From Exam Rooms to Screens:

Key Considerations for Valuing Telemedicine Call Coverage

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During the COVID-19 pandemic, the use of telemedicine suddenly became an attractive means of accessing healthcare without the perceived health risk of an in-person visit. As a result of increased usage and relaxed restrictions during the pandemic, many healthcare systems began implementing telemedicine in their call coverage models. If trends continue to show that telemedicine is the wave of the future, health systems will need to weigh the pros and cons of implementing telemedicine in call coverage models and be aware of implications for the determination of fair market value (FMV) for telemedicine call coverage services.

Background

Telemedicine is not exactly a new concept. The first applications date back to the late 1940s, when radiologic images were transmitted via telephone more than 24 miles, between West Chester and Philadelphia, Pennsylvania.[1] However, the use of telemedicine to provide patient care has grown over the last 70 years—a trajectory that is expected to continue.

According to Mordor Intelligence, the entire telemedicine market in North America is anticipated to grow by a compound annual growth rate (CAGR) of 18.6% through 2026.[2] In the SullivanCotter 2020 *Physician On-Call and Telemedicine Compensation Survey Report (On-Call Report)*, 45% of responding organizations' physicians provide telemedicine call coverage—a response 5% higher than SullivanCotter's 2018 *On-Call Report*.[3] Furthermore, 88% of responding organizations reported they anticipate increasing the scope of their telemedicine programs within the next 12 months.[4]

The onset of the pandemic spurred the exponential growth of telemedicine in 2020, as providers were forced to consider alternatives to traditional patient care models. In response to the outbreak, Congress temporarily lifted restrictions that previously had limited Medicare reimbursement coverage of telehealth services to rural beneficiaries presenting at a healthcare facility. For now, geographical restrictions around such reimbursement have been loosened by the Centers for Medicare & Medicaid Services (CMS). Also, CMS expanded coverage and reimbursement for communication technology-based services, including certain telephone-only services.

Given the limitations facing providers during the pandemic, as well as the restrictions temporarily lifted by Congress, many providers turned to telemedicine as a way to replace in-person visits and maintain cash flow. These factors also led to a significant increase in the number of healthcare systems implementing telemedicine in their call coverage models, as they searched for any possible way to reduce the number of non-COVID-19 patients in their facilities. Many within the industry believe telemedicine is here to stay, even after the threat of COVID-19 subsides, and are lobbying Congress and CMS to make the coverage expansion permanent.

Understanding the rise of telemedicine use in healthcare systems' call coverage models, PYA has weighed some of the pros and cons of implementing it.

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[1] https://www.ncbi.nlm.nih.gov/books/NBK45445/.
[2] https://www.mordorintelligence.com/industry-reports/north-america-telemedicine-market-industry.
[3] SullivanCotter *2018 and 2020 Physician On-Call and Telemedicine Compensation Survey Reports*.
[4] SullivanCotter *2020 Physician On-Call and Telemedicine Compensation Survey Report*.

Pros of Telemedicine Call Coverage

- The use of telemedicine call coverage may result in significant savings for health system providers and patients alike. The health system would see a reduction in overhead costs (e.g., staff, supplies) from the virtual visit replacing an in-person visit. The patient would also see a cost reduction, as the time and personal expenses (i.e., travel) related to a telemedicine visit would be lower. Additionally, with telemedicine call coverage, patients may avoid unnecessary emergency room visits, which typically come with heftier bills.

- Telemedicine call coverage may afford patients increased access to specialists. According to the National Rural Health Association, there are approximately 30 specialists per 100,000 people in rural areas, compared to 263 specialists per 100,000 people in urban areas.[5] Patients in rural areas not only experience more difficulty in finding general medical care, but also have an even harder time finding accessible specialists.

- Telemedicine call coverage may afford higher quality of care. It often allows providers a better way to assess and gather information from patients (e.g., via interactive chats, e-mails, video calls, and multiple family member video calls). For example, a provider can see a patient in their home environment, allowing patient care details to emerge that are not available in an in-person visit. A more detailed assessment of patients could lead to a more accurate, and potentially timelier, diagnosis from the provider.

- Telemedicine call coverage aids in fighting physician burnout. When provided in addition to ordinary clinical hours, call coverage can be burdensome to physicians. Employing telemedicine in call coverage models could significantly lower the number of times a physician physically presents at a hospital. Fewer trips to the hospital may improve a physician's overall work/life balance.

Cons of Telemedicine Call Coverage

- Implementing telemedicine in a call coverage model may require a significant amount of upfront capital, depending on the entity. Not only are there large upfront costs for the necessary equipment, but providers will need training, and additional information technology (IT) staff may be required to handle the additional capacity.

- Virtual patient visits remove the "personal touch" that providers and patients view as an integral part of quality patient care. This lack of relationship development could lead to issues in the continuity of care a patient typically receives, resulting in a lower overall perceived quality of patient care.

- Confusion around reimbursement for telemedicine services is a prime example of the healthcare industry's struggle to keep up with its rapidly changing environment. The complexities in telemedicine reimbursement are magnified when considering that reimbursement can vary widely by state. For example, according to the Center for Connected Health Policy, the District of Columbia and 43 states have laws that regulate private payer reimbursement of telemedicine services. Some states have laws requiring a payer to reimburse an amount equal to the in-person coverage, while other states' laws require only a partial amount of reimbursement rates for in-person coverage.[6] Additionally, there is still uncertainty around what CMS will choose to do (and what they can do) post-pandemic. Some of CMS's expansion of reimbursable telehealth codes have already been made permanent, while others have not yet been addressed.

[5] https://www.ruralhealthweb.org/about-nrha/about-rural-health-care.
[6] https://www.cchpca.org/2021/04/Spring2021_Infographic-1.pdf.

Key Considerations for Compensation Valuation

Understanding the pros and cons of implementing telemedicine in a call coverage model, a key question becomes: how does a healthcare system know whether the implementation is both financially and operationally feasible for the system? One of the important steps to take in answering this question is to understand who will provide the service and how much the physician will be paid to provide the service. Given that each provider and market is unique, appraisers of physician compensation arrangements normally consider a combination of approaches for telemedicine arrangements, in addition to each arrangement's facts and circumstances. The key considerations for an appraiser include, but are not limited to, the following:

- **Understanding physician compensation regulations and structures**. To comply with federal and state regulations, such as the Stark Law and the Anti-Kickback Statute, provider compensation for telemedicine services must be within FMV. Furthermore, tax-exempt organizations' provider compensation must be within FMV to comply with Internal Revenue Service regulations. Compensation to providers can take many forms, such as a flat rate per visit or personally performed, modifier-adjusted work relative value unit (wRVU); an hourly rate; or a coverage stipend. Compensation will vary based on multiple considerations including, but not limited to, the specialty; required advanced training (if any); facility location; and call coverage burden and intensity. Given the uniqueness of each arrangement, appraisers will likely rely on the Market Approach (i.e., what others are paid for similar services) and Cost Approach (i.e., what it would cost someone to replace the services)[7] as opposed to an income-based approach.

- **Understanding the time commitment and expertise required of the physician**. Items to contemplate include, but are not limited to, the amount of coverage provided (e.g., hours per shift, shifts per month); the intensity of that coverage (e.g., number of consultations in the call coverage period, how long each consultation requires); and whether additional expertise is required for the coverage (e.g., the physician providing the call coverage must meet all necessary federal and state requirements).

- **Understanding the commercial reasonableness of the arrangement with the physician**. Do the telemedicine call coverage services aid in accomplishing a legitimate and realistic business purpose that furthers the healthcare facility's strategic and financial goals? Health systems will need to be able to demonstrate that the telemedicine call services further their clinical and business goals in order to comply with commercial reasonableness regulations. For example, a business case might be documented as follows:

  > Given the remoteness of a rural hospital located in a small Appalachian town, the hospital was forced to use locum tenens for neurological call coverage services. The hospital worked to enter an agreement with the closest health system for its neurologists to provide telemedicine call coverage services at the hospital. The implementation of the telemedicine technology allowed a health system that was located farther away to provide the services, which saved the hospital a significant amount in locum tenens physician expenses and provided a more consistent level of patient care. Therefore, it was commercially reasonable for the Appalachian health system to enter into the transaction.

[7] The International Glossary of Business Valuation Terms, as jointly adopted by the American Institute of Certified Public Accountants, the American Society of Appraisers, the Canadian Institute of Chartered Business Valuators, the National Association of Certified Valuators and Analysts, and the Institute of Business Appraisers, are available at http://www.aicpa.org/InterestAreas/ForensicAndValuation/Membership/DownloadableDocuments/Intl%20Glossary%20of%20BV%20Terms.pdf.

Conclusion

The use of telemedicine in call coverage models is growing quickly. COVID-19 prompted an even greater progression toward mainstream telemedicine. Implementing telemedicine in call coverage models has many pros and cons. However, a health system's decision to do so ultimately depends on the entity's unique set of facts and circumstances. Due to those unique facts and circumstances, FMV and commercial reasonableness analyses of any potential telemedicine call coverage arrangement, whether externally or internally performed, are strongly recommended for hospital compliance with federal and state regulations.

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