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Telemedicine Expands Reach

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Telemedicine Services Through the
Four Pillars of Health Care Value

Telemedicine Services Through the Four Pillars of Health Care Value

Reimbursement, regulatory, competitive and technology trends reviewed

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As health-care reimbursement shifts from volume to value-based care, partially as a result of the Patient Protection and Affordable Care Act (ACA),¹ health-care practitioners are increasingly utilizing telemedicine to improve the value of care provided to patients. Although utilization of this technology has been low historically, practitioners' use of telemedicine services has grown considerably in recent years as the technology has become more readily available and affordable to providers.² Regulatory bodies, such as the Centers for Medicare and Medicaid Services (CMS), are progressively recognizing the utility of telemedicine services due to the cost savings realized.³ These savings may motivate other providers to begin using these services, especially if the goal of patient-centered, quality-based care can be simultaneously achieved. Despite these trends, widespread adoption and utilization of telemedicine services has yet to occur, most notably due to limited reimbursement and regulatory hurdles.⁴

Examining the telemedicine industry through the Four Pillars of health-care valuation⁵—*reimbursement, regulatory, competition and technology*—can provide insight into the future utilization of telemedicine services.

Reimbursement Environment

The complexity of the current telemedicine financial landscape



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is complicated by reimbursement structures that vary widely among the states.⁶ In the context of commercial payors, 32 states and the District of Columbia have passed some form of parity law requiring commercial insurers to cover telemedicine services if the same service would be eligible for reimbursement when provided in person.⁷ Notwithstanding these state laws, and that commercial insurance companies currently reimburse providers for a wide variety of telemedicine services, there is still no widely accepted standard for reimbursement of telemedicine services from private payors.⁸

Public payor reimbursement may significantly influence the future reimbursement environment for telemedicine services. Currently, 47 states, including Missouri, mandate that their Medicaid programs provide reimbursement to providers for health-care services furnished via live video, compared to 44 states in 2014.⁹ Additionally, CMS continues to expand the list of reimbursable telemedicine services each year; from 2015 to 2016, CMS increased the number of reimbursable telemedicine services from 75 to 81.¹⁰ The growth of Medicaid reimbursement for telemedicine services is correlated with the increased utilization of Medicare telemedicine benefits. A January 2016 study published in *Telemedicine and e-Health* noted that, in Illinois during the year 2012, Medicaid utilization grew by 173%, after the state expanded Medicaid coverage in 2011, and, in Michigan, Medicare utilization grew by 78% in 2013 after the state's commercial payor telemedicine parity law went into effect in 2012. In contrast, states surrounding Illinois and Michigan, which passed no significant telemedicine policy, demonstrated varied annual Medicare telemedicine utilization growth, with no discernible pattern.¹¹

Regulatory Environment

The regulatory environment for telemedicine services is fairly restrictive, particularly in regard to the licensure of physicians and other allied health professionals. Currently, only nine states extend some form of conditional or telemedicine licensure to out-of-state providers,¹² down 10% since July 2014.¹³ This legislative trend mirrors the position of the Federation of State Medical Boards (FSMB), which, in 2014, issued a policy requiring physicians utilizing telemedicine services to be licensed in the same state in which the patient resides.¹⁴ This

policy may restrict the pool of telemedicine supplies available to a patient to only those providers located in the same state as them.¹⁵

Recent legislative efforts may erode rigid medical licensure requirements in the future. For example, the Interstate Medical Licensure Compact, enacted in 12 states, creates a pathway to expedite the licensing of qualified physicians who wish to practice in multiple states.¹⁶ In an attempt to allow Medicare beneficiaries to receive telemedicine services across states, Congress introduced the Tele-Med Act of 2015.¹⁷ Although the Tele-Med Act remains in committee, the bill demonstrates legislative interest in creating greater access to telemedicine services. This legislative interest is also present on the state level; in 2015, more than 200 telemedicine bills were introduced in state legislatures to allow for greater access to telemedicine services.¹⁸ While a large interest in improved access to telemedicine services exists (as evidenced by the introduction of laws on both the state and national level), the future impact of the regulatory environment on the rise of telemedicine remains uncertain, due to regulatory barriers, e.g., state licensing requirements.

Competitive Environment

Telemedicine services allow consumers the ability to access health care at distant locations, which may increase the number of competing health-care suppliers in a given area. However, increased access to health-care services through telemedicine platforms may also ameliorate the shortage of physicians in medically underserved areas.¹⁹ Providers in rural areas utilize telemedicine services to treat patients in underserved areas, in part, through partnerships with urban and suburban providers.² Such partnerships may increase the supply of providers in underserved areas to levels sufficient for adequate access to care for patients living in these areas. In addition to concerns about the supply of providers, demand for telemedicine services may affect the overall prevalence of telemedicine services. In particular, the elderly population is driving the demand for telemedicine services. A study published in the *American Journal of Public Health* noted that 20% of the survey's elderly respondents indicated that transportation difficulty was an impediment to their ability to access health care.²⁰ Telemedicine services, such as remote monitoring, may help to alleviate such concerns. Additionally, as the "baby boomer" generation ages, the prevalence of chronic conditions, such as hypertension, diabetes and obesity, may rise, potentially leading to increased utilization for telemedicine services related to chronic disease management.²¹

Technological Environment

The technological environment for telemedicine services is a significant variable in future utilization trends related to telemedicine services. Evidence suggests that telemedicine technology can be more cost effective than traditional medicine, by allowing physicians to monitor their patients

without patients leaving their home, or physicians leaving their office.²² Further, for diagnostic care and preventative medicine, telemedicine services often cost less than in-person care, while maintaining similar levels of clinical effectiveness.²³ As the technology continues to develop, the cost savings associated with providing telemedicine services may become even more important in the shift from volume-based to value-based reimbursement models, which emphasize cost-effective care, particularly in light of a growing, aging and more diverse population. However, many providers have expressed reservations regarding the technological benefits of telemedicine services. Reported barriers to the use of telemedicine by users and non-users of telemedicine services include, among others: 1) a lack of training; and, 2) the high cost of equipment to provide many telemedicine services.² Notably, *non-users* generally consider each of these barriers to be a much larger problem than users do.²

Conclusion

The global utilization of telemedicine services is expected to increase 14.3% per year through 2020, reaching a value of \$36.2 billion.²⁴ The framework of the *Four Pillars*—*reimbursement, regulatory, competition and technology*—can help providers, investors and policymakers examine the continued evolution of this pivotal industry and its impact on the future of health-care delivery. As technology improves and consumer demand for accessible care grows, providers may be driven to increasingly utilize telemedicine services. However, utilization growth for telemedicine services may be limited by: 1) increased scrutiny in the regulatory environment, particularly through state licensure regulations; and, 2) uncertainty in the reimbursement environment, in which providers face haphazard reimbursement schemes among the states, as well as, among both public and private payors. ◀

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