The Value and Role of Prior Authorizations in Modern Health Care

Hannah Whitesel, PharmD
Clinical Advisor

Prior Authorizations

Employer-sponsored insurance has evolved significantly over the past century. Beginning with prepaid health insurance at Baylor University in 1929, it has now expanded to provide plan sponsors extensive management options with modern plan designs. Before the 1960s, doctors would often prescribe treatment plans without much scrutiny from other clinicians. With many medications and procedures becoming available for the first time, there was no reason to restrict access to these services, but as medical advances expanded, patients were more inclined to seek medical services, leading to crowded hospitals.

The rapid evolution of the health care system would eventually create a need to review patient therapies and hospitalizations to limit unnecessary hospital stays and reduce health care costs. Utilization reviews, initially for Medicare and Medicaid, gradually evolved into the prior authorizations (PAs) widely used in the health care system today. A PA is used to assess a variety of factors including insurance coverage, patient clinical background, etc., to determine if a particular medication, procedure or service is appropriate for a given patient.

Physicians and providers often criticize the use of PAs in today's health care landscape for potentially increasing the utilization of resources, delaying care and adding administrative burdens to physicians and staff. While PAs ensure clinical appropriateness and cost-effectiveness, there are still areas for improvement that would benefit insurers, prescribers and patients alike.

Much of the discord around PAs is arguably not based on their existence but their administration, often through slow and cumbersome methods such as fax and phone calls.

These lengthy processes can be a large detriment to patients in need of symptom relief. However, the continued adoption of electronic PA (ePA) processes, especially when integrated with electronic health records (EHR), has significant potential to improve accuracy, reduce staffing requirements and accelerate turnaround times.

While many are opposed to PAs due to time constraints or the belief that if a doctor prescribes a medication it must be suitable, PAs have proven to be beneficial in ensuring patient safety and cost effectiveness of treatments. Consider the effectiveness a robust PA system on opioids would have had before the opioid crisis began. These protocols could have significantly reduced the number of excessive opioid prescriptions. The implementation of PAs has been instrumental since the height of the crisis in controlling access to potentially addictive medications, helping to manage access and reduce the misuse of opioids.

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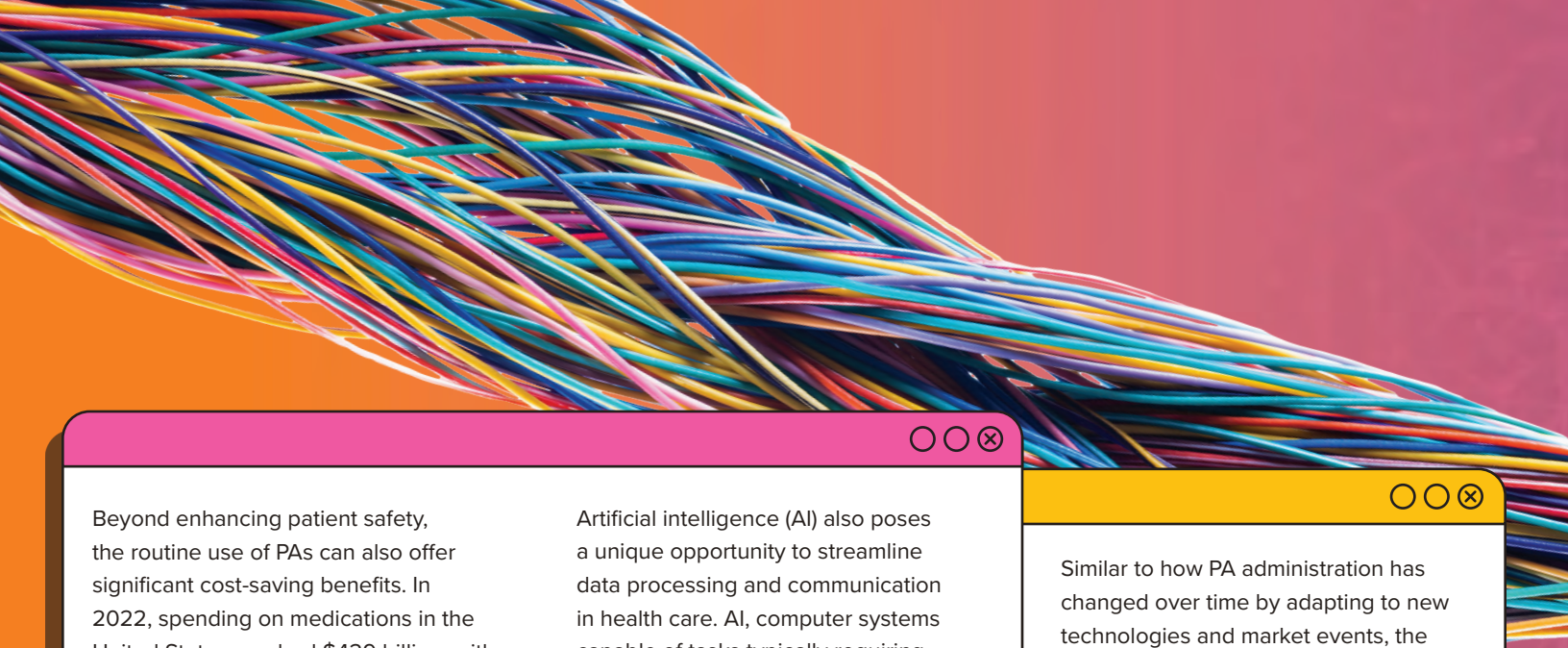


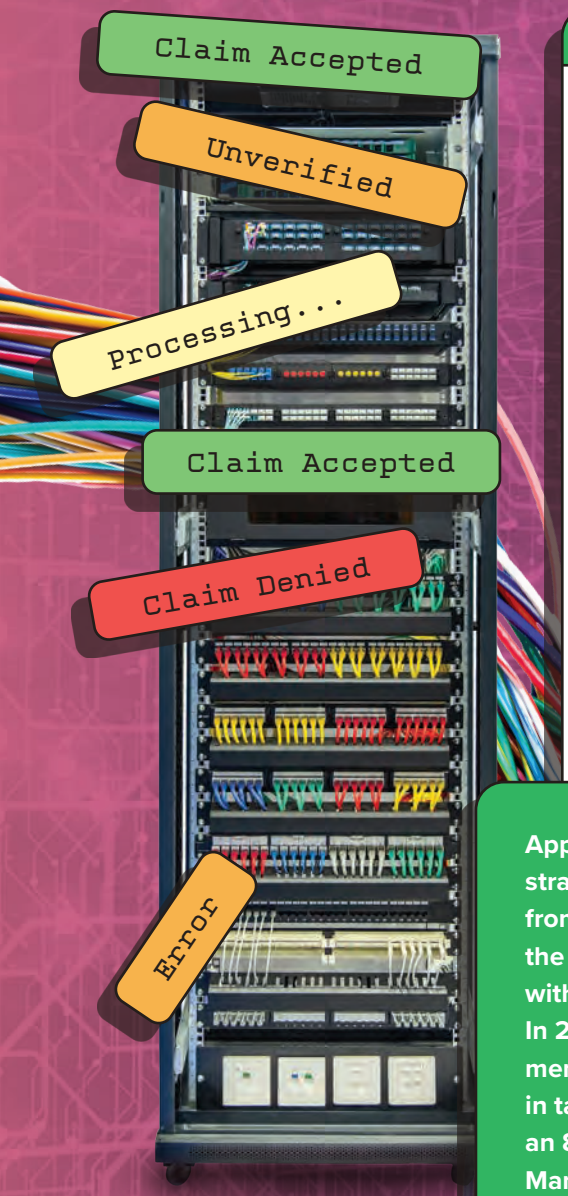
Beyond enhancing patient safety, the routine use of PAs can also offer significant cost-saving benefits. In 2022, spending on medications in the United States reached $429 billion, with specialty medications accounting for 51% of total spending compared to just 32% in 2012. With the continued rising costs of medications, PAs are important tools pharmacy benefit managers (PBMs) use to assess the clinical necessity of medications, particularly when cost-effective alternatives may exist. For instance, PAs are appropriate for branded specialty products reserved for patients who do not benefit from generic, non-specialty therapies. Plan members should start with cost-effective generic products when appropriate and receive treatments following clinical guidelines. When treating different types of cancer, PAs may require appropriate testing to confirm a patient's responsiveness to therapy before approval. Beyond clinical assessments, PAs also contribute to maintaining formulary integrity and rebate programs that are contractually negotiated, helping to reduce spend for plan sponsors and their members through improved pricing, discounts and rebates.

Artificial intelligence (AI) also poses a unique opportunity to streamline data processing and communication in health care. AI, computer systems capable of tasks typically requiring human intelligence, can sift through data to highlight important information and speed up provider verification, potentially reducing PA review times. Automating appropriate administrative components through AI tools can help address concerns voiced by many physicians and prescribers. However, the road to completely transitioning to AI-supported PA models comes with its own challenges and moral dilemmas. While the use of AI in health care is exciting and innovative, there are concerns it may replace some health care professionals.

Large insurers like Cigna have begun to utilize AI to quickly review and facilitate PA decisions. A ProPublica article reported that Cigna doctors denied over 300,000 claims for payments by utilizing AI, with doctors spending an average of just 1.2 seconds per case. Traditionally, doctors would need to review patients' charts to verify requested treatment plans. However, this new technology automated that process, leading to many PA denials. While promising, these new technologies require further refinement to minimize mistakes and ensure patients are receiving safe and efficient care.

Similar to how PA administration has changed over time by adapting to new technologies and market events, the clinical approach to PA management and creation must be dynamic and adaptive as well. This requires ongoing reevaluation of PA criteria to ensure time spent going through the PA process is driven by evidence-based, guideline recommendations and works toward an intended outcome. For example, if the approval rate for a PA is consistently in the 90th percentile, reconsidering the validity of the intervention is appropriate to either change the criteria or remove the requirement entirely.

Some of the greatest impacts on the evolution of PAs come from state and federal legislatures. Many laws concerning PAs revolve around the time frame from the initial submission of a PA for review to the decision of approval or denial, along with addressing concerns and complaints regarding retrospective denial of claims. Most states set review time limits, usually 48 to 72 hours. Legislation in most states also addresses retrospective claims denial, prohibiting reversals of paid claims. In addition, the Gold Card Act, supported by The American Medical Association (AMA), serves to exempt physicians from the Medicare Advantage plan PA requirements if the practicing physicians have 90% of their PAs approved in the last 12 months.



The Employers Health clinical team recognizes the value of PAs in managing trend and spend, as well as their value in minimizing the misuse of drugs. Identifying drug targets with no additional clinical benefits compared to the alternative, more cost-effective therapies present a prime opportunity for cost management through custom exclusions or PAs. Particularly in the specialty space, these edits can result in significant savings. Historically, many custom clinical edits offered by Employers Health primarily targeted non-specialty products. While the cost mitigation of each claim is less than specialty drugs, considerable savings and trend reduction were seen in plan sponsors that elected to adopt.

Approval rates for our custom strategies this past year ranged from 19% to 66% which showcases the significant need for oversight within the managed medications. In 2023, adopters saw a 2.67% per member per month (PMPM) trend in targeted products compared to an 88.44% trend for non-adopters. Managing trends to be as close to negative as possible continues to be the goal for plan sponsors.

The evolution of employer-sponsored insurance and the health care landscape have made PAs crucial tools for managing pharmacy benefit costs. As the health care industry progresses, dynamic and adaptive approaches to PA management will be pivotal, driven by evidence-based criteria and legislative reform, ultimately serving the shared goal of delivering safe, efficient and cost-effective care. Employers Health stands ready to navigate this evolving landscape, providing custom solutions to meet the ever-changing demands of pharmacy benefit management.
By embracing PAs as strategic allies in cost containment, employers can secure a healthier and more sustainable future for their employees and organizations alike.

TO LEARN MORE CONTACT

The Clinical Team
clinical@employershealthco.com