Opportunities and Challenges for Telemedicine

The shortage of specialists, intensivists, and on-call physicians, as well as advances in technology, are driving the growth of telemedicine in the delivery of healthcare across the U.S. Telemedicine refers to the transfer of medical information via electronic communication from one location to another to enhance the quality and efficiency of patient comfort and care. The utilization of communication equipment to link healthcare practitioners and patients in different locations will likely help to achieve many of the healthcare reform goals, including: increasing cost efficiency; improving patient access to specialists (especially in physician shortage areas); and, enhancing communication among providers.

The federal government has predicted a healthcare provider shortage of approximately 24,000 physicians and nearly one million nurses by 2020, which is a concern that may be lessened through the implementation of telemedicine. Through telemedicine, companies such as Night Hospitalist Company, LLC, expand access to physicians and nurses within a shortage area by providing telephonic medical care to hospitals with ongoing staffing shortages and diagnostic screening via webcams and instant message to virtual clinics. These services allow healthcare professionals to adequately care for individuals even though the provider may not be physically present. Telemedicine also allows hospitals to expand their market service area by connecting hospital employed physicians to populations outside the hospital’s main service area via technology at outlying medical clinics and offices. Implementing telemedicine technology in outlying clinics has the following benefits: (1) keeps healthcare spending within a local community; (2) lowers patient travel for healthcare services; (3) aids community development; (4) provides community benefit; and, (5) increases community health.

Despite the potential benefits of telemedicine, several barriers to the uniform implementation of telemedicine across the healthcare industry exist, i.e. cost, regulatory concerns, reimbursement issues, and lack of standardization. As with any form of technology, telemedicine entails significant capital formation and operating expenses. While the price tag for a complete in-hospital telemedicine studio has decreased from $200,000 at the beginning stages of the telemedicine movement to approximately $30,000 today, those capital requirements may still be cost prohibitive for some providers, particularly those in rural areas, who stand to benefit most from the use of telemedicine.

Regulatory concerns, including licensing issues and accreditation requirements, also present obstacles to telemedicine implementation. Depending on state licensing rules, practitioners utilizing interstate telemedicine may have to obtain licenses in each state where they treat patients. However, licensure laws generally have some exceptions for providing interstate telemedicine without multiple state licenses such as reciprocal licensure, which allows for a mutual exchange of privileges between states. Additional regulatory concerns arise as telemedicine falls under the scope of the Joint Commission’s accreditation standards and the Centers for Medicare and Medicaid Services (CMS) credentialing requirements.

Additionally, there is significant disagreement surrounding the determination as to which practitioners should be reimbursed for telemedicine services as well as what method of reimbursement is appropriate. While 11 states have implemented legislation mandating some level of private payor telemedicine reimbursement, the mandates are inconsistent and often misunderstood. State reimbursement policies vary in the percent of technological overhead reimbursed and whether the practitioner or healthcare entity is reimbursed for the healthcare service rendered. Significantly, 32 state Medicare pilot programs include some form of telemedicine reimbursement.

Lack of uniformity, underscored by the range of reimbursement and licensure policies currently in place, has kept telemedicine from gaining widespread acceptance. This lack of standardization may mitigate the effect of evidence-based medicine’s ability to drive funding and implementation. To overcome this barrier, leaders at Loyola University suggest healthcare entities perform a needs based assessment in addition to a cost benefit analysis of acquiring telemedicine as a way to better predict outcomes. Despite these and other barriers, approximately 200 telemedicine networks currently exist in the U.S., connecting over 3,000 medical and healthcare institutions throughout the country. Particularly in the wake of healthcare reform,

(Continued on next page)
experts encourage health entities to withstand and adapt to various barriers and implement telemedicine programs now or risk losing market share in the future.1

3 "What Works: Healing the Healthcare Staffing Shortage” PricewaterhouseCoopers’ By Health Research Institute, 2007, p.iii.

© HEALTH CAPITAL CONSULTANTS

Mr. Cimasi holds a Masters in Health Administration from the University of Maryland, as well as several professional designations: Accredited Senior Appraiser (ASA – American Society of Appraisers); Fellow Royal Intuition of Chartered Surveyors (FRICS – Royal Institute of Chartered Surveyors); Master Certified Business Appraiser (MCBA – Institute of Business Appraisers); Accredited Valuation Analyst (AVA – National Association of Certified Valuators and Analysts); and, Certified Merger & Acquisition Advisor (CM&AA – Alliance of Merger & Acquisition Advisors). He has served as an expert witness on cases in numerous courts, and has provided testimony before federal and state legislative committees. He is a nationally known speaker on healthcare industry topics, the author of several books, the latest of which include: “The U.S. Healthcare Certificate of Need Sourcebook” [2005 - Beard Books], “An Exciting Insight into the Healthcare Industry and Medical Practice Valuation” [2002 – AICPA], and “A Guide to Consulting Services for Emerging Healthcare Organizations” [1999 John Wiley and Sons].

Mr. Cimasi is the author of numerous additional chapters in anthologies; books, and legal treatises; published articles in peer reviewed and industry trade journals; research papers and case studies; and, is often quoted by healthcare industry press. In 2006, Mr. Cimasi was honored with the prestigious “Shannon Pratt Award in Business Valuation” conferred by the Institute of Business Appraisers. Mr. Cimasi serves on the Editorial Board of the Business Appraisals Practice of the Institute of Business Appraisers, of which he is a member of the College of Fellows.

Todd A. Zigrang, MBA, MHA, ASA, FACHE, is the Senior Vice President of HEALTH CAPITAL CONSULTANTS (HCC), where he focuses on the areas valuation and financial analysis for hospitals and other healthcare enterprises. Mr. Zigrang has significant physician integration and financial analysis experience, and has participated in the development of a physician-owned multi-specialty MSO and networks involving a wide range of specialties; physician-owned hospitals, as well as several limited liability companies for the purpose of acquiring acute care and specialty hospitals, ASCs and other ancillary facilities; participated in the evaluation and negotiation of managed care contracts, performed and assisted in the valuation of various healthcare entities and related litigation support engagements; created pro-forma financials; written business plans; conducted a range of industry research; completed due diligence practice analysis; overseen the selection process for vendors, contractors, and architects; and, worked on the arrangement of financing.

Mr. Zigrang holds a Master of Science in Health Administration and a Masters in Business Administration from the University of Missouri at Columbia, and is a Fellow of the American College of Healthcare Executives. He has co-authored “Research and Financial Benchmarking in the Healthcare Industry” (STP Financial Management) and “Healthcare Industry Research and its Application in Financial Consulting” (Aspen Publishers). He has additionally taught before the Institute of Business Appraisers and CPA Leadership Institute, and has presented healthcare industry valuation related research papers before the Healthcare Financial Management Association; the National CPA Health Care Adviser’s Association; Association for Corporate Growth; Infocast Executive Education Series; the St. Louis Business Valuation Roundtable; and, Physician Hospitals of America.

Anne P. Sharamitaro, Esq., is the Vice President of HEALTH CAPITAL CONSULTANTS (HCC), where she focuses on the areas of Certificate of Need (CON); regulatory compliance, managed care, and antitrust consulting. Ms. Sharamitaro is a member of the Missouri Bar and holds a J.D. and Health Law Certificate from Saint Louis University School of Law, where she served as an editor for the Journal of Health Law, published by the American Health Lawyers Association. She has presented healthcare industry related research papers before Physician Hospitals of America and the National Association of Certified Valuation Analysts and co-authored chapters in “Healthcare Organizations: Financial Management Strategies,” published in 2008.