AMA
AMERICAN MEDICAL ASSOCIATION

James L. Madara, MD
CEO, EXECUTIVE VICE PRESIDENT

james.madara@ama-assn.org

August 3, 2022

The Honorable Chris R. Holden
Chair, Assembly Appropriations Committee
1021 O Street, Suite 8220
Sacramento, CA 95814

Re: AMA Support for Senate Bill 250

Dear Chairperson Holden:

On behalf of the physician and student members of the American Medical Association (AMA), I write to state our support for Senate Bill (S.B.) 250. This legislation appropriately targets the increasing volume of prior authorizations that continues to threaten patients' health outcomes, rob physician practices of valuable time and resources, and increase costs in the health care system. I strongly urge your committee to approve. S.B. 250 to right size the prior authorization process.

The AMA has long been concerned about the prior authorization process and its negative impact on patients, as we frequently hear from both physicians and patients about delays in care that result from these insurer protocols. In fact, recent AMA survey data show that 93 percent of physicians report care delays because of prior authorizations. AMA data also show that 34 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. Not surprisingly, the same survey found that 91 percent of physicians see prior authorization as having a negative effect on their patients' clinical outcomes and 82 percent of the physicians surveyed indicated that patients abandon treatment due to authorization struggles with health insurers.

In addition to the harmful individual patient impact, there is no economic rationale for the volume of prior authorization. Costs to the health care system due to prior authorization are playing out in physician practices all over California. 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 41 prior authorizations *per physician per week* and that 40 percent of physicians report that there are staff members in their offices that exclusively work on prior authorizations. This adds up to nearly two business days, or 13 hours, each week – dedicated to completing prior authorizations. It is also important to recognize that these prior authorization burdens continue to place administrative pressure on physician practices as they face staff shortages and attempt to regain their footing following the COVID-19 pandemic.

Moreover, 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, more than half 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.

In 2018, in what looked like progress, health plan associations recognized the need to reduce the burden of prior authorization and agreed to pursue a series of improvements to the prior authorization process in a joint consensus statement with the AMA, American Hospital Association, American Pharmacists Association, and Medical Group Management Association. First among these agreed upon principles is "selective application of prior authorization," stating that, "criteria for selective application of prior authorization requirements may include, for example, ordering/prescribing patterns that align with evidence-based guidelines and historically high prior authorization approval rates." Unfortunately, no meaningful progress has been made with regard to the consensus statement, as evidenced by recent AMA survey data, including the first provisions on selective application. Specifically, only 9 percent of physicians report contracting with health plans that offer programs that exempt providers from prior authorization. Meanwhile, a strong majority (84 percent and 84 percent respectively) of physicians report that the number of prior authorizations required for prescription medications and medical services has increased over the last five years.

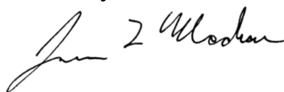
S.B. 250 is a targeted and reasonable approach to reducing the volume of these harmful prior authorization requirements. It recognizes prior authorization processes are best used judiciously by requiring that those physicians with high prior authorization approval rates (90 percent) receive an exemption from such health plan requirements. This reduction in volume would mean fewer prior authorizations standing in the way of patient's timely access to care and less burden on many physician practices.

Additionally, S.B. 250 will ensure that the development of a health plan's prior authorization criteria involves practicing physicians. This provision will be critically important to the value of the exemption process, as prior authorization criteria will more accurately reflect evidence-based standards and clinical guidelines.

Finally, S.B. 250 will guarantee that a physician can appeal a prior authorization denial to another physician of the same or similar specialty. If we are to believe there is any 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.

Therefore, the AMA again states its strong support for S.B. 250 and respectfully urges your committee to vote "aye" on this legislation to protect patients and health care resources in California. We look forward to working with our colleagues at the California Medical Association and Members of the California Legislature toward enactment. If you have any question or need more information, please contact Emily Carroll, Senior Attorney, at emily.carroll@ama-assn.org. Thank you for your consideration.

Sincerely,



James L. Madara, MD

cc: The Honorable Members of the Assembly Appropriations Committee
The Honorable Richard Pan, MD
California Medical Association
Jack Resneck, Jr., MD
David H. Aizuss, MD
Toluwalaṣé A. Ajayi, MD
Drayton Charles Harvey