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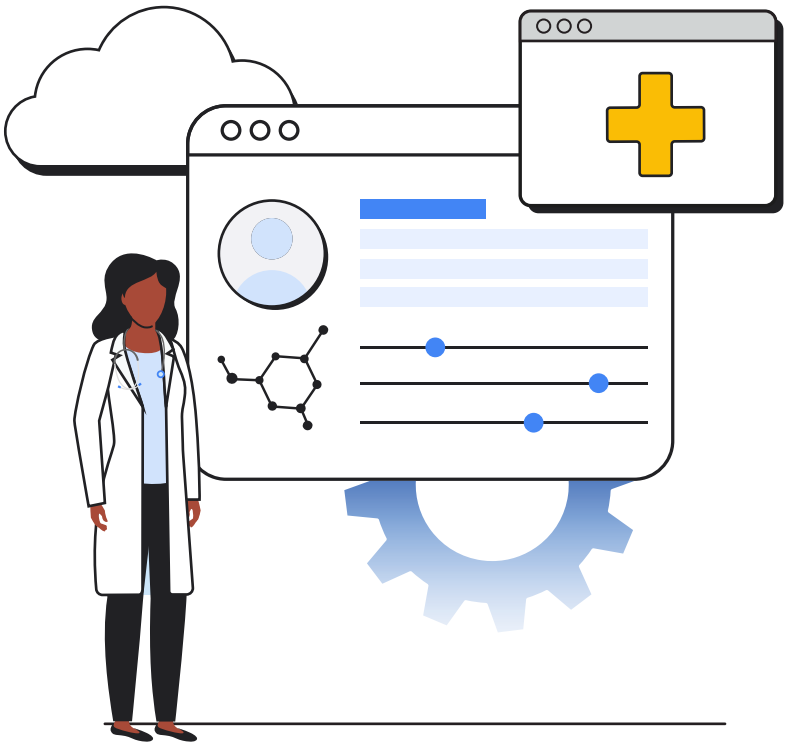
The Evolution of Prior Authorization in Healthcare

December 2021



Introduction

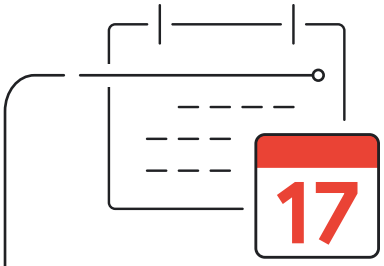
In recent years, we've seen a range of legislative rules and proposed changes to reduce provider and patient burden relative to Prior Authorization (Prior Auth).

These efforts represent an ongoing battle to standardize and automate the Prior Auth process. Put into place to avoid unnecessary medical care, prescription drugs, and to prevent undue cost, Prior Auth rules are set by CMS and health plans. However, many providers feel Prior Auth is overused and can result in patient care delays.

Before third-party financing of individual health services, Americans were responsible for their medical expenses. When patients could not cover the cost, providers absorbed it with assistance from local governments, religious groups, and private charities.

The federal government became interested in healthcare cost containment in the 1960s, developing provider-based utilization management (UM) to constrain the overuse of services and prescription drugs within Medicare and Medicaid programs.

Today, the system relies on Prior Auth, a UM program, used by Medicare and Medicaid but also deployed widely across commercial health plans. The program addresses the administrative steps in ensuring coverage in advance of care provision. Although the steps involved are relatively straightforward (submit, review, approve/deny), the process is anything but.



Pre-1930s
Medical expenses were borne by the individual or the provider and society at large.

1940s
By the end of the Second World War, 30 million Americans were covered by private hospital or employment-based insurance.

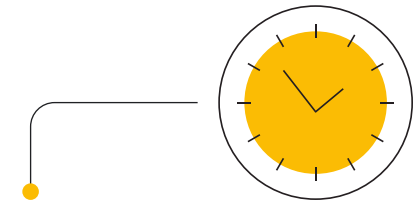
1960s
The federal government rolled out Medicare and Medicaid programs.

1970s
Physician-controlled community organizations (PSROs) were implemented to help control costs and improve care.

Present-day
Prior Auth is used to manage the administrative steps in the UM claims approval process.

The pain of prior authorization

Implemented with the best intentions, Prior Auth often impedes the very system it is built to support. Due to manual workflows, it takes excessive time to obtain authorization for medical services and pharmacy orders. This creates delays in providing care to patients, placing an unnecessary burden on clinicians and the administrative resources supporting them.



92%

of care delays are due to Prior Auth issues

Providers

- Managing Prior Auth across multiple payers is confusing and time-consuming.
- 84% of providers consider Prior Auth a high or extremely high burden.[1]

Plans

- The process costs ~$50c PMPM. For a cohort of 1M patients/members, that's $500k / month.[2]
- 80% of case reviews involve unnecessary or automatable reviews.[3]

Members

- 25% of members express that Prior Auth is a leading source of frustration with their plan.
- Prior Auth is responsible for an average of three days delay[4] in care, in some cases extending up to 3 weeks.

The heavy administrative burdens of Prior Auth present additional strains to the system, with providers reporting that 50% of their administrative costs are related to billing and insurance.[5]

1. Source: Thomas Beaton, "Prior Authorization Issues Contribute to 92% of Care Delays (Health Payer Intelligence, 2018)
2. Source: Sherlock Benchmarks 2018
3. Source: Deloitte Analysis 2021
4. Source: Sara Health, "91% of Docs Say Prior Authorization Delays Patient Care Access" (Patient Engagement HIT, 2019)
5. Source: The Center for American Progress, "Excess Administrative Costs Burden the U.S. Health Care System," April 2019

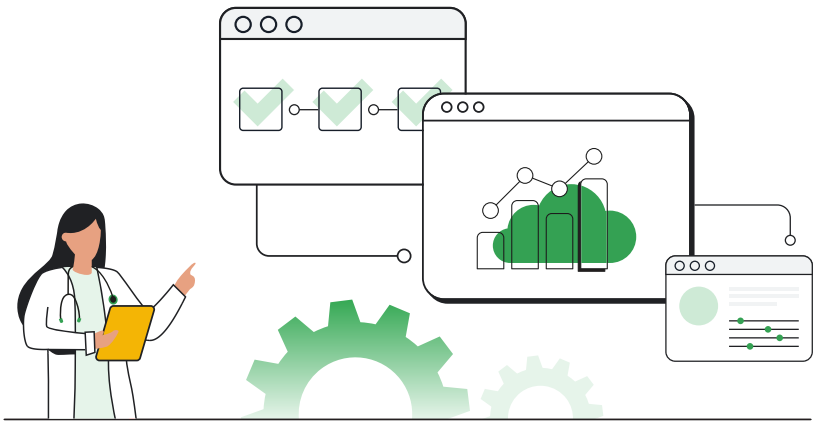
Modernizing healthcare with AI and automation

The greatest inefficiencies with Prior Auth stem from the inability to streamline communications and information flow across plans and providers, as well as a reliance on manual workflows. Fortunately, we have technology for this.

Automated Prior Authorization service provided by the ConvergeHEALTH CareClarity(tm) Suite, a solution from Deloitte, powered by Google Cloud, addresses these challenges, applying artificial intelligence (AI), rules-based decisioning, robotic process automation, and machine learning (ML) to streamline and expedite the approvals process. By removing most of the administrative overhead and manual workflows, Prior Auth decisions are issued in near real time.

Automated Prior Authorization is a fully interoperable, standards-based solution that runs on the Google Cloud platform. It uses healthcare APIs and FHIR best practices to integrate with the provider's EHR systems.

> Google is excited to partner with Deloitte to automate and disrupt the Prior Authorization process. Leveraging Google's Healthcare Data Engine to ingest, harmonize and analyze data from multiple systems, the solution will transform the prior authorization process and, ultimately, improve the patient, caregiver and administrator experience."
>
> **Amy Waldron,** Global Health Plan Solutions Leader, Google Cloud



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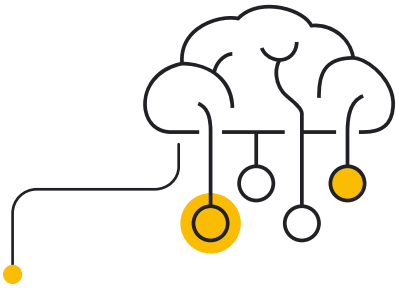
Efficiencies for everyone

The solution drives direct and meaningful efficiencies for all stakeholders. Providers can create and submit Prior Auth requests using digital and easy-to-use workflows. Payers benefit from automated processes that review and approve Prior Auth requests in real-time with minimum human intervention. With an expedited decisioning process, patients receive timely care.



$454M

Savings to the industry by using Automated Prior Authorization[7]

Providers

- Interoperability standards (FHIR Da Vinci, CDS Hooks) clarify PA requirements in advance
- Reduce denied claims by 4.5%; cut related written-off bad debt claims by 2%
- Eliminate the need for manual reviews by a nurse/ physician from 80% of cases[3]

Plans

- Accelerate response times and reduce administrative work through automated decisioning
- Lower prior auth-related call center volumes by 30-50%[3]
- Cut medical expenses by up to 25% for cases re-directed from non-adherent care towards less costly alternatives[6]
- Reduce plan administrative expense by 5-10%[3]

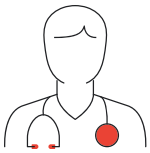
Members

- Reduce turnaround times for Prior Auth claims
- Improve time to care
- Improve overall healthcare experience

3. Source: Deloitte Analysis 2021
6. Source: Benjamin Harris, "Fixing Healthcare Revenue Leaks", (Healthcare Finance, Oct. 2014)
7. Council for Affordable Quality Healthcare, Inc. (CAQH), "Why Greater Harmonization Across the Industry is Needed" 2019

Prior Authorization transformed

All stakeholders will benefit from Automated Prior Authorization. Existing systems and workflows will evolve with digital, real-time capabilities, while new and innovative programs will be easier to implement and support.



Providers

Simplified and digital workflows: Rulesets for health plans constantly change, forcing providers to follow up with insurance companies for current information. Automated Prior Authorization digitizes all rulesets so they are available to the provider at the moment. It also pulls data from the EHR system to populate the claim, reducing the administrative burden while ensuring accuracy. A questionnaire for any remaining open fields and relevant attachments is automatically generated for the provider to complete.

First-try submissions: Providers would often submit an incomplete claim due to a lack of clarity in the ruleset. The claim would be rejected by the plan and returned to the provider, who would have to restart the process, often with no insight into what was missed. Automated Prior Authorization uses digitized data and proper rulesets for an accurate and complete submission on the first try.

Real-time status checks: Following up on a Automated Prior Authorization request is time-consuming, with providers spending an excessive amount of time on the phone with the plan's call centers. Automated Prior Authorization provides an interactive dashboard so the provider can monitor the status of requests submitted, introducing a layer of transparency that didn't exist previously.

> The impact of technology and data to modernize healthcare is a major driver, it will bend the cost curve and disrupt the current model. Providers cannot achieve these results while handling things manually. They're not going to get the cost impacts that Automated Prior Authorization can achieve."
>
> **Michael McCallen,** Managing Director Healthcare Strategy, Deloitte Consulting LLP

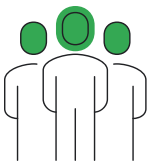
Plans

Reduced operational overhead: Properly completed submissions that follow the appropriate ruleset eliminate much administrative work. With providers self-serving to obtain status updates via the Automated Prior Authorization dashboard, call center traffic will be reduced substantially.

Higher value work for expert resources: Nurses and physicians are expensive resources who spent a good deal of time reviewing claim submissions. With AI and ML, it's estimated that 80% of reviews currently managed manually will convert to an automated approval process, freeing up the experts to focus on more complicated reviews.

Support for the future: Automated Prior Authorization digitization will enable health plans to use the Prior Auth engagement as a trigger for broader care management programs. For example, some groups have health plans for specific advocacy groups that receive a care concierge member-facing service. Within diabetes care, Prior Auth could provide additional digitized information to increase the program's effectiveness, helping the health plan succeed in achieving its broader care management goals.

> Cloud technology is key to securely unlocking the value of information in payor and provider systems, enabling needed collaboration at scale. Our streamlined interoperability and AI/ML processing capabilities tailored to healthcare are reducing administrative burdens and time to care, while freeing up resources to address additional health needs in our communities."
>
> **Amy Waldron,** Global Health Plan Solutions Leader, Google Cloud



Members

Improved communication: With the Automated Prior Authorization dashboard, providers receive approvals immediately so proposed treatment plans can be confirmed and implemented. In the future, this efficient communication model could be extended to the patient, with Automated Prior Authorization sending approvals directly to the patient via text message.

Faster time to care: With near real-time approvals, patients have more time to discuss costs and care options with their healthcare provider, for a thoughtful and collaborative approach to their healthcare needs.

Streamlined resubmissions: Most insurance plans require a Prior Auth for an ongoing procedure or treatment annually. This means a new submission for the patient and another cycle of waiting for the process to complete. Automated Prior Authorization automates the reapproval process, leveraging real-time capabilities so treatment plans can be maintained without interruption.

Access to new care options and innovations: As payers and providers improve collaborations, Prior Auth information may trigger opportunities for access to new care programs, trials, and studies being funded to support population health needs.

We need an infusion of new data and new technology that can disrupt today's system and make it much simpler, much more straightforward. This is what will get us to a better healthcare model. Automated Prior Authorization is a core building block of how that future will look."

Michael McCallen, Managing Director Healthcare Strategy, Deloitte Consulting LLP

The power of healthcare data

AI and ML technologies rely on large stores of data to work optimally. Fortunately, the healthcare system is rife with it. But without tapping into cloud-based healthcare technology solutions, this data is not easily accessible. For example, many providers still fax Prior Auth submissions.

By digitizing Prior Auth workflows, the data is available in a much more structured and accessible format, enabling AI and ML processes to identify new insights. The more submissions processed, the faster and more accurate Automated Prior Authorization will become.

As Automated Prior Authorization increases in consistency and predictability, fewer reviews by nurses and doctors will be needed, effectively removing the human from most review cycles.

How will we get there?

As with any substantial shift in technology and service, it's best to start with a small pilot, gauge the impact, then accelerate to a fuller scale deployment. Pilots can be implemented by a Provider or a Payer to support Prior Auth workflows between both stakeholders.

Initial pilots must be tightly scoped and designed to optimize the measurement of value relative to operating efficiency, payer/provider/member experiences, and other meaningful outcomes. These results will continue to improve as the Automated Prior Authorization process gains momentum and the AI and ML capabilities are refined.

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Automated Prior Authorization by Deloitte, Powered by Google Cloud

Automated Prior Authorization decreases time to treatment, enhances the provider experience, and widens access to care while reducing costs.

By leveraging the efficiencies of modern technologies such as AI and ML, Automated Prior Authorization will truly drive meaningful change within the US healthcare system.

For more information, please contact your Deloitte/Google Cloud representative or read more about Deloitte and Google Cloud.