National Committee on Vital and Health Statistics (NCVHS)
Subcommittee on Standards

Hearing on Prior Authorization Operating Rules
February 16, 2016

Presented by Heather McComas
Director, Administrative Simplification Initiatives

The American Medical Association (AMA) thanks the National Committee on Vital and Health Statistics (NCVHS) Subcommittee on Standards (Subcommittee) for the opportunity to provide our written comments on the operating rules for the prior authorization (PA) electronic transaction. We urge the Subcommittee to consider the recommendations outlined in this document and our oral testimony slides, as we firmly believe that implementation of our suggestions could greatly reduce administrative burdens and costs for both our physician members and the rest of the health care industry.

PA is a major pain point for physician practices and the subject of frequent questions, concerns, and complaints from our members. The patient care delays and administrative burdens associated with PA make this issue a top AMA advocacy priority. Due to what we perceive as an overutilization of utilization management programs, **the AMA first and foremost urges all health plans to reduce their PA requirements and limit application to true outliers**. However, in recognition that PA will continued to be used as a utilization control mechanism by health plans for the foreseeable future, the AMA advocates for a reduction in PA-associated administrative burdens through process automation. Indeed, the delays in patient care, burdens to physician practices, administrative costs for health plans, and manual nature of the current PA process make this functionality a top priority for increased automation.

Unfortunately, current industry automation of the PA process is extremely low, with both providers and health plans relying on manual fax or telephone processes. In most cases, "electronic" PA today means proprietary health plan portals—not use of standard electronic transactions. While portals may offer some advantages over manual processes, they are burdensome to providers, as they require exiting the practice's electronic health record (EHR) or practice management system (PMS) workflow, using each health plan's unique login/password, and reentering clinical data from the EHR.

During NCVHS Review Committee testimony in June 2015, industry stakeholders universally agreed that adoption of the PA standard electronic transaction (ASC X12 278) is quite limited. The results of the 2014 CAQH Index[1] support this testimony: the Index reports electronic PA adoption in 64% of health plans, 7% of providers, and 35% of health plans and providers combined. We would argue that use of the ASC X12 278 is undoubtedly lower, as the CAQH data include web portals and interactive voice response systems as well as the PA standard electronic transaction.

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[1] 2014 CAQH Index™ Electronic Administrative Transaction Adoption and Savings Calendar Year 2013. Available at: http://www.caqh.org/pdf/2014Index.pdf.

While the current state of PA automation may appear grim, we view this as a tremendous opportunity to move the industry forward with PA automation via the X12 278 operating rules. Existing mandated operating rules have demonstrated real value for the industry and have improved the electronic exchange of health care information. In particular, operating rules that address data content have significantly increased the standardization and adoption of electronic transactions. For example, the inclusion of real-time patient copay, coinsurance, and deductible information in the electronic eligibility response has been hugely beneficial to both providers and patients. Similarly, the operating rule requiring uniform use of code combinations in the standard electronic remittance advice has substantially increased the clarity of payment adjustment messages to providers.

We believe that data content operating rules could bring similar enhancements to the ASC X12 278 that would effectively jumpstart industry adoption. However, the current X12 278 operating rules just address infrastructure issues, not transaction data content. While the AMA agrees with these infrastructure requirements—with the few exceptions noted later in this document—we do not believe that they are sufficient to drive widespread industry adoption of the transaction. To be sure, connectivity, response times, and system availability are all important to the success of transactions, but data content is also critical and particularly so in the case of a complex work process such as PA. The industry will be missing a critical opportunity to boost PA automation if the X12 278 operating rules are not enhanced to include data content requirements.

As many stakeholders noted during the June 2015 testimony to the Review Committee, PA is a complicated work process involving a conversation between health plans and providers. In order for the PA process to be completely automated, all "lines of dialog" in this "conversation" must be conducted electronically:

- Providers must be able to inquire, and health plans must be able to report, if PA is required for a particular service as part of the electronic eligibility check;
- Upon a provider PA request, health plans must be able to indicate what specific information is needed to fulfill PA requirements for a particular service;
- Providers must be able to electronically submit, and health plans receive, supporting documentation related to PA requests; and
- Health plans must be able to electronically send final PA determinations that will be received within the provider's PMS/EHR workflow.

Unfortunately, the industry has taken a "bare minimum" approach to X12 278 implementation, with health plans merely acknowledging receipt of the PA request and indicating that no additional information will be sent electronically. Providers are instructed to call the health plan or are referred to health plan portals to complete PA requirements. This aborted electronic process discourages any use of the X12 278, as providers do not see value in sending an X12 278 request if they will be eventually driven outside of their PMS/EHR into a non-electronic data interchange workflow. Operating rules could be leveraged to "raise the floor" for the industry by including the following data content requirements for the X12 278 response:

- Indicate if PA is not needed

- Communicate approval or denial of PA if no additional information is required for processing
- Request additional information if needed for PA processing using the PWK segment
- Communicate final PA determinations

Operating rules could also support the conversational nature of the PA process by requiring multiple iterations of the 278 response until a final PA determination is communicated to the provider. These more robust operating rule requirements for the X12 278 would eliminate the current inadequate implementation of the transaction and support end-to-end PA process automation.

While the poor adoption of the X12 278 is an obvious impediment to PA automation, other transactional gaps must be addressed to spur adoption of an end-to-end electronic process. In addition to the enhanced X12 278 data content operating rules listed above, the AMA also urges the Subcommittee to recommend adoption of additional operating rules for the X12 270/271 eligibility request and response that would require communication of procedure-specific information, including PA requirements. Health plans are currently only required to provide high-level, service-type eligibility responses—even if a provider includes a specific procedure code in the electronic eligibility request. Raising the specificity bar on eligibility responses would greatly increase transparency on PA requirements and eliminate time-consuming phone calls for both providers and health plans.

Another obvious gap in PA automation is the lack of a standard for electronic clinical attachments. In the overwhelming majority of cases, health plans require supporting clinical documentation to process PA requests and render final medical necessity determinations. The absence of an attachment standard obviously hinders adoption of an electronic PA process. For a more complete discussion of the AMA's recommendations related to the attachment standard, please see our oral testimony slides and written testimony for today's hearing on that topic.

As we indicated previously, the AMA generally supports the requirements outlined in the current X12 278 operating rules. However, we do have concerns on the following two items:

- **PA response times:** The PA operating rule allows a health plan to respond to a batch PA request by 7:00 am Eastern Time the third business day after the original submission. While this response time may be sufficient in nonurgent, routine PA requests, we are gravely concerned that this delayed response could negatively impact patient care and outcomes in urgent cases. We therefore recommend that the operating rule be expanded to require faster response for PA requests that are tagged as urgent by the provider.
- **Authentication:** We disagree with removing Username+Password as an authentication option and mandating the X.509 digital certificate as the single authentication standard. The X.509 digital certificate requirement may impose undue financial hardship on physician practices. The additional digital security options in development and on the horizon may eventually replace both the Username+Password and X.509 options, and we therefore believe that it is premature to select a single authentication standard. We also note that it will be confusing for the industry to have different authentication

requirements for different electronic transactions, as the transactions covered by Phase I-III operating rules will still allow both authentication options.

The AMA sincerely appreciates the efforts of CAQH CORE to improve the efficiency and standardization of the X12 278 through operating rules. We do see value in, and in most cases agree with, the existing infrastructure rules. However, these rules are not sufficient to automate the PA process, drive the industry toward adoption, or reduce the current overwhelming burden of PA on physician practices. As indicated by the CAQH Index, industry adoption of the X12 278 is distressingly low, and mandates regarding system availability, connectivity, and response times will not have enough impact or power to spur the industry into action.

PA can delay patients getting critical care and is costly for both providers and health plans. A problem this large—and with such clear impacts on patient outcomes— deserves an industry-wide, gap-analysis effort that will identify impediments to transaction adoption. The AMA urges the Subcommittee to recommend additional operating rules that will address X12 278 data content as outlined above and include any other requirements identified by an industry gap analysis. Furthermore, we underscore the need to address other transactional needs, such as procedure-specific eligibility responses and a mandated clinical attachment standard, in achieving end-to-end PA process automation.

Thank you again for this opportunity to share the AMA's feedback on the X12 278 operating rules. The AMA stands ready to join with the rest of the industry to increase adoption of this transaction, improve patient care, and reduce administrative burdens across the health care system.