

# Telehealth Overview

## January 2017

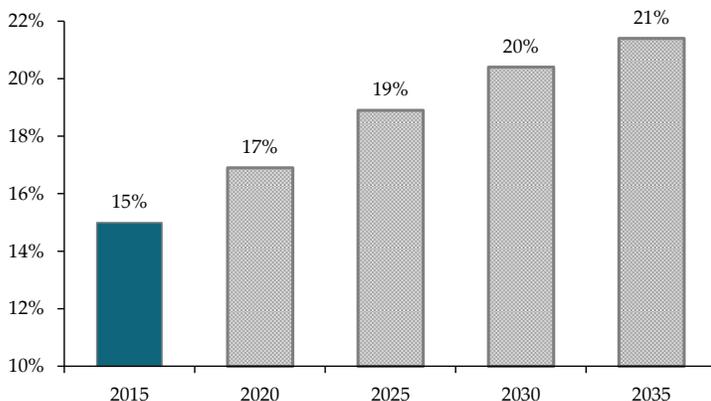
### Executive Summary

Telehealth is broadly understood to refer to the use of remote or virtual technologies to provide care regardless of physical location. Applications of telehealth include virtual consultations (both patient to provider and provider to provider), remote patient monitoring and the storage and exchange of healthcare data. When integrated with traditional care platforms, these technologies provide a host of benefits including enhanced independence, accessibility and quality of care for patients (particularly among the elderly) as well as substantial savings for all parties.

AMB expects that widespread telehealth adoption and integration will quickly become the standard among population health managers as healthcare reimbursement shifts from volume-based payments to alternative models and value-based contracts. For example, with the Next Generation ACO Model, Medicare is signaling that Medicare beneficiaries, a key population for controlling healthcare costs, may eventually be eligible for telemedicine treatments regardless of their physical location. Additionally, state Medicaid programs continue to reduce barriers to telemedicine by repealing burdensome restrictions and licensure requirements. Further, up to 76 percent of large, self-insured employers are expected to offer telemedicine to employees in the near future and every major U.S. commercial payor offers telehealth treatments to some or all of their members to varied extent.

Telehealth savings potential is perhaps most tangible when applied to elderly populations (age 65+). Using Medicare as a proxy for this age group, the magnitude of savings potential becomes apparent. Two-thirds of Medicare FFS beneficiaries have multiple chronic conditions that require continuous monitoring and result in disproportionate healthcare spend. Furthermore, the 14 percent of beneficiaries with six or more chronic conditions account for 46 percent of all Medicare spending. By continuously monitoring these patients and reducing costly readmissions, telehealth can save the U.S. healthcare system billions annually.

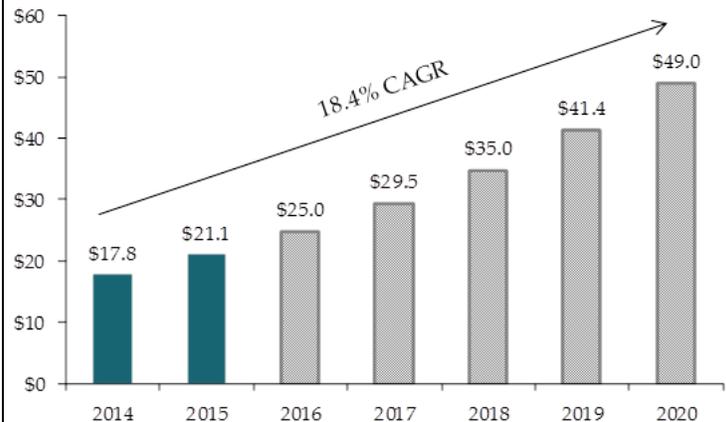
### Percent of U.S. Population Age 65+



Sources: IBISWorld and industry articles

### Key Tailwinds

Market for telehealth technology and services (\$ in billions)



The telehealth industry is undergoing rapid growth, and is expected to more than double in size from 2015 to 2020.

### Themes Driving Growth in Telehealth

#### Demographics

The U.S. population is rapidly aging. Between 2015 and 2035 the proportion of Americans aged 65+ is expected to grow from 15 percent to 21 percent. In terms of population size, the number of Americans aged 65 and older is expected to almost double.

#### Physician Shortage

The average wait time for a primary care appointment in the U.S. is 19 days, and 20 percent of all patients live in a Health Professional Shortage Area ("HPSA"), indicating barriers to access.

#### Preference for Accessibility and Convenience

Access to care is patients' top concern, with 76 percent of patients prioritizing access over physical interaction. Additionally, 76 percent of patients prefer to get prescriptions filled online.

#### Clear Savings Potential

Commercial payors and health systems continue to identify opportunities to reduce costs and medical waste through telehealth solutions across the continuum of care.

#### Government Reform

With each passing year, Medicare updates rules, increasing reimbursement, loosening originating site restrictions and expanding telehealth-eligible CPT codes. Meanwhile, state Medicaid programs continue to undergo a net expansion of telehealth coverage and access.

## Key Regulatory & Government Developments

An early draft of the **CHRONIC Care Act** was released by the Senate Finance Committee in October 2016. The bill includes provisions that would expand Medicare coverage of telehealth services under Part B. Medicare Advantage plans would also offer additional telehealth benefits. Additionally, the bill includes language to expand access to telehealth for stroke treatment.

In Fall 2016, the New York state legislature introduced three telehealth bills that would enable telehealth coverage under workers' comp and auto insurance in addition to coverage parity for telehealth home health services and acute stroke treatment. The state of Vermont also introduced legislation to remove the site restriction component of its own state parity law.

Recent CMS reimbursement expansions include coverage of wellness visits, psychoanalysis and psychotherapy and six new codes for home dialysis treatment and prolonged inpatient care.

CMS has announced that the Next Generation ACO model will allow participating Medicare FFS beneficiaries to receive expanded telehealth coverage and reimbursement, similar to some Medicare Advantage plans.

## Telehealth Throughout the Care Continuum

Opportunities for healthcare operators to adopt telehealth solutions exist throughout the care continuum and telehealth integration can assist care coordination at every level:

Primary Care	<ul style="list-style-type: none"> <li>Expand access to care and regular utilization, with an emphasis on wellness and prevention</li> <li>Reduce wait times and overcome geographic / scheduling obstacles</li> <li>Facilitate primary care as a patient centered medical home, coordination throughout the continuum</li> </ul>
Outpatient / Specialist Care	<ul style="list-style-type: none"> <li>Expand geographic access to specialists</li> <li>Coordinate chronic care and disease management with primary and urgent care providers</li> <li>Drive patient engagement and coordinate post-acute care</li> </ul>
Emergency Department	<ul style="list-style-type: none"> <li>Reduce low-acuity admissions and unnecessary inpatient transfers</li> <li>Improve triage efficiency and ED personnel productivity</li> </ul>
Inpatient Care	<ul style="list-style-type: none"> <li>Improve access to external specialists</li> <li>Reduce length of stay and complications</li> <li>Readmissions reduction</li> </ul>
Post-Acute Care	<ul style="list-style-type: none"> <li>Improve coordination between acute setting, primary care and specialists</li> <li>Integrated EMR and store-and-forward information sharing</li> <li>Seamless transition from acute setting to monitoring environment</li> </ul>

## Summarizing the Value Proposition of Telehealth

Economic and Societal Value	Return to Operators
<p><b>Greater Access to Care</b></p> <ul style="list-style-type: none"> <li>Telehealth solutions can solve:                             <ul style="list-style-type: none"> <li>Mobility obstacles for elderly or disabled patients</li> <li>Geographic obstacles for patients living in rural HPSAs</li> <li>Time constraints for busy professionals</li> <li>Long wait times and appointment delays</li> </ul> </li> </ul>	<p><b>Direct Revenue From Telehealth Service Offerings</b></p> <ul style="list-style-type: none"> <li>Direct revenue from:                             <ul style="list-style-type: none"> <li>Payor reimbursement</li> <li>Employers and Individuals</li> <li>At-risk contracts</li> </ul> </li> </ul>
<p><b>Improved Quality of Care</b></p> <ul style="list-style-type: none"> <li>Quality of Care enhanced by:                             <ul style="list-style-type: none"> <li>Enhanced and continuous monitoring capability</li> <li>Emphasis on wellness</li> <li>Quick reaction time</li> <li>Reduced mistakes</li> </ul> </li> </ul>	<p><b>Indirect Revenue from New Patients and Improved Retention</b></p> <ul style="list-style-type: none"> <li>Indirect revenue from:                             <ul style="list-style-type: none"> <li>Personnel leverage (greater capacity and productivity)</li> <li>Larger population panels → Higher contractual revenue</li> <li>Improved retention resulting from on-demand capabilities and improved service</li> </ul> </li> </ul>
<p><b>Better Outcomes</b></p> <ul style="list-style-type: none"> <li>Outcomes improved as a result of:                             <ul style="list-style-type: none"> <li>Greater access to care</li> <li>Higher quality of care</li> <li>Patient engagement and provider buy-in (virtuous cycle)</li> </ul> </li> </ul>	<p><b>Cost and Waste Reduction</b></p> <ul style="list-style-type: none"> <li>Cost reduction from:                             <ul style="list-style-type: none"> <li>Better care coordination → fewer mistakes and counteractive treatments</li> <li>Monitoring and case management → reduced readmissions</li> <li>Chronic care / disease management</li> </ul> </li> </ul>

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