



# Optimizing Telehealth in California: An Agenda for Today and Tomorrow

## Executive Summary

of the Major Findings and Recommendations of  
the California Telemedicine and eHealth Center  
Telehealth Optimization Initiative





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## Executive Summary

Healthcare reform is a key issue of the day. Traditional healthcare systems are challenged to provide necessary access to care, be cost-effective, and take full advantage of new technologies for effective service delivery. At the current pace, healthcare costs in the United States are expected to double over the next decade, while access to necessary healthcare is projected to decline.<sup>1</sup>

The current economic climate presents an unprecedented opportunity to innovatively solve problems especially ones that are highly cost-effective. Telemedicine is a vital component of the healthcare crisis solution. It can significantly impact the challenging problems of access to care, cost-effective delivery, and distribution of limited providers. Telemedicine can also change the current paradigm of care and allow for improved access and improved health outcomes in cost-effective ways. The promise and potential of telemedicine is so great that it should be actively pursued during this critical time.

## The Promise of Telemedicine: Access, Quality, and Efficiency

Telemedicine and telehealth address healthcare delivery in new ways. Telemedicine and telehealth applications are available for everything from managing chronic disease using home monitoring systems to supporting critically ill patients in emergency departments and intensive care units. Telemedicine's adaptability, flexibility, and ability to eliminate physical boundaries bridge many of the service gaps unaddressed in our current system. Telehealth increases a clinician's ability to monitor and evaluate patients with geographical, social, and cultural differences. By reducing the need for providers and patients to be in the same location, new and more efficient ways of delivering care can be incorporated into the healthcare system.

Current coverage and reimbursement for telemedicine might best be described as a patchwork of services and payers with different service coverage and payment restrictions between different health systems. Some reimbursement requirements specify covered services at certain locations; others limit the type of service to certain circumstances. Most experts believe that telemedicine and telehealth will not be able to reach full potential without comprehensive reimbursement. In California, Medicare,

## Why Telehealth?

### Telemedicine improves health outcomes and reduces costs

- Patients diagnosed and treated earlier often have improved outcomes and less costly treatment
- Chronic care monitoring programs substantially reduce high cost emergency room
- Telemedicine supported ICUs have substantially reduced mortality rates, reduced complications, and reduced hospital stays

### Telemedicine helps the environment

- Reducing extended travel to obtain necessary care reduces the related carbon footprint
- Telemedicine increases access to healthcare
- Isolated and remote patient sites can easily obtain clinical services
- Remote hospitals can provide access to emergency and intensive care services

### Telemedicine keeps physicians up-to-date on clinical practices

- Clinicians can receive continuing education and can consult with specialists remotely

### Telemedicine improves social support for patients

- Patient can stay in their local communities and, when hospitalized away from home can keep in contact with family and friends

### Telemedicine improves organizational productivity

- Employees can avoid absences when telehealth services are available on-site or when employees can remotely participate in consultations about family members

Medi-Cal (the State Medicaid Program) and Blue Cross are the state's principal payers for telemedicine services. The State Medi-Cal Program and Blue Cross have shown leadership in creating coverage and reimbursement to support access to services in rural areas of the state.<sup>2,3</sup>

In addition to limited reimbursement, some experts report that reimbursement incentives are misaligned. In many cases, the benefit resulting from telemedicine does not always accrue to the provider of service. New and more incentive based reimbursement models need additional refinement to reflect telemedicine workflows and efficiencies.

**The full report and companion publications are available from CTEC, [www.cteonline.org](http://www.cteonline.org)**

## Finding New Solutions

Even though California has been a long-time telemedicine leader, a variety of barriers, such as the reimbursement and investment policies already noted, have slowed what was expected to be a quick and widely embraced use of telehealth strategies. In response, during spring 2008, the California Telemedicine and eHealth Center (CTEC), California's federally designated Telehealth Resource Center, convened key stakeholders to collaboratively develop policy recommendations. The goal was to articulate policy and strategies for the optimal deployment of telemedicine and telehealth. The Telehealth Optimization Initiative Collaborative engaged telemedicine stakeholders, consumers, payers, advocates, funders, providers, healthcare systems, and others, to identify needs, concerns, and opinions. This work was further augmented by an academic review of current literature on the subject, statewide focus groups, analysis of best practices, and studies of what is being done in other states.

Working together collaboratively, members forged a unified perspective on the policy and strategies needed to achieve widespread telemedicine adoption. They then crafted four key findings, two overarching recommendations, and 37 action steps.

### The Telehealth Optimization Initiative Collaborative Participants

- American Heart and Stroke Association
- Blue Shield of California Foundation
- California Association of Physician Groups
- California HealthCare Foundation
- California Hospital Association
- California Primary Care Association
- California Telemedicine & eHealth Center
- Childrens Hospital Los Angeles
- The Children's Partnership
- Colonial Medical Group
- McLaughlin Communications
- Manatt Health Solutions
- Mattel Childrens Hospital UCLA
- Northern Sierra Rural Health Network
- Open Door Community Health Centers
- Speranza Avram & Associates
- WellPoint/Blue Cross

#### State of California

- Business, Housing and Transportation Agency
- Health and Human Services Agency
- Department of Health Care Services
- Department of Managed Health Care
- Department of Mental Health
- Department of Public Health
- University of California, Davis

## Key Findings

### 1. Telehealth must be fully deployed.

Comprehensive adoption provides the best return on investment. Broad utilization in all medical settings reduces cost per use and leverages the most cost efficient applications to offset the costs of services where a per application cost may be higher but is the only feasible way in which to provide care.

### 2. Telehealth can provide quality at reduced costs.

As telehealth and telemedicine programs become readily available, patients and clinicians alike will find telemedicine supports and improves many aspects of healthcare delivery. The cost benefit and health improvements associated with telemedicine will continue to grow and be self reinforcing. This cannot occur until telemedicine is broadly deployed across many care settings. One study estimates that the full deployment of telemedicine nationally would create savings of \$4.2 billion annually.<sup>4</sup> Extrapolated to California, this would result in savings of \$511 million annually.

### 3. Consumers will drive full deployment of telehealth.

Demand is a critical link in acceptance and expansion of any new product; telemedicine being no exception. Increased awareness will easily increase demand. Consumer demand should be encouraged and leveraged to drive innovation and private investment.

### 4. Burden of proof.

Telehealth is held to a higher burden of proof for clinical efficacy and cost-effectiveness, which limits the deployment of telehealth services and reimbursement. Funders and payers seek evidence that telemedicine equals or exceeds more traditional delivery methods before considering expanding reimbursement and coverage. Many studies indicate telemedicine outcomes are the same as traditional delivery methods, and studies on the benefits of telemedicine programs, both clinically and cost-related, show telemedicine has major benefits. However, studies directly comparing telemedicine with traditional healthcare delivery methods are either unavailable, inconclusive, or show mixed results. Lack of reimbursement for telehealth services inhibits adoption. Payers should reverse the burden of proof and reimburse services, unless well designed studies contradict the use of telemedicine.

# Telemedicine Optimization Initiative

## Summary of Recommendations

### Overarching Policy Recommendations for Broad Deployment of Telehealth

1. Telehealth and telemedicine services should be developed and implemented in every situation where patient care, access, provider availability, efficiency, or cost of service can be positively impacted.
2. Telehealth and telemedicine should be a covered and reimbursable method for the delivery of services across the entire spectrum of healthcare services.

Implementing these two recommendations would clear the way for the full development of telemedicine across the spectrum of available applications with all provider types. These policies would allow new service providers to enter the field and would allow existing providers to expand services. It would also assure that coverage and reimbursement is not based on a specific service type or service location.

### Action Steps for Achieving Broad Deployment

The Collaborative identified 37 actions that support California's broad deployment of telemedicine. The recommended actions address barriers to broad deployment and/or identify existing opportunities that can be leveraged to gain more benefits.

Many of the action steps can and should be addressed immediately by government agencies, private foundations, and healthcare organizations. Some can be done individually while others will need or benefit from the same collaborative approach used for this project. Some will require regulatory or statutory changes. All the actions are designed to support the comprehensive and full deployment of telemedicine, to support the most cost-effective utilization of the technology, and to improve healthcare access and effectiveness.

#### Institutional Support and Incentives

1. Create a telehealth government task force comprised of various agencies and departments to assure that telehealth efforts are coordinated. Work with policy makers and key agencies, including control agencies, to create a better understanding of the potential for telemedicine to improve healthcare access to underserved populations and to promote its use.
2. Ensure that state agencies identify possible applications and develop feasibility studies on the expanded use of telehealth for cost reduction and service efficiency.
3. Ensure that local agencies receiving state General Funds identify possible applications for telehealth and develop feasibility studies on the expanded use of telehealth.
4. Encourage the University of California Medical Schools to develop one all-campus pool of telemedicine providers.
5. Encourage the federal Receiver for the California Department of Corrections and Rehabilitation to fully optimize the use of telemedicine in the delivery of patient care to the inmate population.
6. Encourage the Department of Corrections and Rehabilitation and the federal Receiver to form partnerships with rural and underserved communities to maximize the use of available medical and behavioral health providers.
7. Work with County Mental Health Plans to include support of telemedicine services and programs as part of their use of Mental Health Services Act funds, and to support county and primary care.
8. Encourage California Public Employee Retirement System to investigate the potential for telemedicine services to reduce healthcare premiums, particularly where services are known to reduce healthcare costs, such as health education, in intensive care units, and home monitoring.
9. Convene state regulators and other stakeholders to consider what statutes and regulations could be changed to positively support the expanded use of telehealth. Identify where policies need to be changed through legislative action and pursue such legislative changes.

10. Ensure that California tax code allows telemedicine sites to be treated in the same manner as other employer provided medical benefits.
11. Encourage health insurers to provide discounts for employers who:
  - Support preventive medicine through telehealth services.
  - Utilize providers offering telemedicine services known to reduce healthcare costs, such as health education, in intensive care units and home monitoring.

### **Consumer Demand**

12. Ensure that all California payers provide information on telemedicine benefits to all enrollees in their Explanation of Coverage documents.
13. Ensure the development and distribution of a variety of educational materials, including public service announcements, aimed at informing consumers, providers, and insurers of the benefits and availability.
14. Develop incentives to encourage consumers to purchase home monitoring equipment, and participate in chronic disease monitoring and management programs.
15. Ensure that all California payers have clearly articulated telemedicine payment policies that are regularly updated and easily available to providers.
16. All entities covered under the Telemedicine Services Act of 1996 should require a designated officer to answer questions regarding coverage and payments.
17. The Department of Managed Health Care should include telemedicine services and benefits information in publications regarding health plan selection.

### **Payer and Funder Support and Incentives**

18. Healthcare leaders should identify and target financial support for telehealth programs, including provisions in grant programs that encourage private and public partnerships and increase the availability of services. Use similar incentives to emphasize the development of profitable and socially responsible programs, such as those that reduce the carbon footprint and create improved access to care.
19. Investigate and implement investment strategies necessary to provide capital funding for program start-up across the spectrum of healthcare services. Leverage savings to support investment today that can be repaid from future savings.
20. Support incentives that encourage corporations to undertake the business of telehealth. Specifically focus on engaging the venture capital community as a potential new funding source.
21. Leverage savings achieved through telemedicine programs to provide investment capital for new telemedicine efforts.

### **Provider Availability**

22. Request the Medical Board of California consider the need for telemedicine supportive policies and regulations including the need for expeditious processing of licensure applications. The Medical Board should recommend policy and regulatory changes to support telemedicine expansion in California.
23. Request the Department of Health Care Services review all Medi-Cal provider rules and regulations and make amendments where necessary to support the practice of telemedicine in California.
24. Funders should encourage the development of services that assist provider and patient sites in coordinating service need with provider availability, including assistance with program development and technical support.

25. Industry professional associations and accreditation bodies should encourage the adoption of a standardized credentialing form (by facility type) that can be used by telemedicine providers to apply for privileging.
26. The federally designated Telehealth Resource Center Web site should include a web-based portal that identifies existing, licensed telemedicine providers.
27. Medical schools and other education training bodies should develop training and education programs to target and educate primary care and specialty providers interested in developing telemedicine practices.
28. Payers should identify changes in practice patterns associated with telemedicine and develop new reimbursement models that clearly support differences in telemedicine service delivery.
29. Government leaders should explore expanding federal and state loan repayment programs as a mechanism for encouraging providers to participate in telemedicine.

### **Leadership, Expertise, and Coordination**

30. Adequately fund the federally designated Telehealth Resource Center to continue and expand the operation of the centralized neutral source for information and program development support.
31. Designate a state agency level office to be responsible for the development of a coordinated strategic plan for the telemedicine components of publicly-funded health programs.

### **Research and Evaluation**

32. Conduct a statewide service needs analysis and assessment of capacity of telemedicine delivery to identify unmet provider service needs and location of need.
33. Establish standardized data collection tools and encourage telemedicine funders to adopt the tools and require its use by all funded programs.
34. Develop and capture utilization data on telemedicine services from all patient and provider sites in California regardless of payment or funding source. Report this information annually in the Federal Telehealth Resource Center Annual Report on the Status of Telemedicine in California.
35. Funders should hold telemedicine to the same standards as traditional healthcare modalities when evaluating ways to enhance utilization.
36. The Little Hoover Commission, or similar independent body, should undertake a formal review and evaluation of the Telemedicine Services Act of 1996.
37. Contingent on funding, CTEC should conduct a baseline survey of California insurers and managed care organizations to understand how they decide whether or not to reimburse for telemedicine

### **Endnotes**

<sup>1</sup>“Health Insurance Costs.” The National Coalition on Health Care. 2009. [www.nchc.org/facts/cost.shtml](http://www.nchc.org/facts/cost.shtml).

<sup>2</sup>Information in this section comes from Carolyn Carter, personal communications, January 2009.

<sup>3</sup>Information in this section comes from Donna Shine, personal communications, January 2009.

<sup>4</sup>Cusack, C.M., et al. “The Value of Provider-to-Provider Telehealth Technologies”. Center for Information Technology Leadership: 2007. [www.citl.org/\\_pdf/CITL\\_Telehealth\\_Report.pdf](http://www.citl.org/_pdf/CITL_Telehealth_Report.pdf).

# California Telemedicine and eHealth Center Telehealth Optimization Initiative

## Companion Publications

The following publications were developed as part of the Telehealth Optimization Initiative and are available from the California Telemedicine and eHealth Center. These reports provide more detail on topics covered in the Major Findings and Recommendations Report. The full report and companion publication are available from CTEC at [www.CTECOnline.org](http://www.CTECOnline.org)

**Optimizing Telehealth in California:  
An Agenda for Today and Tomorrow  
Full Report of Major Findings and Recommendations  
January 2009**

**If You Bill It, They Will Come.  
A Literature Review on Clinical Outcomes,  
Cost-Effectiveness, and Reimbursement for Telemedicine  
January 2009**

**Telehealth Optimization  
Summary of Focus Group Methodology and Responses  
January 2009**

**National Telemedicine Reimbursement Scan  
April 2009**

*The California Telemedicine and eHealth Center is a leading source of expertise and comprehensive knowledge on the development and operation of telemedicine and telehealth programs. CTEC has received national recognition as one of six federally designated Telehealth Resource Centers around the country.*



California's  
Leading Resource on  
Telemedicine & Telehealth