Study finds the cost-savings promise of the approach may not be realized

March 6 2017

Direct-to-consumer telehealth services—touted as a convenient and less-expensive way to get care for minor ailments—appears to prompt new use of medical services and thus may drive up medical spending rather than trimming costs, according to a new RAND Corporation study.

Analyzing the behavior of more than 300,000 people who had generous medical benefits that included coverage for direct-to-consumer telemedicine, researchers estimate that just 12 percent of the telemedicine visits replaced visits to doctor's offices or emergency rooms, while 88 percent represented new use of medical services.

While direct-to-consumer telemedicine services do increase patients' access to convenient health care, researchers say new strategies such as higher co-pays or targeted marketing may be needed if telehealth is to fulfill its potential as a cost-saving strategy. The findings are published in the March edition of the journal *Health Affairs*.

"Like some other new patient care models that promise to cut costs and reduce the hassle of receiving medical care, it appears that in some cases, direct-to-consumer telehealth may increase spending rather than trimming costs," said J. Scott Ashwood, lead author of the study and an associate policy researcher at RAND, a nonprofit research organization.

Several direct-to-consumer telehealth companies offer patients with minor illnesses around-the-clock access to physicians via telephone or videoconferencing on their smartphone, tablet or laptop computer. Use of such services has been growing rapidly, with more than 1.2 million visits reported in 2015. A recent survey of larger employers indicated that 90 percent expected to offer such services to their employees during 2017.

Direct-to-consumer telehealth companies argue that they save money for health plans, employers and patients by replacing costly visits to physician offices and emergency departments with a $40 to $50 telehealth visit. Patients also save the time and travel costs associated with in-person care.

RAND researchers examined claims information from 2011 to 2013 for 300,000 beneficiaries enrolled in a health plan through CalPERS, a larger California public employee benefit organization that began offering direct-to-consumer telehealth services to members in 2012.

Researchers focused on care for acute respiratory infections, a group of ailments such as sinus infections and bronchitis that are the most common reason people seek care from direct-to-consumer telehealth providers. They examined the records of enrollees who sought care for an acute respiratory infection from telehealth providers, as well those who sought care for the same conditions from a physician's office or a hospital emergency department. A total of 981 enrollees received care from a direct-to-consumer telehealth provider for acute respiratory infection during the study period.

The study determined whether telehealth visits represented substitute care or new use of medical services by focusing on the change in the volume of care received for acute respiratory infections through visits to physician offices and emergency departments relative to the change in telehealth visits.

Researchers' findings conflict with claims from operators of telehealth services, who say that surveys of telehealth patients suggest that just 10 percent of appointments represent new medical utilization. However, results from post-care surveys generally are seen as being less accurate than analysis of clinical care records, according to researchers.

The study found that for each episode of acute respiratory infection, the cost of telehealth services were about 50 percent lower than a physician office visit and less than 5 percent the cost of a visit to an emergency department.

However, the savings from substitution was outweighed by increased spending on the new use of medical services. The study estimates that net annual spending on acute respiratory illness increased by $45 per telehealth user.

Members of the same RAND research group last year reported similar findings about retail clinics, another new venue for care that has been touted as reducing costs and increasing convenience. In that case, researchers estimated that 58 percent of visits to retail clinics for low-severity illnesses were new uses of medical services, rather than substitutes for visiting a doctor's office or emergency department.

"Given that direct-to-consumer telehealth is even more convenient than traveling to retail clinics, it may not be surprising that an even greater share of telehealth services represent new medical use," said Lori Uscher-Pines, co-author of the new report and a policy researcher at RAND. "There may be a dose response with respect to convenience and use—the more convenient the location, the lower the threshold for seeking care and the greater the use of medical services."

Researchers suggest that if insurers want to increase the proportion of direct-to-consumer telehealth that substitutes for higher-cost care, they may want to consider raising the cost of co-pays for the service. Another strategy would be to develop better tools to encourage people who are high users of emergency department care to use telehealth services instead.

Provided by RAND Corporation

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https://medicalxpress.com/news/2017-03-cost-savings-approach.html