

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2561 Rayburn House Office Building
Washington, DC 20515-6515

Memorandum

To: Members, Subcommittee on Agriculture, Energy, and Trade and Subcommittee on Health and Technology
From: Committee Staff
Date: July 17, 2017
Re: Subcommittee Hearing: “21st Century Medicine: How Telehealth Can Help Rural Communities”

On Thursday, July 20 at 10:00 am, the Subcommittee on Agriculture, Energy, and Trade and the Subcommittee on Health and Technology will hold a joint subcommittee hearing titled, “21st Century Medicine: How Telehealth Can Help Rural Communities.” The hearing will focus on the current utilization of telehealth services and how expansion of telehealth services could benefit small businesses and rural communities.

I. Background

Telehealth¹ is the use of online, video, and telephone communication to deliver health care services that either replace or supplement existing health care services. Telehealth services include basic medical care and consultations between 1) the patient at home and a distant provider; 2) the patient in the presence of a provider and a distant provider; or 3) two providers without the patient present. Telehealth may also include remote monitoring of a patient in a hospital or other facility or of a patient at home. Electronic transfer of patient information to a provider is also considered a telehealth service.² The American Telemedicine Association estimates that more than 15 million Americans used some form of telehealth in 2015.³

II. Potential Benefits for Small Businesses and Rural Communities

A. Telehealth can benefit small physician practices and other local small businesses

Twenty percent of Americans live in rural areas, yet only nine percent of physicians practice in these areas.⁴ These provider shortages often lead to rural patients traveling to larger

¹ The American Telemedicine Association treats "telemedicine" and "telehealth" as synonyms and uses the terms interchangeably to refer to the use of remote health care technology to deliver clinical services.

² Medicare Payment Advisory Commission, *Report to the Congress: Medicare and the Health Care Delivery System* 230 (June 2016), available at <http://www.medpac.gov/docs/default-source/reports/june-2016-report-to-the-congress-medicare-and-the-health-care-delivery-system.pdf>.

³ Melinda Beck, *How Telemedicine is Transforming Health Care*, WALL STREET JOURNAL (June 26, 2016).

⁴ *Health Policy Brief: Telehealth Parity Laws*, HEALTH AFFAIRS (Aug. 15, 2016).

cities for medical care. Telehealth allows patients to access physicians and specialists without traveling long distances. Not only does this allow rural physicians to expand the services they offer and to increase patient traffic, but also other local small businesses may benefit from patients staying nearby. Rather than spending their dollars in another town or city, patients (and their family members) utilizing telehealth services nearby are likely to spend their dollars close to home, potentially benefiting the local economy including other area small businesses such as restaurants, service stations, dry cleaners, etc.

B. Telehealth may attract physicians to relocate to rural areas

The ability to serve patients through telehealth may lead specialists to open or relocate their practices in rural areas. Currently, some specialists may prefer the quality of life in a rural area but hesitate to open a practice there since the limited number of potential patients might not provide enough revenue to stay in business. The ability to expand their reach to patients outside of their community through telehealth may lead to physicians considering rural areas more viable places of operation.

Additionally, telehealth may offer an individual physician more flexibility with operating his or her small business. Physicians could see patients via telehealth when it is most convenient for the physician and patient, rather than being restricted to normal office hours. Physicians who wish to operate their practices part-time could use telehealth to virtually share patient care with a physician in another location. Telehealth may also help prevent the lone specialist in a rural area from being overwhelmed without having to turn patients away.

C. Corporate telehealth programs help small businesses lower costs and maintain productivity

Some employers, including small businesses, are offering health care benefits that include the option of using telehealth services within the workplace.⁵ Employees can use a dedicated room within their workplace to connect with a physician in another location. This is a convenient option for employees seeking medical care and an attractive benefit for an employer to offer its employees. Employers also benefit by keeping employees well, which can reduce health care spending, and can increase or maintain productivity. Employees do not have to miss work to travel (often) long distances for routine appointments or monitoring.

III. Current Use of Telehealth and Potential Barriers to Increased Telehealth Utilization

A. Use of Telehealth by Federal Beneficiaries

According to the Government Accountability Office (GAO), the federal government uses telehealth and remote patient monitoring in Medicare, Medicaid, the Department of Defense (DOD), and Veterans Affairs (VA) health care programs.⁶ Other federal agencies, including the

⁵ Telephone interview with Michael Adcock, Administrator, Center for Telehealth, University of Mississippi Medical Center (June 29, 2017).

⁶ GAO, HEALTH CARE: TELEHEALTH AND REMOTE PATIENT MONITORING USE IN MEDICARE AND SELECTED FEDERAL PROGRAMS 6-7 (GAO-17-365).

Department of Health and Human Services (HHS) and the Department of Agriculture, also administer grants to promote the use of telehealth in underserved populations and funding to support telecommunications in rural communities to assist with telehealth access. Available services vary, but a low percentage of these beneficiaries currently use telehealth services.⁷

1. Medicare

The Balanced Budget Act of 1997⁸ requires that Medicare pay for certain telehealth services and some services that are used by providers to remotely monitor patients—for example, services that use devices to monitor, record, and relay data on heart activity. As of 2016, the Centers for Medicare and Medicaid Services (CMS) designated 81 telehealth services.⁹ However, Medicare requires that the patient be physically present at a medical facility—the originating site—during the telehealth service. While the remote site provider—the physician providing the service using telehealth—is paid the same rate as for an in-person service, the originating site only receives a facility fee (about \$25 in 2017).¹⁰ Additionally, the Medicare statute only allows beneficiaries to receive telehealth services at an originating site in a “rural area” as defined by Medicare.¹¹

GAO’s recent survey of stakeholders most often cited these inadequate payment and coverage restrictions as very significant barriers to low utilization of telehealth among providers that serve Medicare beneficiaries. The Medicare Payment Advisory Commission reported that only about 0.2 percent of Medicare beneficiaries used telehealth services in 2014.¹² Ten states accounted for 42 percent of all visits with South Dakota, Iowa, and North Dakota having the highest utilization rates. A small proportion of providers (ten percent) accounted for 69 percent of the total claims.¹³

2. Medicaid

CMS does not have any statutory or regulatory requirements for telehealth use in Medicaid, but covered services differ depending on the state. GAO found that states that were generally more rural used telehealth services more frequently than more urban states.¹⁴ For example, Montana, a state without a medical school or many specialists, does not restrict the use of telehealth and has increased its utilization of telehealth services significantly in recent years in order to help in-state Medicaid beneficiaries see both in-state and out-of-state specialists. While there are restrictions on provider types, the majority of states do not restrict Medicaid reimbursement for telehealth to rural locations.¹⁵

⁷ *Id.* at 14.

⁸ Pub. L. No. 105-33, § 4206, 111 Stat. 251, 337 (1997).

⁹ *Supra* note 6, at 13.

¹⁰ *Id.* at 8.

¹¹ *Id.* at 13.

¹² *Supra* note 2, at 239.

¹³ *Supra* note 6 at 15.

¹⁴ *Id.* at 15.

¹⁵ *Supra* note 6, at 13.

3. *DOD and VA*

DOD does not limit the services allowed for telehealth use within military treatment facilities, but does limit telehealth use within its purchased care program. Telehealth services are not limited to rural locations.¹⁶ In 2015, 80 percent of all DOD telehealth usage was for behavioral health/psychiatry services.¹⁷ DOD also uses remote patient monitoring devices—including pacemaker monitoring, sleep study monitors, and a pilot program for Type 1 Diabetes patients—within military treatment facilities.

VA does not limit the services providers can offer via telehealth, nor does it limit the locations where services are offered. Approximately 12 percent (more than 702,000 veterans) of VA beneficiaries used telehealth services during FY2016, which is by far the highest utilization rate among the major federal health care programs. Approximately 45 percent of these beneficiaries were veterans living in rural areas with limited access to VA health care facilities. VA beneficiaries use a wide range of telehealth services across 50 different specialties including mental health, rehabilitation, and eye care. Many veterans also used remote patient monitoring for conditions including hypertension and diabetes.¹⁸

B. Use of Telehealth by Commercially-Insured Beneficiaries

Thirty-two states and the District of Columbia (DC) have parity laws that require commercial health insurance companies to cover telehealth services the same as in-person services. Twenty-three of these states and DC have full parity, meaning coverage and reimbursement for telehealth services is comparable to in-person services.¹⁹ Other states limit or restrict parity to specific services and locations. While there is no available data comparable to GAO's survey of use by government beneficiaries, many stakeholders believe that commercial insurers are increasing their coverage of telehealth services due to patient demand, cost reductions, and other benefits described earlier in this memo.

C. Additional Barriers

In addition to payment and coverage restrictions, providers can face other obstacles that may limit the use of telehealth services to benefit their small businesses. Stakeholders have cited professional licensing and credentialing issues as barriers to providers offering telehealth,²⁰ as well as infrastructure requirements and access to broadband service.²¹

¹⁶ *Id.* at 13.

¹⁷ *Id.* at 17.

¹⁸ *Id.* at 18.

¹⁹ *Id.* at 3.

²⁰ *Id.* at 26. Also, *supra* note 5; Telephone interview with Gary Capistrant, Chief Policy Officer, American Telemedicine Association (June 27, 2017); and Telephone interview with Barb Johnston, CEO and Co-Founder, HealthLinkNow (June 27, 2017).

²¹ *Supra* note 6, at 24-26.

IV. Legislative and Executive Actions to Increase the Use of Telehealth

CMS waived Medicare telehealth service and location requirements for several models and demonstrations that have the potential to expand the use of telehealth and remote monitoring. CMS is also testing a new payment model that allows the originating site—often in a rural area—to receive cost-based payments for providing Medicare telehealth services rather than a fixed fee.²² Also, a federal strategic plan prepared by HHS officials calls for an increased use of telehealth and remote monitoring in federal health programs over the next few years.²³

In 2016, the 21st Century Cures Act expressed Congress's interest in expanding telehealth use by increasing the types of sites where telehealth can be offered.²⁴ Additionally, in 2017, bipartisan legislation²⁵ has been introduced in both the House and the Senate that, if enacted, would expand the use of telehealth and remote monitoring for Medicare beneficiaries by expanding the covered services and the locations they can be offered and how providers are reimbursed.

V. Conclusion

Many stakeholders including patients, providers, and payers can benefit from using telehealth. Telehealth brings health care services to patients in remote areas and in areas with provider shortages. Providers can use telehealth to reach patients beyond their own offices. Telehealth usage can reduce costs and make health care delivery more efficient by managing chronic diseases, sharing provider resources, reducing travel, and shortening hospital stays. The Agency for Healthcare Research and Quality found that using technology for communication and counseling or to remotely monitor chronic conditions led to improvements in mortality, quality of life, and reductions in hospital admissions.²⁶ This hearing will provide an opportunity for Members to learn more about how expanding the use of telehealth may benefit small businesses and rural communities.

²² *Id.* at 28-29.

²³ DEPARTMENT OF HEALTH AND HUMAN SERVICES, OFFICE OF NATIONAL COORDINATOR FOR HEALTH INFORMATION TECHNOLOGY, FEDERAL HEALTH IT STRATEGIC PLAN 2015-2020.

²⁴ Pub. L. No. 114-255, § 4012, 130 Stat. 1033 (2016).

²⁵ H.R. #2556 and S. #1016.

²⁶ DEPARTMENT OF HEALTH AND HUMAN SERVICES, AGENCY FOR HEALTHCARE RESEARCH AND QUALITY, TELEHEALTH: MAPPING THE EVIDENCE FOR PATIENT OUTCOMES FROM SYSTEMATIC REVIEWS, TECHNICAL BRIEF NUMBER 26 (Washington, D.C.: June 2016).