

February 28, 2025

Automation in the Prior Authorization Process

Background

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Medicaid and CHIP Payment and Access Commission

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Overview

- Project overview
- Overview of prior authorization in Medicaid
- Overview of automation
- Automation in prior authorization
- Next steps



Project Overview – Study Objectives

Automation: the use of technological tools such as algorithms and artificial intelligence (AI) that supplement or replace human action or decision making

- Study objectives
 - Understand how automation is being used in the Medicaid prior authorization process in the managed care and fee-for-service (FFS) context
 - Explore available federal and state levers to govern the use of automation in the prior authorization process and identify additional tools needed

Project Overview – Study Approach

- Study approach
 - Literature scan to clarify how states and managed care organizations (MCOs) use automation in prior authorization
 - Federal policy review of authorities to govern and oversee the use of automation in prior authorization
 - State profiles of seven states that meet a diverse set of criteria
 - Stakeholder interviews with the seven states selected for state profiles, as well as federal officials, MCOs, information system vendors, and consumer representatives

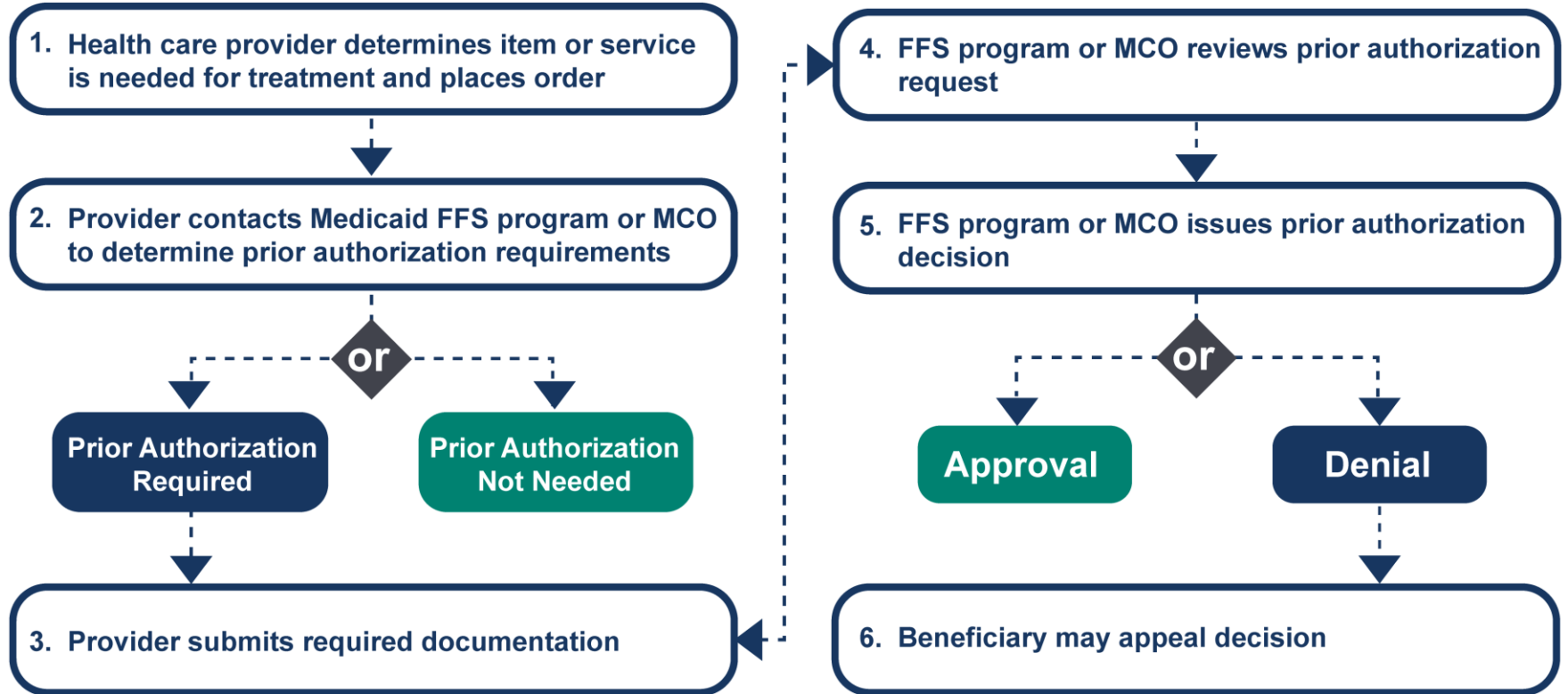
Prior Authorization in Medicaid

Prior Authorization in Medicaid

Prior authorization: the multi-step process by which health care payers require medical providers to receive approval before providing a specific item, service, or medication

- Federal regulation allow MCOs and FFS programs to use prior authorization based on medical necessity criteria
- State Medicaid agencies and MCOs have flexibility to determine the services and medications that require prior authorization
- Services that commonly require prior authorization include non-emergency medical transportation, durable medical equipment, behavioral health services, inpatient hospital stays, and nursing facility services

Prior Authorization in Medicaid cont.



Oversight of Prior Authorization in Medicaid

- State Medicaid agencies can use the external quality review process to assess whether MCO prior authorization denials are clinically appropriate
- MCOs are required to have an internal system for beneficiaries to challenge prior authorization denials
- FFS programs will be subject to transparency and reporting requirements on prior authorization practices beginning in 2026

2024 Interoperability and Prior Authorization Final Rule

- Decision time frames and reasons
 - Impacted payers must make prior authorization decisions within seven calendar days for standard requests and 72 hours for expedited requests
 - If the prior authorization request is denied, payers must provide a specific denial reason
- Transparency and reporting
 - Impacted payers must publicly report annually on specific prior authorization metrics, including the percentage of approved and denied requests
- Electronic prior authorization
 - Impacted payers must implement and maintain several new data interfaces that will allow providers to share data with one another, check prior authorization requirements, and check prior authorization status

Automation Overview

Automation Definitions

- **Algorithm:** A procedure or set of rules that is applied to a dataset to achieve a certain function or purpose
- **AI:** A machine-based system that can, for a given set of human-defined objectives, make predictions, recommendations, or decisions influencing real or virtual environments
- **Generative AI:** AI models that draw from large swaths of existing data to create complex original content such as long-form text, high-quality images, or realistic videos or audio
- **Predictive AI:** AI models that draw from targeted historical data to find patterns and forecast future outcomes about the most likely upcoming event, result, or trend

Federal framework

- Bipartisan House Task Force on Artificial Intelligence report includes the following recommendations related to oversight:
 - Ensure AI in health care is safe, transparent, and effective
 - Encourage risk management of AI technologies in health care
 - Develop liability standards related to AI
- Several executive orders related to automation, including most recently, Removing Barriers to American Leadership in Artificial Intelligence:
 - Emphasis on the United States securing global dominance over AI
 - Calls for agencies to create an action plan to achieve global AI dominance
 - No specific reference to health care

Automation in Prior Authorization

Automation Uses

Stakeholder	Automation Use Case	Potential AI Application
Payer-side automation	Triage incoming prior authorization requests to determine level of oversight needed	Predictive AI; may require large language model input for unstructured data
	Provide real-time prior authorization decisions	Predictive AI
	Identify services for reduced prior authorization requirements	Predictive AI
	Identify providers for reduced prior authorization requirements	Predictive AI
	Detect incorrect or fraudulent prior authorization claims	Predictive AI
Provider-side automation	Streamline the prior authorization submission process	Predictive or generative AI
	Streamline the appeals and resolution process	Predictive or generative AI

Potential Benefits of Automation

- Administrative efficiencies
- Faster processing times
- Regulatory compliance with prior authorization requirements
- Standardization
- Appropriate and cost-effective care

Potential Challenges of Automation

- Overemphasis on cost containment
- Inadequate clinical oversight
- Limited transparency
- Potential for bias
- Privacy and cybersecurity risk
- Variation in technical capacity

Oversight of Automation

- The Centers for Medicare & Medicaid Services issued requirements related to automation in the Medicare Advantage prior authorization process
- Federal Medicaid-specific oversight is limited
 - 2023 U.S. Department of Health & Human Services report on MCO's use of automation revealed lack of transparency regarding automation in prior authorization
 - U.S. Senate Committee on Finance and U.S. House of Representatives Committee on Energy and Commerce requested MCOs disclose information about prior authorization denials, including in the context of automation
- State oversight is varied
 - California regulates the use of AI tools in prior authorization
 - Tennessee established a council to oversee the use of AI in the state
 - Washington established a task force to assess and respond to the use of AI in the state

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Next Steps

Next Steps

- Staff will return in April with a panel on automation in the prior authorization process
- Staff would appreciate Commissioner input on areas of interest in the automation of prior authorization context
 - What considerations regarding potential benefits or challenges of automation would you like to see reflected in our future research?

Potential Benefits and Challenges of Automation

Potential benefits

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- Faster processing times
- Regulatory compliance with prior authorization requirements
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Potential challenges

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FEBRUARY MEETING



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