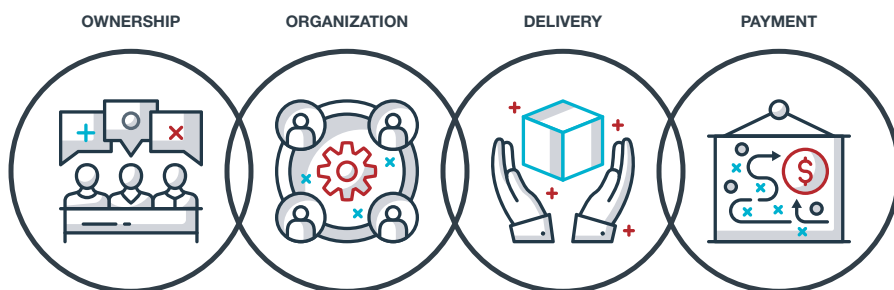
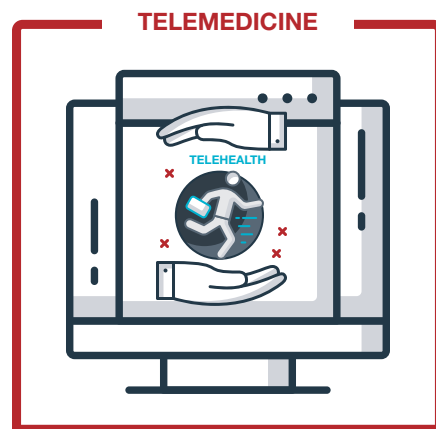


Ascension of Telemedicine

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In the wake of Covid-19, telehealth and telemedicine exploded as agents of change in the delivery of health care. Covid-19 forced health care providers to adapt to a “new normal” which consequently fostered a newfound interest in the health care sector by investors who would have previously overlooked it. The accelerated shift to telehealth and telemedicine will now function as a catalyst of change in the conceptual framework of ownership, organization, delivery and payment.

The previous white papers, “Health Care ‘Prime’ – The Shaping of Health Care in America Through M+A and Innovation,” and “The Emergence of ‘Supergroups’ – Composed of Medical, Dental and Other Clinicians,”¹ focused on the conceptual framework of ownership, organization, delivery and payment to explain the future state envisioned by those shaping health care and the disruption that certain models, such as “supergroups,” can have on the framework. This white paper incorporates the themes and outcomes from those previous white papers and focuses on the concomitant rise of telehealth and telemedicine in today’s world – a world of social distancing that has become the “new normal.”



OWNERSHIP

Telehealth and telemedicine involve a unique means or method of delivery of health care to patients. As a preliminary matter, “telemedicine” and “telehealth,” although used interchangeably,

mean different things. “Telemedicine” is defined to be “[t]he practice of medicine using electronic communication, information technology, or other means between a physician in one location, and a patient in another location, with or without an intervening health care provider.”² “Telehealth,” as a broader term, encompasses

¹ Jon Henderson, Andrew Kinworthy and Kevin McDonnell, “Health Care ‘Prime’ – The Shaping of Health Care in America Through M+A and Innovation,” Polsinelli, 2018; Bruce Johnson, Jake Krysiak, and Kelly McGinnis, “Health Care ‘Prime’: The Emergence of ‘Supergroups’ Composed of Medical, Dental and Other Clinicians,” Polsinelli, 2019.

² Federation of State Medical Boards, Guidelines for the Structure and Function of a State Medical and Osteopathic Board, <https://www.fsmb.org/siteassets/annual-meeting/hod/april-28-2018-fsmb-hod-book.pdf>

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telemedicine and is defined to be “[t]he use of electronic information and telecommunication technologies to support and promote long-distance clinical health care, patient and professional health-related education, public health and health administration.”³ With both terms, telehealth and telemedicine facilitate a broader reach and easier access to health care that is simultaneously regulated by various federal and state laws and restrictions in each applicable jurisdiction.⁴

What is unique to telehealth and telemedicine is the ability, with the absence of a bricks-and-mortar presence, to reduce the cost of the delivery of health care while maintaining a level of clinical efficacy appropriate for the care provided via telehealth and telemedicine. By addressing access and cost issues in health care delivery, telehealth and telemedicine increase the rate of return on investment.⁵ Moreover, the structure of telehealth and telemedicine is multifaceted because it incorporates technology and medicine while considering environmental-social-governance factors.⁶ Telehealth and telemedicine, through its elimination of travel to, and use of, a bricks-and-mortar presence, is the ultimate green technology for health care and allows the health care industry to reduce its carbon footprint. Given these features, telehealth and telemedicine have become increasingly attractive to startups, technology companies, medical providers, and venture capital and growth equity funds through its potential to create value for private equity sponsors.⁷

- **Teledoc® acquires Livongo®**
- **Siemens Healthineers acquires Varian Medical**
- **Rock Health invests in \$9.4B in Digital Health**

Diverse Investment

Venture capital funding for telehealth and telemedicine reached \$788 million in just the first quarter of 2020.⁸ Not to be outdone, many other technology companies, health care providers, and private equity firms are seeking to invest in telehealth providers or acquire telehealth companies.⁹



In October 2020, Teladoc® acquired Livongo®, a diabetes monitoring and remote monitoring company, making the acquisition one of the largest in 2020.¹⁰ Almost simultaneously, Siemens Healthineers acquired Varian Medical — the global specialist in cancer care and radiation oncology. Rock Health, a San Francisco venture capital firm, invested \$9.4 billion in digital health startups. Amazon®, Microsoft®, Cigna®, Aetna®, and Walgreens® are also amongst those in line to invest in the telehealth space.¹¹ These investments represent the tip of the iceberg as Wall Street and private equity sponsors focus more resources in the nascent industry. As these telehealth and telemedicine investments are added to portfolios, they will facilitate a business ecosystem in which telehealth and telemedicine businesses cross-pollinate with other investments within the portfolio and create more value.¹²

These, and other similar deals, are expected to improve the overall quality of health care services by providing comprehensive services to patients.¹³ No longer focused only on the episodic urgent care model popularized by Teladoc® and American Well®, telehealth and telemedicine companies are expanding the scope of medical services being delivered, with focuses on behavioral health, oncology, patient monitoring and even acupuncture. Telehealth and telemedicine are, for the most part, added perks to any health care services delivery model and provide new ownership and investment models unlike what the health care industry has previously seen.

³ Health Resources and Services Administration, Office of the Advancement of Telehealth, <https://www.hrsa.gov/rural-health/telehealth>

⁴ Federation of State Medical Boards, Telemedicine Policies by State, https://www.fsmb.org/siteassets/advocacy/key-issues/telemedicine_policies_by_state.pdf.

⁵ Manatt Health Strategies, White Paper: A Framework for Evaluating the Return on Investment of Telehealth, https://www.manatt.com/Manatt/media/Media/PDF/White%20Papers/A-Framework-for-Evaluating-the-Return-on-Investment-of-Telehealth_c.pdf.

⁶ Federation of State Medical Boards, Telemedicine Policies by State, https://www.fsmb.org/siteassets/advocacy/key-issues/telemedicine_policies_by_state.pdf.

⁷ Middlemarket.com, M&A Forecast 2021: Telehealth is Suddenly the Norm, and Deals Follow, <https://www.themiddlemarket.com/feature/ma-forecast-2021-telehealth-is-suddenly-the-norm-and-deals-follow> (private equity); Business Wire, Digital Health Companies Raise a Record 7.2 Billion in VC Funding, <https://www.businesswire.com/news/home/20210415005891/en/Digital-Health-Companies-Raise-a-Record-7.2-Billion-in-VC-Funding-in-Q1-2021> (venture capital).

⁸ <https://www.fiercehealthcare.com/tech/telemedicine-companies-saw-a-funding-boom-q1-2020>

⁹ <https://www.themiddlemarket.com/feature/ma-forecast-2021-telehealth-is-suddenly-the-norm-and-deals-follow>

¹⁰ <https://www.fiercehealthcare.com/finance/teladoc-finalizes-blockbuster-deal-livongo-less-than-three-months>

¹¹ <https://www.themiddlemarket.com/feature/ma-forecast-2021-telehealth-is-suddenly-the-norm-and-deals-follow>

¹² <https://hbr.org/2021/06/private-equitys-mid-life-crisis>

¹³ American Journal of Accountable Care, Telemedicine and its Role in Revolutionizing Healthcare Delivery, <https://www.ajmc.com/view/telemedicine-and-its-role-in-revolutionizing-healthcare-delivery>, “beyond primary care” and “improve the quality of healthcare.”



Comprehensive Service

With the recent rollout of Aetna's® Virtual Primary Care with Teladoc®, telehealth and telemedicine have begun to evolve into a more comprehensive suite of preventive clinical services. With this virtual primary care model, telehealth and telemedicine are not just a supplement to a primary care physician's bricks-and-mortar practice – rather, it seeks to replace such bricks-and-mortar practice with virtual primary care, allowing patients more convenience and access to health care at a much lower cost than in-person services.¹⁴

Separately, telehealth and telemedicine can provide patient monitoring services on a cost-effective basis, especially for patients with debilitating or chronic diseases who can be serviced consistently without the need to travel into a medical office. That, along with the fact that Medicare is expanding the scope of services for which it will reimburse providers with respect to telehealth and telemedicine, will continue to push the expansion of the delivery of telehealth and telemedicine services.

ORGANIZATION

Given that telehealth and telemedicine have so many dimensions, they have attracted the attention of different industries which may have a national footprint.

Telehealth and telemedicine as a health care delivery model provide the diversity and comprehensive offering of services that were discussed in "Health Care 'Prime'."¹⁵ Ultimately, telehealth and telemedicine are not unique health care delivery models but just the delivery of health care through an alternative modality. As such, the typical issues that arise in the delivery of health care in a bricks-and-mortar practice setting also apply to

telehealth and telemedicine. The risk factors that telehealth and telemedicine providers must consider include the following regulatory and legal factors:

- Standard of care in delivery of health care services via telehealth and telemedicine.
- Scope of practice and licensure.
- Prohibition on the corporate practice of medicine in those states where the doctrine applies.
- Practice management model.
- Applicability of Unfair Trade Practices Act.
- Use of FDA approved medical devices.

DELIVERY

Since the beginning of Covid-19, telehealth and telemedicine have seen an increase in use by 50% just in the first quarter of 2020.¹⁶ The obvious appeal to telehealth and telemedicine is its accessibility. From an investment perspective, telehealth and telemedicine have fashioned an innovative delivery model for health care services. The delivery of health care through telehealth and telemedicine may be scaled more quickly with fewer barriers than brick-and-mortar care settings. Many of the merger and acquisitions deals of 2020 created comprehensive services to clients, creating a convenient resource to access health care services.¹⁷

Driving Innovation Through Technology

The core of telehealth and telemedicine's success is the deployment of technology through a fast-changing health care environment.

¹⁴ https://www.fiercehealthcare.com/payer/aetna-launching-nationwide-virtual-primary-care-solution?utm_medium=nl&utm_source=internal&mrkid=847092&mkt_tok=Mjk0LU1RRi0wNTYAAAF-1VjOLjCuVixFv1fOqfM1UmjbcIgLn3qnEODwoQCilUghGkHgAW2nPm7j9K6WlGhQcey0dVvbnHtVCSyXFTbRjSdj3jMK8IDH_o8iKXXaO1JHE

¹⁵ Jon Henderson, Andrew Kinworthy and Kevin McDonnell, "Health Care 'Prime' – The Shaping of Health Care in America Through M+A and Innovation," Polsinelli (p. 5).

¹⁶ <https://www.cdc.gov/mmwr/volumes/69/wr/mm6943a3.htm>

¹⁷ Fierce Healthcare, Telehealth Companies UpHealth, Cloudbreak merge to go Public (December 2020), <https://www.fiercehealthcare.com/special-report/list-most-interesting-health-tech-m-a-deals-2020/uphealth-cloudbreak-merge-blank-check-company-to-go-public>.

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Telehealth technology delivers almost instant health care to patients and supports accessibility and continued care services.

Consumerism

Our previous white papers discuss the increasing trend of providing clients with more health care options that are both convenient and cost effective. The adoption of telehealth and telemedicine accelerated exponentially in the era of Covid-19 because more health care services were generally provided through a computer screen at the height of lockdowns.¹⁸ Through mergers and acquisitions, health care professionals increased their revenue streams through telehealth and telemedicine which cater to consumer preferences. This new health care model accommodates patient's growing preference for "one-stop" shops for their health care needs.¹⁹

Recent merger and acquisitions incorporating digital health services have permitted the extension into additional sectors within the health care industry. Whether it be the addition of the actual telehealth service, virtual pharmacies, health and human service programs, or specific diagnostic and monitoring services, the collaboration with telehealth and telemedicine addresses the consumer's preference and significantly drives down cost.

PAYMENT

Telehealth and telemedicine have driven the change in payment for health care services. Fee-for-service reimbursement models

have historically received harsh criticism.²⁰ Telehealth and telemedicine upended the fee for service model and instead contemplate an industry where a value-based payment model could be the preferred model.²¹ Recent mergers and acquisitions incorporating telehealth and telemedicine also depict a system where telemedicine reimbursement parity laws are reformed to accommodate a system that values in-person and digital health care services equally.²² Finally, telehealth and telemedicine create a more collaborative system linking, providers and payors more seamlessly than before.²³

CONCLUSION

Telehealth and telemedicine are influencing a new medical practice model that incorporates virtual health services. The unconventional mergers and acquisitions focusing on telehealth and telemedicine seek to expand the investors' portfolios by including innovative health care services that will likely continue to thrive as we return to a semblance of normalcy. Driven by patient preference and choice as well as lower costs, telehealth and telemedicine will continue to expand as the preferred mode of delivery of health care for an ever-increasing number of medical conditions which can safely be provided through such medium.

¹⁸ HIMSS, Healthcare Investing Trends Report. <https://www.himss.org/resources/healthcare-investing-trends-report>. "Due to the impact of COVID-19, 30% of all visits during the pandemic were provided by telemedicine."

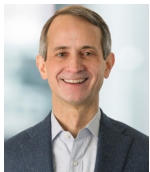
¹⁹ Modern Healthcare, Creating a One-Stop Shop? <https://www.modernhealthcare.com/article/20100614/MAGAZINE/100619976/creating-a-one-stop-shop>. "The move to combine follows an industry trend for consolidation among EHR providers and could prove fruitful if all the pieces fall into place."

²⁰ Bloomberg Law, The Healthcare Industry's Shift from Fee-for-Service to Value-Based Reimbursement. <https://news.bloomberglaw.com/health-law-and-business/insight-the-healthcare-industrys-shift-from-fee-for-service-to-value-based-reimbursement>. Five categories of concern with FFS model. "Critics have pointed to the FFS model as the culprit for ballooning health-care costs and for contributing to the decline in the primary-care workforce and its ability to meet patients' health maintenance needs. In response to these concerns, there has been a shift away from fee for service toward fee for value."

²¹ American Hospital Association, Fact Sheet: Telehealth. <https://www.aha.org/factsheet/telehealth>. "Value based care requires Telehealth."

²² <https://www.healthaffairs.org/doi/10.1377/hblog20210503.625394/full/>

²³ IHI.org, Using Telehealth to Build Collaborative Relationships with Patients and Providers. <http://www.ihl.org/communities/blogs/using-telehealth-to-build-collaborative-relationships-with-patients-and-providers>.



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