

How Prior Authorization Promotes Safe, Effective and More Affordable Care

Health plans work with medical professionals (including pharmacists) to ensure access to safe and effective treatments so patients receive the care they need at a price they can afford. Input from these professionals informs a practice known as prior authorization – a key tool health plans use to encourage adherence to evidence-based medicine. Prior authorization helps address the considerable gaps that may exist between the treatments and services that work best and the care actually being delivered to patients.

KEY FACTS



The U.S. healthcare system delivers evidence-based care to patients
only 55% of the time

The American Medical Association estimates that fraud, waste, and abuse accounts for approximately

25% of total health care spending

PREMERA RECOMMENDS

That policymakers take care on prior authorization limitations and be sure that both providers and health carriers are accountable to support a system that helps ensure both patient safety and the wise use of financial resources. Prior authorization is critical to:

1 ENSURE SAFE AND EFFECTIVE TREATMENTS

- While all health plans have robust processes to address exceptions when clinically appropriate, prior authorization helps prevent medical errors – including the underuse of effective care and the overuse of care that is unproven or known to be ineffective. To prevent errors that can place an individual's health in jeopardy, plans seek input from medical professionals to set medical and pharmacy policies that support adherence to current scientific evidence.
- Health plans often have prior authorization requirements for prescribers to confirm the intention and rationale for use of drugs or devices for indications not approved by the U.S. Food and Drug Administration or supported by medical evidence. This process helps ensure patients are not placed at risk.
- Health plans also use prior authorization to monitor medications with a high potential for misuse or abuse. For example, one BCBS company's prior authorization process for extended-release (ER) oxycodone resulted in a 36 percent decrease in the monthly rate of new users without an increase in the use of other ER opioids.

2 PROMOTE MORE AFFORDABLE, PATIENT-FOCUSED CARE

- Health plans often use prior authorization for services that have limited clinical evidence, when there are equally effective, lower-cost alternatives available and/or for which there is evidence of fraud, waste and abuse (e.g., durable medical equipment, home health). This helps reduce spending on unnecessary care and ensures premiums are more affordable for all consumers.
- Prior authorization is critical to delivering patient-focused care and does not create inappropriate barriers to necessary services. Instead, prior authorization ensures services are being ordered in the best interest of – and with the knowledge of – the patient. Health plans are partnering with physicians, pharmacists, medical groups and hospitals to identify opportunities to improve the process, promote quality and affordable health care and reduce unnecessary burdens.

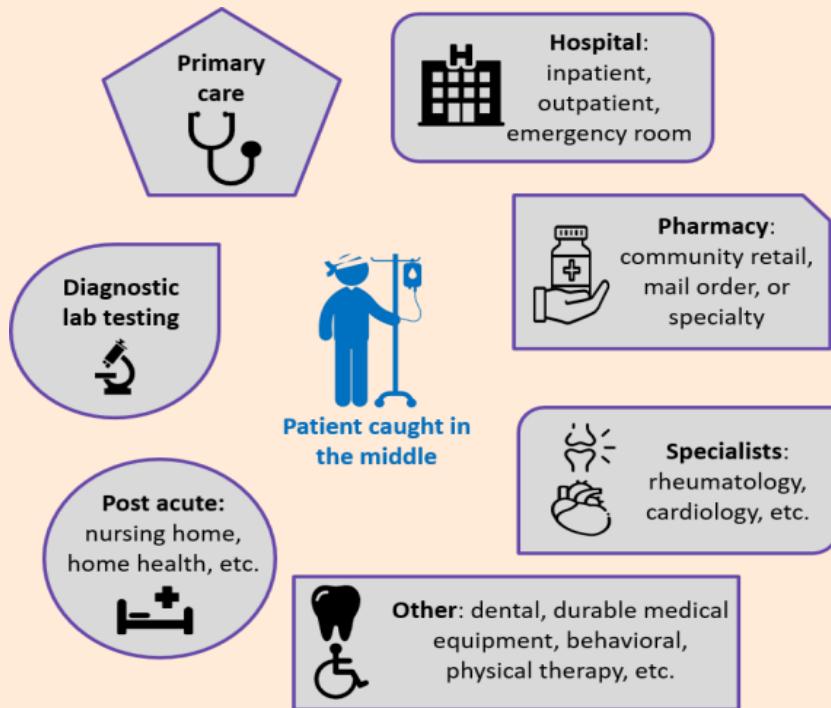


Illustration of the fragmented care "system": studies have shown that patients typically see 7 or more doctors in 4 or more practice locations in addition to facility based care, lab testing and pharmacy

Without prior authorization, drug manufacturers and medical technology companies will have extra leverage to push their products and increase profits. According to CMS, in 2019 alone, physicians received 615,000 payments from drug manufacturers and med tech companies worth over \$3.5 billion.^{iv} Independent peer-reviewed studies have found that these payments are:

- Associated with increased prescribing of the paying company's drug, increased prescribing costs, and increased prescribing of branded drugs.^v
- A possible contributor to the opioid abuse epidemic. Payments from opioid manufacturers were associated with a higher number of opioid prescriptions and expenditures for opioid products in the subsequent year and a statistically significant association between per capita opioid-related industry payments and per capita opioid-related deaths by county.^{vi}
- Patients were more likely to receive implantation of cardiac devices from the manufacturer that provided the highest total payment to the physician who performed the implantation.^{vii}

- Prior authorization (PA) is a critical tool for preventing fraud, waste, and abuse (FWA). According to a study published in the Journal of the American Medical Association, FWA is estimated cost \$760 billion to \$935 billion, accounting for approximately 25% of total health care spending.ⁱⁱ This is why even government run programs, like original fee-for-service Medicare, are increasingly using PA. The Government Accountability Office has even recommended that the Centers for Medicare and Medicaid Services expand Medicare PA efforts in order to restrain unnecessary spending.ⁱⁱⁱ

ⁱ Pham, Hoangmai H., et al. "Care patterns in Medicare and their implications for pay for performance." *New England Journal of Medicine* 356.11 (2007): 1130-1139.

ⁱⁱ Shrank, William H., Teresa L. Rogstad, and Natasha Parekh. "Waste in the US health care system: estimated costs and potential for savings." *Jama* 322.15 (2019): 1501-1509.

ⁱⁱⁱ GAO, "CMS Should Take Actions to Continue Prior Authorization Efforts to Reduce Spending," April 2018

^{iv} Source: <https://openpaymentsdata.cms.gov/summary>

^v Mitchell, Aaron P., et al. "Are Financial Payments From the Pharmaceutical Industry Associated With Physician Prescribing? A Systematic Review." *Annals of Internal Medicine* (2020); Qian, Jingjing, et al. "Disclosure of industry payments to prescribers: industry payments might be a factor impacting generic drug prescribing." *Pharmacoepidemiology and drug safety* 26.7 (2017): 819-826; and Khan, Rishad, et al. "Association of biologic prescribing for inflammatory bowel disease with industry payments to physicians." *JAMA internal medicine* 179.10 (2019): 1424-1425.

^{vi} Inoue, Kosuke, et al. "Association between industry payments for opioid products and physicians' prescription of opioids: observational study with propensity-score matching." *J Epidemiol Community Health* 74.8 (2020): 647-654; and Lee, Austin J., et al. "Concentration of opioid-related industry payments in opioid crisis areas." *Journal of general internal medicine* 34.2 (2019): 187-189.

^{vii} Annapureddy, Amarnath R., et al. "Association Between Industry Payments to Physicians and Device Selection in ICD Implantation." *Jama* 324.17 (2020): 1755-1764.

^{viii} Jacob, Sherin, et al. "Economic Outcomes Associated with Safety Interventions by a Pharmacist-Adjudicated Prior Authorization Consult Service." *Journal of managed care & specialty pharmacy* 25.3 (2019): 411-416.

- Health care is very fragmented. Patients may end up seeing 7 or more doctors in 4 or more practice locations. Hospitals, pharmacies and lab work typically are separate as well.ⁱ
- Prior authorization is a care coordination tool to help ensure that care is medically appropriate and not duplicated.
- Prior Authorization prevents adverse events that could harm patients – for example, even in the government run integrated Veterans Administration system, one study of pharmacist-adjudicated prior authorization drug requests, over 10% of the reviews uncovered and prevented potential adverse drug events and medication errors.^{viii}