring.)
- “Our model of care includes physician and care coordinator visits to members’ homes, telehealth, etc., etc.” (This also should earn zero scoring value. MCO has provided no sense of the **quantity** of each type of support they will deliver to whom and in what circumstances – they can comply with this language by doing each thing just once.)
- “We will hire at least 12 community outreach workers who reside in County X by date Y if awarded this region who will provide a, b and c locally based services to our members and providers.” We will maintain these average staffing levels, at minimum, throughout the contract term. (This is a scorable innovation and commitment.)



“Maybe state review teams should implement a two point scoring deduction per weasel word. In hockey or soccer, the rules penalize a player for diving to trick the referee into calling a foul, right? Weasel words do the same thing in a different way. At minimum, let’s not give out points for implied but avoided commitments.”

# How Well is Review Team Taking Advantage of Each Individual's Knowledge and Experience?

- While commonly deployed, probably a “worst practice” is for each reviewer to score each proposal on their own, reading and scoring Applicant A, then Applicant B, etc. – then have these scores entered into a spreadsheet and averaged to determine each MCO's ranking.
- A reviewer cannot score Question 24 responses fairly if he/she is only looking at Question 24 every other day (due to scoring each MCO in its entirety).
- Reviewers failing to confer with one another is prone to major scoring anomalies, and unfair outcomes for the MCO applicants.
- Best practice is for an objective non-scorer individual to facilitate team discussions around how each reviewer scored each question (ideally throughout scoring sessions, but at minimum after the initial scoring so that situations where significant variations have occurred can be revisited).
- State may also want to provide some evaluation criteria for how each question will be scored, leaving itself latitude to value innovations not foreseen in advance.



“At a jury trial we don't separate the 12 persons and have them pass judgement in isolation. We require them to interact with one another.”

-- Gilligan

# How Well is State Articulating its Priorities and Reflecting Them in the Scoring?

- State needs to determine what it most wants from the upcoming MCO contract period and develop its questions and scoring to ensure these priorities are reflected.
- Questions need to be asked in a manner that fosters appropriate differential scoring. For example, proven success from the plan's process is needed rather than just a description of the process.
- Scoring weights between questions are critically important. We often see longstanding local relationships between the health plan staff, the provider community, and enrollee population being under-valued.



“Another issue is whether the State is going after the right priorities in the first place. If you get too caught up in sound bytes about paying for value instead of volume (without setting forth what “value” is), you’re going to miss a lot of important ways for your procurement to differentiate the health plans in achieving your core objectives around access, quality, and cost containment.”  
-- Armando

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