

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 728 (Senator Della, et al.)
Finance

**Credentialing Information and Procedures for Physicians and External
Review of Quality for Health Maintenance Organizations**

This bill authorizes the Secretary of Health and Mental Hygiene (DHMH) to waive the requirement for an external review of the quality of the health services of a health maintenance organization (HMO) by DHMH if the HMO has received accreditation from a nationally recognized accrediting entity and if the Secretary determines that the standards of the entity are equivalent to the State's standards. The Secretary is authorized to inspect an HMO facility to investigate complaints or follow up on a problem identified in an accreditation report.

The bill adds credentialing organizations to the list of entities considered medical review committees and requires the Secretary to adopt regulations to establish a credentialing information system available for all physicians licensed under the Health Occupations Article by January 1, 1997. The regulations are to include (1) procedures for the collection and release of credentialing information; and (2) standards by which any organization can be qualified by DHMH to perform primary source verification.

Fiscal Summary

State Effect: Potential indeterminate but significant impact on general or special fund expenditures and revenues. Potential minimal decrease in general fund expenditures.

Local Effect: None.

Fiscal Analysis

Background: Credentialing is now done by hospitals, HMOs, and nursing homes (or private organizations on behalf of hospitals, HMOs and nursing homes) to collect and verify information about the background of a physician applying for practice privileges.

State Effect:

External Review of HMO Health Services

Of the 21 currently licensed HMOs, two have full accreditation and three have one-year accreditation status. Assuming that the Secretary of Health and Mental Hygiene will consider only fully accredited HMOs as equivalent to the department's own standards, 19 HMOs would continue to require an external review by the department. Although future year general fund expenditures could theoretically decrease to the extent that a greater number of HMOs receive full accreditation and the department conducts fewer HMO survey reviews, it is more likely that staff resources no longer needed to conduct HMO surveys will be reassigned to other licensure functions.

Credentialing Information System

DHMH's Office of Licensing and Certification (OLC) advises that general fund expenditures could increase \$545,700 in fiscal 1997 as a result of hiring 20 new positions to perform the credentialing required by the bill. Of the 20 positions, one is a Program Administrator, 14 are Administrative Specialists, and five are Office Secretaries. The estimate reflects the bill's October 1, 1996 effective date and includes salaries of \$312,365, fringe benefits of \$129,100, equipment purchases of \$64,800, and ongoing operating expenses of \$39,435.

The Department of Fiscal Services advises, however, that it is not clear that the bill's intent is for DHMH to actually do the credentialing itself. Although it requires DHMH to adopt regulations establishing a credentialing information system, the bill also requires DHMH to include in the regulations standards by which any organization may qualify to perform primary source verification, and for DHMH to monitor any organization so qualified. If the bill's intent is for DHMH to adopt regulations and monitor other organizations performing credentialing and not for DHMH to do the credentialing in-house, it is assumed that DHMH could handle any additional workload with existing budgeted resources. OLC is authorized under current law to adopt regulations and monitor hospitals' physician credentialing procedures as part of its licensure and certification review. As a result, there would only be additional workload for monitoring physician credentialing procedures for nursing homes and HMOs. If the bill's intent is for DHMH to perform in-house credentialing, it is not

possible to reliably estimate the credentialing costs, since DHMH's regulations could specify that credentialing be done every two years for all physicians, or as physicians apply to a hospital, nursing home, or HMO for practice privileges.

Fiscal Services further advises that if the bill's intent is for credentialing to be done in-house by DHMH, it could be done by the Board of Physician Quality Assurance (BPQA) as well as by the Office of Licensing and Certification. Although credentialing is a more comprehensive and continuing process than the licensure functions that BPQA currently performs and would represent additional workload, BPQA does deal directly with investigation of physician backgrounds. Credentialing includes an assessment of current job performance, while the licensure renewal done by BPQA only takes disciplinary actions into account in evaluating job performance.

The bill does not specifically authorize DHMH to charge a fee for providing credentialing services. However, if BPQA were to perform credentialing, physicians could be charged a fee and special fund revenues could support the service. There is no authority in current law for OLC to charge physicians a fee. Presumably, OLC could charge hospitals, nursing homes, or HMOs through its licensing and certification facility fees. In that case, credentialing services would be supported by general fund revenues.

Information Source(s): Department of Health and Mental Hygiene (Licensing and Certification), Insurance Administration, Department of Budget and Fiscal Planning, Department of Fiscal Services

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