

Policy At A Glance:

Health Care Coverage: Prior Authorizations (SB 306)

Prior authorizations have become pain points for patients and providers, creating delays in necessary care and increasing administrative burden. This brief provides an overview of the concerns regarding prior authorizations and the measures outlined in SB 306 to eliminate the need for prior authorizations in certain cases.

Introduction

Bureaucracy exists everywhere. When it exists in healthcare, however, it can result in delays in life-saving measures, negatively affecting the lives of patients as well as providers. Initially created as a cost-containment measure, prior authorization, which is a “process that requires physicians and other health care professionals to obtain advance approval from a health plan before a specific service is delivered to the patient to qualify for payment coverage,”¹ has become an example of how bureaucracy can create concerning delays in care.

According to a survey by the American Medical Association (AMA), almost one in four physicians (24%) reported that prior authorization has led to a serious adverse event for a patient in their care, including permanent impairment, hospitalization, or even death.² The same survey showed that physicians complete an average of 43 prior authorizations per week, with 27% of physicians reporting that their prior authorization requests are often or always denied.²

Given the growing concerns regarding prior authorizations, California legislators passed Health Care Coverage: Prior Authorizations (SB 306), which was signed into law on October 6, 2025.³ This brief provides an overview of the concerns regarding prior authorizations and the measures outlined in SB 306.

Relevant Dates for S.B. 306³

02/10/2025	Introduced in the California State Senate
02/19/2025	Referred to the Senate Committee on Health
05/28/2025	Passed in the California State Senate
09/08/2025	Passed in the California State Assembly with amendments
09/09/2025	Amended version concurred in the Senate
10/06/2025	Signed into law by Governor Newsom and chaptered as law

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Concerns with Prior Authorizations

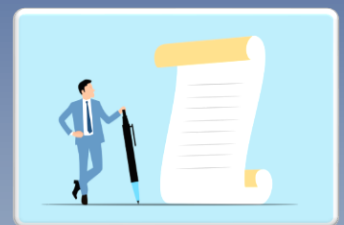
Several concerns exist regarding prior authorizations. First, it can delay needed care for patients. For example, one data source notes that over 85% of patients experience treatment delays because of prior authorization requirements.⁴ In fact, 94% of the physicians surveyed by the AMA reported that prior authorization delays access to necessary care, and 78% reported that patients forego treatment due to authorization struggles with health insurers.²

In addition to delays or disruptions in patient care, prior authorizations also result in increased administrative burden on healthcare providers, leading to diverted time and contributing to burnout. According to the AMA survey, prior authorizations take up about 12 hours of physician and staff time each week, and 95% of the physicians reported that prior authorization somewhat or significantly increases burnout.² According to another data source, 75% of physicians report that prior authorization negatively impacts their workflow efficiency.⁴ In addition to physicians, 65% of pharmacies spend over 3 hours weekly on prior authorization tasks.⁴

Prior authorization also adds significant waste and cost to the entire healthcare system. Seven out of ten clinicians report that prior authorization requires more administrative staff, contributing to higher operational costs, and seven out of ten healthcare executives agree that reducing prior authorization time could lead to cost savings.⁴ Physicians also report that prior authorizations cause resources to be diverted to ineffective initial treatments (69%), additional office visits (68%), urgent or emergency care (42%), and hospitalizations (29%).²

History of Prior Authorizations and Increasing Use of AI

The idea for prior authorizations came out of utilization reviews in the 1960s and the push for cost containment with the Health Maintenance Organization Act in 1973.⁵ It was initially applied to inpatient stays, but, over time, it has expanded to include certain medications, procedures, tests, advanced imaging and healthcare services, creating extra hurdles for patients and providers to overcome.⁵ With the rise of artificial intelligence (AI), both health insurers and providers are starting to use AI for prior authorizations. The use of AI on the insurer side, however, has created concern, with 61% of physicians fearing that payers' use of unregulated AI is increasing prior authorization denials.⁶



SB 306 Provisions for Prior Authorizations

Background Information

SB 306 was authored by Senator Josh Becker (D) from California's 13th Senate District, which covers most of San Mateo County and the northern part of Santa Clara County.^{3,7} It was one of three prior authorization bills sponsored by the California Medical Association (CMA) during the 2024–2025 legislative session and the only one that became law.⁸

Main Provisions

First of all, SB 306 requires the Department of Managed Health Care (DMHC) and the California Department of Insurance (CDI) to issue instructions to healthcare service plans and health insurers on or before July 1, 2026, to report statistics regarding covered healthcare services subject to prior authorization and the percentage rate at which they are approved or modified.⁹ The health plans and insurers must then provide the requested report on or before December 31, 2026.⁹

Secondly, SB 306 requires DMHC and CDI to evaluate these reports, identify the health care services approved at a rate that meets or exceeds the threshold rate of 90%, and publish a list of the services that meet this criterion on or before July 1, 2027.⁹

Then, starting on the date specified by the relevant department (DMHC or CDI) but no later than January 1, 2028, a plan, insurer, or its delegated entities will be required to stop

requiring prior authorization for the listed healthcare services that are frequently approved. Of note, SB 306 authorizes a plan or insurer to reinstate prior authorization for a specific health care provider if it determines that the provider has engaged in fraudulent activity or clinically inappropriate care.

Finally, no later than 4 years after the cessation of prior authorization requirements, SB 306 requires the departments to publish reports regarding the impact of that cessation using information reported by plans and insurers, including data on reinstatements of prior authorization for specific providers. All of these provisions sunset on January 1, 2034.

Supporters

Many professional healthcare provider organizations such as the American Academy of Pediatrics, California Academy of Family Physicians, California Hospital Association, California Medical Association, and California Nurses Association supported SB 306. Hospital systems such as Adventist Health, Loma Linda University Health and Stanford Health Care also supported the bill.¹⁰

Opponents

Not surprisingly, health plan groups such as the Association of Life & Health Insurance Companies and the California Association of Health Plans opposed the bill.

Conclusion

Although initially designed to contain cost and decrease waste, prior authorizations have become a pain point for patients and providers, resulting in delayed care, lost productivity, increased burnout, and greater healthcare cost in the long run. SB 306 aims to address some of these concerns by eliminating the need for prior authorizations for healthcare services that are approved at least 90% of the time by health plans operating in California, effective no later than January 1, 2028.

Although it is a step in the right direction, many more reforms need to take place to fully address the problems with prior authorizations. For example, the AMA and other national organizations representing medical groups, pharmacists, hospitals and health insurers issued the “Consensus Statement on Improving the Prior Authorization Process” in 2018 to address this issue.¹¹ However, there has been ineffective follow through. Appropriate and effective policy changes need to take place at the federal and state levels to ensure that our patients, providers and the healthcare system at large do not suffer unnecessarily.

References

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Did you know?

AI tools used in prior authorization decisions have produced high rates of care denial, with some being 16 times higher than usual.¹²



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