

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.

- 1 "About Us" FAIR Health, 2019, <https://www.fairhealth.org/about-us> (Accessed 4/12/19).
- 2 "FH Healthcare Indicators and FH Medical Price Index 2019: An Annual View of Place of Service Trends and Medical Pricing" FAIR Health, Inc., April 2019, <https://s3.amazonaws.com/media2.fairhealth.org/whitepaper/asset/FH%20Healthcare%20Indicators%20and%20FH%20Medical%20Price%20Index%202019%20-%20A%20FAIR%20Health%20White%20Paper.pdf> (Accessed 4/5/19), p. 2.
- 3 "ATA CEO Targets Innovation to Move Telehealth Forward" By Mandy Roth, HealthLeaders, April 12, 2019, <https://www.healthleadersmedia.com/innovation/ata-ceo-targets-innovation-move-telehealth-forward> (Accessed 4/12/19).
- 4 FAIR Health, Inc., April 2019.
- 5 *Ibid.*, p. 2, 54.
- 6 "How Health Systems Can Address Consumerism Trends with Telehealth" By Beth Principi, American Well, June 30, 2017, <https://www.americanwell.com/how-health-systems-can-address-consumerism-trends-with-telehealth/> (Accessed 4/12/19).
- 7 "Growth in telehealth use outpaces urgent care centers, retail clinics" By Meg Bryant, Healthcare Dive, April 2, 2019, <https://www.healthcaredive.com/news/growth-in-telehealth-use-outpaces-urgent-care-centers-retail-clinics/551799/> (Accessed 4/5/19).
- 8 "Trends in Telemedicine Use in a Large Commercially Insured Population, 2005-2017" By Michal L. Barnett, MD, MS, et al., *Journal of the American Medical Association*, Vol. 320, No. 20, (November 2018), p. 1.
- 9 "Telehealth use surged in 2017" By Alex Kacik, *Modern Healthcare*, April 1, 2019, <https://www.modernhealthcare.com/care-delivery/telehealth-use-surged-2017> (Accessed 4/5/19).
- 10 "Younger patients dissatisfied with healthcare's status quo, more willing to try nontraditional services" By Jeff Lagasse, *Healthcare Finance*, February 18, 2019, <https://www.healthcarefinancenews.com/news/younger-patients-dissatisfied-healthcares-status-quo-more-willing-try-nontraditional-services> (Accessed 4/5/19).
- 11 *Ibid.*
- 12 *Ibid.*
- 13 *Ibid.*
- 14 "State Medicaid Programs Are Seeing the Value of Telehealth at Home" By Eric Wicklund, mHealth Intelligence, May 15, 2018, <https://mhealthintelligence.com/news/state-medicare-programs-are-seeing-the-value-of-telehealth-at-home> (Accessed 4/12/19); "The Status of Telemedicine Reimbursement: States' Efforts to Incentivize Providers to Utilize Telehealth Technologies" By Benjamin P. Malbera, et al., *American Bar Association*, September 27, 2018, https://www.americanbar.org/groups/health_law/publications/ab_a_health_esource/2016-2017/december2017/telehealth/ (Accessed 4/12/19).
- 15 Kacik, April 1, 2019.
- 16 Roth, April 12, 2019.
- 17 FAIR Health, Inc., April 2019, p. 26.
- 18 Barnett, MD, MS, November 2018; "New Mexico Lawmakers Pass Bill for Telehealth Insurance Coverage, Payment Parity" By Nathaniel M. Lacktman, Foley & Lardener, LLP, April 1, 2019, <https://www.healthcarelawtoday.com/2019/04/01/new-mexico-lawmakers-pass-bill-for-telehealth-insurance-coverage-payment-parity/> (Accessed 4/12/19).
- 19 Kacik, April 1, 2019.
- 20 "Information on Medicare Telehealth" Centers for Medicare & Medicaid Services, November 15, 2018, <https://www.cms.gov/About-CMS/Agency-Information/OMH/Downloads/Information-on-Medicare-Telehealth-Report.pdf> (Accessed 4/5/19), p. 2.
- 21 "CMS Expands Telehealth Benefits under Medicare Advantage" By Matthew Shatzkes and Susan Ingargiola, Sheppard Health Law, April 10, 2019, <https://www.sheppardhealthlaw.com/2019/04/articles/medicare/medicare-advantage/cms-telehealth-benefits-final-rule/> (Accessed 4/12/19).
- 22 FAIR Health, Inc., April 2019, p. 2.
- 23 "More Urgent Care, Retail Clinics Offer Low-Cost Patient Care Access" By Sara Heath, Patient Engagement HIT, August 16, 2018, <https://patientengagementhit.com/news/more-urgent-care-retail-clinics-offer-low-cost-patient-care-access> (Accessed 4/10/19).
- 24 FAIR Health, Inc., April 2019.
- 25 *Ibid.*

-
- 26 “Urgent care visits increase as emergency room visits fall, study finds” By Jeff Lagasse, Healthcare Finance, September 7, 2018, <https://www.healthcarefinancenews.com/news/urgent-care-visits-increase-emergency-room-visits-fall-study-finds> (Accessed 4/5/19).
- 27 Kacik, April 1, 2019.
- 28 “Urgent Care Boom Equates to Increase in Hospitals Revenue per Admission” By JJ Crumbley, YES HIM Consulting, Inc., July 23, 2018, <https://yes-himconsulting.com/urgent-care-boom-to-increase-in-hospitals-revenue/> (Accessed 4/19/19).
- 29 “Healthcare Consumerism: Marketing’s New Imperative” Healthcare Success, <https://www.healthcaresuccess.com/blog/doctor-marketing/healthcare-consumerism-marketings-new-imperative.html> (Accessed 4/12/19).
- 30 Bryant, April 2, 2019.
- 31 “HCCI Brief: Trends in Primary Care Visits” John Hargraves and Amanda Frost, Health Care Cost Institute, November 2018, <https://www.healthcostinstitute.org/research/publications/hcci-research/entry/trends-in-primary-care-visits> (Accessed 4/10/19).
- 32 “Convenient Care: Growth and Staffing Trends in Urgent Care, Retail Medicine, and Free-Standing Emergency Centers” Merritt Hawkins, 2018, https://www.merrithawkins.com/uploadedFiles/MerrittHawkins/Content/Pdf/merrithawkins_whitepaper_convenientcare_2018.pdf (Accessed 4/19/19).
- 33 “Primary Care Practice Transformation and the Rise of Consumerism” By William H. Shrank, Journal of General Internal Medicine, Vol. 31, No. 4, (February 2017), p. 1.
- 34 “Consumers Seek Care in New Settings for Lower Healthcare Costs” By Jacqueline LaPointe, Revcycle Intelligence, November 15, 2018, <https://revcycleintelligence.com/news/consumers-seek-care-in-new-settings-for-lower-healthcare-costs> (Accessed 4/5/19).
- 35 Bryant, April 2, 2019.



(800)FYI - VALU

*Providing Solutions
in the Era of
Healthcare Reform*

Founded in 1993, HCC is a nationally recognized healthcare economic financial consulting firm

- [HCC Home](#)
- [Firm Profile](#)
- [HCC Services](#)
- [HCC Experts](#)
- [Clients & Projects](#)
- [HCC News](#)
- [Upcoming Events](#)
- [Contact Us](#)
- [Email Us](#)

HCC Services

- [Valuation Consulting](#)
- [Commercial Reasonableness Opinions](#)
- [Commercial Payer Reimbursement Benchmarking](#)
- [Litigation Support & Expert Witness](#)
- [Financial Feasibility Analysis & Modeling](#)
- [Intermediary Services](#)
- [Certificate of Need](#)
- [ACO Value Metrics & Capital Formation](#)
- [Strategic Consulting](#)
- [Industry Research Services](#)



Todd A. Zigrang, MBA, MHA, CVA, ASA, FACHE, is the President of **HEALTH CAPITAL CONSULTANTS (HCC)**, where he focuses on the areas of valuation and financial analysis for hospitals, physician practices, and other healthcare enterprises. Mr. Zigrang has over 20 years of experience providing valuation, financial, transaction and strategic advisory services nationwide in over 1,000 transactions and joint ventures. Mr. Zigrang is also considered an expert in the field of healthcare compensation for physicians, executives and other professionals.

Mr. Zigrang is the co-author of "[*The Adviser's Guide to Healthcare – 2nd Edition*](#)" [2015 – AICPA], numerous chapters in legal treatises and anthologies, and peer-reviewed and industry articles such as: *The Accountant's Business Manual* (AICPA); *Valuing Professional Practices and Licenses* (Aspen Publishers); *Valuation Strategies*; *Business Appraisal Practice*; and, *NACVA QuickRead*. In addition to his contributions as an author, Mr. Zigrang has served as faculty before professional and trade associations such as the American Society of Appraisers (ASA); American Health Lawyers Associate (AHLA); the American Bar Association (ABA); the National Association of Certified Valuators and Analysts (NACVA); Physician Hospitals of America (PHA); the Institute of Business Appraisers (IBA); the Healthcare Financial Management Association (HFMA); and, the CPA Leadership Institute.

Mr. Zigrang holds a Master of Science in Health Administration (MHA) and a Master of Business Administration (MBA) from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives (FACHE) and holds the Accredited Senior Appraiser (ASA) designation from the American Society of Appraisers, where he has served as President of the St. Louis Chapter, and is current Chair of the ASA Healthcare Special Interest Group (HSIG).



John R. Chwarzinski, MSF, MAE, is Senior Vice President of **HEALTH CAPITAL CONSULTANTS (HCC)**. Mr. Chwarzinski's areas of expertise include advanced statistical analysis, econometric modeling, as well as, economic and financial analysis. Mr. Chwarzinski is the co-author of peer-reviewed and industry articles published in *Business Valuation Review* and *NACVA QuickRead*, and he has spoken before the Virginia Medical Group Management Association (VMGMA) and the Midwest Accountable Care Organization Expo. Mr. Chwarzinski holds a Master's Degree in Economics from the University of Missouri – St. Louis, as well as, a Master's Degree in Finance from the John M. Olin School of Business at Washington University in St. Louis. He is a member of the St. Louis Chapter of the American Society of Appraisers, as well as a candidate for the Accredited Senior Appraiser designation from the American Society of Appraisers.



Jessica L. Bailey-Wheaton, Esq., is Vice President and General Counsel of **HEALTH CAPITAL CONSULTANTS (HCC)**, where she conducts project management and consulting services related to the impact of both federal and state regulations on healthcare exempt organization transactions and provides research services necessary to support certified opinions of value related to the Fair Market Value and Commercial Reasonableness of transactions related to healthcare enterprises, assets, and services. Ms. Bailey-Wheaton is a member of the Missouri and Illinois Bars and holds a J.D., with a concentration in Health Law, from Saint Louis University School of Law, where she served as Fall Managing Editor for the *Journal of Health Law & Policy*.



Daniel J. Chen, MSF, CVA, is a Senior Financial Analyst at **HEALTH CAPITAL CONSULTANTS (HCC)**, where he develops fair market value and commercial reasonableness opinions related to healthcare enterprises, assets, and services. In addition, Mr. Chen prepares, reviews and analyzes forecasted and pro forma financial statements to determine the most probable future net economic benefit related to healthcare enterprises, assets, and services, and applies utilization demand and reimbursement trends to project professional medical revenue streams, as well as ancillary services and technical component (ASTC) revenue streams. Mr. Chen has a Master of Science in Finance from Washington University St. Louis.