Telemedicine services take center stage for convergence

By Richard Bakalar, M.D. and Ashraf Shehata, KPMG in the U.S.

Telemedicine has finally come of age. And with it has come the promise of better patient outcomes, lower costs, increased access, greater patient engagement and improved safety; essentially all the things that our current health system aspires to achieve. That’s why we believe that telemedicine will play a major role in the convergence story that is currently unfolding across the country.

Driving change

All across the country and around the world, we have seen providers, health plans and even life sciences organizations start to invest in new telemedicine approaches. Consider, for example, the increasing number of U.S. providers using the telestroke service; Aetna’s purchase of Healthagen (the developer of the popular health app iTriage); or Sanofi’s introduction of an iPhone-enabled blood glucose monitoring device.

These aren’t just savvy bets on new technologies. Rather they are strategic forays into new models and approaches to care that put the delivery of value ahead of the delivery of services. The telestroke network, for example, has placed a greater focus on delivering more timely and impactful treatment and, in doing so, has helped providers increase their collaboration; iTriage allows patients to search for providers based on quality measures such as wait times, patient feedback and effectiveness ratings; Sanofi’s device moves the company closer to its customers and creates new and more stable revenue streams.

While this clearly shows that major players are lining up behind telemedicine, it also shows that they are willing to blur their traditional roles in the health sector to achieve a more effective and efficient system of care and protect their place in the ecosystem. Providers are partnering with health plans to define new telemedicine reimbursement models, health plans are acquiring and developing mobile applications aimed at enhancing provider quality, and life sciences organizations are moving closer to their customers by delivering services as well as products.
The protagonist enters

Clearly, telemedicine plays the role of catalyst to convergence. But we believe that—over the next decade—telemedicine will also emerge as the hero of the convergence story. That’s because telemedicine offers a viable and cost-effective enabling solution to many of the challenges facing our healthcare system today.

Telemedicine services can increase access to healthcare, particularly for those in hard-to-reach, remote or hard-to-serve urban populations where physical facilities are simply not available or cost effective. It can lower costs, partly by reducing the necessary overhead of physical facilities, but also by cutting down the use of costly emergency room and outpatient services. Evidence also shows that telemedicine can improve patient outcomes and safety (initiatives such as telestroke make clear the health value of these approaches).

But it may be the more esoteric characteristics of the transformation that surround telemedicine services that make it such a hero. For instance, the implementation of a telemedicine strategy or approach often requires parties to take a long and hard think about how they share data and how they are currently being reimbursed for the delivery of “remote” services or consultations. This, in turn, has forced many to consider new metrics and payment models based on quality, effectiveness and outcomes.

Indeed, since telemedicine services often drive data sharing and secondary health analytics across firewalls and organizational silos, it is often seen as a valuable step towards a range of new benefits such as the better identification of cohorts, the ability to manage by exception and more appropriate targeting of resources. Good news for a system that is starting to shift from payment-for-service to payment-for-value.

Telemedicine is also highly geared towards diagnostics, monitoring and prevention (versus, say, surgery or other treatments which require physical interaction), which means that providers and health plans are now starting to think more clearly about their patients’ or members’ overall health and cost to serve rather than simply viewing costs on a use-by-use basis. And this, in turn, will form the foundation of a system that is focused on quality and outcomes rather than products and services.

The buck stops where?

So if telemedicine is a panacea for some of the symptoms that are reducing the effectiveness and efficiency of our system, why has it not been widely embraced, adopted and implemented across the country?

Unfortunately, one of the biggest reasons comes down to reimbursement. And herein lies the rub: while everyone is fairly clear of the benefits that telemedicine can deliver at the system level, the financial incentives are not implicitly clear for any one single party. What that means is that nobody is taking responsibility for investing in, driving or promoting the model within individual networks or across the wider system.

One need only look at the success enjoyed by the U.S. Department of Veterans Affairs (VA) to see why ownership counts. The VA found inherent value in using telehealth approaches to reach service men, women and their families across the country and around the world. With a clear value proposition and business case, the VA acted as both the health plan and the delivery mechanism (and, one could argue, the regulatory authority) which meant that services were deployed rapidly and collaboratively. Today, the VA runs one of the most successful and efficient telemedicine programs in the world.
Your new silver bullet

While the VA example may currently be the rare case where health plans, providers and regulators all live under one roof, we believe that the current changes in the environment are already creating a new focus on implementing and expanding telemedicine services.

Many, particularly those that are on the path towards becoming more “Accountable Care Capable,” are already starting to see the application of telemedicine services as a massive opportunity to reduce costs, improve quality and enhance operational performance. Even those organizations still purely focused on the more traditional (pay-for-service) model are finding opportunities to benefit from telemedicine services, either by providing reimbursable services (such as telestroke or video-based mental health programs) or by leveraging technology to reduce existing cost structures.

Ultimately, as convergence takes hold and more of the risks and rewards are shared between the health plans and providers, we will start to see some of the necessary broader financial models emerge. In other words, as providers become more accountable for quality, timely access and financial/revenue outcomes (i.e., the delivery of value), we will start to see a flood of providers adopting these technologies for their own self-interest as a tool to help them manage their contracts better.

What remains to be seen is how the current ecosystem will recalibrate around a telemedicine service model based not on products, time and interventions but rather on quality, appropriateness of service and health outcomes. Those that are able to get this right will find the transition into a new, more converged system to be full of opportunity. Those that do not will find it increasingly hard to survive.

These days, it seems everyone is talking about healthcare transformation. However, “transformation” really only focuses on a subset of what is currently happening in the U.S. healthcare ecosystem, and does not adequately address what is happening more broadly at a systemic level.

At KPMG, we believe that healthcare health plans, providers, and life sciences companies should be thinking beyond transformation and focus more on healthcare “convergence” and the broader implications of operating in a more collaborative and integrated U.S. healthcare delivery model. While transformation of current operations is likely going to be a business requirement, the real question for forward-looking organizations is what role they plan to play in a new and more converged health system.

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With more than 1,500 U.S. partners and professionals supported by a global network in 150 countries, we offer a market-leading portfolio of tools and services focused on helping our clients adapt to regulatory change; design and implement new business models; and leverage technology, data and analytics to guide them on the paths to convergence.

Our professionals can assist throughout the transaction life cycle, depending on the health plan’s resource constraints. This can include marketplace research and thought leadership in establishing a strategic road map, as well as support with target identification, deal structuring, valuation, due diligence and integration assistance, all helping to translate strategy to successful execution and outcomes.

Contact Us

Dr. Richard Bakalar
Partner, Global Center of Excellence
rbakalar@kpmg.com

Ashraf Shehata
Principal, U.S. Healthcare Payer Lead for Advisory and Global Center of Excellence
ashehata@kpmg.com

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