

Vendor credentialing costs how much?

Quantifying the cost of vendor credentialing is difficult, organization finds. Still, it's safe to say it's 'significant.'

For several years, distributors and manufacturers have complained about the time and expense associated with vendor credentialing. Many have attempted to attach a dollar figure to it, to demonstrate to their hospital customers and anyone else who will listen that this is real money they're talking about.

This summer, the Healthcare Industry Supply Chain Institute – a sister organization to the Health Industry Group Purchasing Organization, representing suppliers – issued a report on the economic impact of vendor credentialing on vendors. Though the organization had originally intended to translate that impact into dollars and cents, researchers found that vendors lacked hard numbers on how much it really cost them. So HISCI's report is, self-admittedly, a "qualitative assessment," not a quantitative one. Still, the report paints a bleak picture for suppliers.

"We can all agree that protecting patient safety is important and credentialing is needed," says HISCI Executive Director Meredith Young. "But the credentialing requirements of today have morphed into something unmanageable, costly, and with no

clear benefit to the system. We know that vendor companies will not be able to continue absorbing these costs on their own."

Prepared for HISCI by Mark Sumpter, principal qualitative research consultant for Consumer Link Moderating & Research Consulting, Chicago, the study is based on a survey of non-clinical and clinical vendors.

The challenge of nailing down costs

Early on, it became apparent that HISCI's original goal – to quantify the cost to vendors of vendor credentialing – was probably out of reach. One reason is that some suppliers were unwilling to share with researchers what they believed to be the financial impact of credentialing. But there were other difficulties.

"Inconsistent approaches in tracking vendor credentialing costs proved to be another barrier to understanding the financial impact on the industry," according to the study's author. "Ironically, few [vendors] were actually tracking vendor credentialing costs for their companies, and there was no consistent approach to tracking the costs across vendors." In some com-

panies, individual departments or divisions track their own credentialing costs, while in others, such information is tracked at the corporate level.

Although most of the vendors that were surveyed knew how much in fees they paid to vendor credentialing companies, many were unable to quantify other costs associated with credentialing, including:

- Training.
- Background checks.
- Immunization.
- Infectious disease training.
- Human resources (including increased administrative time for credentialing, the salary and benefits of staff partially dedicated to credentialing, and increased office time for sales reps).

What's more, participating vendors reported that in some cases, hospitals newer to the vendor credentialing process represent added costs to vendors in time and money. "Reps have arrived to scheduled meetings only to be denied access due to lack of credentialing," says the study.

The report stated what vendors have maintained all along: Redundancies, that is, overlapping demands for information by

hospitals and their vendor credentialing firms, add to vendors' costs. Vendors who participated in the survey reported dealing with four or more vendor credentialing companies. "They report that many [credentialing companies] require the same information but require the vendor to use their services for verification/validation," according to the study.

With all those caveats in place, the study estimates that credentialing costs vendors anywhere from \$290 per rep (the "bare bones" cost for some vendor credentialing services) to about \$3,000 per rep, when the considerations listed above are taken into account. "This perspective cannot and should not be taken literally," admits the study's author. "But the financial impact industrywide should be assumed to be significant."

"The survey results show that companies are spending between \$4,350 and \$6 million on fulfillment of credentialing requirements, depending on their company size," says Young. "Although the number of respondents is small, the results are significant."

Pessimism, hope, determination

Vendors are wary of the future, according to the study. Some are concerned about the growing influence that vendor credentialing organizations have over hospi-

tals. Others worry that more credentialing companies may spring up, multiplying the requirements vendors currently face. "A few fear that an increase in complexity and costs with credentialing may limit vendors' ability to efficiently reach healthcare professionals, leading to more limited distribution and sales," according to the study.

Amidst the pessimism, vendors expressed a few notes of optimism. For example, some expressed hope that consolidation

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among vendor credentialing firms would lead to fewer redundancies in the credentialing process.

"For some [vendors], an ideal world would be one in which a vendor chose a [vendor credentialing organization] for credentialing its representative[s]," wrote the study's author. "Each [organization] would be recognized by all as a valid credentialing body, allowing access to any hospital or clinic for those completing the credentialing process. For others, national standardization of credentialing

requirements would eliminate duplication across various [credentialing organizations]. Once a representative had been credentialed, the requirements would be accepted at all [healthcare organizations]."

Says Young, "We believe these steps would ultimately lead to reduced cost in the supply chain without jeopardizing patient safety.

"Education is the most important tool for all of us, and HISCI will be playing a leadership role on this front," she continues. "Mis-

information exists, and we want to work together with [vendor credentialing organizations] and providers to learn from one another. We are also reinforcing the fact that [healthcare industry representative] credentialing standards and best practices already exist and should be utilized.

"In addition to partnering with vendor credentialing organizations and providers, HISCI's own Vendor Credentialing Task Force will continue meeting on behalf of its members." **JHC**