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Telemedicine: A Strong Asset for Tackling Healthcare Reform

By Richard Bakalar and Ashraf Shehata

Telemedicine is poised to grow as value-based purchasing takes hold.

Telemedicine has evolved with the help of broadband connectivity, readily available video conferencing software, and standardized clinical protocols, making it a practical solution in many clinical situations. Simultaneously, some of the reimbursement changes being driven by the Affordable Care Act (ACA) encourage the use of telemedicine. Taken together, these developments have put telemedicine on the brink of wide adoption.

Four Characteristics

As our healthcare system moves toward value-based purchasing, measures and consumer satisfaction are becoming paramount. Four characteristics of value-based purchasing will drive demand for telemedicine.

Consumerism. Telemedicine offers patients greater choice of providers at a fraction of the cost of conventional fee-for-service models. Interestingly, many consumers report that although physicians are not in the same room with them, they feel they get more time and focused attention via telemedicine than they do during in-person visits.

Better outcomes. In the coming value-based payment environment, providers will receive incentives based on their ability to minimize negative outcomes and



contain costs by avoiding unnecessary testing and procedures and discouraging emergency department (ED) visits for nonemergencies. Many studies have shown improved efficiency and positive outcomes in several specialties or disease categories, including diabetes (Klonoff, D.C., “Using Telemedicine to Improve Outcomes in Diabetes—An Emerging Technology,” *Journal of Diabetes Science and Technology*, July 2009), dermatology (Lamel, S., Chambers, C.J., Ratnarathorn, M., et al., “Impact of Live Interactive Teledermatology on Diagnosis, Disease Management, and Clinical Outcomes,” *Archives of Dermatology*, January 2012), psychiatry (Bashshur, R.L., Shannon, G.W., Bashshur, N., et al., “The Empirical Evidence for Telemedicine Interventions in Mental Disorders,” *Telemedicine Journal and eHealth*, December 2015) and congestive heart failure (Maeng, D.D., Starr, A.E., Tomcavage, J.F., et al., “Can Telemonitoring Reduce Hospitalization and Cost of Care? A Health Plan’s Experience in Managing Patients with Heart Failure,” *Population Health Management*, 2014).

Population health management. Providers are increasingly being rewarded or penalized based on their ability to manage health on the population level. Telemedicine can be an important tool in that regard by helping physicians remotely monitor medication adherence and self-care.

Continuity of care. Continuity of care is a key component of value-based payment. As reflected by electronic health records and more flexible means of care, there has been a growing need for collaboration among providers. Telemedicine is the next step in this evolution. Telemedicine allows for more efficient follow-up care and disease management and can alert providers when patients could be at greater risk for conditions before emergencies arise.

One of the central assumptions of the ACA is that it is possible to increase health outcomes while reining in costs, a balancing act that is connected to provider reimbursement levels, bonuses, and penalties. Telemedicine may be one means of achieving better value: According to a nationwide survey of 2,000 primary care physicians conducted by American Well,

almost 60 percent of doctors would be willing to see patients via video (Frist, B., “Telemedicine: A Solution to Address the Problems of Cost, Access, and Quality,” *Health Affairs Blog*, July 23, 2015). By its very nature, telemedicine helps patients avoid unnecessary treatment, catch problems before they become emergencies, and better manage chronic conditions. Recent studies show that only 6 percent of patients who used telemedicine services required follow-up consults, compared to 13 percent of those who were seen in an office and 20 percent of those who visited an ED (Study: Telehealth expands access to health care, The Institute for Health Care Consumerism, 2015).

One particularly expensive element of our healthcare system is unnecessary usage of ambulances and trips to the ED. For example, chronically ill patients sometimes seek emergency care for issues that could be addressed with a change in medication, diet, or other adjustment—recommendations easily made via telemedicine.

The Market for Telemedicine

Telemedicine is meeting many of the tenets put forth by the ACA, such as reducing gaps in care, providing access to the underserved, and lowering the cost of treating the chronically ill. In addition, many patients and providers are embracing this means of care. Even retail health clinics are taking a serious look at adding telemedicine and consumer telehealth services to enhance customer loyalty and adoption.

As patients become more adept at using technology and comfortable with self-management of their health, acceptance of telemedicine will continue to increase. The potential uses range from direct treatment to personalized health education to self-management of chronic conditions. A recent Harris Poll showed that 64 percent of patients surveyed would consider consulting with their doctor via video rather than in person (Hall, S.D., “Patients Increasingly Open to Video Doctor Visits,” *FierceHealthIT*, Jan. 23, 2015). And those already using telemedicine are showing

Signposts for Telemedicine

The following healthcare scenarios and stakeholders would experience a positive impact as a result of wider use of telemedicine.

Rural populations. Nineteen percent of U.S. residents live in remote, rural areas (Rural Population, The World Bank), where hospitals may suffer from staff shortages, lack of certain subspecialists, or obsolete diagnostic equipment.

Aging populations. Telemedicine can reduce hospitalizations of nursing home residents and generate savings for Medicare. One study found that although intensive care unit (ICU) telemedicine adoption resulted in a small relative overall mortality reduction, there was heterogeneity in effect across adopting hospitals, with large-volume urban hospitals experiencing the greatest mortality reductions (Kahn, J.M., Le T.Q., Barnato, A.E., et al., “ICU Telemedicine and Critical Care Mortality: A National Effectiveness Study,” *Medical Care*, Jan. 13, 2016).

In skilled nursing facilities that used telemedicine services regularly, hospitalization rates declined by 11.3 percent, amounting to an approximate Medicare savings of \$150,000 annually, according to a recent study in *Health Affairs* (Crowe, M.R., “Could Your Facility Benefit from Telemedicine?” *Healthcare Law Insights*, Husch Blackwell, Feb. 21, 2014).

Critical care. Those being cared for in tele-ICU programs were 26 percent more likely to survive and were discharged 20 percent faster, according to a survey in the journal *CHEST* (Gray, S., “Telemedicine improves outcomes for critically ill patients, study finds,” University of Massachusetts Medical School, Dec. 6, 2013).

Four Potential Payment Models

Telemedicine supports the following emerging payment models.

No fee for service. Many provider organizations are offering telemedicine services free of charge. These programs are seen to be of value because they drive patients to use a particular hospital. In some specialties, such as neurology, it is seen to be more cost-effective to offer “no fee for service” than to have multiple neurologists on call. This saves resources, especially as payment models move toward bundling and capitation.

Telemedicine is considered a good investment in shared-risk models, such as accountable care organizations and provider-led health plans. Such organizations benefit when they reduce overall costs and meet specific outcome criteria, so investing in telemedicine can lead to improved financial outcomes.

Medicare/Medicaid model for targeted populations. Medicare and Medicaid pay for services provided to chronically ill patients—as well as those needing mental health interventions—who are considered high cost and high risk. Telemedicine can be applied toward the patients who need the most care, creating efficient patient engagement opportunities. In addition, selective telehealth services supported by public payers are more attractive than higher cost on-site care or care delivered in locations where specialty services are in limited supply.

Private insurers subject to commercial parity laws. New parity laws dictate that if federal and state government programs offer payment for telemedicine, private payers must offer equal payment rates. This model is under the most scrutiny and will evolve in years to come as addendums to the Affordable Care Act continue to unfold.

high levels of customer satisfaction. For example, a survey of patients in the Veterans Administration, one of the earliest adopters of telemedicine, shows a 94 percent satisfaction rate (Jacobson, S., “How Laws and Policies are Shaping Telemedicine,” Feb. 18, 2015).

As patients embrace telemedicine, providers will start to view it as a competitive advantage. In fact, according to a Harris Poll conducted by American Well, 84 percent of healthcare executives said that telemedicine was important to the future of their organizations, and 90 percent said they are developing at least one

telemedicine solution (*Telehealth Index: 2015 Consumer Survey*, American Well, Jan. 21, 2015).

For payers, studies show that the transition to telemedicine is gaining ground. In 2014, Medicare reimbursements for telemedicine totaled \$13.9 million, which reflects a steady increase since the sector was first measured in 2008 (Sprang, R., “CMS Medicare Reimburses Nearly \$14 Million for Telemedicine in 2014,” Center for Telehealth and e-Health Law, May 8, 2015.) And 71 percent of employers with more than 1,000 employees are expected to offer telemedicine services by 2017 (Frist, B., loc. cit.).

That said, reimbursement for telemedicine is currently in a state of flux. As most reimbursement policies are decided and managed on a state level, state governments are currently hashing out the intricacies of this issue. Medicare and Medicaid payments are a bit more straightforward, but payment from private payers is still very much a work in progress.

A \$5+ Billion Market

The healthcare environment is primed for the widespread adoption of telemedicine. Technology, economics, consumer demands, clinical practices, and healthcare staffing levels are driving this change. Just one use of telemedicine—monitoring the chronically ill remotely—is expected to yield \$36 billion in savings worldwide over the next five years (Javitt, J., “Case Study: Using mHealth to Manage Diabetes,” *mHealthNews*, May 16, 2014).

And remote monitoring of the chronically ill is expected to yield more than \$5 billion in annual revenue to providers by 2020, 50 percent of the entire telemedicine market (Kern, C., “Telehealth Technology Can Improve Patient Outcomes,” *Insight On: Healthcare*, 2015). Essentially, the market is evolving to catch up with technological capabilities. //

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