Electronic Prior Authorization (ePA)

This report summarizes the current state of the electronic prior authorization (ePA) industry. The intent is to quantify current ePA adoption rates, highlight implementation status by market share leaders, and outline the keys to success for ePA in the industry.

THE BENEFITS OF ePA

As an industry of health care professionals, we’re all passionate about ensuring patients receive the therapy required to be well. ePA is the fastest and best path to ensuring the efficient completion of medication prior authorizations and the successful treatment of patients.

Recognizing the importance of participation across the industry, the ePA Adoption Scorecard quantifies ePA adoption for EHRs, payers and pharmacies. While sourcing data across so large an industry is complex, we have made every possible attempt to provide accurate and complete information, and have included publicly available references when possible. Should you identify an inaccuracy, or a way to improve the data, please get in touch with our research team.

I look forward to your feedback on this inaugural ePA National Adoption Scorecard.

Sincerely,

Perry Lewis
Vice President of Industry Relations
plewis@covermymeds.com

This report was made possible through the guidance of the following organizations and participants:

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A NOTE FROM LEE ANN STEMBER, PRESIDENT OF NCPDP

NCPDP is an exceptionally innovative, member-driven, multi-stakeholder problem solving organization. Our ANSI-accredited standards and industry guidance have transformed health care by providing interoperable industry standards and actionable guidance on patient safety issues.

The change we need right now – to support the movement of data for proactive point of care interventions - will take a concerted effort on the part of every industry stakeholder group. We must adopt and implement the full functionality inherent in industry standards to improve health outcomes, reduce unnecessary costs and make health care safer. We applaud all efforts that work toward that end.

This year we were pleased to welcome CoverMyMeds as our Inaugural Partner in the NCPDP Elite Partner Program. CoverMyMeds has demonstrated its deep and ongoing commitment to supporting the work of NCPDP – the work of all our members – as an Elite Partner. We are proud of this unique relationship and CoverMyMeds’ commitment to supporting the adoption and implementation of industry standards – including electronic prior authorization in the NCPDP SCRIPT Standard.

The electronic prior authorization (ePA) transactions are available in the NCPDP SCRIPT Standard, which provides the essential framework for transmitting prescription information electronically – from new prescriptions and changing existing prescriptions, to refills and cancellations, fill status notifications, medication history, transactions for long-term care, and more.

The SCRIPT Standard is part of a standards ecosystem that enables the exchange of clinical and financial data within care providers’ workflows to support better quality patient care and reduce costs. When combined with the Formulary and Benefit Standard, we drive even deeper into achieving the triple aim of improving the U.S. health care system – making a patient’s formulary and benefit information available at the point of prescribing, providing an automated process for managing an electronic prior authorization, if required, and helping to increase compliance with treatment regimens and improve health outcomes.

We thank NCPDP Inaugural Elite Partner, CoverMyMeds, for supporting industry-wide adoption of NCPDP Standards and also bringing the value of electronic prior authorization to the forefront.
Introduction

THE PRIOR AUTHORIZATION PROBLEM

Prior authorization (PA) was implemented years ago to provide the most appropriate and cost-effective health care services. While well-intended, the traditional paper PA process results in an enormous amount of administrative waste and, ultimately, prescription abandonment. For example:

- PA costs the industry billions of dollars annually, across all constituents.

- More than half of prescribers indicate they, along with their staff, spend more than 20 hours per week on PAs.

- 40% of PAs are abandoned due to complex policies and procedures.

- Despite these problems, the need to manage appropriate utilization of prescription drugs continues to increase, causing the volume of PAs to increase every year.

THE ELECTRONIC PRIOR AUTHORIZATION SOLUTION

Electronic prior authorization (ePA) connects all participants to provide real-time information for the PA decision-making process. As a best practice, ePA may be completed prospectively – by the prescriber during the E-Prescribing process – and retrospectively – following a rejection at the pharmacy.

Implemented prospectively with real-time auto-determination from the payer, the prior authorization process begins to look more like decision support for electronic prescribing.

That said, the prospective process requires EHR and payer implementations. As demonstrated in the EHR and payer sections of this report, the industry has progress to make in implementing a prospective ePA solution and making it accessible to prescribers.

Today, many PAs start after a claim rejection in the pharmacy, so there is a significant role for pharmacies to play while data and adoption challenges are worked through in the prospective PA process. As a result, the best practice for pharmacies is to initiate the ePA through connectivity in the pharmacy management system.

The result of ePA is a more efficient health care process, and ultimately healthier patients that are getting the medications they need to live healthier lives.

ePA NATIONAL ADOPTION SCORECARD

This scorecard was developed to communicate the current status of ePA in the industry, highlight trends, and indicate what is required to achieve success in industry-wide ePA adoption. It was developed in collaboration with an advisory board of industry experts. Those participating are listed at the top of the scorecard and we personally want to thank them for their efforts, time, edits and recommendations throughout this process.
About ePA

Electronic prior authorization is the automated process of exchanging prior authorization requirements and connecting the various organizations participating in the process.

**ePA PROCESS**

Today, many PAs are completed through a manual process that involves phone calls and faxes between the pharmacy, prescriber and health plan. This is an inefficient process that can lead to prescription abandonment by the patient.

Electronic prior authorization automates this process by allowing the prescriber to initiate the ePA within their prescribing workflow. The most successful ePA strategies also connect the pharmacy to initiate an ePA that was missed at the point-of-prescribing.

The ePA process involves a 4-part transaction that enables patient-specific and drug-specific PA criteria and a real-time approval process.

1 Adapted from NCPDP SCRIPT Standard Electronic Prior Authorization Transactions Overview, August 2013
2 Health Affairs “What Does It Cost Physician Practices To Interact With Health Insurance Plans?”

Nationwide, physicians spend $31 billion annually interacting with health plans. Much of that cost is directly related to prior authorization and medication formulary requirements.²

Pharmacists spend an average of 5 hours per week on prior authorizations

More than half of prescribers indicate that they and their staff spend up to 20 hours per week on PAs
PRIOR AUTHORIZATION BY SELECTED PAYERS

Rising prior authorization frequency by selected payers, 2011 vs. 2013. Figures given are as a percentage of all claims. 4

<table>
<thead>
<tr>
<th>PAYER</th>
<th>2011</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aetna</td>
<td>3.5%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Cigna</td>
<td>6.1%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Health Care Service Corp.</td>
<td>1.7%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Humana</td>
<td>5.2%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Regence</td>
<td>0.4%</td>
<td>0.4%</td>
</tr>
<tr>
<td>UnitedHealthcare</td>
<td>4.9%</td>
<td>12.4%</td>
</tr>
<tr>
<td>Medicare</td>
<td>3.3%</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

COVERMYMEDS USER GROWTH (2010 – 2014)

Recent studies indicate 265 million claims per year are rejected. PA volume is increasing 20%+ per year. 3

Nearly 40% of PAs are abandoned due to complex procedures and policies. 5

Nearly 70% of patients encountering paper-based PAs do not receive the original prescription. 5

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3 - CoverMyMeds Data
3 - Administration on Aging: The Next Four Decades, The Older Population in the United States: 2010 to 2050
4 - Adapted from AMA 2013.
5 - Based on a Frost & Sullivan study
ePA LEGISLATION BY STATE

- Mandate electronic submission, some pending deadlines
- Require electronically available ePA forms
- Law mandates electronic transaction, not being enforced
- Legislation proposed

6 - Adapted from Point-of-Care Partners
ePA Availability Status by EHR Vendors

% OF EHR market committed to implementing ePA, and status as of Q1 2015*

*Based on available information in the market. This report may be updated with additional information provided by EHR vendors. Vendors can submit information to epascorecard@covermymeds.com.

IMPLEMENTATION STATUS BY EHR AND E-PRESCRIBING VENDORS OWNING THE MAJORITY OF THE MARKET SHARE

<table>
<thead>
<tr>
<th>EHR</th>
<th>COMMITTED</th>
<th>AVAILABLE</th>
<th>LIVE</th>
<th>COMPLETENESS</th>
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</thead>
<tbody>
<tr>
<td>Allscripts</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>AmazingCharts</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td></td>
</tr>
<tr>
<td>athenahealth</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td></td>
</tr>
<tr>
<td>Cerner</td>
<td>○</td>
<td>○</td>
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<td></td>
</tr>
<tr>
<td>DrFirst</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>eClinicalWorks</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td></td>
</tr>
<tr>
<td>e-MDs</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td></td>
</tr>
<tr>
<td>Epic Systems</td>
<td>●</td>
<td>●</td>
<td>○</td>
<td></td>
</tr>
<tr>
<td>GE Healthcare</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td></td>
</tr>
<tr>
<td>Greenway Health</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td></td>
</tr>
<tr>
<td>McKesson</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td></td>
</tr>
<tr>
<td>Meditech</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td></td>
</tr>
<tr>
<td>NextGen Healthcare</td>
<td>●</td>
<td>○</td>
<td>○</td>
<td></td>
</tr>
<tr>
<td>NewCrop</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>Practice Fusion</td>
<td>●</td>
<td>○</td>
<td>○</td>
<td></td>
</tr>
</tbody>
</table>

KEY

Committed = The company publicly announced they are committed to implementing an ePA solution.
Available = The company and the ePA vendor completed the integration work required for the ePA solution.
Live = The ePA solution is operational in a production environment.

Committed = ✔
Available = ✔
Live = ✔

ePA INSIGHT

Many of the largest E-Prescribing and EHR vendors are in the process of implementing ePA, and some have a solution available in the market today. Completeness of functionality – which includes supporting the pharmacy-initiated retrospective process, and having a strategy to provide all-payer compatibility – will be important to ensuring that prescribers adopt the solution.

7 - Software Advice - EHR Meaningful Use Market Share Industry View 2014
7 - SK&A - Physician Office Usage of Electronic Health Records Software
ePA Availability Status by Payers

% of PBM/ Plan market committed to implementing ePA, and status as of Q1 2015*

*Based on available information in the market. This report may be updated with additional information provided by payers. PBMs and plans can submit information to epascorecard@covermymeds.com.

IMPLEMENTATION STATUS BY PBMS/ PAYERS OWNING THE MAJORITY OF THE MARKET SHARE

<table>
<thead>
<tr>
<th>PAYER</th>
<th>COMMITTED</th>
<th>AVAILABLE</th>
<th>LIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aetna</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Argus Health Systems</td>
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<td>✔</td>
<td></td>
</tr>
<tr>
<td>Catamaran</td>
<td></td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Cigna-HealthSpring</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>CVS/caremark</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Express Scripts</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>EnvisionRx</td>
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</tr>
<tr>
<td>Humana</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
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<tr>
<td>Magellan Rx</td>
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<td>MedImpact</td>
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<td>✔</td>
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<td>✔</td>
<td></td>
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<tr>
<td>PerformRx</td>
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<td>✔</td>
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<tr>
<td>Prime Therapeutics</td>
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<td>✔</td>
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<td>US Script</td>
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<tr>
<td>Xerox</td>
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</tr>
</tbody>
</table>

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**ePA INSIGHT**

Many large plans and PBMs have already launched their first ePA connections. This is great news, but payers are recognizing that more refinement of their systems is needed to deliver on the promise of reduced administrative waste for all participants. Key challenges include eligibility and benefit mapping, converting existing coverage criteria to ePA transactions, and automating the determination process to provide real-time approvals.

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8 - AIS’s Pharmacy Benefit Survey

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ePA Availability Status by Pharmacies

% of Pharmacy market committed to implementing ePA, and status as of Q1 2015*

*Based on available information in the market. This report maybe be updated with additional information provided by pharmacy systems. Pharmacy systems can submit information to epascorecard@covermymeds.com.

IMPLEMENTATION STATUS BY PHARMACIES OWNING THE MAJORITY OF MARKET SHARE

<table>
<thead>
<tr>
<th>PAYER</th>
<th>COMMITTED</th>
<th>AVAILABLE</th>
<th>LIVE</th>
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<tbody>
<tr>
<td>Ahold</td>
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<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Bi-Lo</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Costco</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>CVS/ caremark Speciality Pharmacy</td>
<td>●</td>
<td>●</td>
<td>●</td>
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<tr>
<td>CVS Pharmacy (Retail)</td>
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<tr>
<td>Good Neighbor Pharmacy</td>
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<td>H-E-B</td>
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<tr>
<td>Kmart</td>
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<tr>
<td>Kroger</td>
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<td>●</td>
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<tr>
<td>Medicine Shoppe International</td>
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<td>●</td>
<td>●</td>
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<tr>
<td>Publix</td>
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<td>●</td>
<td>●</td>
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<tr>
<td>RiteAid</td>
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<td>●</td>
<td>●</td>
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<tr>
<td>Safeway/ Albertsons</td>
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<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Target</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Walgreens</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Walmart (includes Sam’s Club locations)</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
</tbody>
</table>

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**ePA INSIGHT**

Pharmacies are ahead of the curve on implementation, which is important to driving ePA because the prior authorization process is still usually initiated after a claim rejection. Despite most participants’ interest in the process moving to the point-of-prescribing, the retrospective workflow will remain a significant channel for years as challenges with formulary data and prescriber adoption are resolved.

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9 - Drug Store News
9 - Drug Channels

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Key Success Factors

ePA vendors can help drive adoption by providing open platforms and aligning on standards for transactions. The following are key success factors for vendors, and functionality industry participants should look for in a solution to optimize the value of an ePA process.

Plan Compatibility
ePA solutions will see greatest adoption when they are a “one-stop shop” to allow prior authorizations to be submitted to any plan. Early participants have found that prescriber adoption is dependent upon the ePA process becoming a consistent workflow for handling all prescriptions—not just those for a few payers.

Prospective PA
Prospective PA allows the prior authorization to be completed before a claim rejection occurs in the pharmacy, thereby saving time and patient disruption. To enable this, the prior authorization process must be initiated in the E-Prescribing workflow. Implemented properly, and combined with real-time auto-determination from the payer, the prior authorization process begins to look more like decision support for electronic prescribing.

Retrospective PA
The majority of PAs still occur after a claim rejection in the pharmacy. Over time, the prior authorization process will move to the point-of-prescribing, but only as formulary data challenges are resolved so that prescribers can adopt the prospective workflow. This process is likely to take many years. In the meantime, ePA vendors need to provide the ability to connect pharmacy-initiated PAs into the prescriber workflow within the EHR system.

Financial Model
The market stands to save billions of dollars when prescribers adopt ePA solutions at scale. Financial models that encourage ubiquity are therefore in everyone’s interest, and a good way to do that is to provide ePA solutions that do not charge prescribers.

Open API
Open APIs make it easier for technology teams at EHR, payer and pharmacy systems to quickly implement ePA solutions. Documented, standards-based ePA APIs will be a key to driving adoption in the market.
About CoverMyMeds

The leader in Electronic Prior Authorization

CoverMyMeds’ software helps physicians, pharmacists, and their staff complete PA requests for any drug and all plans. Our electronic prior authorization (ePA) technology integrates with pharmacy systems, electronic health records systems (EHRs), and payers to create the most efficient ePA strategy for all participants.

CoverMyMeds is an NCPDP Elite Partner and fully supports use of the ePA transactions available in the NCPDP SCRIPT Standard.

Headquartered in Ohio, our private company is one of the fastest growing health care technology businesses in the United States.

For more information, visit covermymeds.com.

Sources

1 - NCPDP Script Electronic Prior Authorization Transactions Overview, August 2013
2 - Health Affairs “What Does It Cost Physician Practices To Interact With Health Insurance Plans?”
   http://content.healthaffairs.org/content/28/4/w533.full.pdf+html
3 - CoverMyMeds Data
3 - Administration on Aging: The Next Four Decades, The Older Population in the United States: 2010 to 2050
4 - AMA 2013
   http://www.ama-assn.org/
6 - Point-of-Care Partners
   http://www.pocp.com/
7 - Software Advice - EHR Meaningful Use Market Share Industry View 2014
   http://www.softwareadvice.com/medical/industryview/ehr-meaningful-use-market-share-2014/
7 - SK&A - Physician Office Usage of Electronic Health Records Software
8 - AIS's Pharmacy Benefit Survey
9 - Drug Store News
9 - Drug Channels
   http://www.drugchannels.net/2013/04/the-top-50-retail-pharmacies-according.html