Telehealth's ability to generate savings reenters the spotlight

Article

The "news": Telehealth's ability to reduce healthcare system costs is back on the hot seat.

- A recent Kaiser Family Foundation (KFF) analysis shows that private health **insurers paid approximately the same for virtual care and in-person visits** early in the pandemic.

- For context, at the onset of the pandemic, many **payers increased telehealth reimbursement rates** with the hope that more physicians would use it.

Digging into the data: KFF's analysis revealed there were only marginal differences in how much doctors were paid for telehealth versus in-person care.

- For example, an **in-person clinical visit** for a higher-severity patient cost on average **$127**. That same patient visit cost **$129 when it was done virtually.**
- The same held true for mental health therapy claims: a 30-minute **psychotherapy visit cost $48 on average**, irrespective of whether the session was conducted in-person or virtually.

One side of the debate: It's not surprising that payers hiked up their reimbursement rates. Some were mandated to (e.g. Medicare and certain states). But the findings raise the question if payment parity may *increase* overall healthcare spending.

If telehealth and in-person visits are reimbursed at the same rates, **virtual care could be overused**.

- Sometimes a virtual care clinician cannot properly diagnose the problem, resulting in the need for a follow-up appointment in person.
- More services = more spending.

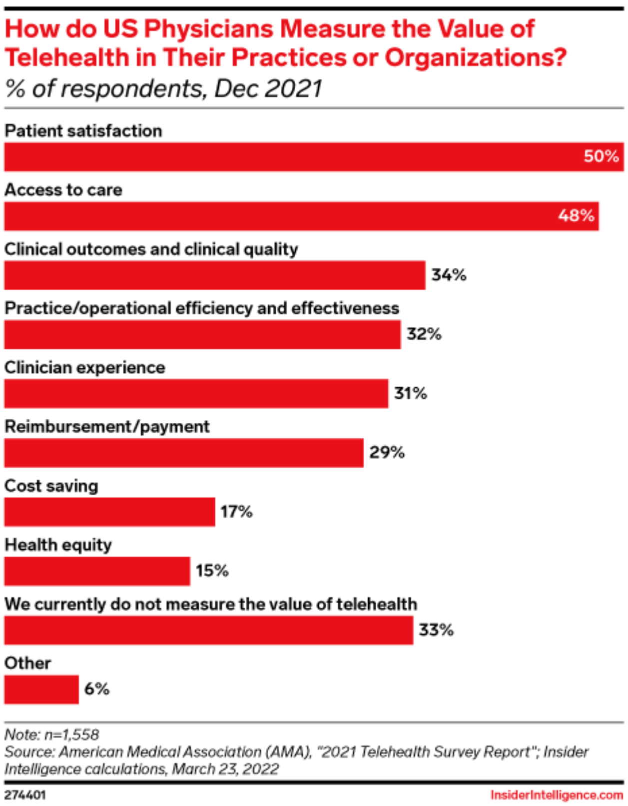
The counterpoint: While a telehealth visit might require an in-person follow up with a primary care physician or specialist, that's a lot better—and cheaper—than going to an urgent care center or the emergency room. Plus, some research examining the cost of telehealth doesn't include savings realized by employers and their workers from not having to travel or take off work.

Our take: The debate over telehealth's impact on healthcare spending is still very much TBD. We believe the greatest value of telehealth is not that it's a huge cost saver.

Here's where telehealth proves its worth:

- **Virtual care expands access to convenient care.** For example, just **14%** of Americans live in rural areas, but those communities make up **nearly two-thirds of the** healthcare professional shortage areas in the US. Telehealth has proven it could bridge that gap.

- **Telehealth doesn't sacrifice quality.** Patients who were treated across five conditions (e.g., diabetes) had better outcomes when some telehealth was used versus only getting care in person, per a study recently published in JAMA Network Open.
- **Consumers like telehealth.** Most patients who have used telehealth said they're either very satisfied or satisfied with most aspects of it, including **convenience (90%)**, **ease of use (89%)**, **quality of care (82%)** and **cost (74%),** per December 2022 Insider Intelligence data. That's why consumer-obsessed companies like Amazon, retail players, and other D2C firms are increasingly entering the fray with telehealth offerings.



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