H2C PERSPECTIVES

H2C COVID POV Series • Telehealth

Telehealth Implications in a Post-COVID World

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H2C has been actively following developments in the healthcare industry as our clients grapple with the immediate effects of the COVID-19 pandemic and begin considering its aftermath. Our observations have helped form a collective perspective, which we will share in a series of short articles.

Of the many things to have emerged from the COVID-19 pandemic, the rise in the use of telehealth may be one of the most profound. Because the term "telehealth" is not yet universally defined, we mean here the business processes and technologies that enable, or should enable, consumers to access healthcare providers, obtain care, enable providers to remotely monitor chronic conditions, or, in more serious cases, gain well-curated referral to the appropriate care provider(s).

Since March, when COVID-19 quickly began to spread across the United States, we have witnessed and even experienced firsthand the enormously increased use of telehealth services in lieu of in-person visits to healthcare providers. Today, the push for telehealth goes beyond the need to limit the spread of the coronavirus to the desire among consumers to access healthcare services virtually due to telehealth's convenience and efficiency. To create value, telehealth must go beyond simply triaging care and, instead, meet the consumer's healthcare needs efficiently and effectively.

Risks and Opportunities for Healthcare Providers

Most of our health system clients view telehealth as a big opportunity—as well they should. COVID-19 forced a different way of engaging with consumers, and consumers are clear in their preference for the more efficient experience offered by telehealth. Making consumers happier is certainly good business for healthcare providers.

But there is a more immediate concern emerging among physicians and—since this is a big part of health systems' experiences—physicians affiliated with health systems. Telehealth services by their nature should be significantly less costly to deliver. Health plans think so, and so does the Centers for Medicare & Medicaid Services ("CMS"). Although government and commercial payers agreed to payment parity between telehealth and in-person visits during the pandemic, CMS Administrator Seema Verma believes telehealth should be reimbursed for less long term—even as she advocates for continued expanded access for Medicare beneficiaries—since care delivery expenses are lower for virtual care. This would be good news for consumers, who could gain reduced out-of-pocket costs and higher levels of service. That's value. It could also be good news for health plans, whose medical costs may be reduced, both directly and indirectly, through increased adoption of telehealth. But unless payment parity between telehealth and in-person visits is maintained, gaining long-term physician buy-in may prove difficult.

On the surface, telehealth threatens to reduce providers' revenues by displacing in-person visits with much less time-consuming virtual visits that may soon generate less revenue per event. Some health systems have dealt with this challenge by using their telehealth platforms primarily as a means to triage and direct patients to the same services, delivered in the same way as before. This thinking merely results in increased costs to consumers and decreased patient satisfaction.

However, underneath this immediately recognizable revenue threat is a much more profound threat not only to system-affiliated physicians, but to health systems themselves: Telehealth, done "right," has the potential to disrupt the traditional revenue/relationship chain, defined as:

It may do so by disintermediating the patient from the health system-affiliated PCP/specialist relationship and hence to the real revenue- and margin-producing, facilities-based services offered by the health system.

Imagine this: A telehealth provider that is able to encourage access to its system by utilizing all of the traditional consumer marketing tools available in every consumer-facing industry (except health care) and that can quickly, efficiently, and effectively address consumers' immediate needs at lower cost and better perceived quality will have created something the healthcare industry has long strived to achieve—value. That telehealth provider would then be in a position, by occupying the point of initial consumer engagement in a highly lucrative business, to direct extraordinary economic value to those associated with or allied with the provider and, conversely, to deny—that is to say, disrupt—that economic value to others. And just to be clear about how enormous this economic value is, the average lifetime revenue associated with hospital and physician services provided to a single consumer is about $650,000. The value of a patient relationship often extends beyond a single consumer: Over the course of a consumer's lifetime, the consumer not only will seek individual care, but also care for family members, from children to aging parents.

This is the figure that gets the attention of consumer products and services industries and anyone attempting to disrupt or disintermediate players in the healthcare industry. Arguably, the weakest link in the chain is where the consumer meets the industry—traditionally in front of a PCP, at an urgent care facility, or in an emergency department. Any competitor that can successfully intercede and redirect even a small portion of that value will be doing very well indeed. In fact, telehealth could be used by health systems as an important strategic weapon to expand their market penetration and reach.

And, was there ever a better time to create or experience change in the healthcare industry than now—during the pandemic? We don't think so.

Conclusion

Will the healthcare industry, with its enormous inertia, capital, and long-standing economic incentives, embrace the change? Will new players emerge that, working with young, ambitious, innovative healthcare professionals, create a new system and harvest its economic potential? Perhaps. One thing is clear: Healthcare organizations that wish to stay relevant during the COVID-19 pandemic and beyond will not only embrace consumers' newfound desire for telehealth, but also use it to reduce disparities in care, a move that could lower costs for all.

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