

# Combatting Misconceptions about Prior Authorization

## Prior Authorization Does NOT Lower Costs

**Prior authorization is expensive for physicians and payers.**

- In primary care, [data](#) shows prior authorization costs a single physician between \$2,161 to \$3,430 annually.
- In a [study](#) of prior authorization at 11 dermatology clinics, researchers found that completing prior authorization for biologic drugs costs on average \$15.80 per request, for a total of \$3,454.15 in the month studied.
- A 2021 [analysis](#) conducted by the McKinsey Center for US Health System Reform found that Gold Carding, a process that allows approved physicians to avoid prior authorization for certain drugs or procedures, would lead to 5 to 10 percent savings in the prior authorization process for payers and physicians.
- In 2019, the Council for Affordable Quality Healthcare (CAQH) published a [report](#) showing that prior authorization is the most expensive manual administrative transaction in healthcare, with each transaction costing the plan \$3 and the physician \$11.
- CAQH's 2023 [report](#) found that administrative processes, including obtaining prior authorization, resulted in \$89 billion of national healthcare expenditures.
- A [study](#) of type 2 Diabetes patients compared patients who requested a medication requiring prior authorization but were denied access to the medication with patients who requested the medication and received it. The patients who requested medication but were denied access had nearly \$2000 higher in plan-paid health care costs, when compared to those patients who requested the same medication and were granted approval.
- In a Journal of the American Medical Association [article](#), removing prior authorization for buprenorphine, a lifesaving medication for substance use disorder, was associated with nearly double the prescriptions for buprenorphine. The increase in prescriptions for buprenorphine was linked to statistically significant decreases in substance use related inpatient treatment and emergency department visits, meaning removal of prior authorization led to both improved patient outcomes and decreased economic healthcare costs.
- In a [study](#) of 24 state Medicaid programs, researchers found that restricting access to antidepressants increased emergency room visits and hospitalizations by 1.7 percentage points, increasing healthcare spending.
- Data from another [study](#) of 24 state Medicaid programs showed that formulary restrictions on antipsychotics increased the risk of hospitalization, inpatients costs, and total medical costs. The researchers estimated that formulary restrictions increased the number of incarcerated people by 9,920 and the costs associated with incarceration by \$362 million nationwide.
- When comparing states where Medicaid requires prior authorization for atypical antipsychotics and states where Medicaid does not, a [study](#) published in the Journal of Managed Care found the likelihood of incarceration for patients with schizophrenia increased by 22 percent, suggesting the states that implemented prior authorization experience increased incarceration costs.
- In a [study](#) published in Health Affairs, researchers estimated that costs associated with “implementing, contesting, and navigating utilization management” were \$6 billion, \$24.8 billion, \$26.7 billion, and \$35.8 billion for payers, manufacturers, physicians, and patients, respectively. These findings indicate that prior authorization's total cost is \$93.3 billion annually for all parties.

### Prior Authorization creates unnecessary administrative waste.

- One [study](#) of 11 dermatology clinics found that the prior authorization process for a dermatological procedure cost the clinics \$1,456.00 in a single month, but approval was granted in 99.6 percent of dermatological procedure requests.
- A [study](#) of prior authorizations in pediatric oncology and hematology found that 98.5 percent of prior authorizations for medication were eventually approved.
- In a 2022 [report](#), the U.S. Department of Health and Human Services found that 13 percent of prior authorizations denied by the Medicare Advantage Organization were for care that should have been covered by Medicare.
- A [study](#) published in the Journal of Clinical Oncology estimated that the annual cost of prior authorization for academic radiation oncology treatment was \$40,125,848 USD, with 86 percent of these costs attributed to treatment plans that were approved.
- A cohort [study](#) found that although 96 percent of all prior authorizations on rheumatoid disease treatments were ultimately approved, prior authorization led to treatment delays and increased steroid use.

### Prior Authorization Does NOT Improve Patient Outcomes

#### Prior authorization delays necessary patient care.

- Physicians responding to a [survey](#) conducted by the American Society for Clinical Oncology reported that prior authorization caused delays in treatment 96 percent of the time. This delay in treatment had real adverse effects, including disease progression (80 percent of respondents) and death of a patient (36 percent of respondents).
- In a [survey](#) of cancer patients, 69 percent of respondents reported their care was delayed as a result of prior authorization.
- In a [study](#) conducted in Canada, 20 percent of patients seeking a clopidogrel prescription deemed necessary by their health care team experienced delays or did not receive the prescription due to prior authorization denials. This delay or denial of treatment increased all-cause mortality for these patients.
- When prior authorization was removed for clopidogrel prescriptions in Canada, [researchers found](#) patients were able to access their medication quicker and experienced “improved cardiovascular outcomes.”
- A [study](#) published in The American Journal of Managed Care found that restricted access (via prior authorization and step therapy) to novel anticoagulants led to reduced access to the drugs and higher risk of mortality, stroke, and transient ischemic attack.
- In a [survey](#) of radiation oncologists, 31 percent of respondents reported that prior authorization delayed their patient’s treatment plan by one week, which is alarming as research associates “each week delay in starting cancer treatment with a 1.2 percent to 3.2 percent increased risk of death.”
- When comparing patients with approved prior authorization requests and patients with denied prior authorization requests, a [study](#) published in the Journal of the American Academy of Dermatology found patients with approved prior authorization requests had an increased likelihood of disease improvement. Specifically, these patients had a 71.1 percent likelihood of disease improvement. In comparison, patients with denied prior authorization requests had a 58 percent likelihood of disease improvement.
- A [study](#) published in the Journal of the American Medical Association found that delays and payer-mandated treatment requirements in prior authorization for radiation treatment were associated with decreased radiation treatment effectiveness and, ultimately, hindered patient outcomes.

#### Prior authorization impedes evidence-based care.

- In a [study](#) analyzing access to PrEP, a medication that protects against contracting HIV, regions with high rates of prior authorization for PrEP had limited access to PrEP. Ultimately, these regions with high rates of prior authorization for PrEP also were associated with increased rates of HIV diagnosis.

- In a [survey](#) of cancer patients, 22 percent of respondents did not receive the care “recommended by their treatment team” because of the denials or delays caused by prior authorization.
- [In Maine](#), a prior authorization policy was implemented with the aim of encouraging the prescription of a less expensive medication for bipolar disorder. Only if the patient did not do well on the cheaper medication, could the patient be prescribed the second-generation antipsychotics. The institution of the prior authorization policy for medication for bipolar disorder led to an 8 percent decrease in use of the second-generation antipsychotics. This policy led to a decrease in the continuation of treatment for patients with bipolar disorder.
- [Researchers found](#) denial of irritable bowel disorder (IBD) medication through the prior authorization process was associated with a 9 times increased likelihood of IBD surgery for patients
- A [study](#) published in the Journal of Clinical Oncology found that introducing prior authorization requirements after a patient was on an established oral chemotherapy drug regimen was associated with reduced treatment adherence, delays in care, and discontinued treatment.
- A [study](#) published by IQVIA found 43% of commercial patients and 53% of Medicare patients did not begin the oncology treatment prescribed by their physician, following a payer rejection like prior authorization denials or step therapy requirements.

### **Prior authorization increases health inequities.**

- A national [survey](#) of 1,340 US adults found that less affluent patients are less likely to appeal a prior authorization denial than wealthier patients. Moreover, Black Medicaid patients were significantly less likely to be successful in their efforts to appeal a prior authorization denial.
- In a 2023 [report](#), the Office of the Inspector General for the U.S. Department of Health and Human Services found that Medicaid managed care patients may not be receiving covered health care services, as a result of high rates of prior authorization denials. Specifically, for Medicaid managed care recipients, one out of eight prior authorization requests were denied.

