
# **The Rules Are Changing**: The Truth About Telemedicine Revenue and Reimbursement

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White Paper

# The Meteoric Rise of Virtual Health

Telemedicine programs are skyrocketing in popularity with patients, providers and payers. A recent Mordor Intelligence report predicts the virtual health market will be a $66 billion-dollar industry by 2021.[1]

One factor fueling telemedicine's success: its versatility. Healthcare networks, businesses and governments are using virtual health programs to reach natural disaster survivors, reduce prison care costs, assist veterans with PTSD and treat Olympic athletes in real time. Clinicians are improving healthcare outcomes from rural Argentina to Zimbabwe villages. Telemedicine is disrupting the healthcare industry by providing data-driven, evidence-based medical expertise to patients who otherwise would not receive it.

Yet while the power of virtual health is transforming the market in measurable ways, some providers and administrators are still ambivalent about adoption. The most common reason: fears of financial loss.

It's true that in the early days of telemedicine, some providers experienced difficulty getting paid for their virtual services. But reimbursement laws and policies have evolved. While rules vary between states and health plans, providers can be paid for telemedicine services and even create new revenue streams. It's just a matter of understanding how to navigate the rules of reimbursement.

[1] "Telemedicine Market – Growth, Trends and Forecast (2019-2024)," Mordor Intelligence www.mordorintelligence.com/industry-reports/global-telemedicine-market-industry

# Cost Savings and Virtual Healthcare

One of telemedicine's most attractive benefits is its promise of cost control. Instead of forcing patients to travel to distant specialists and hospitals, virtual platforms can connect the patient to the right provider without any wage loss or childcare and transportation costs. A healthier and more productive workforce can benefit companies as well; a study from Towers Watson concluded that telehealth could generate $6 billion in annual healthcare cost savings for U.S. employers.[2]

Virtual health can drive down the overall cost of healthcare through shorter hospital stays, fewer admissions and better chronic disease management. One percent of the U.S. population incurs 20 percent of health care costs – and more than 90 percent of them have chronic illnesses such as high blood pressure, diabetes, and high cholesterol.[3] Remote patient monitoring at home, with faster interventions for emerging issues, can help many of those patients avoid expensive ER visits and hospitalizations.


Doctors, pharmacies, health plans, therapists, nursing facilities and patients' families can also work together to stop patients from falling through gaps in care. Consider that 20 percent of malpractice claims involve missed or delayed diagnoses due to faulty hand-offs between providers.[4] 80 percent of serious medical errors involve miscommunication during those care transitions.[5] Better coordination through virtual consults can help clinicians avoid malpractice suits while reducing readmission penalties and the higher costs of more complex care.

# The Road to Telemedicine Revenue

Today's virtual health programs drive traditional revenue and cost savings for doctors and health systems all over the world. Yet many providers base their telemedicine decisions on outdated information about payment policies. Here are the top 10 misconceptions and truths about telemedicine reimbursement.

[2] "Current Telemedicine Technology Could Mean Big Savings," Willis Towers Watson
www.towerswatson.com/en-US/Press/2014/08/current-telemedicine-technology-could-mean-big-savings
[3] "The Concentration of Health Care Spending," NIHCM Foundation Data Brief
www.nihcm.org/pdf/DataBrief3%20Final.pdf
[4] "Missed and delayed diagnoses in the ambulatory setting: a study of closed malpractice claims," National Institutes of Health
www.ncbi.nlm.nih.gov/pubmed/17015866
[5] "Joint Commission Center for Transforming Healthcare Releases Targeted Solutions Tool for Hand-Off Communications," Joint Commission Perspectives
www.jointcommission.org/assets/1/6/tst_hoc_persp_08_12.pdf

# 10 Telemedicine Reimbursement Myths and Realities

## Myth 1 | Virtual services aren't reimbursed by payers at all.

**Reality**: Medicare and Medicaid reimburse for telemedicine services in all fifty states and Washington D.C., though the rules can vary by state. A majority of U.S. states have passed parity laws, which require commercial payers to reimburse healthcare providers for virtual services at the same rates paid for in-person care.

## Myth 2 | Commercial payers don't reimburse for virtual services in my state.

**Reality**: Even if your state doesn't have a parity law yet for commercial payers, you can still seek reimbursement. Look up your state regulations and payer policies so your staff can properly handle claim submissions and appeals, prior authorization requests, and billing. Make sure they check each new patient's telemedicine coverage when confirming eligibility; your practice manager can also call a payer and request virtual care coverage. Many payers will reimburse for virtual services even when the law doesn't require it.

Telemedicine bills are common in Congress, so be sure to track your state's changing stance on parity. You may also consider joining your local telemedicine resource center to lobby for updated laws.

## Myth 3 | All payers follow the same reimbursement rules.

**Reality**: Medicaid, Medicare, and commercial payers all handle reimbursement differently.

For instance, Medicare is a federally administered program with rules consistent across the country, while Medicaid is administered by states which have their own coverage standards. Here's a quick summary of how they handle telemedicine reimbursement:

**Commercial**: Major insurance carriers like Aetna, Blue Cross Blue Shield, Cigna and United Healthcare cover telemedicine. However, their coverage differs from policy to policy. When checking a patient's coverage, ask which CPT and HCPCS codes are covered and ask about any required modifiers.

**Medicare**: Medicare reimburses for virtual services offered by a healthcare provider at an authorized Distant Site to a patient at an Originating Site. The originating site may also be paid a facility fee for hosting the telemedicine visit. Check which CPT and HCPCS codes are eligible for reimbursement and be sure to use the proper modifier, such as the 95 code for commercial insurance plans and the GT modifier for Medicare and Medicaid plans. Place of service (POS) code 02 can be used for telemedicine; HCPCS code Q3014 is often used for the facility fee.

**Medicaid**: These policies vary from state to state, but every Medicaid program provides reimbursement for some form of live video in Medicaid fee-for-service. Some states also reimburse for store-and-forward telemedicine and/or remote patient monitoring (RPM.) Some states require you to have a pre-existing relationship with your patient before providing virtual healthcare; others do not. Ask which services and CPT codes are covered, if cross-state licensing is allowed and the type of fee reimbursed, such as transmission, facility, or both.

To help you explore policy details for your patients, we've included an appendix of resources that can provide more guidance.

## Myth 4 | Payer reimbursement is my only option.

**Reality**: You can bill virtual services as a non-covered service even when payers don't accept telemedicine claims. Many patients will happily pay out of pocket for virtual healthcare, including families with high-deductible health plans and sick patients who don't want to get dressed and leave the house. It's often easier and more economical for patients to stay home and receive teleservices from a provider who knows their medical history than to sit in a crowded waiting room and pay urgent care or emergency department rates.

Your virtual health program may also be eligible for a grant or subsidy. National, state, and local programs may offer funding for telemedicine and broadband connectivity programs; universities and non-profit foundations may also offer financial assistance. A list of funding resources is included in the appendix.

## Myth 5 | I can bill for virtual visits only with established patients.

**Reality**: Although some states do require a prior in-person relationship before providing virtual services, many have eliminated this rule. Some states or policies require an annual office visit with patients who otherwise receive remote services. Before providing virtual healthcare to a new patient, check their specific insurance plan policy.

## Myth 6 | I'll only be paid for the transmission part of the visit and not the diagnostic services, or vice versa.

**Reality**: Your claims should capture all aspects of your telemedicine visits. Even if you're not paid for the live video component of the appointment, you should still be paid for the diagnostic component. Also check that both the originating site and remote site are pursuing their rightful compensation.

## Myth 7 | My patients' insurance plans require them to use specific telemedicine vendors.

Reality: While some carriers will try to steer patients to specific virtual health solutions or vendors, they can't legally restrict their choices. At most, carriers can recommend a vendor. Ultimately the patient and provider have the power to choose which solution to use for the appointment.

## Myth 8 | I need a specific license to practice telemedicine.

**Reality**: Federal law requires providers to be fully licensed to practice medicine in the state where the patient is physically located. To provide virtual services in multiple states, providers may need to apply and pay for multiple licenses.

Some providers apply for an interstate licensure to avoid this. The Interstate Medical Licensure Compact (IMLC), also known as the Telemedicine Licensure Compact, makes it easier for physicians to receive licenses in member states, which currently include more than half the country. The IMLC can speed up the licensure process for providers and help control their spending on application fees.

## Myth 9 | My patients and staff won't want to use the technology, and I'll waste my investment.

**Reality**: Most patients who receive virtual healthcare report positive feedback. A survey funded by the NIH concluded that between 94 percent and 99 percent of patients were very satisfied with telemedicine and one-third preferred the experience to an in-office doctor visit.[6]

However, your staff and patient experience will depend on which solution you choose. Look for intuitive and flexible workflows, and also check that your solution is HIPAA compliant and HITRUST certified so you can assure patients their data is safe. Also consider investing in good training and onboarding so everyone is comfortable with the technology.

Keep in mind the growing demand from Millennials and Generation Z for virtual healthcare. The oldest Millennials are about to turn 40. Many have children of their own (Generation Alpha) who are growing up immersed in a digital world of virtual reality toys, online classrooms and AI software. These patients will be the dominant healthcare consumers for decades to come – and they expect the same digitized convenience and speed from their medical experience that they get from consumer-focused companies like Uber, Netflix and Amazon.

## Myth 10 | Telemedicine isn't profitable enough for my practice. We won't drive enough ROI.

**Reality**: Telemedicine ROI normally takes a few years to accumulate. Most practices report earning moderate revenue at first, then seeing an increase in cash flow beginning in the fourth year.

Educating patients can take time; you may need to work with your patients and their families on adapting to virtual technologies and using home health monitoring devices. However, as tele-medicine becomes more popular and universal, it's likely that over time you'll notice a greater number of your new patients are already adept at conducting virtual visits.

Your office manager and staff will also become more efficient at identifying reimbursement opportunities as they become more familiar with rendering virtual services.

[6] "Patients' Satisfaction with and Preference for Telehealth Visits," National Institutes of Health www.ncbi.nlm.nih.gov/pubmed/17015866

# Driving Revenue and ROI with Telemedicine

While standard reimbursement is important, virtual health offers other financial and competitive advantages. Many providers and healthcare systems have turned their telemedicine offerings into new revenue streams and cost savings such as:

**Eliminating medical transport costs.** Patients in remote locations have traditionally depended on expensive air ambulances during medical emergencies; correctional facilities must pay for security guards and transportation whenever an inmate requires medical care at an outside facility. Telemedicine can eliminate these costs by bringing expert care to the patient's immediate location.

**Reducing hospital admissions.** Remote patient monitoring and virtual collaboration with home health nurses can keep patients with chronic conditions stabilized at home. Faster interventions, such as treating a blood sugar spike, can also help reduce readmissions – and help hospitals avoid expensive readmission penalties.

**Smarter capacity management.** Providers can use telemedicine to triage and prioritize patients more efficiently, keeping emergency departments open for patients who really need immediate care. Practice managers can support high patient flows in some clinics by redistributing those appointments to clinics with lower volume.

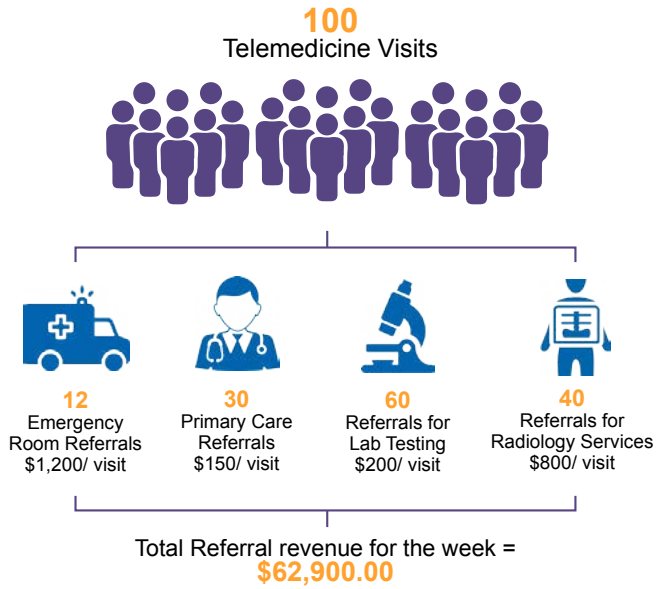
**Increase in patient volume.** Without investing in brick and mortar expansion or increasing operational costs, providers can see a higher number of patients and expand their geographic coverage. Small hospitals and clinics that might not otherwise stay open in rural areas can connect local patients to remote specialists and create a new revenue stream, regardless of capital budget restraints.


**After hours appointments.** A Commonwealth Fund study found that 51 percent of U.S. adults struggled to get health care at nights and on weekends without visiting the emergency room.[7] By being virtually available from home, providers can collect revenue normally lost to urgent care centers when their patients need help after hours.

[7] "U.S. Adults Skip Care Due to Costs, Struggle Financially and Have the Worst Health," The Commonwealth Fund www.commonwealthfund.org/press-release/2016/new-11-country-health-care-survey-us-adults-skip-care-due-costs-struggle

**Right-sizing patient populations.** Since Medicaid patients tend to have the highest no-show rates, providers can schedule them for virtual appointments, keeping them at home while keeping their exam rooms open for commercial and Medicare patients. Nurses can work to the top of their license by providing care to low-acuity patients while doctors focus on high-acuity patients with more complex issues, who can bring in more revenue.

**Increase downstream referrals.** Because location is no longer a factor with telemedicine, it's easy for providers to refer within their network or healthcare system for other services. In one week, a health network might be able to turn 100 telemedicine visits into:




**Patient engagement and retention.** Whether it's extending care to patients without transportation or helping behavioral care patients avoid the perceived stigma of facility visits, telemedicine can decrease no-shows, increase appointment adherence and close care gaps.

**Fulfilling incentive and quality programs.** Virtual healthcare can help providers fill preventive care requirements more easily for Centers for Medicare & Medicaid Services (CMS) Star Ratings, Healthcare Effectiveness Data Information Set (HEDIS®) measures and pay-for-performance incentives – potentially driving higher healthcare plan reimbursement and individual revenue.

## **Conclusion:** Invest Today, Meet Ever-Increasing Demand Tomorrow

Telemedicine is already influencing patient expectations, provider economics and healthcare outcomes. As technology continues to intersect with medicine, and patients demand greater convenience in care delivery, we're moving into a future where virtual services are not just appreciated but expected. Providers that invest in telemedicine today will lay the groundwork for a more profitable career and reap both personal and financial dividends tomorrow.

# Telemedicine Reimbursement, Funding, and Grant Resources

## Telemedicine Resources

American Telemedicine Association
ATA State Policy Center
Reimbursement Policy Analysis

Center for Connected Health Policy
Current State Laws and Reimbursement Policies

Medicare
CMS Telehealth Services Guide
CMS.gov Telemedicine General Information

National Telehealth Policy Resource Center
Interactive Map of Telehealth Policy

Telehealth Resource Centers
Regional Telehealth Centers

## Funding and Grant Resources

Federal Grants
www.grants.gov

HRSA Federal Office of Rural Health Policy office for the Advancement of Telehealth Grants
www.hrsa.gov

NIH Development and Translation of Medical Technologies to Reduce Health Disparities Grants
www.grants.nih.gov

Rural Health Information Hub
www.ruralhealthinfo.org/funding

SAMHSA Technology Assisted Care in Targeted Areas of Need Grants
www.samhsa.gov

USAC Rural Health Care Program
www.Usac.org/rhc

USDA Distance Learning and Telemedicine Grant Program
www.rd.usda.gov

USDA Rural Utilities Program
Telecommunications Infrastructure Loans and Loan Guarantees Program
www.rd.usda.gov

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