National Committee on Vital and Health Statistics (NCVHS)
Subcommittee on Standards - Review Committee
Hearing on Adopted Transaction Standards, Operating Rules, Code Sets & Identifiers

Panel 3 – Prior Authorization

The National Council for Prescription Drug Programs (NCPDP) is a not-for-profit ANSI-Accredited Standards Development Organization (SDO) consisting of more than 1,500 members who represent drug manufacturers, chain and independent pharmacies, drug wholesalers, insurers, mail order prescription drug companies, pharmaceutical claims processors, pharmacy benefit managers, physician services organizations, prescription drug providers, software vendors, telecommunication vendors, service organizations, government agencies, professional societies, and other parties interested in electronic standardization within the pharmacy services sector of the healthcare industry. NCPDP provides a forum wherein our diverse membership can develop solutions, including ANSI-accredited standards, and guidance for promoting information exchanges related to medications, supplies, and services within the healthcare system.

In 2009, NCPDP standards were adopted for the following retail pharmacy drug transactions: health care claims or equivalent encounter information; eligibility for a health plan; referral certification and authorization, coordination of benefits; and Medicaid pharmacy subrogation. In the Modifications final rule, HHS adopted the NCPDP Telecommunication Standard Implementation Guide, Version D, Release 0 (hereinafter referred to as Version D.0) and equivalent NCPDP Batch Standard Implementation Guide, Version 1, Release 2 (Version 1.2) in place of the NCPDP Telecommunication Standard Implementation Guide, Version 5, Release 1 (Version 5.1) and equivalent NCPDP Batch Standard Implementation Guide, Version 1, Release 1 (Version 1.1), for the HIPAA retail pharmacy drug transactions.

Since the completion of Version D.0, 15 new versions of the Telecommunication Standard have been created as a result of 33 Data Element Request Forms (DERFs) and 104 DERFs requesting changes to the NCPDP External Code List (ECL) being submitted and approved by the members of NCPDP. 92 data elements have been added of which 34 were added for controlled substance reporting which is not a named HIPAA transaction and 12 data elements have been sunsetted. 121 instances of existing data elements had values added, redefined or renamed. 140 reject codes were added and 77 reject codes were sunsetted.

NCPDP members use the Version D.0 prior authorization request and billing, prior authorization reversal, prior authorization inquiry, and the prior authorization request only transactions (P1/P2/P3/P4) and the *ASC X12 Standards for Electronic Data Interchange Technical Report 3 (TR3) - Health Care Services Request for Review and Response (278)*, April 2008, ASC X12N/005010X217E1 (hereinafter

referred to as X12N 278). In addition, the NCPDP SCRIPT Electronic Prior Authorization (hereinafter referred to as ePA) transaction is used for the exchange of prior authorization information between prescribers and processors for the pharmacy benefit.

The Version D.0 prior authorization transaction (P1) is sent from the pharmacy provider to the processor to request simultaneous adjudication/capture of the transaction by the processor upon approval of the prior authorization. This transaction allows the prior authorization function and the adjudication/capture function to happen within one request. The Version D.0 prior authorization transaction (P4) is sent from the pharmacy provider to the processor to request a prior authorization only and excludes the processing of the claim or service. The Version D.0 prior authorization transaction (P2) is used to reverse (back-out) a previously submitted prior authorization request and the P3 transaction is used to inquire the status of a prior authorization request.

The X12N 278 is used by the prescriber to request a prior authorization of a medication, supply or service covered under the pharmacy benefit.

The ePA transaction is used by the prescriber to request a prior authorization of a medication, supply or service covered under the pharmacy benefit.

NCPDP members were surveyed and conference calls were held to obtain input to the questions posed by the Review Committee.

Value

- *Overall, does the currently adopted **transactions** meet the current (and near-term) business needs of the industry? Please provide as much as possible any evidentiary information (qualitative or quantitative) to support your viewpoints*
- *Overall, do the **standards, code sets, and identifiers** adopted for each transaction meet the current (and near-term) business needs of the industry? Is the industry achieving the intended benefits from the transactions and their corresponding standards, code sets and identifiers? Please provide as much as possible any evidentiary information (qualitative or quantitative) to support your viewpoints*
- *Have there been any studies, measurement or analysis done that documents the extent to which the transactions and their corresponding standards, code sets and identifiers, as adopted and in use, have improved the efficiency and effectiveness of the business processes? Please provide, as much as possible, information for specific transactions.*

For the most part, the NCPDP Version D.0 P1/P2/P3/P4 transactions meet the pharmacy business needs for prior authorizations initiated by the pharmacy. Workarounds have been developed to support the business requirements not met in the currently adopted version.

Workarounds, flexibility to meet ongoing business needs without moving to a new version of the standard, and the time it takes to adopt a new version of a HIPAA adopted standard was the impetus to develop an external code list process. In August 2002, the membership of NCPDP voted to move all internal data element code sets maintained by NCPDP to external code lists (ECL) maintained by NCPDP. To achieve consistency and standardization across all industry participants, a recommended adoption of

an annual ECL implementation schedule to incorporate up to four (4) ECL publications each year was enacted in October 2003. In November 2010, an expedited implementation of values added to the ECL that are specific to regulatory requirements, an Emergency ECL Value Exception process was developed. While the normal quarterly ECL publication process is followed, these "emergency approved" values are published and tracked in a separate document referred to as the Emergency Telecommunication ECL Value Addendum.

While the above process does not address new data elements or new/modified situational rules, it has provided the pharmacy industry participants with the means to address many business needs without moving to a new standard. Also, incorporated by reference in the Version D.0 guide is the *Telecommunication Version D and Above Questions, Answers and Editorial Updates* document. This document provides a consolidated reference point for questions that have been posed based on the review and implementation of Version D.0 and above, the Data Dictionary, and the External Code List. This document also addresses editorial changes made to these documents and questions which were not specifically addressed in the guide or could be clarified further.

The X12N 278 transaction does not meet the business needs to support medication prior authorization because it does not accommodate the information necessary to facilitate the prior authorization.

Volume

- *What is the current volume / percentage / proportion of business transactions being conducted electronically (each transaction) using the adopted standard?*

NCPDP members reported the following monthly volume ranges.

Version D.0: 22,000,000 transactions per month
X12N 278: limited number of transactions per month for pharmacy

Barriers

- *Are there any known barriers (business, technical, policy, or otherwise) to using the transactions, standards, or operating rules?*
- *Is there any perceived or qualified degrees of variability in stakeholders' usage of adopted transactions and operating rules?*

	Extremely Variable	Moderately Variable	Slightly Variable	Not Variable
Telecommunication - Prior Authorization	12.50%	0.00%	12.50%	6.25%
ASC X12N 278 Prior Authorization Request and Response	6.25%	0.00%	6.25%	12.50%

- *What is the qualified or quantified degree of difficulty in adopting and expanding the usage of the transactions and operating rules*

	Extremely Difficult	Moderately Difficult	Slightly Difficult	Not Difficult

Telecommunication - Prior Authorization	6.67%	20.00%	6.67%	6.67%
ASC X12N 278 Prior Authorization Request and Response	6.67%	6.67%	6.67%	6.67%

Barriers that have been identified are typically addressed through developing a workaround and submitting a *Data Element Request Form* (DERF) to modify the next version of the standard.

Not all processors have implemented the Version D.0 prior authorization transactions. Pharmacies are forced to use a web portal, fax, or telephonic request to obtain a prior authorization.

The X12N 278 transaction does not meet the business needs to support medication prior authorization because it does not accommodate the information necessary to facilitate the prior authorization. In addition, multiple ASC X12N transactions (ASC X12 275 and ASC X12 277RAI) are typically required to implement a complete prior authorization solution.

Alternatives

- *Are there any known perceived or qualified availability and acceptance of other methods / approaches in achieving the same goal which the adopted transactions and operating rules intend to deliver*

The NCPDP SCRIPT Electronic Prior Authorization(ePA) transaction is used for the exchange of prior authorization information between prescribers and processors for the pharmacy benefit.

In the NCVHS May 15, 2014 letter to the Secretary of HHS, 2 recommendations were made by the committee. Recommendation 1: HHS should name the NCPDP SCRIPT Standard Version 2013101 Prior Authorization transactions as the adopted standard for the exchange of prior authorization information between prescribers and processors for the pharmacy benefit. Recommendation 2: HHS should adopt Recommendation 1 under the most appropriate regulatory sections and processes that would enable prompt industry implementation and at the earliest possible implementation time.

To date, no regulation has been issued.

Opportunities

- *Are there any identified areas for improvement of currently adopted transactions and their corresponding standards, code sets and identifiers?*
- *What, if any alternatives exist for improving efficiency and effectiveness of the business process for each of the transactions adopted and in use?*
- *Are there additional efficiency improvement opportunities for administrative and/or clinical processes of these transactions and strategies to measure impact? Would they be addressable via new or different standards?*
- *What alternatives exist to achieve similar or greater efficiency and effectiveness between trading partners at lower administrative cost?*

Situational rules need to be evaluated to eliminate variability and interpretation.

Changes

- *Are there any changes that should be made to the current transaction standards, or the mandate to use them?*

NCPDP has a change request process called the DERF which allows any industry stakeholder to request changes to the standards.

No significant changes have been made to the Version D.0 prior authorization transactions.

Additional Questions:

- *What are the main reasons for non- or limited-usage of transaction?*
- *What is the degree of usage of non-batch transactions (i.e., web portals) for prior authorization?*

In the pharmacy industry, most transactions are submitted in a real-time mode using the NCPDP standards.

The main reasons for the limited usage of the adopted prior authorization transactions are it did not meet current business needs and other methods/proprietary layouts were developed instead and the processor did not support the adopted prior authorization transaction.