**CONTACT: Krista Drobac, (202) 415-3260**

**New Study Highlights Savings Likely from Payment of Telehealth in Medicare**

Washington, DC, Dec. 12, 2014– The Alliance for Connected Care is pleased to release a new actuarial study showing that telehealth can help achieve savings in the Medicare program. The study combined the data of five telehealth companies in the commercial sector and extrapolated the likely impact of telehealth payment on Medicare expenditures.

The study was conducted by nationally-renowned actuary Dale Yamamoto, who has more than 30 years of experience as an actuary. The study uses de-identified data provided by Teladoc, Anthem, American Well, Doctor on Demand and Optum. The findings highlight the potential savings likely from expanding reimbursement for telehealth services in Medicare and underscore the need for policy reform.

The study found that substitution of telehealth services can generate savings, with 83% of telehealth visits having resolved the issue for which care was being sought via telehealth, requiring no additional follow-up care. Patients therefore have no need to go to urgent care, the ER or the doctor’s office.

“The findings dispel many of the concerns about adding telehealth services for acute care in Medicare. Reimbursing for telehealth will not increase Medicare expenditures, and it will provide an easy alternative for beneficiaries to get quality health care,” said Dale Yamamoto of Red Quill Consulting.

“Telehealth can often replace an in-person visit to the emergency room or urgent care center and resolve the issue so no further care is needed. The data in this study supports the value proposition of telehealth and shows that there are significant savings to be had with its expanded use in Medicare, not to mention the increased access to care,” said Dr. Henry DePhillips, Chief Medical Officer of Teladoc.

Several private payers like those that contributed data to this study recognize the value of connected care and are reimbursing for a broad range of telehealth services. States, too, have embraced telemedicine, with 21 states and the District of Columbia requiring insurance companies to reimburse for a telehealth visit the same as in-person care.

Even some Medicare Advantage plans have started offering telehealth services. Most seniors in fee for service Medicare lack access to telehealth services because of the restrictions in the statute. Created nearly 15 years ago, the current Medicare reimbursement policy limits the coverage of telehealth services to specific sites and geographic regions. Generally, covered telehealth services must be provided in rural areas as determined by the Department of Health and Human Services (HHS). As a result, Medicare beneficiaries living outside of rural areas have limited access to providers and are unable to benefit from telehealth services.

"Telehealth can play a critical role in ensuring Medicare can absorb and accommodate the primary care needs of the incoming influx of baby boomers. The growth in the Medicare population, combined with the health care system's challenges with primary care shortages and limited budgets, demand that the federal government take steps to allow capacity to build and optimize delivery of services within program. This study suggests that telehealth may be a big step toward that end," said John Jesser, LiveHealth Online GM. (LiveHealth Online is the trade name of Health Management Corporation.)

Furthermore, the study dispels concerns that the convenience and accessibility of telemedicine will lead to overutilization and addresses questions about quality of care, finding that:

- **Despite their convenience, commercial telehealth services are not used excessively.** The average number of telehealth visits across vendors was 1.3 visits per patient per year.

- **Telehealth visits are used to treat fairly routine, non-emergent conditions.** This study found that the most common diagnoses during a telehealth visit are sinusitis, followed by cold/flu/pertussis and urinary tract infections.

- **Medicare could realize savings by replacing in-person acute care services with a telehealth visit reimbursed at the same rate as a doctor's visit.** The study found that replacing in-person acute care services with a telehealth visit reimbursed at the same rate as a doctor's office visit could save the Medicare program an estimated $45/visit.

- **"Induced utilization" by those people who use telehealth services instead of forgoing care altogether is unlikely to result in increased total costs to the Medicare program.** Medicare will only realize losses as a result of making telehealth services available if the percentage of Medicare patients utilizing telehealth who would have otherwise "done nothing" increases to more than 32.8%. This study found that this is unlikely given that this population is currently approximately 13% in the commercial market.

"This study is another step toward demonstrating the value proposition of telehealth in Medicare, and dispelling the myth that telehealth will increase costs to Medicare. It's time to change the statute and give seniors access to telehealth services," said Krista Drobac, Executive Director of the Alliance for Connected Care.

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