

## PURPOSE OF SB 143

To amend the Prior Authorization Transparency Act; to exempt certain healthcare providers that provide certain healthcare services from prior authorization requirements; and for other purposes.

## ACTUARIAL STATEMENT

The Fiscal Impact Statement was prepared according to generally accepted actuarial principles and practices, in compliance with ACT 112. The Statement provides an estimate of the financial and actuarial effect of the proposed change(s) on the Plans, if possible. The Statement makes no comment or opinion with regard to the merits of the measure for which the Statement is prepared; however, any identified technical or mechanical defects have been noted.

We have reviewed the input and results of our analysis for reasonableness and relied upon the data and information provided by the Plans and their Claims Processing Contractors.

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3/13/2023

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Patrick Klein, FSA, MAAA  
Vice President

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Date

A handwritten signature in black ink, appearing to read "Matthew Kersting".

3/13/2023

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Matthew Kersting, FSA, MAAA  
Vice President

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Date

## PROJECTED COSTS

Plan	Annual Estimated Cost	Estimated Cost as a Percent of Total Annual Medical Spend
EBD	Immaterial impact	Immaterial impact
UOA	Immaterial impact	Immaterial impact
ASU	Immaterial impact	Immaterial impact
UCA	Immaterial impact	Immaterial impact
AHEC	Immaterial impact	Immaterial impact
NWACC	Immaterial impact	Immaterial impact
SAU	Immaterial impact	Immaterial impact

## PRICING APPROACH AND COMMENTS

As part of Senate Bill 143, beginning January 1, 2024, a healthcare provider shall not be required to obtain prior authorization for a particular health care service and shall be exempt from prior authorization requirements through June 30, 2024. Exemptions would then be provided for a period of no less than 12 months, subject to periodic review by insurance carriers.

Based on our review of the bill, as well as our experience with other states that have implemented this type of provision, we anticipate that the impact of this bill will be limited, at least in the near term.

- Overall denial rates are extremely low, with less than 500 claims being denied for EBD in 2022. Many of these claims were likely approved upon appeal.
- Providers would still be subject to medical necessity determinations by the insurers on the back end, meaning that any egregious practices would not be subject to payment by the plan.
- Based on experience in other states, many practical issues related to the legislation have resulted in limited change to provider behavior related to prior authorization:
  - It is difficult to keep track of services that have been providers have been exempted from PA, and by which providers.
  - Elimination of PA shifts some of the risk to providers should the provided care be deemed medically unnecessary
  - Due to these difficulties and risks, carriers have seen somewhat limited change in behavior in providers related to prior authorization practices

Due to the lack of clarity on exemption status and the risks associated with denial of payment upon medical necessity determinations, it is unlikely that providers will change behaviors relating to requesting prior authorization to ensure that they will be paid.

As providers ultimately develop administrative procedures to appropriately track exemption status across carriers and services, there may be a change to provider behavior in the future.

However, due to the low overall denial rates in place on prior authorization, it is unlikely to be material to the plan, as insurers will be able to rescind exemptions in the case of any moral hazard that arises. Fiscal estimates in other states have been less than 1% of claims, with actual realized impact upon passage being much closer to 0%. We recognize the additional administrative work required by the insurers to execute the requirements addressed in the bill. This may result in costs that are indirectly passed on to the plan. Overall, we anticipate that this bill will have an immaterial impact on cost.

Actual legislative cost impacts to health plans may vary as actual future experience differs from the assumptions made in developing these cost estimates.