

# The Issues with Prior Authorization and Why Reform Is Needed

Late last year, in the middle of the holiday season, I needed a prescription medication urgently. My physician prescribed it on December 13<sup>th</sup>. I received the medication on December 20<sup>th</sup>. It took a whole week to get a medication that I should have long finished by the time I actually received it. I was deeply frustrated not only because I was physically ill, but also because I was dealing with a great deal of uncertainty.

When I attempted to pick up my medication from the pharmacy, the pharmacist told me that the medication my physician prescribed was a non-formulary drug, which is a drug that is not on a health insurance provider's list of preferred drugs.[1] Non-formulary drugs are costlier and not covered by insurance. Formulary drugs, on the other hand, are drugs that insurance carriers determine to be economical for both the insurance provider and the patient.[2] However, some situations require that the physician prescribe a non-formulary drug. In this case, I would be paying \$750 out of pocket for the non-formulary drug, which was not an option for a law student like me. For the rest of the week, I went to the pharmacy every day, sometimes twice a day, spending more than an hour waiting in line and speaking to the pharmacist and my insurance.

After multiple unsuccessful attempts to communicate with the pharmacy and my insurance provider, I asked my doctor to fax in a prior authorization form to the insurance so I could get my medication even if it was not covered. Prior authorization (or prior approval) is a "process by which physicians and other health care providers must obtain advance approval from a health plan before a specific procedure, service, device, supply or medication is delivered to the patient to qualify for payment coverage." [3] In this process, the doctor sends in a number of forms to the insurance detailing the reason the patient needs the specific uncovered medication or procedure. Once the insurance verifies the forms and approves the prior authorization, or agrees to pay for the medication or procedure, then the patient can receive it. Prior Authorization for non-formulary drugs is done in an

effort to control spending on pharmaceutical drugs, as well as overutilization of narcotics and opioids.

My prior authorization approval came seven days later, by which time I had already paid for the medication out of pocket using [GoodRx.com](https://www.goodrx.com), which is a free website that finds the lowest prices and discounts on prescription medication by “collect[ing] and compar[ing] prices for every FDA-approved prescription drug at more than 70,000 US pharmacies.”[4] For example, Zofran, a drug that is “used to treat nausea and vomiting caused by chemotherapy,” has an average cash price of \$47.61 for ten 4mg tablets.[5] GoodRx offers prices ranging from three dollars to 31 dollars, depending on the pharmacy and geographical location.[6] I ended up paying only \$60 for my medication, which was much more acceptable than \$750, but there are still many people who cannot afford to pay \$60 for a medication.

Unfortunately, the frustration I experienced in this case is not unique and has happened to many others around the country. Dr. Jack Resneck, a health policy expert and professor of dermatology at the University of California, San Francisco and chair-elect of the American Medical Association (AMA) speaks from experience.[7] He says that he gets insurer rejections or prior authorization requests for most of the prescriptions he writes in a day, including for generic medication “that have existed for decades.”[8] Physicians also face frustration when prior authorization rejections are accompanied by alternative recommendations that don’t help the patient’s specific condition.[9] In my case, my insurance covered drugs made by an alternative manufacturer, but none of the pharmacies in my area carries that manufacturer. It would take an additional week or so to place a special order.

A survey by the AMA shows that doctors believe that prior authorization delays affect clinical outcomes for nine out of ten patients.[10] Furthermore, 92 percent of doctors believe that prior authorizations have led to delays in patient care.[11]<sup>[12]</sup> As a result, frustrations caused by dealing with insurance providers and feeling like you’re being run around in circles can “prompt almost [eight] in [ten] patients to abandon their prescribed course of treatment.”[13]

In addition to causing delay to patients in need of medical treatment, prior authorization also creates an undue burden on physician practices. 84 percent of

doctors feel that the burden of prior authorization on their practice is high or extremely high, and 86 percent believe that in the past five years, the burden has increased.[14] Studies show that interactions of physicians, nurses, and administrative workers with insurers cost \$82,975 annually per physician.[15] For a smaller practice, this can be fatal.

As a cost-control method, prior authorization may be effective in theory, but if pesky administrative delays are causing undue burdens to physicians and forcing people to abandon necessary treatment, then it is high time to think about ways to reform the process to make it easier on both the patient and the physician. Even the director of communications for America's Health Insurance Plans, Cathryn Donaldson, believes that "the prior authorization process can and should be improved." [16] Early last year, the AMA and other stakeholders like America's Health Insurance Plans and the Blue Cross Blue Shield Association announced a consensus statement to improve the prior authorization process.[17] The statement labeled five areas where there were opportunities for prior authorization reform: selective application of prior authorization, prior authorization program review and volume adjustment, transparency and communication regarding prior authorization, continuity of patient care, and automation to improve transparency and efficiency.[18] Furthermore, the AMA and Anthem are also collaborating to "streamline or eliminate low-value prior authorization requirements." [19]

Given the need for prior authorization in certain cases to control healthcare costs, reform efforts should focus on improving administrative processes involving payers while preserving the prior authorization program. Reform efforts should make the prior authorization process faster on the side of the insurance carrier and easier on the side of the provider. Insurance carriers and health care organizations should make prior authorization procedures electronic instead of having doctors fill out and fax in a number of different forms. This would remove a lot of administrative waste and time on the provider side. Furthermore, there must be more transparency on the status of each prior authorization request with updates that the physician and patient can access. Additionally, medical groups and insurers believe that "reviewing and eliminating prior authorizations for medications that no longer need it" and "protecting patient continuity of care even during changes in coverage or insurance providers" are important steps.[20]

While there is headway in making the prior authorization process easier on both physicians and patients, it is not happening fast enough. While I was on winter break from school when forced to spend a significant amount of time each day speaking with my insurance and pharmacy, most people do not have that luxury. Most, if not all, people, at some point in their life will need some kind of prescription medication. When insurance companies like mine make doctors jump through extra hoops (causing major delays with patient treatment), they are directly putting the health of millions of people at risk. We need to streamline and expedite prior authorization reform to reduce administrative waste in healthcare and keep our citizens healthy.

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[1]*Formulary versus Non-Formulary Prescription Drugs - What is the Difference?*, Buettner Insurance Agency, Inc., <http://www.biabenefit.com/formulary-versus-non-formulary-prescription-drugs/> (last visited Feb. 11, 2019).

[2]*Id.*

[3]*Prior Authorization: The Current Landscape*, American Medical Association, [https://www.ama-assn.org/sites/ama-assn.org/files/corp/media-browser/premium/psa/prior-authorization-toolkit\\_0.pdf](https://www.ama-assn.org/sites/ama-assn.org/files/corp/media-browser/premium/psa/prior-authorization-toolkit_0.pdf) (last visited Feb. 11, 2019).

[4]*How GoodRx Works*, GoodRx, <https://www.goodrx.com/how-goodrx-works> (last visited Feb. 21, 2019).

[5]*Zofran*, GoodRx, <https://m.goodrx.com/Zofran> (last visited Feb. 21, 2019).

[6]*Id.*

[7]Andis Robeznieks, *Prior Authorization Is a Major Practice Burden. How Do You Compare?*, American Medical Association (Apr. 6, 2018), <https://www.ama-assn.org/practice-management/sustainability/prior-authorization-major-practice-burden-how-do-you-compare>.

[8]*Id.*

[9]*Id.*

[10]*Id.*

[11]*Id.*

[12]Some consequences of prior authorization include “[d]elayed patient access to necessary therapies,” “[d]isruptions in practice workflow, resulting in inefficiencies and a reduction in physician time spent providing care,” and “[n]onpayment for provided services, as [prior authorization] requirements are often not identified until after treatment is already completed. *Supra*note 3.

[13]Serena Gordon, *‘Prior Authorization’ Insurance Requirements May Harm Patients, Doctors Say*, UPI (Mar. 19, 2018), <https://www.upi.com/Prior-authorization-insurance-requirements-may-harm-patients-doctors-say/2801521478547/>.

[14]*Id.*

[15]*Id.*

[16]*Id.*

[17]Consensus Statement from American Hospital Association, America’s Health Insurance Plans, American Medical Association, APhA, Blue Cross Blue Shield Association, and Medical Group Management Association on Improving the Prior Authorization Process (2018), <https://www.ama-assn.org/sites/ama-assn.org/files/corp/media-browser/public/arc-public/prior-authorization-consensus-statement.pdf>.

[18]*Id.*

[19]Kevin B. O’Reilly, *AMA, Anthem Try New Tack: Working Together to Improve Health Care*, American Medical Association (Mar. 2, 2018), <https://www.ama-assn.org/practice-management/private-payer/ama-anthem-try-new-tack-working-together-improve-health-care>.

[20]*Id.*