
Title 1	Northern Lakes Policies
Part 103	Managed Health Division
Subpart B	Contract Management
Policy No.	103.203
Subject	Value Purchasing

Applicability

Policy applies to all MHD staff, NLCMH staff, and contract and network providers.

Policy

Northern Lakes CMH is a value purchaser, i.e. instead of focusing narrowly on the lowest cost for a given unit of service, it looks for the best value for resources expended. The principle of “best value” applies to all network providers, both internal and external. Under this concept, the provider of service will demonstrate

- 1) sufficiently high professional and technical competency to be an effective provider of service,
- 2) sufficiently close attention to consumer needs and wants that the consumer finds the service to be something they would purchase for themselves with their own resources,
- 3) the right amounts of services at the right level of intensity to efficiently and effectively address the needs of the consumer,
- 4) a cost which is at or below that charged by others for services which are the same or comparable in type and scope and are of the same or comparable quality.
- 5) Services directly provided by Northern Lakes CMH will be periodically assessed to determine whether their continuation represents a best value compared to the cost of purchasing the same services from external network providers. In making these assessments, Northern Lakes CMH will consider such factors as:
 - a) direct and indirect benefits of retaining in-house Workforce Members for a given service. Example: on-site availability provides certain tangible and intangible benefits such as ready availability for urgent and emergency care services, ease of communication and decision-making, quality of services rendered, continuity for long-term consumers, and additional community benefits.
 - b) the probability of procuring services of similar quality within the service area on a reliable basis. Example: it is not a good value for the agency to disband a core service of known quality and quantity in favor of outsourcing to an external provider who cannot be reliably expected to maintain performance standards required by the agency.
 - c) Disruption of service for consumers and the impact of that disruption. Example: some consumers maintain stability through enjoying established and predictable relationships with their provider. If consumers are likely to require more intensive, higher cost, services as a result of losing their professional supports, this cost must be factored in. Similarly, the agency will consider, even give priority to, contracting with departing professional staff opening independent practices within the area, who

are available to provide certain needed continuity for fragile consumers.

In keeping with Federal Procurement guidelines (45CFR74), Northern Lakes CMH offers opportunity for bid to any qualified and willing provider located or doing business in Crawford, Grand Traverse, Leelanau, Missaukee, Roscommon, Wexford, and adjacent counties. Prospective bidders from outside this immediate area wishing to place bids must be able to demonstrate that the service they propose will not be compromised for lack of proximity. Obviously, proximity becomes important when providing services to people in a community, responding to complaints, or negotiating conflicts. Northern Lakes CMH reserves the right to limit bidding to geographic areas representing the normal patterns of commerce for its region. For example, Northern Lakes CMH will begin advertising for bidders within the commercial zone serving its six counties (e.g. Detroit, Grand Rapids, and Midland). If the needed goods and services are not reasonably available within the normal commercial zone, Northern Lakes CMH will expand its scope as needed, depending on the nature of the product or service, up to and including advertising for bids at the national level. Vendors must be able to demonstrate effective on-site servicing, monitoring, and oversight of their goods and services.

If a vendor outside Northern Lakes CMH commercial zone contacts the agency and expresses a desire to bid on certain products or services, Northern Lakes CMH will respect such individual requests and include those vendors on bid lists for the their areas of interest.

Northern Lakes CMH will use those methods, which it determines most likely to yield the best value in the way of contracted good and services. In general, the following scenarios will be applied:

- 1) When the agency has reached very specific conclusions about the goods or services it wishes to purchase and is seeking the best value for those specifications, or their equivalent, the agency will issue an Invitation to Bid (ITB). Ordinarily, the ITB will be distributed in written form by mail to known vendors and/or announced through newspaper publication, but under certain conditions and circumstances (e.g. extremely tight time frame), ITBs can be handled by phone and facsimile.
- 2) When the agency has not determined all specifications or exactly how it will achieve given objectives, it will issue a Request For Proposal (RFP). The RFP gives the essentials, but allows vendors to propose other, possibly more cost effective, approaches.
- 3) When the agency is engaging in a complex process and wishes to define the parameters of that process, it will issue a Request For Information (RFI). Generally the purpose of the RFI is to gather information and identify a potential pool of vendors. When there is only one potential provider doing business in the area, and the agency is satisfied with the professional competence and performance history of that vendor, the agency may choose to negotiate with that vendor versus going through a formal process.
- 4) In the event the agency cannot identify potential qualified providers already doing business in the area, the agency may a) invite providers of known competence to consider bidding on a service and/or b) go outside the area to secure other providers who meet the agency's requirements.

Procedures

None.

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