CALIFORNIA
HEALTHCARE
FOUNDATION

# Financial Analysis of La Clínica de La Raza's Telehealth Experience

*Prepared for*
CALIFORNIA HEALTHCARE FOUNDATION

*by*

Lori Chelius, M.B.A., M.P.H.
Julie M. Hook, M.A., M.P.H.
Michael P. Rodriguez, M.A.

JSI Research and Training Institute, Inc.

April 2011

## About the Authors

Lori Chelius, M.B.A., M.P.H., is an independent health care consultant who has worked on a number of projects related to health IT in community clinic settings, including as project manager for the California HealthCare Foundation on the Telemedicine to Improve Access and Efficiency in Community Clinic Networks initiative with Open Door Community Health Centers, La Clínica de la Raza, and Southside Coalition of Community Health Centers. Julie M. Hook, M.A., M.P.H., and Michael P. Rodriguez, M.A., are researchers and consultants at **JSI Research and Training Institute (JSI).** JSI is a not-for-profit, public and community health research, evaluation, and consulting organization dedicated to improving the health of individuals and communities throughout the world. Ms. Hook leads the domestic health information technology research efforts at JSI, while Mr. Rodriguez manages health information technology strategic planning, training, evaluation, and survey work in both the international and domestic realms.

## About the Foundation

The **California HealthCare Foundation** works as a catalyst to fulfill the promise of better health care for all Californians. We support ideas and innovations that improve quality, increase efficiency, and lower the costs of care. For more information, visit us online at www.chcf.org.

# Contents

# I. Executive Summary

This report analyzes financial aspects of a new telehealth program implemented by the urban community health center (CHC) La Clínica de La Raza (La Clínica) through funding from the California HealthCare Foundation's (CHCF) Telemedicine to Improve Access & Efficiency in California Clinic Networks project. The goal of this analysis is to provide guidance to other CHCs that are considering implementing telehealth. This report offers one framework for the budgeting of a program through presentation of real financial data from La Clínica's telehealth program. A parallel report, analyzing the financial aspects of more complex, long-standing telehealth programs at Open Door Community Health Centers, based in rural northern California, is published simultaneously with this report.

The goal of La Clínica's telehealth project was to provide access to specialist dermatology care for it patients. La Clínica did so by contracting with a dermatologist at the University of California, San Francisco (UCSF) in order to provide teledermatology (telederm) consultations through a store-and-forward model: La Clínica providers produced and forwarded digital images and clinical notes to the specialist, using Second Opinion™ software, showing and describing the patient's dermatology issue; the dermatologist then reviewed these and sent back written recommendations for treatment or for in-person follow-up to the La Clínica providers. The UCSF dermatologist also provided an in-person clinic at La Clínica's central site in Oakland once a month for follow-ups. Under the contract, the dermatologist provided up to 720 consultations (telederm and in-person) for a period of one year, for a flat fee of $40,000.

The following analysis presents real data from La Clínica's telederm program annualized from the six-month time period of October 2009 through March 2010. Depending on whether all in-person dermatology-related revenue and technology expenses were included, the program generated a net loss of between $7,209 and $43,991. While the program is not fully self-sustainable under the current financial and contractual arrangements, the prospects for financial sustainability could be quite different if La Clínica contracted for specialty care under alternative terms. Moreover, the question of sustainability should be viewed in the broader context of the increased access to care that the program provides.

# II. Introduction

While the use of telehealth can increase access to both primary and specialty care for community clinics, its widespread adoption has been slowed by significant barriers, most notably implementation costs and low, inconsistent reimbursement for care. Many pilot programs have been initiated throughout the country with support from private and government start-up-funding but ceased operations once these grants ended. A major challenge to these programs is building sustainability beyond the initial funding.

This report analyzes data from La Clínica de La Raza (La Clínica), based in Oakland, which was funded by the California HealthCare Foundation (CHCF) through the Telemedicine to Improve Access & Efficiency in California Clinic Networks project, to add a new teledermatology (telederm) program offering specialty care to its mostly low-income patients. It is a companion report to a case study, *Telehealth in Community Clinics: Three Case Studies in Implementation* (www.chcf.org), which examines the process and structure of that telederm program. The goal of this analysis is to provide other community health centers (CHC) that are considering implementing telehealth programs with a framework for considering initial and sustainable long-term budgeting for such a program, as well as providing real economic data from an existing telehealth program. Published simultaneously with this report is a similar financial analysis of more complex, ongoing telehealth programs at Open Door Community Health Centers, a multi-site community health organization in rural Northern California (*Financial Analysis of Open Door Community Health Centers' Telemedicine Experience,* www.chcf.org).

# III. About La Clínica de La Raza

La Clínica is a Federally Qualified Health Center (FQHC) with 26 sites in Alameda, Contra Costa, and Solano Counties in Northern California. From its inception in 1971 as a single storefront clinic in East Oakland staffed by five volunteers, La Clínica has grown to provide 304,198 patient care visits to 61,909 individual patients in 2009. Two-thirds (66 percent) of La Clínica patients have incomes at or below the Federal Poverty Level and 94 percent of patients are either uninsured or have public health insurance. The racial/ethnic composition of its patient population is 71 percent Latino, 14 percent white, 9 percent African American, and 6 percent Asian. La Clínica provides the following services to its patients: medical; dental; optical; women's health; prenatal and postnatal care; preventive medicine; health and nutrition education; adolescent services; mental health; behavioral health; case management; referral; pharmacy; radiology; and laboratory.

## Patient Need for Specialty Care

Similar to other underserved populations, access to specialty care is a significant issue for La Clínica's patient population and often translates into lengthy wait times or, even more troubling, complete lack of access. When planning for its telederm program, La Clínica found a significant need for dermatology care among its patients, both insured and uninsured. La Clínica sampled referral data for five of its clinics from a two-week period prior to telederm implementation and found that the average wait time for access to dermatology appointments ranged from ten days at one clinic to more than 117 days, excluding holidays and weekends, at another. The average wait time from referral date to appointment date for a dermatology visit across all the clinic sites was more than two months (62.3 days). For patients without insurance, wait times for a dermatology appointment at Highland Hospital, the Alameda County facility to which many of La Clínica's uninsured patients are referred, were sometimes up to a year.

## Establishing La Clínica's Teledermatology Program

In 2007, with support from a CHCF grant, La Clínica began implementing a telehealth program as one tool with which to address its specialty access difficulties. As a first step, La Clínica conducted a Web-based survey to solicit feedback from medical, mental health, and health education staff regarding their experience with telehealth, their receptiveness to technology use for maximizing access, their identification of needs for specialty care, and the training they would need regarding telehealth technology. The planning process also assessed what the most appropriate telehealth program would be, surveying providers across La Clínica to determine their priority areas and balancing clinical importance with ease of implementation. The top three priorities identified were health education, dental services, and dermatology. Health education was eliminated based on its perceived lower clinical importance, while dental was eliminated because of the complexity of implementing a teledental program. Telederm was chosen as it seemed to provide the best balance between high clinical importance and ease of technical implementation.

To implement the program, La Clínica contracted with a dermatologist at the University of California, San Francisco (UCSF) to provide telederm consultations via a store-and-forward model. Under this model, La Clínica providers forward digital images and clinical notes, using Second Opinion™ software, to show and describe a patient's dermatology issue to the specialist at UCSF. The dermatologist reviews these and provides written treatment or in-person follow-up recommendations to the La Clínica providers. As part of the overall new dermatology program provided by La Clínica, the contract also called for the UCSF dermatologist to provide an in-person clinic at La Clínica's central site in Oakland once a month, during which follow-up issues could be addressed. Prior to conducting these in-person visits, La Clínica needed Health Resources and Services Administration (HRSA) permission to conduct dermatology services on its premises, as this specialty was not included in its FQHC scope of services. This request was initially denied for technical reasons, but after a delay of several months, La Clínica received HRSA approval to offer in-person dermatology services. The contract called for the dermatologist to provide up to 720 consultations (telederm and in-person) for a period of one year, for a flat fee of $40,000. The 720 consultations figure was a projection by La Clínica of how many consultations would occur in the first year of the program, based on its existing dermatology referral patterns.

# IV. Financial Analysis

## Methodology and Scope

To help analyze the financial sustainability of a telederm program, La Clínica developed a budgeting model that compared projected revenue from the program and projected costs. For the purposes of the financial analysis presented in this report, this model was populated with actual data from the telederm program. Although La Clínica began implementation of its telederm program in June 2009, it was not until October 2009 that it was implemented at all seven sites selected to participate. Therefore, the data presented in this analysis are annualized based on the six-month period of October 2009 through March 2010. These data were obtained from La Clínica's telemedicine program coordinator and reviewed by La Clínica's chief financial officer. (Of note, the numbers in this report do not take into account a three-month no-cost extension that La Clínica was able to negotiate with the dermatologist at UCSF.) An update to the financial analysis, using data from La Clínica's program from July 2010 through December 2010 and reflecting the new terms of their current dermatology specialist contract, is presented in the Appendix to this report.

## Financial Model

La Clínica developed a budget model during its planning phase to analyze the potential financial sustainability of the telederm program. La Clínica's original plan had been to contract with a specialist who would bill Medi-Cal and other third parties for telederm services delivered to insured patients. La Clínica was unable to find a specialist to do so, however, and as a result structured its financial model to reflect the fact that the costs of this consulting dermatologist were to be borne entirely by La Clínica, except to the extent that insured and sliding-scale self-pay patients were seen in-person. The specialist contract is the program's single biggest cost driver. It should be emphasized, however, that alternative contracting models — including one in which the specialist bills third-party payers — could potentially result in a very different, more positive picture of financial sustainability.

For its overall dermatology program, La Clínica received revenue from two sources: (1) in-person dermatology office visits, and (2) recall visits where patients returned to the clinic to visit the primary care provider for review of the telederm consult results and to discuss treatment. In the model below, two financial analysis scenarios are presented — with and without revenue from recall visits included.

La Clínica estimated the number of monthly telederm consults it would need (60) by examining its own patient demand as well as the volume of other telederm programs, including the program at Open Door Community Health Centers in Arcata, and scaled these other programs' number of consults to reflect its own patient volume. La Clínica then estimated that approximately 25 percent of those consults would require a follow-up visit at its in-person dermatology clinic, and used its payer mix to calculate the revenue associated with those in-person visits: 40 percent insured at $190 a visit (its average rate for insured patients) and 60 percent uninsured at $50 a visit (its average sliding-scale payment rate). In addition to revenue associated with the in-person visits, La Clínica assumed that approximately

**Table 1. Projected Revenue,**
La Clínica Telederm Program

| | |
|---|---|
| **Monthly Telederm Consults** | |
| **Total** (A) | **60** |
| Insured (B = A × .40) | 24 |
| Uninsured (C = A × .60) | 36 |
| **In-Person Derm Office Visits** | |
| **Total** | **15** |
| Insured (D = B × .25) | 6 |
| Uninsured (E = C × .25) | 9 |
| **Recall Visits** | |
| **Total** (G = A × .50) | **30** |
| Insured (H = G × .40) | 12 |
| Uninsured (I = G × .60) | 18 |
| **Projected Revenue** | |
| In-Person Derm Clinic (F = ($190 × D) + ($50 × E)) | $1,590 |
| Recall Visits (J = (190 × H) + ($50 × I)) | $3,180 |
| **Total Monthly** (in-person and recall) (K = F + J) | **$4,770** |
| Annual In-Person Only (L = F × 12) | $19,080 |
| **Total Annual** (in-person and recall) (M = K × 12) | **$57,240** |

Source: La Clínica de La Raza.

50 percent of telederm consults would require a recall visit and again used its payer mix to calculate the revenue associated with those recall visits.

Table 1 outlines these revenue streams in La Clínica's projected budget. The two different scenarios are offered to permit a CHC considering such a program to recognize that there are distinct ways of thinking about its financing: Revenue from recall primary care visits stems from the telederm project, but as a matter of purely financial calculation it might also be argued that many if not most of these primary care visits would have been filled in any case by non-dermatology patients.

On the expense side, the largest cost of the telederm program is the contract with the specialist for $40,000 per year. In addition, La Clínica included staff time and the ongoing costs of its software in its original project expenses estimate, as outlined in Table 2.

**Table 2. Projected Expenses,**
La Clínica Telederm Program

| | |
|---|---|
| Specialist Contract | $40,000 |
| Telehealth Specialist (0.2 FTE) | $10,736 |
| Medical Assistant (4 hours/month) | $1,089 |
| Billing Staff (8 hours/month) | $1,920 |
| Software* | $2,000 |
| **Total Costs** | **$55,744†** |

*Software costs only included the ongoing costs of software maintenance; the initial license fees were covered by the CHCF telederm start-up grant.

†Figure may vary slightly due to rounding.

Source: La Clínica de La Raza.

Taken together, the revenue and expenses projected for the program are outlined in Table 3, both with and without the inclusion of revenue from recall visits.

**Table 3. Projected Annual Profit/(Loss),**
La Clínica Telederm Program

| | REVENUE FROM RECALL VISITS | |
|---|---|---|
| | NOT INCLUDED | INCLUDED |
| Total Revenue | $19,080 | $57,240 |
| Total Expense | – $55,744 | – $55,744 |
| **Net Profit/(Loss)** | **($36,664)** | **$1,496** |

Source: La Clínica de La Raza.

Based on these projected volume and expense numbers, the telederm program had the potential to be financially sustainable if recall visits were included as a revenue source and the volume assumptions of the projected budget were realized. However, when revenue from the recall visits was not included, the program did not appear to be fully financially self-sustainable. The following section examines the sustainability question based on actual data from the first six months of the program's full implementation.

## Annualized Profit/(Loss) Results

This section presents real data annualized from the six-month period of October 2009 through March 2010. This period reflects the first six months during which all seven of La Clínica's chosen sites were fully operational with the telederm program. (The program's start-up costs are not included in this analysis since they were covered by the initial grant from CHCF; these start-up expenses are detailed in the accompanying sidebar.)

The profit/(loss) results are examined in three different scenarios, under the following assumptions:

- **Scenario 1.** Revenue from both recall visits and in-person dermatology clinic visits is included; on the expense side, only specialist contract costs are included.
- **Scenario 2.** Revenue from both recall visits and in-person dermatology clinic visits is included; on the expense side, specialist contract and software maintenance/staff time are both included.
- **Scenario 3.** Revenue from in-person dermatology clinic only is included; on the expense side, specialist contract and software maintenance/staff time are both included.

### Start-Up Expenses

Expenses incurred by La Clínica to initially implement its telederm program are detailed below. Because these expenses were covered by the CHCF start-up grant, they were not included in the financial analysis in this report, which is designed to examine the long-term sustainability of the program. (Note: The following expenses do not include internal staff time dedicated to the development of the program.)

| | |
|---|---|
| Server | $6,000 |
| Cameras | $8,110 |
| Consumables | $2,722 |
| Forms Development | $600 |
| Internal Training | $1,083 |
| Software Application | $24,008 |
| **Total** | **$42,523** |

Source: La Clínica de La Raza.

As noted previously, with regard to the inclusion or not of revenue from recall primary care patient visits, it is certainly true that these recall visits are related to the telederm project. On the other hand, with regard to the effect of the telederm program on overall health center revenue, there is the likelihood that many if not most of these primary care recall visit patient "slots" would have been filled anyway by patients for non-dermatology visits. Hence, both inclusive and exclusive revenue figures are offered here for consideration. Similarly, figures are included both with and without expenses for staff time: The actual costs for staff time during the initial six-month implementation period were covered by the start-up grant from CHCF, but such costs would have to be borne by the health center over the longer term.

**Table 4. Annualized Revenue,**
La Clínica Telederm Program

| | |
|---|---|
| **Telederm Consults** | |
| Total (A) | 314 |
| Insured (B = A × .51) | 160 |
| Uninsured (C = A × .49) | 154 |
| **In-Person Derm Office Visits** | |
| Total (D) | 74 |
| Insured (E = D × .49) | 36 |
| Uninsured (F = D × .51) | 38 |
| **Recall Visits*** | |
| Total (H = A × .50) | 157 |
| Insured (I = H × .60) | 94 |
| Uninsured (J = H × .40) | 63 |
| **Revenue** | |
| In-Person Derm Clinic (G) | $11,753 |
| Recall Visits† (K = (190 × I) + ($50 × J)) | $21,038 |
| **Total Annualized Revenue** (L = G + K) | **$32,791** |

*Recall visits are estimated based on patient encounters for which the primary diagnosis was dermatology-related.

†Recall visit reimbursement is estimated based on an average of $190 for insured patients and $50 for uninsured patients, using La Clínica historical data.

Source: La Clínica de La Raza.

On the expense side, La Clínica paid $40,000 for a one-year contract for the dermatologist. In Scenario 1 in Table 5, this is the only expense included since capital expenses and staff time were covered by the CHCF start-up grant for the period in question. In Scenario 2, the additional expenses of staff and software maintenance, part of the budgeting model, are included. In Scenario 3, all expenses are included but revenue from recall visits is not.

**Table 5. Projected Annual Profit/(Loss), by Scenario,**
La Clínica Telederm Program

| | SCENARIO | | |
|---|---|---|---|
| | 1 | 2 | 3 |
| Total Revenue | $32,791 | $32,791 | $11,753 |
| Total Expense | $40,000 | $55,744 | $55,744 |
| **Net Profit/(Loss)** | **($7,209)** | **($22,953)** | **($43,991)** |

Source: La Clínica de La Raza.

Based on the actual results presented in the tables above, it is clear that the specialist contract is the most significant barrier to the financial sustainability of La Clínica's telederm program. If La Clínica were able to set up a comparable program with a specialist who was willing to bill third parties, or to negotiate different terms under its existing model, the financial sustainability equation could be very different.

## Per-Visit Revenue/Costs Results

This section examines the program's per-visit revenue and expenses. For these calculations, both Scenario 2 and Scenario 3 are used. From a per-visit standpoint—based on the combined total of both telederm (314) and in-person dermatology (74) visits—the figures presented in the previous section translate into $85 per consult in revenue if recall primary care visit revenue is included ($32,791 for 388 consults) and $30 per consult if recall visit revenue is not included ($11,753 for 388 consults). On the expense side, this translates into $144 per consult ($55,744 for 388 consults). This figure remains the same whether or not recall visits are included because, importantly, there are no additional costs assumed in the scenario where revenue from recall visits is included.

**Table 6. Per-Visit Profit/(Loss),** La Clínica Telederm Program

| | REVENUE (A) | COST (B) | PROFIT/ (LOSS) (C = A − B) |
|---|---|---|---|
| Recall Revenue Included | $85 | $144 | ($59) |
| No Recall Revenue | $30 | $144 | ($113)* |

*Figure varies slightly due to rounding.

Since the specialist contract assumed 720 visits (telederm and in-person combined), this would translate into a per-visit cost of $77 if 720 visits ($55,744/720) were achieved during the 12 months of the contract. A profit/(loss) equation reflecting full use of the contracted visits is illustrated in Table 7. It is important to note that, based on these figures, it appears that the program could achieve a profit—even under the existing cost structure—if revenue from recall visits is included and La Clínica were able to reach the number of visits originally projected.

**Table 7. Per-Visit Profit/(Loss) with Full Specialist Utilization,** La Clínica Telederm Program

| | REVENUE* (A) | COST† (B) | PROFIT/ (LOSS) (C = A − B) |
|---|---|---|---|
| Recall Revenue Included | $85 | $77 | $8 |
| No Recall Revenue | $30 | $77 | ($47) |

*Revenue based on existing volume.

†Cost based on 720 visits.

Source: La Clínica de La Raza.

# V. Conclusion

Based on the analysis done for this report, the current structure of La Clínica's telederm program does not appear to be financially fully self-sustaining (if viewed solely from a revenue and expense standpoint). One of the biggest limitations in this regard is the terms of its specialist contract. If La Clínica were able to identify a specialist willing to bill third party payers, or if it were able to negotiate different terms under its existing program, the financial equation could be quite different. For example, if La Clínica could negotiate a per-visit telederm consultation fee that was in line with program support expenses, the financial equation would be more favorable.

La Clínica has now renegotiated its contract with the specialist, based on their first-year telehealth experience and volume — unlimited telehealth consults and a once-a-month in-person clinic for a reduced annual fee. Under the new contract terms the program still operates at a financial loss, but a smaller one. (See the Appendix to this report for a discussion of the updated financial data.) Similarly, even under the current contract, if La Clínica were able to fill all the contracted dermatology visits, the program would be much closer to full financial self-support.

Based on La Clínica's experience, other CHCs that are considering implementing a telehealth program might want to approach their volume estimates conservatively. La Clínica based its estimates on volume from another CHC organization, but that telehealth program was more established, and there may be many factors that influence actual volume, including provider preference. Anecdotally, such overestimation of volume has been a familiar theme across other programs.

For other CHCs exploring similar types of projects, La Clínica's model presents one way to structure a telehealth program and relationship with a consulting specialist. But as La Clínica and other safety-net CHCs think through the broader question of sustainability, it is crucial for each organization to determine how much value — in terms of access and therefore long-term health — such a program can provide to its patients, beyond simply making a purely numerical profit/(loss) assessment. Once this broader issue of value is determined, it should be balanced with the financial figures to help determine and structure — with, to an appropriate extent, internal subsidies — a sustainable program.

## **Appendix:** Financial Analysis Update

This appendix, prepared in April 2011, presents an update to the financial analysis of the first year of La Clínica's telehealth program, which appears in the body of this report. The new data in this appendix derives from the six-month period July through December 2010.

The structure of the program remains the same. Using Second Opinion™ Software, La Clínica providers forward digital images and clinical notes documenting and describing a patient's dermatology issue to the specialist at UCSF. The UCSF dermatologist reviews these and provides written treatment or in-person follow-up recommendations to the La Clínica providers. Once a month, the dermatologist also staffs an in-person clinic at La Clínica's central site in Oakland, during which any follow-up issues can be addressed.

With regard to the program's finances, revenue remains essentially the same while costs will be somewhat reduced under La Clínica's renewed contract (beginning in December 2010) with the UCSF dermatologist. Under the new contract terms, the dermatologist continues to provide unlimited telederm consults and a monthly in-person clinic for a flat fee, which has been reduced from $40,000 annually to $25,000. With these reduced costs, La Clínica's financial loss from the program will be reduced from the previous year's $113 per visit to $82 per visit, as explained more fully below.

### Methodology and Scope

The methodology and scope for this analysis are similar to the those in the main body of this report. However, the data presented here are unique from the data presented in the original report. The present data are annualized based on the six-month period of July through December 2010, projected onto the new terms of the renewed dermatologist contract. The data were obtained from La Clínica's telemedicine program coordinator.

### Annualized Profit/(Loss) Results

This section presents La Clínica telederm program revenue data annualized from the six-month period of July through December 2010, and annualized program expense data going forward from the new dermatologist contract terms that took effect in December 2010. Only revenue from the in-person dermatology clinic is included. (See Table A1.) This differs from the analysis presented in the body of this report, in which revenue from recall visits—where the patient returned to the clinic to visit the primary care provider for review of the telederm consult—was also included in two of the scenarios. In this updated analysis, recall revenue is not included because La Clínica has determined that those patient visit "slots" would most likely have been filled anyway by non-dermatology patients.

**Table A1. Annualized Program Revenue, July 2010 to December 2010**

| | |
|---|---|
| Total Teledermatology Consults | $292 |
| Insured Telederm Consults | $176 |
| Uninsured Telederm Consults | $116 |
| In-person Derm Office Visits | $ 78 |
| Insured In-person Derm Office Visits | $ 26 |
| Uninsured In-person Derm Office Visits | $ 52 |
| **In-person Derm Clinic Revenue (G)** | **$10,475** |

Source: La Clínica de la Raza.

On the expense side, the largest program cost continues to be the flat-fee contract with the specialist. (See Table A2.) The significant difference between expenses annualized from early 2010 and expenses going forward from December 2010 is the drop in the dermatologist's fee, from $40,000 to $25,000 annually. Additional expenses include staff time and the ongoing cost of its software contract, both of which remain the same as in the earlier period.

**Table A2. Annual Program Expenses, December 2010 to November 2011**

| | |
|---|---|
| Specialist Contract | $25,000 |
| Telehealth Specialist (0.2 FTE) | $10,736 |
| Medical Assistant (4 hours per month) | $ 1,089 |
| Billing Staff (8 hours per month) | $ 1,920 |
| Software* | $ 2,000 |
| **Total Costs** | **$40,745** |

*Software costs include only ongoing software maintenance.

Source: La Clínica de la Raza.

Based on the updated annualized revenue figures and the cost data going forward from the new dermatologist contract, the projected annual loss for the program is $30,270. (See Table A3.)

**Table A3. Annualized Profit/Loss, December 2010 to November 2011**

| | |
|---|---|
| Total Revenue | $10,475 |
| Total Expense | $40,745 |
| **Net Profit/(Loss)** | **($30,270)** |

Source: La Clínica de la Raza.

## Per Visit Revenue/Costs

This section examines the program's per-visit revenue and expenses. From a per-visit standpoint based on the total of both telederm (292) and in-person (78) visits, the program averaged $28 per consult in revenue ($10,475 for 370 consults) and $110 per consult ($40,745 for 370 consults) in expenses, for an average program loss of $82 per visit. (See Table A4.)

**Table A4. Profit/Loss per Consult Visit, July 2010 to December 2010**

| REVENUE (A) | COST (B) | PROFIT/(LOSS) (C = A – B) |
|---|---|---|
| $28 | $110 | ($82) |

Source: La Clínica de la Raza.

## Improved Per-Visit Cost with Medi-Cal Billing

Under the current program arrangement, the consulting dermatologist does not independently bill third-party payers for a telederm consultation. If the dermatologist were to bill third party payers as part of this program, and assuming that insured telederm referrals would average $59.50 in revenue (the current Medi-Cal fee-for-service rate), $10,472 for the year would be reimbursed directly to the specialist (an average of 176 insured telderm consults at $59.50 per consult). If such reimbursement to the specialist resulted in a corresponding offset (reduction) in La Clínica's specialty contract fees (other aspects of the contract holding constant), such an arrangement would result in a significant reduction in per-visit costs to the program, from $82 to $54 per visit. (See Tables A5 and A6.)

**Table A5. Annual Profit/Loss (Projected) with Billing to Third-Party Payer**

| | |
|---|---|
| Total Revenue | $10,475 |
| Total Expense | $30,273 |
| **Net Profit/(Loss)** | **($19,798)** |

Source: La Clínica de la Raza.

**Table A6. Per Visit Profit/Loss (Projected) with Billing to Third-Party Payer**

| REVENUE (A) | COST (B) | PROFIT/(LOSS) (C = A − B) |
|---|---|---|
| $28 | $82 | ($54) |

Source: La Clínica de la Raza.

## Summary

The renewed contract terms for the consulting dermatologist improve the financial picture of La Clínica's telederm program, although it still generates a loss. Utilizing a parallel set of assumptions, La Clínica had a loss of $113 per visit under its previous contract compared to a projected loss of $82 per visit under its improved current contract terms. As noted in the original analysis, however, the financial loss generated by the program needs to be balanced with the value provided to La Clínica's patients, and the improved contract terms increase the likelihood of maintaining the program. As Patricia Zayas, M.D., chief medical officer of La Clínica describes it:

Although at this moment our telederm program has not hit break even finances, the small unreimbursed cost is well worth the numerous benefits attained, such as the ability to deliver high quality dermatology consults to our patients in need, the ease and speed of doing so, and provider satisfaction in being able to provide better care to our patients. These benefits far outweigh the modest financial loss, and we continue to pursue ways to make this service break even in the near future.

In particular, La Clínica is considering reimbursement opportunities regarding the telederm referrals for its Medi-Cal patients (both managed care and fee-for-service), which would improve the program's financial equation, making it easier to balance financial costs versus patient benefits.

California
HealthCare
Foundation

1438 Webster Street, Suite 400
Oakland, CA 94612
tel: 510.238.1040
fax: 510.238.1388
www.chcf.org