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HEALTHCARE SERVICES

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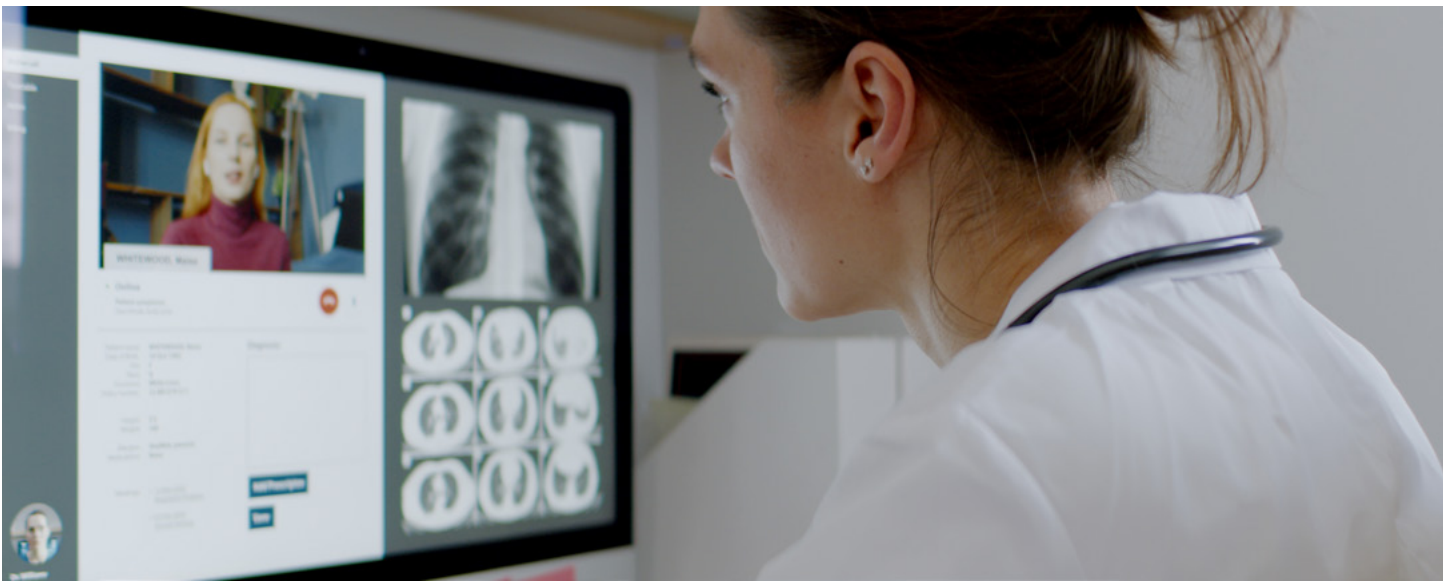
Accelerating success.

The Rise of Telehealth: Issues & Implications

The rapid growth and adoption of telehealth has been thrown into even sharper focus by the COVID-19 pandemic. In this special report we define telehealth and its various applications, look at its expansion and potential, while also considering the issues and challenges facing operators looking to implement and grow telehealth services. Finally, we address the implications of telehealth for healthcare real estate.

Key Observations

- › The COVID-19 crisis is further fueling exponential growth in telehealth. There has been a four-fold increase in the share of patients scheduling online appointments since the start of the pandemic.
- › Virtual visits between patients and healthcare providers are projected to reach one billion in 2020 alone.
- › Concern over reimbursement is the key issue cited by physicians as a potential barrier to telehealth expansion.
- › The CARES Act of March 2020 significantly expanded access to, and coverage for, telehealth services.
- › Consumer demand for flexibility and convenience suggests that telehealth is here to stay, although usage levels are expected to drop post-COVID.
- › Parity for in-person and virtual visits is critical to the continued utilization and broader adoption of telehealth by providers.
- › While telehealth affords providers the ability to downsize their space needs, it also creates the opportunity to expand services.
- › Telehealth is set to have a continued impact on the location and provision of healthcare services. It is viewed as complimentary to, rather than a complete substitute for, in-person care.
- › Post-COVID, while telehealth usage will remain prevalent, we also anticipate a “bounce back” in office visits as clients regain their comfort with traveling to in-person care.



Defining Telehealth

The Advisory Board defines telehealth as representing “the interactive, electronic exchange of information for the purpose of diagnosis, intervention or ongoing care management between a patient and/or healthcare providers situated remotely.”

There are three main modes of telehealth: eConsults, Remote Patient Monitoring and Virtual Visits. These can be summarized as follows:

- **eConsults** involve interactive, electronic exchanges of information between healthcare providers situated remotely. Using a virtual platform, providers can improve care management and coordination without face-to-face meetings. eConsults can be highly effective in a patient triage strategy by decreasing unnecessary referrals or transfers. The parties involved in an eConsult can vary. Primary Care Physicians (PCPs) may request clinical input from specialists, allowing for providers across multiple service lines to collaborate for care of chronic or comorbid patients and providers within a specialty can seek second opinions and reach a consensus on a treatment plan.
- **Remote Patient Monitoring (RPM)** involves the collection and transmission of data, often from outside clinical settings, to a provider and includes data analysis and alerts. RPM devices are typically Bluetooth enabled or Wi-Fi-compatible and can be internal, external, or wearable. Examples include heart monitors, CPAP machines and blood pressure cuffs.

RPMs allow providers to receive data on a continued basis that allows for patient monitoring and the adjustment of care plans. A rapidly growing area within RPM is “mHealth,” which refers to smartphone applications that assist with condition tracking and management.

- **Virtual Visits** are interactive, electronic exchanges of information that take place between patients and providers, thereby reducing the need for in-person appointments. Such visits typically take place over a platform such as Skype or Zoom.

Within this spectrum of telehealth services, this report’s principal focus is on virtual visits, which are accelerating rapidly and have the greatest potential implications for healthcare real estate.

COVID-19 and the Rise of Virtual Visits

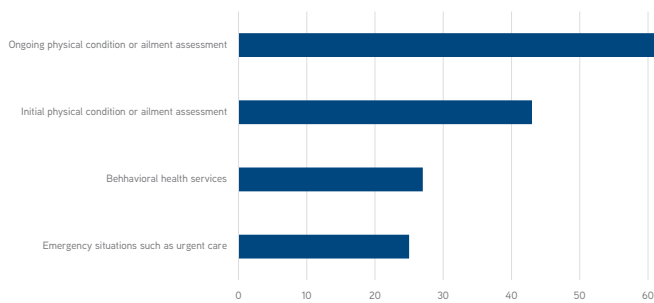
Telehealth utilization has been growing at a rapid rate over the past decade, including an estimated 1202% increase in usage from 2012 to 2017. Factors driving this growth include patient demand for convenience and flexibility, the need to bring treatment to rural areas, which may have been implicated by practice closures, and to those for whom it would be difficult to make it to a physical office.

Virtual visits also facilitate the ability to consult with a specialist even when there is no one on site. For example, 24/7 access

to virtual psychiatric services allows for a patient to receive specialist advice even when a hospital may not have someone available. Behavioral health care in general was an early adopter of virtual visits, as opposed to physical conditions that may be more likely to require an in-person assessment and associated diagnostics techniques, such as imaging.

The scope of conditions assessed by virtual visits and consumer willingness to embrace telehealth are growing. A 2019 survey by FAIR Health reported that 49% of consumers with employer insurance coverage were willing to use telehealth in place of an in-person visit, rising to 62% for an appointment to assess an ongoing physical condition or ailment. A much lower share of respondents (25%) were willing to use a virtual visit for an emergency that would normally involve a visit to urgent care.

Consumer Willingness to Use Telehealth (%)



Source: FAIR Health, 2019

With the COVID-19 pandemic placing restrictions on movement and heightening concerns over visiting a doctor's office or healthcare facility, we are seeing an exponential rise in the volume of virtual visits and a wider range of conditions being assessed in this manner. The Advisory Board estimates that there will be one billion virtual visits in the U.S. in 2020, including both tele-triage of COVID-19 patients with mild symptoms and, with the help of RPM, appointments for non-COVID patients to receive care without risking exposure to the virus in hospital settings.

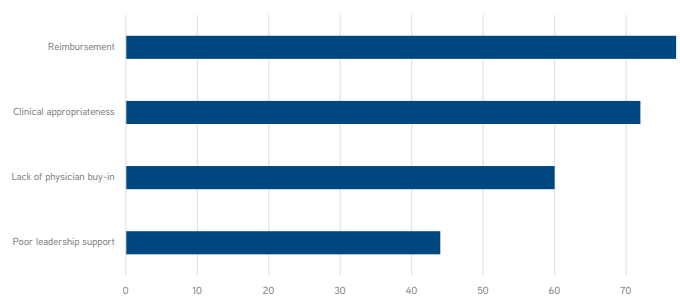
A key question facing future telehealth provision is whether current levels of demand will be sustained once we are in a post-COVID world that has seen the development and widespread adoption of an effective vaccine. Will patients return to the doctor's office or will treatment patterns have shifted? Prior to the pandemic, an estimated 11% of patients used telehealth services. This number has risen to 46%, with patients scheduling online visits as COVID-19 has created the worst public health crisis in a century.



Issues for Providers

As with most aspects of healthcare services, costs and reimbursement are key considerations for providers when it comes to telehealth. An Advisory Board survey on physicians' greatest concerns about telehealth revealed that 77% saw issues with reimbursement as a potential barrier. Concerns over clinical appropriateness (72%) and lack of physician buy-in (60%) also ranked high.

Physicians' Greatest Concerns Over Telehealth (%)



Source: Advisory Board

Cost issues include both how private insurance companies, along with Medicare and Medicaid, cover telehealth along with achieving fee parity with in-person visits. Prior to the pandemic, the expansion of Medicare coverage for telehealth services was incremental and limited to mostly rural areas and in the form of live virtual interactions and remote patient monitoring only.



These financial concerns arrive at a time when routine care and elective surgeries have fallen significantly due to stay-in-place orders. General concerns from non-COVID patients about visiting a healthcare facility during the pandemic have also impacted revenues. In the first quarter of this year, healthcare spending dropped by 18% across the U.S., according to the U.S. Department of Commerce. This was the steepest quarterly decline on record since 1959. Providers that require a patient visit the office, such as dentists, have been the hardest hit.

In March of this year, the Coronavirus Aid, Relief, and Economic Security Act (CARES) was passed into law. Among the CARES provisions was to support social distancing in the healthcare sector by increasing the use of telehealth under Medicare and removing all prior statutory requirements for coverage. The Act also requires that payment for telehealth services should not be included in the deductible portion of commercial health plans with health savings accounts (HSAs).

The CARES act also included several funding measures led by \$27 billion allocated to U.S. Department of Health and Human Services' (HHS) Public Health and Social Services Emergency Fund for COVID-19 activities, including telehealth access and infrastructure.

While the CARES provisions were intended as temporary to run for the length of the pandemic, President Trump signed an

executive order in August proposing a Centers for Medicare & Medicaid Services (CMS) rule to extend parts of Medicare's broader coverage of telehealth beyond the end of the current public health emergency.

Another key issue for providers is their preparedness to provide telehealth services. The Advisory Board estimates that only 24% of healthcare organizations had existing virtual care programs as of the beginning of this year. Readiness to deploy telehealth has three key steps:

- › Active promotion of telehealth services to clients.
- › Having the necessary, functioning technology with licenses in place and sufficient capacity and connectivity.
- › Providing clinicians with training and real-time technical support.

At the current time, the need to provide telehealth services is being somewhat forced by the pandemic. For practices that are investing in telehealth technology to meet these needs, the degree of commitment should also reflect longer-term patient service goals. The use of telehealth has been rapidly accelerated by COVID-19 but is it here to stay? Consumers' demand for flexibility and convenience suggest that it is set to continue at a significant volume, although levels are expected to drop post-COVID. Provider comfort in developing a telehealth platform will also be driven by financial returns. Parity for in-person and virtual visits is critical to the continued utilization and broader adoption of telehealth.

Implications for Healthcare Real Estate

What are the implications for healthcare real estate arising from the growth of telehealth? How could this affect space needs in medical office buildings (MOBs) and the configuration of physician practices? As with the issue of remote working on future office space requirements, it is clear that there will be an impact but, at this stage, more evidence is needed before defining the degree of change and how lasting it will be.

Several general themes present themselves:

- › We anticipate that medical office space needs could lessen as facilities such as waiting areas are reduced due to a lower volume of patients visiting a physical location. However, this may be counter-balanced by the need to provide for social distancing protocols.



- › Less space may be needed for administrative staff if it has been proven that these roles can function just as efficiently in a remote setting.
- › Providers who are new to telehealth will need to designate and fit-out spaces for telehealth services. This should go together with investment in technology and 5G connectivity.
- › A lower number of consultation rooms may be needed dependent upon the number of patients who can be treated through a virtual rather than in-person visit. Freeing up this space could allow users to reduce their footprints or, alternatively provide more diagnostic services on site.
- › We expect developers to respond to these needs by providing telehealth-compatible space that meets these changing space and usage patterns.
- › Opportunities exist for owners able to reconfigure vacant suites to meet the “new standard.”

In conclusion, telehealth is set to have a continued impact on the location and provision of healthcare services. It is viewed as complimentary to, rather than a complete substitute for, in-person care. There are still a wide range of healthcare needs that require a visit to a healthcare facility. Post-COVID, while telehealth usage will remain prevalent, we also anticipate a “bounce back” in office visits as clients regain their comfort with traveling to in-person care.

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