

REIN IN PRIOR AUTHORIZATION ROADBLOCKS TO CARE, COVERAGE Support HB 4977 (Rep. Gabel)/SB 3372 (Sen. Gillespie)

IHA Position: Medicaid Managed Care Organizations (MCOs) utilize prior authorization tactics to delay access, deny necessary treatment for patients and deny reimbursement for services rendered to Medicaid patients. IHA urges passage of HB 4977/SB 3372 to provide emergency department (ED) physicians the ability to admit patients in need of inpatient care based on their clinical judgment, not a computer algorithm used by the MCO. The treating hospital should not be concerned that the MCO will override the admitting physician’s judgment, and deny or downgrade the payment for the inpatient services. We urge Illinois lawmakers to co-sponsor and vote YES on HB 4977/SB 3372.

Background: An authorization to admit to an inpatient bed is often the final barrier between a patient and the implementation of their physician’s recommended treatment, including whether an inpatient admission is appropriate. A physician must currently obtain MCO authorization to admit. While hospitals provide care 24/7/365, oftentimes, MCO representatives are unavailable on the weekend to authorize these ED admissions. While awaiting a response from the MCO, hospitals often need to move forward with the admission in the best interest of the patient. In these circumstances, hospitals report that MCOs often deny payment of the inpatient service, or they downgrade the inpatient stay to a lower level of care, such as outpatient observation.

- A 2023 U.S. Dept. of Healthcare and Human Services (HHS) Office of Inspector General’s (OIG) study found that **on average, MCOs denied one of every eight requests for prior authorization for Medicaid healthcare services**—more than twice the denial rate of Medicare claims.
- A ProPublica investigation found **a major health insurer set up a system to automatically deny prior authorization requests without review** in order to save time and money.
- The OIG study found **one Illinois Medicaid MCOs prior authorization denial rate was 41%**, while another Illinois MCO denied 15% of prior authorization requests, both well above the national average; these two MCOs cover one million Illinois Medicaid recipients.
- Medicaid MCOs frequently use the prior authorization process to erroneously deny requests for valid health services. In fact, an American Hospital Association survey found **that 62% of prior authorization denials and 50% of initial claims denials that are appealed are ultimately overturned.**
- **One Illinois MCO reported overturning 57% of denied prior authorization requests on appeal, and another MCO said it overturns 63% of denied prior authorization requests on appeal.**

Key Provisions: HB 4977/SB 3372 authorize a 72-hour stay window for “inpatient stabilization,” which cannot be dependent on an MCO service authorization. The legislation further prohibits reimbursement downgrades from “inpatient admission” to “observation,” for care provided during the 72-hour period. This allows the hospital to admit a patient without fear of having the attending ED physician’s judgment overridden by a computer algorithm used by the MCO to deny appropriate reimbursement for services rendered.

PLEASE CO-SPONSOR AND SUPPORT HB 4977/SB 3372