WISCONSIN LEGISLATIVE AUDIT BUREAU
AUDIT SUMMARY

Report 01-13

July 2001

Prior Authorization for Therapy and Other Services

The Department of Health and Family Services (DHFS) requires prior authorization for most occupational, physical, and speech therapy services provided under the Medical Assistance program. Administrative code states that prior authorization is intended to safeguard against unnecessary or inappropriate care, prevent excess payments, and determine if less-expensive care is available. In 1999, approximately 6,300 individuals received therapy services that required prior authorization; these services cost $11.2 million.

Longer Processing Times Are the Result of More Frequently Returned Forms

From 1995 through June 2000, the average time taken to process prior authorization requests for therapy services increased by 6.7 percent (1.1 working days), despite a lower volume of requests and a larger number of staff processing requests. In 1995, average processing time for all therapy types was 16.4 days; in 2000, it was 17.5 days.

Increased processing time is primarily the result of an increase in the number of requests being returned to providers for additional information. In 1995, 43.9 percent of requests were returned to providers at least once. By 1999, the rate of return increased to 49.5 percent. Approximately two-thirds of reasons given for returns have involved providers failing to submit required information, such as a Medical Assistance recipient's identification number or a physician's signature requesting authorization of treatment.

DHFS has undertaken several initiatives to improve the prior authorization process and better educate providers. However, we believe additional efforts are needed, especially in clarifying DHFS's interpretation of "medical necessity," the principal criterion used in determining whether requests for services will be approved once all required information has been submitted.

Requests to Serve School-age Recipients Are More Often Modified or Denied

Approximately 96 percent of 1999 requests resulted in some level of service being provided. However, the rate at which DHFS denies requests for services for school-age Medical Assistance recipients—those from 3 to 21—has increased over time and is higher than for adults or children under age 3. DHFS attributes the higher denial rate to its efforts to review requests more closely to determine whether they will duplicate services provided by school districts.

More specific information about reasons for denial of prior authorization requests would help recipients make more informed decisions about whether to appeal and would assist providers in submitting more complete requests. Therefore, we have recommended DHFS include more specific explanations in its denial letters.

Medical Assistance Therapy Costs Decline Substantially During the Summer

The School-Based Services program was established by 1995 Wisconsin Act 27 as a means of capturing Medical Assistance funding for federally mandated special education costs incurred by school districts. The program has grown substantially; in 1999, local education agencies were reimbursed $15.3 million in Medical Assistance funding. However, some are concerned that the increased use of this program to provide Medical Assistance–funded therapy services to students between the ages of 3 and 21 has resulted in inadequate service during the summer months.

We found that total Medical Assistance therapy expenditures for the 3 to 21 age group declined substantially during the summer months of 1998 and 1999, decreasing from a monthly average of $1.2 million during the school year to approximately $600,000 during the summer months of June, July, and August. The lower expenditures reflect a decline

in services provided by school districts. Even though monthly community provider expenditures rose during the summer, these increases did not compensate for the decreased School-Based Services expenditures.

DHFS Uses Prior Authorization for Some Prescription Drugs

Prescription drug costs are the single largest category of expenditures for non-institutional care in the Medical Assistance program and represented 12.6 percent of total provider expenditures in fiscal year (FY) 1999-2000. From FY 1995-96 through FY 1999-2000, prescription drug costs increased by $140.5 million, or 75.8 percent. To help control expenditures, DHFS requires prior authorization for some categories of drugs—particularly those that have generic or lower-cost alternatives—and plans to require prior authorization for several other drugs in the next two fiscal years as generic versions of these drugs become available. DHFS estimates that requiring prior authorization for these drugs will result in savings of $34.0 million over the next two fiscal years.

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