

Telemedicine visits cut health system employee care costs by nearly 25%, finds study

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Visits with a 24/7, co-payment-free telemedicine program established by Penn Medicine for its employees were 23% less expensive than in-

person visits for the same conditions, according to a new analysis published in the *American Journal of Managed Care*.

Researchers at the Perelman School of Medicine at the University of Pennsylvania found that the per-visit costs for the [telemedicine program](#), called [Penn Medicine OnDemand](#), averaged \$380 while in-person encounters in primary care offices, emergency departments, or [urgent care clinics](#) during the same timeframe cost \$493 to conduct, a \$113 difference per patient.

"The conditions most often handled by OnDemand are low acuity—non-urgent or semi-urgent issues like respiratory infections, sinus infections, and allergies—but incredibly common, so any kind of cost reduction can make a huge difference for controlling employee benefit costs," said the study's lead researcher, Krisda Chaiyachati, MD, an adjunct assistant professor of Medicine at Penn Medicine, who previously served as medical director of Penn Medicine OnDemand and now is the physician lead for Value-based Care and Innovation at Verily. "This research shows the clear financial benefits when hospitals and [health systems](#) offer telemedicine services directly to their own employees."

The study analyzed de-identified data from almost 11,000 total visits by Penn Medicine employees who used the company-sponsored insurance plan. The researchers compared 5,413 visits to Penn's OnDemand telemedicine service with 5,413 that were conducted in-person during the same period. The timeframe studied started with OnDemand's initial launch in July 2017 until the end of 2019, a phase chosen to avoid confusion with changes enacted in response to the COVID-19 pandemic.

"The program made care easier, and it lowered the costs of delivering each episode of care," said David Asch, MD, MBA, a professor of Medicine, and the study's senior author. "But making care easier makes for more care: People who might otherwise have let that sore throat go

without a check-up may seek one when it's just a phone call away."

While the researchers saw a 10% increase in demand for telemedicine services over the study period, the 23% decrease in "unit cost"—which factors in things like providers' salaries and the equipment needed for calls—made it possible for the service to simultaneously be easier for employees to use and less expensive for the employer overall. The net effect was hundreds of thousands of dollars in savings for the health system.

Even though [employers increasingly offer telemedicine](#) options to their workforce, many health systems have been slow to adopt this approach. The study authors argued that, while [past research](#) showed that employer-offered telemedicine via third party companies did not lower the costs of care, health systems are uniquely positioned for their telemedicine offerings to drive savings: They can leverage their own providers, make in-system/in-network referrals, and better organize follow-up care.

Penn Medicine OnDemand began by serving Penn Medicine employees only and opened to insured patients just a few months before the pandemic began. Since then, telemedicine has gained steam, driven by COVID-era precautions and reimbursement changes to cover these services.

Chaiyachati believes there are likely still significant savings in operating costs, for broader populations outside of health systems' direct workforce. Comfort with telemedicine services increased with the pandemic, leading to marked increases in visits that resulted in health systems delivering telemedicine more efficiently and patients having a better understanding of what can and cannot be accomplished over telemedicine.

"The data we analyzed pre-date the pandemic. It was a time when people

were just putting a toe in the water and wondering, 'Let me see if [telemedicine](#) could treat my needs,'" Chaiyachati said. "These days, people seem willing to jump in for an appropriate set of conditions. The good news is that we made care easier while saving money, and we think the savings could be higher in the future."

More information: Economics of a Health System's Direct-to-Consumer Telemedicine for Its Employees, *The American Journal of Managed Care* (2023). [DOI: 10.37765/ajmc.2023.89369](https://doi.org/10.37765/ajmc.2023.89369)

Provided by Perelman School of Medicine at the University of Pennsylvania

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