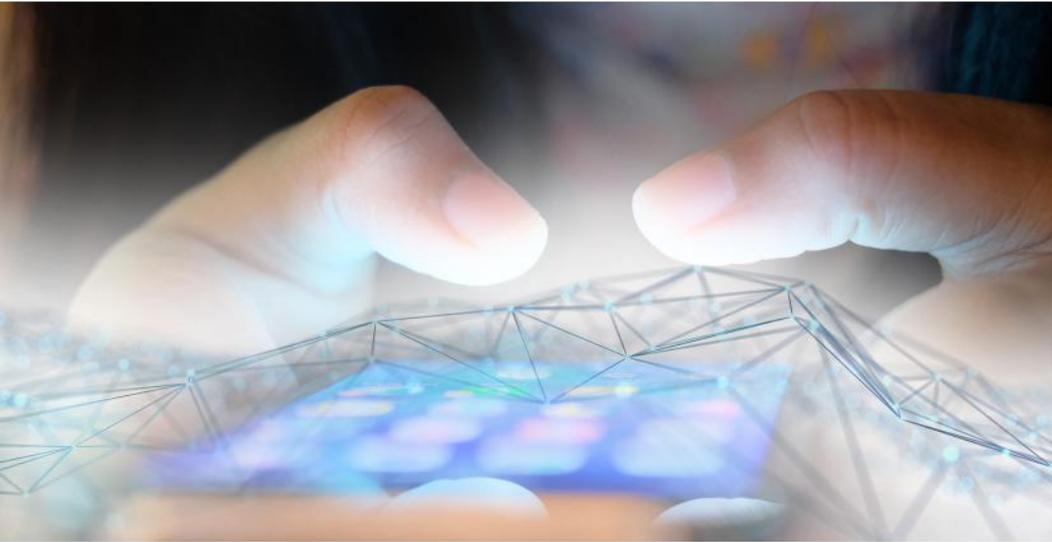


A CFO's guide to telehealth and virtual visits



What will a successful health system's virtual care and telehealth capabilities look like in 2025? Leading CFOs recognize there are limits to brick-and-mortar assets. Virtual care offers a next-generation opportunity to address clinician labor shortages and patient access challenges in ways that are cost-effective and responsive to the Quadruple Aim.

The first step along this journey is recognizing that the future of health care will look different than it does today. The solutions of tomorrow will be ones that weren't available yesterday. Fifteen years ago, few of us imagined we'd be receiving care at a CVS or Walgreens, let alone recording our echocardiogram on an [Apple® watch](#). Yet, new technologies that improve care and access while meeting consumers "where they are" are going to continue to expand over the next five to 10 years, necessitating that they become a critical component of any health system's financial strategy.

Telehealth is the delivery of health care via a digital modality, such as a video chat, phone, computer or tablet. Though it is not a new concept, dating back over 15 years, health systems are adopting telehealth in greater numbers now and have higher expectations of the value it will provide for their investment. To realize this full value and maximize ROI, systems must look at telehealth not as a strategic loss leader, but as an enabler in improved care delivery, offering the ability to address clinician burnout and enhance patient access and convenience, all at a lower episode cost. In other words, "Telehealth 3.0" is an enabler of the new Quadruple Aim.

Top use cases for Telehealth 3.0

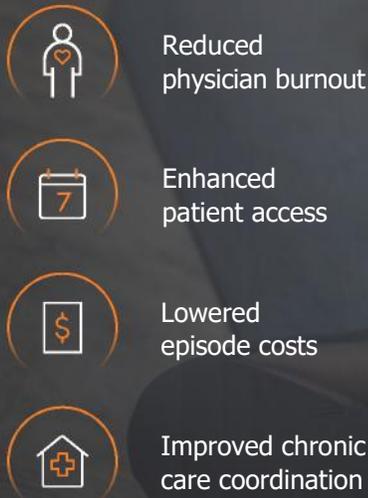


FIGURE 1: Telehealth 3.0 is an enabler of the Quadruple Aim — improved quality, reduced costs, higher patient satisfaction and less physician burnout — and provides enhanced value and ROI to health systems.

Health systems whether fee-for-service or value-based are (literally) changing the equation for value in tomorrow's health care world by using the evolving needs of consumers as an organizing principle, positioning them to compete with both emerging and traditional competitors. As Executive Vice President and Chief Financial Officer at [Intermountain Healthcare](#), Bert Zimmerli said about his organization's investment to create a digital consumer front door, "Amazon, Fandango and Delta Airlines are setting the bar for convenience. Our focus is to enable access to providers through every digital medium possible." Internally, systems are struggling with clinician burnout and morale. Working at the top of their license and coordinating and communicating across large systems remains challenging.

We have organized this article into a guide for CFOs who may be focused on one or more of the following goals for their institution:

- From Telehealth 1.0 to Telehealth 3.0:
More than a modality solving a transaction
- Using virtual care as a new solution to today's problems:
Improving care, access and burnout
- If we build it, will they come? Roadmap to Telehealth 3.0

Focusing on these three aspects of virtual care will result in long-term, higher quality and more affordable care. Quicker access to providers, lower cost and fewer health care disparities (rural versus urban) are not only critical public policy issues, but what consumers need in order to embrace virtual care. Collectively, these results will become the primary way federal and state governments, major health plans and major employers will adopt adequate provider telehealth payment policy, a still significant roadblock to today's health system investment.

Additional Resources

[Anthem: Virtual Visits for Acute, Nonurgent Care: A Claims Analysis of Episode-Level Utilization](#)

[Intermountain Healthcare: Virtual vs traditional care settings for low-acuity urgent conditions: An economic analysis of cost and utilization using claims data](#)

[Southwest Medical's Winning Strategy for Direct-to-Consumer Telehealth](#)

[Spectrum Health: Decreasing Transfer Costs and Improving Care Delivery Through Specialty Telehealth](#)

[How UMass Memorial Health Care Partnered with American Well to Improve Operational Efficiencies within its Telestroke Network](#)

[Pediatric Associates: How Telehealth Triage Evolved into one of the Nation's Largest Pediatric Telehealth Programs](#)

The new economics of virtual care: More than a modality solving a transaction

How CFOs think about pricing and payment of virtual services and the savings they may create is a complex issue that even top CFOs admit they haven't cracked, according to [Mayo Clinic](#) CFO Dennis Dahlen. "When we first began offering virtual services, we felt they should create their own margin. Then we realized we were pricing less for those services than current modes of delivery, but they also were creating cost savings beyond traditional care. Then we realized if we did it well, virtual visits could create savings from our current modes of care." The ROI model for the virtual visits was evolving with how the system incorporated the new service into care delivery.

FROM A STRATEGIC LOSS LEADER TO THE NEW VALUE EQUATION: EVOLVING FROM TELEHEALTH 1.0 TO TELEHEALTH 3.0

The situation that Dahlen described wasn't unique. So what is the value equation for virtual care? As in many cases in health care, one size doesn't fit all. Where each CFO and his or her respective systems fell on the telehealth maturity curve was determined by the type of organization, external market dynamics, internal priorities and challenges, and reimbursement opportunities.

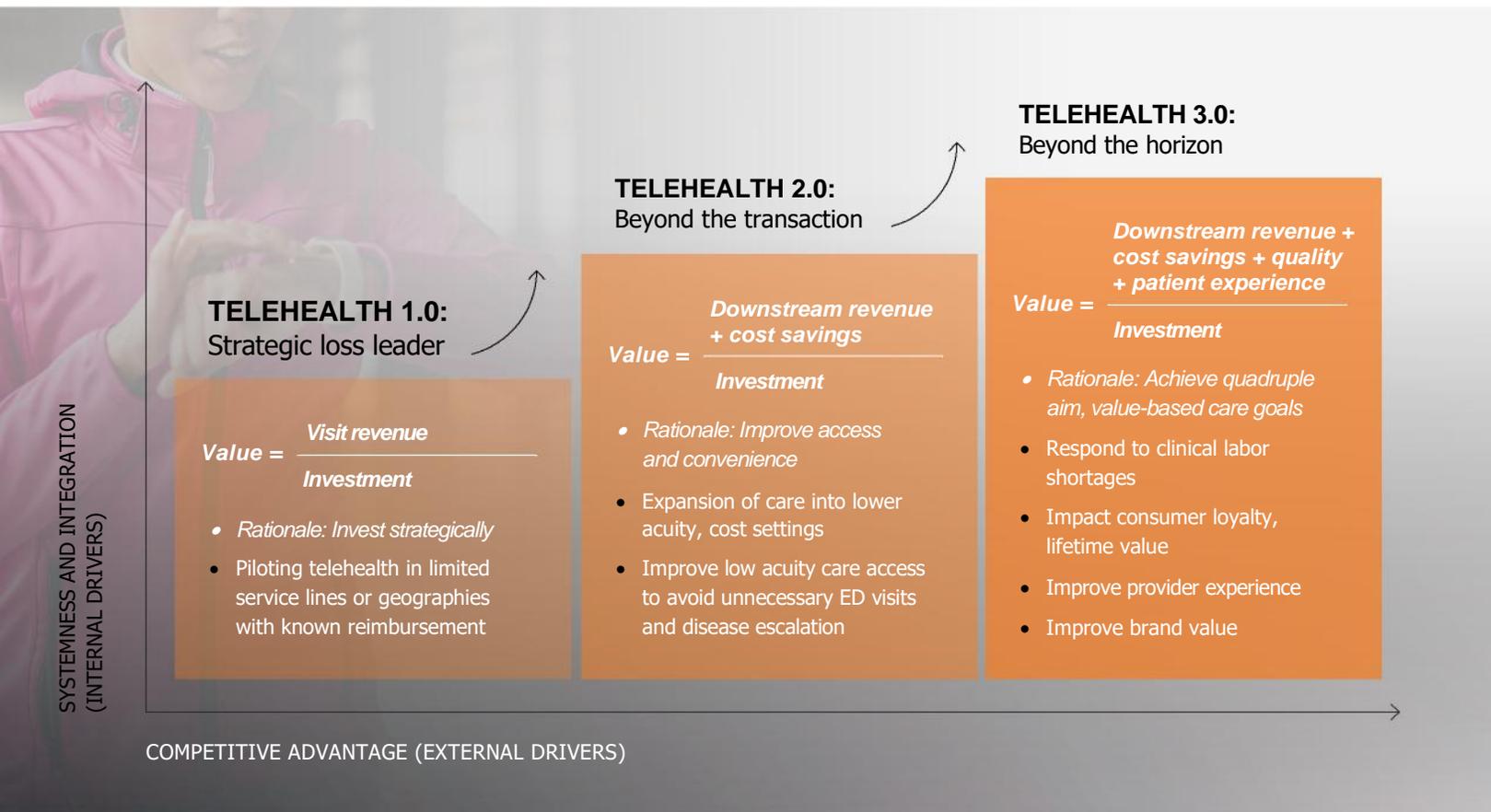
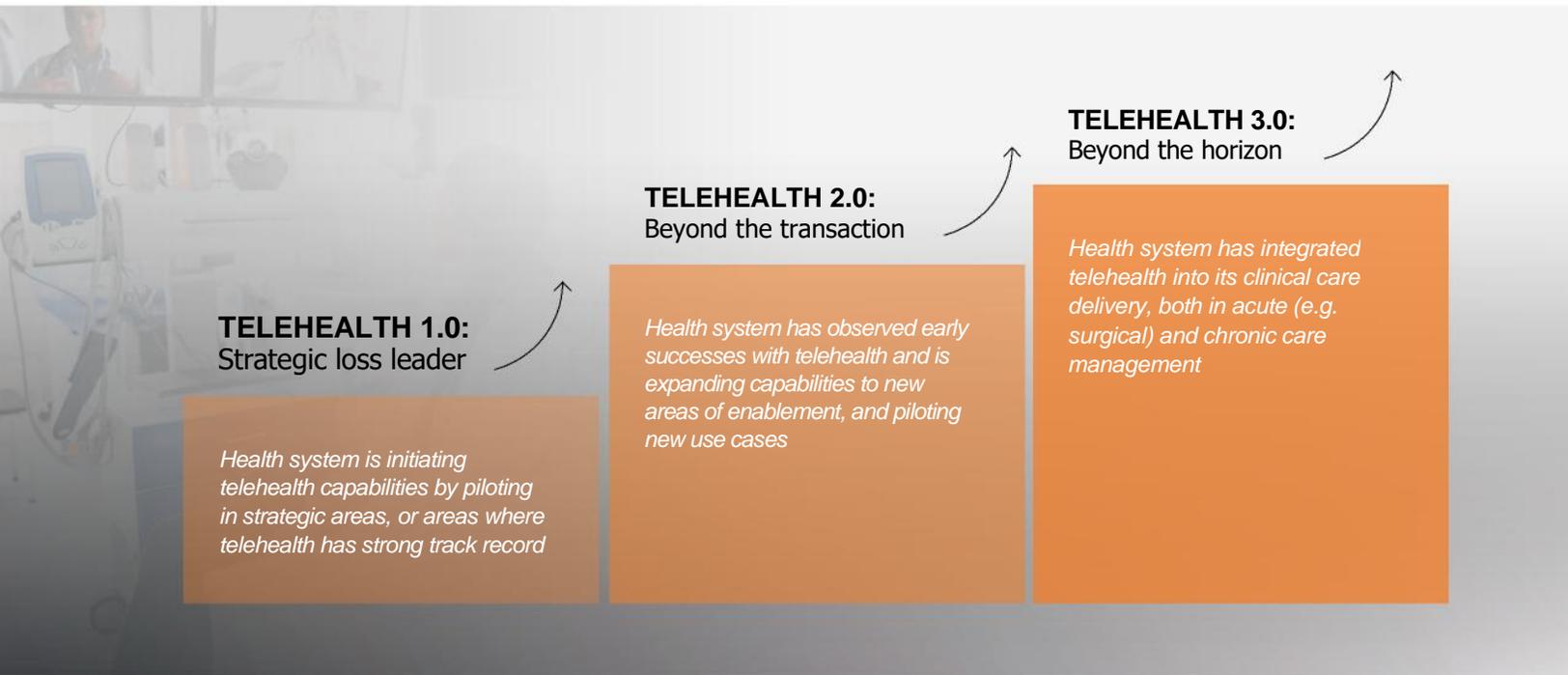


FIGURE 2: Three stages of strategic telehealth evolution



Type of use cases

- Pilot in a specific service line, geography
- Enable competitive clinical service lines (for example, telestroke, cardiovascular, oncology)
- Expansion of telehealth to new service lines, geographies
- Pilot telehealth for new clinical uses, for example, home monitoring, chronic care management
- Digital-first approach to low acuity triage and navigation (for example, skin rash evaluation prior to dermatologist visit)
- Telehealth enablement of regional, national, international offerings
- Integration of telehealth into longitudinal chronic condition and disease management

Specific use cases

- Urgent care
- Primary care
- School health (pediatrics)
- Home monitoring and tracking of asthma, diabetes (for example, for ED triage)
- Behavioral health (new service line)
- Telehealth/digital Skin rash evaluation prior to dermatologist triage
- Telehealth evaluation of pre-surgical visit, and telehealth follow-ups post-surgery

FIGURE 3: Health system use cases for telehealth, based on stage

The beginning of the maturity curve "Telehealth 1.0" captured systems who viewed telehealth as a strategic investment. CFOs built their initial pro formas for telehealth investment based on narrow transaction projections that compared reimbursement against investment in expenses and capital. Their equation for telehealth ROI was simple:

$$\begin{array}{c}
 \text{VISIT REVENUE} \\
 \div \\
 \text{INVESTMENT} \\
 = \\
 \text{TELEHEALTH 1.0} \\
 \text{Value}
 \end{array}$$

With telehealth reimbursement lagging nationally, telehealth quickly became viewed as a loss leader. "Most of our early investments were faith-based," Zimmerli said. "Innovative investments equal losses. Investments in telehealth were expensed, not capitalized. When we first started, we couldn't build a business plan for telehealth with legitimate assumptions." This focus on immediate realizable net income has constrained resource allocation for virtual care initiatives.

$$\begin{array}{c}
 \text{DOWNSTREAM REVENUE} + \text{COST SAVINGS} \\
 \div \\
 \text{INVESTMENT} \\
 = \\
 \text{TELEHEALTH 2.0} \\
 \text{Value}
 \end{array}$$

However, as systems continued to experiment with virtual visits, CFOs began to see new use cases for telehealth that could address the limits of brick-and-mortar assets. These new use cases of virtual care offerings represent a "next generation" for addressing clinician labor shortages and patient access challenges in ways that are cost effective and responsive to achieving desired returns on invested capital.

In Mayo Clinic's case, virtual visits play a significant role in the first visit a patient has with the system, where clinical pre-work and administrative touch points can be done virtually. This enables Mayo to suspend its geography and expand its reach, effectively serving patients nationally and internationally.

Using this expanded definition of telehealth value, the "Telehealth 2.0" value equation allows CFOs to take into account indirect cost savings that extend beyond the immediate transaction:

$$\begin{array}{c}
 \text{DOWNSTREAM REVENUE} + \text{COST SAVINGS} \\
 + \text{QUALITY} + \text{PATIENT EXPERIENCE} \\
 \div \\
 \text{INVESTMENT} \\
 = \\
 \text{TELEHEALTH 3.0} \\
 \text{Value}
 \end{array}$$

As they prepare for a true valued-based, consumer-directed health care world of the future, health systems must look even farther beyond the horizon. Organizations are beginning to experiment with expanding telehealth to new service lines and are benefiting from the halo effect it creates with indirect revenue and costs. Telehealth can provide value in all aspects of the new Quadruple Aim. Telehealth is one of the digital advancements that leading organizations will use to build a sustainable competitive advantage in the future.



DIRECT REVENUE/ROI

- Pilot in a specific service line, geography
- Enable competitive clinical service lines (e.g. telestroke, cardiovascular, oncology)

INDIRECT REVENUE/ROI

- Expansion of telehealth to new service lines, geographies
- Pilot telehealth for new clinical uses, for example, home monitoring, chronic care management

COST REDUCTION

- Digital-first approach to low acuity triage and navigation (e.g. skin rash evaluation prior to dermatologist visit)
- Telehealth enablement of regional, national, international offerings
- Integration of telehealth into longitudinal chronic condition and disease management

MAKING THE (CAPITAL) INVESTMENT IN TELEHEALTH AND VIRTUAL CARE

So how does the pragmatic CFO make sound business investments in telehealth and apply them to his or her system and market? How much should CFOs invest, particularly given scarce capital resources that require careful prioritization of investments?

CFOs of health care systems must help their organization set its strategy and achieve its objectives. Yet, determining how to deploy capital to support strategic goals is challenging in an industry that is transitioning from a traditional patient volume-driven model to a risk-taking payment model. And best-estimate budget forecasts do not allow for volatility with innovative investments. Dahlen admits that there is no silver bullet answer, especially as reimbursement continues to lag. Telehealth works best when it's properly integrated with the rest of care delivery. "Mayo's approach has been: This is happening. We've got to do this. How do we make it work?" Dahlen said.

To master risk and capital allocation in a value-based ecosystem, finance leaders need to use a consistent economic basis that allows for risk-adjusted planning and communication across the organization and to their boards. A driver-based financial model, or DBFM, is essential because its core design starts from key drivers of health care finance: patient population volumes, service levels and payer arrangements. These uncertainties are now increasingly combined in a Monte Carlo simulation to quantify the market potential (Telehealth 3.0: Beyond the horizon) and risk associated with future telehealth investments.

Dahlen explained that Mayo approached telehealth and virtual care as a strategic investment. Because Mayo faces excess demand for its services, Mayo's physician and executive leaders began to consider how they could decrease the cost of delivering care while addressing capacity constraints of the capital (for example, operating rooms) and people associated with the high-acuity, complex care that Mayo often provides.

Though Mayo's situation is fairly unique, CFOs across hospitals and markets of all shapes and sizes can decompose their costs across their portfolio and identify areas where virtual care resource allocation can decrease costs and increase growth. When Mayo used this exercise, they identified that they could conduct virtual follow-up visits with patients who had traveled to them for complex care, thus increasing their regional and national presence.

About Mayo Clinic

Mayo Clinic is a nonprofit organization committed to clinical practice, education and research, providing expert, whole-person care to everyone who needs healing. It has major campuses in Rochester, Minn.; Scottsdale and Phoenix, Ariz.; and Jacksonville, Fla. Mayo Clinic in Minnesota has been recognized as the best hospital in the nation for 2019-2020 by U.S. News & World Report.

This year, 1.3 million people from all 50 states and 138 countries came to Mayo Clinic for care.

- **Staff physicians and scientists:** 4,878
- **Administrative and allied health staff:** 60,336
- **Total clinic patients:** 1,200,000
- **Hospital admissions:** 129,000



Using virtual care as tomorrow's solution to today's problems: Improving care, access and burnout

The health care landscape is facing more competition and disruption than ever before, as stakeholders in and outside the industry demand more, and non-traditional competitors enter areas throughout the entire supply chain. Growing evidence shows that telehealth and other digital modalities are required to compete on quality, access and patient satisfaction with a range of offerings. Health systems, who are positioning themselves to continue and thrive in this new reality, must leverage the full potential of telehealth and other digital advancements to attract and retain volume and to protect revenue from both traditional and non-traditional competitors.

CFOs are also grappling with where virtual care innovations will best replace brick-and-mortar capital investments, such as addressing problems that have reached the maximum degree of being solved with a brick-and-mortar solution. For example, by 2025 more people will be living longer including the chronically ill population. Reaching this population wherever they live, work or play will be essential to managing their health and improving their quality of life. Their satisfaction of care will result in increased self-referrals and physician referrals. In addition to chronic condition management, telehealth can aid in addressing labor shortages, patient access to care and meeting consumer demands for convenience (see Table 1 below).

CHALLENGES

Patient access to primary care

Physician, nurse and other clinical labor shortages

Chronic condition management

Consumer preferences for convenience

BRICK AND MORTAR SOLUTION

Low acuity primary care physician or urgent care nurse requires patients wait for an appointment for days and wait at an urgent care center.

Clinical manpower shortages are addressed by practice acquisition, costly recruitment, staffing companies or by managing demand.

Chronic-care patients are seen and monitored by specialists at a hospital with regular frequency.

In 2010, consumers spent 121 minutes on average per health care transaction¹ time they feel they don't have and don't want to spend on traveling to or waiting for a doctor.

VIRTUAL CARE SOLUTION

Patients seen by an advanced practice provider and seen on demand for low-acuity care in under 10 minutes with triage and navigation capability.

Scarce clinical manpower is made more productive through digital practices serving a geographically distributed system.

Chronic care patients are monitored remotely at home with a specialist and in home support.

Patients seen at own home or other location using a cell phone, tablet or computer allows busy and traveling persons to get the care they need without sacrificing other commitments.

PATIENT ACCESS AND CLINICAL LABOR SHORTAGES, BURNOUT

Consumers want access to basic primary care without having to visit an urgent care center, emergency department or physician office. Yet many health systems and markets are facing primary care shortages while dealing with existing physician burnout. Meanwhile, providers have new expectations of their own work-life balance and how that impacts how they want to practice.

"We are acutely aware of challenges for patients coming to our campuses. Thus, we view virtual care as an important enabler of patient access. It becomes even more important for patients the further they travel because of the opportunity cost of their own time," Dahlen said.

Consumer access to low-acuity care via telehealth allows us to rebalance clinical workload among local primary care physicians (PCPs) and advanced practice providers. Telehealth and virtual care can free up local PCP productivity for higher acuity care, particularly as a time savings equivalent of 18% of the primary care workforce can be saved with telehealth.³

CHRONIC CONDITION MANAGEMENT AND REMOTE PATIENT MONITORING

Telehealth can also improve chronic condition management and is already making an impact through remote patient monitoring at home. For example, "Hospital at Home" services covered by Select Health, the one million-member health plan at Intermountain, makes care "easier" and more affordable. Endocrinologists, mental health experts and consults from key specialists and sub-specialists have saved the health plan \$22 per member per year. Remote patient monitoring (RPM) is an effective way to ensure a potential complication doesn't get exacerbated or result in an unnecessary readmission. Recently, CMS has updated and expanded reimbursement to RPM to support continued adoption of this new digital modality.³

Many chronic disease patients don't need a "face time" interaction with a physician. An online chat service, a cousin of telehealth, staffed by a specialized health coach may be sufficient to answer a patient's question. Endorsement of digital and consumer-focused modalities is understandably vital for the health system. We see more health systems able to provide the touch points chronic patients need without the attending physicians feeling any loss of control.

Depression, for example, is common in patients with a chronic illness. Behavioral telehealth providers offer a different level of empathy and compassion that meets a patient's needs. Telehealth can improve quality and outcomes around procedural conditions and is finding its way into the package of services offered by the system as a "center of excellence."

"The physician leadership at Intermountain concluded years ago that more and more hospitals will be big ICUs. Our physicians originally thought we were going to need warehouse-like facilities to house the growing frail elderly population," Zimmerli said. "Now we use digital sensors to prevent falls at home sensing a gait change can message a control center that a visit is required. The independent living industry is already creating "smart" facilities to monitor elderly residents. Sensors are gigantic."

As the number of people with chronic conditions and polychronic conditions continues to grow, telehealth services will play a significant role in successfully managing the quality and cost of care delivered to these patients.

About Intermountain Healthcare

Intermountain Healthcare is an integrated, not-for-profit health system headquartered in Salt Lake City, Utah. The health system consists of nearly 40,000 caregivers who serve the healthcare needs of people across the Intermountain West, primarily in Utah, southern Idaho, and southern Nevada.

- **Health Services:** 215 clinics; 24 hospitals (includes virtual hospital); and telehealth services provided across a six-state area
- **Intermountain Medical Group:** 2,400 employed physicians and advanced practice providers; 3,800 affiliated physicians
- **HealthCare Partners Nevada:** 340 employed physicians and advanced practice providers
- **SelectHealth:** health insurance plan covering approximately 900,000 people in three states



As the number of people with chronic conditions and polychronic conditions continues to grow, telehealth services will play a significant role in successfully managing the quality and cost of care delivered to these patients.

NEW PATIENT DEMANDS FOR CONVENIENCE, ACCESS

Providing access to virtual care for patients who demand convenience is also important to driving patient satisfaction and experience. More organizations are using Net Promoter Score (NPS) as their measurement for customer loyalty and are correlating their scores to higher revenues, customer retention and lower costs. "The old dinosaur thinking of 'you come to us when we're open' has to change as we move away from volume to value," Zimmerli said.

Traditional in-office care won't go away, but flexibility and optionality in accessing it are the name of the game in health care. Telehealth needs to be an option for an increasingly empowered consumer. "Increasing access to clinical specialties that are otherwise not available was the primary driver when the system first started investing in telehealth about 10 years ago. It allows a health system to scale services in an 'asset-light' manner and stay more focused on leveraging the physician group," said Zimmerli. "It is also an opportunity to reach patients where they want care in their homes."

If we build it, will they come? Roadmap to Telehealth 3.0

So how does a CFO know where his or her system sits on the telehealth maturity curve? And where should the system be? The answer is largely driven by the use cases that telehealth would address (the system's goals for telehealth) coupled with how much telehealth enables that use case for its market (market competitive dynamics and consumer adoption). It may be surprising that reimbursement and type of contract (fee-for-service versus value-based) are secondary drivers here, but as mentioned above, CFOs can either use value-based reimbursement as the primary driver of telehealth revenue, or can approach telehealth as a cost-saver to offset investment costs.

Adoption of telehealth and digital care has historically been slower than originally projected, driven by limited coverage in markets, regulatory restrictions on services, and consumer questions over quality and continuity of care. However, growing coverage, expansion of digital capabilities in health care and other industries, and increasing consumer demands for convenience all indicate that telehealth adoption is at an inflection point and poised for significant growth.

DRIVING CONSUMER ADOPTION: WHO, WHY, AND HOW?

Health care is local, and consumer preferences in health care are local, too driven by a combination of the demographic mix, health care landscape and non-health care influencers, such as how consumers shop and interact with other services. CFOs who are seeking to drive consumer adoption with their telehealth offering should start by using data, such as journey maps and segmentation, to determine [what their consumers want and value in telehealth](#), as well as the overall attitudes and behaviors that shape consumers' health and health care choices.

Creating a journey map of consumers' telehealth journey and comparing it to a comparable brick-and-mortar health care experience journey will provide insights into awareness, selection, experience and willingness to be a repeat telehealth patient. This data-driven tool can also test hypotheses about [consumers' willingness to use telehealth](#), their perceptions and misconceptions about its capabilities, and its relative costs. CFOs can couple these insights with consumer segmentation models to highlight which segments of consumers value convenience most, which are more likely to adopt new digital technologies, and which may benefit the most from the telehealth use cases.

"We try not to guess what people want; we ask them." Zimmerli shared. "For example, patients with chronic conditions love digital care that keeps them from having to travel and park. Adoption [in telehealth] is across all age cohorts."

CFOs can then use insights generated from the journey mapping and segmentation data to develop targeted marketing campaigns to drive awareness in telehealth with the consumers who will want and use it the most. These insights can also help ensure that the offering meets the needs of those consumers and addresses any questions or concerns they have about it, such as cost, quality or interoperability. This consumer-centric, data-driven approach will maximize ROI and experience.

GETTING STARTED

Whether their institution is a part of a larger health system or a super-regional hub of its own, CFOs need to align their clinical leadership on the importance of telehealth and where it can deliver more value. "CFOs need the C-suite to be engaged. Your passion helps, but without the CEO's support, this is difficult," said Zimmerli.

Health systems seeking to contract with payers and employers as one system should also integrate telehealth into their overall contracting strategy. As more payers and self-insured employers include telehealth as a benefit, CFOs can identify key clinical modules, such as urgent care and tele-stroke, in contract negotiations. With the support of a telehealth vendor, CFOs can initiate contracting with strategic payer partners and follow their negotiation calendar until each major payer category is addressed, including local and national commercial payers, Medicare Advantage and Medicaid. Finally, provider compensation must be revisited. Traditionally, provider compensation and reimbursement for telehealth tied hand-in-hand, but moving forward, a more comprehensive, value-based approach should be used when incorporating telehealth into primary care and specialty care practices to ensure provider buy-in and adoption.

Conclusion

CFOs must examine where their organizations are in their evolution of telehealth maturity and virtual-visit adoption, a critical step to both understanding and achieving ROI with this important modality. Moving from Telehealth 1.0 to Telehealth 3.0 is moving beyond thinking about telehealth as a transaction, and moving toward seeing it as a solution to critical challenges that systems will continue to face in coming years.

On the supply side, physician burnout, productivity demands and providing cost-effective, high-quality, integrated care can be better addressed with a well-integrated telehealth solution. On the demand side, although adoption has been slow to date, there is growing evidence that convenient, accessible care similar to what consumers receive in other industries will become a dominant driver of consumer choice. Telehealth will become an increasingly attractive way to receive care for the majority of consumers, regardless of age, geography or insurance coverage.

As such, most health systems will need to operate at "Telehealth 3.0" within the next two to three years to sustain a competitive advantage. And CFOs who can guide their organizations through this journey will be able to capitalize on the strategic and financial value telehealth can create.

" CFOs need the C-suite to be engaged. Your passion helps, but without the CEO's support, this is difficult," said Zimmerli.

About the authors



DAVID KIRSHNER

is the former senior vice president/chief financial officer of the University of Rochester Medical Center and Boston Children's Hospital. He currently serves as an executive advisor at American Well.



BECCA LOCOCO

is a partner in the Optum Advisory Services strategy and growth consulting practice.



STEPHEN KUTNER

is the president and founder of Market Innovations, Inc., a health care behavioral economics consulting firm.

Special thanks to Bert Zimmerli from Intermountain Healthcare and Dennis Dahlen from Mayo Clinic for their participation and insights into this article.

MII · market innovations inc.

Market Innovations, Inc. (MII) is a behavioral economics consulting firm focused on helping healthcare clients develop innovative and pragmatic strategies to grow their businesses profitably and sustainably, while at the same time, minimizing risk. The founders and core team of MII are a group of highly experienced multi-industry management consultants with advanced degrees in economics, business, accounting, statistics, and marketing science who share a common commitment to helping healthcare clients achieve higher levels of productivity and value creation and solving real-world issues by working with them to *envision, innovate and improve* their organization.

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