

# THE COVID MENTAL HEALTH CRISIS: THE TRANSFORMATIVE ROLE OF DIGITAL

An Ipsos White Paper

GAME CHANGERS



## THE COVID MENTAL HEALTH CRISIS: THE TRANSFORMATIVE ROLE OF DIGITAL

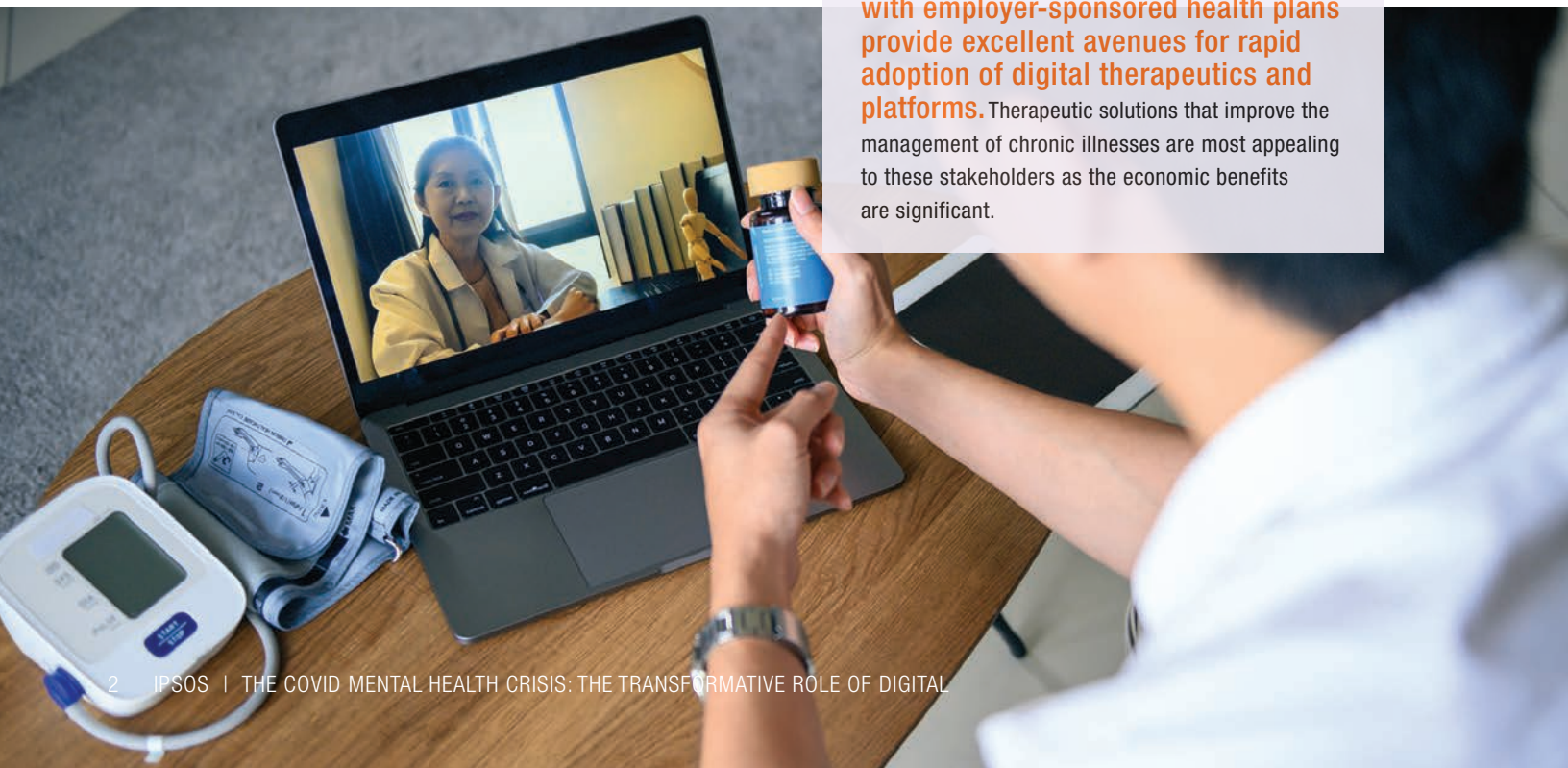
In the past 12 months, COVID-19 has irrevocably upended the state of patient care in the United States, with many of these changes likely to persist indefinitely. Already a growing sector of the healthcare industry, digital therapeutics (DTx) and remote-care technology quickly became buzzwords within the industry as millions of practices, physicians, and patients engaged with the technology. Broader familiarity with and support for telehealth and digital healthcare tools among physicians and patients has been a boon for digital therapeutics manufacturers eager to extol the virtues and value of these technologies.

In addition to providing opportunities for innovation, the pandemic has exposed vulnerabilities and gaps within our healthcare system:

- Mental health professionals, while already understaffed to treat the current patient population, are expected to see a massive rise in the number of patients and services requested in the wake of COVID-19.
- Digital therapeutics show promise in addressing these demands, but the extent of their effectiveness will depend entirely on their adoption and level of access provided by insurers.
- Payers are adamant about their internal evaluation frameworks for digital therapeutics, and it is essential that all manufacturers be mindful of these throughout the commercial process in order to ensure the successful launch of their digital solutions.

### Principal considerations for DTx Manufacturers'

- **The widespread use of telemedicine during the COVID-19 pandemic has elevated the general public's awareness and acceptance of digital therapeutics.** This momentum is a positive development for digital therapeutic developers as awareness and willingness to adopt are highly correlated sentiments among patients. The forced utilization of digital therapies and healthcare services during the pandemic-induced lockdowns has greatly accelerated the timeline for broad adoption of digital therapeutics in the market.
- Economic considerations will be crucial to the success of any digital therapeutic. **Favorable reimbursement and access terms is necessary for provider and patient adoption.** Reimbursement of digital therapeutics generally must be formalized as a distinct medical benefit if they are ever to receive favorable coverage and comprehensive utilization. A commitment to robust clinical trials and outcomes data will aide discussions with payer organizations and secure satisfactory terms.
- **Promotion within and collaboration with employer-sponsored health plans provide excellent avenues for rapid adoption of digital therapeutics and platforms.** Therapeutic solutions that improve the management of chronic illnesses are most appealing to these stakeholders as the economic benefits are significant.



As the number of cases spiked in the late spring across the country and state-wide lockdowns became commonplace, physician practices experienced dramatic decreases in the number of patient visits. This sudden downturn in patient flow had an immediate impact on the industry, with nearly 75% of physicians reporting decreased incomes, 43% indicating they

were forced to reduce staff, and one in twelve physicians closing their practices all together. The closure of approximately 15,000 individual practices, coupled with a looming physician shortage, is harmful to patients and likely to endanger millions of patients in the coming months and years.



## ADAPTING TO AND EVOLVING

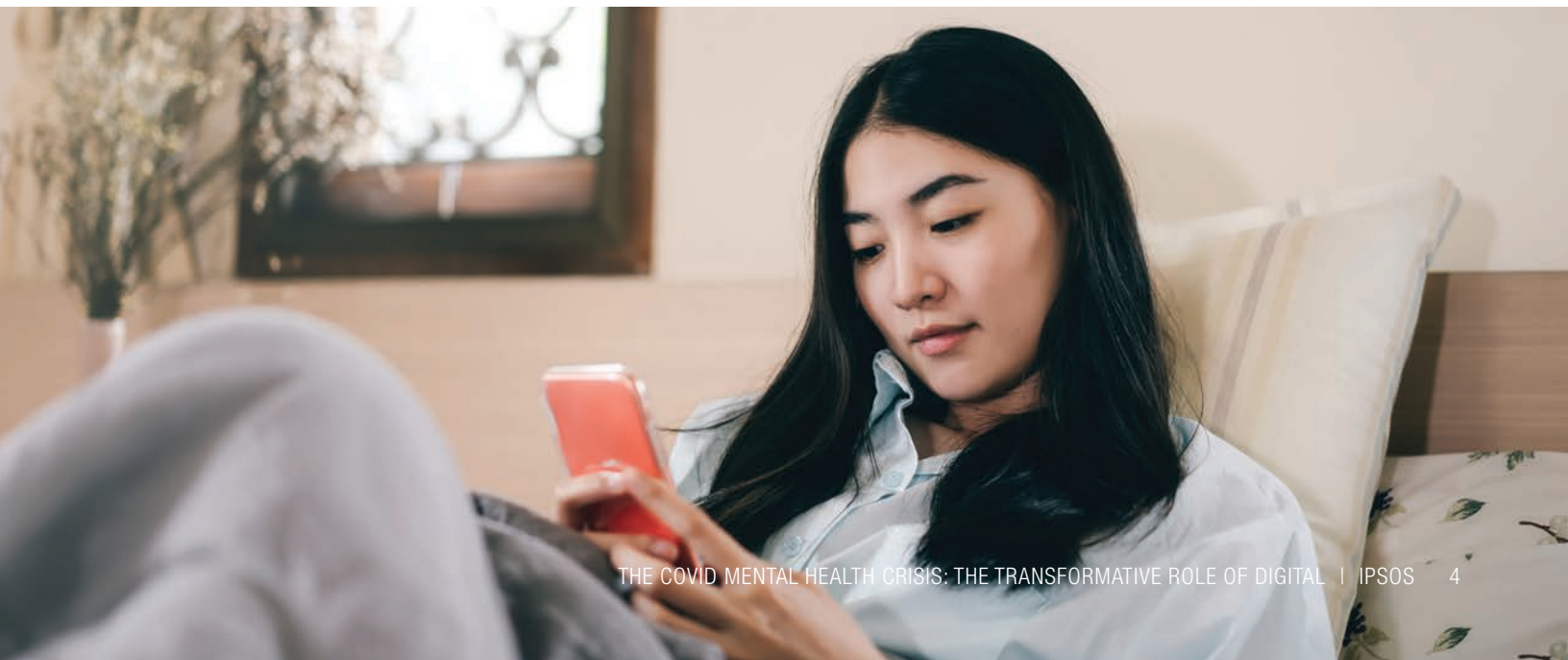
In order to continue treating patients, physicians have been forced to evolve their practice dynamics. With most physicians anticipating a long road to normalcy, adoption of telemedicine and digital healthcare solutions has risen, with 52% of physicians indicating increased use. In the spring of 2020, the Centers for Medicare and Medicaid Services (CMS) announced a series of changes regarding the reimbursement and coverage of telemedicine services to minimize the barriers for adoption by physicians. These included reduced reimbursement restrictions for digital services, relaxed HIPAA regulations, expansion of sites of service covered to include a patient's home, as well as ensuring that all connected health services would be reimbursed at the same rate as in-person care.

These measures were instrumental in making telemedicine financially viable for physicians and expanding the utilization of digital health services for patients. There's good reason why the momentum for telehealth services as a result of these changes is unlikely to wane anytime soon: 85% of physicians envision the long-term use of telehealth as a result of COVID-19, and 68% believe it is essential to providing patient care. However, physicians have indicated that these changes to the reimbursement rates and restrictions tied to telemedicine and digital devices need to be permanently enacted for it to remain practical.

However, there is reason to be optimistic.

- Payer organizations are recognizing the importance of digital solutions and have been mindful of their rise in popularity before the pandemic.
- The number of large commercial organizations establishing their own digital formularies is a positive sign of the growing infrastructure for digital health adoption.
- Kaiser Permanente has created its Digital Centers of Excellence in order to develop a set framework with which to evaluate, integrate, and expand coverage of digital services.
- Major pharmacy benefit managers (PBMs), such as CVS Caremark and Express Scripts, have recently announced that digital health tools and therapeutics (DTx) would be added to their digital health formulary and unveiled specialized platforms designed to streamline DTx reimbursement.
- The FDA has been working on improving its efforts to improve digital health solutions for many years. Just last September, the FDA created its own center *to provide expertise to help accelerate access to safe and effective digital health tools*, thereby signifying a significant investment.
- Despite the increased investment in DTx solutions, there remains a large lag in coverage. Surveyed Pharmacy and Therapeutics (P&T) committee members report only a quarter of their organizations currently provide any coverage for DTx, despite indicating overwhelming interest in doing so.

This divergence between attitudes and practice speaks largely to the barriers that currently exist for digital healthcare manufacturers. Without a codified benefit category designated for DTx solutions, payers generally are not compelled to provide coverage.



## LEADING THE CHARGE FOR REIMBURSEMENT LEGISLATION

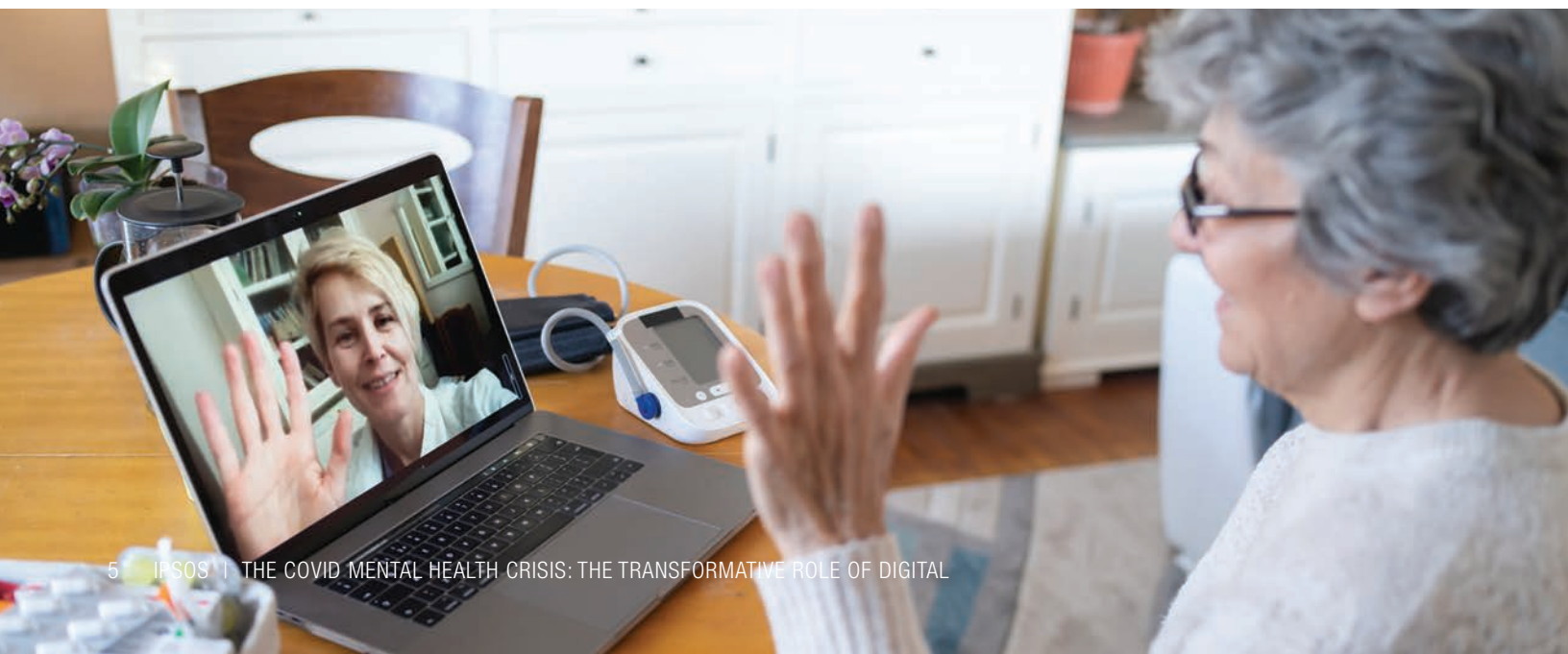
Digital therapeutics manufacturers have begun urging legislative efforts to change this in the form of *The Prescription Digital Therapeutics to Support Recovery Act*. The bill, while focusing primarily on substance abuse and mental health DTx, attempts to set a precedent for the reimbursement of digital therapeutics more generally. The next barrier is not unique to digital healthcare manufacturers, but, due to the novelty of many of their solutions, requires distinctive considerations. Clinical validation through trials is paramount to securing approval for DTx from the FDA. However, what is 'good enough' for approval may not provide favorable coverage and reimbursement terms from payers. Payers are adamant about seeing robust published data from a randomized-controlled trial from any DTx seeking coverage, regardless of whether or not there is a comparator on the market. DTx manufacturers are being asked to prove that their digital solution provides a clinical and economic benefit to the health plan either as a standalone therapeutic or when used in conjunction with other therapies. Understanding and framing the utility of your DTx in the eyes of the payers is crucial for manufacturers when designing your go-to-market strategy.

One area where DTx solutions have seen the greatest success through adoption is among employer-sponsored health plans. Employers have recognized the importance of adopting DTx solutions in reducing their healthcare expenditures, as well as boosting employee productivity. This tacit support of DTx by employers is crucially important in gaining traction with payers and ensuring early access to digital health tools. As if to validate the level of influence employers have, Blue Shield of California

has introduced a revamped *Wellvolution* program, aimed at harnessing digital health tools more effectively. The joint venture with Solera Health has been touted as an important advancement in patient care by Bryce Williams, Blue Shield of California's Vice President of Lifestyle Medicine: *We realized that the old way of doing things wasn't going to work. There's been so much innovation in community health and digital therapeutics that there was a real opportunity to build something different.*

Mental health is one therapeutic area receiving a significant push from employers for digital innovation, and there are plenty of reasons for this. Forecasts by the National Institute of Mental Health (NIMH) project that the economic costs of mental illness will soon surpass spending on cancer, diabetes, and respiratory ailments combined. Untreated mental illness costs are estimated to account for one-third of all chronic care expenses and \$400 billion in direct losses to employers each year. High costs and poor access to professional mental health services further highlight the need for innovation.

A report by the Surgeon General indicates that fewer than half of all U.S. counties have a designated, qualified mental health professional on board, and over 30 million individuals do not have access to affordable care. Only the integration of DTx promises to deliver improved access and greater cost-savings for mental health services across the industry.



## NEXT STEPS: DELIVERING DTx SOLUTIONS TO MEET DIRE MENTAL HEALTH NEEDS

Whether by increasing patient access, improving adherence, saving providers' time that enables more cost-effective care, or preventing disease progression through the management of underlying conditions, DTx solutions promise to provide better value-based contracts and pricing models to payers. Continued integration of innovative DTx solutions is required to meet the surging demand for mental health services expected over the next decade.

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*Primary Interviews with Payers*

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The healthcare industry stands to profit through increased integration of innovative digital health therapeutics and solutions. Mental health services look to be ideally positioned to benefit from continued adoption of DTx services. The confluence of economic and clinical factors within mental health promises an exciting and rich opportunity for DTx manufacturers, if they can effectively identify their refined value propositions to key stakeholders.

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