

# **Expanding Telemedicine Services in an Effort to Reduce Health Care Costs in the United States**

**To: Federal Trade Commission**

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*“I am a student at Columbia University. However, this comment to the Federal Trade Commission reflects my own personal opinions. This is not representative of the views of Columbia University or the Trustees of Columbia University.”*

## **Summary**

Telemedicine is a form of extended medical care that emerged over forty years ago and is increasingly used within the medical community.<sup>1</sup> With rising healthcare costs in the United States, it is critical to examine ways in which telemedicine services can contribute to a reduction in health care spending. Unfortunately, there are many regulatory and financial barriers preventing telemedicine services from being utilized in a cost-effective manner. Policy options must be considered to determine how telemedicine can be expanded while addressing the problem of increased healthcare costs. This analysis finds that the most cost-effective option is to expand Medicare and Medicaid’s list of eligible providers and the type of care they reimburse.

## **Background**

According to the American Telemedicine Association, telemedicine is defined as “the use of medical information exchanged from one site to another via electronic communications to improve a patient’s clinical health status.”<sup>1</sup> Telemedicine services include but are not limited to: patient consultation through video conferencing, transmission of imaging information, and remote monitoring of vital signs.<sup>1</sup> Studies have shown that telemedicine increases access to care and lowers the overall cost of health care spending in the United States by increasing remote patient-provider contact and decreasing hospital stays. Specifically, Coustasse and Deslich found that telemedicine decreases length of hospital visits and reduces costs by 24%.<sup>3</sup> Lowering hospital costs is essential to reducing health care spending in the United States because hospitals are facing additional financial challenges with the enactment of the Affordable Care Act. Furthermore, telemedicine services decrease health care costs by improving triage, ensuring efficient and proper diagnosis of disease, and providing access to care before an illness progresses to an advanced stage.<sup>8</sup>

Although the Affordable Care Act offers advances for telemedicine expansion, there are regulatory and financial barriers challenging its success. The main question under consideration is whether lessening regulatory barriers associated with telemedicine decreases health care costs within the United States. With a reduction in federal funds and elevated levels of uncompensated care it is critical that regulatory barriers are examined and modified. Telemedicine providers will flourish in a competitive environment and lessening barriers will incentivize providers to invest in technology. In addition to reducing health care costs, telemedicine will increase the quality of care in hospitals. Specifically, studies found telemedicine increases patient monitoring, improves mental health treatment, and decreases hospital mortality among the sickest patients.<sup>4</sup>

Furthermore, telemedicine allows patients to communicate with multiple physicians and increases access to physicians after-hours. Overall, the use of telemedicine services can result in positive outcomes and the expansion of these services will favorably impact the health care system.

## **Evidence**

Most of the telemedicine services research concludes that telemedicine results in a reduction of health care costs when utilized most efficiently. The evidence from this paper was collected primarily from the search engine PubMed. Specifically, PubMed articles were found using keywords such as "telehealth", "telemedicine", "telemedicine expansion", and "telemedicine costs". In addition, I found articles by using Google and searching phrases such as "financial barriers to telemedicine" and "regulatory barriers to telemedicine".

## **Problem**

Generally, problems are defined in the context of values and then categorized in a systematic way that allows the government to frame the problem more effectively. In regards to telemedicine, the problem can be categorized into three broad categories: (1) regulatory barriers, (2) financial barriers, and (3) cultural barriers.

Telemedicine has proven to provide many cost-effective outcomes for the medical community, but there are regulatory barriers that do not allow telemedicine to maximize all potential benefits. In a national survey, 61% of physicians responded that they believe out-of-state licensing is restricting their use of telemedicine services.<sup>7</sup> It is difficult for physicians to integrate telemedicine into their practice when they are not licensed to practice in different states. For example, if a physician from Florida wants to practice using telemedicine in California, they would need to be licensed in both of the states.<sup>6</sup> Other regulatory barriers involve physician concern regarding malpractice and limited reimbursements from Medicare and Medicaid. Limited reimbursement of telemedicine services is forcing hospitals to take on a lot of the financial burden without being able to use the technology in a cost-effective manner. Malpractice issues are also of concern because the virtual nature of the physician-patient relationship is a novel concept within the legal community.

Furthermore, there are financial barriers as a result of the inability of providers to bill for services and the high initial cost of investing in technology. The initial investment in telemedicine is expensive. It is hard to convince providers to invest in the technology when they are experiencing regulatory restrictions. For example, if an elderly person is in need of treatment after nursing home hours, they are often admitted to the hospital. The elderly are more susceptible to infection during these hospital visits, but they are forced to go to the hospital due to the lack of technology at nursing homes. It is important to recognize that these hospitalizations cost Medicare more than one billion dollars per year, and if telemedicine was adopted Medicare could save approximately \$151,000 in savings per nursing home per year.<sup>5</sup> The cost of providing telemedicine services in nursing homes is \$30,000 per year, suggesting that there is a net savings of \$120,000 per year.<sup>5</sup> These savings are only fully recognized when telemedicine is implemented to its full potential.

Lastly, there are cultural barriers among physicians who do not wish to change how they

routinely practice medicine. In a national survey, 56.2% of physicians lack incentives to implement telemedicine and 20% of physicians view telemedicine as a local loss of control.<sup>7</sup> Another cultural barrier facing the medical community includes patient resistance because of the limited knowledge they have about telemedicine. Despite these setbacks, patients appear to be satisfied with telemedicine because of travel time saved and the easy accessibility of physicians.<sup>7</sup> Although cultural barriers are hindering the expansion of telemedicine, the main barriers are primarily the regulatory and financial restrictions. Both the regulatory and financial restrictions are increasing health care costs and options need to be considered to find solutions to these barriers.

## **Policy Options**

### **1. Medicare and Medicaid can promote telemedicine by expanding eligible providers and type of care.<sup>2</sup>**

The Centers of Medicaid and Medicare (CMS) are currently proposing changes to expand telemedicine services. However, there are many potential patients who are not eligible for telemedicine coverage. CMS limits telemedicine reimbursement rates and exclude coverage based on strict criteria. Congress or CMS can begin the process by acknowledging that there is a need to cover these ineligible patients. Specifically, 104 rural counties in the United States were reclassified as a metropolitan area and are no longer able to receive telemedicine benefits.<sup>1</sup> Providers in these counties should be eligible for telemedicine services and be able to receive similar benefits to residents in rural areas. Also, CMS can expand the type of care it covers for telemedicine services. For example, clinical psychology and social workers cannot be reimbursed under Medicare for therapy services including evaluation and management services.<sup>2</sup> In addition, telehomecare does not meet the definition of a visit according to 42 CFR 409.48(c) and may not be covered as Medicare home health visits.<sup>2</sup> If the CMS considers expanding these services it can ultimately lower inpatient costs and increase access to care for these patients.

### **2. The government can create a more streamlined credentialing process that allows physicians to implement telemedicine services more efficiently.<sup>6</sup>**

Currently the credential process is considered a regulatory barrier due to the large time investment and overall complicated administrative process. The Joint Commission and CMS need to support the credentialing process by proxy. For example, if a physician is credentialed to work in one hospital, they should be able to work in all hospitals within the larger network of hospitals. This would lessen the large administrative problem of sending in applications to each individual hospital and it would facilitate easier use of telemedicine services. In addition, the credentialing process will become easier if an electronic process is considered. Studies found that with electronic credentialing, turnaround time for processing forms was reduced from 53 calendar days to 36 calendar days.<sup>6</sup> The major drawback of this option is that it does not overcome the lengthy verification process. However, streamlining the credential process would be a step in the right direction.

### **3. The government can create a national telemedicine license for physicians so they are able to practice without restrictions.<sup>6</sup>**

The American Telemedicine Association has started a petition to remove licensing barriers between states. This can be the first step in convincing the government to implement a national

telemedicine license. A national license will allow providers to treat patients through telemedicine services throughout the United States without the regulatory barriers currently in place. In addition, the price of a telemedicine license is expensive, costing approximately \$1,200 per license.<sup>6</sup> If the government only required a one-time fee associated with the national license it would be more financially feasible for physicians to get licensed. Overall, the cost and lengthy time investment associated with licensure is deterring doctors from utilizing telemedicine in their practice. Even though there is promise, this option may be difficult to implement due to state bureaucracy and the different state approaches to medical licenses.<sup>6</sup>

## Recommendation

In regards to the policy options listed above there are many obstacles to overcome. However, revising Medicare and Medicaid statutes will result in the greatest reduction of health care costs. It is critical to the future of health care that Medicaid and Medicare coverage be expanded to counter the excessive regulatory barriers currently in effect. There are four reimbursement barriers that are affecting the expansion of telemedicine. These challenges include (1) geographic barriers, (2) coding restrictions, (3) provider eligibility limitations, and (4) inequitable fees based on patient location.<sup>8</sup> If each of these challenges are examined and addressed, telemedicine will be more feasible for providers to use and health care costs will likely decline.

Specifically, Medicare and Medicaid patients should not be denied coverage due to the location of their home or type of care received.<sup>1</sup> Medicaid only pays for telemedicine services in 24 states and each state has a strict criterion that makes it difficult for doctors to be reimbursed<sup>6</sup>. In addition, Medicare can start reimbursing care provided by physical therapists, speech therapists, and other workers who are not currently considered reimbursable. Lastly, Medicare and Medicaid can implement fair-market reimbursement for the originating patient site. Rural providers must receive adequate compensation for services so they have enough money to support staff and facilitate telehealth visits.<sup>8</sup> Health care costs are on the rise and regulatory barriers result in the decrease of health care access and the increase of inpatient hospital stays. It is important that an opportunity to reduce health care costs is not missed and providers are incentivized to incorporate telemedicine into their services.

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