

March 20, 2023

The Honorable John McKeon  
Chairman  
Financial Institutions and Insurance Committee  
New Jersey Assembly  
221 Main St.  
Madison, NJ 07940

Re: AMA support for Assembly Bill 1255

Dear Chairman McKeon:

On behalf of the physician and student members of the American Medical Association (AMA), I write to state our strong support for Assembly Bill 1255 (A1255). This legislation appropriately targets the most glaring flaws in the prior authorization process which threaten patients' health outcomes, rob physician practices of valuable time and resources, and increase costs in the health care system. I strongly urge the Financial Institutional and Insurance Committee to approve A1255 to right-size the prior authorization process.

**Prior authorization reform is needed.**

The AMA frequently hears from both physicians and patients about delays in care that result from prior authorization requirements. [AMA survey data](#) released earlier this month show that 94 percent of physicians report care delays because of prior authorizations. The same survey found that 89 percent of physicians saw prior authorization as having a negative effect on their patients' clinical outcomes and 80 percent of the physicians surveyed indicated that patients abandon treatment due to authorization struggles with health insurers. Alarming, AMA data also show that **33 percent of physicians report that prior authorization has led to a serious adverse event for a patient in their care, such as hospitalization, permanent impairment, or death.**

In addition to the harmful individual patient impact, there is no economic rationale for the volume of prior authorizations. Costs to the health care system due to prior authorization are playing out in physician practices all over New Jersey. For example, physician offices find themselves using inordinate amounts of staff time and resources submitting prior authorization paperwork to justify medically necessary care for their patients to health plans. In fact, AMA survey data show that, on average, physician practices complete 45 prior authorizations *per physician per week*. **This adds up to nearly two business days, or 14 hours, each week dedicated to completing prior authorizations.**

Moreover, prior authorization leads to increased health care resource utilization by preventing patients from receiving the right care at the right time. **AMA survey data found that 64 percent of physicians report that prior authorization has led to ineffective initial treatments, 62 percent report that prior authorization has resulted in additional office visits, and 46 percent report immediate care or emergency room visits because of prior authorization requirements.**

Finally, by delaying care, undercutting recovery, and reducing the stability of patients' health, excessive prior authorization requirements increase workforce costs as patients miss work or may not be as productive in their jobs. For example, AMA survey data show that of physicians who treat patients between the ages of 18 and 65 currently in the workforce, 58 percent report that **prior authorization has interfered with a patient's ability to perform their job responsibilities**. While health plans undoubtedly see prior authorization as a cost-saving tool used to reduce spending on medically necessary care, the costs to patients, physician practices, employers, and the health care system are unjustifiable.

**A1255 will improve patient outcomes and increase transparency.**

A1255 is a well-balanced approach to right-sizing the prior authorization process that incorporates many reform proposals that have been successfully enacted in other states. Most importantly, this legislation would go a long way in reducing patient harm as a result of prior authorization requirements by:

- Decreasing delays in care that too often lead to adverse outcomes for patients by establishing reasonable response times for prior authorization decisions and preventing unnecessary repeat prior authorization for patients with chronic conditions or long-term adherence to a medication;
- Increasing continuity of care for patients when they switch health plans while stable on treatment, when a plan changes its prior authorization requirements, and through dosage changes;
- Ensuring that physicians can override step therapy protocols when they are not in the best interest of patients; and
- Reducing the volume of prior authorization requirements through, for example, the removal of such requirements on low-cost, generic medications.

Additionally, A1255 would increase the clinical integrity of prior authorization decisions by ensuring a standard definition of "medical necessary health care services" across health plans in New Jersey. Critically, this bill would also ensure that only physicians licensed in New Jersey in the same specialty as the treating physicians, and with experience treating the medical condition being requested, have the ability to deny care. If we are to believe there is clinical justification for prior authorization requirements, then we must also believe that determinations of medical necessity that are contrary to the treating physician's determination should be made by an equally qualified and experienced physician.

Finally, A1255 would increase the transparency of prior authorization requirements for patients, physicians and other stakeholders through the posting of requirements, notice of changes, and access to basic prior authorization data. These provisions will help patients make informed decisions about their health insurance and improve providers' access to requirements.

**A1255 will complement other state and federal reform efforts.**

There is significant momentum behind prior authorization reform in states across the country, with nearly 25 states currently considering legislative or regulatory solutions. Additionally, over the last several years, dozens of states have enacted laws that address the same concerns as those addressed in A1255 including prior authorization delays that lead to patient harm, a lack of transparency in the process, and the overwhelming volume that is threatening access to clinical care and draining our physician workforce. Moreover, many states that have implemented prior authorization reforms in the past, such as Maryland, Colorado, Washington, Georgia, Texas, Arkansas, Iowa, Kentucky, and Minnesota, returned last year or are returning this year to consider additional reforms, recognizing the low-cost and high value of continually improving this process for patients.

The Honorable John McKeon

March 20, 2023

Page 3

Finally, A1255 would also complement proposed prior authorization reforms at the federal level. Recently, the Centers for Medicare & Medicaid Services (CMS) proposed changes to Medicare Advantage (MA) plans' prior authorization programs that, like A1255, address the clinical validity and transparency of prior authorization requirements, as well as continuity of care and the qualifications of those making adverse determinations. CMS also included a proposed *recommendation* that MA plans develop an exemption process for physicians who receive consistently high prior authorization approvals. In another proposed rule, CMS has proposed faster response times, reporting of prior authorization data, and additional transparency requirements for MA plans, Medicare, Medicaid, and some specific qualified health plans. Despite alarms being sounded by those who may not want to see prior authorization reform efforts succeed, A1255 would not conflict with or undercut prior authorization reforms being proposed at the federal level. Instead, it would help support the momentum toward right-sizing these programs across health insurance markets.

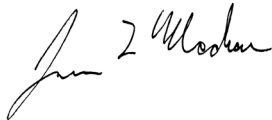
### **Conclusion**

The AMA supports enactment of A1255, and we respectfully urge you and members of the Financial Institutions and Insurance Committee to vote in support of it as well. A1255 will improve the clinical outcomes of patients in New Jersey, while also reducing wasted health care resources that are inherent in prior authorization programs.

Please contact Emily Carroll, Senior Attorney, AMA Advocacy Resource Center, at [emily.carroll@ama-assn.org](mailto:emily.carroll@ama-assn.org), with any questions.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim L. Madara".

James L. Madara, MD

cc: The Honorable Sterley Stanley  
Honorable Members of the Financial Institutions and Insurance Committee