

Prior Authorizations

Senate Committee on Health & Welfare

April 14, 2017

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Types of Pharmacy Utilization Management

■ Prior Authorization

- Ensures that the prescribed drug is being used appropriately

■ Step Therapy

- Ensures that the patient has tried the lower cost therapeutic option (typically a generic drug) for a month before using the more expensive therapeutic option (usually a brand drug).

■ Quantity Limit

- Ensures that the drug is being prescribed in the amounts approved by the FDA

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GMCB 2017 QHP Rate Filing Review Decision

Next, we conclude that BCBSVT can and must reduce its utilization assumption from the 1.0% included in this filing to 0.5%, decreasing its overall medical trend and the rate increases experienced by Vermont health care consumers. As explained in the written record and in BCBSVT's testimony at hearing, the carrier selected a lower utilization trend than its observed trend of 1.7% to account for artificial increases in volumes during the first two years of Vermont Health Connect. Although we do not seek to replace BCBSVT's actuarial judgment with our own, we find that the carrier's ability to target a lower utilization level than reflected in recent member experience is indicative of its overall capacity to impact utilization levels; BCBSVT's "integrated health management practices" initiative, discussed at hearing, is one such example. Although our direction to reduce the utilization component of trend only minimally affects the proposed rates, we find that it encourages, and is consistent with, BCBSVT's stated interest to ensure that members receive, and providers provide, "the right services at the right time and in the right combination."

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Volume of Prior Authorizations

- Only 0.5% of all claims for BCBSVT members needed a prior authorization in 2016
- For that small portion of disrupted claims, over \$21.5M in savings was generated

	2016 Claims	2016 PAs	% of Claims Needing PA	Cost Savings from PAs
Pharmacy	1,350,000	11,422	0.8%	\$17,578,831
<u>Medical</u>	<u>3,394,000</u>	<u>17,703</u>	<u>0.5%</u>	<u>\$3,958,906</u>
Total	4,744,000	29,125	0.6%	\$21,537,737

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Pharmacy Utilization Management Savings

- Prior authorizations, step therapies and dispensing limits reduced pharmacy costs by ~\$17.6M in 2016

Program	Total Plan Cost Savings (Commercial)	Total Plan Cost Savings (Exchange)	Total Plan Cost Savings (Combined)
Prior Authorization	\$6,190,157	\$7,113,287	\$13,303,444
Step Therapy	\$538,609	\$505,461	\$1,044,070
Dispensing Limits	\$2,095,798	\$1,135,519	\$3,231,317
Total	\$8,824,564	\$8,754,267	\$17,578,831

PMPM Savings of \$9.25

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Cost of Prior Authorizations

- Prior authorizations reduce the cost of the health care system more than they add to it

Number of BCBSVT PAs	29,125
<u>Minutes per PA</u>	<u>x 15</u>
Total Hours Spent on PAs	7,281

Cost of a Nurse per Hour	\$36
% of PAs Done by a Nurse	67%
Cost of a Doctor per Hour	\$125
<u>% of PAs Done by a Doctor</u>	<u>33%</u>
Weighted Avg Cost per Hour for PA	\$66

Total Hours on PAs	7,281
<u>Cost per Hour for PAs</u>	<u>x \$66</u>
Total Cost of PAs	\$480,546

Savings from PAs	\$21,537,737
<u>Cost of PAs</u>	<u>\$480,546</u>
Return on Investment	45:1

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What Are the Prior Authorizations For?

Medical Prior Authorizations

Type of Authorization	# of PAs
Outpatient Services - Outpatient	3,884
DME Purchase - Outpatient	1,783
DME Rental Trial or Rent to Purchase - Outpatient	1,650
Inpatient Admission - Inpatient	1,477
Chiro - Outpatient	1,453
Sleep Studies - Outpatient	1,112
Benefit Exception - Outpatient	941
Out-of-network - Outpatient	843
Skilled Nursing Facility - Inpatient	565
Mental Health Inpatient - Inpatient	385
Dental - Outpatient	367
Ambulance - Outpatient	358
HH Skilled Nursing - Outpatient	311
Plastic Cosmetic - Outpatient	266
Acute Rehab - Inpatient	212
Substance Abuse Inpatient - Inpatient	181
Substance Abuse Intensive Outpatient & Partial - Outpatient	176
Substance Abuse Residential - Inpatient	171

Pharmacy Prior Authorizations

Drug Class	# of PAs
RHEUMATOLOGICAL AGENTS	791
ANTINEOPLASTIC DRUGS	589
NEUROMUSCULAR BLOCKERS	301
MISCELLANEOUS PULMONARY AGENTS	283
NEUROLOGICAL THERAPY	250
INTRANASAL STEROIDS	244
DIABETES	218
ANTIPSYCHOTICS	215
GASTROINTESTINAL AGENTS	197
HEADACHE THERAPY/MIGRAINES	192
PULMONARY AGENTS	188
MYELOID STIMULANTS	180
ANOREXIANTS	157
ANTIVIRALS	148
UROLOGICALS	137
THERAPY FOR ACNE	137
PSYCHOTHERAPEUTIC AGENTS	110
LIPID/CHOLESTEROL LOWERING AGENTS	101

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Efforts to Reduce Burden of PAs

■ Three-Year Prior Authorizations

- Cut the number of PAs in half
- Rather than requesting a PA on initial fill, 1-year anniversary, 2-year anniversary and 3-year anniversary, prescribers only have to request a PA on initial fill and 3-year anniversary

■ 14-Day Fill

- If a patient's script is denied at a pharmacy due to the need for a prior authorization, patient may receive a 14-day fill
- Gives patient & prescriber ample time to request a PA
- Prevents the stressful fire drills

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Pharmacy Prior Authorization Methods

- BCBSVT has been encouraging doctors to utilize electronic PAs (ePA)
 - 34% of pharmacy PAs are now done electronically
- Prescribers can do 11 ePAs in the time it takes to fax 1 PA

% of Prior Authorizations Requested

	Jan 2016	Jun 2016	Dec 2016	Feb 2016
ePA	12%	16%	26%	34%
Fax	28%	33%	21%	14%
Phone	60%	51%	53%	52%

Questions?

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