

Health Plans Use Prior Authorization to Ensure Safe and Effective Care

Texas health insurance providers are committed to providing Texans with high-quality, affordable health care. Medical management tools, especially prior authorization (PA), help us deliver on the promise of safe and effective care. One important way health insurance providers do that is by working with doctors, nurses, and patients to find ways to ensure health care is more efficient, effective, and affordable.

PA provides critical safeguards to prevent inappropriate treatment.

Just as doctors use scientific evidence to determine the safest and most effective treatments, health insurance providers rely on this same data and evidence to ensure patients are receiving safe, effective care. In fact, Texas law already requires that tools like PA be based on nationally recognized, evidence-based clinical standards that have been developed by the medical community. Medical management has been encouraged and endorsed by independent experts and government health leaders alike, and many experts have called for providers to adopt evidence-based guidelines in their practice for years.

PA is a fundamental and integral part of how health benefits work, providing critical safeguards that help prevent harm, lower costs, promote appropriate use of medication and services, and ensure care is delivered at the right place and time. PA is also the most important and effective tool to prevent fraud, waste, and abuse.

Patient Care Should Be Appropriate

Even though PA applies to less than 10% of prescription drugs and less than 25% of medical services, they are a fundamental part of how health benefits work, providing critical safeguards against unnecessary and inappropriate medical care.



Less than 10% of prescription drugs have a PA



Less than 25% of medical services have a PA

Prior Authorization Protects Patients from Unsafe and Unnecessary Care

PA is necessary because a significant amount of care being delivered to patients is not evidence based. That care is not only unnecessary but potentially harmful. As Marty Makary, M.D., M.P.H., writes in his book, *The Price We Pay*, **“Overtesting, overdiagnosing, and overtreatment are now commonplace in some areas of medicine.”**¹ Research has shown time and again that there are wide variations in provider performance, and little to no correlation between spending and health care quality.

- ✓ Research has highlighted significant gaps between evidence-based practices and the care actually delivered to patients.²
- ✓ Between \$200 billion and \$800 billion is spent on unnecessary services, such as excessive testing and treatment, each year.³
- ✓ Doctors themselves believe that at least 15-30% of all ordered medical care is unnecessary or unsafe.⁴
- ✓ Over 20% of diagnostic imaging is inappropriate, including over 60% of lumbar spine MRIs and over 30% of MRI studies for shoulder pain and knee pain.⁵

Over \$200 billion is spent each year on unnecessary services.

15-30% of all ordered medical care is unnecessary or unsafe.

20% of diagnostic imaging is inappropriate.

Medical Management Processes are Heavily Regulated in Texas

Medical management, including the PA process, is heavily regulated by federal and state law. Each and every step of the process is regulated, from TDI licensure or certification as a Utilization Review (UR) agent through final and binding external IRO appeals. Texas law already provides significant protections throughout the UR process to ensure that members have access to medically necessary and appropriate care, including:

- ✓ Requiring all prior authorization criteria to be based on evidence-based care developed and adopted by the medical community
- ✓ Prohibiting PA for emergency care and reversal of PA approvals
- ✓ Requiring that patients are provided with information on how to appeal and how to file complaints with the Texas Department of Insurance (TDI)
- ✓ Providing extensive appeal rights for PA denials to an independent physician

Addressing Administrative Burden

More can be done to reduce the administrative burden of PA, and these solutions can be implemented without undermining patient safety and outcomes. For example, the 2019 Council for Affordable Quality Healthcare, Inc. (CAQH) Index report found that any kind of electronic health record adoption—partial

or full—significantly reduces the cost of PA. Most providers still use manual processes despite the availability of online submission portals, and almost half of provider PA requests are still submitted by fax. The majority of health plans are taking steps to streamline the PA process for both prescription drugs (91%) and medical services (89%), and a majority (84%) reported that automation of the PA process is the biggest opportunity for improvement.⁶

Another solution would be to allow providers additional time to submit information supporting their PA requests. Texas



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has some of the shortest time frames in the country for PA decisions, even for requests missing medical information. The unintended consequence of this requirement is that denials are often issued because of insufficient information. Providing additional time for a provider to submit missing information needed for the health plan to make a decision reduces provider burden, unnecessary delays and denials for members. Many other states, the NAIC Model Act, and URAC accreditation all recognize the need for PA timelines that allow providers additional time to submit missing information without requiring a denial.

TAHP's Position

- Texas passed significant regulatory mandates and transparency requirements for PA last session. TAHP opposes unnecessary new administrative and regulatory mandates limiting the ability to use medical management tools that provide access to safer care and more valuable coverage for members.
- To reduce administrative burden for both health plans and providers, TAHP recommends reconsideration of the timelines in Texas (and their application to incomplete PA requests), which are dramatically different than most other states. TAHP also recommends a move away from paper and fax towards more electronic and automated systems.
- TAHP recommends expanding transparency requirements passed last session to include data on a providers' patient outcomes and appropriate utilization.

¹ Makary, Marty. *The Price We Pay*. Bloomsbury Publishing, 2019

² Donaldson MS. *An Overview of To Err is Human: Re-emphasizing the Message of Patient Safety*. In: Hughes RG, editor. *Patient Safety and Quality: An Evidence-Based Handbook for Nurses*. Rockville (MD): Agency for Healthcare Research and Quality (US); 2008 Apr. Chapter 3.

³ Institute of Medicine. 2013. *Best Care at Lower Cost: The Path to Continuously Learning Health Care in America*. Washington, DC: The National Academies Press.

⁴ Lyu H, Xu T, Brotman D, Mayer-Blackwell B, Cooper M, et al. (2017) Overtreatment in the United States. *PLOS ONE* 12(9): e0181970.

⁵ S. Flaherty, F. Zepeda, K. Morteale, G. Young. Magnitude and financial implications of inappropriate diagnostic imaging for three common clinical conditions. *International Journal for Quality in Health Care*, Volume 31, Issue 9, November 2019, Pages 691–697.

⁶ AHIP: Industry Survey on Prior Authorizations, 2020

TEXAS ASSOCIATION OF HEALTH PLANS

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