

Fiscal Impact of AB 415:

Potential Cost Savings from Expansion of Telehealth

Report Summary

- This report was prepared for the Center for Connected Health Policy (CCHP). It examined potential cost

The report identified potential savings of more than \$1.3 billion a year to Medi-Cal, the state's Medicaid program. savings from AB 415, which would come from increased use of telehealth services. The report identified potential savings of more than \$1.3 billion a year to Medi-Cal, the state's Medicaid program. Medicaid is the joint state-federal health

insurance program for indigent and disabled residents.

- The savings would come from disease management programs for patients with heart failure and diabetes, which employ electronic home monitoring systems.
- Potential savings for the State of California's share of these two conditions in Medi-Cal could be up to \$408 million a year; the federal government's share up to \$938 million a year.
- The potential savings from heart failure monitoring programs could reach \$929 million a year; California pays roughly 31 percent of Medi-Cal costs, so the savings to the state could total \$281 million a year.
- The potential savings for diabetes monitoring savings could reach \$417 million a year, which would mean up to \$127 million in savings for California.
- AB 415 enables these potential savings to take place because:
 - Its expanded definition of "telehealth" includes remote monitoring, while the old definition of "telemedicine" did not;
 - Its expanded definition of "provider" includes medical professionals who operate home monitoring programs, not just doctors;
- It eliminates restrictions on the physical locations where telehealth services may be provided, which allows home-based services;
- It allows reimbursement for telephone and/or email services, which some home monitoring programs use.
- The report's estimates came from reviews of 42 scientific studies, which identified cost savings from telehealth-based disease management programs. The report then applied average savings from these studies to all Medi-Cal patients with the two chronic conditions.
- For heart failure, the report averaged the savings identified in scientific studies, to achieve an estimated savings rate of 42 percent. It then estimated 1.4 percent of Medi-Cal patients with heart failure, using data from the 2009 California Health Interview Survey (CHIS). The report then divided annual Medi-Cal expenditures by average enrollment, adjusted that figure to reflect higher average costs among heart failure patients, and subtracted that total from overall Medi-Cal expenditures.

Regardless of the specific dollar amounts of any estimates, telehealth programs have been shown in scientific studies to save valuable health care dollars, improve patient care, and improve patients' quality of life.
- For diabetes, the report averaged the savings identified in scientific studies, to achieve an estimated savings rate of 9 percent. It then estimated 6 percent of Medi-Cal patients with diabetes, using data from the 2009 CHIS survey. The report then divided annual Medi-Cal expenditures by average enrollment, adjusted that figure to reflect higher average costs among diabetes patients, and subtracted that total from overall Medi-Cal expenditures.

- Regardless of the specific dollar amounts of any estimates, telehealth programs have been shown in scientific studies to save valuable health care dollars, improve patient care, and improve patients' quality of life.
- Additional savings are possible from other areas of telehealth, such as reduced need for costly medical transports or more timely access to specialists. Therefore, while evidence for the cost effectiveness of telehealth continues to emerge, existing studies do point to the potential for telehealth to produce savings.
- However, while the report indicated potential cost savings from other telehealth services, it found a lack of consensus on those savings among specific types of telehealth service, or from telehealth services overall.

Additional savings are possible from other areas of telehealth, such as reduced need for costly medical transports or more timely access to specialists.

Center for Connected Health Policy

The Center for Connected Health Policy (CCHP) is a nonprofit planning and strategy organization working to integrate telehealth technologies into California's health care system.

Telehealth technologies are tools for improving health outcomes and access to care, particularly among uninsured and low-income Californians, and for making the state's health care system more efficient and cost-effective. CCHP advocates for policies that expand telehealth services in pursuit of these goals.

CCHP conducts objective policy analysis and research, develops non-partisan policy recommendations, and operates telehealth demonstration projects.

www.cchpca.org