EXECUTIVE ADVISORY

The Roadmap to Successful Telehealth Implementation

For Health Systems, Insurers, and Employee Group Benefits Programs

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INTRODUCTION

The COVID-19 pandemic has revolutionized the telehealth landscape. As the government declared a Public Health Emergency, restrictions loosened on virtual health services, resulting in rapid industry growth. From 2018 to 2023, the telehealth industry experienced a remarkable 44.3% continuous annual revenue growth.[1]

Lawmakers have proposed legislation to make the temporary telehealth provisions permanent, but the future of virtual health services remains uncertain. In any case, these developments will have a long-lasting impact on the healthcare landscape.

Not only have millions of Americans come to expect the convenience of accessing quality health services from their homes, the changes in the telehealth industry have also increased competition in care. Historically, competition remained primarily between large health systems, as opposed to local organizations. Now, health systems are up against a wider range of competitors, including retail clinics, large tech firms, digital health start-ups and payers, as well as many investors playing in this field.

Additionally, telemedicine continues to adapt and evolve. Overall, the medical field has become more technological, with online check-in services, personalized alerts, and expanding medical records access, resulting in higher patient expectations regarding personalized health treatment.

In this guide, we'll explore the telehealth market trends, opportunities, and strategic recommendations that can help health systems successfully reduce overall costs, while maintaining high quality of care and patient satisfaction.

1. IbisWorld Report, Telehealth Services in the U.S., Marley Brocker, 2023 p.7

EXECUTIVE SUMMARY

From 2019 to 2020, Telehealth companies enjoyed 37% continuous annual growth and healthcare companies as a whole enjoyed all-time high valuations[2] as the DEA waived the in-person exam requirement during the pandemic public health emergency.

However, in 2023 amid easing COVID concerns, labor shortages, and equipment cost inflation, healthcare companies face a new reality: revenues are shrinking and annual growth expectations have reduced to less than 3% from 2023 through 2026.[3] Now, healthcare providers must identify new opportunities to lower costs, while maintaining the quality, convenience, and service patients expect.

With the opportunity to outsource multiple practice areas to a virtual provider, the telemedicine field offers a wealth of potential to offset labor shortages and reduce overall costs. We recommend identifying areas within your practice (typically non-urgent care), in which telehealth could be a good fit. To guarantee profitability, baseline your current costs of care to compare with telehealth providers' proposed pricing. Then develop a plan to implement the shift from an in-person model to a virtual model, including staff training on the daily use of the virtual solution, as well as step-by-step use instructions for patients as they transition to the virtual model for their healthcare needs.

Use this guide as a roadmap for navigating the successful implementation of your telehealth services.

2. Bain M&A Report (2022) Haxer, Siegal, Grass and Yanes. https://www.bain.com/insights/healthcare-m-and-a-report-2022/
3. What to Expect in US Healthcare in 2023 and Beyond. (2023). Patel, Singhal. https://www.mckinsey.com/industries/healthcare/our-insights/what-to-expect-in-us-healthcare-in-2023-and-beyond

STEP 1: EVALUATE YOUR INDICATORS OF OPPORTUNITY

Is telehealth right for your business?

Transitioning from in-person care to virtual healthcare has the potential for significant cost savings — only if the telehealth model is right for your business and you're able to manage and support the shift.

Before making a decision to proceed, be sure to decide if a virtual procedure mix is suited for the types of healthcare services your company offers. Also, consider your staff's capacity for change. Your success is dependent upon your ability to socialize the change within your company at the beginning of your transition, as well as your entire team's willingness to implement the change.

Then, compare your implementation costs and change management investment against your year one savings projections. We've seen clients save as much as 15% when comparing in-person doctor rates to virtual alternative care delivery.

ADDED CONSIDERATIONS:

- Estimate an uptick in demand, given the increased flexibility and additional choices for patient care.
- Factor in the likelihood of increased patient satisfaction scores.

STEP 2: LAY A PROFITABLE FOUNDATION WITH AN INVESTMENT IN PROCUREMENT

6 Questions to Ask in Your Telehealth Cost-Benefit Analysis

1. **Where does outsourcing make sense in your current business model?**
   Telehealth services aren't appropriate for every sector of the healthcare industry. For example, urgent care, surgeries, examinations, and testing services are incompatible with virtual care. Services, such as mental healthcare, prescription counseling, RPM (remote patient monitoring), and wellness visits, are better suited for virtual care modalities. Consider the practicality of translating each of your services offerings to a virtual setting.

2. **What is the appropriate level of implementation?**
   Explore whether a hybrid model of virtual and in-person care makes sense for your health system. Or, if having an entirely virtual health system is applicable to your company, consider the feasibility of implementing fully virtual healthcare.

3. **What are the downsides of adopting a virtual model?**
   Transitioning to a virtual model takes time, as staff and patients adopt and adapt to telehealth. The change will also require your health system to facilitate staff training and potentially hire new doctors and purchase new technology.

4. **How does this impact your patients?**
   While patients will lose personal interaction, and possibly the consistency of a primary physician, they will enjoy quicker access to care, more flexible appointment scheduling, as well as the efficiency and convenience of virtual healthcare.

5. **What infrastructure do you need to source?**
   Telehealth providers can supply the necessary portal infrastructure, but your health system will also need equipment, from video conferencing tools and high-speed internet to digital medical records, communications systems, and more. Inventory your health system's current digital assets, evaluate your needs, and source the technology you need.

   Virtual care offers flexibility not only for patients, but also for staffing. Physicians can work from their offices, as well as their homes. While health systems can also employ physicians in other states to counteract the labor shortage, the doctors must be licensed in the states where the patients live, in order to practice medicine and prescribe medications.

6. **What other business considerations come into play?**
   Following a synergy-capture approach to mergers and acquisitions allows your company to leverage a wider network of locations for more favorable pricing. That said, size is not a limiting factor in the telehealth field. Clinical providers of all types and sizes can benefit from a transition into the telehealth industry.

   Keep in mind, changing from an in-person model to a virtual modality requires significant patient and staff education. This transition will also require internal buy-in, from the administrative staff who interface with patients, to the physicians who treat them, all the way up to the C-suite. Your Chief Executive Officer and Chief Financial Officer will need to validate cost proposals, and your Chief Operations Officer and Chief Clinical Officer will need to operationally confirm that care levels are maintained and the patient base can interact with the new system.

   To create an easier transition for both patients and staff, clearly communicate the benefits of your new telehealth program.

STEP 3: IDENTIFY CHALLENGES AND OPPORTUNITIES IN THE TELEHEALTH FIELD

6 Market Trends that Will Impact Your Business

Transitioning from in-person care to virtual healthcare has the potential for significant cost savings — only if the telehealth model is right for your business and you're able to manage and support the shift.

1. **Increased Competition**
   Telehealth providers offer potentially higher service levels and lower costs. That's why many healthcare sectors are transitioning to healthcare, from hospitals and healthcare systems to clinics and mental health facilities — especially in rural and inner-city demographics where securing qualified healthcare labor is difficult. Amazon and Walmart have also made acquisitions to have a presence in the telehealth industry, which enables them to have vertical integration in the supply chain, by providing telehealth services as well as fulfilling prescription orders.[4]

2. **Aging Population**
   The segment of the population with the highest per capita spend on healthcare services is the 65+ age group.[5] This group is made up of 60.8M people in the U.S. and is expected to grow to over 71M by 2030.[6] As this segment of the population grows, so will the demand for overall healthcare services in the U.S. However, an aging population is not necessarily tech-savvy, and an introduction to telemedicine could be a challenge requiring more patient education.

3. **Labor Shortage**
   The healthcare labor shortage is only expected to increase, driving up labor costs for the foreseeable future. This intensifies pressure on healthcare organizations to develop more sustainable and aggressive cost-avoidance strategies.

   Telehealth allows access to a wider range of professionals in every regional market, lessening the current location-based labor constraints. The option to safely practice medicine remotely is a recruitment incentive for both rural and highly populated markets where doctors may not necessarily want to work or live. Plus, telemedicine is cost-efficient, allowing providers to share the cost of a single doctor's time across an entire health system.

By 2025, the U.S. is estimated to have a shortage of approximately[7]:

- 446,000 home health aides
- 95,000 nursing assistants
- 98,700 medical and lab technologists and technicians
- 29,000+ nurse practitioners

And by 2034, the U.S. could face a shortage of 37,800 to 124,000 physicians by 2034.[8]

4. mHealth Intelligence. (2023). Vaidya, Anuja. https://mhealthintelligence.com/news/amazon-completes-one-medical-acquisition.
5. National Library of Medicine. (2020). https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7411536/.
6. The Silver Book from the Alliance for Aging Research, Centers for Disease Control and Prevention. (2023). https://www.silverbook.org/fact/by-2030-the-65-and-older-population-is-projected-to-be-over-71-million-the-75-and-older-population-is-projected-to-be/
7. Mercer. (2021).
8. American Medical Colleges. (2023).

4. **Technology Changes**
   The pandemic has also opened new channels for healthcare, from video conferencing to electronic access to medical records. During the Public Health Emergency, HIPPA has allowed healthcare providers to use Zoom, FaceTime, and other popular applications under a provision of good faith and without risk of non-compliance. We can expect the telehealth field to continue to rapidly evolve in the years to come, due to emerging startups, developing technology, and M&A activity.

5. **Federal Regulations**
   Telehealth licensing requirements vary and are determined by each state, but the future of telehealth depends on the federal legislation to make temporary Public Health Emergency Act regulations around telehealth permanent.

   We've seen legislative progress in this direction. The Consolidated Appropriations Act of 2022 has extended telehealth services to Medicare and Medicaid customers through 2024,[9] and lawmakers have proposed legislation (Advancing Telehealth beyond Covid-29 Act 2022) to allow for the continued practice of virtual health diagnoses and prescription writing.[10]

   Also, healthcare providers are required to use technology compliant with HIPPA to send personal health information or to perform a virtual service, but this has been expanded to include Zoom and FaceTime during the Public Health Emergency.

6. **Industry Limitations**
   Keep in mind that telehealth only works for non-urgent and non-invasive practice areas. For example, mental health services alone will account for over 64% of the $30.4B telehealth industry revenue in 2023.[11]

STEP 4: DETERMINE YOUR IMPLEMENTATION TIMELINE

Consider your goals and weigh the benefits of investing in a partner.

Partnering with Insight Sourcing Group can significantly expedite your timeline, as opposed to implementing a telehealth transition internally. Conducting your spend assessment will take our team an estimated three months, as we secure procedural data from each facility in your health system. From there, we'll provide actionable analyses, competitive sourcing, and develop an informed implementation plan.

9. mHealth Intelligence. (2023). Melchionna, Mark. https://mhealthintelligence.com/news/aha-urges-congress-to-permanently-expand-access-to-telehealth-services.
10. Healthcare IT News. (2023). Siwicki, Bill. https://www.healthcareitnews.com/news/three-2023-telemedicine-trends-advance-new-normal-healthcare.
11. IbisWorld Report, Telehealth Services in the U.S., Marley Brocker, 2023 p.8

CONCLUSION

Labor shortages, equipment cost inflation, and expanding competition will only worsen and continue to challenge the healthcare field. Investing in Procurement and Strategic Sourcing is vital, not only for the exploration of telehealth services, but also for your health system's overall bottom line.

As your partner, Insight Sourcing Group will begin with a **spend assessment** to:

- Collect detailed data from your current state of labor structure by studying how you currently employ labor, whether in-person or a hybrid with telemedicine.
- Examine your varying cost structures across procedures and clinical services.
- Evaluate which of your services and procedures are conducive to employing or transitioning toward telehealth, in alignment with your organization's key business and service level requirements.
- Develop cost baselines and benchmarks to conduct make-versus-buy and insource-versus-outsource analyses.
- Determine the achievable cost savings of transitioning toward telehealth, by exploring temp labor or other third-party options, and factoring in related overhead cost reductions associated with a remote workforce (i.e daily PPE, office space, benefits, etc.).
- Explore the level of change management required to implement a transition to telehealth.

Then we'll provide **actionable analyses** and **competitive sourcing** of your data to:

- Identify potential partners who align with your key services and procedures, as well as meet your service requirements.
- Solicit quantitative and qualitative RFP bids to assess the cost of required services and available value-add services.
- Determine the appropriate cost structure (ie fixed fee vs. hourly rate).
- Negotiate quantitative and qualitative proposal elements.

And finally, we'll develop an **implementation plan** and:

- Provide an overview of the facility transition.
- Explore the implementation lift, considerations, and costs.
- Determine the socialization that the transition requires to achieve the cost savings, improved patient experience, and operational benefits of a migration toward telehealth.

In today's economy, only the health systems that make strategic investments to improve patient experience and reduce operational costs will have true staying power.

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ABOUT INSIGHT SOURCING GROUP

Insight Sourcing Group is considered one of the premier management consulting firms focused exclusively on Strategic Sourcing and procurement-related services in North America.

Founded in 2002, the firm works with senior executives and procurement leaders to accelerate Strategic Sourcing savings, increase Spend Visibility, provide category intelligence, and implement procurement best practices. Insight Sourcing Group has worked with hundreds of corporate clients and over 50 private equity firms. The firm has developed a reputation for the collegiality and high caliber of its team, its tremendous focus on client-results, and for its ability to consistently deliver strong outcomes.

Typical client results include 20% average savings per indirect spend category, 5-15% for direct spend categories, 842% first-year return on investment, and project payback periods of less than 90 days.

Insight Sourcing Group has also developed a market-leading Spend Visibility technology called SpendHQ®, which provides on-demand Spend Visibility to drive Strategic Sourcing results and ongoing analytics to measure performance and compliance.

Inc. Magazine has ranked Insight Sourcing Group among the fastest growing private companies in America every year since 2008, making Insight Sourcing Group one of the few firms to be listed seven years in a row. Insight Sourcing Group was also recently named the #1 Boutique Consulting Firm To Work For in the US, and the #2 Most Innovative Consulting Firm in 2015 by Vault.

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