



Telemedicine Impact Post COVID-19



Market Insights by Robert Annas
August 2020

By Robert Annas, Senior Managing Director, at SOLIC Capital Advisors, a leading middle market financial advisory firm providing restructuring, investment banking and distressed asset support services

Did it take a pandemic to fully recognize the value of telehealth to our healthcare system? Truthfully, yes! The impact of COVID-19 has been financially and operationally difficult for most of the nation's healthcare network, in particular hospitals and healthcare systems, with revenue vanishing overnight due to the elimination of elective procedures and drop in emergency room visits, cost pressures from increased critical care patients needing life supporting ventilators and other care, and an unsure short-term horizon as to when the pandemic will end. The AHA estimates that the total four-month financial impact is over \$200 billion in losses for the US hospital and health system, which is over \$50 billion a month during the March 2020 through June 2020 period. While most hospitals are now allowing elective procedures to resume and emergency room visits are rising, it is critical that hospitals' goals around revenues and cost are aligned around telemedicine to ensure survivability for the long term. This includes maximizing the availability of the technology that enables telemedicine, exploiting the advantages of economic leverage that telemedicine provides, offering more specialty services, and addressing telemedicine parity once and for all.

Accessibility to Technology

In order to offer telemedicine services, providers need the right technology to enable the patient care. While this was traditionally a stress point for many organizations, telemedicine technology access has and continues to change for the better. More platforms, more choices and a wide variety of configurations that can be individualized at different price points have made the entry point easier for hospitals of all sizes. There isn't a universal provider solution when it comes to telemedicine, but the use of proprietary software and hardware is expected to change, with secure third-party platforms eventually becoming the norm.

Keep Patients Local

Revenue leakage, in this case patient transfers, can destroy hospitals. By offering a wider variety of specialties, hospitals can keep that revenue in-house. However, not every hospital can afford to employ cardiologists, infectious disease providers or neurologists. Let's say for example that a hospital had to transfer 10 patients a month because it didn't have cardiology support in-house. By launching an inpatient telemedicine program, one could easily see 30% or 40% of these specialty patients staying in-house, creating significant revenue opportunities. Having outpatient clinics supporting follow-up visits locally can generate incremental revenue as well and drive patient traffic to stay local.

Economic Leverage of Telemedicine

Inpatient telemedicine and outpatient specialty clinics both have the opportunity to use telemedicine to create economic leverage within their firms. Technology enables telemedicine physicians to support more than one facility at a time, leading to fractional use of the physician. For example, according to the [MGMA 2020 Provider Compensation](#) survey, a full-time intensivist (i.e., physician that supports and provides care in an intensive care unit) can cost upwards of \$448,000 per year. With a TeleICU program, one TeleICU provider could easily support two or more programs depending on their size, creating economic leverage over multiple programs. This lowers the overall cost to the hospital based on a model of providing physician availability to support care.

Addressing Telemedicine Parity

In early March 2020, the Centers for Medicare & Medicaid Services (CMS) [issued](#) temporary waivers which expanded Medicare reimbursement for telehealth services, but these were only intended to last the duration of the pandemic and will eventually expire. The one with the biggest impact relates to HPSA limitations (Health Provider Shortage Areas). Prior to the CARES Act, telemedicine could only be reimbursed by CMS in areas where HPSA was evident. Those restrictions have currently been waived. In addition, the frequency of reimbursement for telemedicine visits involving specific specialty consults was relaxed from once every three days to daily. Federal licensing requirements to be licensed to practice in a particular state where a program is located was relaxed as well, but state requirements in many cases still apply. After enjoying the benefits these waivers have afforded, many providers now [advocate](#) for keeping the current changed rules, and so far Congress [has signaled](#) support for permanently removing certain restrictions. However, payment parity for digitally delivered services, where payers reimburse for telehealth visits the same as in-person visits, continues to be a large point of contention. The American Telemedicine Association (ATA) and other industry trade groups are pushing to once and for all to knock down the barriers to allow inpatient telemedicine to be treated the same as having a physician on the ground.

A recent survey from [McKinsey & Company](#) found that among consumers, 76% of respondents were more interested in using telehealth after COVID-19 than they were previously. This increased interest among consumers means telehealth providers need to ensure patients' access to telehealth continues even when in-person visits start back up in certain states and the social distancing restrictions implemented in response to the virus are lifted. Over \$250 billion of the current US healthcare spend could potentially be virtualized, and with 76% of consumers interested in using telehealth going forward, the market will continue to grow.

The technology can improve a patient's convenience and access to care, lead to better patient outcomes overall, and help hospitals and health systems be more efficient. However, in order for the industry to continue the growth it's recently experienced due to COVID-19, keeping patients engaged and having new, permanent rules put into place with regard to billing and reimbursement will continue to be a primary focus for the industry.

###