

Strong Growth Forecast for Telemedicine

The industry is riding sustained tailwinds that will push growth of 30% to more than 40% in coming years. Factors include a growing dearth of clinicians, an aging population, and technological innovations that will improve patient access and experience.

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If Teledoc, Inc. is a bellwether for the telemedicine industry, the outlook is bright.

Jason Gorevic, CEO of the Purchase, NY-based telemedicine provider, called 2017 "a landmark year as we redefined the virtual care delivery landscape with our acquisition of Best Doctors."

"Through rapid integration, Teladoc has brought to market innovation that gives members a single point of access for a wide array of medical needs. We are seeing a tremendous reception from both clients and prospects to this unique, comprehensive solution," he said.

Preliminary numbers provided by Teledoc support Gorevic's claims. According to unaudited 2017 financial results, the company saw:

- Total revenues of \$232 million, an 88% increase over 2016
- Total membership of 23 million, a 31% increase over 2016
- Total visits of 1.46 million, a 53% increase over 2016, and representing utilization of 7%, compared to 6% utilization in 2016.



Robert Annas

Teledoc finished 2017 on an upswing, with unaudited fourth quarter results showing:

- Total revenues of \$76 million, a 103% increase over 2016
- Total adjusted EBITDA of \$2.5 million compared to a loss of \$8 million in the fourth quarter 2016
- Total visits of 460,000, a 48% increase over 2016, and representing utilization of 2%, compared to 1.8% utilization during the same period in 2016

"Building on our strong momentum in all segments of the Teladoc business, we head into 2018 extremely well positioned to deliver on our targets for all key operating and financial metrics," Gorevic said.

Robert Annas, senior managing director at SOLIC Capital, said much of Teladoc's strong growth can be attributed to the Best Doctors acquisition in July, 2017, which is expected to add about \$100 million in revenue annually.

"If you assume the Best Doctors acquisition happened on Jan. 1, 2016, year-over-year growth is in the mid 20% range, which is more reasonable," Annas said. "I would anticipate they will continue to be acquisitive and, with a fuller platform offering, be able to accelerate growth at a faster pace in the next few years."

Annas said Teladoc is expanding its service lines beyond behavioral health, dermatology, and tobacco cessation. "Best Doctors' typical patient profile is more acute, dealing with musculoskeletal conditions and cancer and typically second opinion type scenarios," he says. "Close to 40% of Best Doctors' revenue is outside the U.S. so this will create a larger international footprint for Teladoc."

Industrywide, Annas believes telemedicine is riding strong tailwinds that will push growth of 30% to over 40% in coming, in large part due to a growing dearth of clinicians.

"Demand for primary care providers will continue to outstrip supply," Annas said, citing studies showing that 65 million Americans live in "primary care deserts."

"In addition, to help control costs, companies, healthcare systems and insurance companies are going to look to companies like Teladoc to have overall better visibility on their individual patient populations, particularly those with chronic diseases," he says. "This trend falls in line with the overall concept of value-based payments, where Medicare awards healthcare providers for overall healthier patient populations."

And there are simple demographic stressors coming into play, Annas says, including an aging population, a dearth of healthcare providers globally, the prevalence of chronic diseases such as diabetes, obesity and heart disease, technological innovations that allow for remote deployment of healthcare services, and the movement toward disease prevention.

Within the telemedicine space, Annas sees three areas for potentially faster growth, including: remote monitoring to keep people out of the hospital; primary care services for patients with no direct access to physicians; and inpatient telemedicine, as the internal medicine provider shortage accelerates.

The big challenges ahead for the telemedicine that could dampen growth include potentially inconsistent reimbursements for telemedicine services from payers, primarily Medicare and Medicaid, and the as yet unknown effects from the repeal of Net Neutrality.

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