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The Utilization Management Regulation Domino Effect

Why a single regulatory change impacts the entire UM value chain – and how to prepare as an organization.

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01 Introduction

In recent years, the Utilization Management (UM) landscape has come under heightened regulatory scrutiny, with particular emphasis on reforming prior authorization practices.

This attention stems from growing concerns about delayed access to care and the substantial administrative burden these processes impose. While prior authorization has largely become a focal point of reform efforts, it represents only one segment within the broader UM value chain (Figure 1).

Figure 1. Utilization Management Value Chain Segments & Overview

Value Chain Segment	Key Activities Within The Segment
Prior Authorization	• Gathering and reviewing required clinical documentation to justify services needed, verifying coverage requirements, and helping to improve alignment with medical policy guidelines before approving or denying requests • Communicating review decisions to the provider and patient with clear rationale for coverage decision
Concurrent Review	• Monitoring patient progress during hospital stays, supporting appropriate utilization of resources, reviewing provider adherence to care plans, and facilitating discharge planning • Delivering timely communication of continued stay requests and documenting transition of care decisions
Retrospective Review	• Analyzing past claims and medical records to assess compliance with guidelines, identify coding and billing discrepancies, help ensure proper documentation for reimbursement • Assessing trends in utilization and outcomes, flagging patterns of unnecessary utilization, and providing recommendations for quality improvement
Appeals & Denials	• Evaluating denied claims, gathering supporting clinical evidence, coordinating with providers and payers, helping to improve timely resolution of appeals • Analyzing denials trends and providing recommendations for systemic process improvement and policy updates

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The current wave of regulatory activity is largely driven by increasing member dissatisfaction, widespread provider burnout, and bipartisan legislative initiatives aimed at enhancing healthcare accessibility and operational efficiency. However, focusing exclusively on prior authorizations or any single segment of the UM value chain results in creating a fragmented understanding of UM operations.

Taking a more holistic view of the value chain enables payers to account for the interconnected nature of its segments, which relies on alignment across policy, data and technology, and team processes. Additionally, as AI use cases continue to expand and underpin key payer strategies, it will be necessary to consider how AI implementation could introduce additional risks of fragmentation and additionally, provide opportunity to accelerate operational readiness and end-to-end oversight across UM segments. Ultimately, embracing a comprehensive approach to UM operations is essential for meeting evolving policy demands. **When designed effectively, integrated UM processes not only improve compliance but also help reduce the total cost of care, driving greater affordability and sustainability for members.**

02 Navigating the Ripple Effects of UM Regulations

Each segment within the UM value chain plays a vital role in enhancing appropriate care delivery, managing healthcare costs, and shaping the overall experience for both members and providers.

When new regulations are introduced into this space, they often place distinct requirements on disparate UM value chain segments for different lines of business populations.

Figure 2 illustrates how sample regulatory requirements are positioned across different segments of the UM value chain. It highlights that these requirements are not evenly distributed—they tend to concentrate on specific areas, largely prior authorization and appeals & denials—and that there are clear distinctions between Government and Commercial lines of business. This fragmented landscape drives operational complexity as payers aim to maintain compliance with all existing and upcoming regulations.

Figure 2. Sample of Recent Federal Regulations and Requirements on UM Value Chain Segments*

Regulation*	Regulation Description	Regulation Compliance Date	Line of Business	UM Value Chain Segment Alignment: Prior Authorization	Concurrent Review	Retrospective Review	Appeals & Denials
Interoperability & Prior Authorization Final Rule *(CMS- 0057-F)* [1]	Requires payers to implement APIs for electronic prior auth, respond faster (72 hours standard, 7 days expedited), and report metrics.	January 1, 2026, for most provisions January 1, 2027, for API implementation	Government	☑			☑
Ensuring Transparency in Prior Authorization Act *(NJ PL.2024, c.296)* [2]	New Jersey law requiring carriers to post UM criteria online, respond to prior auth requests within set timeframes, and improve transparency in denials.	January 1, 2025	Commercial	☑			☑
Condition of Participation: Utilization Review (42 CFR § 482.30) [3]	Requires hospitals to maintain a utilization review plan that reviews medical necessity of admissions, length of stay, and services for Medicare/Medicaid patients.	Ongoing (effective decades ago; last amended November 21, 2025)	Government		☑		
Medicare Advantage and Part D Final Rule *(CMS-4201-F)* [4]	Tightens rules around continuity of care, prior authorization reuse, and annual review of UM tools. Limits use of proprietary coverage criteria.	January 1, 2024	Government	☑			☑
Colorado Bill to Strengthen Insurance Appeals (*CO HB23-1201)* [5]	Enhances patient rights in appealing denied claims, mandates clearer denial reasons, and shortens appeal timelines.	January 1, 2025	Commercial and Government				☑

*The regulations listed in Figure 2 sample a few recent regulations and are not a comprehensive list.

☑ Area of Regulation Requirements

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Figure 3. Sample of Regulations Effect on UM Value Chain Segments where Requirements are not Directly Placed

Regulation*	Regulation Description	Regulation Compliance Date	Line of Business	UM Value Chain Segment Alignment: Prior Authorization	Concurrent Review	Retrospective Review	Appeals & Denials
Interoperability & Prior Authorization Final Rule *(CMS- 0057-F)* [1]	Requires payers to implement APIs for electronic prior auth, respond faster (72 hours standard, 7 days expedited), and report metrics.	January 1, 2026, for most provisions January 1, 2027, for API implementation	Government	☑			☑
Example of End-to-End Considerations							
Sample Scenario: **Implementing new infrastructure to meet requirement** *(e.g., enabled by emerging GenAI tools and logic).*				☑	***Indirect Opportunity:*** *Improves provider experience with better data-sharing*	***Indirect Opportunity:*** *Cohesive data chassis and integration for more efficient decision-making*	☑
Sample Scenario: **Operational impacts by simplifying policies to meet turnaround requirements only in PA**				☑	***Indirect Impact:*** *Potential data overload or compatibility issues could cause delays if not integrated*	***Indirect Impact:*** *Faster upfront PAs could result in errors & more follow-up reviews*	☑

This regulatory and operational complexity in UM is often amplified when regulatory requirements have ripple effects beyond their immediate focus segments. Figure 3 illustrates this dynamic, showing how regulations placed on specific UM value chain segments can also influence downstream processes by presenting improvement opportunities or introducing potential for unintended negative impacts. For example, the Interoperability & Prior Authorization Final Rule mandates the use of APIs to automate workflows, enforcement of decision timeframes, and improvement of transparency around denial reasons. While these requirements are placed on prior authorization, the same API-enabled data and technology infrastructure an organization may implement to meet these requirements, could be leveraged to enhance the efficiency and accountability of other UM segments by enabling more timely data exchange, standardized documentation, and clearer audit trails.

Alternatively, there are scenarios where, instead of identifying opportunities for end-to-end UM improvements, certain strategies may inadvertently introduce risks to other segments. For example, if an organization addresses strict turnaround time requirements by simplifying prior authorization policies to reduce review volume and time, this could unintentionally shift greater volume to retrospective review, creating downstream compliance risk, operational inefficiency, and member and provider dissatisfaction.

These cross-segment effects underscore why compliance cannot be approached in isolation specific to the segments of focus for a particular regulation. Understanding how regulatory mandates influence segments beyond their immediate scope is critical for developing integrated compliance strategies and operational workflows that reflect the full breadth of change.

03 Transform Compliance into Strategic Advantage

As the regulatory pressures intensify, navigating the increasingly complex regulatory landscape will demand a strategic, organization-wide approach to reform; one that emphasizes operational readiness and cross-functional alignment accounting for end-to-end dependencies.

Key elements for success:

1. Develop flexible technology and data infrastructure with AI to adapt to evolving federal requirements

Rather than building single-purpose solutions in response to each new mandate, payers should invest in a configurable, enterprise-wide UM chassis grounded in a flexible data and technology infrastructure. This strategy should proactively consider APIs, integration with external providers, and UM platforms that support rapid policy and decisioning adjustments. AI can then be incorporated as a powerful enabler to further enhance adaptability and preparedness. For example, reusable services can be designed to support multiple use cases, with AI driving intelligent automation and insights. Instead of merely transmitting an approval or denial, the platform should deliver a rich dataset through bidirectional data synchronization—allowing clinical documentation and decision rationale from both internal and external systems to inform other segments of the value chain.

2. Evaluate the strategic value impact and assessment of operational changes needed

Payers should move beyond treating regulatory mandates as a compliance checklist exercise and instead actively measure how these changes impact both financial and clinical outcomes across the enterprise and for members. For example, after implementing shorter prior authorization decision timeframes, payers should monitor not only compliance rates but also the downstream effects on appeals and retrospective review teams. These insights can help refine clinical review criteria and inform targeted training efforts.

3. Synchronizing operations and clinical policies across the UM value chain

Clinical policies, operational workflows, and technology platforms should be synchronized across the entire UM value chain to help ensure a consistent, end-to-end member and provider experience. For example, when limiting coverage criteria under the Medicare Advantage & Part D Final Rule, any changes should be immediately reflected in the systems and training protocol for retrospective review and appeals teams.

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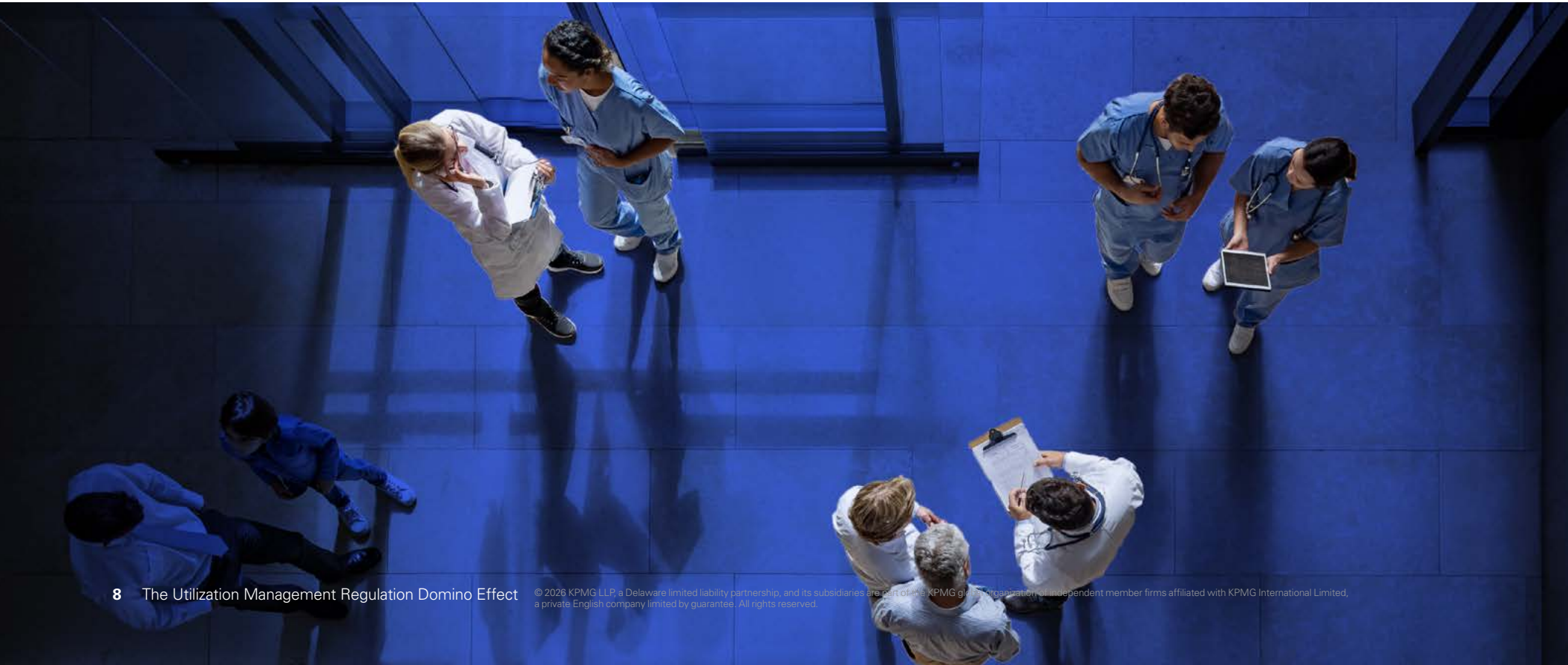
These strategies will need to extend to rethinking technology deployment, workflow redesign, and workforce training to create comprehensive, aligned, and flexible processes to expand opportunities for improvement, reduce risk of unintended process bottlenecks, and to help ensure compliance as regulations go into effect.

To drive integrated UM alignment and flexibility in support of this strategy, organizations should consider investing in a shared, adaptable UM infrastructure. **Such systems, built on seamless provider data exchange and robust integration capabilities, can deliver mutual benefits for both payers and providers**—reducing administrative burden and accelerating decision-making across the care continuum.

By shifting beyond reactive, compliance-driven approaches and adopting a holistic view of the UM value chain, payers can turn regulatory requirements into catalysts for broader operational transformation. This shift enables them to build more adaptable processes, improve coordination across segments, and create efficiencies that strengthen overall readiness for future change. The future of UM lies not in fixing isolated functions, but in reimagining the system as a whole.



04 Related Publications and References

For a deeper dive into strategies for modernizing utilization management, see our related paper:

READ MORE

1 Centers for Medicare & Medicaid Services, *CMS Interoperability and Prior Authorization final rule (CMS-0057-F)* (January 17, 2024).

2 State of New Jersey Department of Banking and Insurance, (2024). *Bulletin No. 24-17: Ensuring Transparency in Prior Authorization Act (P.L. 2023, c. 296)* (December 31, 2024).

3 U.S. Government Publishing Office, Code of Federal Regulations, *Title 42, Section 482.30: Condition of participation: Utilization review* (November 21, 2024).

4 Centers for Medicare & Medicaid Services, *Medicare Advantage and Part D Final Rule (CMS-4201-F)* (April 5, 2023).

5 LegiScan, *Bill Text: CO HB1201, 2023 Regular Session* (2023).

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