

Best Practices For Health Insurance Procurement

AND THE IMPORTANCE OF VENDOR PERCEPTIONS AND
PRACTICES

PREPARATION, DELIBERATE PLANNING IS ESSENTIAL

“Those who deal with purchasing goods and services in the public sector have a great opportunity to lower costs....” - Katie Sohacki

BUT

“If you don’t know what you’re spending and what you’re spending it on, how can you make buying decisions that maximize the value you’re delivering to citizens, at an optimal cost, and in a transparent, fair, efficient and auditable way?” - Mattias Hofmann, Advisor for Public Sector Procurement at SAP.

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KNOWING THE LAY OF THE LAND

Knowing the lay of the land is the first step in any RFP process. TSUN TZU teaches that a commander must assess terrain conditions before making decisions.

What does the market offer?

What type of health plan is best for your organization?

Conventional or non-conventional?

Defined Contribution or Defined Benefit Plan?

Those who do not know the lay of the land cannot maneuver their forces.



HEALTH INSURANCE OPTIONS

Fully-Insured - Few insurance companies to choose from. BUCA

Self-Insured – Many third-party administrators, most common method

PPO, HMO, EPO, RBP – Provider access and health care pricing:

PPO – Most expensive

HMO – Less expensive

EPO – Less expensive

RBP – Lowest cost



OK, WE NOW KNOW WHAT WE WANT, WHAT'S NEXT?

Understand The Underwriting Process Upon Which Your Solicitation Process Will Depend. The Underwriting Process Requires Complete, Accurate & Detailed Data.

- You own the data, don't be played
- You should already have the data, same if you don't
- Is the data is accurate and who supplied it?
- How is the data applied to underwriting?



“He Who Has Data Wins. He Who Has Good Data Wins A Lot. He Who Has Real Time Data Wins All The Time” – Bill Rusteberg

PREPARING FOR THE RFP PROCESS

Collaboration with your risk manager is key

Memorialize chain of custody and responsibilities

Improve collaboration directly with vendors— TPA, carrier, PBM, etc.

Mitigate risk of corruption

Consider being product vague in your bid, don't over specify what you want to buy.

Determine budget limitations

RFP SPECIFICATIONS

Reserve the right to Separate and accept or reject elements listed in the solicitation to accommodate budgetary and/or operational requirements.

Design evaluation criteria to be used in selecting the best proposal for approval

Failure of the vendor to deliver or perform as specified in the solicitation will void all obligations to the contract and the contract awarded to the next responsible proposer (or to reject all proposals).

Proposer's affidavit certifying that their submission is not the result of collusion and will not attempt to lobby directly or indirectly during an active solicitation process.

Certified full disclosure of all revenue streams

VENDORS MUST UNDERSTAND.....

Texas Constitution – Maintain the right to reconsider a contract during the budget process for ensuing years if financial resources of District are insufficient to meet the liabilities of the contract. The award of a proposal or contract cannot be construed to create a debt of the District which is payable out of funds beyond the current fiscal year.

“XYZ ISD reserves the right to terminate the contract at the expiration of each budget period. Local Government Code Section 271.903.”

“In addition, If during any fiscal year of this contract, the XYZ ISD Board of Trustees for any reason fails to appropriate funds for these goods or services, XYZ ISD will notify the vendor immediately and will no longer be obligated under the contract.”

PROPOSALS CONSTITUTE A CONTRACT

The undersigned proposer further agrees, upon acceptance of its proposal, to execute a contract issued by XYZ ISD for performing and completing the work described in the Requirements within the time stated and for the prices proposed in the documents attached hereto and made a part hereof.

In addition the undersigned proposer further agrees this bid, when properly accepted by XYZ ISD, shall constitute a contract equally binding upon both the successful bidder and XYZ ISD. No different or additional terms will become part of this contract unless expressly approved by the XYZ ISD School Board through formal action.

THE IMPORTANCE OF VENDOR PERCEPTIONS

“The problem facing political subdivisions in seeking competitive bids are many. Politics almost always plays a pivotal role in the process and oftentimes encompasses a mixture of ignorance, money, clan loyalties, and employment” – Bill Rusteberg

Chasing Windmills can be expensive

Why is the district seeking competitive proposals?

History repeats itself

Opportunity becomes evident when a vendor researches past RFP’s in an attempt to determine if the case is a viable candidate to expend time and energy in responding to an RFP.

**PERCEPTION
IS REALITY**

THE IMPORTANCE OF VENDOR PRACTICES

First come first served

Data chain of custody

Broker collusion – The Valley Rat Pack

Up charging renewals

Free administration through Three Card Monte

Aggregate liability manipulation

Hidden fees on the claim side of the ledger



BEST PRACTICES REWIND

Keep abreast of market conditions

Control data

Educate trustees

Limit size of insurance committee

Empower administration

Risk management

Review contracts



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