What you need to know about sole sourcing
What is sole sourcing?

It is when Medicaid managed care payors create their own provider networks. This gives only a handful of HME providers the ability to provide a product or service to that state’s Medicaid subscribers.

States that currently have sole sourcing:

As of August 2018

What’s driving this?

Health care costs have risen drastically

Average annual health insurance premiums and worker contributions for family coverage, 2006 – 2016

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<tr>
<th></th>
<th>Premiums</th>
<th>Worker Contribution</th>
<th>Employee Contribution</th>
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</thead>
<tbody>
<tr>
<td>2006</td>
<td>$11,480</td>
<td>$8,508</td>
<td>$2,973</td>
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<tr>
<td>2016</td>
<td>$18,142</td>
<td>$12,865</td>
<td>$5,277</td>
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Reducing out-of-pocket expenses is a top priority for everyone

73% of all patients say

“ I always try to reduce my out of pocket expenses”

Source: Kaiser/HRET survey of employer-sponsored health benefits, 2006–2017

Source: HIDA, Horizon report: Health Consumerism, 2017
How does it affect patients?

Businesses aren’t the only ones to experience the pains of sole sourcing. Patients’ quality of care is often affected as well:

- As costs are cut to win bids, the **quality** of products available decreases.
- Limited numbers of products approved for reimbursement means **fewer options**.
- Difficulty receiving products due to **limited availability** and delayed shipping.

What you can do to prepare:

- Learn the details of what sole sourcing is and how it works.
- Research how it has impacted HME owners in other states.
- Consider forming a coalition with other HMEs across the state to advocate.
- Understand the terms of the payor’s utilization data and their subscriber base.
- Consider which products you would submit a bid for if an RFP were issued in your state.
- Understand your strengths and partnerships that could be used when submitting a bid.
- Think about how McKesson solutions can help drive efficiency for more satisfied subscribers.
How we are supporting you

As you navigate this changing environment, McKesson will continue to care for your business and its growth. That’s why we do not support sole sourcing contracts. We proudly work with organizations like AAHomecare and state and local associations, advocating on behalf of HMEs. Our offerings, available to all customers, can be used in a bid for sole sourcing contracts.

McKesson believes in the balance of quality, cost and access and offers solutions to support you in each area:

**Distribution Capabilities**
- Investments in distribution centers
- Technology on par with leading online fulfillment companies
- Ability to manage high volume of orders

**Product Assortment**
- Good/better/best products in terms of reimbursements
- Formulary options available, including McKesson Brands backed by money-back guarantee
- Supported by manufacturing and clinical relationships

**Patient Experience**
- On-time shipments with next day delivery available to 95% of the U.S.
- 99% fill rate
- Direct to patient email with Brightree® and U.S.S. to communicate order status

**Alliance Network**
- The VGM Group
- Brightree®
- U.S.S.
- AAHomecare

**Technology**
- Automated solutions for seamless billing and reimbursement
- Easy online ordering platform

Ask your Account Manager today how McKesson can support your HME business in this changing environment.
How does sole sourcing affect you?

As an HME owner, you may be challenged to reduce already thin margins to win a state bid. If you are not selected, you are not able to compete for business in that sole source category. And while Medicaid subscribers can still purchase these items from you, they are forced to pay out-of-pocket.