

# How health plans are leveraging intelligent prior authorization to proactively understand their utilization trend



# Early trend signal intelligence helps plans collaborate with providers to reduce medical costs while improving care value

Health plans are tasked with striking a delicate balance between supporting high-quality healthcare for their beneficiaries at a manageable cost. Many health plans mitigate their financial risk by using internal processes to mine their claims data, and understand historical utilization and its associated cost. Health plans use this information to forecast future utilization and medical costs. **But there's a serious limitation to this strategy: it relies on claims data, which tends to lag by at least three months.**

Health plans that implement intelligent prior authorization can use early trend signal reporting to leverage prior authorization data to proactively project utilization for those managed services. They can then use this information to proactively collaborate with providers to improve medical utilization trends earlier than they would using standard, claims-based methods while enhancing the quality of care for their members.

In this white paper, you will learn how:



Health plans can **use early trend signal reporting to more proactively forecast medical expenses**, and to understand which subspecialties, lines of business, markets, and providers are driving trends



**Early trend signal reporting synthesizes intelligent prior authorization data** for managed services, enabling utilization projections three months earlier than claims-based forecasting



Health plans can **use trend data and prior authorization to seamlessly collaborate with high-utilization providers to reduce medical costs** and ensure compliance with quality regulations

## WITH MEDICAL COST ON THE RISE, HEALTH PLANS ARE LOOKING TO MITIGATE FINANCIAL RISK

Medical costs are on the rise due primarily to U.S. inflation rates, its trickle-down effect on physician contracts and hospital reimbursement rates, and the increasing cost of pharmaceuticals.<sup>1</sup> The 2024 predicted medical cost trend, i.e., the change in the cost to treat patients, has continued its year-over-year increase to 7.0%, up from 6.0% in 2023 and 5.5% in 2022.<sup>2</sup> This places health plans, who strive to keep costs down for their patients, in a tight financial position.

One way health plans control their annual financial risk is by setting their member premiums. To do this, health plans predict who will enroll in their coverage (i.e., the distribution of enrollees by age, gender, health status, etc.), the expected health care utilization of those enrollees (e.g., number and type of office visits and surgeries), and the anticipated costs associated with that utilization (e.g., the prices paid to providers, prescription drug costs).<sup>3</sup>

But the value of forecasting utilization doesn't stop with this annual practice. To stabilize the healthcare market, premium prices in particular, a provision of the Affordable Care Act of 2011 mandates that health plans incurring a medical loss

ratio (MLR) of less than 80 percent (based on a three-year rolling average) in the individual or small-group market or 85 percent for the large group market must rebate the difference to consumers.<sup>4</sup> To avoid having to pay out rebates, there's great value in accurate and timely predictive tools that allow monitoring of large discrepancies between forecasted and actualized utilization.<sup>5</sup>

While claims-based forecasting methods can be accurate, health plans are forced to wait until after claims are paid out to use the data—a lag of three months or more. Health plans that have implemented intelligent prior authorization, however, can access similar data faster.

## EARLY TREND SIGNAL REPORTING USES PRIOR AUTHORIZATION DATA INSTEAD OF WAITING FOR CLAIMS

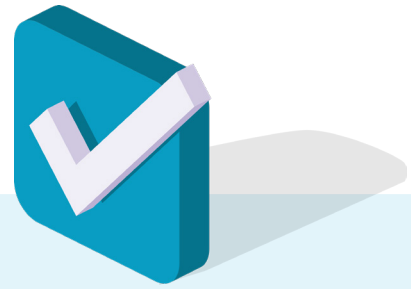
Intelligent prior authorization uses artificial intelligence (AI) and machine learning to improve the prior authorization process for health plans and providers. It automates prior authorization decisioning where possible and leverages the large, resulting data sets to improve the quality of care for patients. These data sets have great value for health plans looking to reduce their financial risk.

## HOW IT WORKS

Health plans use utilization management, prior authorization in particular, to help manage areas of high cost and/or high utilization.<sup>6</sup> By requiring prior authorization for these services, health plans can ensure that providers are utilizing high-value services for appropriate patient cases and following appropriate clinical guidelines. But these notifications can also serve a more proactive purpose. If approved, these service requests are also good indicators of future utilization.

By applying machine learning models and using predictive analytics, intelligent prior authorization can predict future utilization trends using the following combination of data:

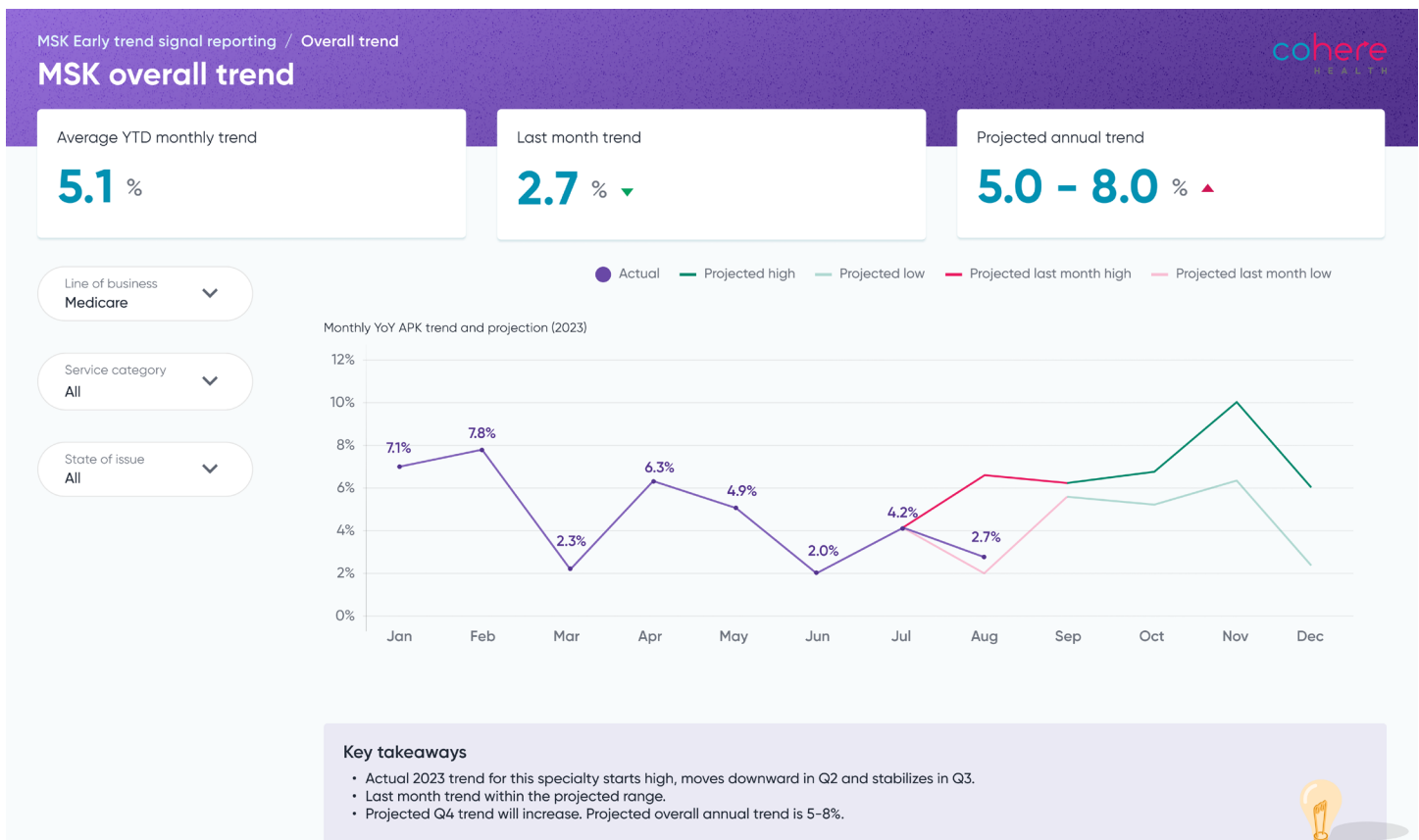
- **Early trend signals:** Based on prior authorization data, i.e., year-over-year (YoY) trend of authorization per 1,000 members (APK) to forecast actual utilization trend, up to 3 months in advance
- **Previous projected APK:** High and low range, incorporating YoY monthly trend, adjusted by business days, seasonality, and membership
- **Projected utilization trend:** Project high and low utilization trend for the year by leveraging early trend signals, layering on historic APK and claims seasonality, and adjusting by business days and membership



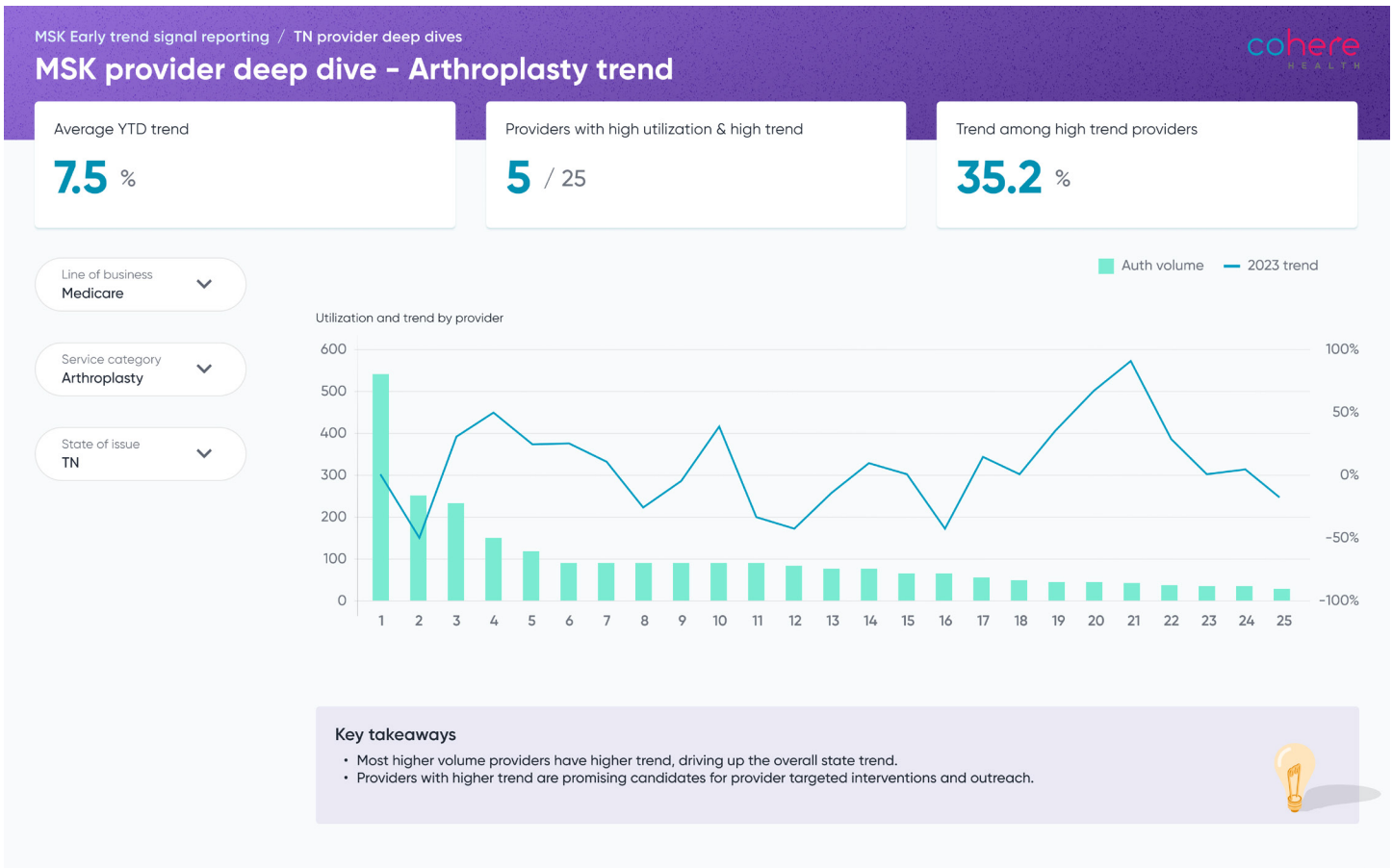
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As shown in Figure 1, health plans can track their actual prior authorization-based utilization, and use it and historical data to project future utilization for these services. As prior authorization data (and eventually, claims data) becomes available, the deviation can be measured, and health plans can promptly recalibrate their projections.

**Figure 1** Monthly YoY APK Trend and Projection, 2023



**Figure 2** Utilization and trend by provider



## HOW IT'S USED

Health plans can use this data for more than just early medical cost trend forecasting. They can also use it to proactively improve their utilization management in ways that lower-tech utilization management solutions cannot.<sup>7</sup> Furthermore, data can be segmented by specialty, service category, market, employer group, and even provider. Health plans can compare trend projections to historical data to identify discrepancies, and then isolate where this higher-than- or lower-than-usual utilization is coming from.

It's known that certain providers drive a larger percentage of improper utilization than others, but health plans with access to specific trend data are in a position to collaborate with the providers to address it.<sup>8</sup> Health plans can identify which providers are contributing the most to high utilization by comparing this data to other intelligent prior authorization performance data like providers' authorization volume, as shown in Figure 2.



## HEALTH PLANS CAN REDUCE FINANCIAL RISK, ENHANCE PROVIDER RELATIONSHIPS, AND IMPROVE CARE QUALITY WITH EARLY TREND SIGNAL REPORTING

In comparison to historical methods of measuring and predicting medical trend, early trend signal reporting has great benefits to multiple healthcare stakeholders.



Health plans can use early trend signal reporting and its ability to incorporate prior authorization data (instead of needing to wait for claims data) to manage their financial risk more proactively. Being aware of potential higher-than-expected utilization and associated costs can help health plans proactively manage their MLR to set a better foundation for benefit and premium design. Collecting this information YoY increases the accuracy of predictions and can help health plans strategize for larger trends.



Health plans that apply early trend signal reporting can enhance their collaboration with providers and improve those relationships. Early trend signal reporting data can help health plans identify different patterns of utilization that can be used to work with their provider partners. Identifying that utilization for a specific specialty or even a service category is above average is far more actionable when layered with provider authorization data. Health plans can work with providers to redirect them toward higher-value care.<sup>9</sup> Provider performance data is available by state, practice, and even individual provider level.

## EARLY TREND SIGNAL REPORTING AUGMENTS EXISTING PROCESSES FOR MEDICAL TREND FORECASTING

Health plans using intelligent prior authorization have access to another means of medical trend forecasting. Early trend signal reporting enables health plans to use prior authorization data to forecast utilization and expense more quickly than claims-based methods. As a result, health plans can use this data to mitigate their financial risk and even actively work to improve their utilization. By isolating prior authorization data by specialty, service line, or geography, health plans can attribute utilization to specific areas and work toward improvement. Layering this data over provider performance data incurred from intelligent prior authorization can help health plans take a more collaborative approach with their providers to address utilization, reduce medical cost, and improve the quality of care for their members.

Curious how your plan's utilization management strategy compares to your competitors? Get a free custom analysis.



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## ABOUT COHERE

Cohere Health is a clinical intelligence company that provides intelligent prior authorization as a springboard to better quality outcomes by aligning physicians and health plans on evidence-based care paths for the patient's entire care journey. Cohere's intelligent prior authorization solutions reduce administrative expenses while improving patient outcomes.

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