White paper

The growing trend toward telehealth

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Improving the U.S. healthcare system is a daunting task, one that relies on three guiding principles: quality improvement, lowering costs, and expanding access to care. Telemedicine and telehealth involve significant technological advancements that could make strides in all three of these areas. They are expected to gain significant momentum as an accepted standard practice in the years to come.

Defining telemedicine and telehealth

In a 1996 report, the Institute of Medicine (IOM) defined telemedicine as “the use of electronic information and communications technologies to provide and support healthcare when distance separates the participants.” Today, the terms telemedicine and telehealth are often used interchangeably to describe the use of technology to exchange clinical information. However, a trend that helps to delineate specific differences between the two terms is emerging.

Telemedicine is most often used to describe direct patient care, such as cardiology, surgery, radiology, or pathology. For the purposes of this paper, telemedicine may be considered a “hospital solution,” and stems from the ongoing diagnosis and treatment of complex cases. Telemedicine solution providers are typically large, publicly traded organizations that are focused on the information technology and data management component of high-quality, precise medical instrumentation.

Telehealth is widely accepted as a “carrier solution,” and solution providers are typically small, privately owned organizations that focus on the delivery of clinical services for minor acute illnesses. Telehealth may also include home monitoring, which has the ability to deliver vital signs, such as blood pressure, weight, and oxygenation levels, from the patient’s home directly to a provider’s office, disease management organizations, or Accountable Care Organizations (ACO) for immediate intervention.

Telehealth solutions for employers

As employers seek cost-saving solutions to address the escalating healthcare costs, telehealth solution providers (TSPs) may offer employees an alternative to the utilization of emergency room visits and, in some cases, lower the time away from work. TSPs are made up of extensive physician-based networks that provide direct to consumer, clinical services for minor acute illnesses, using a variety of communication technologies. As each TSP looks to build a niche within the industry, various nuances have emerged regarding the scope of services.

Common services associated with telehealth

• **Minor Acute Care.** Loosely defined as treatment for “common ailments,” such as earaches, skin problems, urinary tract infections, and upper respiratory infections, which are short-term in nature.

• **Treatment Decision Support.** Provides education regarding possible treatment options.

• **Second Opinion Services.** Physician-to-physician or consumer-to-physician.

• **Coordination of Care.** Typically non-clinical (i.e., appointment scheduling, claims dispute resolution, and patient advocacy).

### State of the market

#### Telemedicine

A recent study by consulting firm RNCOS projects that the telemedicine sector, valued at $14.2 billion in 2012, will grow at a compound annual growth rate of 18.5% between 2012 and 2018.² It is important to note that this growth is expected in the realm of telemedicine and is not necessarily related to telehealth.

#### Telehealth

The telehealth market is also expected to grow exponentially through 2018. According to a 2013 report published by IHS Technology, the global telehealth market will expand tenfold, from $440.6 million in 2013 to $4.5 billion in 2018. IHS projects that the number of patients utilizing telehealth services will increase to 7 million in 2018, up from less than 350,000 in 2013.³

According to a *Forbes* interview with Roesen Rooshan of IHS, much of the U.S. telehealth market growth will be driven by ACOs in Medicare and among the privately insured.⁴ ACOs move beyond the traditional fee-for-service payment system, offering providers financial incentives to reduce costs while improving the quality of care. Providers in an ACO are rewarded if they meet specified quality and savings requirements, whereas providers suffer no impact if they fail to meet quality standards under the traditional payment model.

### Barriers to telehealth adoption

Initially, there was some concern throughout the industry that telehealth would be substandard in comparison to the customary face-to-face office visits. However, studies have shown that telehealth care can be just as effective as in-person care, and in some cases, superior.⁵ Lack of regulatory clarification has been one of the most significant barriers to telehealth. Providers are licensed to practice within a specific state, while payment is based on the location of services rendered, not the location of the patient. Reimbursement for telehealth is treated differently than reimbursement for site of services, and the complexity related to reimbursements is ultimately responsible for making interstate telehealth difficult to navigate for providers and healthcare organizations. Defining the site of service has been a recognized impediment to expanding telehealth.⁶

Designed to promote telehealth adoption, two bipartisan bills were introduced to Congress in late 2013:

- **TELE-MED Act of 2013.** Seeks to permit certain Medicare providers licensed in a state to provide telemedicine services to Medicare beneficiaries in a different state.

- **Telehealth Modernization Act of 2013.** Calls for the establishment of a federal standard for telehealth, and requires all states to adhere to it.

### Assumed risk

TSPs agree that services provided by remote physicians are not intended to replace a patient’s primary care provider (PCP). According to Dr. Jenny McClendon, a seasoned telehealth physician, “telehealth cannot and should not take the place of a patient’s PCP, but can be used as an adjunct to that relationship.” (Personal interview, August 30, 2014).

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Dr. McClendon adds that “training for telehealth providers is holistic to account to the person’s total health. As part of our regimen, we follow ‘care pathways’ that are based on national guidelines in the diagnosis and treatment of common ailments. Not only does this ensure that there is adherence to best practices but that there is consistency among the network of providers.”

Accrediting organizations, such as National Committee for Quality Assurance (NCQA), help purchasers of telehealth determine the providers that are ultimately following best practices. According to Dr. Nick Lorenzo, chief medical officer for MeMD, “NCQA helps the public understand that a high degree of quality initiatives have been baked into everything we do. It is a very arduous process and achieving the designation can help purchasers make sound decisions.” (Personal interview, September 7, 2014).

How can we help?

To learn more about telehealth and telemedicine, contact your local Wells Fargo Insurance sales executive, or:

Jeanne Langlois, RN, BS, MPH
National Clinical Solutions Practice Leader
414-732-4967 | jeanne.langlois@wellsfargo.com

Jeanne Moore, RN, BSN, MBA
Clinical Consultant, Clinical Solutions Practice
515-337-1205 | jeanne.moore2@wellsfargo.com