

Telemedicine Opportunity and Investment Thesis

Telemedicine is the future of healthcare – it's more convenient and affordable than traditional visits and offers flexibility to both patients and care providers. The healthcare industry faces a doctor shortage, especially in rural and remote areas, which has been an ongoing trend for decades. With roughly half the total physician visits being made to general practitioners, there is a need to address this long-standing issue and trend in the market.

While WebMD would not be an early player in the telemedicine industry, the Company is well positioned to capitalize on the opportunities to enter the industry via joint venture and/or acquisition and incorporate a telemedicine product into the existing platform. Strong growth and demand, overall market trends in the telemedicine industry, and WebMD's competitive advantage including existing expertise in B2B and B2C channels drive this investment opportunity.

Our strategic focus and entry into the market is based on first pursuing this abovementioned niche opportunity in the macro market and then expanding after successful implementation as we understand the nuances of the industry and are able to scale-up effectively and efficiently.

Market

Competition: *While there are many players in the space, WebMD has a competitive advantage because of its existing brand power, platform and technological capabilities, and potential customer and doctor supply base.*

- Hundreds of companies in the space from start-ups to offerings from big players, e.g. American Well, Teladoc, Doctor on Demand, United Healthcare "UHC" Virtual Visits, CVS Health.
 - Overall relatively small companies (early stages of funding and VC backed) with limited brand recognition.
 - Big players have the brand recognition but are predominately limited to their own patient demographic (e.g. UHC virtual visits only limited to UHC patients).
- Each generally address a certain area of the telemedicine industry by specialty area (e.g. mental health, primary care, pediatrics, geriatric) – mostly related to primary care.

| Telemedicine Competitive Analysis: Internal Capabilities to Combat Barriers to Entry | | | | |
|--|---|------------------------------------|--|--|
| Barriers to Entry | WebMD | Insurance Company Offering | Corporate Offering | Start-Up |
| Access to Capital/ Funding | High | High | High | Varies depending on stage |
| Brand Power/ Recognition | High | Medium/High | Medium/High | Low |
| Network (Supply) | High | High | Medium/Low | Low |
| Existing Business Model/Channel Capabilities | High | Medium | Medium/Low | Low |
| Technology Capabilities (video software, scheduling, app, etc.) | Medium (via JV/ Acquisition) | Medium (via JV/ Acquisition) | Medium (depending on sophistication, IP) | Medium (depending on sophistication, IP) |
| Platform Capabilities | High ("Find a doctor" and "check symptoms") | Medium (existing patient portals) | Medium/Low (likely to not have) | Medium (depending on sophistication, IP) |
| Prospective Patient Population | High (via JV) | Medium (limited to own population) | Medium/Low | Low (more regionalized based on brand) |
| Diversity Potential of Specialty Area (primary care, pediatric etc.) | High (once scaled) | High (once scaled) | Medium/Low | Low |

Telemedicine industry: *Consumers are open minded to the potential of alternative health care delivery and the diversity of offerings allows for doctors to reach more patients and offers revenue opportunities.*

- Global market estimated to hit \$130 billion by 2025- CAGR growth of 19% from 2019. North America is driving these trends.
- Top 10 specialties most engaged with telemedicine job postings: radiology, psychiatry, internal medicine, neurology, family medicine, dermatology, pediatrics, emergency medicine, geriatrics, allergy & immunology. Both internal medicine and family medicine pertain to more general care offered to patients.
- Many points of entry into the market and care comes in a variety of formats: consultation, diagnosis, pharmacy, rehabilitation, mental health.
- Offerings allow for 24/7 access and increased flexibility; historically low usage rate but growing steadily.
- Roughly 45% of the US population (~147 million consumers) fall within the addressable market-opportunity to capitalize on large potential customer base.
- 8 in 10 patients say they are open to “non-traditional” methods of care delivery; and 6 in 10 would consider a virtual doctor’s visit.
- More physicians are offering telemedicine care in order to compete, increase revenue, and maintain/ increase patient base.

National healthcare trends: *Rising healthcare costs, the shift to a value-based care model, and technological advances drive the healthcare market in favor of telemedicine. Nearly half of all physician visits are related to general medicine and treatment of common illnesses/ailments demonstrating a need to change the way care is delivered for frequent visits.*

- In 2016, the CDC estimated there were 883.7 million office-based physician visits in the US and roughly 48% were related to general practitioner visits.
- Pricing considerations:
 - Rising healthcare costs and change to value-based payment models, and;
 - Universal health coverage and pricing controls on pharma and medical technology.
- Changing care model:
 - Use of data and technologies such as AI to better predict care and focus on value add, and;
 - Focus on prevention, early detection, and intervention which could indicate more frequent care visits.
- Consolidation and integration – M&A activity prominent in the industry in order to meet quickly changing landscape and capitalize on technology trends.
- Doctor supply considerations:
 - Projected physician shortage between 46,900 and 121,900 by 2032,
 - Aging population of doctors leading to forecasted shortage (1/3 of active doctors will be over 65 years in the next decade),
 - Supply of Physician Assistants (PAs) and advanced practice registered nurses are projected to continue to increase – risk of saturation,
 - Shortage across the country, but will affect rural communities the most (rural communities already have a supply constraint), and;

- Flexibility and alternative working environments for remote work as well as flexible work schedules.
- Patient demand considerations:
 - Aging population requiring more elderly care,
 - Rural regions have highest demand of physicians across the board, and;
 - Flexibility – more access to doctors around the clock, less interference with care responsibilities and work schedule, and no need to travel.

Business Model & Strategy

Incorporate telemedicine product to the existing WebMD product platforms through focus on addressing the niche opportunity within the market: (1) doctor supply shortage, especially in rural areas, and (2) treatment of common and contagious illnesses and ailments which account for the majority of general practice visits.

We can use WebMD's existing revenue model and pricing techniques for B2B and B2C channels and enter the market swiftly and profitably through integration of the product offering into the existing platform, specifically the "Find a Doctor" and "Check Your Symptoms" products. By selectively targeting customers in these markets and matching them effectively with care providers, we can set up our internal capabilities and integrate the video technology into the platform, refine the business model and process as needed, and scale-up to address the diverse opportunities in additional specialty areas as well as in different markets/ regions.

1. Connect doctors/ care providers who offer telemedicine care to patients through leveraging existing B2B model with doctors who pay for our "Find a Doctor" product. We can also further the functionality of this offering and target specific markets to add telemedicine professionals in areas where local doctors are scarce for treatment, directly addressing the supply shortage in rural/remote areas. This strategy leverages our existing strong supply base while creating an additional revenue stream for WebMD and increasing the patient base of our doctor network.
2. Connect consumers to telemedicine doctors to treat common illnesses/ ailments (e.g. colds, flu, rashes, allergies) through the symptoms searched via the "Check your symptoms" product. This strategy primarily capitalizes on the flexibility: offering care quickly to patients with common or contagious illnesses (also avoiding further spread of certain diseases) and increasing care provider efficiency due to the smaller visit times of treating that can be incorporated into existing doctor schedules. Additionally, integration of this product to the platform not only allows for quick treatment, but also results in lower costs to patients and higher revenues to doctors.

Technology platform and capabilities:

- Integrate the technology both on the WebMD website and mobile apps. WebMD already has the existing products and platform in place that can connect doctors to patients. Our focus is on acquiring the appropriate video technology / interfaces that will be used for the video visits. This can be done through software partnerships/ joint ventures or acquisition of a company that has a proven concept in this arena.

Regulatory environment and insurance considerations:

- There are obvious security concerns and regulations involved (e.g. HIPAA), so focus needs to be on integrating the right technology that complies with these external regulations.
- We can grow customer base through partnerships with insurance companies and work with them and care providers to come up with a pricing mechanism that benefits both care providers and patients.

Risks and challenges:

- Legal/regulatory policies in the US and globally,
- Insurance in-network providers and billing procedures,
- Number of companies in the space, and;
- Slow adoption of telemedicine delivery channels by patients and care providers.

Scale-up and exit opportunities:

- Focus on addressing niche market (targeting markets with supply imbalance) and scale-up in different markets and specialty areas (e.g. mental health) once best practices are established.
- Most likely exit opportunity will be spinning off and selling the technology platform to established insurance companies that lack internal capabilities and want to streamline their service offerings with in-network care providers.

Investment highlights:

- Capitalize on projected industry growth, consumer demand and supply of care providers.
- Address niche, long-standing issue in the market: low supply of doctors and high frequency of visits for common illnesses.
- Leverage existing “Find a Doctor” and “Check your Symptoms” product offerings to target customers in low-served markets for common illnesses.
- Entry into industry through technology integration to existing platform with strong brand power that results in an additional, easily scalable revenue stream that uses the current business model and pricing techniques.
- Opportunity to scale-up service offering to reach more markets and diversify care offerings resulting in greater profitability.

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