

Valuation of Telemedicine Services (Part Four of Four Part Series)

As highlighted in Part One of this four-part series, the use of telemedicine services has grown considerably in the recent years.¹ With regulatory and reimbursement shifts on the horizon the future of telemedicine is uncertain. One thing that remains clear is that policy decisions will ultimately affect the value that telemedicine services bring to hospitals, practices, and patients. The unique impact that telemedicine has is that it has the ability to affect all avenues of care. This Health Capital Topics article, the fourth and final installment in the Valuation of Telemedicine series, will examine the economic significance of the trends in the reimbursement, regulatory, competitive, and technological environment of the telemedicine industry.

In the reimbursement environment, there is a trend toward heightened reimbursement for telemedicine services among commercial payors, in contexts such as video diagnoses and remote monitoring for chronic conditions.² As the baby boomer generation starts to retire, the need chronic conditions may rise, given that baby boomers have higher rates of hypertension, high cholesterol, diabetes, and obesity than their parents, thus leading to increased utilization for healthcare services related to chronic disease management.³ As a result, the aging baby boomer population, coupled with increased utilization of healthcare services related to chronic disease management may bode well for healthcare entities that have telemedicine service lines.

Given that the elderly population is heavily covered by Medicare, with more than 97% of elderly population covered by Medicare,⁴ public payor reimbursement will likely be a driving factor in future value of telemedicine services. Telemedicine services are more likely to be reimbursed by public payors in rural areas as it greater access to care for remote rural residents.⁵ Although reimbursement rate for telemedicine services are currently low, the trends show that *Centers for Medicare and Medicaid Services (CMS)* continues to add to the list of reimbursable telemedicine service for which it will reimburse provides; CMS increased the number of these services from 75 to 81 in 2015.⁶ In light of these trends, practices that offer telemedicine services are likely to benefit from the reimbursement policies of public payors.

Second, the regulatory environment for telemedicine services is restricted. As discussed in part three, the

Federation of State Medical Boards (FSMB) requires physician who use telemedicine to be licensed in the same state as the patient.⁷ This policy may restrict the pool of telemedicine supplies that are available to a patient to those provides who share a state with that patient. While this allows patients a greater access to medical care, it limits them the state of their residence. The rigid licensure requirements also constitute a barrier to the expansion of telemedicine services.⁸ The proponents of telemedicine services have proposed a number of solutions to this problem. The Interstate Medical Licensure Compact seeks to streamline the licensing for physicians who wish to practice in multiple states.⁹ In an attempt to allow Medicare beneficiaries to receive telemedicine services across states, Congress introduced Tele-Med Act of 2015.¹⁰ Although the Tele-Med Act was not passed into law, it shows that there is legislative interest in creating greater access to telemedicine services. This interest is also present on the state level; in 2015 more than 200 telemedicine bills were introduced in state legislature to allow for greater access to telemedicine services.¹¹ While there exists a large interest in greater access to telemedicine services (as evidenced by introduction of laws on both state and national level) the future of the regulatory environment's impact on the value of telemedicine remains uncertain, due to the barriers associated with state licensing requirements.

In the competitive environment, for telemedicine services allow consumers the ability to access healthcare at distant locations. This effectively increases the number of competing supplies of healthcare in a given area, which in turn may lead provides to offer innovative, high quality services in order to attract customers. Rural areas utilize more telemedicine services,¹² because technologies allows urban and suburban providers to offer services in otherwise underserved rural areas. The elderly population is also likely to have higher demand for these 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 healthcare.¹³ Telemedicine increases the competition among healthcare providers as it allows telemedicine service providers to be able to offer services in larger area. That said, the licensing requirements create a barrier to entry

for physicians that would like to provide telemedicine services across multiple states, which limits competition among telemedicine providers.

Lastly, evidence suggests that telemedicine technology is more cost effective than traditional medicine for a number of services. This is because telemedicine allows physicians to monitor their patients without having them leave their home, thus allowing for less expensive healthcare.¹⁴ Telemedicine services not only cost less, but also are just as effective as in-person care for making diagnoses, and developing treatment plans.¹⁵ Given that, Telemedicine reduces the cost of services and research shows it to be just as effective as some in-person medical services, the use of telemedicine may generate significant economic benefit in the years to come, which may indicate additional value for those practice and facilities that offer telemedicine services.

In terms of competition and technology, the evidence shows that telemedicine may yield a higher net economic benefit in the years to come, due to increased competition and reduced costs associated with technological advances. That being said, value of telemedicine services is directly linked to both: (1) the regulatory environment, which determines the extent to which telemedicine provides may offer services through licensing regulations; and, (2) the reimbursement environment, as more providers may elect to offer telemedicine services as the breath of telemedicine reimbursement continues to grow.

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