

## AHI Position:

AHI supports health plans' ability to ensure appropriate care and coverage of services for patients through the use of prior authorization. The use of prior authorization helps keep member care and coverage **affordable, safe, and effective, while minimizing incidents of fraud, waste and abuse.** Prior authorization helps ensure the medical services and items purchased by employers, employees, and taxpayers adhere to evidence-based clinical guidelines around medical necessity developed by respected and trusted medical specialty societies.

## What is Prior Authorization?

Prior authorization is one tool used by health plans to determine medical necessity for services, prescription drugs, and durable medical equipment. Prior authorization is the process by which a health plan may require certain approvals before authorizing the delivery of care. It is often utilized for more complex treatments or high-cost medications to ensure safe, appropriate, and evidence-based patient outcomes, and to promote high-value care by reducing waste, errors, or unnecessary use.

Prior authorization is an evidence-based tool utilized by both public and private healthcare plans because of the demonstrated value. The current DHS [administrative code](#) elaborates upon the importance of prior authorization tools in Medicaid, specifying that they are needed to: safeguard against unnecessary and inappropriate care and excess payments; assess the quality and timeliness of services; determine if there is less expensive alternative care; promote the most effective and appropriate use of services; and curtail improper utilization practices by providers and recipients.

For similar reasons, prior authorization is also utilized in [Medicare](#) programs to preserve "beneficiaries' access to medically necessary items and services while reducing improper Medicare billing and payments."

Ultimately, in both Medicaid and Medicare, prior authorization helps to protect taxpayers by minimizing waste, fraud, or abuse of limited resources and ensuring recipients receive appropriate care.

## AHI MEMBERS

The Alliance of Health Insurers (AHI) is a nonprofit state trade advocacy organization working to improve the health and well-being of individuals, families, and communities in Wisconsin by fostering innovation, eliminating waste, and protecting health care consumers.

AHI is made up of eight member health insurers including companies with large national footprints as well as members that operate mostly or only in Wisconsin.



# Impact of Prior Authorization

## Why it's Important for Patients

Prior authorization provides additional protections for patients by helping to avert the cost of more expensive treatments when lower-cost, equally effective alternatives are available. It is also used to reduce the risk of harmful pharmaceutical combinations. It simply provides another opportunity to ensure the member is receiving care that conforms with evidence-based clinical criteria, and is safe and effective for the given patient's unique circumstances.

## Why AHI Supports Use of Prior Authorization

Initiatives to restrict health plans' proper use of prior authorization will increase costs for consumers and employers, making it more difficult for Wisconsin's employers to provide these services for their employees. Prior authorization can also be an important tool to help avoid low-value care, which is the provision of services with little or no clinical benefit to a patient. A 2022 [study](#) found that **commercial spending in Wisconsin across 48 low-value services in 2019 amounted to over \$129 million of the state's total commercial health spending**. The costs of these low-value services are ultimately borne by all consumers in a health plan through higher premiums, or by taxpayers from increased and unnecessary costs in our Medicaid program. Physicians have also raised concerns about these impacts on patient health, with 87% of doctors having reported negative impacts from low-value care.

Every episode of care is different and automatically prescribing a certain number of services, or restricting the use of prior authorization altogether, could lead to overutilization, overprescribing, and a potential increase in services or items that may be unnecessary or even harmful to the patient. The ability for health plans to ensure medical necessity and affordability **helps keep healthcare costs more manageable for all consumers and employers**, in addition to helping ensure a health plan can offer a more robust and affordable drug formulary.

## AHI Supports Simplifying Prior Authorization

AHI understands prior authorization can be more onerous when using manual and outdated systems to submit information. This is why AHI supports solutions that streamline the prior authorization process and make it easier for providers to submit the clinical information necessary to get a timely and accurate response. These solutions could include utilizing electronic health records and other technologies for a simplified prior authorization process that promotes more timely information sharing.