



CCATALYST
FOR
PPAYMENT
REFORM

A GUIDE FOR PURCHASERS:

HOW TELEHEALTH FITS INTO A
HIGH-VALUE PURCHASING STRATEGY

CATALYST FOR PAYMENT REFORM

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How to Use this Guide

The information in this guide is intended for purchasers of health care interested in understanding more about the value of telehealth and how it can be used not only to improve access to and satisfaction with health care for a given population, but also to generate savings and stimulate competition among health care providers. This paper explores various considerations purchasers should make when contemplating a telehealth strategy for their populations: the advantages, limitations, applications, and delivery and pricing models for telehealth, as well as its potential effect on market competition and relationship to provider payment reform efforts. In addition, this guide also contains a conceptual, analytical flow chart that purchasers can use to help them think through whether telehealth is a sound option for them, as well as how to optimize their current telehealth strategy, if they have one.

Disclaimer

Engaging in a telehealth strategy may result in company- or organization-specific negotiations with various parties. CPR is not providing legal advice or direction on how to address these negotiations. The content in this guide is for informational purposes only. Before making decisions about whether to act on the information in whole or in part and to understand the legal implications of doing so, purchasers should consult with a qualified legal professional for advice.

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Introduction: Telehealth

As the cost of health care continues to rise despite limited evidence that there have been commensurate improvements in the quality of care, employers and other health care purchasers continue to seek new ways to procure high-value care for their populations. Reforms to how we pay physicians and hospitals have been at the heart of these efforts, as have attempts to improve transparency in the health care system – giving consumers and purchasers much needed insight on the price and quality of the various health care choices they have. There is also an ongoing seismic shift in how employers and health plans structure health benefits for consumers, placing more responsibility on consumers for how they expend their health care resources and encouraging them, through financial incentives, to make sound decisions. All of these developments are taking place in the context of a rapidly changing health care provider landscape. With unprecedented consolidation among health care providers, and the market power and higher prices that come with it, it is more critical than ever before that employers and other health care purchasers find ways to stimulate competition and control utilization of an often overpriced health care system.

Another movement afoot, which intersects with these developments, is the continued integration of telehealth into our health care system. Telehealth is one of many technology-driven disruptive innovations, occurring simultaneously, which challenge brick-and-mortar health care providers who will consequently need to compete harder on price, access and convenience. The delivery of health care through the use of telecommunications is not new; as long as there have been telephones, doctors have been performing “evening rounds” with patients. But current concerns about access to primary care and appropriate utilization of the health care system have led many purchasers to implement or consider telehealth as a supplement to their current health care offerings. Now that the use of telehealth is expanding rapidly, purchasers are pondering how best to take advantage of this growth to maximize the value of the health care they purchase for their members.

In the following pages of this guide, we provide purchasers of health care with the information they need to understand how telehealth fits into a high-value purchasing strategy; including an overview of telehealth, and how various telehealth approaches can help purchasers reduce health care expenditures and improve the quality of and access to health care. To conclude, we provide scenarios, in the form of an analytical flow chart, for purchasers to consider when implementing a telehealth strategy or looking to optimize ongoing efforts.

Basic Definitions

According to the Health Resources and Services Administration (HRSA), telehealth “is the use of electronic information and telecommunications technologies to support long-distance clinical health care, patient and professional health-related education, public health and health administration.”¹ Similarly, the Center for Connected Health Policy defines telehealth as “a collection of means or methods for enhancing health care, public health, and health education delivery and support using

¹ <http://www.hrsa.gov/ruralhealth2/about/telehealth/telehealth.html>

telecommunications technologies.”² Put simply from a consumer’s perspective, it is the use of technology to gain access to providers more conveniently; again, it is what doctors have been doing for a long time with existing patients when they talk to them by phone and evaluate concerns.

However, definitions and interpretations of telehealth vary in specificity, which can have implications for how telehealth may be used from one state to another. For instance, some narrow definitions of telehealth specify the means of communication that must be used, such as insisting that it involve video, or that the patient be in a health care facility when receiving services. Other definitions are much broader, such as those identified above.

Most telehealth today still involves just the use of a telephone. However, telehealth is evolving with technology, and therefore is also accessible through personal and worksite computers; the use of apps on smart phones and tablets, some of which include video; and, some vendors offer dedicated kiosks, complete with connected biometric devices.

In addition to being used by patients to consult with a provider about their care through telecommunications, telehealth is used for consultations between health care providers, as well as consultations between caregivers and providers. Telehealth can also refer to asynchronous communication, such as the sharing of information about a patient for consultation by a health care provider at a later time. An example would be sending high resolution photos of skin or imaging results for examination by a physician.

The Rise of Telehealth

Since its inception in the mid-1980s, the number of patients cared for through telehealth has risen from only a few thousand to an estimated 10 million people in rural as well as urban settings. According to the American Telemedicine Association, the vast majority of this growth has occurred over the last decade. Furthermore, market analyst IHS estimated that U.S. telehealth spending will grow to \$1.9 billion in 2018, up from \$240 million in 2014.³ In terms of employer uptake of telehealth, according to a National Business Group on Health survey, nearly three-quarters (74 percent) of employers expect to offer telehealth services to their employees in 2016, a big increase from 48 percent in 2015.⁴

Why is it Rising?

Telehealth is growing for a variety of reasons. First, patients both view and use it as a convenient alternative to traditional in-person care. Additionally, there are new pressures stemming from expanded insurance coverage and provider payment reforms, among other sources, to improve access to health care services for patients and to manage their care better. There is also the ongoing pressure to lower health care costs, which is now also coming from consumers who are responsible for a greater portion of those costs. Additionally, to be competitive on the public and private insurance exchanges, health

² <http://cchpca.org/what-is-telehealth>

³ <http://www.forbes.com/sites/theapothecary/2013/12/28/top-health-trend-for-2014-telehealth-to-grow-over-50-what-role-for-regulation/>

⁴ <http://www.businessgrouphealth.org/pressroom/pressRelease.cfm?ID=263>

plans are now including low cost venues, like telehealth, in their networks along with other offerings in the marketplace. The omnipresent nature of the platform – the telephone, mobile phone or smart phone – also makes it possible for telehealth to be more widespread.

In addition, consumer-facing tools, such as transparency tools, that convey information about the prices and quality of care associated with different health care choices are now available to consumers through most major insurers and many large employers. These tools, often in the form of websites designed to allow consumers to search for providers and services, can identify telehealth services as a high-value and convenient option for particular types of care.

Advantages and Limitations

There are many positive attributes of telehealth. For example, telehealth can improve consumer access to care and increase productivity in the workplace, as well as lower utilization of unnecessary care, which can result in direct savings for the purchaser and consumer. But, as with any strategy, there are also limitations that may affect the success of telehealth. Both the advantages and limitations are discussed in further detail below.

Advantages of Telehealth

Improved Access

The first potential advantage of telehealth is that it can improve consumer access to health care. Patients who live in rural areas, or have a hard time making it to medical appointments during the work day, face barriers to receiving care. Therefore, telehealth can give patients the ability to consult with their providers remotely via telecommunications, which can revolutionize the ability to connect patients with the care they need in a timely and convenient fashion. Furthermore, telehealth can also help to address the challenges posed by the shortage of primary care physicians. By 2025, the Association of American Medical Colleges predicts that the United States will be short up to 31,100 primary care physicians.⁵ This is due, in part, to the increased demand for primary care coming from millions of formerly uninsured patients buying insurance through the Affordable Care Act's exchanges and an aging population in which ten thousand people will turn 65 every day for the next two decades. However, because telehealth is telecommunications-based it is not confined to the physical, geographic boundaries of traditional provider systems and therefore can help to alleviate the barriers to getting primary care. This could result in more efficient dispersion of primary care providers and services across the patients who need them, allowing for a fast and easy way to obtain primary care for basic needs like a sore throat or ear infection.

Telehealth can also improve access to other types of care sought by patients. As described below, it can be used to help manage the care of patients with chronic conditions, provide a new avenue to behavioral health services, and increase convenient access to dermatology and other specialists, among other services. Indirectly, telehealth can also increase access to specialists, as health care providers use

⁵ <https://www.aamc.org/download/426260/data/physiciansupplyanddemandthrough2025keyfindings.pdf>

telecommunications to consult with experts about their patients' needs. Similarly, for family caregivers of patients, it can provide a channel to expert consultation about care they are providing at home.

Employee Productivity

Telehealth can also increase employee presenteeism and productivity by providing alternative channels for patients to receive their care, rather than missing work for an in-person visit. Examples include virtual provider visits after hours, onsite kiosks, or dedicated rooms in the workplace to conduct telehealth consultations. According to Blue Cross and Blue Shield of Minnesota, which offers telehealth services to companies using technology from American Well, participating purchasers saw average productivity savings of one to three hours per "visit" for those who used telehealth in 2012, while some reported saving over three hours in productivity per visit, since employees don't have to miss work to travel to medical appointments.⁶ Indirectly, if telehealth results in more appropriate care and better care coordination, especially for chronic conditions, employees may be healthier overall, which could result in fewer sick days.

Potential Direct Savings

Another advantage of telehealth is the potential savings it can produce by reducing inappropriate utilization of health care services, as well as reducing utilization generally. Many office visits to providers can be handled over the phone. Furthermore, a 2010 study conducted by the University of Rochester Medical Center found that, for the study population, the use of telehealth eliminated one in five emergency room visits.⁷ Thus, the savings can come from a substitution of telehealth for other higher-priced health care services, if its availability leads to different choices by consumers. However, only if a given population uses telehealth frequently enough can it generate savings that more than cover the costs of providing the telehealth service.

Fewer Emergency Room Visits

While not every telehealth visit is a substitute for a visit to an emergency department, a big attraction of telehealth is its potential to minimize the costs incurred specifically from unnecessary emergency department visits.

A systematic review of the literature published by RAND in 2013 found that 37 percent of emergency department visits are for non-urgent conditions, though of course, some of these patients may not be aware that their conditions are non-emergent when they present for care. The review suggests that convenience and negative perceptions about other options, among other factors, drive non-urgent patients to the emergency department.⁸ Some of this incidence is also due to patients seeking care when they do not have access to a primary care physician, such as on the weekend, holidays, or at night.

⁶ <http://www.ihealthbeat.org/insight/2012/employers-embrace-telehealth-but-roadblocks-remain>

⁷ <https://www.urmc.rochester.edu/research/blog/june-2015/is-telemedicine-a-viable-alternative-to-ambulance.aspx>

⁸ Uscher-Pines L, Pines J, Kellermann AL, Gillen EM, Mehrotra A. Emergency Department Visits for Nonurgent Conditions. *The American Journal of Managed Care*, v. 19, no. 1, Jan. 2013, p. 47-59.

Blue Cross Blue Shield of Massachusetts calculates that the average cost of an emergency room visit in the U.S., for care that telehealth might address, can cost between \$580 and \$700.⁹ The average cost of an urgent care visit, in lieu of a visit that could be addressed by telehealth, was approximately \$165 in 2014. When compared to a telehealth offering like Doctor on Demand, which charges patients a flat \$40 fee for a fifteen-minute appointment,¹⁰ the savings from telehealth are striking. Furthermore, telehealth vendors claim that savings from a reduction in emergency room use will range from \$300 per year for a single employee to over \$1000 per year for a family of four.¹¹ These savings reduce patient cost sharing and the price of claims for the purchaser, sometimes making telehealth less costly than a regular office visit.¹²

Fewer Follow-Up Visits

In addition to the savings generated from visiting a telehealth provider, rather than seeking care in-person or going to the emergency room, further savings from a reduction in avoidable follow-up care can be gained from the use of telehealth. In a study of cardiac patients who received behavioral health services via telehealth, there were fewer admissions, readmissions, and lower treatment costs.¹³ Similarly a RAND study of Teladoc, published in *Health Affairs*, found that patients who used Teladoc were less likely to require follow-up consults, with only 6 percent doing so compared to 13 percent who visited an office and 20 percent who visited an emergency room.¹⁴

Enhanced Competition Among Health Care Providers

Because telehealth services are not confined to geographic boundaries or physical locations, they can have a unique effect on market competition and complexion. Providers accustomed to controlling certain geographic areas of the market will likely start to see an intrusion on their territory from outside providers giving patients access to their services through telehealth. This may force existing providers to develop new strategies to maintain their patient base, while the newer telehealth providers seek to grow their reach to patients in additional geographic and clinical areas, establishing a national market for services. Among these new telehealth providers may be centers of excellence (COE) located in other geographies that serve as the destination for in-person services for patients with COE benefits, including coverage for travel expenses; these COEs may be available to provide upfront evaluations and follow up care through telecommunications.

Greater competition from providers external to the market can push local providers to rethink their pricing or the patient experience they deliver. Currently, telehealth is growing most quickly as an offering from a health plan or through the independent vendors purchasers select to bring telehealth services to their populations. But eventually, health care providers will need to offer telehealth services directly if they wish to maintain their patient base and avoid losing patient volume as patients seek

⁹ http://www.bluecrossma.com/blue-iq/pdfs/TypicalCosts_89717_042709.pdf

¹⁰ <https://doctorondemand.zendesk.com/hc/en-us/articles/200847977-How-much-does-your-service-cost->

¹¹ <https://www.corpsyn.com/telemedicine/>

¹² <http://www.reuters.com/article/tx-teladoc-idUSnBw025304a+100+BSW20131002>

¹³ *Am J Manag Care*. 2015;21(2):e141-e151

¹⁴ <http://www.teladoc.com/news/2014/02/06/study-telehealth-expands-access-to-health-care/>

more convenient and/or less costly services elsewhere. For example, UPMC has partnered with local hospitals and other health care facilities to provide telehealth services for a variety of clinical areas, giving consumers across the U.S. the ability to access care at UPMC.¹⁵

Moreover, academic medical centers, which are accustomed to a certain care delivery model, may start to see erosion of their dominance around subspecialty care as non-academic tertiary care centers try to expand their pipeline of referrals via telehealth. In addition, greater competition will likely arise between specialty groups using telehealth to attract new patients by creating relationships via referrals from primary care systems.

In a market where a dominant provider system monopolizes the provision of health care services and prices those services accordingly, telehealth services offered by an independent vendor or group of physicians could help triage patients to appropriate care settings and reduce unnecessary use of an overpriced health care system.

Limitations of Telehealth

Laws and Regulations

Though the number is diminishing, various states have laws regarding standards of care for telehealth and restrictions on the ability of physicians to offer video consultations or prescribe medication without an in-person office visit. For example, Texas had limits on the use of video consultations, as of April 2015,¹⁶ and Idaho does not permit online prescribing as part of a telehealth visit outside of an ongoing clinical relationship.¹⁷ While such laws may be intended to safeguard quality of care, constraints on the use of telecommunications to provide health services, especially in states with high numbers of low access areas, not only disrupt the value these services can deliver, but can significantly diminish the ability of consumers to obtain the care they need.

Another part of the challenge regarding regulations concerns state medical boards and licensure issues; because telehealth can function across state lines, the providers giving care via telehealth are also acting in an interstate capacity, which brings up different issues regarding state medical requirements and licensure. The Federation of State Medical Boards (FSMB) recently approved a new telehealth policy that requires physicians treating a patient in a specific state to be licensed to practice in that state. A multi-state requirement for licensure is another barrier to telehealth. However, in September of 2014, FSMB finalized legislation creating the Interstate Medical Licensure Compact, which makes it easier for physicians to be licensed in multiple states. The Compact will not have the authority to license physicians but could provide all of the necessary information to streamline and expedite the process.¹⁸

¹⁵ <http://www.upmc.com/healthcare-professionals/physicians/telemedicine/Documents/telemedicine-brochure.pdf>

¹⁶ http://www.nytimes.com/2015/04/11/us/texas-medical-panel-votes-to-limit-telemedicine-practices-in-state.html?_r=0

¹⁷ <http://cchpca.org/id-state-law-online-prescribing>

¹⁸ <http://www.aafp.org/news/practice-professional-issues/20150601interstatelicense.html>

As of December 2015, twelve states have signed on to the Compact.¹⁹ Purchasers with a high concentration of members in states with laws or regulations limiting the use of telehealth may want to advocate for fewer restrictions.

Restrictions on Provider Payment

Provider payment is another barrier to the widespread adoption and use of telehealth. The largest health care payer, Medicare, has several limitations on payment for telehealth. As a general rule, Medicare only pays for telehealth services in areas where there is a shortage of physicians, such as rural areas, and requires patients to be located in a health care facility to have a telehealth visit. However, Medicare is making some exceptions to these rules as it attempts to innovate in the accountable care organization environment.

Medicaid, on the other hand, has made significant progress with regard to payment for telehealth; forty-five state Medicaid agencies now provide some coverage for telehealth, usually for services in rural areas.

Most major commercial payers now offer telehealth services through partnerships with leading vendors like Teladoc; however, they may not pay regular health care providers in their network for telehealth services. Instead, payers may require that providers practice under the umbrella of a telehealth vendor or via a special program (e.g. a pilot ACO) to receive payment. Commercial payers may be reluctant to change their policies on this, as paying every provider in their network for telehealth visits could open up a whole new set of challenges, from the need to certify that all of these providers are able to deliver telehealth, to the potential for overutilization.

Indeed, a focus today among telehealth advocates is to ensure that state laws require parity in how commercial payers pay for certain aspects of telehealth services – the payments to physicians for services delivered through telecommunications must be equivalent to those rendered for an office visit for the same purpose. This is to encourage the provision of telehealth services. However, at some point, telehealth services will likely be ubiquitous and providers should then be reimbursed for these services at a lower rate than an in-person office visit, as it will require fewer resources on the part of the health care provider to deliver care. Then, under these new circumstances, employers and other health care purchasers will truly have a lower-priced alternative to offer employees and their families.

Because the commercial market often follows Medicare's lead, payment policies may not be broadened until Medicare changes its policies. Despite slow movement thus far, further expansion of payment under Medicaid and commercial payers, along with increasing pressure from the broader health system looking for ways to lower costs and increase the quality of care, may lead Medicare to alter its telehealth payment policies, creating a domino effect for the other payers.

Lack of Care Coordination

¹⁹ <http://www.fsmb.org/policy/publications-media/news-releases>

Lastly, the potential of telehealth to disrupt the coordination of a patient’s health care presents another challenge. For instance, if an employee consults with an independent telehealth provider for an illness, but lacks a channel to communicate back with his or her primary care physician about the outcome of the visit, the primary care physician will neither have a complete picture of the employee’s health profile, nor awareness of when to follow up. This concern could be mitigated with greater adoption of health information technologies that enable the sharing of information about the patient. The reverse is also true in that an employee’s primary care physician may not know or be able to share his or her patient’s medical records with the telehealth provider; a physician on the far end of a phone or camera may not know a patient’s medical history and have greater difficulty making correct judgments, though strong decision support tools could make up the difference. In addition, if more health care providers began to offer telehealth services to their patients in addition to regular office visits, they will be able to provide more continuous care and at the same time reduce the risk of losing their relationship with their patients.

Applications of Telehealth

Since its inception in the 1980s, telehealth has been applied to a variety of clinical areas. Over the last decade, the uses of telehealth have evolved with technology and the health care needs of the nation, yet there are still many theorized uses for telehealth that have yet to be realized.

Current Offerings

Communication Among Many Parties

Although most of the growth in telehealth thus far has concerned patient to provider communications, telehealth takes place between and among many parties, such as provider to provider consultations, which have been done for decades, particularly when a specialist cannot be found locally. In addition, telehealth facilitates communication between caregivers and providers, a space that will become more relevant as more health care services move into the home.

A Variety of Technology

While innovative technology in industry and for the individual consumer has blossomed, health care has been slow to keep up with this trend. Although there is the technological capacity for much more, the vast majority of telehealth today consists of a basic phone call with a provider, without video or even the use of a smart phone. However, the use of telehealth apps on smart phones and tablets is growing. Some vendors also place dedicated kiosks in employee worksites.

A Growing Number of Clinical Areas

Telehealth is currently offered for a variety of general and specialty clinical services. Regarding provider to provider scenarios, consultations on acute stroke, ophthalmology (including diabetic retinopathy), radiology and imaging, cardiology, and remote ICU monitoring are all important areas, among others. For the patient to provider applications the focus has been on primary care (some are even using

telehealth for annual exams) and chronic disease management, but it is now evolving to include behavioral health, tobacco cessation, sexual health/STD counseling and care, and dermatology. Below, we explore how a couple of these clinical applications, as examples, can help purchasers secure higher-value care.

Behavioral Health

One area that has received a lot of attention recently is behavioral health services. This new focus comes from a deeper understanding of the connection between physical health and mental health, as well as the high costs of chronic behavioral health issues to the health care system. Telehealth serves as an especially helpful way for purchasers to serve members of their population with a need for, but not ready access to, these services. Telehealth visits may be an ideal option for purchasers in regions with a shortage of behavioral health providers, including rural areas. Furthermore, because of the stigma that may be attached to in-person behavioral health visits for some people, several experts believe consumers concerned about their privacy may more heavily utilize phone- or video-based telehealth visits to therapists and psychiatrists. Among others, vendors Teladoc and MDLive have moved into the tele-psychiatry space, and Anthem plans to offer behavioral health visits via LiveHealthOnline in early 2016.²⁰

Dermatology

Many in-person visits for dermatology can be handled over the phone, sometimes with video capability included, making it unnecessary for the consumer to visit an actual office. For example, in the specific case of wound care, a telehealth patient could consult with a provider from the comfort of his or her home, using video or photos to enable the physician to examine and monitor the wound, the conditions under which it is healing, and be able to identify any factors within the immediate environment that may contribute to or impede its healing. Multiple studies have found this to be an effective course that reduces the number of in-person consultations required.²¹

New and Future Offerings

Despite the growth of telehealth into many clinical areas, there are still a multitude of yet unrealized opportunities for using telehealth to obtain higher-value care for employee populations.

Provider Offerings for Their Own Patients

As noted earlier, physicians have been offering telehealth informally to their patients for as long as there have been telephones. Furthermore, some physician practices today are well set up to communicate with patients over email. But physicians have typically been reluctant to offer health care that is not in

²⁰ <http://medcitynews.com/2014/09/teladoc-will-move-telepsychiatry-teledermatology-q2-2015-ceo-says/>;
https://www.mdlive.com/news/press_11062014.html;
<https://www.livehealthonline.com/en/news/2015/november/telemedicine-can-help-you-save-time-and-money/>

²¹ <http://www.ncbi.nlm.nih.gov/pubmed/23337648>

person for a variety of reasons, from a lack of coding to receive payment for it to concerns about disruption in their lives. As a result, for now, most consumers who need telehealth visits have them with providers that are not their regular physicians, and gain access to these services either through their health plan's offerings (in house or contracted out) or through their employer's offerings, typically as a contract with an independent vendor. In some cases, patients may not have an established relationship with a physician anyway. But eventually, health care providers will feel pressure to add telehealth services to their own offerings to maintain continuity of care with their patients and avoid the risk of losing them to other providers who offer the convenient service, or through referrals made by external telehealth providers to other providers. Some health systems are already far along this path, not only offering telehealth just for their own patients, but for others as well.²²

For purchasers, this trend will be advantageous in terms of greater continuity and coordination of care for their populations. However, as more providers offer these services to their own patients, the opportunity to use telehealth to control utilization of the health care system may diminish.

Mobile Health and Medical Devices

In the future, telehealth may also feature widespread reliance on home mobile health ("mhealth") and medical devices. By 2030, it is estimated that over 20 percent of the U.S. population will be age 65 and older.²³ Alongside the growing proportion of elderly people will be a corresponding rise in the prevalence of chronic disease, requiring increased use of long-term care services. These factors are the primary drivers of demand for remote monitoring, including the use of home medical devices that enable constant monitoring of chronic conditions, such as diabetes and cardiovascular disease, from the comfort and convenience of a patient's own home. Early pioneers, such as Pharos Innovations, have been helping providers stay in touch with their patients through home-based telecommunications for almost 20 years.

Wireless technology, mobile apps and other platforms for connectivity are now widespread, allowing device manufacturers to take advantage of this growth and make their products available for home use. A number of technology companies have developed devices that can assist with the collection of health information (e.g. perform health risk assessments and monitor vital signs) via a mobile connection. For instance, remote cardiac monitoring systems using sensors that attach to the patient collect and send data directly to providers in real time using the patient's smartphone. Rather than needing to build communication capabilities into the medical devices themselves, device manufacturers connect the devices to the smartphone instead.²⁴ Indeed, these and other "virtual diagnostic devices," like a stethoscope or otoscope that plugs into a smartphone, are likely to be the next generation of telehealth. A company called CliniCloud has already made a mobile connected digital stethoscope and non-contact thermometer available to consumers. In partnership with telehealth vendor Doctor on Demand,

²² <http://www.upmc.com/healthcare-professionals/physicians/telemedicine/>

²³ <https://www.census.gov/prod/2014pubs/p25-1140.pdf>

²⁴ http://www.plexus.com/sites/default/files/resources/medical_devices_come_home.pdf

consumers can use these devices to interface with providers during visits.²⁵ In addition, several companies are now in the process of trying to earn FDA approval for other devices.

These devices could improve the patient experience in a significant way through reducing hospital admissions, readmissions and complications that lead to harm, as health care providers are able to track how patients are doing in real time. This could have large financial implications for those who use and pay for care as well. However, it will most likely lead to a discussion about whether these devices should be a covered benefit and for whom.

Delivery and Pricing Models for Telehealth

There is a multitude of ways in which health care purchasers can deliver telehealth to their members. The mode of delivery ultimately depends on the characteristics of the service that are best suited for particular purchasers and their populations. Additionally, vendors, plans and other telehealth administrators may pay telehealth providers for services through a variety of means. Both of these will be discussed in further detail below.

Delivery

There are a variety of ways employers and other health care purchasers can make telehealth available to consumers. These delivery models for telehealth can be offered in partnership with a plan or vendor, through a provider, or offered directly to consumers by the vendor. As previously mentioned, employers and purchasers should opt for a model that fits well with both their benefits structure and population characteristics, as well as a model that advances their high-value purchasing strategy.

1. **Telehealth can be available from existing health plan partners** either as a low cost, or sometimes complimentary, service to consumers, or as a “buy-up” option for purchasers, typically on a per member per month (PMPM) basis. Physicians providing the telehealth services may or may not be part of the plan’s network. For example, Anthem offers LiveHealthOnline (using the vendor American Well’s technology) as a free offering for all customers including large, mid-sized, and small employers. Self-funded employers participating in this program need to decide how to integrate the offering with their existing benefit designs. In addition, going through existing plan partners means no additional vendors to manage; however, historically there is less promotion of telehealth options to consumers by health plans than by vendors.
2. **Telehealth can be procured from a standalone vendor** that works independent of the health plan(s) offered and/or as a low cost wellness benefit for consumers not enrolled in the employer-purchaser’s plan(s). For the purchaser this is typically a PMPM model, although there are some models without upfront charges. This option can be appealing to purchasers who use multiple health plans and want to create a uniform experience for their population; however, employers choosing this option will need to ensure that the telehealth offering does not violate any benefits-specific regulations they are subject to, such as ERISA. In addition, independent

²⁵ <http://www.forbes.com/sites/jlim/2015/09/24/health-tech-startup-clinicloud-secures-5m-seed-funding-from-tencent/>

vendors are typically more invested in ensuring high levels of consumer engagement and utilization of their services.

3. **Telehealth can be promoted as a standalone, direct-to-consumer service.** This model does not require direct involvement on the part of the purchaser; however, employers can still present the use of these independent services to employees as a low cost alternative to traditional means of care. For example, while Doctor on Demand markets directly to consumers, allowing them to download the app on their own and purchase their own visits out-of-pocket, employers can still promote these services as a way to access primary care “after hours” and avoid visiting an urgent care center or the emergency room. This may be especially attractive to employees with high deductible health plans (HDHPs).
4. **Finally, telehealth can be offered directly by a health care provider,** such as an integrated delivery system. For example, Kaiser Permanente and HealthPartners both offer various types of telehealth services delivered by physicians who are part of their systems and are also available by phone or video consult for patients within their HMOs.

In models one and three described above, telehealth can also be provided as a service from a physical location, such as a kiosk in the employer’s onsite clinic.

Pricing

Just as there are a variety of ways to deliver telehealth services to consumers, there are different ways employers, purchasers and consumers can pay for telehealth services. These payment structures often pair well with certain types of delivery models, and it is important to consider which pricing model fits best within the employer’s telehealth strategy. There are also additional financial considerations to take into account when purchasing telehealth services regarding outreach strategies, utilization levels, and staffing the provider network.

1. **PMPM:** This method essentially involves charging employers a negotiated per member per month fee for telehealth services. For fully insured employers, access to telehealth is often included in the health plans’ fees paid by the employer; however, when paying on a PMPM basis, employers should still be wary of other upfront or hidden fees within the PMPM rate. In addition, a PMPM pricing model may still require the employer to contract directly with a vendor. Employers and other purchasers should also keep in mind that the PMPM model can become problematic if there has generally been low usage of telehealth by employees, as employers will continue to pay for a service that isn’t being used and only generates savings when it serves as a substitute for bricks-and-mortar care.
2. **Pay per visit:** Some vendors charge the consumer a per visit fee on top of the PMPM fee and some do not charge a PMPM fee at all, only a standalone charge for the visit. For example, a typical fee for a standard telehealth appointment by phone or video may be \$40.00. An employer or employee may pay that fee, or each may pay some portion of it depending on the cost sharing structure within the benefit design. In the case of a per visit fee only, these services, such as those offered by Doctor on Demand, can either be integrated into the benefits eligibility

and claims processing, or stay completely separate and the employee pays the vendor directly out-of-pocket per visit.

In addition, purchasers should keep in mind other aspects of the purchase beyond the pricing models themselves. The common saying “you get what you pay for” often holds true with regard to the level of product support and outreach assistance provided with telehealth services. For instance, a vendor that offers a low PMPM fee for telehealth services may provide little to no outreach assistance to employees to boost the utilization of the services. Other vendors may sell their technological infrastructure only, lowering the purchase price, but requiring the purchaser or plan to “staff the network” themselves with their own providers, as well as conduct all necessary member outreach activities. Savings from telehealth are often heavily dependent on utilization of the services, and any initial gains on a low PMPM may be neutralized by the costs associated with low usage. However, this does not mean that a low cost telehealth strategy will always yield minimal returns; plans and employers may already have a robust communication strategy in place for other services or benefits that they can leverage, or have access to an established network of providers through existing benefit designs. In addition, some vendors offer special discounts with certain health plans that lower the cost of the services without omitting key features. See more discussion about communications and utilization below.

Generating Savings from Telehealth

Most employers or purchasers would never be in a position of implementing telehealth as a standalone health care strategy. More likely, telehealth would be an offering that fits into or complements another high-value strategy. Therefore, it is critical to examine the approach to implementing telehealth within this context to determine its potential benefits, including its ability to generate savings for the purchaser. Although solid evidence showing the exact ROI of telehealth has yet to be produced, there is consensus that promoting high utilization holds the most potential for purchasers to generate savings from a telehealth solution. To drive utilization, purchasers have two main levers: benefit design and consumer engagement strategies.

Benefit Design

Purchasers have different options when it comes to using benefit design to drive utilization of telehealth services. One of the options would allow purchasers to subsidize the service by lowering co-pays for telehealth visits relative to office visits. For instance, Towers Watson has developed a model (shown below) that suggests purchasers can expect an increase in utilization of telehealth by employees as a result of reducing co-pays for the service, as well as an almost commensurate increase in return on investment. This example assumes a \$1 per employee per month charge, \$40 visits and additional savings from avoided network visits and productivity gains.

Co-pay	\$0	\$10	\$20	\$40
Utilization	20%	10%	7%	5%
ROI	1.73x	1.13x	0.88x	0.69x

Furthermore, some purchasers may choose to make telehealth visits completely free to plan members who use them, and recoup the cost of the service on the back-end by raising premiums by a small percentage across the entire employee-enrollee population. Members enrolled in a high deductible health plan may be incentivized to utilize less care. To combat these incentives to underuse and encourage the use of telehealth, under certain non-account based health plan designs, the purchaser could waive the cost of a telehealth visit for employees whose health care spending is still within their deductibles. However, because this design would allow first dollar coverage under an HDHP, employers and other health care purchasers would need to seek legal advice before making this design available. Additional creative ways purchasers could incentivize plan members to use telehealth include offering gift cards to those who enroll in the program, or pledging to contribute to the health savings accounts (HSAs) of plan members who register to use the service when appropriate. However, as risks paired with benefits have historically been more successful at changing employee behavior, employers could charge employees who fail to use telehealth the full amount of the in-person visit, or raise premiums for employees who do not participate in available telehealth programs.

Lastly, more telehealth vendors are partnering with other vendors in the wellness and employee incentives space, like RedBrick Health, to streamline how they offer rewards and create incentives for employees to use the tool.

Any shift in where patients obtain care should be monitored for its impact on both spending and quality of care. Ideally, those who introduce benefit designs to encourage the use of alternative sites of care would track patient satisfaction, access to care, and resolution of their health care needs. If alternative sites of care are too narrow in their capabilities, patients may need to seek additional care, diminishing their workplace productivity and potentially adding to costs.

Employee and Consumer Engagement

In addition to benefit design, purchasers have other levers to encourage employees and other consumers to use telehealth through targeted engagement strategies. Several vendors offer “off the shelf” marketing toolkits to help with program roll-out and advertising the product to consumers. The pricing for these toolkits varies. Since vendors know the purchaser’s savings from telehealth can depend heavily on utilization, some offer performance guarantees, such as defined utilization rates or a percent of total savings, to purchasers who agree to market the service aggressively, as a way to ensure them that their investment is protected. As an example, Avery Telehealth guarantees clients a 30 percent reduction in hospital readmissions through use of their services.²⁶

Another way to engage consumers can be to integrate the telehealth solution with existing products like price and quality transparency tools. Then, when the consumer is shopping for low cost care, they can see a prompt from a virtual online assistant to consider the telehealth option for their care. For example, several telehealth vendors integrate with Castlight Health, so if the consumer is searching for providers they may see the option of telehealth in lieu of an urgent care center.

²⁶ <http://averytelehealth.com/results/health-plan/>

Overall, with regard to driving high utilization through consumer engagement, it is important to ensure that the outreach strategy is comprehensive. Members should be contacted through multiple modes of communication (mail, email, phone), and the benefits of telehealth should be clear and related to the aspects of care that consumers care about, such as convenience, quality, and lower costs. In addition, purchasers should also consider who (themselves, the plan, or the vendor) is best suited to deliver this message to consumers. Health plans, historically, have struggled to communicate about their offerings to plan members; purchasers may be wise to supplement plan offerings with their own communications strategies. Another alternative is to purchase telehealth services from a vendor that can provide and conduct an outreach strategy on behalf of the purchaser.

Regardless of the relationship, purchasers will want to ask for regular reporting from any telehealth provider with which they have a contract (or from a contracted health plan supplying these services) so that they can track key dimensions like how quickly their populations can reach a telehealth provider, their satisfaction with visits, and follow up from telehealth providers to patients' regular providers.

Telehealth and Payment Reform

While there are issues to contend with regarding the payment of providers for telehealth services, there is a broader shift at play that has implications for the demand for and role of telehealth services going forward. Changes in provider payment and consumer benefit designs are helping create a stable and supportive environment for telehealth. Payment reform efforts that attempt to hold health care providers more accountable for quality and costs may encourage providers to turn to telehealth and make it far more available, due to the low cost nature of the service and its ability to act as a substitute for what would otherwise be inappropriate uses of services.

Today's payment reforms can be characterized as aiming to create incentives for health care providers to improve the quality of care they deliver and to reduce the resources they use in the process, along with overall health care spending. Most reforms include payments for care that was previously not reimbursed (e.g. care coordination fees to primary care physicians), that increase payments based on quality and cost performance (e.g. pay for performance and shared savings arrangements), and/or put providers at financial risk for their quality and cost performance (e.g. bundled payment, shared risk arrangements, capitation, and any other method that utilizes a spending target or budget). Telehealth services offered directly by health care providers as an extension of "office hours" may pair well with shared savings, bundled payment, capitation, or other population-based payment in which providers have an incentive to minimize unnecessary utilization of higher cost services and who want to maintain the relationship they have with their patients.

All of these alternative payment approaches mean that providers are now searching for ways to perform well on quality metrics, while meeting or beating a target for spending. Telehealth is not the only way for providers to reduce costs and to improve quality, including patient satisfaction and experience, but as discussed above, it is gaining recognition for how it can help various stakeholders meet their needs and achieve their goals.

The relative dollar amounts paid for different aspects of health care can affect their supply as well. As discussed earlier, many advocates for telehealth are pushing for parity, wherein payments for telehealth services would be equivalent to payments for in-person care of the same type. This can help stimulate the supply of telehealth services. Eventually, however, certainly from the employer-purchaser perspective, the ideal would be for telehealth to be priced lower, along with consumer cost sharing, so that it can serve as a truly high-value alternative.

Lastly, it is worth thinking about how telehealth providers themselves are paid. Most telehealth is paid for on a fee-for-service basis, but by adding an incentive component, the payment could build in measures of appropriateness/utilization of care to encourage telehealth providers to follow established guidelines for high-value care. In fact, many of the very same drivers for payment reform for in-person care, including the need for outcomes/performance measures tied to payment, consistent and high quality care, and the elimination of the volume-based incentives under fee-for-service, apply here as well.

How Does Telehealth Fit in a High-Value Purchasing Strategy?

Employers and other health care purchasers, as well as consumers, are seeking ways to get better value for their health care dollar, which requires the combination of improving care and lowering costs. Strategic purchasers have been pushing for functional changes to the health care system. They have advocated for standardization around how health care performance is measured, as well as public reporting on provider performance. And they have pressed for changes in how we pay for care so that health care providers are incentivized to provide more affordable, improved care. In addition, purchasers have been evolving how they design benefits and are developing alternative sources for care, all with the goal of engaging consumers and helping them make smarter health care decisions by selecting higher quality and more affordable providers and services.

In other words, purchasers have been working to refine both the demand and supply sides of the market. The demand side – purchasers and consumers – has more reason than ever before to make careful, informed health care choices and to find ways to maximize their choices where provider consolidation may limit them. They are more aware of the uneven quality of care and increasingly aware of and experiencing its expense. The supply side – particularly health care providers who deliver care in markets where there is still competition – is under unprecedented pressure to measure and improve its performance and reduce costs. The health plan operates in between and is looking to support both sides. This means that stakeholders on all sides are open to innovation and looking for new ways to accomplish their goals; telehealth fits neatly into helping accomplish them.

While most purchasers today utilize telehealth to extend primary care access and reduce emergency room visits, as has been shown, telehealth offers solutions for a far greater array of health care needs. As telehealth expands and technology supports additional ways to communicate about health and patient care, the benefits of telehealth may expand in a commensurate fashion. Purchasers should keep a close eye on how it evolves and continue to integrate telehealth into their broader, high-value health care strategies.

Analytical Flow Chart: Does Telehealth Fit Our Strategy?

Below is a conceptual flow chart that employers and other health care purchasers can use to help them think through whether telehealth is a sound option for them, as well as how to optimize their current telehealth strategy, if they have one. The tool has four components: a flow chart and three examples.

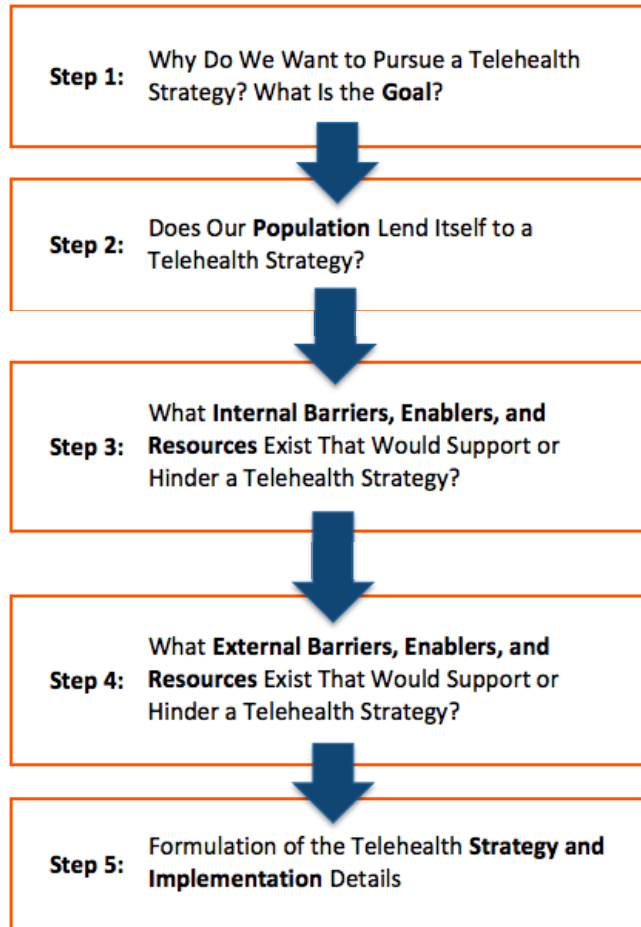
The Analytical Flow Chart is meant to illustrate how purchasers might go about considering whether a telehealth strategy fits into their broader high-value health care purchasing strategies for their populations. It is not meant for literal interpretation, or intended to be all-inclusive or generate definitive answers. There are five steps that flow downward as you follow the blue arrows from step to step.

The Examples are intended to illustrate how employers and other purchasers might decide to use telehealth as part of a high-value purchasing strategy. Again, they are not intended to be all-inclusive, or definitive, as individual purchasers will have their own unique combinations of goals, population characteristics, and internal and external enablers, barriers, and resources, which will inform the creation of different strategies and implementation approaches.

To the right of each step listed in the examples are **positive or negative indicators** for telehealth, relating to the information presented in each step. These are explained in further detail below:

<i>positive indicator</i>	A promising sign that telehealth may be the right strategy for the purchaser
<i>negative indicator</i>	Suggests that telehealth may not be a perfect fit for the purchaser or pose specific challenges
xxxxxx	Strategies, processes, or resources purchasers can use to overcome barriers to pursuing a telehealth strategy

Analytical Flow Chart



Description: While not new, telehealth offerings are a popular topic of discussion right now among many employers and other health care purchasers. However, while telehealth may seem like the "next best thing," it is important to consider how telehealth would bolster the current health care strategy, and define the goal(s) the company hopes to achieve by implementing it.

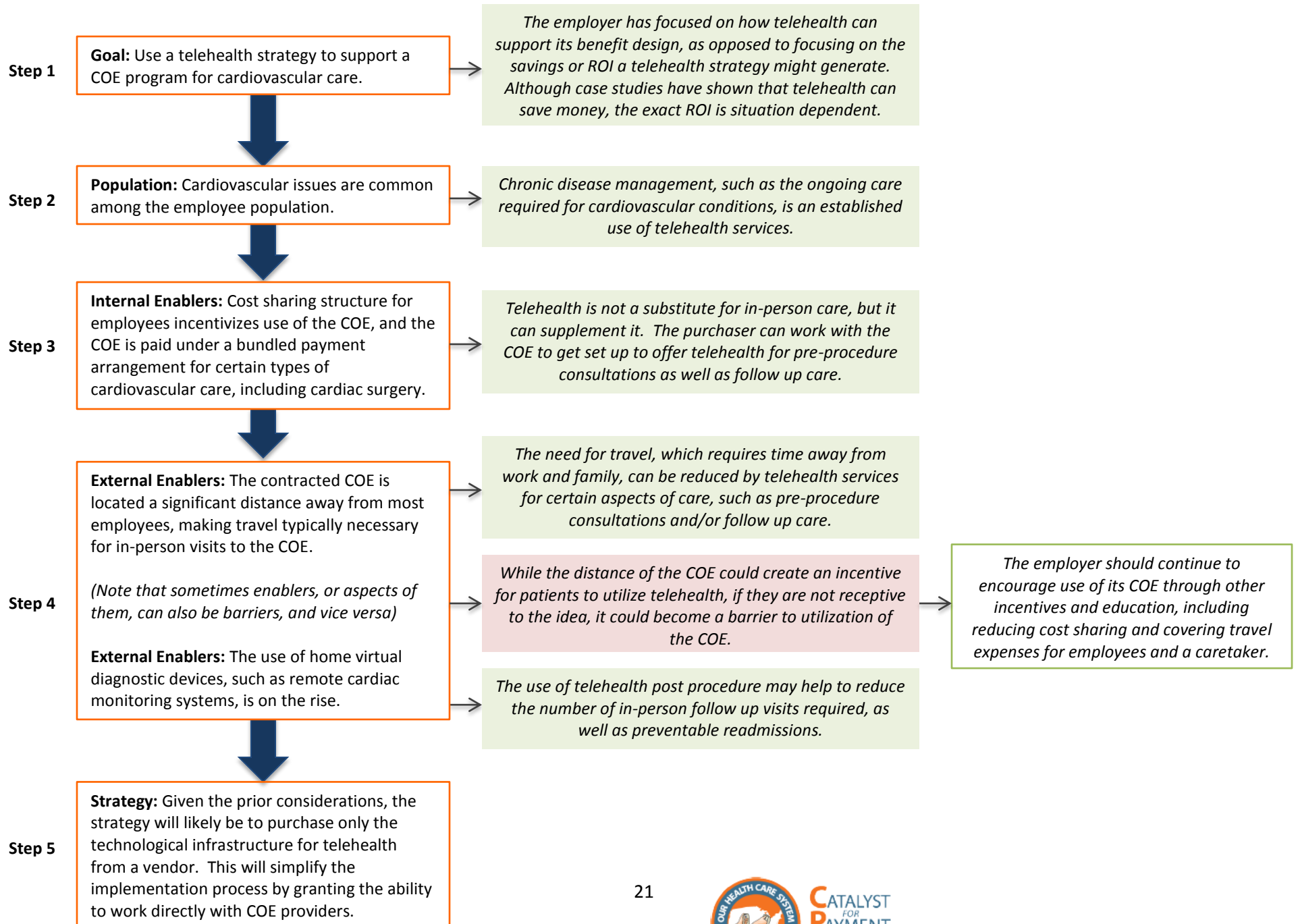
Description: While the goals of the telehealth strategy may be overarching, at the end of the day, consumers are the ones who will actually be interacting with and using the services. Therefore, it is important to consider if the dominant characteristics of the member population fit well with the use of telehealth services and a telehealth strategy.

Description: Before looking to their environment to determine if a telehealth strategy will work, employers and other health care purchasers should check that they do not face any internal barriers to providing these services, as well as check for any internal enablers or resources available that would support the strategy. Examples include consumer price and quality transparency tools, certain benefit designs, technological capabilities, and an assessment of the specific population to determine whether they are likely to use the service, etc.

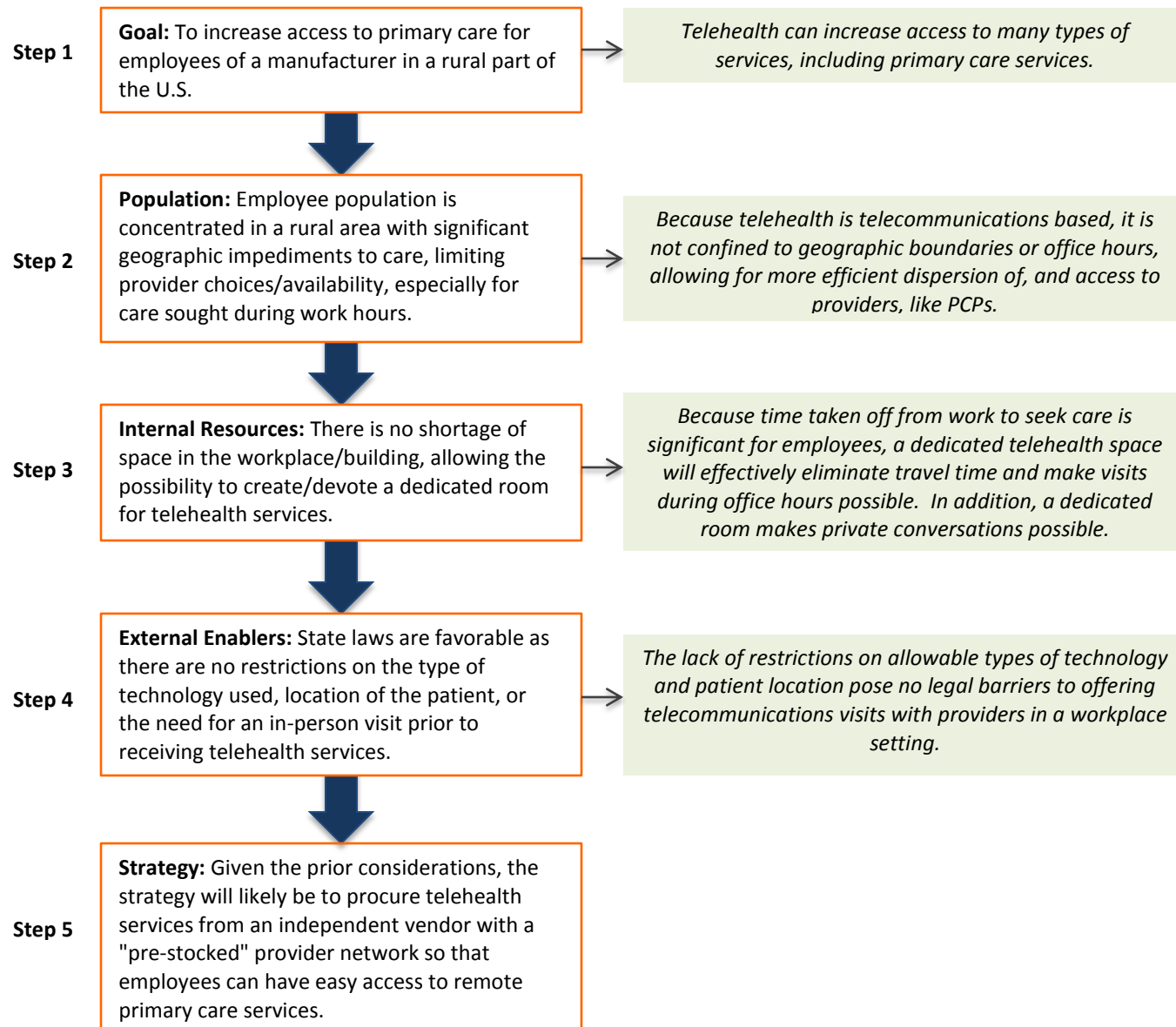
Description: After determining whether the company is in a good position to pursue a telehealth strategy, the purchaser should examine the external environment for any obstacles, as well as check for any external enablers that would support a telehealth strategy. Examples include state laws on telehealth services and payment, market dynamics such as the level of provider market power, and the experience of health plans with offering telehealth.

Description: After the prior considerations, employers and other health care purchasers may have a better sense as to whether telehealth is a viable option for them and their population. If promising, purchasers should begin to think about what a telehealth strategy would look like, what features it should have, and how such a strategy might be implemented.

Example 1: Considering a Telehealth Strategy to Support a COE Strategy



Example 2: Considering a Telehealth Strategy to Increase Access To Primary Care Services



Example 3: Considering a Telehealth Strategy to Reduce Use of Inappropriate Services

