HEALTHCARE FINANCE

California Bill May Have Ramifications for Telehealth Reimbursement

Higher telehealth rates would open doors for companies such as Amazon and WalMart to expand their healthcare business.

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In late September, the California state senate approved a bill, AB-744, that if passed would result in telehealth being reimbursed at the same rate as an in-person doctor's visit. The bill is expected to be signed by Governor Gavin Newsom, and could eventually have ripple effects that touch telehealth reimbursement across the country.

As physicians are currently reimbursed at a lower rate for telehealth versus an in-person visit, the California bill would drastically change how much providers get paid for offering virtual services. Currently, telehealth reimbursement varies significantly across the U.S. The Centers for Medicare and Medicaid Services is the biggest payer for telehealth, while third-party payers all have different rules and guidelines for how to reimbursement remote care services.

According to Robert Annas, senior managing director at SOLIC Capital, Medicare can be especially restrictive in allowing for telehealth reimbursement; and where Medicare goes in this regard, Medicaid tends to follow.

A patchwork approach to reimbursement laws means states have taken the lead in crafting their own rules. About 40 states have some kind of telehealth reimbursement rules that bring the playing field closer to true parity, but the path has been uneven, and as yet no national guidelines exist.

The California bill is higher-profile than most, and Annas expects it will grab lawmakers' attentions.

"Given the Medicare population in California, it will probably allow telehealth to expand throughout the state, and if the law is signed, it will provide better access to that type of care," he said. "They'll be able to get better quality of care -- better outcomes, better management of chronic diseases. Those are some of the long-term goals the law is designed for."

The bill will likely have its biggest impact in the rural areas of the state. In California and across the country, rural areas are more likely to be hit by persistent physician shortages that are restricting access to care in remote communities. AB-744 seeks to break down some of the reimbursement barriers that can prevent telehealth services from seeping into these high-need communities.

But because national reimbursement requirements are so varied and uneven, it's a difficult path to navigate, Annas said.

"What we've seen is that the legacy laws that exist really result from a lack of experience and lack of use," he said. "The telehealth market, particularly on the outpatient side, has moved from 'What is it?' to 'How do I get it?' There's such an extreme physician shortage that the ability to keep patients in-house, the ability to prevent transfers, better chronic health management, all of those are going to be positives for healthcare in the future.

"The overall acceptance rate is causing the realization that it's basically the same as seeing a provider in person," he said. "I think the barriers are beginning to break."

TELEHEALTH ACCEPTANCE

Seeing a healthcare provider over a computer phone or tablet is different than an in-person visit in a couple of ways. Some care requires physical contact between the clinician and the patient, which obviously can't happen over the digital divide. But even this is starting to change, with remote technologies that can do things like read blood pressure. Increasingly, these technologies are boosting the acceptance of telehealth as a viable alternative to driving vast distances to see a provider.

In Annas' view, that acceptance is the key to the California bill, and to future pushes to establish a national reimbursement framework. He expects there to be a big lobbying effort in the next 24 to 36 months to remove some of the current barriers, particularly with Medicare, to get telehealth reimbursed at the same level.

That could have a two-pronged effect. On one hand, rural access to healthcare services could increase, thereby improving care quality and outcomes. On the other hand telehealth could experience a boom in popularity -- and it's already popular despite the current restrictions.

The California bill may well be a catalyst for more widespread change.

"Healthcare is in quite a bit of flux," said Annas. "I think you will see a coalescing from leadership, from Health and Human Services and from the state governments, to coalesce around a single policy as regards to telehealth."

A more cohesive framework may just be what some providers need to get a better grip on their finances, as well. Rather than spending money on patient transfers to a specialist, providers could instead offer the option to connect to a speciality remotely.

"If you have to transfer a patient 175 miles because the services aren't viable at the hospital, and it interrupts work and all those other things, not having to be transferred not only helps the hospital in keeping revenue in-house, it improves the overall quality of care," said Annas. "They (also) have the ability to discharge the patient to the home, and provide follow-up care."

AB-744 is likely getting attention from some of the larger players who have swooped in to change the landscape of U.S. healthcare. Amazon and WalMart, who are both edging their way into the healthcare business, have tinkered with the idea of expanding into specialty consultations in areas such as cardiology, neurology and psychology -- a move that would be made easier if the reimbursement picture is more clear.

Annas sees AB-744 as a landmark piece of legislation.

"The physician shortage is not going to go away," he said. "There'll be continued consolidation in the healthcare market, but rural health and the secondary markets are still the main drivers of patient volume. … You'll see more providers want to provide telehealth access, and allow healthcare to have more options for the delivery of care for patients who may not have access to it. There's probably a lot of wind at their backs."

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