

STATEMENT OF
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**FOR THE
COMMERCIAL ACTIVITIES PANEL
PUBLIC HEARING – PRINCIPLES AND POLICIES**

JUNE 11, 2001

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Kathy Hamor
Executive Director of
The Healthcare Provider Credentials Verification Association
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The Healthcare Provider Credentials Verification Association (HPCVA) appreciates the opportunity to submit the following statement for the record. HPCVA is a non-profit association representing the interests of the credentials verification industry and its membership generally consists of credentials verification organizations (CVOs). CVOs are independent entities that contract with various healthcare organizations to provide credentials verification services for healthcare providers.

HPCVA's interest in submitting testimony to the Commercial Activities Panel is two-fold. First, HPCVA's members are small, regional and large businesses that understand the importance of being able to compete for business and contracting opportunities. HPCVA would like the Panel to consider a few basic principles to govern decisions about whether a function should be performed by the government or the private sector. Second, HPCVA has concerns about an initiative called the Federal Credentialing Program (FCP) that has essentially created a federal government system for credentialing providers, which already existed and currently exists in the private sector. HPCVA would like to see this program reviewed to determine whether or not its functions should be performed by the private sector or the government. The private sector had the capability to provide this service at the time the FCP was initiated.

Focus on Principles

The federal government should adhere to two of the main principles found in the Office of Management and Budget (OMB) circular A-76. First, the government should not compete with its citizens. Second, the government should not start or carry on any activity to provide a commercial product or service if the product or service can be procured more economically from a commercial source. A third principle should include a determination of whether the product or service is part of the government agency's core competency.

Policies Must Extend to New Government Activities

HPCVA recommends that the Panel consider not only the current functions of the government that would be eligible for contracting to the private sector, but also those functions that the government is proposing to undertake. Before beginning a new initiative, program or project,

the government should consider whether or not the private sector is already providing such services. There are many services that the private sector offers and the government is able to purchase, without necessarily creating an in-house function that may be redundant to what the commercial sector can provide. This may not be true in every case, but it is an area that needs to be reviewed by government agencies prior to moving forward on proposals for new activities.

HPCVA offers the example of healthcare provider credentials verification. This function can be accomplished by a willing, experienced, private sector industry in a more efficient, more objective and less costly manner than the federal government. However, the federal government has embarked and continues on a new path to consolidate its agencies and departments for credentialing purposes. The development of such an initiative may not have been an appropriate use of time, effort and taxpayer expense considering credentialing services were and still are provided commercially. Additionally, the pilot program between the Department of Veterans Affairs (VA) and the Department of Health and Human Services (HHS) to develop a centralized credentialing database for providers in VA hospitals called VetPro, does not eradicate the need for someone locally to review the information to make sure that it is correct and processed in a timely manner.

Credentialing Background

Each organization that provides healthcare is responsible for credentialing its own practitioners. The credentialing process helps to determine whether healthcare providers should be hired, have hospital privileges or be able to participate in a network. The intent is to ensure that practitioners have the required knowledge, training and clinical experience needed to perform their duties responsibly and effectively. In addition, credentialing can expose those providers who have falsified their applications or documentation. Many healthcare organizations prefer to delegate the authority for performing the credentials verification to an “authorized agent” which is usually a CVO.

The CVO industry began in the mid-1980's with a handful of regional CVOs. As the CVO industry began to grow, it expanded in late 1992 and early 1993 to include CVOs that credentialed on a national level. At about this time, managed care organizations (healthcare maintenance organizations, preferred provider organizations) started credentialing and the National Committee for Quality Assurance (NCQA) came into existence. NCQA set standards for managed care organizations and in 1996, they decided to certify CVOs who were doing the credentialing work already. In 1998, the American Accreditation Healthcare Commission/URAC began to accredit CVOs as well.

CVOs strictly adhere to the standards set by the national accreditation bodies and they perform an important role in American healthcare. Their independence gives healthcare organizations a non-biased perspective from which to make decisions on hiring providers. CVOs are able to perform credentials verification in a shorter period of time that allows healthcare organizations 60 days to review the providers' credentials through the peer review process as required by NCQA's standards.

Federal Credentialing Program Concerns

The VA was aware that credentialing services were provided by the private sector prior to the development of the FCP and VetPro. In 1996, a CVO discussed with Dr. Thomas Garthwaite, then Deputy Undersecretary for Health at the VA, its ability to provide credentialing services for the Department. In a follow up letter, the CVO pointed out that it had been awarded a contract with the Indian Health Service (IHS) of the Bureau of Indian Affairs. The CVO and IHS estimated that the cost savings on credentialing services to the IHS would be 500% to 1000% for each provider per year. Yet, in that same year, a national steering committee was gathered to develop an action plan for implementing the concept of the FCP, an electronic healthcare database containing credentialing data shared between federal agencies. This appears contradictory to the intent of OMB circular A-76, which states that the federal government should not, “start or carry on any activity to provide a commercial product or service if the product or service can be procured more economically from a commercial source.”

According to the November 2000 issue of the Medical Staff Briefing, at the National Association of Medical Staff Services conference last September, “...it became apparent that the FCP wants to convert itself into a valuable resource that includes credentialing professionals in health care organizations that are not affiliated with the federal government as well – nationally and internationally.” If the federal government further expands the FCP to include federal healthcare providers for other agencies such as the National Aeronautics and Space Administration, as well as into the private sector, such an initiative could be potentially devastating for the CVO industry. An expansion of the FCP would threaten the viability of the industry by further curtailing business opportunities and the small CVO businesses would likely feel the greatest impact. Additionally, an effort like this from the government could also have a chilling effect on private hospitals and managed care organizations that might fear a government audit or other adverse action if they are not using the government’s credentialing program.

The requirements and principles outlined in OMB circular A-76 are not new, having been issued 35 years ago and still in existence today. However, there appears to be little enforcement of OMB circular A-76 since the VA was allowed to move forward with the development of the FCP, even though it was aware at the Deputy Secretary level of commercial credentialing activities. There should have been a review process in place to determine whether or not this new government initiative was warranted and/or appropriate before such a program was allowed to be developed and funded. HPCVA would be interested in knowing if a cost/benefit analysis was conducted on the development and continued operations of an in-house databank and compared with the costs of contracting with the private sector which already has such capabilities.

While CVOs can be large national organizations or large regional operations, many CVOs are small businesses that also could have competed for federal contracts to conduct credentials verification services. At a time when the government is failing to meet its modest contracting goals with small businesses, it is unfortunate that this opportunity to work with CVOs is not available and further expansion of the program would further limit their business opportunities.

Conclusion

HPCVA doesn't believe that the FCP is an appropriate function for the federal government in light of the private sectors' proven ability and willingness to provide such services. At the beginning of this statement, we highlighted several principles that the government should adhere to when considering and reviewing programs such as the FCP. First, the government should not compete with its citizens, and therefore the government should not have started this service since it was offered and available from the private sector. Second, the government should not start or carry on any activity to provide a commercial product or service if it can be procured more economically from a commercial source. It was clear that CVOs would be able to provide credentialing services at a much lower price, more efficiently and by an independent entity at the time the FCP was being considered. Third, the government should determine whether the service is part of the agency's core competency. Since the FCP was a new initiative, it was clearly not a core competency of the VA, and should have been contracted to the private sector once the agency decided to move in this direction.

HPCVA feels strongly that the FCP should be reviewed and classified as a service that is available from the private sector, it should not be expanded to other government agencies and it should not be marketed or sold commercially by the federal government. HPCVA appreciates the Panel's interest and dedication to this issue and the opportunity to provide comments on this important issue.

The Healthcare Provider Credentials Verification Association was formed to work with regulatory agencies and other organizations in an effort to advance the efficiency, accuracy, and confidentiality in the gathering, maintaining, and reporting of relevant practitioner information to healthcare organizations, providers and consumers as part of the solution to improve the quality and reduce the cost of healthcare in America.