

AMENDED IN ASSEMBLY MARCH 30, 2005

CALIFORNIA LEGISLATURE—2005—06 REGULAR SESSION

ASSEMBLY BILL

No. 117

Introduced by Assembly Member Cohn

January 13, 2005

An act to add Section 14133.06 to the Welfare and Institutions Code, relating to Medi-Cal.

LEGISLATIVE COUNSEL'S DIGEST

AB 117, as amended, Cohn. Medi-Cal: treatment authorization requests.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Services and pursuant to which health care services are provided to qualified low-income persons.

Under existing law, one of the utilization controls to which services are subject under the Medi-Cal program is the treatment authorization request process, which is approval by a department consultant of a specified service in advance of the rendering of that service based upon a determination of medical necessity.

This bill would require the department to establish a centralized treatment authorization request operation or to standardize the criteria to be used in the approval of the requests.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 *SECTION 1. The Legislature finds and declares all of the*
2 *following:*

1 (a) The treatment authorization request (TAR) process used
2 under the Medi-Cal program was established as a utilization tool
3 to control health care costs and prevent fraud and unnecessary
4 care by requiring prior authorization for certain treatments.

5 (b) As part of the utilization control, Medi-Cal providers are
6 required to obtain prior authorization for a range of services that
7 may include, but are not limited to, certain inpatient care,
8 nursing facility services, home health services, medical
9 transportation, durable medical equipment, hospice, and
10 physician services.

11 (c) Over the years, delays in TAR reviews has created a
12 retroactive system.

13 (d) TAR denials have increased in recent years resulting in
14 corresponding increases in appeals.

15 (e) The Medi-Cal Policy Institute examined the TAR process in
16 its report, *Medi-Cal Treatment Authorizations and Claims
17 Processing: Improving Efficiency and Access to Care*, and
18 suggested a number of changes in the TAR system.

19 (f) A major finding in the report of the Medi-Cal Policy
20 Institute states that the TAR process is manual, paper intensive,
21 and complex. Other findings include:

22 (1) Processing approvals and denials under the Medi-Cal TAR
23 system takes significantly longer than under prior authorization
24 systems of other payers such as health maintenance
25 organizations.

26 (2) There is no established timeframe for TAR turnaround,
27 except for pharmacy TARs.

28 (3) TAR reports do not include certain categories such as
29 deferred TARs for on-site visits and state hospital “paperless”
30 TARs.

31 (4) In response, physicians interviewed for the report, stated
32 that their Medi-Cal patients have been put at medical risk
33 because of preauthorization delays caused by the following:

34 (A) Medi-Cal medical reviewers’ inability to evaluate urgent
35 medical situations in a timely manner.

36 (B) Medi-Cal medical reviewers’ difficulty in determining
37 whether or not certain procedures are medically necessary.

38 (C) Requests for additional information for justification.

1 (5) *There is shifting of the processing of TARs from counties*
2 *with high workloads, such as Los Angeles, to counties with low*
3 *workloads.*

4 (6) *There is an e-TAR system in place to process TARs in a*
5 *more timely manner.*

6 **SECTION 1.**

7 SEC. 2. Section 14133.06 is added to the Welfare and
8 Institutions Code, to read:

9 14133.06. ~~The~~ (a) *The Legislature finds and declares all of*
10 *the following:*

11 (1) *The lack of uniform guidelines for processing treatment*
12 *authorization requests (TARs) has resulted in inconsistent*
13 *decisions in which one case may be approved while a similarly*
14 *situated case may be denied.*

15 (2) *Centralizing the field offices into one location and*
16 *standardizing the approval rate is cost-effective for the state and*
17 *beneficial for all hospitals and health systems.*

18 (3) *The need to change the TAR system was recognized by*
19 *both the Medi-Cal Policy Institute in its report, Medi-Cal*
20 *Treatment Authorizations and Claims Processing: Improving*
21 *Efficiency and Access to Care, and in the 2005 California*
22 *Performance Review.*

23 (b) *The department shall do both of the following:*

24 ~~(a)~~

25 (1) *Establish a centralized treatment authorization request field*
26 *office operation.*

27 ~~(b)~~

28 (2) *Establish standardized criteria for the approval of treatment*
29 *authorization requests.*