EVALUESERVE

Telehealth: Pandemic Trend or The Next Big Thing in Healthcare

June 2023

Telehealth and Its Growth During the Pandemic

Telehealth is defined as the delivery of health care, health education, and health information via remote technologies. Prior to the COVID-19 pandemic, the healthcare delivery system had been predominantly face-to-face. Telemedicine was an available option but rarely accessed. Today, it has become a necessity in many cases rather than a mere convenience, especially in the mental health and substance use treatment.

A McKinsey survey mentions that 88 percent of consumers had used telehealth services by mid-2021.

A national study including 36 million working-age individuals with private insurance claims data showed that telemedicine encounters increased 766% in the first 3 months of the pandemic. (NCBI Report April 2022)

The US Congress also acted as a tailwind for telehealth by toppling a multitude of telemedicine regulations in lieu of the pandemic. It made telehealth more feasible for both patients and providers.

The Administration has extended many of the telehealth flexibilities authorized during the PHE through December 31, 2024. Policies incorporated into law will strongly impact telehealth after the PHE.

Why is Telehealth Gaining Traction

The benefits of telehealth are apparent now more than ever. It offers

- Convenient and timely access to care, overcoming geographic barriers.
- Reduced burden on medical infrastructure. This includes reduced staff needs, facilities' wear & tear, traffic implications and others.
- Minimal exposure to infectious diseases for all participants.
- Integrated patient health information through Electronic Health Records (EHR) to have a complete picture of the patients' journey.

Where is it Lacking

There are still some areas where telehealth needs to step up to come at par with physical healthcare delivery. These are:

- Revenue flows for providers should be linked to patient outcomes and not "where" the care was provided. Under this, telehealth will be used where in-person visits aren't needed.
- Laws facilitating telehealth that were introduced during the pandemic were mostly temporary.
- Insurance companies don't cover telehealth at the same rate as in-person care.
- The basic technology needed for telehealth is a device and reliable internet access. Regrettably, not everyone has access to a consistent internet connection.

How is it Poised to Grow

Telehealth has given patients a taste of more convenience at less cost. It is not a surprise that patients like telehealth. In fact, more than 80% of patients who used it during the pandemic were satisfied with it. (mHealth Intelligence Report)

Market Size: The telehealth industry is estimated to be worth $17 billion dollars (Forbes 2022 Report). New technologies that dramatically and efficiently improve diagnostics as well as treatment is a major force driving the industry. According to GlobalData's report, 'Virtual Care and Telemedicine – Thematic Research', there will be a steady increase in new telemedicine product launches over the next couple of years, with 257 devices entering the market in 2023 compared to 71 in 2021.

Investment Scenario: Venture capitalists have invested approximately $15.0 billion in the digital health space in 2022 which bodes well for the next chapter of telehealth. Between 2011 and 2021, ~$12.0 billion was invested into early-stage ventures that focused specifically on telehealth. (Rock Health Insights January 2023 Report) Companies such as Teladoc has invested more than $15.5 billion in this space in the last 5 years. Amwell and Ro have also invested $550 million and $400 million in the same time-period respectively. Ro also raised $1.0 billion in funding in the last 5 years. (PitchBook Data)

Key Trends: Partnerships and collaborations are a key trend that this industry is quickly latching onto. Some of the recent key partnerships are between:

- Overlake Medical Center and Clinics with virtual care company TytoCare
- MSU Health Care and RecoveryOne
- UCM Digital Health and MVP Health Care

Recent key acquisitions include:

- In August 2020, Livongo and Teladoc merged in an $18.5 billion deal to form a $37 billion company
- In Q3 2022, CVS announced that it would acquire Signify Health for $8 billion
- In Q4 2022, UnitedHealth acquired the healthtech company Change Healthcare for $13 billion

Big companies such as Google and Amazon have also jumped into the playing field. Google is making direct investments in telehealth providers such as Amwell, while Google's parent, Alphabet, is making billion-dollar bets on data driven healthcare. In July 2022, Amazon announced its intention to purchase One Medical in an effort to expand its primary care service options and closed the acquisition in February 2023. It launched Amazon Clinic that acts as a marketplace for third-party telehealth providers. It also launched Alexa Smart Properties that utilizes ambient computing to help patients give voice commands for things such as asking for a blanket.

Recent Key Successes

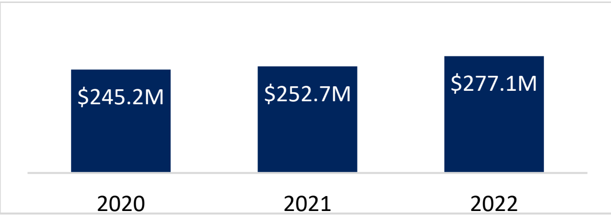
amwell

Amwell started in 2006 as a simple online healthcare portal where patients could connect with their doctors virtually. Today, it is a company with more than $500 million in market capitalization.

The company has grown extensively through a well laid out acquisition strategy and partnerships over the years.

Google even invested $100 million in the company in 2020, when it went public. 2020 was a transformative year for the company as the demand for telehealth was on its all-time high due to COVID 19. The company closed its $194 million Series C round in May 2020 and launched IPO in September of the same year. It started with $80 million post valuation in 2007 and had a post valuation of ~$800 million in 2020 before its IPO.

The company grew its revenue from $113.9 million in 2018 to $277.1 million in 2022 at a 19.4% CAGR



Source: Company Filings

It doubled its employee base from 587 employees in 2018 to 1,123 employees in 2022.

Total Active Providers on the platform increased from 5,100 in December 2019 to a whopping 103,500 in December 2022.

Platform visits grew from 0.5 million in 2018 to 6.5 million in 2022.

It has more than 40 patents and a strong network of 2,000+ hospitals and 90 million members.

Teladoc HEALTH

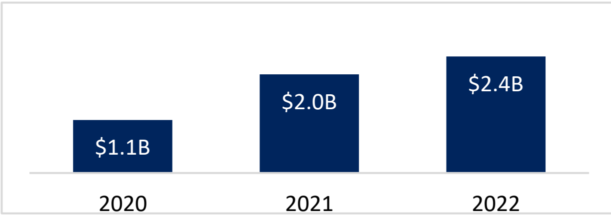
Teladoc, a very well-known name in the virtual healthcare industry, started in 2002 to provide on-demand remote medical care through its telephone and videoconferencing software

Today, its primary services include telehealth, medical opinions, AI & analytics, telehealth devices, and licensable platform services. It has a market cap of over $4 billion and its many partnerships have aided its geographical and business growth.

Teladoc went public in 2015. Before that, it raised $118 million in funding over 7 rounds from well-known investors. At the time of IPO, its post valuation was ~$240 million.

As of December 31, 2022, over 58.4 million U.S. paid members and 24.8 million visit fee-only individuals had access to its healthcare

The company grew its revenue from $418 million in 2018 to $2.41 billion in 2022 at a 42.0% CAGR



Source: Company Filings

It raised its employee base from 95 employees in 2013 to a whopping 5,600 in 2022.

Total telehealth visits increased from a mere 0.3 million in 2014 to 18.5 million in 2022.

Currently serves 12,000+ clients across 175 countries.

Teladoc has strengthened its position as a market leader in this industry with its $18.5 billion cash and stock acquisition of Livongo in August 2020 as it was a combination of two of the largest virtual care companies.

Both companies have had their own journey in the sector and have emerged as winners in their own fields. The growth has been impressive, and both are expected to continue this path of growth along with several other players that have sprung up during the pandemic. Telemedicine is a huge market as of now and requires healthy competition for it to grow.

What's The Way Forward

Consumer attitude towards telehealth has improved. Experts have agreed that telehealth is not a replacement for in-person care, but rather, it should play a role as an adjunct. There is a long road of improvement and innovation that we need to tread on to reach a phase where telehealth would become all pervasive. Some key developments observed are:

- It is a viable option for some specialties, such as Mental Health, and can stand alongside standard care for various acute and chronic medical conditions.
- Teleconsultation may be used for new ways to connect with patients. This may include web conferences to share the latest information on various health topics proactively, or Ted Talks for patients.
- Advanced device integration to allow data flow between the providers' EHR and patients' personal devices. Many start-ups in this space are already exploring the possibility of patients selling their own health data in return for various benefits such as crypto tokens. The idea may sound controversial but companies such as Medicalchain, Health Wizz, Equideum, Embleema are already onto it.

Conclusion

Innovation in this field has just begun. It has become imperative that all brands distinguish themselves from their competitors to gain an edge over them. Telehealth currently sits in the corner of a classroom like an introvert but intelligent child, waiting for its chance to showcase its brilliance. Dismissing it as something not implementable or that which requires a lot of effort is not an option. We all would lose in such a scenario because these technological innovations have an important place in our approach to public health.

To summarize, telehealth is here to stay, and in-person also isn't going away. Most physicians in the future would be able and willing to provide both options for patients. Telemedicine will continue to evolve long into the future.

Evalueserve offers unmatched support in high-value research and analytics to pharmaceuticals, life sciences and research, MedTech and healthcare consulting firms. Most consulting and advisory firms have leaner deal teams and require support for deal preparation and deal marketing phases. Our trained pool of analysts supports deal teams across the deal execution process, thus helping our clients to execute more deals. The key research support areas include market and opportunity assessment, go-to-market strategy, product launch analysis, market research and forecasting, competitive analysis and profiling, & financial analysis and benchmarking

Connect with us on LinkedIn

Author

Swati Beria
Senior Manager – Corporate and Investment Banking LoB
Swati has 8+ years of experience in working with investment banking delivery teams and is currently managing various deal origination clients.
swati.beria@evalueserve.com

ABOUT EVALUESERVE

Evalueserve is a leading analytics partner to Fortune500 companies. Powered by mind+machine™, Evalueserve combines insights emerging from data and research with the efficiency of digital tools and platforms to design impactful solutions. A global team of 5,000+ experts collaborates with clients across 15+ industries.

CONNECT WITH US

Connect with us on in

If you are interested in speaking with Evalueserve about how your organization can adapt for tomorrow, please contact us at info@evalueserve.com or for more information, visit www.evalueserve.com.

