



# Telehealth Demand: An Update Four Years After the Onset of the COVID-19 Pandemic

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## Key Takeaways

- In stark contrast with enthusiastic predictions of telehealth adoption in 2020 and 2021, the telehealth industry is currently facing a challenging reality and rethinking of digital health strategies.
- Following a period of forced adoption due to the COVID-19 pandemic, telehealth utilization peaked in Q2 2020 and has since declined and concentrated around behavioral health use cases. As of Q3 2023, volumes were 54.7% below the peak, with significant variation in usage patterns across states and age groups.
- ***Compass+ Exclusive: Redesigning Digital Health Strategies to Meet Demand for Telehealth by State and Age Group***

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The substantial increase in telehealth utilization at the pandemic's onset in 2020 catalyzed a rapid expansion of telehealth capacity throughout the health economy without evidence of future demand, the profile of telehealth customers, the locus of utilization or patient preferences. For several years, we have conducted extensive

research on and reported data that conflicted with predictions of a “Golden Age” of telehealth in the wake of the pandemic.<sup>1</sup> The convergence of recent policy, regulatory and industry developments prompted us to revisit a few key data-driven telehealth trends.

## **Background**

In stark contrast with enthusiastic predictions of telehealth adoption in 2020 and 2021, the telehealth industry is currently facing a challenging reality and uncertain future. Last month, Optum announced that it was closing its virtual care business, which was only launched in 2021.<sup>2</sup> That announcement was quickly followed by Walmart’s statement that it was closing Walmart Health Virtual Care, also launched in 2021, alongside its primary care business.<sup>3</sup> Lastly, these announcements coincided with the two largest telehealth platform companies – Amwell and Teladoc – disclosing multiple rounds of mass layoffs, strategy shifts, executive leadership departures and continually plummeting stock performances.<sup>4,5,6</sup>

The COVID-19 pandemic resulted in novel flexibilities for providers to receive Medicare reimbursement for delivering broad telehealth services. In 2023, Congress passed legislation to extend several telehealth coverage policies through the end of 2024. While it remains to be seen whether Congress will extend these policies, make them permanent or allow them to expire, most policy experts anticipate another short-term extension. While telehealth advocates favor codifying these policies, Congress will face scrutiny regarding the budgetary impact of permanent telehealth policies because the Congressional Budget Office estimated that extensions would result in \$2B in excess Medicare spending.<sup>7</sup> In addition to the Congressional telehealth priorities, another major Federal telehealth policy that must be addressed before the end of 2024 is the remote prescribing of controlled substances, which is subject to the purview of the Drug Enforcement Administration (DEA).

While the future of the telehealth market will be influenced by policymakers, regulators and major industry players, its financial viability depends upon demand dynamics and consumer preferences.

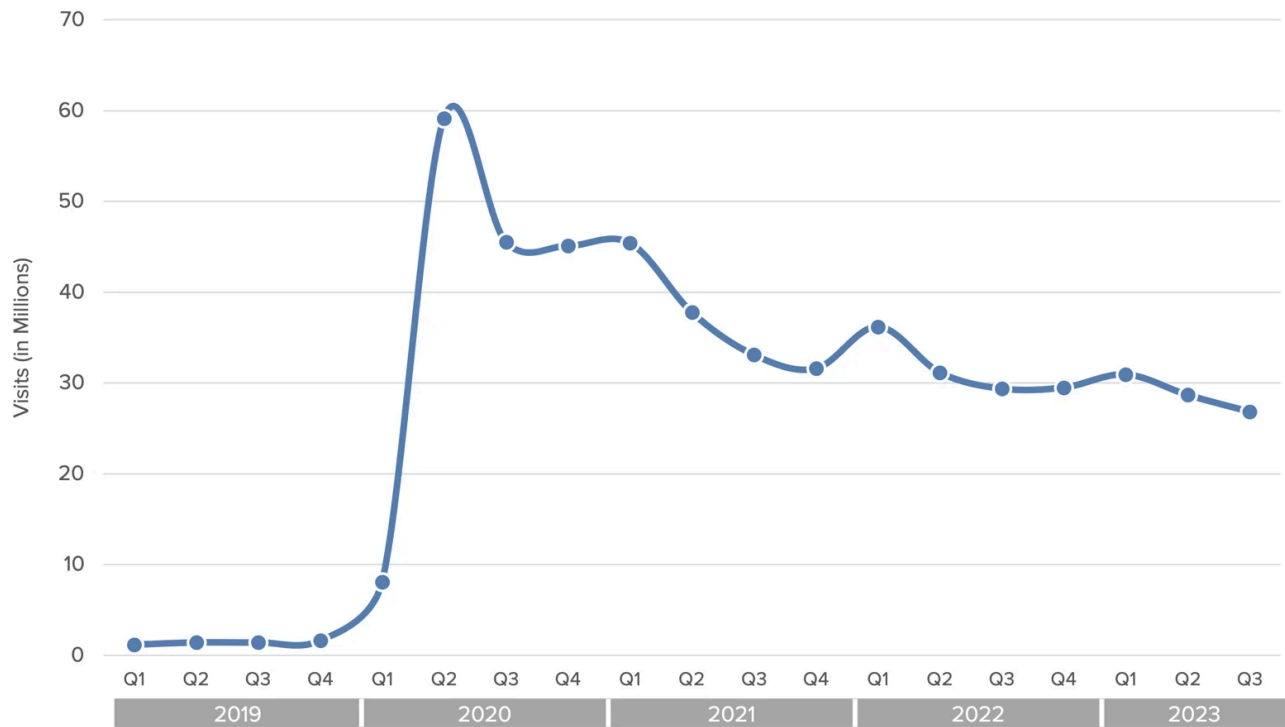
## **Analytic Approach**

Leveraging our national all-payer claims database, we analyzed utilization of telehealth services at the person- and visit-level between 2019 and 2023. We examined utilization trends nationally, by state, by age group and based upon the visit reason (i.e., behavioral health and non-behavioral health). Additionally, we analyzed prescribing trends for antidepressants, opioids and stimulants, segmenting by prescriptions resulting from in-person or virtual encounters with providers.

## **Findings**

Utilization of telehealth peaked in Q2 2020. Since then, volumes declined or plateaued quarter-over-quarter, except for an increase from Q4 2021 to Q1 2022 (Figure 1). While utilization remains above pre-pandemic levels, Q3 2023 telehealth volumes were 54.7% below Q2 2020.

**FIGURE 1.** Quarterly Telehealth Visit Volumes, Q1 2019-Q3 2023

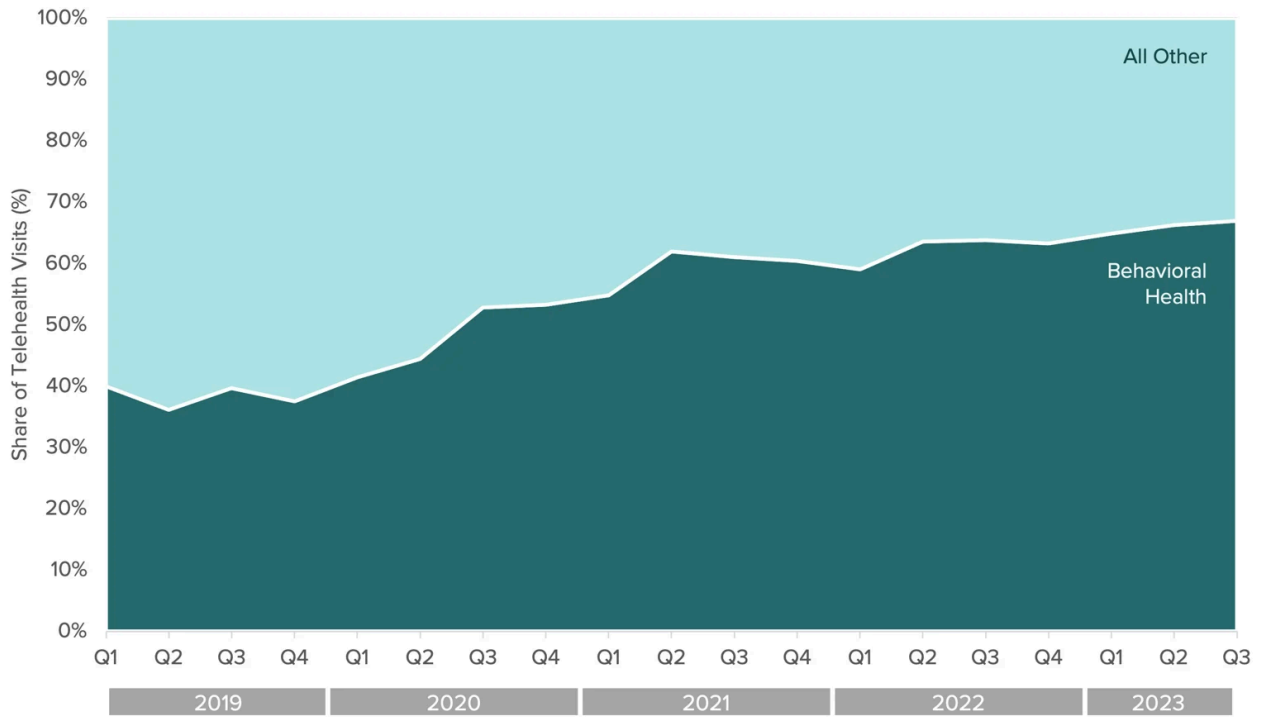


Source: Trilliant Health national all-payer claims database. • [PNG](#)



Telehealth utilization trends signal that patients do not view telehealth as a substitute for in-person care for most conditions, except for behavioral health. Since 2019, behavioral health telehealth visits have represented a consistently increasing share of telehealth utilization, up from 41.4% in Q1 2020 to 67.0% in Q3 2023 (Figure 2).

**FIGURE 2.** Telehealth Utilization, Behavioral Health vs. All Other, Q1 2019-Q3 2023

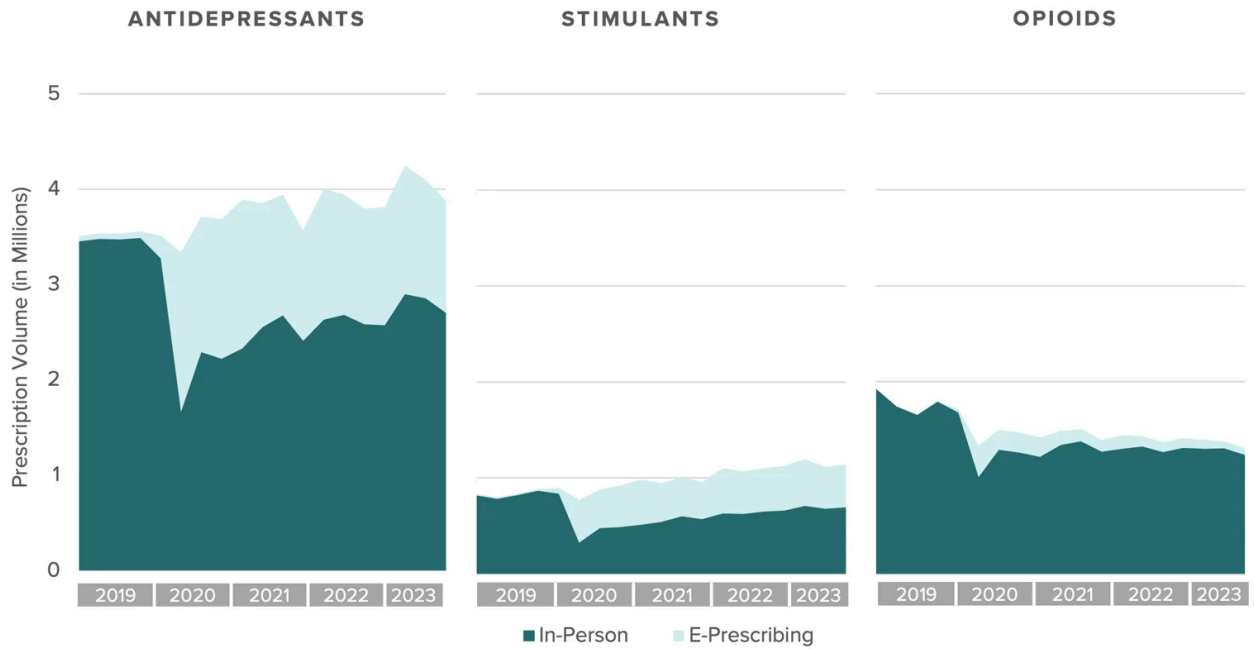


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Tele-prescribing has increased across drug classes since the pandemic. Tele-prescribing for controlled substances like opioids and stimulants increased due to pandemic-era flexibilities but continues to represent a noteworthy share of prescribing. As of Q3 2023, 30.3% of antidepressant prescriptions, 38.9% of stimulant prescriptions and 5.4% of opioid prescriptions originated from a telehealth visit (Figure 3).

**FIGURE 3.** Prescribing Volume and Share of E-Prescribing for Select Drug Categories, Q1 2019-Q3 2023

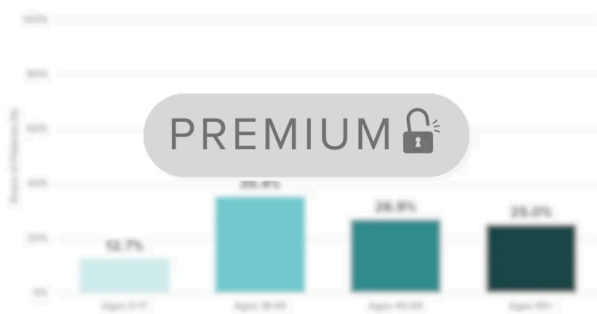


Source: Trilliant Health national all-payer claims database. • PNG

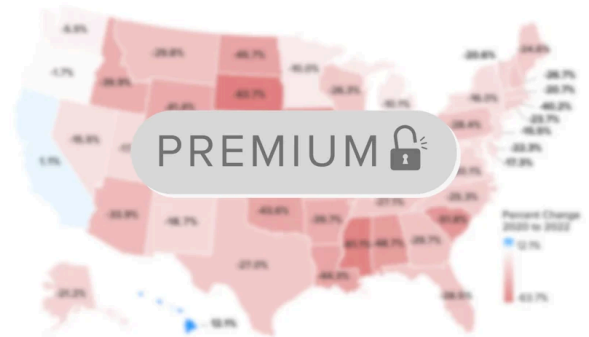


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**FIGURE 4.** Share of Patients With At Least One Telehealth Visit, By Age Group, 2022



**FIGURE 5.** Percent Change in Telehealth Utilization, By State, 2022 Compared to 2020



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## Conclusion

While the initial pandemic surge in telehealth utilization suggested a potential paradigm shift in healthcare delivery, the rapid decline indicates a more nuanced reality. Tapering telehealth demand indicates that consumers largely view telehealth as an appropriate substitute for low-acuity in-person behavioral health treatment and less frequently for chronic condition management or cancer treatment. Policymakers and regulators considering extending or making permanent the telehealth flexibilities must confront the limited clinical use cases for which telehealth can serve as a substitute in comparison to the numerous clinical use cases for which telehealth generates excess spending through inappropriate utilization. Beyond the costs associated with expanding telehealth coverage policies within Medicare, policymakers should evaluate utilization trends, quality, clinical appropriateness, patient preferences and provider perspectives.

Because it is now clear that the pandemic-era telehealth market predictions were ultimately misguided, stakeholders across the health economy must reevaluate their approach to telehealth. While all stakeholders should understand the preferences of the patients they serve, this is critically important for direct-to-consumer providers that serve niche patient segments (e.g., weight management, diabetes management, fertility). Health systems, alternatively, require a service-line-specific approach to determine which aspects of a patient's journey (e.g., follow-up visits to bariatric surgery) are not only most clinically appropriate but also favorable to their patient population.

Additionally, proliferation of telehealth utilization across unconnected providers fosters both fragmentation and potential duplication of care. These complicated dynamics raise important questions about the future of telehealth. For instance, how can health systems effectively leverage telehealth to complement in-person care rather than replace it? How can the healthcare industry address potential fragmentation and duplication of care resulting from increased telehealth use? How much telehealth is being delivered by providers that lack an established patient relationship?

While there are viable business models leveraging virtual care, the current market is unsustainable, and pandemic-era market expectations will never materialize. However, this does not negate the presence of existing market opportunities. These opportunities are dynamically evolving in the context of emerging markets, such as GLP-1 drugs, and macro trends like persistent workforce challenges and shifting consumer preferences. To identify these opportunities, stakeholders must have rigorous data insights into the supply, demand and yield dynamics shaping the total addressable market for digital health.

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