

## Frequently Asked Questions: What Home Telehealth Means to the MED Provider

**EXCLUSIVE for  
MED Dealers**

Home telehealth represents a significant revenue generating activity for the Home Medical Equipment (HME) provider. To realize the potential of this opportunity the MED Group has negotiated an exclusive agreement with Cybernet Medical to distribute its award winning MedStar home monitoring system.

### Top Reasons Why Telehealth Is Important To Dealers

#### ***New Sales Opportunities***

Home monitoring devices and associated monthly service charges represent a new source of revenues to HME Providers. Providers acquire the technology at discounted prices and are able to mark up both the cost of the equipment and monthly monitoring fees.

#### ***Diversified Income Sources***

Revenue associated with monitoring comes from many sources; including private pay and helps the Provider diversify the sources and type of revenue. At present most revenue comes from other providers such as Home Health Agencies (HHAs) or hospitals. There has been significant movement in developing payment from insurance companies, Medicaid programs and other nontraditional sources such as schools, prisons etc.

#### ***Monthly Revenue Streams***

The second component of revenue associated with home telehealth is a monthly monitoring fee. This is an amount that the provider is able to mark up and profit from. With a large and established user base, this amount could be significant and become much like an annuity.

#### ***Added Services to Existing Referral Sources***

Existing referral sources, including hospitals, physicians and home health agencies are the prime source of referrals. Adding telehealth allows the Provider to differentiate itself with referral sources and provides an opportunity to introduce a new product to existing customers.

#### ***Added Services to Existing Patients***

CHF, COPD and diabetic patients are prime beneficiaries of home telehealth. These patients form the core of most Providers patient base. There is a significant "cross selling opportunity" with patients and their physicians.

## The Market Potential For Home Telehealth

Home telehealth is a new and emerging market. 31 million Americans or 9.8% of population suffer from chronic illnesses and represent the prime market for home telehealth. It is estimated that immediate cost savings could be realized by USING monitoring devices with approximately 12 million of these chronic patients. It is likely that Medicare, Medicaid and many private insurers will pay for monitoring within 36 months. Some key current purchasers of home telehealth services include:

### Home Health Agencies

#### **Key Facts**

- Episodic payment allows for costs savings to indirectly pay for technology.
- Pay for performance requirements create efficiency incentives.

#### **Market Potential Indicators**

- 25% to 35% of patients could have nursing visits made in the home reduced.

#### **The Impact of MedStar**

- MedStar will allow for reduced nursing visits, more than paying for the additional cost of technology.
- MedStar's will allow for improved case management of patients and integration with other providers.

### Hospitals

#### **Key Facts**

- Hospitals have a real financial interest in keeping certain types of patients from over utilizing hospital services.
- In a typical hospital 200 to 300 patients could be more cost effectively cared for using technology even if paid for by the hospital.

#### **Market Potential Indicators**

- 5% to 7% of Emergency Room visits are by unfunded/underfunded "Frequent Flier" patients.
- 3% to 5% of Emergency Room visits are for patients who have been discharged within 30 days and for whom there is no additional payment.
- Reduction in Length of Stay (LOS) for problem DRG or episodic patients is an issue for all hospitals.
- Reduction in LOS for stable patients when beds are not available allows for additional admissions. This capacity management problem is an issue for a growing number of hospitals.

#### **The Impact of MedStar**

- MedStar will allow hospitals to better manage inpatient stays and reduce underfunded admissions and emergency room utilization.
- MedStar will support specialty programs and areas of clinical excellence such as cardiology, pulmonology, rehabilitation and many others.

## Integrated Health Plans

### **Key Facts**

- Integrated Health care Providers (IHPs) like Kaiser and the Veteran's Administration function as both the payer and provider and have the greatest incentive to reduce total patient care costs.
- The interests of the physician, hospital and health plan are much more aligned.
- The priority is on effective care management and avoidance of costly inpatient services.

### **Market Potential Indicators**

- 12% to 18% of patients are chronic and the IHP would realize cost saving through monitoring and aggressive care management.
- These systems are very interested in having a digital health record of patient status in the home that can integrate with other digital health records.

### **The Impact of MedStar**

- MedStar will reduce costs by significantly reducing emergency room visits and hospital readmissions.
- MedStar's electronic reporting format can integrate digital health records of IHPs.

## Insurance Companies

### **Key Facts**

- Studies have consistently shown that the use of telehealth significantly reduces the cost of caring for patients with chronic illnesses. Savings of up to 80% have been realized.
- Patient compliance and satisfaction with monitoring have been very high.

### **Market Potential Indicators**

- Less than 1% of chronic patients covered by insurance are monitored.
- Worker compensation, liability insurance carriers and catastrophic case management companies use monitoring on only a very limited basis in spite of significant cost savings potential.

### **The Impact of MedStar**

- MedStar will reduce costs by significantly reducing the overall cost of care and allow for the appropriate delivery of services at the optimal time.
- MedStar will support genuine preventative programs and improve overall compliance.

## Assisted Living Facilities

### **Key Facts**

- Assisted Living patients can be better managed and kept in facilities longer when monitored.
- Assisted Living facilities need to differentiate their buildings by offering specialized services.

### **Market Potential Indicators**

- In many markets the growth in the number assisted living beds is greater than 10% per year.
- The average age in facilities is dropping, as there is greater acceptance by seniors of the option.
- Assisted Living at home is a dramatically growing market, creating a new market opportunity.

### **The Impact of MedStar**

- MedStar will allow all residents of a facility to be monitored on a daily basis using a single kiosk based device and unique patient identifiers.
- MedStar monitoring is an important service option for facility residents.

## Other Potential Markets

- Hospices
- Company Wellness Plans
- Institutional Settings
- Physician Practices
- Private Pay Market
- Disaster Relief/Crisis Management Organizations

## MED Dealers Are Ideally Positioned To Develop These Markets

MED Dealers currently work with all of these potential markets and are uniquely suited to provide home telehealth services. Key reasons include:

- Dealers have working relationships with potential targets and their referral processes.
- Dealers have established relationships with key physicians and clinics.
- Many of these potential clients are already receive respiratory or equipment from the Dealer.
- The target markets do not have expertise in managing equipment and processes in the home.
- Dealers have the ability to deliver, maintain and track equipment.

## Who Is Paying For Telehealth

We believe that over the next 36 months there will be dramatically expanded coverage for home telehealth, including possible payment by CMS and several major commercial payers. Even with the current fragmentation in payment, home telehealth is being purchased by the following organizations:

### Home Health Agencies

HHA's are currently the largest purchaser of home telehealth devices. They usually purchase or lease them on a long-term basis. Agencies using the technology will typically have between 100 and 200 clients on monitors.

### Institutional Clients

Prisons, schools, rural health clinics and other organizations use the technology because of the difficulty or inefficiency of using clinical personnel to monitor patients. Many of the devices placed will be for multiple users. Use or monitoring fees with these clients can be significant.

### Private Pay

A private pay market is developing with individuals typically leasing devices for self-monitoring or to check on the status of a loved one. Terms and relationships in the self-pay market vary considerably.

### Insurance Companies

Some commercial insurance carriers now pay for monitoring of select patients. Typically they will contract with a provider to rent equipment on a monthly basis. Approximately 2-3% of insurance company's clients would realize immediate and significant benefit from monitoring.

### Case Management Companies

Some case management companies including workers compensation, liability and catastrophic injury manager pay for the monitoring of clients. They either rent or buy devices. Approximately 10 to 20% of their clients would realize immediate and significant benefit from monitoring.

## How To Get Started

To learn more about establishing a home telehealth program in your community contact:

Sales at Cybernet Medical at 1-800-CYBERNET (1-800-292-3763)  
sales@cybernetmedical.com

You can also contact your regional representative from MED who has more detailed information.