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# A BILL FOR AN ACT

RELATING TO PRIOR AUTHORIZATION OF HEALTH CARE SERVICES.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that prior authorization  
2 is a health plan cost-control process that requires physicians  
3 and other health care professionals to obtain advance approval  
4 from a health plan before a specific service is delivered to a  
5 patient to qualify for payment coverage. Each health plan has  
6 its own policies and procedures that health care providers are  
7 forced to navigate.

8           The legislature further finds that there is emerging  
9 consensus among health care providers that prior authorization  
10 increases administrative burdens. In the 2023 physician  
11 workforce report published by the university of Hawaii John A.  
12 Burns school of medicine, physicians voted prior authorization  
13 their top concern regarding administrative burden. Furthermore,  
14 a 2023 physician survey conducted by the American Medical  
15 Association reported that ninety-five per cent of physicians  
16 attribute prior authorization to somewhat or significantly  
17 increased physician burnout, and that more than one-in-three



1 physicians have staff who work exclusively on prior  
2 authorization.

3 Other findings from the American Medical Association prior  
4 authorization physician survey questioning the value and impact  
5 to patient care are that:

6 (1) Ninety-four per cent of respondents said that the  
7 prior authorization process always, often, or  
8 sometimes delays care;

9 (2) Nineteen per cent of respondents said prior  
10 authorization resulted in a serious adverse event  
11 leading to a patient being hospitalized;

12 (3) Thirteen per cent of respondents said prior  
13 authorization resulted in a serious adverse event  
14 leading to a life-threatening event or requiring  
15 intervention to prevent permanent impairment or  
16 damage; and

17 (4) Seven per cent of respondents said prior authorization  
18 resulted in a serious adverse event leading to a  
19 patient's disability, permanent bodily damage,  
20 congenital anomaly, birth defect, or death.



1           Yet despite the time and resources dedicated to the prior  
2 authorization process, and the risk to patient safety, an  
3 analysis by the Kaiser Family Foundation, "Use of Prior  
4 Authorization in Medicare Advantage Exceeded 46 Million Requests  
5 in 2022," published in August 2024, reveals that the vast  
6 majority of appeals, or eighty-three per cent, resulted in  
7 overturning the initial prior authorization denial.

8           Accordingly, the purpose of this Act is to examine prior  
9 authorization practices in the State by:

- 10           (1) Requiring utilization review entities to report data
- 11                 relating to prior authorization of health care
- 12                 services to the state health planning and development
- 13                 agency; and
- 14           (2) Establish the health care appropriateness and
- 15                 necessity working group to make recommendations to
- 16                 improve and expedite the prior authorization process.

17           SECTION 2. Chapter 323D, Hawaii Revised Statutes, is  
18 amended by adding two new sections to part II to be  
19 appropriately designated and to read as follows:

20           "§323D-           Prior authorization; reporting. (a) Any  
21 utilization review entity doing business in the State shall



1 submit data to the state agency relating to prior authorization  
2 of health care services, in a format specified by the state  
3 agency. Reporting shall be annual for the preceding calendar  
4 year and shall be submitted no later than January 31 of the  
5 subsequent calendar year. The state agency shall post the  
6 reporting format on its website no later than three months  
7 before the start of the reporting period.

8 (b) Protected health information as defined in title 45  
9 Code of Federal Regulations section 160.103 shall not be  
10 submitted to the state agency unless:

- 11 (1) The individual to whom the information relates  
12 authorizes the disclosure; or
- 13 (2) Authorization is not required pursuant to title 45  
14 Code of Federal Regulations section 164.512.

15 (c) The state agency shall compile the data by provider of  
16 health insurance, health care setting, and line of business, and  
17 shall post a report of findings, including recommendations, on  
18 its website no later than March 1 of the year after the  
19 reporting period. If the state agency is unable to post the  
20 report of findings by March 1, the state agency shall notify the  
21 legislature in writing within ten days and include an estimated



1 date of posting, reasons for the delay, and if applicable, a  
2 corrective action plan.

3 §323D- Health care appropriateness and necessity

4 working group; established. (a) There is established the

5 health care appropriateness and necessity working group within

6 the state agency. The working group shall:

7 (1) Determine by research and consensus:

8 (A) The most respected peer-reviewed national  
9 scientific standards;

10 (B) Clinical guidelines; and

11 (C) Appropriate use criteria published by federal  
12 agencies, academic institutions, and professional  
13 societies,

14 that correspond to each of the most frequent clinical

15 treatments, procedures, medications, diagnostic

16 images, laboratory and diagnostic tests, or types of

17 medical equipment prescribed by licensed physicians

18 and other health care providers in the State that

19 trigger prior authorization determinations by the

20 utilization review entities;



- 1        (2) Assess whether it is appropriate to require prior  
2                    authorization for each considered clinical treatment,  
3                    procedure, medication, diagnostic image, laboratory  
4                    and diagnostic test, or type of medical equipment  
5                    prescribed by licensed physicians and other health  
6                    care providers;
  
- 7        (3) Make recommendations on standards for third party  
8                    reviewers related to the specialty expertise of those  
9                    reviewing and for those discussing a patient's denial  
10                   with the patient's health care provider;
  
- 11       (4) Recommend appropriate time frames within which urgent  
12                   and standard requests shall be decided; and
  
- 13       (5) Make recommendations on treatments for common chronic  
14                   or long-term conditions for which prior authorization  
15                   may remain valid for the duration of the treatment in  
16                   the appropriate clinical setting.
  
- 17       (b) The administrator shall invite the following  
18 individuals to be members of the working group:
  
- 19       (1) Five members representing the insurance industry, to  
20                   be selected by the Hawaii Association of Health Plans;



1       (2) Five members representing licensed health care  
2       professionals, two of whom shall be selected by the  
3       Hawaii Medical Association, two of whom shall be  
4       selected by the Healthcare Association of Hawaii, and  
5       one of whom shall be selected by the Hawaii state  
6       center for nursing; and

7       (3) Five members representing consumers of health care or  
8       employers, two of whom shall be selected by the board  
9       of trustees of the employer-union health benefits  
10       trust fund, one of whom shall be a consumer selected  
11       by the statewide health coordinating council, one of  
12       whom shall be selected by the Hawaii Primary Care  
13       Association, and one of whom shall be selected by Papa  
14       Ola Lokahi.

15       The members of the working group shall elect a chairperson  
16       and vice chairperson from amongst themselves. The director of  
17       health, insurance commissioner, and administrator of the med-  
18       QUEST division of the department of human services shall each  
19       appoint an ex-officio advisor for the working group.

20       (c) The working group shall submit a report of its  
21       findings and recommendations regarding information under



1 subsection (a), including any proposed legislation, to the  
2 legislature no later than twenty days prior to the convening of  
3 the regular session of 2026 and each regular session thereafter.

4 (d) The recommendations of the working group shall be  
5 advisory only and not mandatory for health care facilities,  
6 health care professionals, insurers, and utilization review  
7 entities. The state agency shall promote the recommendations  
8 among health care facilities, health care professionals,  
9 insurers, and utilization review entities and shall publish  
10 annually in its report to the legislature the extent and impacts  
11 of the use of its recommendations in the State.

12 (e) The state agency shall seek transparency and agreement  
13 among health care facilities, health care professionals,  
14 insurers, utilization review entities, and consumers related to  
15 the most respected clinical, scientific, and efficacious  
16 standards, guidelines, and appropriate use criteria  
17 corresponding to medical treatments and services most commonly  
18 triggering prior authorization determinations in order to reduce  
19 uncertainty around common prior authorization processes, and  
20 also foster automation of prior authorization for the benefit of  
21 all. The state agency shall explore means of achieving



1 statewide health sector agreement on means of automating prior  
2 authorization determinations in the near future that decrease  
3 delays and disruptions of medically necessary patient care."

4 SECTION 3. Section 323D-2, Hawaii Revised Statutes, is  
5 amended by adding three new definitions to be appropriately  
6 inserted and to read as follows:

7 "Prior authorization" means the process by which a  
8 utilization review entity determines the medical necessity or  
9 medical appropriateness of otherwise covered health care  
10 services before the rendering of the health care services.

11 "Prior authorization" includes any health insurer's or  
12 utilization review entity's requirement that an enrollee or  
13 health care provider notify the health insurer or utilization  
14 review entity before providing health care services.

15 "Prior authorization data" means data requested by the  
16 state agency that relates to the prior authorization of health  
17 care services. "Prior authorization data" includes but is not  
18 limited to:

19 (1) Patient demographics such as age, primary insurance  
20 plan, residential ZIP code, and sex;



- 1        (2) Brand name drugs, diagnosis-related group codes,  
2        durable medical equipment type, generic drug names,  
3        procedure codes, or revenue codes;
- 4        (3) Diagnosis codes;
- 5        (4) Specialty of the health care provider requesting prior  
6        authorization for a health care service;
- 7        (5) Health care setting, such as inpatient, outpatient,  
8        observation, or other;
- 9        (6) Date of initial provider request for prior  
10       authorization, date of health plan response, and the  
11       status of the prior authorization request by date,  
12       such as pending, approved, denied, appealed, or  
13       overturned; and
- 14       (7) Any other data identified by the state agency.
- 15       "Utilization review entity" means an individual or entity  
16 that performs prior authorization for one or more of the  
17 following entities:
- 18       (1) An insurer that writes health insurance policies;
- 19       (2) An insurer governed by chapter 431, article 10A; a  
20       mutual benefit society governed by chapter 432,  
21       article 1; a fraternal benefit society governed by



1           chapter 432, article 2; or a health maintenance  
2           organization governed by chapter 432D; or  
3           (3) Any other individual or entity that provides, offers  
4           to provide, or administers hospital, outpatient,  
5           medical, prescription drug, or other health benefits  
6           to a person treated by a health care provider the  
7           State under a policy, plan, or contract."

8           SECTION 4. New statutory material is underscored.

9           SECTION 5. This Act shall take effect on July 1, 3000.



**Report Title:**

Prior Authorization; Utilization Review Entities; Reporting;  
Health Care Appropriateness and Necessity Working Group; State  
Health Planning and Development Agency

**Description:**

Requires utilization review entities to submit data relating to  
the prior authorization of health care services to the State  
Health Planning and Development Agency. Establishes the Health  
Care Appropriateness and Necessity Working Group within the  
State Health Planning and Development Agency. Effective  
7/1/3000. (HD2)

*The summary description of legislation appearing on this page is for informational purposes only and is  
not legislation or evidence of legislative intent.*

