WHITEPAPER
Understanding the Opportunities & Challenges of Telehealth 2015

imshealth TM
HEALTHCARE DATA SOLUTIONS
Introduction

Telehealth is experiencing explosive growth. Industry analysts estimate that 37 percent more healthcare providers will offer telemedicine by the end of 2015\(^1\) and that the global telemedicine market will surpass $34 billion by 2020\(^2\).

Telehealth virtual consultations – also known as telehealth video consultations, eVisits and eConsultations – are leading the boom, and are expected to double in the next five years in the U.S.

For decision-makers at hospitals, health systems and independent practices, the promise of telehealth is multifold. Healthcare organizations are looking to telehealth to support growing patient populations, to provide patient care in rural areas, to prevent and reduce ER visits, to improve care, and, ultimately, to reduce costs.

Telehealth providers and EHR companies are also looking for ways to gain a competitive advantage in the marketplace, particularly as legislative changes provide openings for insurance and Medicare/Medicaid coverage.

But can telehealth live up to its promises?

As this whitepaper will demonstrate, the answer is yes, no, and it’s too early to tell. While new studies support some of the benefits of telehealth, other sources highlight serious concerns. Additionally, significant barriers to growth exist, making it difficult for all stakeholders, including patients, to accurately gauge its worth.

Still, by all estimates, telehealth is only going to continue expanding and evolving in spite of myriad challenges. As well, there are many opportunities during this nascent stage for healthcare organizations, telehealth providers and other healthcare IT companies to integrate lessons learned thus far in order to prepare for what appears to be an inevitable transition in the delivery of healthcare services.

---
The Telehealth Landscape & Market

At the beginning of 2015, telehealth was pegged as one of the top five healthcare trends to watch. But the truth is, telehealth has been emerging for decades, starting with the Balanced Budget Act in 1997, which authorized partial Medicare reimbursement for telehealth services in rural areas, followed by the Benefits Improvement and Protect Act of 2000, which expanded telehealth reimbursements and coverage areas, and the HITECH Act of 2009, which laid the foundation for a healthcare IT infrastructure that would support telemedicine.

Today, much of telehealth’s growth hinges on legislative changes that are expected to “open the floodgates.” During the 113th Congress, 57 telehealth bills were introduced into Congress, and two new telehealth bills – S. 1549 and H.R. 2725 – were recently introduced to the 114th Congress. S.1549, or the Care Planning Act of 2015, aims to require Medicare coverage for round-the-clock emergency support for telemedicine and telephone visits when a beneficiary’s medical record and care plan are available. H.R. 2725, also known as the 21st Century Care for Military and Veterans Act, aims to modify current legislation to expand the use of telemedicine in the TRICARE veterans’ program.

**Factors Driving Expansion**

Drivers of the telehealth boom vary. One analysis posits the convenience and low cost of telehealth – particularly virtual health visits – as a considerable draw for patients. This assumption has attracted the attention of investors, who have funneled tens of millions of dollars into telehealth startups MDLive, Doctor On Demand and Teladoc.

Another analysis attributes the telehealth boom to the larger trend of reliance upon and love of electronic communication methods, as well as a general dissatisfaction with the healthcare system. Telehealth, from this point of view, offers a quick, convenient and inexpensive way for patients to get the health care they need. In turn, these benefits of telehealth will lead to greater patient satisfaction.

Geographic Physician shortages continue to play a role in the rise of telehealth. Health Professional Shortage Areas (HPSAs), defined by the Health and Human Services Administration (HRSA) as geographic regions with an inadequate number of Primary Care Physicians, have long received legislative support and payment coverage. By utilizing telehealth technologies, Physicians can better manage growing patient populations in these underserved areas.

Serving the needs of the growing aging population, which is expected to exceed 70 million by 2030, is another major driver of telehealth adoption. In-person doctor’s visits are particularly difficult for elderly patients who may have mobility problems or who live in rural areas. Yet, at the same time, the elderly population is also one of the most in need of regular healthcare for chronic and life-threatening conditions such as arthritis, heart disease, osteoporosis, diabetes, influenza, pneumonia and cancer.

Technological enablers, including better video conferencing technologies, broadband adoption and increased penetration of connected medical devices are also major telehealth drivers.

**Market Predictions**

 Analyst predictions for the telehealth market are nothing short of astounding: Mordor Intelligence estimates that the global market for telemedicine will be worth more than $34 billion by the end of 2020.

IHS Inc. predicts that telehealth video consultations will see annual growth of nearly 25 percent a year for the next five years, reaching 5.4 million video consultations.

---


consultations between Primary Care Physicians and patients by 2020. Globally, Tractica predicts that telehealth video consultations will surpass 158 million per year by 2020.

Specialty healthcare, including virtual visits with mental health practitioners, dermatologists and other specialists, is also expected to jump to 21.5 million. North America is expected to account for more than 40 percent of the telehealth video consultation global market size.

**Does Telehealth Reduce Healthcare Costs?**

A Towers Watson analysis estimates that telehealth doctor visits could save U.S. healthcare organizations up to $6 billion a year. In 2011, a Standard University evaluation found that its Health Buddy telehealth program saved between 7.7 – 13.3 percent per person per quarter. The U.S. Department of Defense has saved as much as $750,000 a year by using pediatric telehealth in remote areas. In 2014, a study by Red Quill Consulting on behalf of Alliance for Connected Care found that telehealth visits save commercial healthcare organizations $126 per visit and Medicare $45 per visit. And in 2015, a study by public health researchers found that telehealth video consultations can reduce the number of patients being transferred between hospitals by 31 percent – a significant savings in spite of the financial investment required to implement a telemedicine program.

To be sure, the cost-saving potential of telehealth has hospitals convinced, given that more than half of U.S. hospitals used telehealth in 2013 and 10 percent were in the implementation process. For hospitals, the expansion of telehealth services can be attributed directly to the goal of lowering healthcare costs by minimizing ER visits, of which 71 percent have been found to be unnecessary and avoidable. Additionally, telehealth services are expected to improve patient retention, optimize Physician time, increase visit compliance and save overhead costs – all of which make a strong case for telehealth.

Patient acceptance of telehealth is necessary for its success and cost-cutting effectiveness, and here, there is good news: According to a recent Harris Poll of over 2,000 adults, 64 percent said they are willing to see a doctor via video, and 7 percent said they would switch to a doctor who offers telemedicine. The American Hospital Association found patient acceptance of telehealth to be even higher at 74 percent.

However, patient acceptance of telehealth is limited, which could have an impact on cost-savings. When it comes to ER visits, only 21 percent of respondents in the Harris poll said they would prefer a video consultation. In contrast, 44 percent said they preferred an in-person visit. In a nationwide study by TechnologyAdviceResearch, a whopping 75 percent of patients said they would not trust a diagnosis made during a telehealth video consultation.

These factors could defeat the point of telemedicine from both a care and cost perspective, so hospitals, health systems and healthcare IT stakeholders should take these early polls into consideration. If patients still prefer in-person ER visits, then hospitals are less likely to see cost reductions in one of the most expensive areas of care. And if patients don’t trust virtual diagnoses, then they are more likely to ignore the advice given, fail to take preventative steps and fall out of visit compliance.

Telehealth also runs the risk of being an “add-on” to healthcare visits rather than a replacement, causing

---

a cycle of more tests and more visits which overall don’t necessarily lead to the savings that healthcare organizations expect.

**Legislative Complexities**

**Coverage**

The complex legislative landscape governing telemedicine and coverage is the biggest deterrent of telehealth expansion in the U.S. The American Telemedicine Association describes the landscape as “50 states with 50 different telemedicine policies.”

Currently, 47 states and Washington D.C.’s Medicaid programs offer some coverage for telemedicine, 29 states have telemedicine parity laws for private insurance, and 24 states have some coverage for telehealth services under state employee plans.

Some of the legislative challenges are related to how each state defines telehealth. The differences in definition then lead to variations between states regarding the types of services covered and what requirements providers must meet to get reimbursed. For example, some states have limited reimbursements for telehealth services related to mental health and disabilities; others will reimburse for a wide range specialty services delivered via telehealth.

The location of patients and how coverage applies is another legislative contention among state policymakers, and can determine how broad or restrictive telehealth coverage is in any state. In a gaps analysis report by the American Telemedicine Association (ATA), it was discovered that some states have designated “qualified patient locations” that restrict telemedicine coverage to certain originating sites such as Hospitals, Independent Physician Practices, Critical Access Hospitals, Rural Health Centers, Skilled Nursing Facilities and the patient’s home. On the other hand, the study also found that 24 states do not specify a patient setting or patient location at all.

Legislation has created significant openings in two areas: mileage restrictions and live video. Currently, the ATA reports that 82 percent of states have no statewide distance restrictions or geographic designations, which has helped telemedicine to flourish in areas outside of rural settings.

Live video consultations, according to a report by the Center for Connected Health Policy, are the most predominantly covered telehealth service nationwide, with 47 states providing some level of coverage.

**Medical Licensure**

Disparities in telemedicine licensure add another layer of legislative complexity that impedes telehealth expansion.

According to the Center for Connected Health Policy, eight states – Alabama, Louisiana, New Mexico, Ohio, Oklahoma, Oregon, Tennessee and Texas – require providers to obtain a special license to practice telemedicine. Such licenses do have benefit, as they allow out-of-state clinicians to provide telehealth services to patients in other states.

Eleven states – Alabama, Idaho, Illinois, Iowa, Minnesota, Montana, Nevada, South Dakota, Utah, West Virginia and Wyoming – have adopted the Federation of State Medical Board’s Interstate Medical Licensure Compact, which allows Physicians to apply for telemedicine licenses in other states through an expedited process governed by an Interstate Commission.

In Alabama, Louisiana, Minnesota, Nevada, New Mexico, Ohio, Oregon, Tennessee and Texas, out-of-state Physicians may obtain a conditional telemedicine license.

---


Currently, there are 32 types of healthcare providers who are designated by some states as “qualified health care professionals” who may be covered for telemedicine services. In addition to Physicians, some states allow Physician Assistants, Nurse Practitioners, Dentists and Pharmacists to receive telemedicine reimbursements. Fifteen states, including Washington D.C., do not currently specify or designate certain types of healthcare providers who can receive reimbursements for telemedicine services.

While many states have telemedicine licensure policies in place, others do not. For hospitals, health systems and other healthcare facilities in the states where such laws exist, it is critical not only to be aware of such policies but also to have processes and solutions in place to monitor the medical licensing of employed and contractual clinicians.

The Role of Retail Clinics

Dubbed the “new frontier” of telemedicine, retail medical clinics are making notable strides in telemedicine expansion. CVS Health deserves mention for partnering with American Weil, Doctor on Demand and Teladoc after discovering that one-third of more than 1,700 patients said they preferred telehealth visits to in-person visits. This is significant, given that the convenience, price transparency, and low-cost benefits of CVS and other retail clinics have already “disrupted” the primary care market.

It is in the retail medical clinic space where innovation and adoption of the latest technologies are expected. From collaborating with telehealth providers to expanding the range of services to using connected devices and integrating EHR systems, the retail medical clinic is emerging as one of the most accessible and accepted centers for healthcare. As Pharmacist provider status gains traction on both the state and federal level, retail medical clinics are expected to become even more prominent in the healthcare landscape.

State drug prescribing laws could pose a significant obstacle to retail medical clinics, as well as hospitals, health systems and other healthcare organizations. States such as Alabama, Massachusetts and California prohibit Physicians from prescribing medication without a physical exam. In other states, telehealth prescribing is only limited for certain classes of drugs – particularly controlled substances. And still other states explicitly prohibit prescribing based on Internet questionnaires while others do not. Overall, rural states tend to have the friendliest telehealth prescribing laws.

Marketing Telehealth

In addition to patient acceptance, clinician acceptance of telemedicine is essential for expansion. As this whitepaper demonstrates, a variety of clinicians – from Dentists to Physicians to Nurse Practitioners – are eligible to receive reimbursements for certain types of telemedicine in certain states. Physician acceptance of and involvement with telemedicine is undergoing a sea change.

The American College of Physicians recently reported that most of its 140,000 Physician members are involved in some sort of telehealth initiative. Still, many Physicians are resistant to change, while others are cautiously enthusiastic. Concerns about the quality of care and the erosion of patient-provider relationships also weigh heavy on the minds of clinicians.

One way to reduce resistance and build support for a burgeoning telemedicine program is through adequate education and training. Early training of Physicians, Nurse Practitioners, Physician Assistants and other clinicians is recommended.

Hospitals, health systems and healthcare IT providers looking to attract clinicians with telemedicine experience or those who are interested in product demonstrations or education should plan to develop full marketing strategies that utilize email marketing, webinars, and on-demand content – all of which Physicians utilize and prefer.
Conclusion

The time is ripe for telehealth to make groundbreaking changes in healthcare on a mass level. As healthcare organizations feel the pressures to support and improve the health of entire populations and to reduce costs while doing it, telehealth’s efficient and cost-saving value proposition will be undeniable.

As the healthcare industry awaits legislative changes to make telemedicine truly viable, hospitals, health systems, and healthcare IT providers should prepare for the transition by considering the patient and provider concerns presented in this whitepaper. By adopting early lessons learned, coupled with essential tools and solutions to manage some aspects of telemedicine, healthcare organizations can make the transition to telemedicine with more confidence and success.

To learn how accurate provider databases, email marketing services and a Medical License Monitor solution can support your telemedicine program, contact Healthcare Data Solutions at 1-877-472-9066 or visit www.HealthcareDataSolutions.com.