TELEMEDICINE TRANSFORMATION: BALANCING COMPLEXITY, COST AND PROFIT POTENTIAL

The potential upside is huge for hospitals pursuing telemedicine as a strategic opportunity, but the road to success is littered with obstacles.

The U.S. telemedicine market, valued at over $500 million in 2014\(^1\), is set to grow as large as $13 billion by the end of 2020\(^2\).

Principal drivers for this explosive growth are huge consumer demand for telemedicine and a growing shortage of physicians, particularly in specialties like neurology, psychiatry and critical care.

In an era of declining reimbursements and shrinking margins, telemedicine represents a strategic growth opportunity for hospitals and health systems. By expanding provider care in high-demand specialties, telemedicine prevents loss of patients and hospital revenue while increasing patient satisfaction.

As many organizations are finding out, however, implementing a telemedicine program is anything but straightforward. Turning opportunities into challenges requires a strategic approach, one that starts with a clear understanding of your priorities and the metrics you will use to define success.

THE ERA OF TELEMEDICINE IS HERE

Service gaps in high-demand specialties like neurology and psychiatry cause hospitals to lose patients and revenue every year. By 2020, experts estimate the United States will have a shortage of more than 90,000 physicians, a number expected to grow as high as 130,000 by 2025\(^3\).

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1. Grand View Research, U.S. Telehealth Market Analysis
2. Healthcare IT News, Telemedicine market to soar past $30B
3. Becker’s Hospital Review, 8 Physician Shortage Statistics
In this sense, telemedicine represents a key strategy for alleviating the difficulties of recruiting and retaining full-time physicians. Virtual technology lets you leverage individual doctors across multiple locations, allowing them to see a greater number of patients than would ever be possible traveling.

The resulting economies of scale deliver clear financial benefits, with each visit costing organizations less and delivering more revenue overall. Additional revenue benefits are a natural outgrowth of the fact that telemedicine allows hospitals to standardize care, which helps improve outcomes and patient satisfaction.

Telemedicine is also a clear win for patients, helping residents in underserved communities access specialty care without having to travel long distances. The impact of telemedicine is particularly important for rural areas, where 25% of Americans live but only 10% of physicians practice\(^4\). Ultimately, telemedicine helps hospitals attract and retain higher numbers of these patients by offering more convenient and efficient care.

And while telemedicine was previously just a way for hospitals to avoid bleed, parity laws now mean reimbursement for telemedicine is a reality in 24 states nationwide\(^5\). Add up the benefits, and it’s clear telemedicine represents a significant opportunity for revenue generation and a positive return on investment (ROI).

Across the industry, telemedicine is moving at the speed of light. In fact, experts predict that in less than a decade, we won’t even be calling it telemedicine anymore—it will just be standard medical practice.

**WHY HOSPITALS FAIL AT TELEMEDICINE**

One of the biggest implementation challenges is the proliferation of vendors in the telemedicine market. This drives up costs and introduces unnecessary obstacles for hospitals and health systems attempting to scale telemedicine across multiple service lines. In truth, you don’t need a hundred different vendors for five service lines, but this is one area where hospitals consistently struggle.

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\(^4\) Barton Associates, Get the Fact: The Physician Shortage
\(^5\) American Telemedicine Association, State Telemedicine Gaps Analysis
Part of the problem is that lean staffing at hospitals makes it difficult to manage the inherent operational complexity of telemedicine. Getting it right means managing an interconnected web of details, from HIPAA compliance to physician licensing and credentialing to changes in clinical workflows.

Technology challenges are also a big issue. Not every technology works for every service line, and many hospitals have trouble coordinating moving parts such as wireless connectivity, optimization of network traffic, EMR integration, proactive monitoring of video conferencing equipment, and establishing an IT support structure.

As a result of this complexity, many organizations have adopted piecemeal implementation approaches without any defined corporate strategy driving their efforts. These methods aren’t effective because they don’t measure critical success factors to ensure telemedicine programs are actually working, both financially and clinically.

North Highland is currently working to transform these challenges into opportunities for a health system with more than 150 hospitals nationwide and upwards of 50 telemedicine programs. Initially, lack of corporate oversight prevented standardization, creating bloated program costs and delays.

North Highland is helping this client quickly and efficiently scale their telemedicine programs across multiple service lines. This includes implementing a customized telemedicine electronic medical record (EMR), updating clinical workflows and providing strategic operational support. Our experts have also assisted with vendor contracts to make them more favorable for the client.

BUYER BEWARE: AVOIDING TOP MISTAKES
Many hospitals and health systems struggle to effectively implement, operationalize and monitor their telemedicine programs. Common pitfalls to avoid include:

- **Not involving clinical experts at key points.** Telemedicine isn’t just putting a camera on a stick. It is a fundamental practice transformation requiring strategic involvement from clinical experts.

- **Choosing the wrong vendors.** Several vendors in the market are locked into proprietary technology systems, which can make trying to scale up your program difficult and expensive.

- **Trying to do everything at once.** The key is to prioritize service lines and focus on the ones with the largest clinical and financial impact. Sticking to the project scope without adding on services lets you pilot your program first, then roll out on a larger scale with fewer hiccups.

- **Not having a strong project manager.** It is critical to have a strong telemedicine-experienced project manager to lead implementation.

- **Getting tripped up in the details.** Telemedicine involves many moving parts. Elements like licensure, privileging and credentialing as well as technology concerns can all extend project costs and timelines.
STRATEGIZE FOR SUCCESS

With such a huge task in front of you, it can be hard to know where to start. However, all successful telemedicine implementations require the following steps:

1. **Begin with the end in mind.** You first need a clear understanding of where you are today, as well as what your priorities are moving forward.

2. **Establish leadership roles.** Determine at the outset the telemedicine physicians and nursing leaders who will champion your program.

3. **Create a detailed map that will get you there.** From the beginning, you need to develop a comprehensive strategy for cost-effective deployment, streamlined change management and technology support.

4. **Make course corrections as necessary.** Post-implementation monitoring and ongoing technology reviews are critical to ensuring project success. This includes ongoing operational measurement and oversight.

Hospitals and health systems face a virtual jungle of telemedicine vendors, and most need help weeding through the details in order to achieve a successful implementation. With so many specialties where health systems can leverage telemedicine, the opportunities and challenges can be overwhelming.

The key is to get going quickly and efficiently, taking a thoughtful, strategic approach that balances the risks. Because the sooner organizations can implement these programs, the sooner they can reap the benefits and claim their share of the growing telemedicine market.

ABOUT NORTH HIGHLAND

[North Highland](http://www.northhighland.com) is a global management consulting firm known for helping clients solve their most complex challenges related to customer experience, transformation, performance improvement, and technology and digital. We add value and support our clients across the full spectrum of consulting, from strategy through delivery. We bring the big ideas, then we make them real. North Highland is an employee-owned firm, headquartered in Atlanta, Ga., with more than 3,000 consultants worldwide and 60+ offices around the globe, and has been named as a "Best Firm to Work For" every year since 2007 by Consulting Magazine. The firm is a member of Cordence Worldwide ([www.cordenceworldwide.com](http://www.cordenceworldwide.com)), a global management consulting alliance. For more information, visit [northhighland.com](http://northhighland.com) and connect with us on [LinkedIn](http://www.linkedin.com), [Twitter](http://twitter.com) and [Facebook](http://www.facebook.com).

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