

# DME/HME Sole Source or Preferred Provider Contracting

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## What is “sole source” or “preferred provider” contracting?

- Sole source or preferred provider contracting is a practice that has been used within the Ohio Department of Medicaid where a contract is established between a managed care organization (MCO) and durable/home medical equipment (DME/HME) provider that stipulates that Medicaid recipients can only receive prescribed product(s) or service(s) from that single provider, regardless of their proximity or product availability.

## Sole source and preferred provider contracts have a negative impact on patients and payors:

- **Eliminates patient choice** - The practice of sole sourcing or preferred provider contracts eliminate or significantly reduce patient choice, thwarting the ability for prescribers and consumers to choose the best-suited provider and products to meet the patients’ needs. HME is not one-size-fits-all.
- **Disruption in continuity of care** - Permitting fragmented and isolated contracts by product or service lines for this homecare benefit is disruptive, inefficient and severs relationships between providers, prescribers and patients. These contracts make no sense as they diminish, rather than strengthen, effective care coordination in the patient’s home.
- **Causes delayed access** - Patients requiring HME products often find themselves needing an item at a moment’s notice. Being forced to buy that product from a company hundreds of miles away, rather than the provider around the corner, can cause delays which may lead to complications to the patient’s health and unnecessary stress on caregivers.
- **Increases health care costs** - Not having access to the proper HME product can result in emergency situations for that individual. Reducing personalized patient services in the home risks decreased quality of care resulting in avoidable medical care, ER visits or hospital readmissions. Cost shifting from the home to acute care settings ultimately increases healthcare costs.
- **Restricts business growth** - Some sole source contracts that have been put in place require Ohioans to use providers located in other states, restricting revenues and profits of Ohio providers; a statistic particularly problematic for a state program funded by tax dollars.

## Myths vs reality of sole source arrangements:

### Myth

**Saves money**

### Reality

Without full transparency, this claim is unsubstantiated. HME represents less than 1% of the Medicaid budget spend in the most cost-effective care setting: home. Any “savings” proven in the HME sector may be eliminated due to use of inadequate products or untimely services leading to greater costs in acute care.

**Eliminates fraud and abuse**

Rules in the DME section of the Ohio Administrative Code Medicaid chapter explicitly address fraud and abuse through utilization management and procedures for proper dispensation of products.

**Improves patient satisfaction**

Given patient satisfaction was not measured prior to these contracts being used in Ohio, there is no basis to claim that patient satisfaction has improved.

**Reduces innovation**

MCOs would retain the ability to direct care delivery to their members through quality initiatives and innovative care management, however, they would be prohibited from using a single provider for patients’ prescribed HME products.