The Hospital + Healthsystem Association of Pennsylvania

Leading for Better Health

Reforming Prior Authorization; Protect Patient Access to Timely Care

What is Prior Authorization?

Consumers with insurance coverage often need prior authorization from their health insurer or health plan before they can get a medical test or procedure, be admitted to the hospital, or secure a prescription drug or medical equipment.

Prior authorization is a decision by the health insurer or plan that a health care service, treatment plan, prescription drug, or durable medical equipment is medically necessary.

Insurer Prior Authorization Delays and Denials are Increasing

For the past several years, providers and patients have continued to experience an increasing number of situations in which insurers use the prior authorization process to deny payment for a service, or delay approval for a service. The delay of timely delivery of appropriate, medically necessary care is a critical problem for any patient, but especially for patients with chronic and complex conditions that require ongoing treatment and/or high-cost medications. If a patient has to get prior authorization continually, this process can hinder the patient's overall progress.

Inappropriate Prior Authorization Practices Lead to:

- Delays in patient care
- Significant administrative burden for providers, which detracts from patient care
- Increased health care costs for businesses, consumers, and government payors
  - A 2013 study projected the cost to primary care physicians of obtaining prior authorization to be between $2,161 and $3,430 per physician[1]
  - A 2018 study estimated the cost to be $83,000 per physician per year[2]

Impact on Quality

- A study that measured the treatment, logistical, and cost of prior authorization at three rural oncology practices showed a median delay time of four days to start treatment[3]
- According to the survey by American College of Cardiology (ACC), 77 percent of cardiology respondents reported that less time was spent on patient care due to the time required for medical documentation[4]

Prior Authorization Reforms Needed

HAP has joined other provider groups and consumer advocates in calling for legislation to reform prior authorization practices, highlighting that:

- Patient care should not be delayed based on administrative processes
- Health care providers should receive payment for delivering medically necessary services
- Health plans should make statistics about Pennsylvania approval and denial rates available on their websites
- The Pennsylvania Insurance Department has a role in evaluating, monitoring, and tracking health plan statistics related to approvals and denials in the state

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National Movement to Improve Prior Authorization

- Fourteen states have pursued legislative remedies to impose consistency on payor practices[5]
- America's Health Insurance Plans, Blue Cross Blue Shield Association, the American Hospital Association, American Medical Association, American Pharmacists Association, and Medical Group Management Association have issued a *Consensus Statement* outlining their shared commitment to industry-wide improvements to the prior authorization processes and patient-centered care[6]

HAP Supports House Bill 1194

HAP supports House Bill 1194, sponsored by Representative Steven Mentzer (R-Lancaster), to protect against inappropriate prior authorization practices. The bill amends Act 68 to implement common sense legislative protections against inappropriate payor practices, including:

- Downgrading inpatient admissions to "observation" status thereby underpaying hospitals for medically necessary services for patients
- Denying payment for medically necessary services based solely on administrative errors on the claim, with limited or no process to remedy the errors
- Denying a claim after prior authorization was obtained based on information that was not available at the time of obtaining the prior authorization
- Denying a claim for a service which is medically necessary, but was not pre-authorized as it was identified during the course of treating the patient for an authorized service
- Failure to communicate reasons for denials, which limit providers' ability to appeal
- Failure to indicate a service is an uncovered service and will result in non-payment
- Failure to update online tools which are required for patient eligibility in a timely fashion
- Failure to provide timely determinations, especially after hours and during weekends

AMA Prior Authorization (PA) Physician Survey Results[7]

- For those patients whose treatment requires PA, 91 percent report delayed access to necessary care
- 28 percent reported PA led to a serious adverse event (e.g., death, hospitalization, disability/permanent bodily damage, or other life-threatening event)
- 75 percent report that PA can lead to patients abandoning their course of treatment
- 88 percent report PA burdens have increased over the last five years
- More than 1 in 3 (36%) of physicians have staff who work exclusively on PA
- An overwhelming majority (85%) of physicians report that PA interferes with continuity of care

HAP urges Pennsylvania lawmakers to pass House Bill 1194, to remove administrative barriers that delay patient access to care and services, burden providers, and result in hospital underpayments.

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[1] Morley, Christopher P. and Badolato, David and Hickner, John and Epling, John W., The Impact of Prior Authorization Requirements on Primary Care Physicians' Offices: Report of Two Parallel Network Studies (January 2013). Journal of the American Board of Family Medicine, Vol. 26, pp. 93-95.

[2] Brown, GC and Brown, M. Preauthorization. *Current Ophthalmology Reports*. Volume 6, Issue 3. Sept. 2018.

[3] Ankit Agarwal, Rachel A. Freedman, Felicia Goicuria, Catherine Rhinehart, Kathleen Murphy, Eileen Kelly, Erin Mullaney, Myra St. Amand, Phuong Nguyen, and Nancy U. Lin. "Prior Authorization for Medications in a Breast Oncology Practice: Navigation of a Complex Process." *Journal of Oncology Practice* 2017 13:4, e273-e282

[4] Barriers to New Medications for Cardiovascular Disease: Insights from CardioSurve, February 23, 2017

[5] States enacting limitations on PA in 2015-2018 include: Arkansas, Delaware, Hawaii, Maryland, Michigan, Mississippi, Missouri, New Hampshire, New York, Ohio, South Dakota, Tennessee, Vermont, and Virginia.

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[7] 2018 AMA Prior Authorization (PA) Physician Survey

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