

Prior Authorization in California:

An Independent Study at the Request of the California Legislature

The California Legislature requested the California Health Benefits Review Program (CHBRP) conduct an independent study on the use of prior authorization within state-regulated commercial health insurance. The results of this study are the first insight into prior authorization practices in California.

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The California Health Benefits Review Program (CHBRP) analyzes health insurance-related legislation at the request of the California Legislature. CHBRP examines the medical effectiveness of proposed tests, treatments, or services and estimates fiscal and public health impacts. For more information, see www.chbrp.org.



1. Healthcare spending in California



Wasteful spending includes unnecessary care, administrative costs, and fraud.

Consequences:

- Fewer resources for other needs
- Adverse patient outcomes
- Missed opportunities for appropriate care



2. Objectives



To provide an independent study on the use of prior authorization in state-regulated commercial health insurance markets, including data on:

1. Number/type of services subject to prior authorization
2. Trends of prior authorization practices (e.g. approvals, denials, modifications)
3. Evidence of its impact on patient outcomes

3. What is prior authorization?

Prior authorization refers to a requirement by health insurers for patients to obtain approval of a service or medication before the care is provided. It is used to:



Ensure patient safety



Evaluate medical necessity



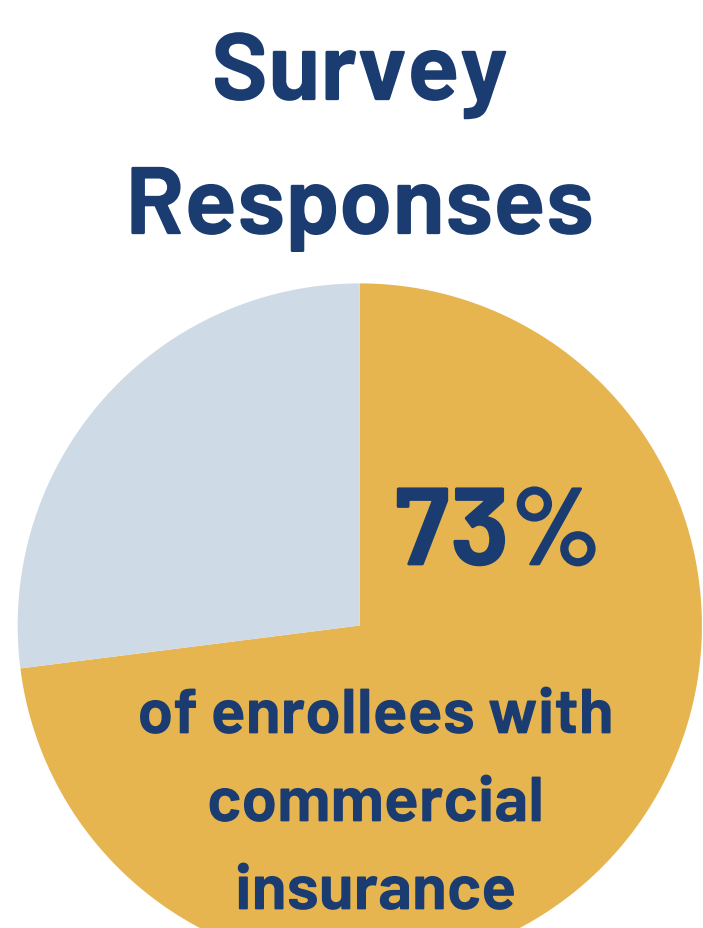
Reduce and control healthcare spending



Minimize fraud and abuse

4. Study design

- Detailed survey of the 8 largest commercial health insurers, by enrollment, in California on prior authorization practices
- Review of peer-reviewed and grey literature



~13.5M

Californians (~33%) with state-regulated commercial health insurance in 2024



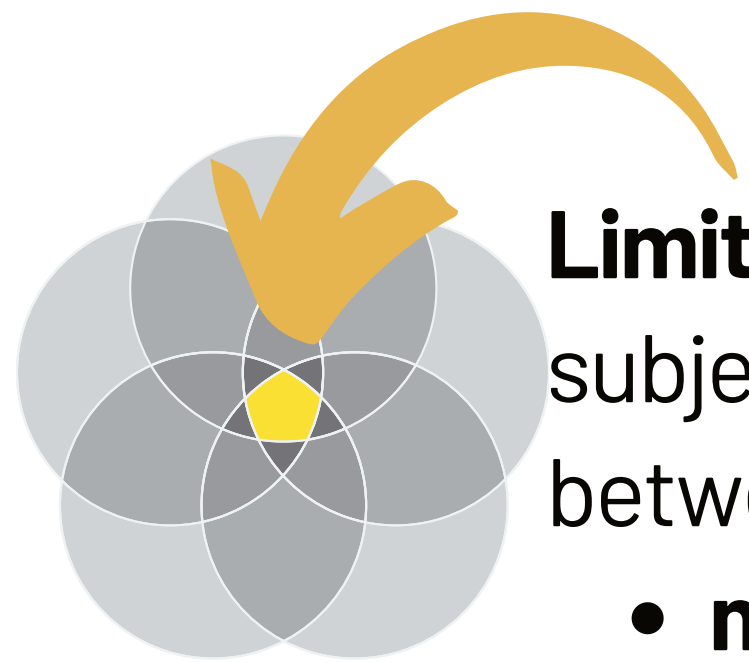
5. Major takeaways

Services

Table 1: Percentage of Total Covered Benefits Offered by State-Regulated Health Plans/Insurers Requiring Prior Authorization

Measurement	Medical Services	Pharmacy
% of all covered services	5%-15%	16%-25%
% of total expenditures	7%-23%	*
% utilization	5%-12%	*

Source: California Health Benefits Review Program, 2023.
Note: *Insufficient data collected in survey.
Table results represent the total range of responses from health plans/insurers, not the average percentage across all health plans/insurers.



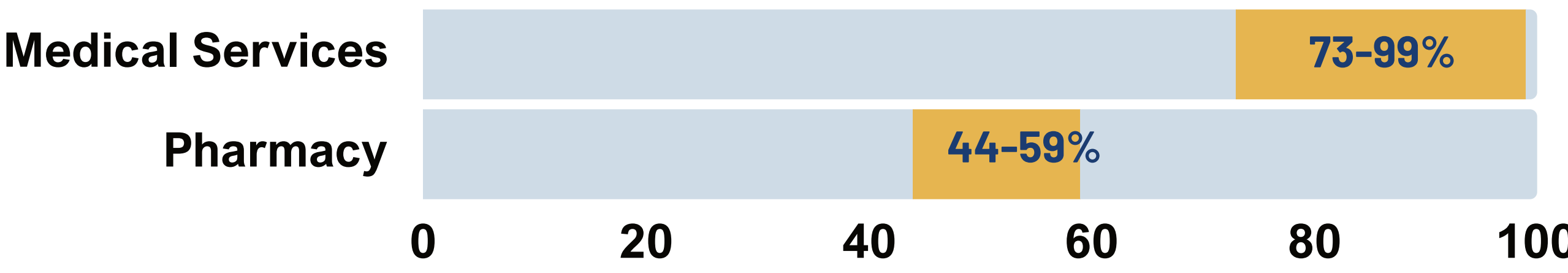
Limited overlap for services subject to prior authorization between insurers, including:

- **most frequently requested** services
- **most costly** services

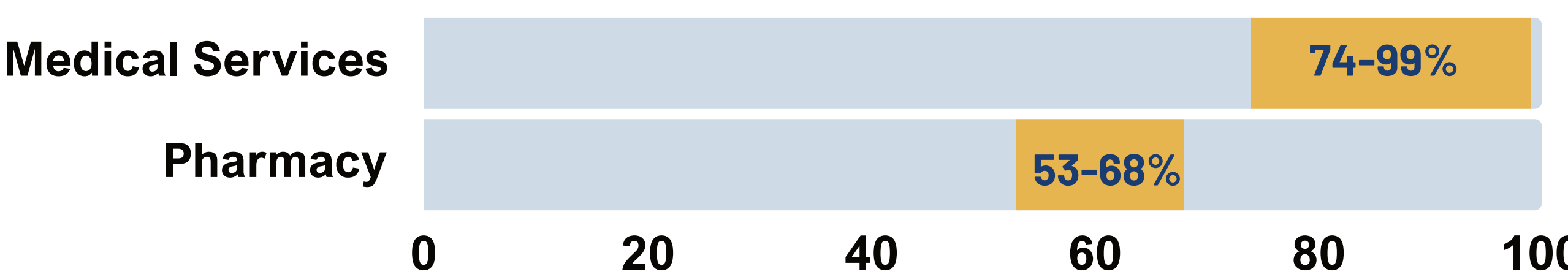
Trends

Approvals

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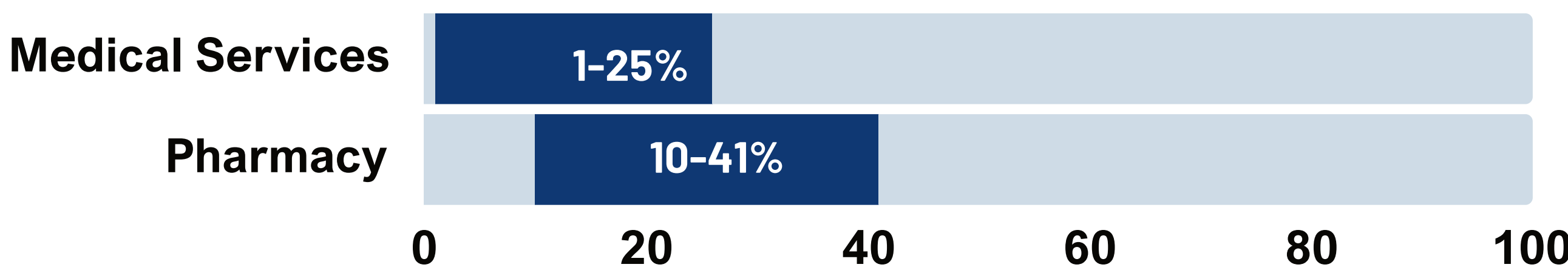


After submission of additional requested information

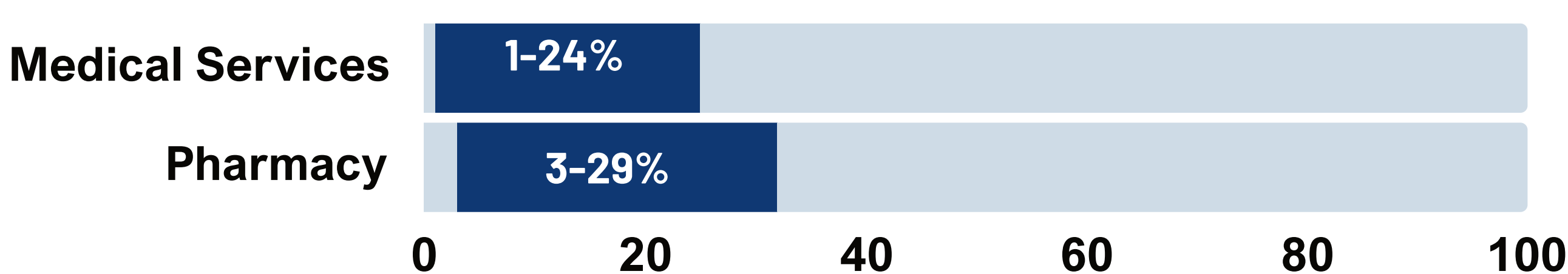


Denials

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As final response to request



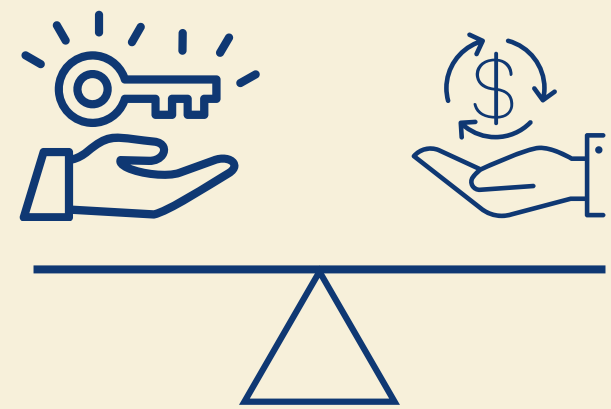
Patient Outcomes



- Evidence is relatively limited, with much of what is published focused on prescription medications.
- Overall, evidence is mixed, making it challenging to determine whether prior authorization has an impact on health outcomes. Studies demonstrate clear positive and negative impacts of prior authorization.
- Studies generally found that impact on spending related to the medication/service subject to prior authorization was lower, whereas the impact on other health or total expenditures was mixed.
- Clear frustration from patients and providers regarding the process and complexity.
- Less than 5% of denials are appealed for medical services.



- Prior authorization is an imperfect instrument utilized in a myriad of ways, however evidence of effectiveness is limited.
- Robust research remains scant on impacts on patient access to appropriate care. Some studies suggest potential harms.
- There is a need for increased efficiency and transparency of the process, and improved standardization across markets, payers, and health plans.



Achieving the twin goals of improved patient access with affordability utilizing utilization management tools like prior authorization remains difficult to achieve.