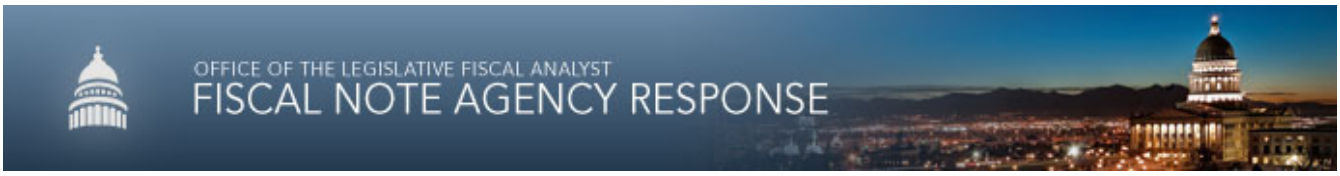

PEHP Response

Submitted 02/26/2018 14:17:01

SB0224 - Medical Treatment Prior Authorization

Any Fiscal Impact - yes — Updated 02/26/2018 13:57:02 by Shelley Wiseman

Please see attached.

PEHP - no — Updated 02/26/2018 14:13:04 by Shelley Wiseman

State Revenue - no — Updated 02/26/2018 13:57:12 by Shelley Wiseman

Local Government - no — Updated 02/26/2018 13:57:05 by Shelley Wiseman

Business / Individual - no — Updated 02/26/2018 14:13:00 by Shelley Wiseman

Attachments

FI_SB 224 022618 v2.pdf

SB 224 (Vickers, E) Anticipated Fiscal Impact:

Total Estimated Cost to the State Health Insurance Pool $25.005M.

Summary:

SB 224 places limitations and requirements on how health insurance companies can use prior authorizations.

Health insurance companies use prior authorizations to ensure medical services, including RX, are necessary and appropriate for patients and to also determine when a less costly alternative may be advisable.

There are many aspects under which SB 224 would increase costs to the State Health Insurance Pool. This list represents PEHP's best initial estimate on separate provisions in the bill. It is possible there would be an overlap in costs if all provisions were enacted. Approximately:

- $25,000 to update PEHP's claims processing system to create a database for tracking the last five-years of prior authorizations in detail. Most of the system is in place but changes would have to be made to capture all of the information required by SB 224.

- $260,000 to add staff to process prior authorization requests within the time frames required by the bill. This would include two prior authorization specialists and a nurse.

- $495,000 to seek outside medical review of denied preauthorization claims. An expediated medical review currently costs $235 and PEHP denied 3819 prior authorizations in 2017 of which approximately 55% involved state employees.

- $225,000 for requiring a preauthorization to last for a year and only allowing it to be amended after 45 days. This would negatively impact an estimated 4% of PEHP approved prior authorizations.

- $1,050,000 for requiring PEHP to authorize a service if the provider has a prior approval rate of at least 90%. This is a rough approximation based on denied claims that would be paid inasmuch as PEHP doesn't currently track authorizations at the CPT Code level.

- $450,000 in first-year expenses to outsource a secure, electronic platform for receiving and processing prior authorizations. This is consistent with PEHP's experience with IT bids of similar size and scope.

- $22,500,000 for eliminating step therapy at the option of the treating provider. PEHP recognizes a savings of about 12% in RX spend due to step therapy that would be lost. PEHP would also lose substantial RX rebates from directing utilization. Further, PEHP would lose about 6% in medical spend.

Last Updated 2/26/2018