

# **Medicare's Coverage of Telehealth: Considerations From the Congressional Budget Office**

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# What Information Does CBO Generally Provide to the Congress?

- **Baseline projections**—projections of federal spending and revenues under current law that help the Congress formulate its budget plan.
- **Cost estimates**—estimates of legislative proposals' effects on the federal budget that help the Congress stay within its budget plan.
- **Identification of federal mandates** (requirements that legislation imposes on state, local, or tribal governments or on private-sector entities) and estimates of their costs.
- **Scorekeeping information**, including estimates of the effects of proposed and enacted legislation on the major categories within the budget (appropriations, mandatory spending, and receipts).
- Estimates of the economic and budgetary effects of **policy options**.

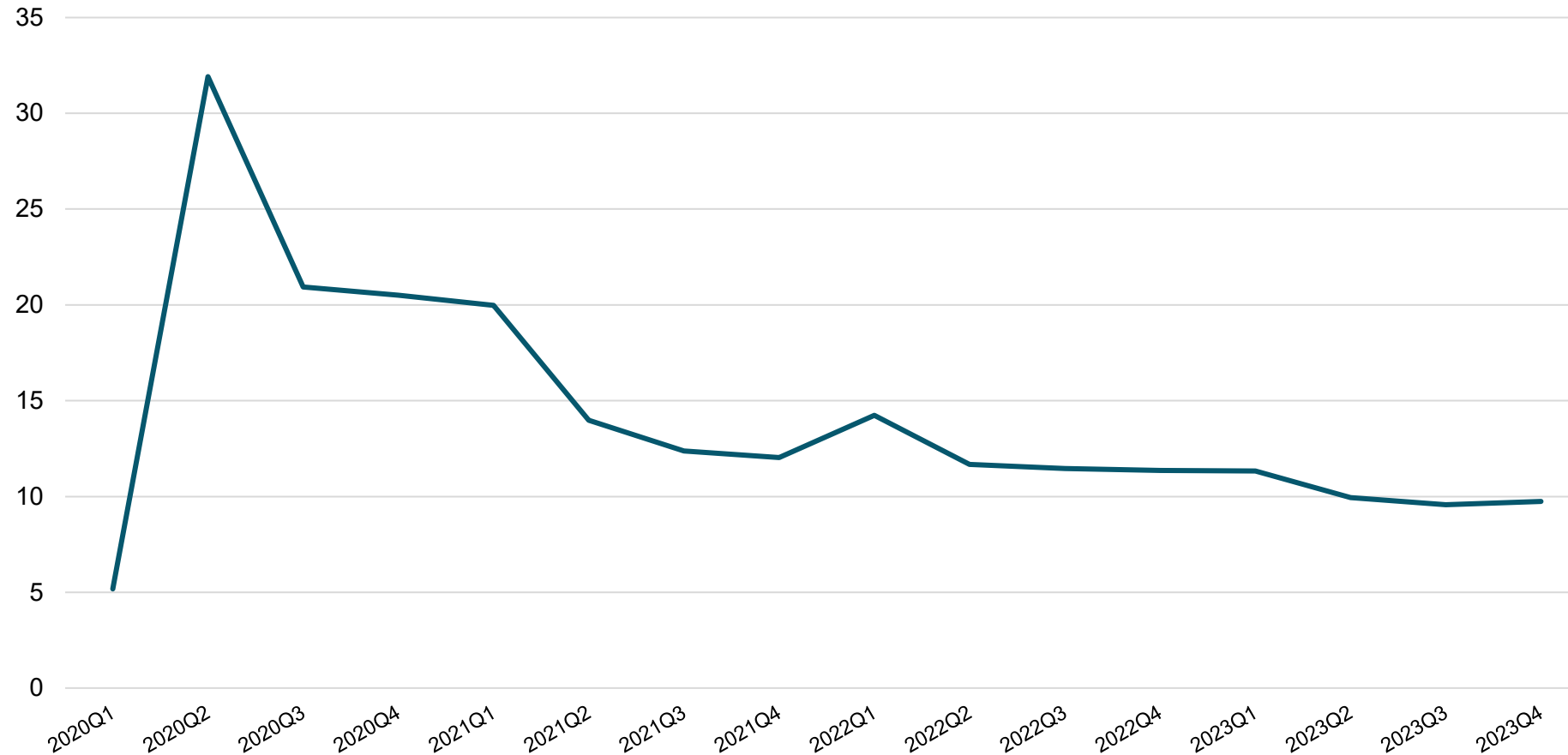
# Key Considerations for Estimating the Budgetary Effects of Changes to Medicare's Coverage of Telehealth

- How have the use of telehealth and spending on telehealth changed under policies that have temporarily expanded its coverage?
- What is the payment rate for telehealth services?
- Do telehealth services substitute for in-person Medicare services, or are they delivered in addition to in-person services?
- Does the receipt of telehealth services change beneficiaries' likelihood of using downstream services?
- Estimates of the effects of some policy changes may require more specific considerations. For instance, how does telehealth use vary among specialties or distant sites?



# Percentage of Medicare Part B Beneficiaries Who Received Telehealth Services, 2020 to 2023

Percent



Data source: Congressional Budget Office, using data from the Centers for Medicare & Medicaid Services, “Medicare Telehealth Trends” (updated June 13, 2024), <https://data.cms.gov/summary-statistics-on-use-and-payments/medicare-service-type-reports/medicare-telehealth-trends>.



# Payment Rates for Telehealth Services

Before the public health emergency (PHE) caused by the coronavirus pandemic, telehealth was paid for at the lower facility rate under Medicare's physician fee schedule.

Since the start of the PHE, payment rates for telehealth services have been equal to the rates that would have been paid if those services were delivered in person.

Holding all else constant, higher payment rates for telehealth would probably increase federal spending—but they might also affect the supply of services delivered.

## **New Utilization Versus Substitution**

In general, expanding coverage of and facilitating access to services tend to increase spending by increasing the use of those services.

Medicare spending could increase if telehealth services were used in addition to in-person services.

Alternatively, expanded coverage of telehealth services could reduce federal spending if telehealth services fully substituted for in-person services (and payment rates were lower for telehealth services) or if the use of telehealth services reduced the use of downstream services.

## Downstream Spending

Telehealth could reduce downstream spending if, for instance, it facilitated more timely access to care and decreased beneficiaries' likelihood of using more expensive care in the future.

Alternatively, if certain covered telehealth services are not well suited to address some clinical issues, that could increase the likelihood that beneficiaries use follow-up care or receive other services at more expensive sites of care in the future, thereby raising downstream spending.

# What Information Informs CBO's Models and Estimates?

CBO incorporates information from a wide variety of sources, including data on spending and service use in Medicare, studies published in academic journals, and research by think tanks, government agencies, and other groups. When possible, CBO also relies on its own research.

Given Medicare's limited coverage of telehealth before the COVID-19 pandemic, CBO considers evidence on the effects of telehealth among other payers, including Medicare Advantage, commercial insurers, Medicaid, and the Veterans Administration.

CBO consults with a variety of outside experts; federal, state, and local agencies; and its Panel of Economic Advisers and Panel of Health Advisers.



# The Legislative Landscape

CBO has estimated the costs of several telehealth-related bills since the start of the COVID-19 pandemic.

Recently, more than a dozen bills have been proposed to extend expanded coverage of telehealth in Medicare or make other telehealth-related changes before most flexibilities expire at the end of 2024.

Some bills would broadly extend coverage, either temporarily or permanently.

Other bills are more narrowly focused—for example, those that would change which providers can bill for telehealth or extend coverage of audio-only telehealth.

## What Additional Information Would Be Useful?

Additional evidence about key factors that CBO considers when estimating the effects of changes to Medicare's coverage of telehealth would help reduce uncertainty in CBO's models.

- Payment rates: How do providers respond to a change in prices paid for telehealth?
- Substitution effects: Have substitution effects changed as COVID-19 has become less disruptive?
- Downstream spending: Are effects on downstream spending more or less likely for certain types of telehealth services, and what are the mechanisms underlying those effects?

## Additional Questions for Future Analysis

- What are the effects of telehealth coverage for nonmental health services, specifically?
  - Expanded coverage of telemental health services was made permanent under the Consolidated Appropriations Act, 2021.
  - However, most available research has looked at changes in spending from expanding coverage of telehealth for both mental and nonmental health services.
  
- Would clinicians, health systems, or third-party telehealth operators respond differently to a permanent expansion of telehealth than to a temporary extension?
  
- How has telehealth affected competition among health systems or other brick-and-mortar providers?