AMA
AMERICAN MEDICAL ASSOCIATION

James L. Madara, MD
CEO, EXECUTIVE VICE PRESIDENT

james.madara@ama-assn.org

April 24, 2023

The Honorable Kristin Baker
North Carolina General Assembly
300 N. Salisbury Street, Rm. 306A3
Raleigh, NC 27603-5925

The Honorable Larry W. Potts
North Carolina General Assembly
300 N. Salisbury Street, Rm. 307B1
Raleigh, NC 27603-5925

The Honorable Timothy Reeder, MD
North Carolina General Assembly
300 N. Salisbury Street, Rm. 537
Raleigh, NC 27603-5925

The Honorable Wayne Sasser
North Carolina General Assembly
300 N. Salisbury Street, Rm. 529
Raleigh, NC 27603-5925

Re: AMA Support for House Bill 649

Dear Representatives Baker, Potts, Reeder, and Sasser:

On behalf of the physician and student members of the American Medical Association (AMA), I write to state our support for House Bill (HB) 649, legislation to improve the utilization review process, including the prior authorization process, and to thank you for your commitment to addressing this important issue. Your legislation would go a long way in reducing the burden and harm of utilization review requirements on patients and physicians.

Utilization management: Impact on patients

As health plans continue to use utilization management programs as a means of reducing their immediate costs under the guise of managing care, the AMA is hearing from both physicians and patients about dangerous delays in care that result from these requirements.

The AMA recently released survey data that examines the impact of one of the most common utilization management practices, prior authorization. Our survey shows that 94 percent of physicians report care delays because of prior authorizations. These delays directly impact patients' health as the same survey found that **89 percent of physicians surveyed saw prior authorization as having a negative effect on their patients' clinical outcomes** and 80 percent indicated that patients abandon treatment due

to prior authorization struggles with health insurers. Alarmingly, 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**. Given this data, it is hard to imagine how we, as a society, can permit health insurers to continue their prior authorization programs when patients are so clearly being harmed by these requirements.

Utilization management: Costs to physician practices

Costs to the health care system due to prior authorization and other utilization management requirements are playing out in physician practices across North Carolina. Physician offices find themselves using inordinate amounts of staff time and resources submitting paperwork to justify to health plan bureaucrats, medically necessary care for their patients. **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 just completing prior authorizations. Moreover, 35 percent of physicians have staff who work *exclusively* on prior authorizations.

Further, an intangible, but very real cost of utilization management is the moral harm to physicians who are struggling to hire staff for their practices, get back on their feet following the pandemic, and focus on what they were trained to do—provide care to patients. Rather than focusing on patient care, physicians are being forced to accommodate endless health insurer requirements that dictate how they treat their patients and recklessly intrude into the patient-physician decision making process. The country is facing a looming physician workforce shortage and data suggest that one in every five physicians is planning to leave practice within two years. To be clear, physicians are burnt out and administrative burdens, especially prior authorization, play a major role in that burn out, as 88 percent of physicians describe the burden associated with prior authorization as high or extremely high.

Utilization management: Economic and societal costs

In addition to the harmful individual patient impact, there is no economic rationale for the volume of utilization management requirements. For example, 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.

Additionally, by delaying care, undercutting recovery, and reducing the stability of patients' health, excessive utilization management 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.

HB 649 will right-size the utilization management process

HB 649 addresses several of these utilization management problems through reasonable reforms that many states have already enacted. For example, the legislation would help protect patients from the delays and harm associated with these requirements by reducing the frequency for which prior authorizations are required. Patients with chronic conditions or long-term diseases would especially benefit, as repeat prior authorization for treatment which they already receive would be prohibited.

The bill would also reduce the time for which patients wait for health plan decisions—down to 24 hours for urgent care requests and 48 hours for other care—improving health outcomes for those most in need of expedient care. Moreover, patients switching health plans would not be immediately subject to new utilization management requirements and resulting delays, helping to prevent gaps in care on which patients may be reliant and stable. This provision could be particularly important for those current Medicaid recipients as they transition to other coverage during the unwinding of the Medicaid continuous enrollment provision.

HB 649 will also ensure that when care is denied, it is done so by a licensed physician of the same or similar specialty, which will likely reduce the number of inappropriate denials and the need to pursue appeals. The legislation would also increase the transparency of utilization management processes. For example, it compels clarity on health plans' prior authorization requirements and provides a requirement that plans post their prior authorization statistics online—e.g., approval, denial, and appeal rates—perhaps helping lawmakers and other stakeholders make targeted reforms in the future.

Finally, HB 649 would target the growing volume of utilization management requirements that are straining physician practices and reducing time spent on patient care by establishing an exemption program for physicians with high rates of approvals.

Because of these, and many more reforms in this bill, enactment of HB 649 is of critical importance to North Carolina patients, physician practices, and our society.

Next steps

The AMA appreciates your commitment to improving the utilization management process and stands ready, along with our colleagues at the North Carolina Medical Society, to work with you towards passage of HB 649. If we can be of any assistance, please contact Emily Carroll, Senior Attorney, Advocacy Resource Center, at emily.carroll@ama-assn.org.

Sincerely,

James L. Madara, MD

cc: Members of the Health Committee
North Carolina Medical Society