

The Powers Report Podcast

Episode 23

Telemedicine: Your Doctor is In. Your Telemedicine Company is Out.

Welcome to The Powers Report Podcast. I am your host, Janis Powers. The show brings you candid, unique and data-driven perspectives on the health care industry. I believe that any solution that is going to positively impact the American health care system has to satisfy two major criteria: financial viability and behavioral incentive alignment. In other words, access to high quality care can only be achieved if we can afford it, and if we behave in ways that optimize our health. Please subscribe to our show on iTunes or on your preferred podcasting platform and connect with us on social media. Again, this is Janis Powers, and welcome to The Powers Report Podcast.

To quote famed modernist architect Mies van der Rohe, "Less is more." That's how we feel about meeting face-to-face since the arrival of Covid-19. In health care, nothing says less is more than seeing your doctor virtually through your computer or phone. Your doctor is in – and so is telemedicine.

So what exactly is telemedicine? The standard definition is that it's a virtual experience between a patient and a medical professional, typically a doctor. It can be a quick consult, like to get medication for that pesky pink eye, or it can be a longer session, such as a 45-minute talk with your therapist. These sessions are, hopefully, completed over a network secured by your provider.

Investors love telemedicine. In 2018, Telehealth companies raised \$3.3 billion (1). They were on track to raise \$2.6 billion last year. Some noteworthy investments: Babylon Health scored \$550 million in a Series C raise. Teladoc, which is one of the first major telemedicine companies, is publicly traded. A year ago it was trading at under \$70 a share. It slowly started to inch up at the end of 2019 and then really took off during the pandemic. It recently traded over \$200 a share – which means it's tripled in value.

Telemedicine has long been touted as a way to bring down costs in the American health care system. One nagging problem in health care is the inappropriate use of the emergency room, or ER. One recent analysis identified \$8.3 billion in unnecessary costs because of inappropriate ER use (2). This analysis focused on individuals with chronic disease who came to the ER to treat conditions that the researchers believed could have been dealt with in a cheaper setting. Meaning a clinic or a doctor's office. Or maybe with telemedicine.

ERs are also used as primary care for the indigent, who can't pay for care. And folks who like convenience will use an ER because ERs are always open. By law, anyone who comes to an ER

must be stabilized and treated. That law is EMTALA, or the Emergency Medical Treatment and Labor Act, which was rolled out in 1986.

Telemedicine is supposed to help fix this problem. The idea is that patients would connect with their doctor before going to the ER to see if they needed to go to the ER.

Yet odds are, if you're concerned enough to have a telemedicine visit, you probably would have called the on-call doctor at your practice before going into the ER. Doctors have been available by phone 24/7 for decades. Their availability hasn't stopped inappropriate use of the ER, so why would telemedicine?

Maybe patients feel that since the doctor can *see* their problem, then the doctor will have a better ability to determine whether the patient should go to the ER, or if they should just tough it out until they can get into see their regular physician.

Sadly, the American health care system is one of the most litigious industries in the world. If there is even a remote chance that the patient should go to the ER, a telemedicine doctor is going to recommend they go. That doctor doesn't want to be on the hook for telling someone not to get emergency care, only to find out later that the patient's health took a nosedive.

If the patient winds up going to the ER after all, then telemedicine has actually *increased* costs in the health care system. There are the costs for the ER visit plus the cost for the telemedicine encounter.

This increase in unnecessary telemedicine utilization has been documented in studies (3). In the end, analyses on telemedicine-related cost reductions in the ER depend on the types of patients being studied and whether or not a patient would actually NOT show up in an ER. Just because we use logic to explain to people that they shouldn't go to the ER doesn't mean they're going to listen. We all know fast food is bad for us, yet we eat it anyway. Until we change EMTALA, we're never going to stop people from misusing ERs.

One area where telemedicine has definitely increased costs is in the mental health space. I'd have to say that this is probably for the best. Consider someone depressed and lonely. The last thing this person wants to do is clean themselves up, show up for an appointment halfway across town and then sit, face-to-face, with a therapist who's scrutinizing their every move. I know not every experience is like this, but you get the idea. It's a heck of a lot easier to talk to your therapist from the comfort of your couch on your iPad.

Which means that more people are likely to use telemedicine for mental health and Covid-19 has put virtual mental health visits into overdrive. Consider this astonishing factoid (4). Blue Cross Blue Shield of Massachusetts tracked telehealth visits for mental health services. In February 2020, claims for these telehealth visits were at about 200 a day. In May 2020, the daily claims number was 38,000!

This may be an artificial blip because being cooped up during the pandemic has caused a lot of us to be depressed. In fact, in May, one study showed that 50% of Americans were in a depressed mood – which is twice the normal rate (5). (Which is pretty sad. One out of four Americans feel depressed during normal times? Yikes!) Not surprisingly, the pandemic has been a correlating factor to the recent rise in prescriptions for antidepressants. It's no surprise that mental health visits are up too.

Maybe virtual mental health visits will stay at these levels now that people have discovered this convenient outlet. But it does beg the question of whether convenience is driving the needs for all these mental health visits or if there's a severe medical issue that needs to be addressed. Probably a little of both. But again, this is America. When in doubt, access health care.

I should qualify that and say, Access health care *if you can*. As noted, anyone can access health care through the ER. But not anyone can access health care through telemedicine.

Sadly, some of the people who could most benefit from telemedicine can't use it. Rural Americans are ideal candidates for telemedicine because many are far away from a doctor's office, let alone a hospital. People living in rural communities have to travel about twice as far to get to a hospital as everyone else. Average travel time is about 17 minutes (6). That data comes from a study that was published in 2018. 34 rural hospitals closed during 2018 and 2019, so that travel time has to have increased considerably (7).

Unfortunately, the internet capabilities required for telemedicine are not available in all rural communities. Without the network, there is no telemedicine. There are many efforts underway to improve access to better network services in rural America. Given that so much schooling went online during the pandemic, this issue has received even more attention and can hopefully get addressed.

Now I'd like to transition to more of a state of the industry discussion. Who are the interesting players and what are they doing? Spoiler alert: I think telemedicine companies are radically overhyped and in five years we're going to see a remarkably different landscape. Why? Because you don't need a telemedicine company to do telemedicine. All your provider needs is a secure network and maybe some built-in billing capabilities.

I'm not saying that anything that has to do with billing in the health care system is easy. In fact, the billing part is probably harder than dealing with data security and privacy. But none of this is rocket science and the entire process is highly replicable. Meaning everyone needs basically the same thing and any one company isn't going to corner the market with some special intellectual property around its telemedicine technology.

To me, telemedicine is about the network of doctors you have available. Like a call center for health care. Really. If the idea is that you're going to get immediate access to a doctor on the fly, then you've got to have tons of doctors at the ready to take a call, and that happens in a

model akin to a distributed call center. Where do you think telemedicine company Doctor on Demand got its name? They are so clever!

So a telemedicine company has to have a lot of doctors on its roster. It has to hit that sweet spot where there are enough doctors available to field calls so no one has to wait, but there aren't too many doctors on staff where they aren't fielding calls most of the time. That's a tricky operational issue, but once you've nailed it, where to next? How does a telemedicine company grow? How does someone like Teladoc justify a stock price that's tripled in less than a year? Is there really triple the demand for telemedicine?

So, yes, we've seen increases in mental health. That's a great use of telemedicine. Another good use is follow-ups with specialty doctors after, say, surgery. Yet this shouldn't be call center material, right? If I've had my body sliced open and I need to get the incision checked, I want the doctor who did it – or at least someone from his or her staff – to look at it. Same thing with any follow up that you've had with a specific doctor. Telemedicine is a cheaper and more convenient way to do it. But my doctor doesn't have to be affiliated with Teladoc for me to have that encounter. Again – they just need their own network.

Telemedicine has a natural growth ceiling. It is terrific for primary care, for basic health information and mental health. But we want our own doctors to treat us, not some randomized stranger in a lab coat talking to me on my phone from some far-flung location on the other side of the world.

Some telemedicine companies are trying to grow by offering more diagnostic services. Consider Tytocare (8). This is a company that provides diagnostic tools to the patient so they can use these devices on themselves or someone else. According to their website, "With Tyto, a healthcare provider can examine your heart, lungs, throat, ears, skin, abdomen, heart rate, and body temperature." The user operates the devices under the guidance of a physician, allowing the doctor to get better diagnostic information. That is awesome. As long as everyone in America gets their diagnostic kit. It costs \$300 from Best Buy.

Also important, Tyto has to contract with your doctor to enable you to work with them to use these devices. If not, I guess you can use one of Tyto's doctors.

There is certainly a market for this. Kids with chronic ear infections or people with chronic disease can use these devices. But the devices are a limiter.

If devices are needed to help broaden telemedicine's market, then the device maker may be the one with the real differentiating offering. Like FitBit, now owned by Google. Or something like the Apple Watch. Heck, you can even get a portable EKG called AliveCor on Amazon through KardiaMobile for \$89.

So let's say I am FitBit and I'm tracking your sleep quality. If the device detects something let's say, doctor-worthy, why would FitBit connect you to a doc-in-the-box via a telemedicine

company? If FitBit is monitoring your sleep, it has probably asked you who your doctor is. If there's a problem, then FitBit will call your doctor, not a telemedicine company.

I think some telehealth companies are trying to be your medical record in an app. Take a look at Babylon health (9). Here's the tagline from their website: "We're for health, for all." I don't know who came up with that but don't we all already have health? This is like listening to an airline pilot tell you there's going to be a flight delay because, "There's weather in the Dallas/Fort Worth area." Isn't there always weather in the Dallas/Fort Worth area? Doesn't the pilot mean that the weather is bad in the DFW area?

Anyway, just to remind you, Babylon received \$550 million in funding in its Series C raise last year. I guess there's confidence that Babylon can bring health— whatever that is — into the hands of everyone around the world. Props to Babylon for their ambitious goal. The global perspective is not very American. Our system is so messed up we can't think about helping the rest of the world. So it's interesting to note that the CEO of Babylon is a British-Iranian entrepreneur. They scored a massive coup by getting a contract with the UK National Health Service – NHS – to provide telemedicine.

I'd love to see them score a contract with the Centers for Medicare and Medicaid (CMS) to provide telemedicine to the Medicaid population. But that would be hard since Medicaid is funded through federal and state dollars. So Babylon would have to go to individual states to offer their services.

Or, they offer it through Medicare. I can't see than happening.

The rest of America (over 50% of us) gets its insurance through their employer or we buy it ourselves or we're uninsured. So Babylon has to compete with all the other telemedicine companies here in the U.S.

What's interesting about their model is that they seem to want to put all your health care into an app. They want your health information, which is why they have a snazzy-looking feature called Health Check. That takes some health indicators and creates a visualization of your body. They also monitor your health through Babylon Monitor.

One feature about Babylon that gained notoriety is their artificial intelligence (AI) capability. The idea is that once you give Babylon your health info, it can make predictions about what's going to happen to you. Unfortunately, some of these predictions turned out to be wrong. It sounds like a platform that was rushed to market. And one would assume that now that the company has over a half a billion dollars, they can fix their AI.

I have to comment because my company, Longitudinal Health Care, has been playing around in this wellness space for a while now. If you've been listening to the podcast, you've heard me espouse the importance of preventive care in improving health outcomes. In my book, Health Care: Meet the American Dream, I called for primary health care visits to be mandatory so people could get the education they need to be healthy.

I still think those things are true. But I've come to the realization that just giving people information – like Babylon does through multiple channels in its app – isn't going to change behavior. As I said earlier: we all know fast food is bad for us, but we eat it anyway. Tracking our movements and reminding us, Big Brother-style, what we should or shouldn't do...well, I don't think that's going to change health care either. If I don't like the app, I'm just going to shut it down.

That's not to say that there isn't potential in communicating information in a cool way. I am in this space myself. But how does any of this make Babylon a telemedicine company? It doesn't. Babylon Health is a wellness company. And depending where you look, they claim to be more in the AI and digital space. But their websites present the company as a telemedicine provider.

Will governments and employers pay to have the telemedicine plus all the bells and whistles that Babylon offers? In America, employers expect wellness companies to improve outcomes. Part of their pay is connected to hitting health targets for employees. That will be on Babylon, to show that their neat features can improve outcomes. I hope they can do it!

In the meantime...

Other telemedicine companies are struggling to figure out what they want to be when they grow up. This is painfully apparent if you go to Teladoc's website. Bear with me because I am not making this up. The first tab on their website is "Ways We Help". If you go down the list, the expected offerings are there. Everyday Care, Mental Health, Dermatology, Nutrition, Medical Experts, Caregiver and then...STD Testing.

Oh my goodness where do I start?! Well, you folks know I like statistics, so let's start there. As an enticement to get you to do your STD testing through Teledoc, the following reassuring fact is front and center. "50% of all people will have an STD at some point in their lifetime." (10)

Really? The citation for this is an article called, "The epidemiology of genital human papillomavirus infection." I tried to access the article myself, but I don't have membership to the American Journal of Medicine. I can't tell if there's a stat in the article that says that 50% of Americans will get ANY STD or that they'll get HPV. If it's any STD, then the citation shouldn't be from an article that's about HPV.

By the way, the citation is from 1997. Like, practically, a generation ago. Since then, there's been a vaccine developed for HPV. From the Millennials onward, we're hoping to see a much lower than 50% prevalence of HPV in the population. This is the information offered up by a company with a market capitalization of almost \$15 billion.

Interesting follow-on point: Teladoc doesn't test for HPV. Why? Because HPV can't be detected in a blood test. You have to have either genital warts inspected or get a pap smear, neither of which seem particularly conducive to a telemedicine encounter.

If you're wondering about the claim that 50% of people will get an STD in their lifetime...well, according to Johns Hopkins, 50 to 80% of U.S. adults have oral herpes, which is considered an STD (11). The Centers for Disease Control and Prevention estimates that there were 1.76 million cases of just chlamydia in the U.S. in 2018 (12).

Why am I hammering on this so much? Because if Teladoc is going to grow their business into arguably the most sensitive area of health care, they need to get it right. I have no idea whether the lab testing that Teladoc provides is good or not. It's the set-up that's problematic. And I just don't see why anyone would come to a telemedicine doctor to get a test for chlamydia. My only thought is that the built-in doctor can get you a prescription for antibiotics, should you need it, once your lab results come back. You still have to register with Teladoc and go to one of their recommended sites to get the testing done. STD testing from a telemedicine company? This just seems like a real stretch.

If I were Teladoc, here's what I would be doing: looking for a buyer. I'd want to exit before my star started falling and everyone clued into the limitations that the company – any telemedicine company – can offer. An ideal acquirer? CVS.

CVS already has a deal with Teladoc to provide telemedicine to its customers (13). It makes sense. CVS has thousands of brick and mortar locations around the country where they offer primary care. CVS owns Caremark, one of the largest pharmacy benefits managers, so they own a portion of the drug supply chain. Offering telemedicine to CVS customers allows these patients to call a doctor, come into CVS for a check-up and if needed, get their medications.

Also noteworthy: Walmart has a relationship with Teladoc competitor Doctor on Demand (14). So far, the companies are offering telemedicine to Walmart employees. But Walmart is competing with CVS in the primary care clinic space and has a much broader suite of services in their stores. For example, some Walmart locations offer dentistry. Walmart has been slower to add telemedicine as an offering for customers, but they are sure to do so soon.

There are a lot of other Telemedicine companies out there. The service has improved patient satisfaction with certain aspects of the health care system by offering timely and convenient relief from basic health care problems. It's improved access to mental health care, which is wonderful for mental health patients. It's great for rural health communities. Telemedicine is here to stay. But telemedicine companies probably aren't.

In the meantime, please leverage virtual care during the Covid-19 crisis. Stay safe and do all you can to be as healthy as you can be.

This is The Powers Report Podcast. Please subscribe to our show and please follow me, Janis Powers, on social media. Please see our website at powersreportpodcast.com to submit questions and ideas on the Contact page. I look forward to hearing from you. Thanks so much for listening!

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