

Healthcare Utilization Increases in Non-Traditional Settings

According to a new whitepaper by FAIR Health, an independent nonprofit company that manages and analyzes the nation's largest database of privately billed health insurance claims,¹ telehealth utilization increased 53% from 2016 to 2017, the largest increase of all healthcare settings examined.² Telehealth is often considered one of the most “*disruptive forces*” in healthcare, as it can transition care from hospitals and clinics into a patient's home or location.³ In addition, utilization of other non-traditional sources of care, including retail clinics, urgent care centers, and *ambulatory surgery centers* (ASCs), also increased over the same timeframe.⁴ To evaluate the utilization of *non-traditional* and *traditional* care, FAIR Health analyzed 28 billion commercial insurance claims within their database.⁵ As the healthcare sector continues to be influenced by the rise in American consumerism, i.e., patients seeking healthcare in relation to cost and quality,⁶ and the value of more convenient care, the utilization of non-traditional healthcare settings such as telehealth will likely continue to grow.⁷ This growth will likely lead to traditional healthcare providers rapidly transforming their practices in order to compete and meet the demands of healthcare consumers. This *Health Capital Topics* article will examine the shift to non-traditional care and the resulting impact on healthcare entities.

Recent research published in the *Journal of the American Medical Association* (JAMA) confirms FAIR Health's observation of a large increase in telehealth use by the commercially insured population, finding that most visits were for either tele-mental health or primary care telemedicine.⁸ The rapid increase in telehealth utilization is likely due to it often being a cheaper and more convenient method by which patients can access healthcare providers.⁹ Influencing this trend are consumers of all ages who are demanding convenience, affordability, and quality in their healthcare.¹⁰ Younger patients specifically are dissatisfied with the healthcare status quo, expecting more effectiveness and convenience in the care that they receive.¹¹ As a result, they are opting for non-traditional services, such as virtual care and retail clinics.¹² According to a 2019 survey, approximately 53% of patients are more likely to use a provider offering remote or tele-monitoring devices, up from 39% in 2016.¹³ Additionally, state laws are influencing the ubiquitousness of telehealth utilization by reducing regulatory restrictions on services

covered through Medicaid, as well as through commercial insurance.¹⁴ For example, beginning in 2017, a state law in Texas allowed providers to care for patients via telemedicine without a prior in-person meeting (which was a previous stipulation).¹⁵

The CEO of the *American Telemedicine Association* (ATA) has noted that “...there's a lot of technology available but the adoption engagement is really lacking...the technology is further ahead of the regulations and reimbursement.”¹⁶ Although telehealth has increased dramatically in comparison to recent years, telehealth medical claim lines still represented only 0.11% of all claim lines in 2017.¹⁷ This indicates that patients accessing physicians via telehealth is still relatively uncommon, despite the increase in telehealth parity laws, i.e., laws that mandate private insurers cover and reimburse for telemedicine to the same extent as those covered in person (adopted by 35 states and D.C. as of 2019).¹⁸ Additionally, Medicare still contains a number of telehealth payment restrictions, limiting utilization to only those in rural areas with a shortage of healthcare professionals, or in a county outside of a metropolitan area.¹⁹ When examining Medicare *fee-for-service* (FFS) beneficiaries between 2014 and 2016, beneficiary use of telehealth services had increased, but the rate of adoption was limited, as only 0.25% of the 35 million Medicare beneficiaries took advantage of the telehealth services.²⁰ Similar to FAIR Health's commercial insurance data indications, Medicare has increased telehealth in utilization compared to past years; however, utilization is still scarce compared to the utilization of total Medicare beneficiaries. However, on April 5, 2019, *Centers for Medicare and Medicaid Services* (CMS) announced the Final Rule to allow Medicare Advantage Plans to include additional telehealth benefits in their basic benefits package starting in 2020.²¹ Additional policies directed toward Medicare beneficiaries may further increase utilization by this group moving forward.

As noted above, in addition to increased utilization of telehealth, healthcare utilization also increased by 14% in urgent care centers, 7% in retail clinics, and 6% in ASCs.²² This rise in utilization has led to an increase in the number of these locations in recent years.²³ In comparison to the non-traditional settings, FAIR Health also examined utilization in hospital *emergency rooms* (ERs), which are considered a “*traditional*” healthcare

setting.²⁴ According to the analysis, ER utilization in terms of claim lines decreased by approximately 2%.²⁵ Another study found that, among commercial insurance beneficiaries, there has been a shift from ER to urgent care center utilization, in which visits to the ER decreased by 36%, while use of non-emergent facilities increased by 140%, given the high costs of ERs and many insurance plans creating incentives to receive care in less costly, more appropriate settings.²⁶ Although ER utilization dropped, the ER was still the most utilized setting compared to non-traditional care settings.²⁷ As a result of the increased urgent care utilization, more hospitals are investing in urgent care centers as a way to offer more appropriate, affordable services so hospitals can focus on the sicker population.²⁸


The rise of healthcare consumerism, where more patients are active in healthcare decisions and seek higher quality care,²⁹ in addition to the increased incorporation of value-based care, has continued the trend of pushing lower-acuity conditions to less costly, more convenient settings.³⁰ According to a report by the *Health Care Cost Institute* (HCCI), office visits to primary care physicians dropped by 18% from 2012 to 2016.³¹ The decline was due, in part, to a shortage of primary care physicians; however, the decline was partially offset by a 129%

increase in office visits to *nurse practitioners* (NPs) and *physician assistants* (PAs), many of which took place in convenient care settings.³² The rise in American consumerism may pose a threat to existing primary care practices, as patients are demanding to be more active participants in the decision making process, and are expecting more convenient care.³³ Primary care practices will likely need to transform their practice to incorporate convenience in order to remain in business.

Consumers, especially younger generations, are expecting lower cost, higher quality care, and are seeking their routine healthcare at non-traditional sites, such as through telehealth services.³⁴ The increased importance of these expectations, i.e., lower cost and higher quality, has, in part, led to the rapid increase in utilization of telehealth services. Further, as coverage of telehealth services for public and private insurers continues to grow, telehealth utilization will effectively expand to reach a greater number of patients. As a result, more hospitals and health systems continue to incorporate telehealth technology in their service offerings.³⁵ Moving forward, healthcare organizations, such as hospitals and primary care practices, should anticipate further growth in non-traditional settings and consider ways to offset such competition, e.g., by incorporating a patient convenience aspect into their practices.

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