

# MedChi

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TO: The Honorable Thomas Mac Middleton, Chairman  
Members, Senate Finance Committee  
The Honorable John Astle

FROM: Joseph A. Schwartz, III  
Pamela Metz Kasemeyer  
J. Steven Wise

DATE: March 7, 2012

RE: **SUPPORT** – Senate Bill 540 – *Maryland Health Care Commission –  
Preauthorization of Medical Services and Pharmaceuticals - Standards*

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The Maryland State Medical Society (MedChi), which represents over 7,600 Maryland physicians and their patients, supports Senate Bill 540.

Senate Bill 540 grants the Maryland Health Care Commission (MHCC) regulatory authority over insurance intermediaries who employ “prior authorization” requirements with respect to prescription medicines and various medical services ordered by doctors.

The MHCC issued a Report in December 2011 entitled “Recommendations for Implementing Electronic Prior Authorizations” (Report attached). The MHCC Report was the result of a request from the Joint Committee on Health Care Delivery and Financing to develop recommendations around best practices and standards for electronic prior authorization of prescription medications and medical services. The Report (page 6) cited the well respected Journal of Health Affairs as finding that “...physicians reported spending on average three hours a week on all interactions with payers, while nursing staff reported spending roughly 19 hours on average per physician per week, and clerical staff reported spending almost 36 hours per physician per week. In total, practices spend on average \$68,274 per physician per year on all interactions with payers, according to this survey.”

The MHCC convened a multi-stakeholder workgroup to help develop recommendations for electronic prior authorization requests. Included in this workgroup were insurance payers, third party administrators (TPAs) and doctors. That workgroup came up with a

number of recommendations including the following:

1. Provide a single sign-on option to payer and TPA websites;
2. Payers and TPAs will begin a phased approach to implement electronic prior authorization requests in three phases. Phase 1 would require payers and TPAs to provide on their websites information about preauthorization requirements with particularized information. Phase 1 was to be completed by July 1, 2012. Phase 2, which was to be completed by December 1, 2012, would be to have payers and TPAs develop an online process to electronically accept prior authorization requests including the requirement that each request would receive a unique electronic tracking identification number. Phase 3 is to provide that most electronic pharmacy prior authorization requests would be approved in real time with time deadlines for decisions on all requests. This phase would be completed by July 1, 2013.
3. Payers and TPAs will report to MHCC by December 1, 2012 on the status of implementation of Phase 1 and Phase 2 as well an outline for implementing Phase 3.
4. Providers would be required to use the electronic preauthorization process by January 2015.

The MHCC Report evidences a “voluntary” undertaking by the payers and the TPAs involved to comply with the various deadlines. There exists, however, no mechanism for enforcing this “voluntary” agreement. The purpose of Senate Bill 540 is to give the MHCC the regulatory authority to order the agreements made by the payers, the TPAs and the doctors in the Report. In an ideal world, the MHCC would never exercise the authority being granted to it by Senate Bill 540. However, if the “voluntary” agreement is not successful, MedChi believes the MHCC must act in a legally effective manner to enforce the recommendations contained in this report which was a consensus document to which the payers and TPAs agreed.

MedChi would ask for a favorable report on Senate Bill 540.

**For more information call:**

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