

Developing and Executing on a Competitive Procurement Strategy

Background

Managed care procurement processes are a required part of public sector care delivery as value-based care continues to advance in the health care industry. As a bidder, one often associates the process with a heavy amount of administrative effort, resource consumption and bureaucratic requirements. While there is truth to this, well-conducted procurement processes can advance a state's broader strategic vision for how health impacts the social, economic and general well-being of its population. When done properly, a successful bid can drive a health plan's product performance and near to midterm initiatives that align procurement and organizational goals.

When states release any of the alphabet soup of typical procurement related requests - RFI, RFP, RFR, RFQ - they are inherently strategic in nature. All these acronyms signify a desire to understand the options, innovation and resources available in the market relative to the scope of the services procured. At minimum, they are seeking proven ability to improve health outcomes while managing ever-rising health care costs.

Driving Organizational Alignment

When a health plan decides to respond to a state procurement for managed care services, responding to the regulatory requirements is necessary but insufficient. In other words, beyond meeting regulatory requirements, a strategic response forces the clear articulation of future state strategy and competitive advantage in a document that can secure market access and member volumes.

When considering a bid, ask your team these three fundamental questions:

- 1. Procurement Strategy:** How does this opportunity align with and/or shape strategic priorities, in-flight initiatives and define plan value and growth trajectory?
- 2. Regulatory Adequacy:** Do we meet the regulatory requirements to be responsive to the procurement and have a feasible gap closure strategy?
- 3. Competitive Advantage:** Are we competitive in the target market(s) and are there strategic opportunities to advance a competitive edge?

A winning bid is responsive to the regulations but also drives strategic objectives and demonstrates market competitiveness. Often, it coincides with one or more large organizational initiatives like new product launches or reboots, organizational redesign, market entry or expansion strategies and network development activities. For providers in the market, it is an opportunity for strategic partnerships to reassert their candidacy for preferred provider networks.

Critical Success Factors

Below are three critical success factors to maximize bid competitiveness.

Executive Alignment and Stakeholder Engagement

The first step in defining the procurement strategy is engaging internal



Shanah Tirado
Manager



Dawn Hawkins
Johnson
Principal

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executives across products and functions. This includes care management, utilization management, provider relations and contracting and population health. The team should be committed to self-examination to determine how best to tell the story, demonstrate performance in and out of market, align around data needs and requirement gaps and agree on the resource needs to respond in a competitive manner and process to get the winning bid.

Continued State Agency Engagement Before Procurements

A critical step in developing your competitive strategy is understanding the objectives and requirements of the procuring agency. Most state agencies have open door sessions or will issue an RFI or other type of information gathering request to determine the local and national interest and capabilities available in the market. These information-gathering efforts provide data points for policy and operational decision-makers on vendors, plans and other key stakeholders in the community that are interested in serving, evaluating and advocating for the needs of covered populations.

Having a state agency engagement plan is key to succeed with relationship management, gain a more holistic understanding of the reasons around procurement requirements and increase your visibility in an often crowded market. Committee workgroup meetings may offer insights to position your response in a manner that demonstrates a commitment to the market and to the objectives of the agency.

Market and Competitive Recognizance

State governments are generally looking to increase competition among health plans to improve consumer choice, outcomes and overall spend and accelerate the transition to value-based payment models. For health plans and providers alike, these procurement cycles offer an opportunity to secure member volumes and precipitate value in new partnerships.

Competition includes those plans already in the market, as well as consideration of potential new entrants. National plans are entering markets historically dominated by local or regional plans. This changes the dynamic of scale, benefits design, network contracting and myriad other elements of plan competition. Strong consideration should be given for determining how to attract and retain a robust provider network, demonstrate performance backed by data, and show depth of community relationships. Strategic provider partnerships can rapidly close network gaps and secure market position against potential competitors. Demonstrating depth of knowledge of the unique needs of the population to be served is also essential, coupled with the right network to deliver.

After Submission: Execution

The procurement effort doesn't end once the proposal is submitted, but rather, bidders need to focus on operationalizing gap closure plans and optimizing and adjusting networks, care models, and any other key areas called out in the proposal. The proposal serves as a blueprint for near-term product strategy. This merits deliberate project management, designated accountable parties and a clear definition of success. Rather than an administrative hurdle that weighs down organizational resources, bid development can be an opportunity to convene stakeholders within and beyond the organization to coalesce a pointed joint effort in delivering value.

For health plans interested in participating in a state procurement process, developing a well-conceived procurement strategy ensures that procurement aligns with larger strategic goals and can be operationalized to achieve successful outcomes.

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For more information on preparing and executing on a winning procurement strategy, please contact Dawn Hawkins Johnson at djohnson@copehealthsolutions.com or Allen Miller at amiller@copehealthsolutions.com or call (646) 768-0006.