

**Written statement of Michael R. Bond, MBA  
President and CEO of PrimeCare, Inc.**

**before the**

**Senate Committee on Health Care and Human Services  
Oregon Legislature**

**Regarding Senate Bill 604**

**March 26, 2013**

**Members of the Senate Committee on Health Care and Human Services:**

**My name is Michael Bond, and I serve as President and CEO of PrimeCare Inc., a 474 member physician organization in Jackson County, Oregon. PrimeCare functions as a credentialing, contracting, and provider services organization. We currently contract with 16 insurers, covering 133,000 lives in Jackson County.**

**Credentialing (verification of applicant qualifications) is one of the most valuable services we provide to our membership. By being delegated (acting as agent) for all contracted insurers, our members go through this arduous process only once every three years. Physicians throughout Oregon, however, are not so fortunate; the Medical Group Management Association estimates that the average Oregon physician spends countless hours and \$8,000 in staff expense per year to be credentialed by a variety of health plans, hospitals, CCOs, MCOs, etc. This equates to nearly 60 additional medical services that could be provided per year.**

**Credentialing is also expensive. In addition to more than \$3,000 per year for manuals, multiple costs are involved in verifying education, medical Board completion, certifications and querying the National Practitioner Data Bank. Currently, every credentialing organization incurs these costs, when the information needs to be verified only once. An estimate of the costs of credentialing is included with this testimony as Attachment A; nearly \$150 million per year is spent in Oregon.**

**The proposed Senate Bill 604 would eliminate a large portion of this expense, and do so through a respected agency, the Oregon Medical Board. OMB already verifies most primary source information when issuing, or renewing a practitioner's license. By simply making this information available to credentialing organizations, and adopting a standard credentialing cycle for providers, nearly \$100 million in redundant administrative expense could be saved, potentially easing the upward pressure on insurance premiums and hospital charges, reducing the pressure to maintain physician incomes, and increasing access for patients.**

**Testimony of M.Bond to the Senate Committee on Health Care and Human Services  
March 26, 2013**

**Ironically, the Administrative Simplification Committee of the Oregon Health Leadership Council came to exactly this same conclusion several years ago. I have included their summary recommendations as Attachment 2.**

**Finally, I have attached a listing of the participants in the work group that have contributed to the draft Bill in its current form (Attachment 3). Please note that regulatory agencies, health plans, hospitals, malpractice carriers, and provider organizations were included, and all have been uniformly supportive. Similarly, the creation of an advisory council to OMB will assure that the needs of all credentialing organizations will be met through the recommended process.**

**I thank Senators Bates and Steiner-Hayward for their sponsorship of SB604, the Committee for its consideration, and urge your support of its enactment. The bill is nothing more than a common sense approach to eliminating redundant and nonproductive administrative costs and, thereby, reducing the total costs of health care in Oregon.**

**Again, thank you.**

A handwritten signature in black ink, appearing to read "M. Bond", is located below the text. The signature is fluid and cursive, with a long horizontal stroke at the end.

## Legislative concept paper – Credentialing by Licensing Bodies

Oregon delegates authority to licensing bodies to monitor the credentials of, and license to practice, a variety of health and medical providers. In issuing and reissuing licenses to practice, these bodies conduct extensive verification of qualifications, monitor the providers' performance in relation to those qualifications, and periodically reissue licenses.

In addition, health plans, hospitals, MCOs/HCSCs and IPAs conduct the same verifications of credentials in the development of their provider panels and medical staffs. These redundant activities cost the people of Oregon nearly \$150 million dollars per year in the pass through of administrative costs.

A single legislative concept could eliminate the vast majority of these costs, reducing the costs of insurance and hospital services. The concept is as follows:

Each licensing body authorized by the Legislature to function in that capacity would utilize the then current Oregon Standard Credentialing Application to gather information on prospective and continuing licensees. The "primary source" information contained in that application would then be verified using national credentialing standards, as approved by National Committee for Quality Assurance, Utilization Review Accreditation Commission, Joint Commission or other appropriate organization. Health plans, hospitals, MCOs/HCSCs and IPAs would then be required to accept the primary source verification for credentialing purposes.

For those organizations seeking separate accreditation (i.e., NCQA), each licensing body would, in addition, be required to maintain a secure website where copies of "checklists" could be downloaded. Access to those files would be by permission of the licensing body.

Savings from this concept would be realized through reduction in administrative costs, redundant payments to credentials verification organizations, and provider time lost to filling out multiple credentialing organizations, per the attached cost estimate. These savings will benefit the people of the State of Oregon through reduced insurance costs and the potential return of millions of dollars used to pay for health care services, rather than non-productive administrative costs.

This concept is consistent with recommendations of the Administrative Simplification Work Group of the Health Care Leadership Task Force.

Background materials in support of this concept are available on request.

**COSTS OF PROVIDER CREDENTIALING IN OREGON**

(Conservative estimate)

There are currently 168 entities in Oregon performing redundant credentialing tasks. Each incurs the costs of personnel, primary source verifications, and overhead. In addition, all providers who are credentialed with health plans, or maintain hospital privileges, incur varying costs, depending on specialty and requirements.

**PERSONNEL COSTS:**

18 IPAs, with an average of 2 FTEs per.

65 hospitals, with an average of 2 FTEs per (adjusted for privileging).

26 surgery centers, with an average of 1 FTE per.

37 underwritten health plans, with an average of 4 FTEs per.

22 MCO/HCSC contractors, with an average of 2 FTEs per.

Total of 384 FTEs.

Average annual compensation per FTE of \$73,260, to include salary, benefits and overhead (11%).

**Total personnel cost = \$28,131,840.****AVERAGE NUMBER OF PROVIDERS CREDENTIALIALED:**

Physicians = 6,910

NPs = 708

Other = 4,813

**COSTS OF PRIMARY SOURCE VERIFICATIONS:**

Physicians: (includes average number credentialed x NPDB queries) = \$4,933,740

NPs: (includes average number x ((NPDB+Board verification)) = 5,857,992

Other: (includes average number x ((NPDB+HIPDB)) = 7,277,256

**Total cost of repeated primary source verifications = 18,068,988****PROVIDER COSTS OF COMPLETING/SUBMITTING APPLICATIONS:**

Physicians (per MGMA data) = \$55,280,000

NP/Other (based on .85 physician rate) = 46,988,000

**Total credentialing costs to providers = \$102,268,000**

**TOTAL ADMINISTRATIVE COST AVOIDANCE THROUGH  
CREDENTIALING BY LICENSING BODIES: = \$148,468,828**

# Recommendation: Licensing boards

- Currently, licensing boards gather and perform primary source verification on many of the data elements within the “highest standards” list.
- Proposed: Licensing Boards gather the **additional** “highest standards” data elements and perform primary source verification.
- Credentialing entities (health systems, hospitals and health plans) accept all data and PSV directly from the licensing boards.
- Require a standard applicant “profile” and data transmittal by standard electronic format.
  - Licensing boards without electronic capacity: use an IT data “interpreter”

Credentialing Work Group  
12/12

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