CAHP
Colorado Association of Health Plans

Prior Authorization

Ensuring evidence-based, effective treatment for Coloradans

All Coloradans should receive the most appropriate, effective, and safest medical treatments available. To achieve this goal, prior authorization (PA) is one tool used by health plans and government-sponsored programs including Medicaid, Medicare, and Tricare, to get advance approval of coverage for a medical service or prescription drug. PA programs are developed with input directly from providers and from peer-reviewed studies to promote evidence-based care, protect patient safety, address areas prone to misuse, and to reduce unnecessary spending.[1] It is one of the most effective tools against fraud, waste, and abuse in the health care system.
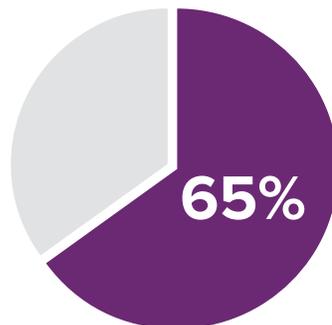
The most common treatments subject to PA are specialty drugs, high-tech imaging, genetic testing, and durable medical equipment.[2] Even though less than 10% of prescription drugs and less than 25% of all medical services are subject to PA, it is a fundamental safeguard for Coloradans.

65%

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Why can't prior authorization be eliminated?

Without this check in the system, studies show that utilization of unnecessary treatments will increase making cascades of care – a seemingly unstoppable, inappropriate series of medical tests or procedures – more likely. Not only can unnecessary testing and treatment create patient harm, it also increases costs for health insurance coverage and could impact consumer financial responsibility for cost-shares depending on their coverage.

- **Between $200 billion and $800 billion** is spent each year on unnecessary services like excessive testing and treatment.[3] In 2020, CIVHC estimated that Coloradans received over **1 million** unnecessary and potentially harmful low value care services resulting in **$134 million** in excess costs.[4]

- **65%** of doctors believe at least **15-30%** of all ordered medical care is unnecessary or unsafe.[5]

- Prior authorizations can prevent cascades of care – almost all physicians have reported experiencing a cascade resulting from incidental findings and nearly **9 in 10 physicians** have seen a cascade harm a patient physically and/or financially.[6]

How can we improve prior authorization through policy?

Programs are typically reviewed annually to align with evidence-based guidelines and health plans have complied with new statutory requirements since 2019, including:

- Making PA requirements available on a carrier's website
- Notifying providers of new/amended requirements
- Publishing data on approvals/denials of PA requests
- Approving or denying a non-urgent request within five business days and urgent requests within two business days

The most common reason for PA denials is incomplete information from the provider.[7]

To reduce administration in the PA process, the greatest opportunity is to automate the PA process.

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. Many health plans are taking steps to streamline the process for both prescription drugs **(91%)** and medical services **(89%)**, and a majority **(84%)** reported that automation of the process is the biggest opportunity for improvement.[8]

1. AHIP Key Results of Industry Survey on Prior Authorization, 2020.
2. AHIP Key Results of Industry Survey on Prior Authorization, 2020.
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. https://doi.org/10.17226/13444
4. CIVHC: Low Value Care in Colorado 2017 - 2020
5. In a recent survey by PLOS One, 65% of physicians reported that at least 15-30% of medical care is unnecessary or unsafe.
6. Ganguli I, Simpkin AL, Lupo C, et al. Cascades of Care After Incidental Findings in a US National Survey of Physicians. JAMA Netw Open. 2019;2(10):e1913325. doi:10.1001/jamanetworkopen.2019.13325. Pages 5-6.
7. AHIP Key Results of Industry Survey on Prior Authorization, 2020.
8. AHIP Key Results of Industry Survey on Prior Authorization, 2020.