



DELTA SIGMA INSIGHT

FINDING THE NEEDLE IN THE HAYSTACK

MAKING THE MOST OF THE VENDOR SELECTION PROCESS

ABOUT DELTASIGMA

- ▲ HEALTHCARE CONSULTING PRACTICE
- ▲ FORMER NON-PROFIT HEALTH PLAN CEOS
- ▲ BUSINESS, DIVERSIFICATION AND MARKETING PLANS
- ▲ SIGNIFICANT MEDICAID AND MEDICARE ADVANTAGE EXPERIENCE
- ▲ RFP STRATEGY AND RESPONSE
- ▲ PARTNERSHIP STRATEGY
- ▲ INNOVATIVE COMMUNICATION PROGRAMS

The increasing emphasis on reducing administrative expense as a percentage of premium is leading many health plan executives to re-examine their plans' use and selection of vendors. Too often, they find that the decision to select a vendor is far easier than choosing the right one. How do you identify that perfect vendor who will partner with your plan to consistently deliver services that meet your expectations? In many cases, we find that an unsatisfactory vendor relationship is the result of a hurried or incomplete vendor selection process. Listed below are six critical steps for successfully identifying the best vendor for your specific need:

1. **Who can you use to determine which vendor to use?**—Create a group of 3-5 subject matter experts to serve as the vendor selection team with a senior-level champion as the lead. This team should be responsible for overseeing and documenting all steps within the selection process.
2. **What do you expect from the vendor?**—Develop clear expectations/objectives that the vendor will be asked to meet. These expectations should be specific so that there is less chance of confusion or misunderstanding later. You'll find that the effort spent on this step will save a significant amount of time down the road.
3. **How do you let the potential vendors know what you want?**—Develop a request for information (RFI) that clearly describes the reason that the health plan is seeking a vendor and outlines the desired expectations/objectives. Unlike the more formal request for proposal (RFP) process, the flexibility of the RFI process allows vendors to suggest creative solutions and/or enhancements to the outlined expectations/objectives, including implementation timeframes. Another advantage of the less formal RFI is that it can be drafted by your vendor selection team unlike an RFP which normally includes legal input and becomes part of a final contract.
4. **How do you find prospective vendors?**—Talk with trusted colleagues and business associates for recommendations. During this process, spend time discussing the critical characteristics that your plan will require from each vendor, the satisfaction level of your colleague and how any issues/problems were resolved. After this recommendation process, distribute the RFI to the 5-8 potential vendors that the team believes are most likely qualified to respond.
5. **What do you do with the RFI responses?**—Use objective evaluation criteria when reviewing the responses. In addition to specific subject matter detail, be sure to include the following criteria:
 - ▲ Which solutions best match with your initial expectations/objectives? Does the vendor have experience successfully delivering these services to other health plans?

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- ▲ Is the responding vendor offering a “vendor-client” relationship or one of a true strategic partnership?
- ▲ Has the vendor provided data-driven quantifiable evidence that their solution makes sense for your health plan?
- ▲ Can the vendor provide a demonstrated return on investment?
- ▲ Has the vendor shown an ability to customize their solution to the needs of your plan—not a “cookie-cutter” approach?

6. **How do you select a finalist?**—In most cases, the selection is the result of the RFI process. *Note that in some cases, however, you may want to move to a more formal RFP process (e.g., managed care system, business process outsourcing, etc.).* Once the RFI responses have been evaluated, the list of prospective vendors should be narrowed to a final 2-3 vendors. These vendors should be invited to deliver an interactive finalist presentation where you can get to know the individuals involved and better understand the proposed solutions to your health plan’s needs. After the completion of the presentations, you will want to follow-up with additional questions for the vendors and/or their references, along with requesting a best and final response. Once the finalist has been selected, the team should meet with the finalist to review all expectations and aspects of their engagement and include other senior management, as appropriate. The other prospective vendors are not notified about their status until a letter of intent is reached or negotiations have started.

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While this process may seem like overkill on some vendor searches, we have found that the time required to resolve problems because the **wrong** vendor was selected is far greater than the time required to methodically find the **right** vendor for a specific situation. We have also found that by committing to this process, it is much more likely that you will engage vendors who can truly become strategic partners with your health plan and better help you get to the next step in claims payment, care management, benefit management or any of the scores of areas where a vendor can benefit your plan.

Our firm has had the privilege to work with vendors who have demonstrated their ability to be among the best in class by partnering with their clients to offer transparency, commitment to service, creativity and cutting edge products. As you go through the process of vendor selection, we would be happy to provide you with our insights.