THINKING STRATEGICALLY ABOUT VIRTUAL VISITS FOR LONG-TERM VALUE

What are the current trends with virtual visits? What is the future outlook?

Overview

While virtual care has existed for decades, the COVID-19 pandemic forced health care stakeholders to adopt these methods at scale. Telehealth use skyrocketed during 2020 and stabilized at new highs, but eventually volumes started to decline in 2021, creating concerns about its long-term sustainability. Having emerged from the initial pandemonium of the pandemic, health systems are presented with an opportunity to reassess, reimagine and reinforce how virtual care can be fully integrated to improve access, quality, efficiency and patient satisfaction over the next decade.

2020 Accelerates Digital Adoption and Remote Care Delivery

National lockdowns and social distancing protocols arising from the pandemic made virtual visits a necessity to help stem the spread of the virus and sustain patient care. The public health emergency also ushered in various changes to reimbursement for telehealth, temporary waivers for cross-state licensure requirements, and new sources of government funding to support telehealth infrastructure and access. Given this context, the health care industry saw a sharp increase in digital investment, with virtual visits accounting for as high as 65% of completed outpatient encounters in April 2020.

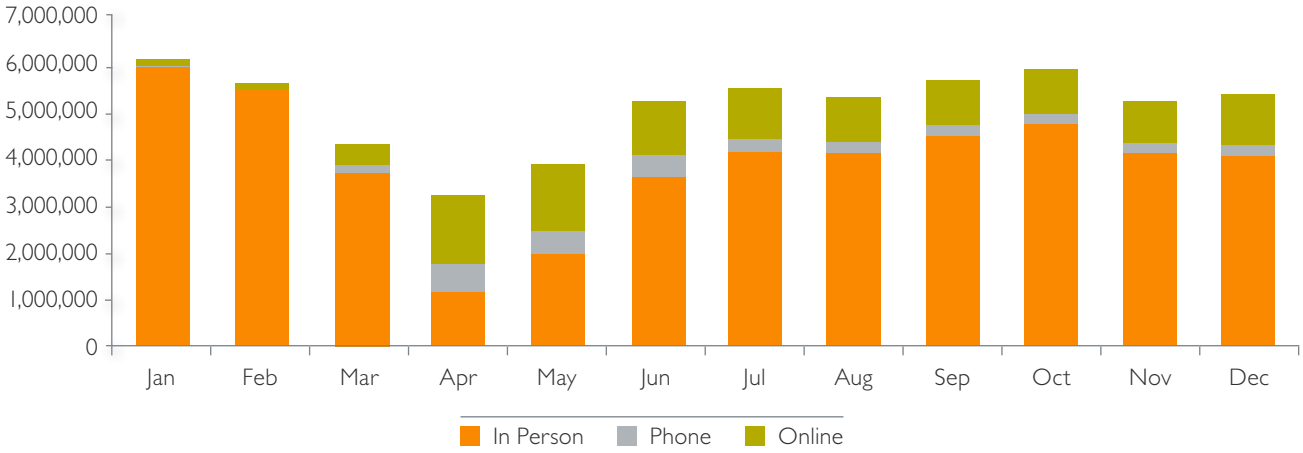
However, the massive growth in virtual visits in the early days of the pandemic eventually slowed as health systems recalibrated their use in line with in-person visits resuming, as shown in Figure 1. By June 2020, national claims tracker data sets showed telehealth accounting for roughly 10% to 20% of total visits.

Despite the decline in telehealth from the early days of the pandemic, virtual visits formed a new baseline that was dramatically higher than pre–COVID-19 use rates.

health care intelligence

FIGURE 1. 2020 MONTHLY VISIT VOLUMES

66.6 million visits | 96,500 providers | 18,000 locations



Note: Includes all visits with site of service: telehealth, office, on campus outpatient hospital and off campus outpatient hospital. Standard visit codes (eg, 99211–99215) are categorized as online visits if billed with telehealth service site or modifier. AAMC = Association of American Medical Colleges. **Source:** AAMC-Vizient Clinical Practice Solutions Center® used with permission of Vizient, Inc. All rights reserved.

Virtual Visits Growth Impacts All Stakeholders

The year 2021 brought a new focus on how to strategically integrate digital solutions into operations and patient care for the long term. This evolution in virtual care has affected major stakeholders in different ways:

- **Health care providers** used this period to evaluate how telehealth can expand access to care, improve chronic disease management, and bolster care coordination and preventive care. Virtual visits and other modalities of telehealth will serve as core functions within a value-based care model, while also enabling emerging hospital at home services. However, telehealth adoption is still hampered by various factors:
  - While most providers support greater use of telehealth, they may not be as bullish on adoption as consumers or other nonproviders who do not comprehend its impact on workflows and care delivery.
  - Providers are still trying to determine appropriate clinical pathways for virtual care, as not all patient conditions are appropriate for online or remote care, such as patients with poor cognitive function, language barriers or low digital literacy.
  - The ongoing uncertainty regarding future telehealth payment and regulations has resulted in hesitation to invest heavily in virtual care; additional cost concerns revolve around telehealth's potential to increase utilization. Permanent coverage and payment for virtual care beyond the public health emergency would give physicians greater confidence to invest.
- **For patients**, the pandemic reinforced increasing demand for digital interactions and greater convenience of care. The advances made in digital infrastructure and remote monitoring during the pandemic have also created possibilities for at-home diagnostics, infusions, physical therapy and hospital at home services. Patients have had a positive reception to virtual care and are generally receptive to using virtual visits after the pandemic ends, adopting a more hybrid approach to care delivery (ie, a balance of in-person and online services). Sg2 recently conducted a survey of 25,000 consumers that revealed preferences for virtual health care (see callout box for data highlights). Figure 2 shows the preference, or likeliness, of patients to use telehealth broken down by age cohort and type of care.

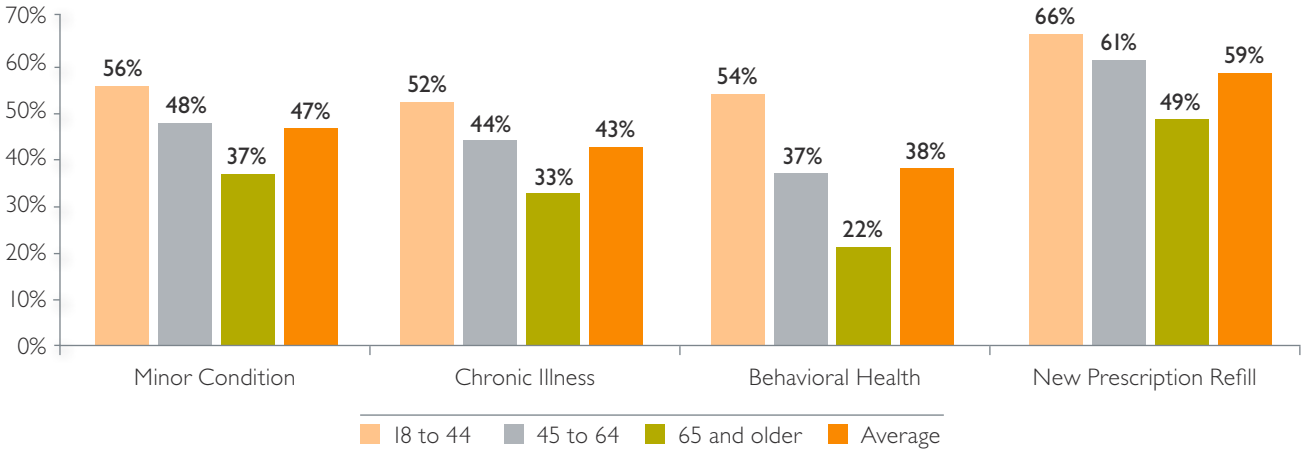
The 2021 Sg2 National Health Care Consumerism and Insurance Coverage Survey found:

45% of consumers had a telehealth/virtual visit in the past two years, and **79%** of those visits were with an existing provider or specialist.

When asked if they intend on using virtual visits in the future, **35%** of consumers said yes, **40%** were undecided and only **25%** said no.

Of virtual visit users, an average of **44%** would prefer virtual visits to in-person visits in the future, with wide variability between consumers aged 18 to 44 (**61%**) and those aged 65 and older (**22%**).

FIGURE 2. Sg2 SURVEY RESULTS—LIKELINESS TO RECEIVE TELEHEALTH CARE BY AGE COHORT



Source: Sg2 National Health Care Consumerism and Insurance Coverage Survey, 2021.

- **For payers and regulators**, the long-term sustainability of telehealth depends on how virtual visits and other modalities of remote care can help increase efficiency, improve margins and achieve better patient outcomes. Telehealth-related laws and regulations are constantly evolving, and federal and state telehealth reimbursement policy will rely on congressional action to establish more permanent guidance. Many states have changed laws or policies during the pandemic to bolster telehealth coverage, and in some cases, require payment parity, while also focusing on expanding audio-only services and waiving cost sharing. For most of the pandemic, private payers followed Medicare's lead on reimbursement, though over time they have started to formulate their own policies and requirements to better manage costs and telehealth utilization.
  - — CMS has suggested keeping in place a variety of temporary telehealth services to allow more time for care providers and policymakers to evaluate which services should be permanently covered in the future.
  - — Despite the many debates around affordability and clinical impact, lawmakers and industry stakeholders generally agree on a few potential changes, including removing geographic restrictions for telehealth, expanding the types of care patients can receive at home and expanding the types of providers who can conduct virtual visits.
- **Technology companies** continue to reap the benefits of pandemic-era digital health funding and adoption. US-based digital health funding in 2021 is on a record-breaking path, surpassing all of 2020 funding by the first half of the year and recently passing the $20 billion mark through just three quarters. This has led to a flurry of initial public offerings and sky-high valuations. Digital health investment and hype has also sparked an increase in M&A activity as organizations seek to vertically integrate and create end-to-end digital platforms. One consequence of this rapid growth in digital health is that it's becoming difficult for health care providers to differentiate between vendors. A competitive market risks positioning telehealth as a commodity, which will push vendors to differentiate by either appealing to niche markets or patient populations, expanding their offerings to provide remote monitoring devices, direct-to-patient drug delivery and other home-based services.

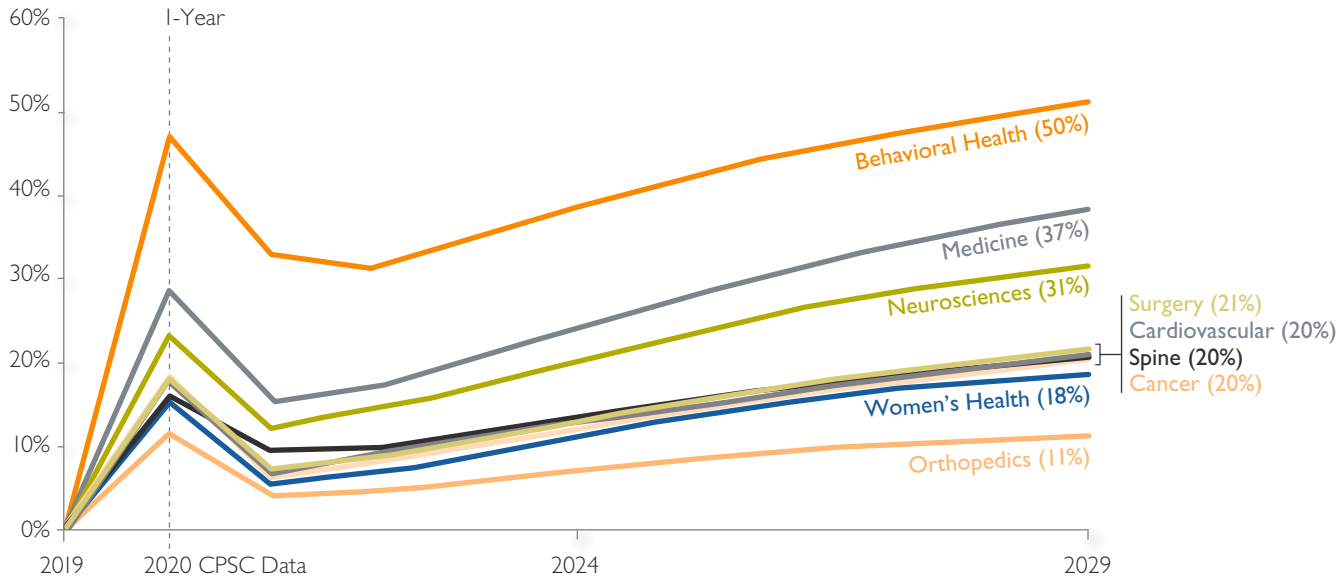
Virtual Visits Forecast

The Sg2 forecast projects that evaluation and management (E&M) visits will grow 14% over the decade, with 29% of these visits expected to be performed virtually by 2029. As a result of this virtual shift, in-person visits are forecasted to decline by 19%.

Growth potential for virtual visits will create a paradigm shift for brick-and-mortar sites of care. Virtual visits may not entirely replicate in-person exams, but they can reduce the need for on-site visits and provide new avenues for chronic disease management, upstream interventions, and pre- and post-visit check-ins. A continued shift of lower-acuity patients to virtual and home-based care will lead to a rise in the acuity of patients stationed in hospitals and other care facilities. Brick-and-mortar facilities will be increasingly focused on treatment of the sickest patients, emergency care and surgery.

Variation in the degree of shift to virtual is also expected by specialty and service line. Behavioral health, medicine and neurosciences service lines demonstrate the strongest continued growth in virtual E&M visits across all age groups, nationally, as shown in Figure 3.

FIGURE 3. VIRTUAL VISIT SHIFT BY SERVICE LINE GROUP



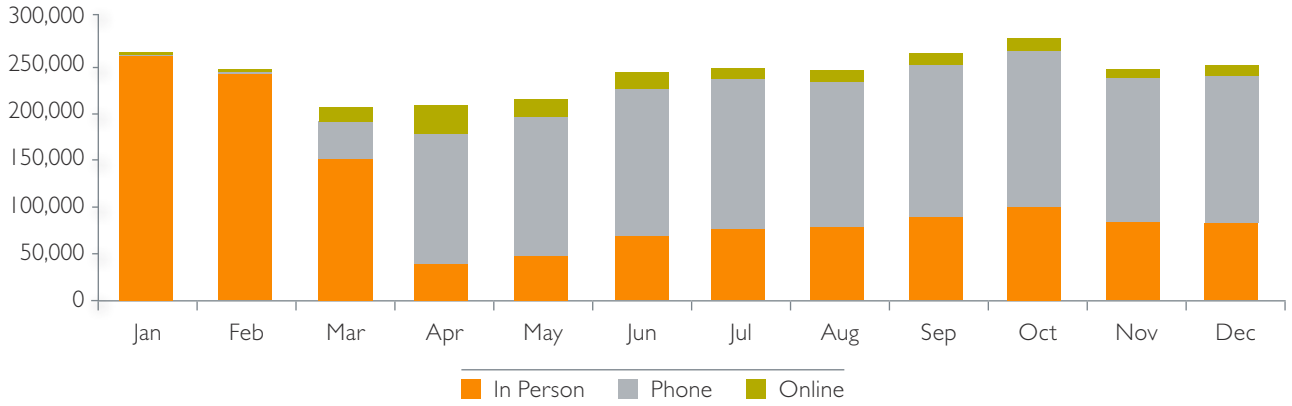
Note: Analysis excludes volumes for ICD-10 diagnosis code U07.1, COVID-19 infection. CPSC = Clinical Practice Solutions Center. **Sources**: Impact of Change®, 2021; Proprietary Sg2 All-Payer Claims Data Set, 2018; The following 2018 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts®, 2021; AAMC-Vizient CPSC©, 2021; Sg2 Analysis, 2021.

Service Line Focus: Behavioral Health

There has been a significant increase in the incidence of mental health and substance use conditions across the country. Access barriers persist due to heightened demand, reduction in stigma, insufficient treatment availability and continued strains on the behavioral health workforce. Resourceful health systems looking to address gaps in access have started to invest in virtual technologies. Behavioral health experienced a strong and sustained virtual visit shift throughout the pandemic, making it an outlier compared to other service lines (Figure 4).

FIGURE 4. 2020 BEHAVIORAL HEALTH VISITS (ALL DIAGNOSES)

2.8 million visits | 4,000 providers | 1,500 locations



Note: Includes visits with behavioral health providers, including psychologists, psychiatrists and social workers and CMS site of service: telehealth, office, on campus outpatient hospital and off campus outpatient hospital. **Source**: AAMC-Vizient Clinical Practice Solutions Center® used with permission of Vizient, Inc. All rights reserved.

This growth in virtual behavioral health is expected to continue over the next 10 years given various factors:

- CMS has supported virtual behavioral health expansion, adding several telehealth services for Medicare reimbursement in recent payment rules and removing barriers for accessing mental health services via telehealth, such as making the patient's home an originating site (with periodic in-person visits) and reducing restrictions for audio-only telehealth for diagnosis, evaluation and treatment.
- Virtual care can help to address workforce shortage in the behavioral health space, given most counties in the United States face a shortage of psychiatrists, therapists, social workers and other mental health providers. Technology platforms can help scale from a one-to-one model to a one-to-many approach.
- Since many behavioral health conditions do not require extensive physical exams, these conditions are well suited to shift to a virtual encounter and can be supplemented with emerging digital therapeutics and artificial intelligence–enabled chatbots that offer cognitive behavioral therapy–based programs. These technology components can often serve as an extension to in-person therapy sessions, providing reinforcement and support in between appointments.

Service Line Focus: Medicine

The pandemic heightened utilization for acute care services and exacerbated long-standing epidemiologic trends. The long-tail impacts of rising chronic disease burden and deferred preventive care will be felt over time, leading to steady growth in medicine services over the next decade. Investment in upstream services, such as virtual visits, can reduce costs for medical admissions and the risk of complications for patients experiencing comorbidities for surgical admissions. The growth in virtual visits in the medicine service line over the next 10 years is due to the following:

- While serving as a broad category, much of the virtual visit growth across the medicine service line can be attributed to the increased importance of preventive wellness and chronic disease management. Health care providers are increasingly establishing digital medicine programs that combine remote monitoring and virtual visits to manage hypertension, obesity, diabetes and other chronic conditions. Launching patient engagement initiatives to improve adherence to preventive care can reduce the likelihood of severe illness and medical emergencies.
- While debate around the quality of care delivered during a virtual visit persists, several aspects of a standard care visit can be done remotely. An increasing array of devices now allow patients to remotely gather metrics related to their weight, blood pressure, glucose levels, sleep quality and physical activity.
- Employers and health plans have increasingly started to invest in digital health programs to manage employee and member health care costs, while many vendors are also establishing direct-to-consumer channels that risk circumventing traditional health system referral streams.

Service Line Focus: Neurosciences

Within the neurosciences, workforce shortages and access challenges persist due to numerous factors, including continued subspecialization, increasingly complex call coverage needs and the uneven geographic distribution of providers. In response, health systems are leveraging virtual tools to allow remote specialists to provide 24/7, real-time, virtual neurological consultations with prospective patients. By 2029, we anticipate that over 30% of E&M visits for neurosciences and brain/central nervous system cancer could shift to virtual. The forecasted growth in virtual neurosciences over the next 10 years is due to various factors:

- Virtual visits allow neurologists to be involved earlier in the clinical decision-making process and can be used to support assessment of the patient's condition, conduct history and identify patients who need to be transferred for advanced care, leading to improved outcomes.
- Given the steady growth in the senior population, we expect telehealth to play an increasingly important role in neurosciences services related to diagnosing and treating migraines, dementia and cognitive disorders, sleep disorders, Parkinson disease and movement disorders, stroke, and other related conditions.
- Systems with existing telestroke infrastructure can leverage it for other services, including pre- and post-operative visits, telerehabilitation and tele-EEG. Some health care providers have reported nearly 90% of a standard neurological exam could be done virtually.
- Virtual PT/OT use will expand in the context of episode-based payment and where patients face access and mobility challenges. Wearables and remote monitoring will support this trend.

The Future of Virtual Visits—Boom or Bust?

With proper investment and fair and equitable payment coverage, virtual visits can serve as a new growth engine for organizations, extending the reach of core operations across the System of CARE while improving data sharing, the timeliness of care, the scalability of specialty services and provider-to-provider support. A robust virtual care infrastructure will be crucial to support value-based care models and population health initiatives that proactively engage, monitor and treat patients regardless of location.

However, many virtual care barriers that preceded the pandemic persist today, including a lack of clear standardized reimbursement channels, complex licensing requirements, concerns around workflow disruption, and identifying strategic growth partners. There are additional considerations:

- Surveys have shown a high percentage of clinicians support future telehealth use, but many still see in-person visits as the "gold standard." For telehealth skeptics, virtual visits growth was a temporary, pandemic-era anomaly. Some organizations may find it difficult to overcome this mindset, so ongoing education, data benchmarking and open communication will be important to assess and address clinician hesitancy or resistance.
- The growth in third-party telehealth vendors can improve access for patients, but it can also create more fragmentation in care continuity and coordination if all providers do not have access to a patient's full medical record. A continued lack of interoperability could lead to uninformed care decisions and unnecessary/duplicative diagnostic tests.
- While patients may generally be receptive to virtual care, access issues remain, including the cost for devices, low digital literacy, language barriers, lack of broadband internet, low awareness of telehealth options, confusion around insurance coverage for virtual care, or not having family or other caretakers around to facilitate virtual visits.

Sg2 Perspective: What's Next in Virtual Visits?

There is a popular phrase in health care today: "Telehealth is here to stay." This statement reflects the hope that virtual visits and other remote care modalities can redefine patient care and serve as more than a stopgap solution during the pandemic. Making this vision a reality will take time, and there are several action steps to consider:

- **Assess your digital maturity.** Leading health systems will continue to seek ways to make telehealth a core organizational asset, rather than a mere IT project. This means having a dedicated telehealth function and standardized utilization data, while also ensuring that basic telehealth competencies are established across all staff, including the C-suite. Historical inertia and strategic misalignment can impede continued progress, especially for technology laggards and organizations that do not invest in digital at scale.
- **View telehealth with a more critical eye.** The industry is progressing from frantic adoption to thoughtful evaluation. Does a virtual visit truly warrant full payment parity? Are cross-state licensing requirements outdated? Is telehealth driving up utilization without improving outcomes? These are all open-ended questions, but ones that must be addressed through ongoing studies and data collection.
  - The post-pandemic environment will call for a great recalibration, as hospitals and health systems reassess technology consolidation, integration and strategic planning. We anticipate a renewed focus on the debate for a single consolidated digital platform vs a more modular best-of-breed approach.
  - Patients may have shown high satisfaction with virtual visits during the pandemic, but their expectations for remote care will rise quickly as they seek an expanded set of virtual and on-demand services, greater cost transparency and simplified technology requirements.
- **Be intentional about addressing health inequities.** The pandemic exposed how low-income, rural and non-White patients are far less likely to benefit from expanded virtual care opportunities. By overlooking these underserved communities, you run the risk of exacerbating complex, chronic health conditions and driving up the cost of care. Consider cross-industry partnerships to address the challenges of digital connectivity, usability, affordability, education and data exchange (particularly with social determinants of health data).
- **Don't overlook security and privacy.** The health care industry has struggled immensely with ensuring strong cybersecurity practices and protecting patient data—a problem that will not be fixed overnight. Temporary security waivers implemented during the pandemic were never expected to last past the public health emergency. New and old virtual infrastructure could be handicapped by reimposed security mandates, or worse, a cyberbreach. Embedding an enterprise cyber-risk management program and privacy-by-design digital framework will be crucial for future stability.

Sg2 RESOURCES

- Executive Briefing: Strategically Deploying Digital Health
- Expert Insight: Assessing Long-term Revenue Implications for Virtual Health
- Expert Insight: COVID-19 Action Steps: Accelerating Virtual Health
- Report: *Behavioral Health Service Line Outlook 2020*
- Report: *Behavioral Health Snapshot 2021*
- Report: *Medicine Snapshot 2021*
- Report: *Neurosciences Service Line Outlook 2021*
- Report: *Neuroscience Snapshot 2021*
- Webinar: 2021 Impact of Change® Forecast Highlights: COVID-19 Recovery and Impact on Future Utilization
- Webinar: Reimagining the Status Quo for Behavioral Health

Sources: American Health Association. Most consumers would switch to other providers for more trust and respect. September 28, 2021; Volk J et al. States' actions to expand telemedicine access during COVID-19 and future policy considerations. The Commonwealth Fund. June 23, 2021; Center for Connected Health Policy. Policy finder: all telehealth policies. Accessed October 2021; Wicklund E. Telehealth groups pressure CMS to expand coverage in 2022 Physician Fee Schedule. *mHealth Intelligence*. September 20, 2021; Hawks C et al. Q3 2021 digital health funding: To $20B and beyond! Rock Health. October 4, 2021; Glaser J et al. What the pandemic means for health care's digital transformation. *Harvard Business Review*. December 4, 2020; Pew Research Center. Internet/Broadband Fact Sheet. April 7, 2021.