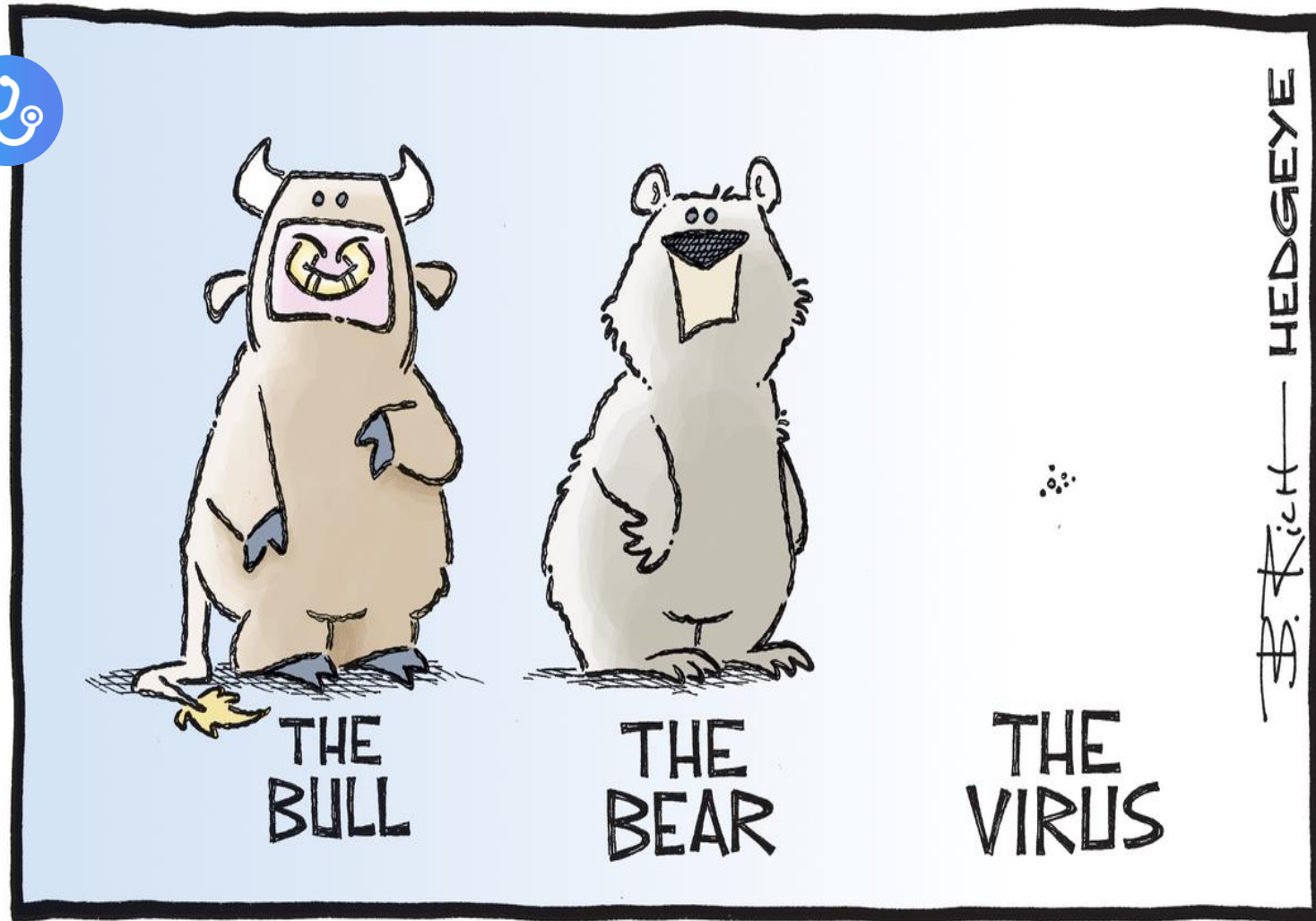


HEDGEYE



Best Idea Long | TDOC

April 30, 2020



Hedgeye Health Care

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Please submit questions* to
qa@hedgeye.com

*Answered at the end of the call

Health Care Position Monitor

HEDGEYE

For Week of March 23, 2020

Best Ideas - Longs						Best Ideas - Shorts					
LONG		Price	Mkt Cap (\$B)	Trend	Tail	SHORT		Price	Mkt Cap (\$B)	Trend	Tail
Active Longs						Active Shorts					
TDOC	Teladoc Health, Inc.	\$ 141.74	\$10.3B	√	√	EXAS	Exact Sciences Corporation	\$ 51.61	\$7.6B	×	×
AMN	AMN Healthcare Services, Inc.	\$ 62.75	\$2.9B	√		HQY	HealthEquity Inc	\$ 44.31	\$3.1B	×	×
GH	Guardant Health, Inc.	\$ 64.05	\$6.0B	√		NVTA	Invitae Corp.	\$ 10.15	\$1.0B	×	×
Long Bias						Short Bias					
ONEM	1Life Healthcare, Inc.	\$ 19.49	\$2.4B			HCA	HCA Healthcare Inc	\$ 78.50	\$26.6B		
						DVA	DaVita Inc.	\$ 64.99	\$8.2B		

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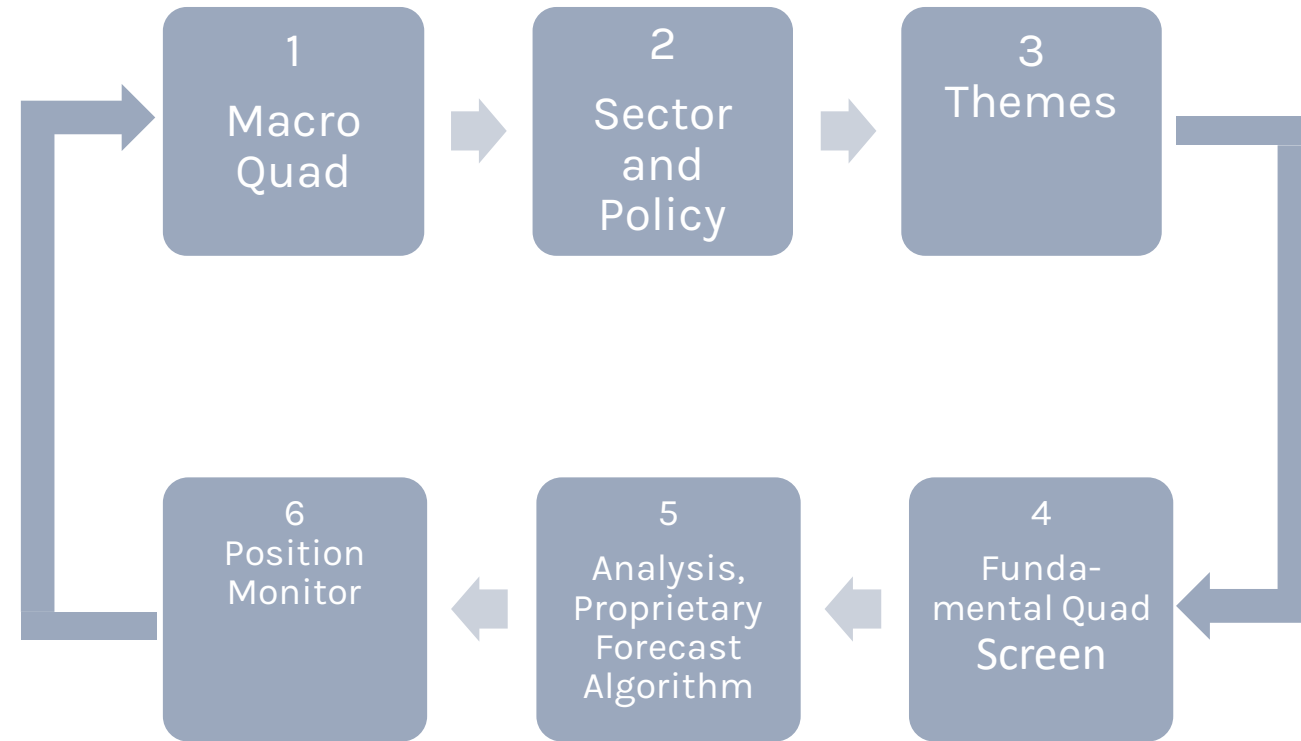
Hedgeye's "bias" represents Hedgeye's outlook on companies currently under Hedgeye's review, or for which timing is not right for greater coverage. Hedgeye may or may not provide further commentary on any or all companies represented on the bench and representation of a company on the bench does not forecast whether Hedgeye will or will not issue any additional material on that company.

Combining Quants, Fundamentals, Data, and Policy

Process Breakdown

- ❑ Macro Quads
 - ❑ The macro economic backdrop drives the vast majority of stock activity.
 - ❑ With these preferred areas in mind, monitoring industry specific ETF's, such as the SPDR® S&P® Health Care Services ETF (XHS) and SPDR® S&P® Health Care Equipment ETF (XHE) help to create a list of names our clients are interested in.
 - ❑ Along with building new models for new ideas, the team maintains a substantial list of models internally which are updated routinely with new information, such as earnings calls and conference appearances.
 - ❑ Any information that would shift the fundamentals of the company is discussed and positions are updated through the following steps.
- ❑ Sector and Policy
 - ❑ Insured Medical Consumer Model - Health Care consumption begins with an insured consumer. Our model captures monthly changes in enrollment across Medicare, Medicaid, and Employer sponsored programs and changes to consumption patterns to the impact of policy and regulatory regime changes.
 - ❑ US Medical Economy - We map and measure changes in provider focused data drawn from government and proprietary sources that reflects trends in medical consumption, unit costs, and labor inputs such as wages.
- ❑ Themes
 - ❑ The combination of Macro, Sector, and Policy can often be organized into Themes which provide a framework for stock selection and additional information gathering.
- ❑ Fundamental Quads and Factor Screening
 - ❑ Macro Quads provide helpful differentiation at the Sector and factor level, but correlations across Health Care Sub Industries remain tight across all regimes.
 - ❑ Company estimate trends fall into 4 quadrants of growth and acceleration that flags high probability longs and shorts. Combined with Macro, Sub Industry, and Themes, we further improve our batting average.
- ❑ Analysis, Data Tools and Process, Forecast Algorithm
 - ❑ We deploy a number of data tools and expert interviews and alternative sources to analyze and model our companies. Where possible we develop forecast algorithms built using underlying data sets, proprietary data, and a machine learning methodology.
- ❑ Position Monitor
 - ❑ We review our longs and shorts weekly, re-rank based on changes in conviction, new data, or performance.

Macro -> Sector -> Company



1 Ambulatory, Emergency, Mental Health is a Massive Market

We assume a market of ~3.0 visits per capita per year less volume that requires an in person visit. Excluding injury and other emergency situations, most symptoms could qualify as a telehealth visit, or at least a virtual first environment. Quarterly utilization of low single digits could easily ramp to mid to high single digits.

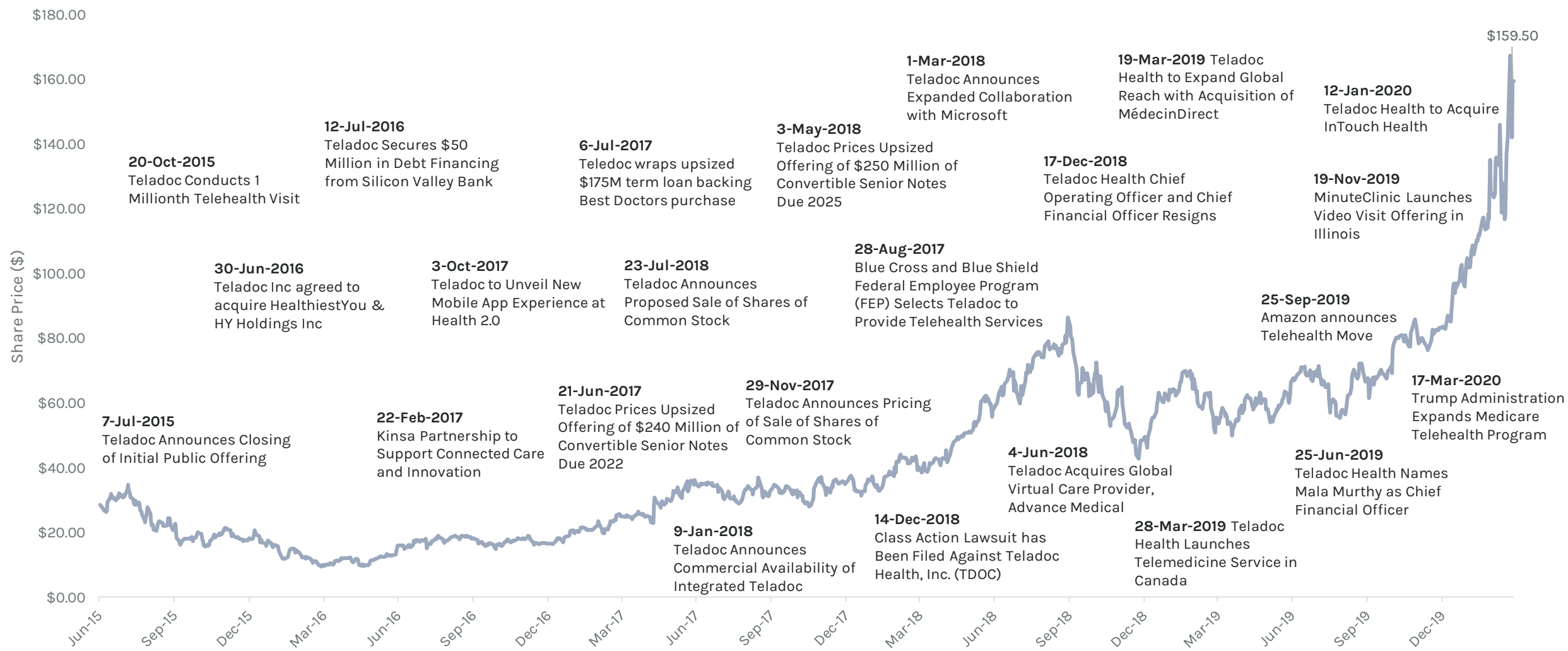
2 COVID-19 Persists into 2021

We expect cases to peak in the United States in the next few months, but risk for infection and social distancing behavior to persist well into next year as the virus travels to the southern hemisphere and back. Vaccination ends the cycle, but only after significant changes to behavior become ingrained.

3 Looser Regulations bring More Competition, but on a Lag

Regulations changes have made Telehealth easier to access for patients and physicians. Virtual first will become the new normal for many patients and physicians. Some physicians who are closed now won't re-open and others will adapt, although not enough to significantly impact TDOC. We expect the "telehealth is a commodity" thesis to potentially re-emerge late in 2020.

Teladoc Health Market History



Company Overview

Business Overview

- ❑ Founded on June 13, 2002, by George Byron, Teladoc Health, Inc. provides Telehealth Care Services through a technology platform utilizing mobile devices, the Internet, video, and phone.
 - Its portfolio of services and solutions cover more than 450 medical subspecialties from non-urgent, episodic needs like flu and upper respiratory infections, to chronic, complicated medical conditions like cancer and congestive heart failure.
- ❑ Headquartered in Purchase, New York, Teladoc employs more than 2,000 employees, delivering care 24 hours a day, 7 days a week, and 365 days a year in:
 - 175+ countries
 - 40+ languages
- ❑ Teladoc completed approximately 4.1 million telehealth visits in 2019 and has over 36.7 million unique U.S. paid Members and 19.3 million visit fee- only individuals. Serves:
 - 50+ Health Plan Clients
 - 300+ Hospital and Health System Clients
- ❑ For more information, their website can be found here: <https://www.teladoc.com/>

Business Outlook

- ❑ Our Competitive Strengths
 - Comprehensive Suite of Virtual Healthcare Clinical Services
 - Global Footprint Spanning Clients, Medical Operations and Members
 - Highly Scalable and Secure API-Driven Technology Platform
 - High-Quality Clinical Capabilities Tailored to Virtual Care
- ❑ Key Growth Strategies
 - Enable A Virtual First Strategy for Consumer Healthcare Access
 - Expand our suite of clinical services to address unmet needs
 - Increase Engagement with Our Members by Driving Expanded Access & Enhanced Touch Points
 - Leverage Existing Distribution Channels and Expand Penetration of Global Markets
 - Expand Through Focused Investments and Acquisitions

Key Statistics

Key Statistics		Key Statistics	
52 Week Range	\$48.57 - 176.40	EV (M)	13,880
Avg Daily Vol (3 Mo)	2,715,133.30	WACC	5.20%
Basic Shares (000)	73,008.00	Float	98.70%
Market Cap (M)	11,645	Institutional	124.30%
Dividend Yield	0.00%	Top 10 Inst Holders	46.60%
IPO Date	6/30/2015	Broker Contributors	22
FD Shares Out (000)	91,027.90	Avg Rating	Overweight (1.52)
FD Mkt Cap (M)	14,519	LT Growth Rate	32.50%

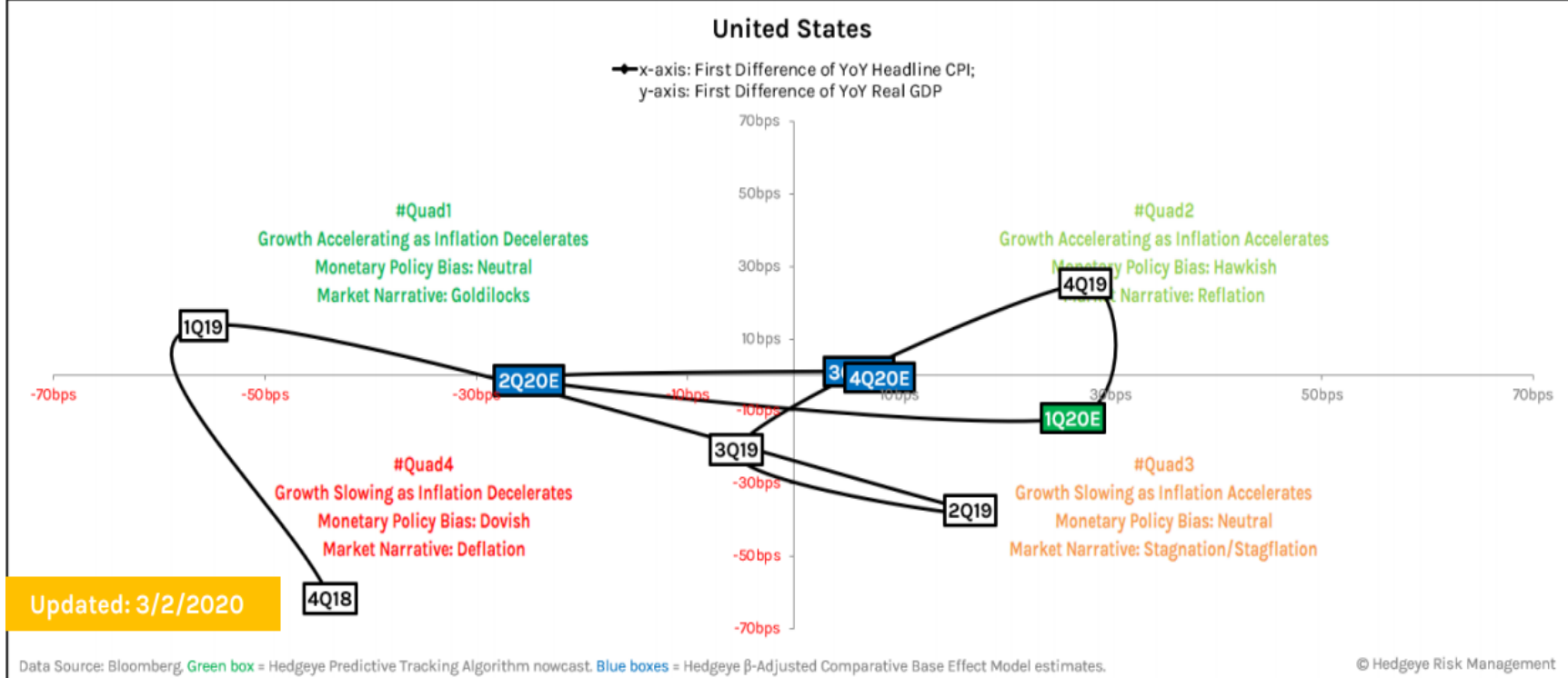
Management Overview

Name	Position
Jason N. Gorevic	Chief Executive Officer & Director
Peter A. McClennen	President-North America Hospitals & Group Health
David William Sides, MBA	Chief Operating Officer
Mala Murthy	Chief Financial Officer
Lewis Levy, MD	Chief Medical Officer
Jeff Nadler	Chief Information Officer

Hedgeye Macro Quad Outlook

Hedgeye Quad Model

United States	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	← Actuals Estimates →	1Q20E	2Q20E	3Q20E	4Q20E
Real GDP QoQ SAAR	2.30%	2.20%	3.20%	3.50%	2.50%	3.50%	2.90%	1.10%	3.10%	2.00%	2.10%	2.10%	Real GDP QoQ SAAR	2.59%	1.94%	2.12%	2.05%
Real GDP YoY	2.10%	2.16%	2.42%	2.90%	2.86%	3.20%	3.13%	2.52%	2.65%	2.28%	2.07%	2.33%	Real GDP YoY	2.21%	2.19%	2.20%	2.20%
3yr Comparative Base Effects	2.80%	2.35%	2.00%	1.97%	1.86%	1.75%	1.99%	2.41%	2.48%	2.68%	2.77%	2.66%	3yr Comparative Base Effects	2.76%	2.74%	2.60%	2.42%
Headline CPI YoY	2.54%	1.90%	1.97%	2.12%	2.21%	2.71%	2.64%	2.20%	1.64%	1.81%	1.76%	2.03%	Headline CPI YoY	2.30%	2.05%	2.11%	2.19%
2yr Comparative Base Effects	0.51%	0.50%	0.61%	1.13%	1.81%	1.48%	1.54%	1.96%	2.38%	2.31%	2.30%	2.16%	2yr Comparative Base Effects	1.93%	2.26%	2.20%	2.12%



Understanding the Quads

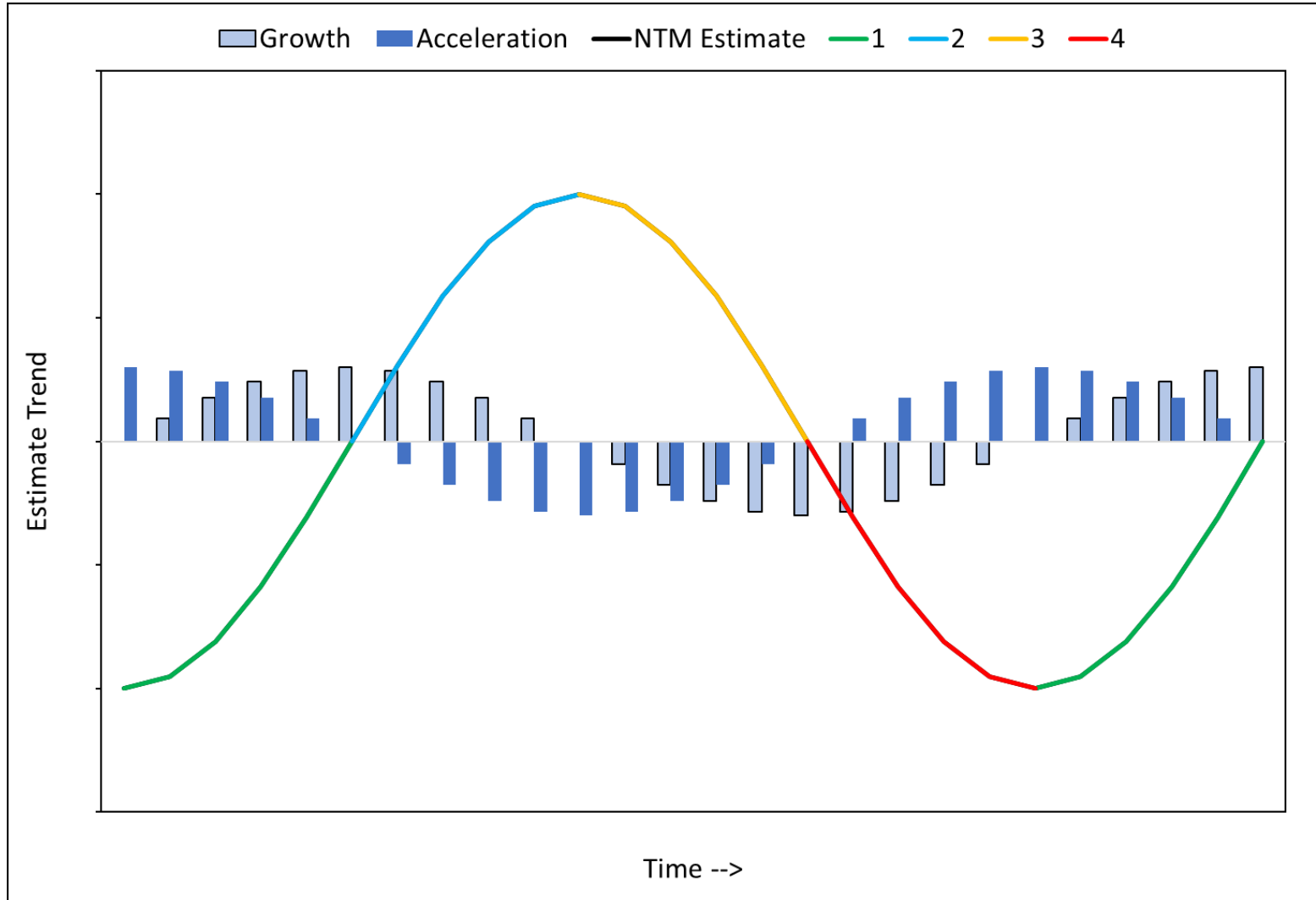
- ❑ **Quad 1 = Real Growth Accelerates, and Inflation Decelerates**
 - ❑ Equity Sector Overweight(s): Technology, Consumer Discretionary, Industrials, Materials
 - ❑ Health Care Industry Overweight(s): Biotechnology, Tools & Services, Pharmaceuticals
- ❑ **Quad 2 = Real Growth and Inflation Accelerate**
 - ❑ Equity Sector Overweight(s): Tech, Consumer Discretionary, Industrials, Energy
 - ❑ Health Care Industry Overweight(s): Equipment & Supplies, Biotechnology, Providers & Services
- ❑ **Quad 3 = Real Growth Decelerates, and Inflation Accelerates**
 - ❑ Equity Sector Overweight(s): Health Care, Utilities, Technology, Energy, REIT's
 - ❑ Health Care Industry Overweight(s): Biotechnology, Tools & Services, Technology
- ❑ **Quad 4 = Real Growth and Inflation Decelerate**
 - ❑ Equity Sector Overweight(s): Health Care, Consumer Staples, Utilities, REIT's
 - ❑ Health Care Industry Overweight(s): Technology, Providers & Services, Biotechnology

Health Care Preferred in #Quad4

Macro Quads are useful in guiding long and short and factor exposures including Sector weighting. However, at the stock level, the Macro Quads do not differentiate between tickers.

Fundamental Equity Quadrants

Similar to Macro Quads, Stock Estimates follow a pattern of growth and acceleration



- We transformed consensus forward expectations, assigning each datapoint to one of 4 possible Fundamental Quadrants.
- Back tests show that companies that make the transition from Fundamental Quad 1 to Quad 2 are the best performers.
- We produce these values across our universe of companies for revenue, EBITDA, and EPS alongside a correlation of the price to the underlying estimate.
- Performance is weakest as companies in Fundamental Quad 2 transition into Quad 3 and 4.

Macro Quads + Fundamental Quads = Alpha

Back Test Results

Equal- Weighted Results YTD

Sector Healthcare
 Industry Health Care Equipment & Supplies
 Factor Sales NTM
 Metric Performance 1M, continuous
 Correlation > 50%
 Market Cap > 1000

		Macro Quad			
		1	2	3	4
Fundamental Equity Quad	1	3.52	3.12	2.51	4.07
	2	2.40	2.77	0.99	1.31
	3	2.06	1.93	0.67	0.34
	4	2.08	1.65	0.86	0.49

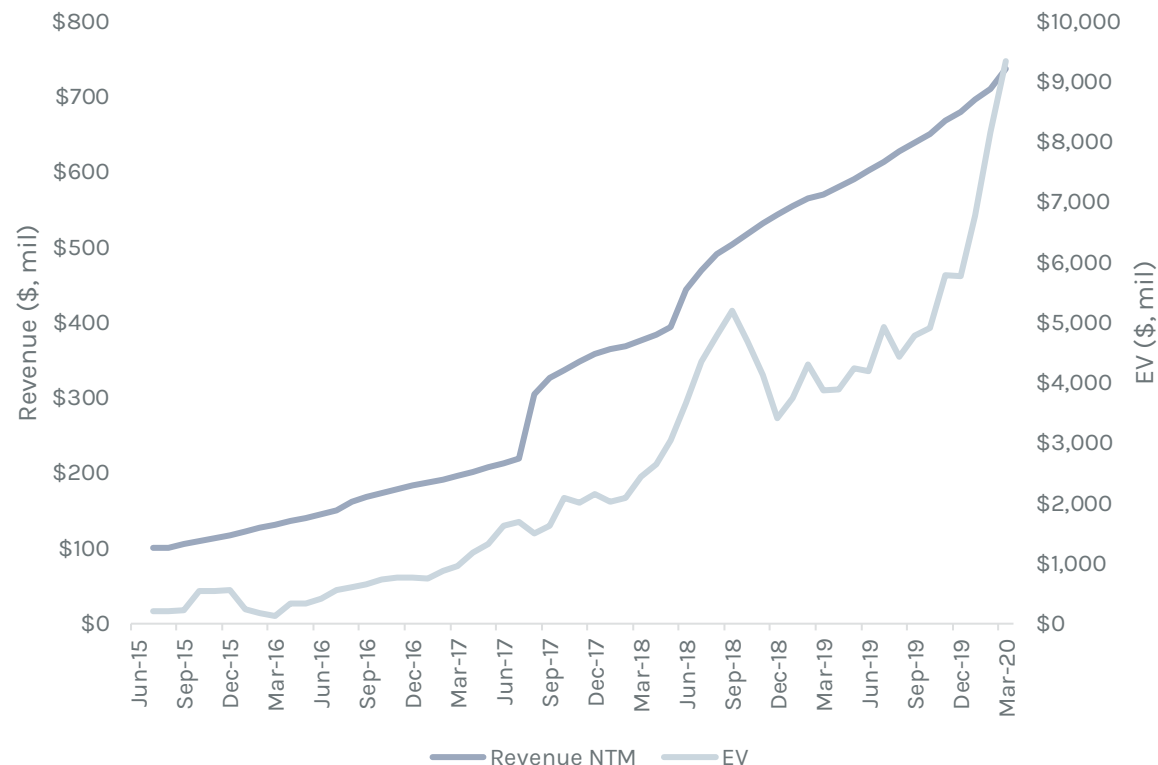
		31-Jan	24-Feb	28-Feb	6-Mar
Fundamental Equity Quad	1	3.05%	-2.12%	-7.22%	-9.75%
	2	3.51%	-0.50%	-5.71%	-2.23%
	3	2.83%	-8.96%	-12.63%	-8.78%
	4	5.70%	-2.49%	-7.42%	-0.89%
	Weighted Performance	-0.06%	1.24%	0.12%	0.00%

TDOC is a Revenue Story

Correlation of 94% between EV and Consensus Revenue

Correlation Between	5Y	3Y	1Y
NTM EBITDA and EV	0.942	0.893	0.941
NTM Sales and EV	0.944	0.876	0.939
NTM Sales and Price	0.935	0.877	0.938
NTM EPS and Price	(0.433)	0.192	0.906

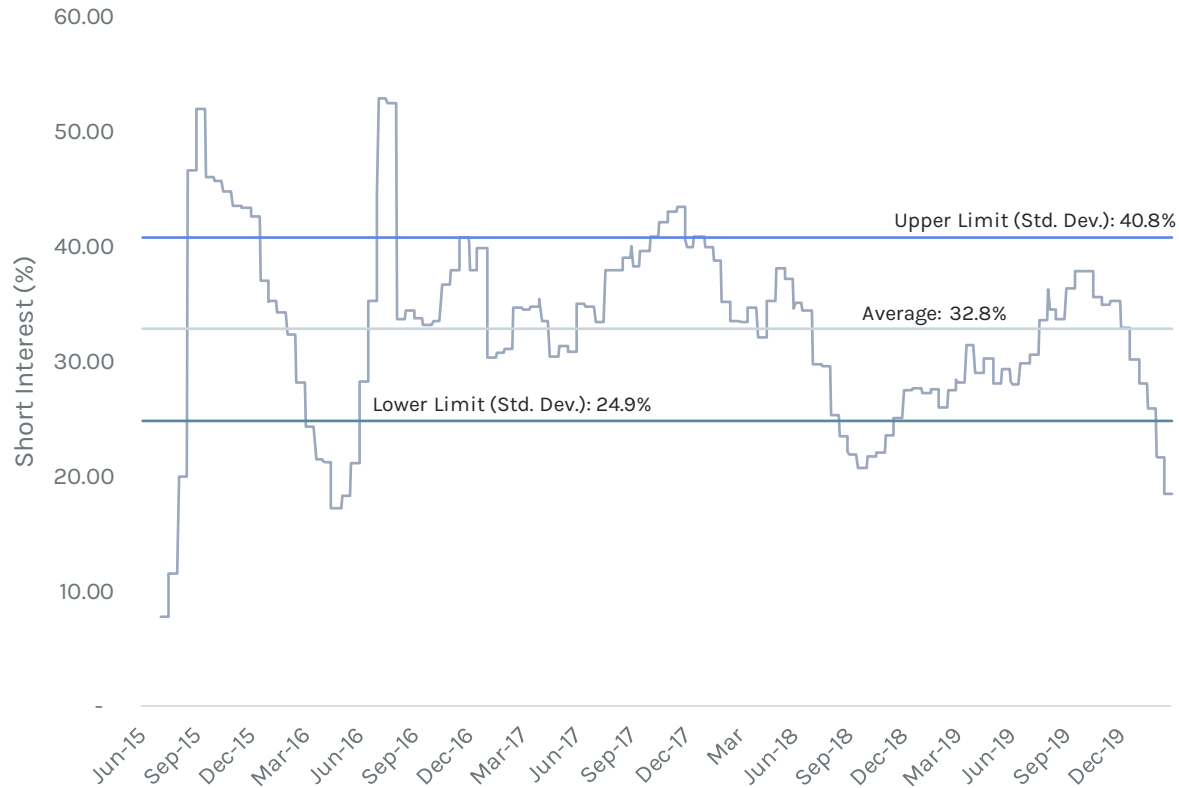
Highest correlation observed in EV relative to NTM Sales



The concept of valuing a stock on a multiple is a risky choice given the macro environment, but TDOC will be a rare beat and raise growth story in the coming quarters.

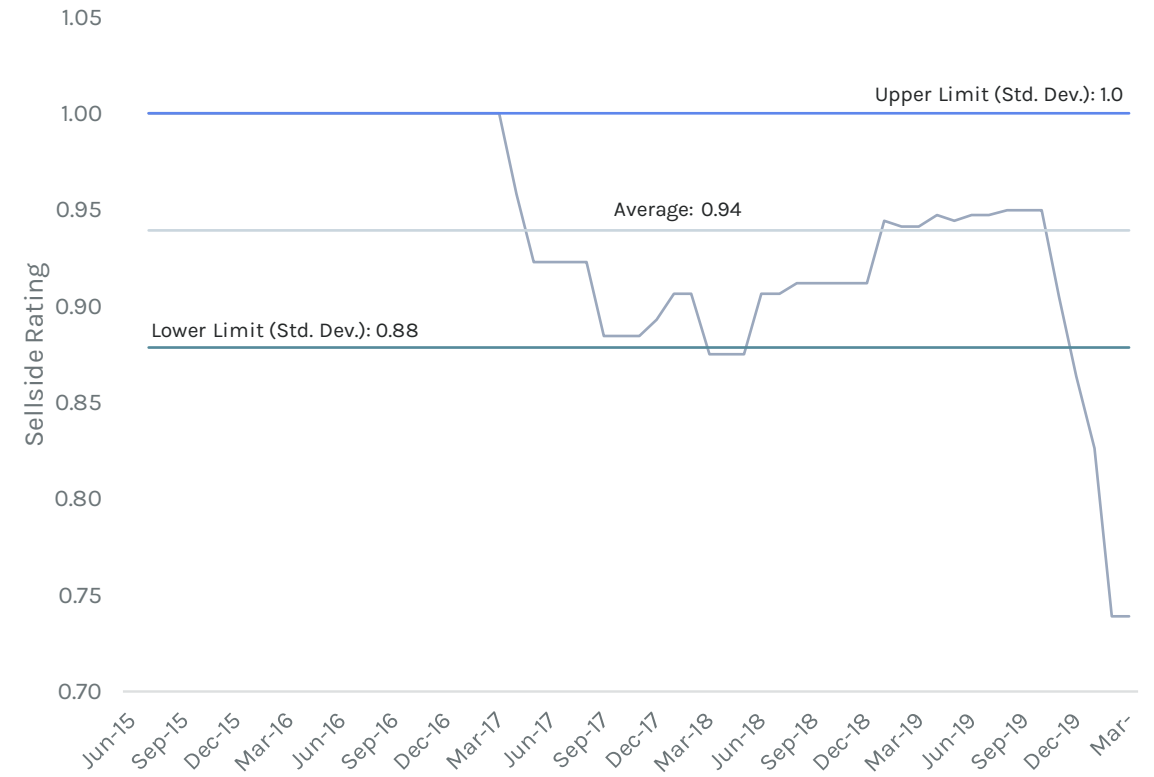
TDOC | Sentiment

Short Interest



Short interest has fallen below the lower limit in recent months.

Analyst Net Rating



48% of recommendations are Buy compared to 52% of recommendations to Hold.

TDOC | Valuation Multiples

Price/ NTM Sales



EV/ NTM Sales



The social impact of COVID-19 has pushed telemedicine into focus for many people who had not considered it before. As the largest and only public provider of comprehensive virtual healthcare services, Teladoc has benefitted from the increased attention and adoption.

Heavy Competition in the Industry

A Crowded Landscape in Telehealth



While Teladoc may be the only public, exclusively telemedicine company on the market, there are over 80 private competitors in the telehealth space offering services from regular check-ups to mental health counseling.

Reported Cases by State

New York leading, but rest of country is following

State	3/4/2020	3/5/2020	3/6/2020	3/7/2020	3/8/2020	3/9/2020	3/10/2020	3/11/2020	3/12/2020	3/13/2020	3/14/2020	3/15/2020	3/16/2020	3/17/2020	3/18/2020	3/19/2020	3/20/2020	3/21/2020	3/22/2020	3/23/2020	3/24/2020	3/25/2020	
AK	0	0	9	14	20	32	32	60	60	60	144	144	144	337	412	406	698	772	968	968	1022	1691	
AL	0	0	0	0	0	0	0	10	10	12	74	86	96	64	74	96	109	152	1602	1832	2321	2812	
AR	0	0	6	6	6	12	15	26	50	61	103	149	168	260	319	469	650	839	995	1080	1165	1717	
AZ	34	36	51	56	56	56	84	100	115	143	183	206	228	278	349	377	466	521	580	692	826	826	
CA	515	515	522	531	550	804	823	1073	1118	1118	1168	1209	8316	8407	8592	9711	11487	12528	12840	26400	27654	27654	
CO	0	40	78	132	112	142	155	279	343	596	711	758	758	1216	1800	2328	2952	3680	4550	5436	6224	7701	
CT	0	0	0	0	38	47	56	74	95	105	136	145	151	166	193	700	798	2300	3100	4500	5300	5898	
DC	0	8	9	9	11	18	24	39	30	30	69	115	120	126	170	203	573	583	1055	1229	1334	1609	
DE	0	0	10	10	10	18	20	41	44	74	74	74	76	52	61	66	74	81	92	104	127	151	
FL	42	109	115	202	243	273	396	476	480	749	776	1248	1339	1998	2493	2942	3416	8239	9783	13094	15547	18289	
GA	2	2	2	6	7	12	17	22	31	42	66	99	121	146	1508	1831	2386	3064	4020	5069	5484	6179	
HI	0	0	0	1	1	2	2	2	2	2	2	2	7	10	119	118	159	170	311	3011	3666	4447	
IA	0	0	17	17	128	37	51	86	105	178	100	101	105	106	112	121	687	1117	1305	2148	2439	2723	
ID	0	0	0	27	27	41	41	67	93	131	176	176	270	353	468	468	613	911	1217	1356	1937	1960	
IL	155	197	220	241	241	242	326	326	367	418	444	708	1025	1500	2052	3151	4286	6247	8329	9868	11485	14209	
IN	0	0	1	1	2	2	36	43	64	73	89	121	139	159	193	380	554	833	1494	1960	2931	3356	
KS	0	0	4	13	12	12	39	42	45	99	100	143	177	397	433	451	461	472	481	499	2184	2486	
KY	0	0	10	10	14	21	34	54	64	118	153	155	255	317	380	489	639	768	1571	1866	1866	3022	
LA	0	0	0	0	5	6	12	43	51	73	178	247	302	457	575	805	1047	2765	3498	5948	8603	11451	
MA	2	2	8	13	13	41	92	92	95	215	490	490	516	1759	2271	3132	4091	5277	6105	8922	13749	19794	
MD	0	31	41	44	55	78	95	103	106	111	120	125	131	151	179	201	243	284	338	382	443	517	
ME	0	0	0	1	1	1	25	47	86	111	111	111	781	1335	1713	2057	2321	2337	2353	2898	3139	3326	
MI	0	8	16	27	36	47	63	77	120	175	256	264	355	337	352	2449	2618	2856	3104	3397	3860	4363	
MN	0	0	36	49	49	82	135	222	316	555	868	1422	1893	316	2336	3038	3856	4090	4680	4746	5812	11475	
MO	0	0	0	0	1	1	1	65	73	94	127	170	215	266	332	416	442	459	552	552	552	725	
MS	0	0	0	0	0	0	20	42	45	90	94	289	389	513	602	775	835	1321	1392	1872	1872	1943	
MT	0	0	0	11	11	11	15	21	35	56	108	167	205	311	509	773	947	1166	311	1166	1689	2001	
NC	1	1	2	2	2	2	7	7	72	101	160	410	480	514	1850	2505	3233	5276	6438	8438	8539	10489	
ND	0	0	0	0	0	0	8	13	27	52	69	100	124	223	274	508	820	1169	1288	1383	1488	1773	
NE	0	22	22	23	23	48	66	68	188	123	126	127	130	188	227	230	267	272	394	404	406	1027	1365
NH	19	22	25	25	47	47	47	47	121	121	250	379	379	567	747	891	1420	1970	2212	2341	2417	3268	
NJ	0	1	1	5	37	60	79	100	124	227	227	252	218	485	638	1026	1240	1661	2290	3297	12045	14854	
NM	0	0	16	48	48	57	69	90	160	200	247	495	583	3828	1272	2354	4779	5386	5386	5973	6842	6842	
NV	0	15	15	15	15	15	14	173	175	179	188	353	213	223	223	1721	2098	2508	2638	3735	4232	4572	
NY	78	122	361	404	197	234	265	308	308	3200	3303	5272	5493	7206	14597	22284	32427	45437	61401	78289	91270	103479	
OH	0	10	10	14	14	19	32	49	87	222	222	525	551	87	207	228	259	309	387	491	582	14764	
OK	0	0	0	1	11	19	28	28	43	76	77	139	213	346	517	760	961	757	838	877	841	969	
OR	50	61	95	124	167	231	295	367	367	524	524	681	800	920	1554	1854	2550	2550	3025	3840	4559	4559	
PA	0	0	2	2	4	7	12	157	219	303	402	451	746	975	1320	1793	2842	4137	5443	7239	9494	12320	
RI	0	0	0	2	45	62	62	87	107	185	275	275	478	478	907	907	848	1218	1231	1254	1303	1463	
SC	5	5	5	10	10	31	31	41	58	87	123	173	263	344	643	643	914	1407	1661	1765	2310	2727	
SD	0	0	0	5	5	5	11	20	46	93	194	342	504	597	913	947	947	973	1038	1055	1088	1128	
TN	0	1	1	1	3	3	7	57	97	142	162	196	322	403	447	503	791	3643	3777	3887	11184	11796	
TX	1	1	5	8	8	12	13	21	23	39	51	56	57	1268	1907	2355	5277	6522	8756	10055	11167	13494	
UT	0	0	0	1	1	1	2	2	135	137	137	159	170	182	194	1526	2147	2560	3689	5047	5823	6837	
VA	0	21	31	38	44	50	61	69	134	147	147	408	489	1028	1278	1923	2325	2790	3337	3697	4470	5370	
VT	0	0	8	16	29	35	41	352	99	144	231	352	429	505	611	667	808	1158	1181	1535	1712	1712	
WA	39	70	449	538	802	1246	1272	2466	3403	4807	6569	7784	10220	12486	14129	17105	20712	23243	27121	30875	33933	34181	
WI	26	26	44	44	44	37	38	46	92	188	188	346	551	1110	1683	2347	3661	4909	6615	7466	8694	10674	
WV	0	0	5	5	5	5	5	8	5	21	31	39	84	84	137	148	239	343	398	464	630	804	
WY	0	0	0	0	0	0	0	0	1	1	2	3	3	105	193	289	350	461	462	618	739	998	

State Change in Cases Day over Day

Day over Day Change by State

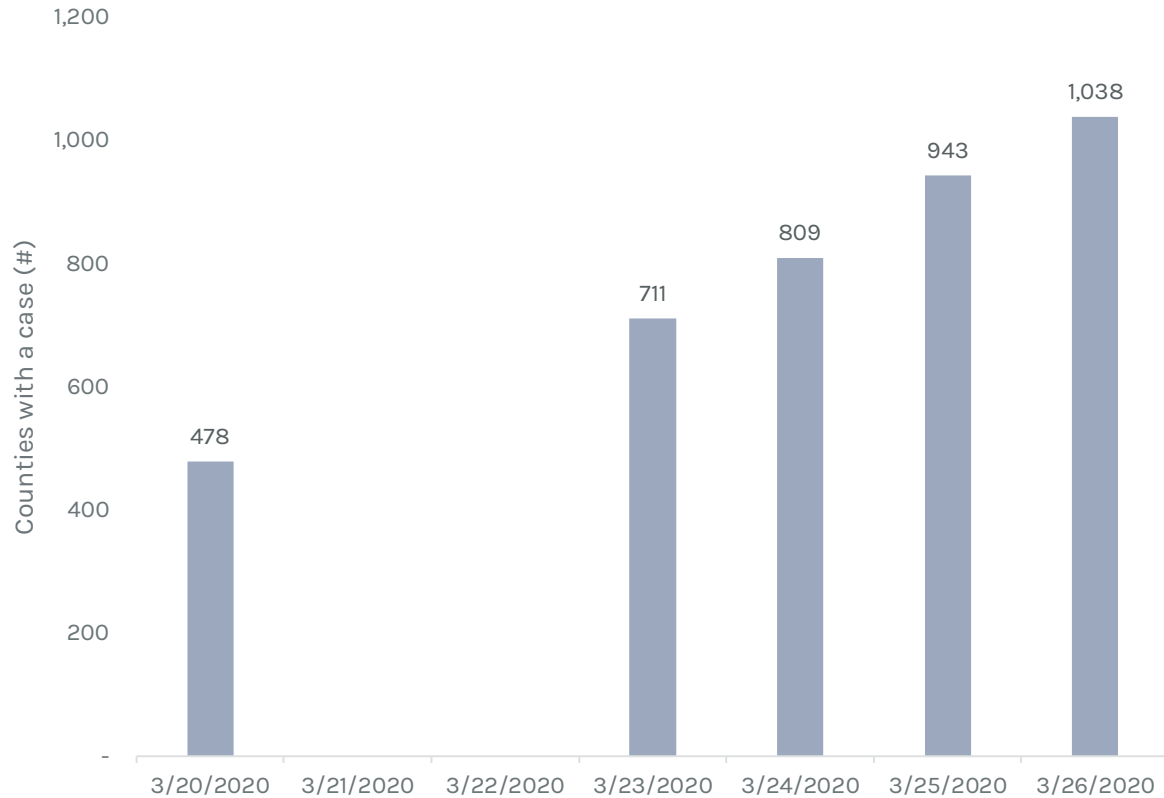
State	3/5/2020	3/6/2020	3/7/2020	3/8/2020	3/9/2020	3/10/2020	3/11/2020	3/12/2020	3/13/2020	3/14/2020	3/15/2020	3/16/2020	3/17/2020	3/18/2020	3/19/2020	3/20/2020	3/21/2020	3/22/2020	3/23/2020	3/24/2020	3/25/2020
AK	0	9	5	6	12	0	28	0	0	84	0	0	193	75	-6	292	74	196	0	54	
AL	0	0	0	0	0	0	10	0	2	62	12	10	-32	10	22	13	43	1450	230	489	
AR	0	6	0	0	6	3	11	24	11	42	46	19	92	59	150	181	189	156	85	85	
AZ	2	15	5	0	0	28	16	15	28	40	0	23	22	50	71	28	89	55	59	112	
CA	0	7	9	19	254	19	250	45	0	50	41	7107	91	185	1119	1776	1041	312	13560	1254	
CO	40	38	54	-20	30	13	124	64	253	115	47	0	458	584	528	624	728	870	886	788	
CT	0	0	0	38	9	9	18	21	10	31	9	6	15	27	507	98	1502	800	1400	800	
DC	8	1	0	2	7	6	15	-9	0	39	46	5	6	44	33	370	10	472	174	105	
DE	0	10	0	0	8	2	0	21	3	30	0	2	-24	9	5	8	7	11	12	23	
FL	67	6	87	41	30	123	80	4	269	27	472	91	659	495	449	474	4823	1544	3311	2453	
GA	0	0	4	1	5	5	5	9	11	24	33	22	25	1362	323	555	678	956	1049	415	
HI	0	0	1	0	1	0	0	0	0	0	0	5	3	109	-1	41	11	141	2700	655	
IA	0	17	0	0	20	14	35	19	23	-28	1	4	1	6	9	566	430	188	843	291	
ID	0	0	27	0	14	0	26	26	38	45	0	94	83	115	0	145	298	306	139	581	
IL	42	23	21	0	1	84	0	41	51	26	264	317	475	552	1099	1135	1961	2082	1539	1617	
IN	0	1	0	1	0	34	7	21	9	16	32	18	20	34	187	174	279	661	466	971	
KS	0	4	9	-1	0	27	3	3	54	1	43	34	220	36	18	10	11	9	18	1685	
KY	0	10	0	4	7	13	20	10	54	35	2	100	62	63	109	150	129	803	295	0	
LA	0	0	0	5	1	6	31	8	22	105	69	55	155	118	230	242	1718	733	2450	2655	
MA	0	6	5	0	28	51	0	3	120	275	0	26	1243	512	861	959	1186	828	2817	4827	
MD	31	10	3	11	23	17	8	3	5	9	5	6	20	28	22	42	41	54	44	61	
ME	0	0	1	0	0	24	22	39	25	0	0	670	554	378	344	264	16	16	545	241	
MI	8	8	11	9	11	16	14	43	55	81	8	91	-18	15	2097	169	238	248	293	463	
MN	0	36	13	0	33	53	87	94	239	313	554	471	443	426	276	818	234	590	66	1066	
MO	0	0	0	1	0	0	0	64	8	21	33	43	45	51	66	84	26	17	93	0	
MS	0	0	0	0	0	0	20	22	3	45	4	195	100	124	89	173	60	486	71	480	
MT	0	0	11	0	0	4	6	14	21	52	59	38	106	198	264	174	219	11	3	509	
NC	0	1	0	0	0	5	0	65	29	59	250	70	34	1336	655	728	2043	1162	2000	101	
ND	0	0	0	0	0	8	5	14	25	17	31	24	99	51	234	312	349	119	95	105	
NE	22	0	1	0	25	18	2	55	3	1	3	58	39	3	37	5	122	10	2	621	
NH	3	3	0	22	0	0	0	74	0	129	129	0	188	180	144	529	550	242	129	76	
NJ	1	0	4	32	23	19	21	24	103	0	25	-34	267	153	388	214	421	629	1007	8748	
NM	0	16	32	0	9	12	21	70	40	47	248	88	689	1082	443	1017	14	951	607	587	
NV	15	0	0	0	0	-1	159	2	4	9	165	-140	10	0	1498	377	410	130	1097	497	
NY	44	239	43	-207	37	31	43	0	2892	103	1969	221	1713	7391	7687	10143	13010	15964	16888	12981	
OH	10	0	4	0	5	13	17	38	135	0	303	26	-344	21	31	50	78	104	91	122	
OK	0	0	1	10	8	9	0	15	33	1	62	74	133	171	243	201	-204	81	39	-36	
OR	11	34	29	43	64	64	72	0	157	0	157	119	120	634	300	696	0	475	815	719	
PA	0	2	0	2	3	5	145	62	84	99	49	295	229	345	473	1049	1295	1306	1796	2255	
RI	0	0	2	43	17	0	25	20	78	90	0	203	0	429	0	-59	370	13	23	49	
SC	0	0	5	0	21	0	10	17	29	36	50	90	81	299	0	271	493	254	104	545	
SD	0	0	5	0	0	6	9	26	47	101	148	162	93	316	34	0	26	65	17	33	
TN	1	0	0	2	0	4	50	40	45	20	34	126	81	44	56	288	2852	134	110	7297	
TX	0	4	3	0	4	1	8	2	16	12	5	1	1211	639	448	2922	1245	2234	1299	1112	
UT	0	0	1	0	0	1	0	133	2	0	22	11	12	12	1332	621	413	1129	1358	776	
VA	21	10	7	6	6	11	8	65	13	0	261	81	539	250	645	402	465	547	360	773	
VT	0	8	8	13	6	6	22	36	45	87	121	77	76	106	56	141	0	350	23	354	
WA	31	379	89	264	444	26	1194	937	1404	1762	1195	2456	2266	1643	2976	3607	2531	3878	3754	3058	
WI	0	18	0	0	-7	1	8	46	96	0	158	205	559	573	664	1314	1248	1706	851	1228	
WV	0	5	0	0	0	0	0	3	13	10	8	45	0	53	11	91	104	55	66	166	
WY	0	0	0	0	0	0	0	1	0	1	1	0	102	88	96	61	111	1	156	121	

The data is consistent for expanding case volume.

We are only a few days into what will be a difficult period for many regions even as NYC slows.

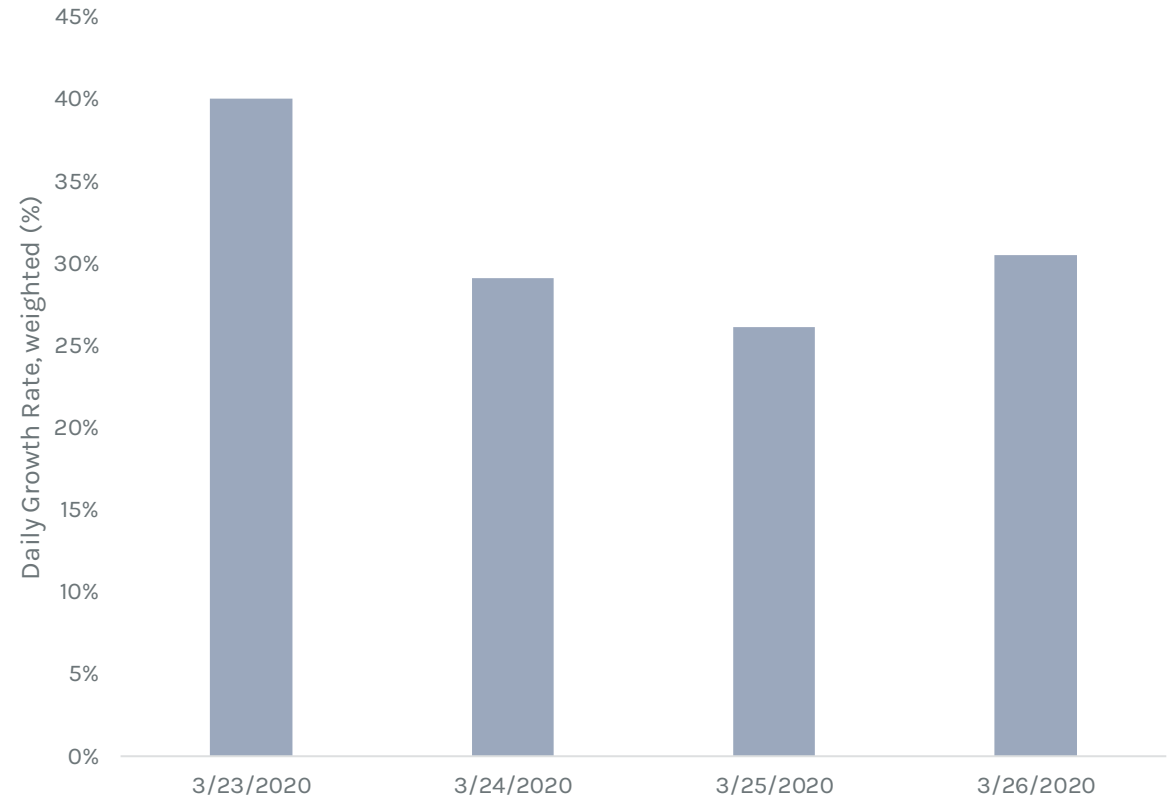
County Trends Deteriorating

Counties with COVID-19



There are 3,007 counties in the United States with 1,038 currently registering one COVID-19 case.

County Growth Rate, Weighted



As NYC, Seattle, San Francisco and other major metro areas slow case growth, rural area case volume is accelerating and driving total growth higher.

Recessions Boost Health Demand, at Least Initially

Telehealth may be the only option with COVID-19 reductions in physician office capacity

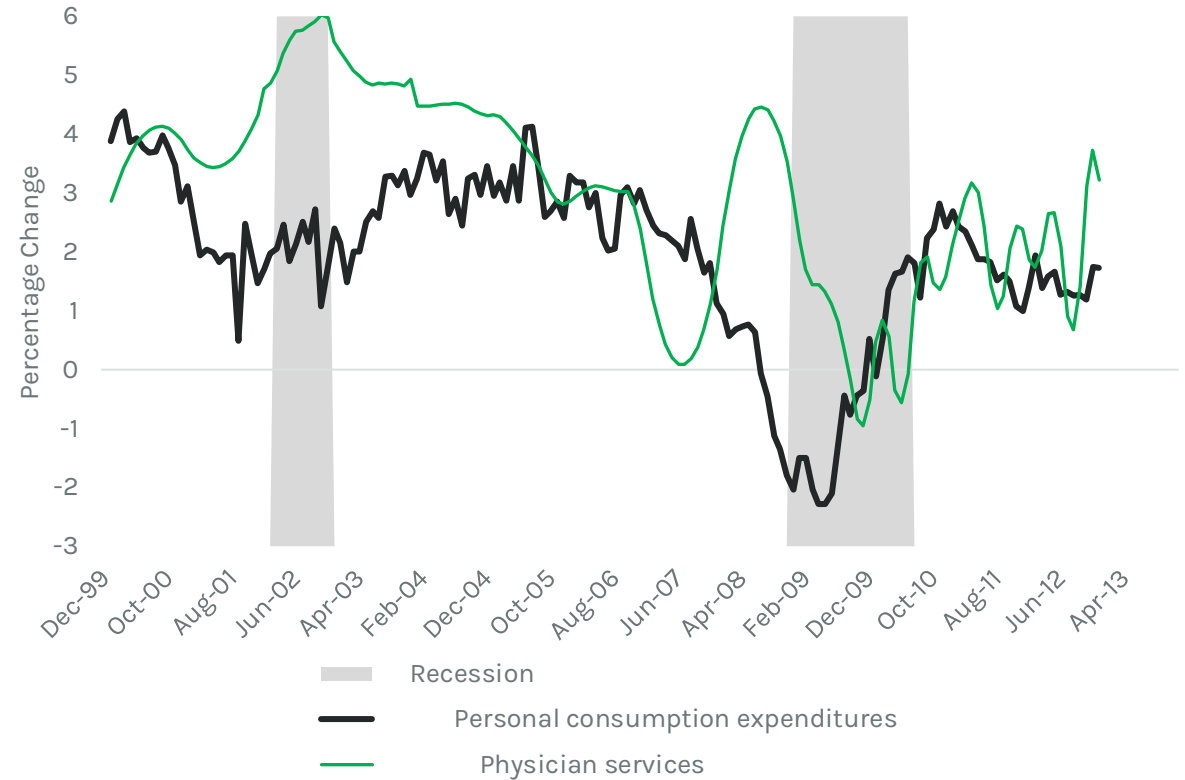
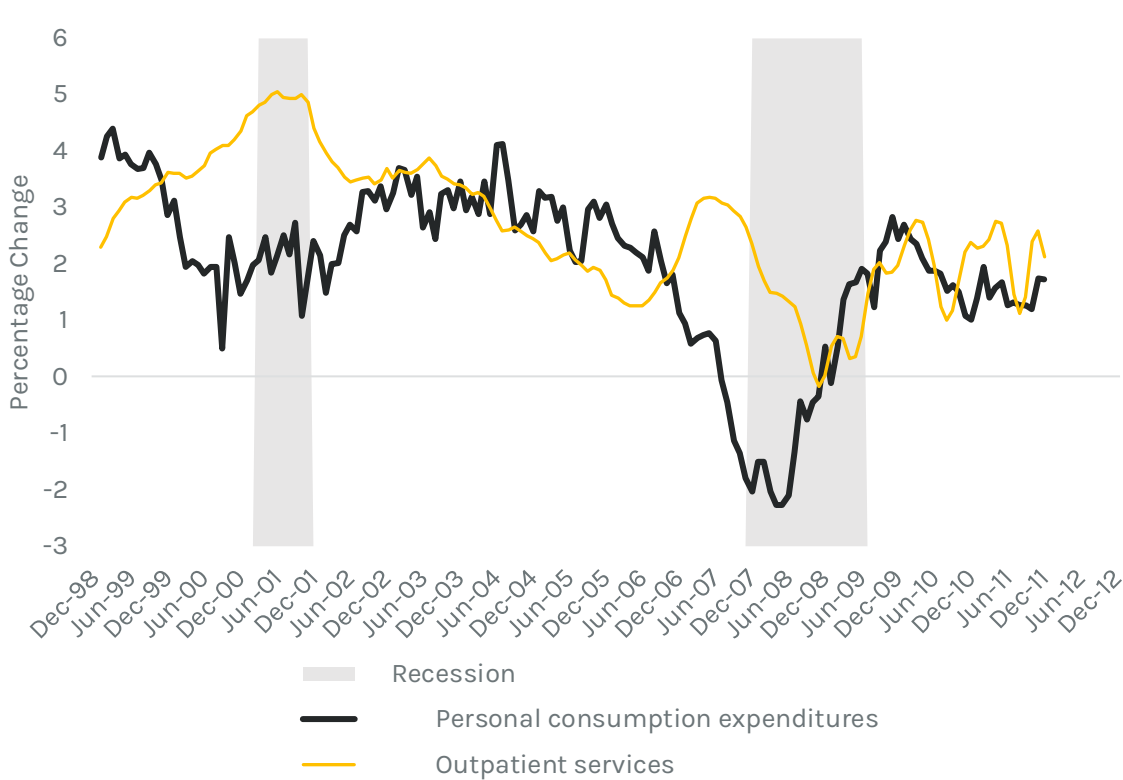
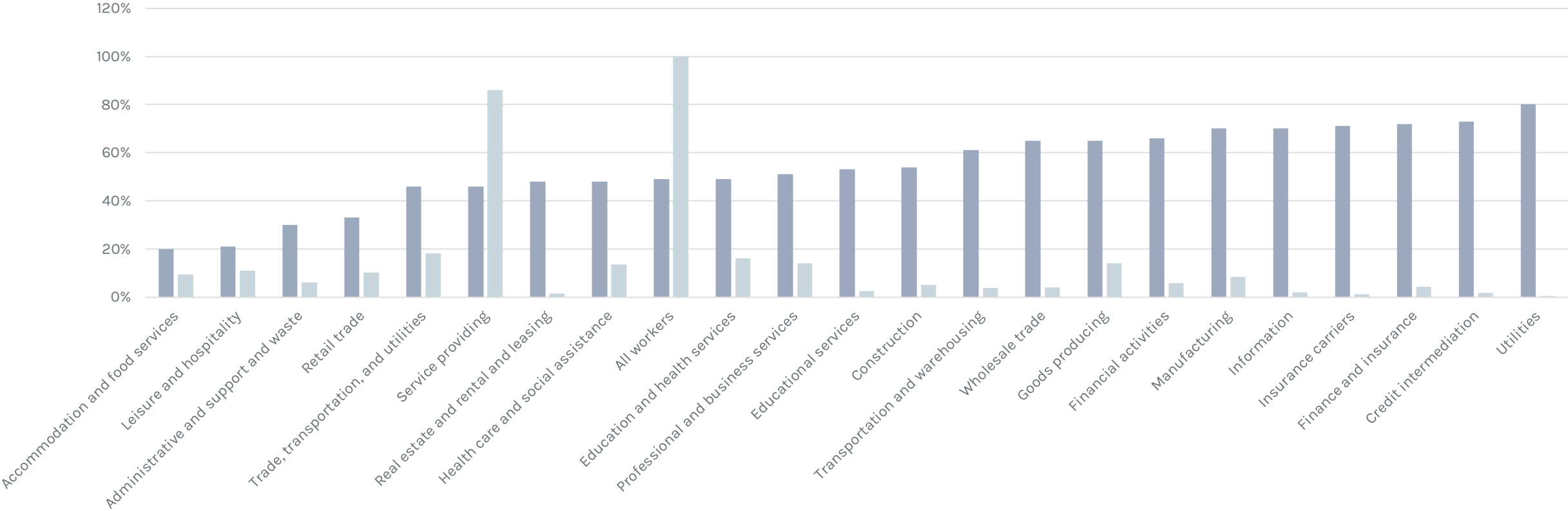


Table 2.4.3U. Real Personal Consumption Expenditures by Type of Product, Quantity Indexes

Consumption of medical services has a history of rising into a Recession. COBRA, fear of losing benefits, or “feeling bad” may all contribute. COVID-19 social distancing shrinks the options and pushes patients toward telehealth.

Insured Medical Consumer

Industries under the most pressure from COVID-19 have low coverage percentages



In the short term, the impact of layoffs will be negative on consumption of medical services with offsets from social distancing policies that force in person volume online.

Reason for visit (RFV) to Doctor Office

Reasons for visit appear low acuity, non-injury 2:1 versus injury

Injury	Description	RFV4	Total	Private Insurance	Medicare	Medicaid	Worker's Comp	Self Pay	No Charge/Charity	Other
00,01	Total visits		883,725,126	451,933,750	217,966,396	124,776,150	5,306,126	27,172,140	1,177,308	8,262,362
01	Injury, multiple or unspecified		72,560,325	32,817,389	15,046,914	9,474,092	4,305,738	5,281,266	91,338	1,205,092
00	Non-Injury		764,292,105	397,071,162	191,873,669	109,827,829	334,522	20,189,931	1,010,708	6,801,774
00	Stomach and abdominal pain, cramps and spasms	1545	6,893,881	3,255,021	1,332,617	1,257,651	-	380,569	-	-
00	Chest pain and related symptoms (not referable to a	1050	4,425,353	2,079,027	1,070,033	470,605	-	-	-	49,293
00	Fever	1010	8,836,100	6,275,619	460,991	1,855,584	-	-	-	106,469
00	Cough	1440	16,417,161	8,744,533	1,772,808	4,735,949	-	174,615	-	177,068
00	Shortness of breath	1415	2,292,214	865,008	959,350	297,343	-	93,887	-	65,678
00	Pain, specified site not referable to a specific body	1055	2,027,461	808,480	427,410	69,428	-	-	-	-
00	Headache, pain in head	1210	5,967,960	4,095,220	410,678	1,162,255	64,101	128,689	-	17,252
00	Back symptoms	1905	7,696,314	3,536,564	1,405,686	891,800	1,038,587	407,359	-	177,233
00	Vomiting	1530	2,596,369	2,190,015	78,683	327,671	-	-	-	-
00	Symptoms referable to throat, raw throat	1455	10,055,725	5,146,561	1,159,506	2,334,176	-	530,400	-	274,268
00	Leg symptoms	1920	4,971,486	2,498,221	1,317,827	708,125	-	109,848	-	-
00	Skin rash	1860	13,374,263	7,394,177	2,047,668	2,676,605	-	145,571	-	353,613
00	Head, neck, and face	5505	893,180	214,162	102,362	300,175	101,866	174,615	-	-
00	Nausea	1525	1,636,346	934,506	147,644	554,196	-	-	-	-
00	Vertigo - dizziness	1225	4,101,797	2,046,335	1,357,780	440,981	-	91,052	-	20,195
00	Other symptoms or problems relating to psychological	1165	959,008	615,180	83,333	166,608	-	-	-	-
00	Knee symptoms	1925	10,581,363	5,049,228	2,928,787	906,492	688,311	180,557	-	143,371
00	Earache, or ear infection	1355	8,506,814	5,429,288	816,882	1,880,398	-	29,951	-	46,175
00	Foot and toe symptoms	1935	4,798,463	2,609,916	1,356,501	281,045	129,839	76,524	-	64,919
00	Motor vehicle accident, type of injury unspecified	5805	541,372	333,900	143,371	-	64,101	-	-	-
00	Accident, NOS	5810	424,503	308,125	116,378	-	-	-	-	-
00	Low back symptoms	1910	6,138,604	2,285,822	1,581,797	736,898	242,099	214,991	-	-
00	General weakness	1020	724,908	205,307	152,781	-	-	174,615	-	70,648
00	Upper extremity	5225	298,201	234,100	-	-	64,101	-	-	-
00	Symptoms of teeth and gums	1500	324,203	-	-	305,243	-	18,960	-	-
00	Carbuncle, furuncle, boil, cellulitis, abscess, NEC	2800	1,274,616	774,900	254,284	119,660	-	125,771	-	-
00	Labored or difficult breathing (dyspnea)	1420	1,280,914	341,197	135,162	749,384	-	55,171	-	-
00	Arm symptoms	1945	1,471,405	633,033	460,764	174,750	-	22,856	-	-
00	Hand and finger symptoms	1960	3,914,453	1,960,578	822,645	816,279	21,405	134,087	-	21,405
00	Neck symptoms	1900	6,524,346	2,748,375	1,410,905	320,054	87,482	1,531,623	-	152,898
00	Convulsions	1205	1,686,051	824,713	401,834	202,613	-	116,825	-	79,204
00	Diarrhea	1595	1,915,475	1,200,592	537,816	177,068	-	-	-	-

Ambulatory Visits by Age

	Total	Private Insurance	Medicaid	Medicare
Population	284,680,500	176,725,300	65,152,400	42,802,800
Total visits	794,676,296	451,933,750	217,966,396	124,776,150
Injury, multiple or unspecified	57,338,395	32,817,389	15,046,914	9,474,092
Non-Injury	698,772,660	397,071,162	191,873,669	109,827,829
Percentage of total				
Injury, multiple or unspecified	7%	7%	7%	8%
Non-Injury	88%	88%	88%	88%
Per Capita				
Total visits	2.79	2.56	3.35	2.92
Injury, multiple or unspecified	0.20	0.19	0.23	0.22
Non-Injury	2.45	2.25	2.94	2.57

We are assuming a large percentage of non-injury visits can be converted to telehealth visits, at least initially.

Ambulatory Visits by Payor

Description	Total	Under 15 years	15-24 years	25-44 years	45-64 years	65-74 years	75 years and over
Population	320643170	60977373	42283341	84211062	83605662	29457879	20107853
Total visits	883725126	156860287	65077377	170733687	252037293	132148254	106868228
Injury, multiple or unspecified	72560325	12024984	7426236	13544039	23086339	8932738	7545988
Non-Injury	764292105	138916403	54355028	149723144	212538409	116273618	92485503
Percentage of total							
Injury, multiple or unspecified	8%	8%	11%	8%	9%	7%	7%
Non-Injury	86%	89%	84%	88%	84%	88%	87%
Per Capita							
Total visits	2.76	2.57	1.54	2.03	3.01	4.49	5.31
Injury, multiple or unspecified	0.23	0.20	0.18	0.16	0.28	0.30	0.38
Non-Injury	2.38	2.28	1.29	1.78	2.54	3.95	4.60

Non-injury ambulatory visits make up the majority of patient visits.

Reason for visit (RFV) to an Emergency Room

Most common RFV appear low acuity, non-injury 2:1 versus injury

Injury	Description	RFV	Total	Private Insurance	Medicare	Medicaid	Worker's Comp	Self Pay	No Charge/Charity	Other
00,01	Total visits		138,977,360	33,368,523	25,663,333	50,917,178	972,673	10,899,091	351,076	3,150,664
01	Injury, multiple or unspecified		43,192,587	10,644,883	7,379,071	14,733,226	908,548	3,443,518	62,811	1,559,427
00	Non-Injury		89,327,718	21,261,571	16,955,600	34,109,151	38,079	6,933,884	275,542	1,440,984
00	Stomach and abdominal pain, cramps and spasms	1545	12,248,085	3,597,523	1,902,149	4,779,123	37,831	894,458	45,450	176,725
00	Chest pain and related symptoms (not referable to a	1050	6,522,950	1,943,860	1,461,100	1,781,571	-	431,329	56,480	133,120
00	Injury, multiple or unspecified	1010	5,490,796	1,210,160	368,868	3,121,371	-	332,743	14,241	28,916
00	Cough	1440	5,032,761	1,005,113	662,653	2,366,287	-	380,834	14,489	39,547
00	Shortness of breath	1415	3,987,688	825,083	1,468,867	864,490	-	286,492		86,707
00	Pain, specified site not referable to a specific body	1055	3,641,689	1,083,007	730,386	1,128,341	14,087	283,766	-	53,146
00	Headache, pain in head	1210	3,508,403	836,468	444,290	1,490,135	38,670	229,328	4,282	20,688
00	Back symptoms	1905	3,289,590	911,003	508,101	1,079,992	55,060	270,956	-	102,264
00	Vomiting	1530	2,964,064	793,263	294,110	1,383,616	-	214,997	-	57,096
00	Symptoms referable to throat, raw throat	1455	2,787,168	607,228	210,748	1,304,494	-	371,175	-	33,032
00	Leg symptoms	1920	2,548,069	568,268	666,443	527,006	18,694	196,887	-	170,919
00	Skin rash	1860	2,418,908	488,362	131,333	1,296,569	10,088	128,907	-	47,509
00	Head, neck, and face	5505	2,394,399	645,668	401,451	878,430	77,521	167,200	-	104,154
00	Nausea	1525	2,263,380	490,057	502,700	780,656	-	200,171	-	47,567
00	Vertigo - dizziness	1225	1,940,910	431,553	662,945	478,572	-	117,830	55,588	53,229
00	Other symptoms or problems relating to psychological	1165	1,860,515	263,201	580,013	649,380	-	138,756	-	10,206
00	Knee symptoms	1925	1,806,156	481,173	438,882	486,854	26,556	142,868	10,812	40,757
00	Earache, or ear infection	1355	1,628,877	400,394	126,169	883,695	-	97,287	-	25,086
00	Foot and toe symptoms	1935	1,598,646	399,008	276,986	552,107	20,999	94,679	-	55,977
00	Motor vehicle accident, type of injury unspecified	5805	1,577,254	503,620	90,878	461,540	10,311	185,452	-	154,879
00	Accident, NOS	5810	1,540,470	288,790	590,421	334,685	7,900	100,182	-	6,745
00	Low back symptoms	1910	1,519,183	313,244	272,892	529,529	2,882	275,998	-	15,788
00	General weakness	1020	1,490,223	264,592	894,844	187,443	-	38,996	-	46,472
00	Upper extremity	5225	1,344,760	465,023	187,151	313,551	146,460	113,851	10,812	24,813
00	Symptoms of teeth and gums	1500	1,310,878	242,377	156,835	572,832	-	164,100	-	4,951
00	Carbuncle, furuncle, boil, cellulitis, abscess, NEC	2800	1,304,871	312,833	189,319	560,641	-	63,265	5,469	7,243
00	Labored or difficult breathing (dyspnea)	1420	1,300,311	261,058	402,776	442,177	-	116,451	-	14,743
00	Arm symptoms	1945	1,267,299	137,672	203,181	538,416	32,413	112,031	-	10,941
00	Hand and finger symptoms	1960	1,243,141	311,975	117,850	537,446	5,669	183,366	-	3,901
00	Neck symptoms	1900	1,232,420	309,002	173,578	412,577	10,175	138,348	1,639	20,561
00	Convulsions	1205	1,191,260	377,407	97,702	428,872	-	78,599	1,639	41,467
00	Diarrhea	1595	1,158,943	179,665	437,840	355,502	-	106,049	-	2,654

ER Visits by Age

Description	Total	Under 15 years	15-24 years	25-44 years	45-64 years	65-74 years	75 years and over
Population	320643170	60977373	42283341	84211062	83605662	29457879	20107853
Total visits	138977360	28369111	20194213	38207415	29827529	10316353	12062739
Injury, multiple or unspecified	43192587	9098657	6727324	11775003	8734232	3009933	3847439
Non-Injury	89327718	18309966	12615982	24428387	19493072	6792627	7687684

Percentage of Total							
Injury, multiple or unspecified	31.1%	32.1%	33.3%	30.8%	29.3%	29.2%	31.9%
Non-Injury	64.3%	64.5%	62.5%	63.9%	65.4%	65.8%	63.7%

Per Capita Utilization							
Total visits	0.43	0.47	0.48	0.45	0.36	0.35	0.60
Injury, multiple or unspecified	0.13	0.15	0.16	0.14	0.10	0.10	0.19
Non-Injury	0.28	0.30	0.30	0.29	0.23	0.23	0.38

Source: NHAMCS

We think telemedicine non-injury visits that could convert to telehealth could be significant. These visits occur in a high stress and need for an expert medical opinion to answer, “Should I go the emergency room?”

ER Visits by Payor

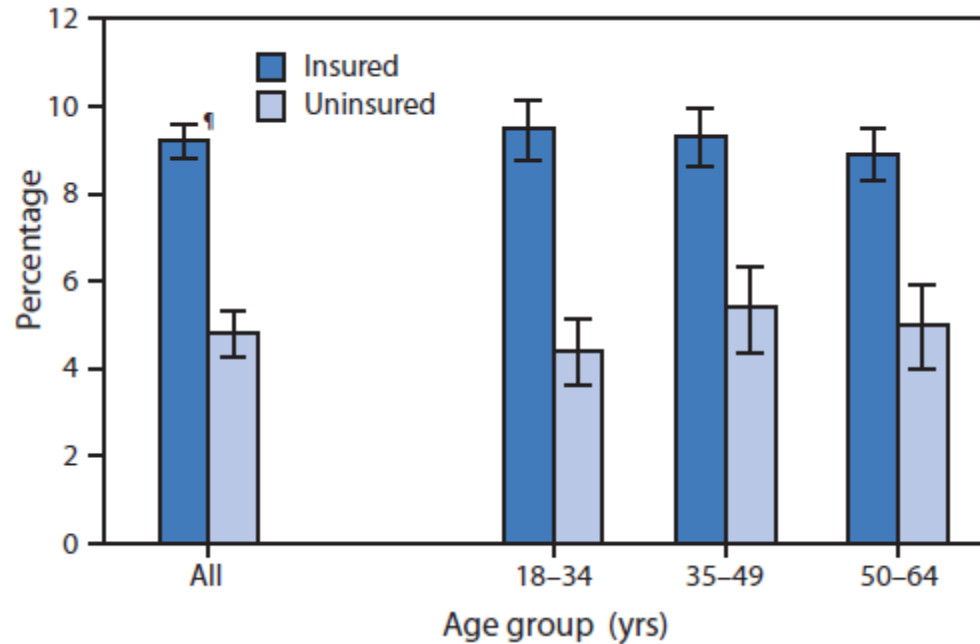
	Private Insurance	Medicaid	Medicare
Population	176725300	65152400	42802800
Total visits	33368523	25663333	50917178
Injury, multiple or unspecified	10644883	7379071	14733226
Non-Injury	21261571	16955600	34109151

Percentage of total			
Injury, multiple or unspecified	32%	29%	29%
Non-Injury	64%	66%	67%

Per Capital			
Total visits	0.19	0.39	1.19
Injury, multiple or unspecified	0.06	0.11	0.34
Non-Injury	0.12	0.26	0.80

Non-injury ER visits that are not an emergency situation could be converted to telemedicine first, or a triage, to determine if an ER visit is the best next step for the patient.

Mental Health Utilization



Percentage of Adults Aged 18-64 Years Who Have Seen or Talked with a Mental Health Professional* in the Past 12 Months, by Health Insurance Status† and Age Group — National Health Interview Survey, United States, 2012-2013

MOST AMERICANS ARE OPEN TO COUNSELING

Barna

Have you ever seen a counselor or therapist?

13%

YES,
currently

28%

YES,
but not anymore

36%

NO,
but I am open to it

23%

NO,
I never would

n=1,021 | February 8-14, 2017

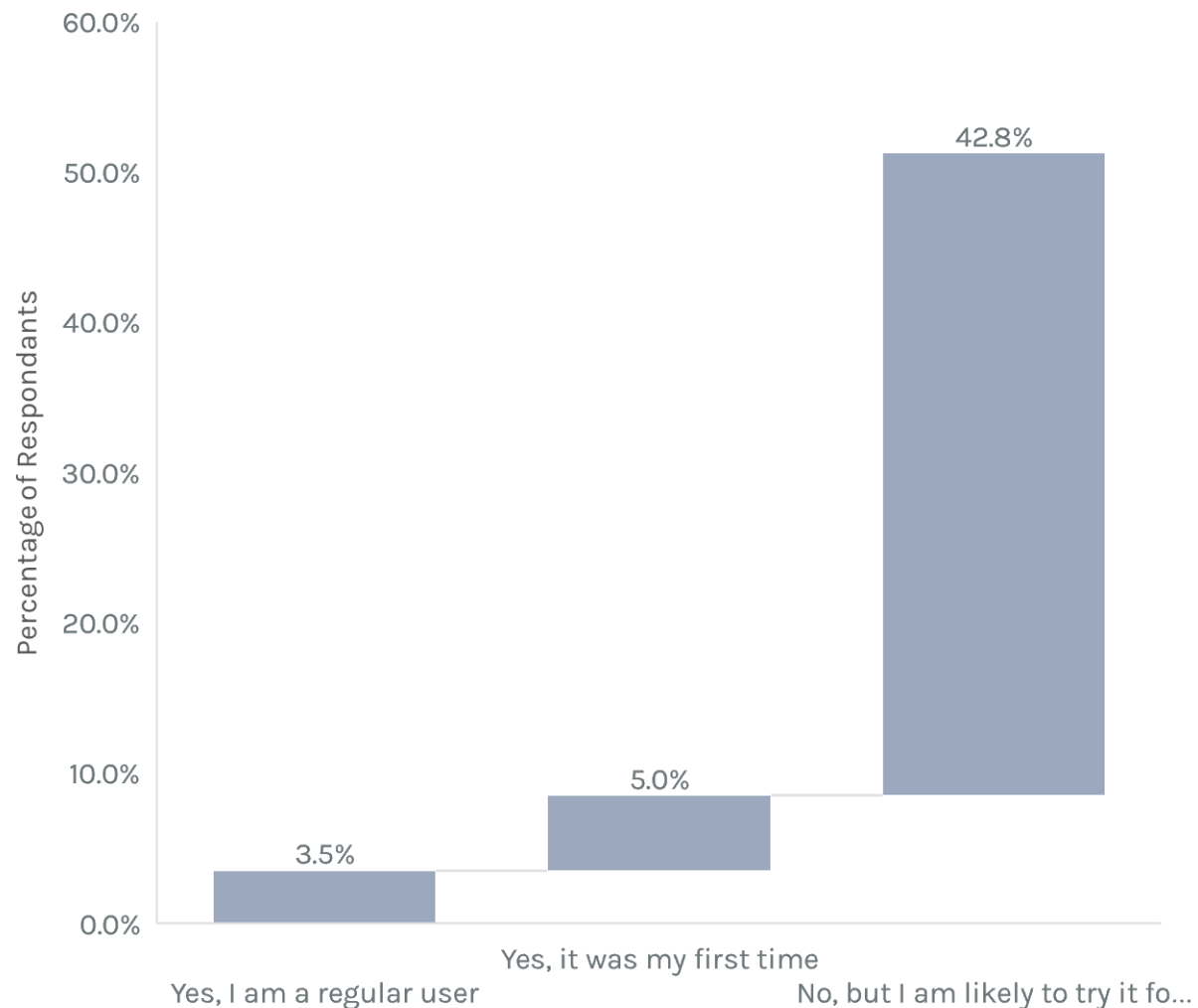
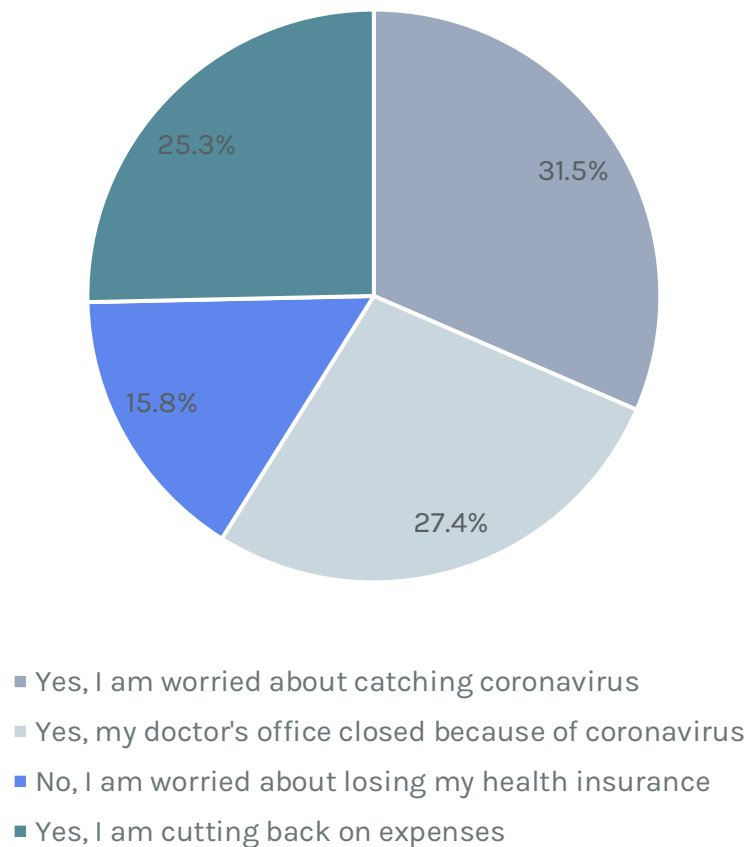
© 2018 | barna

Data on mental health visits outside those counted in the NAMCS have been difficult to quantify.

Telemedicine Taking Off

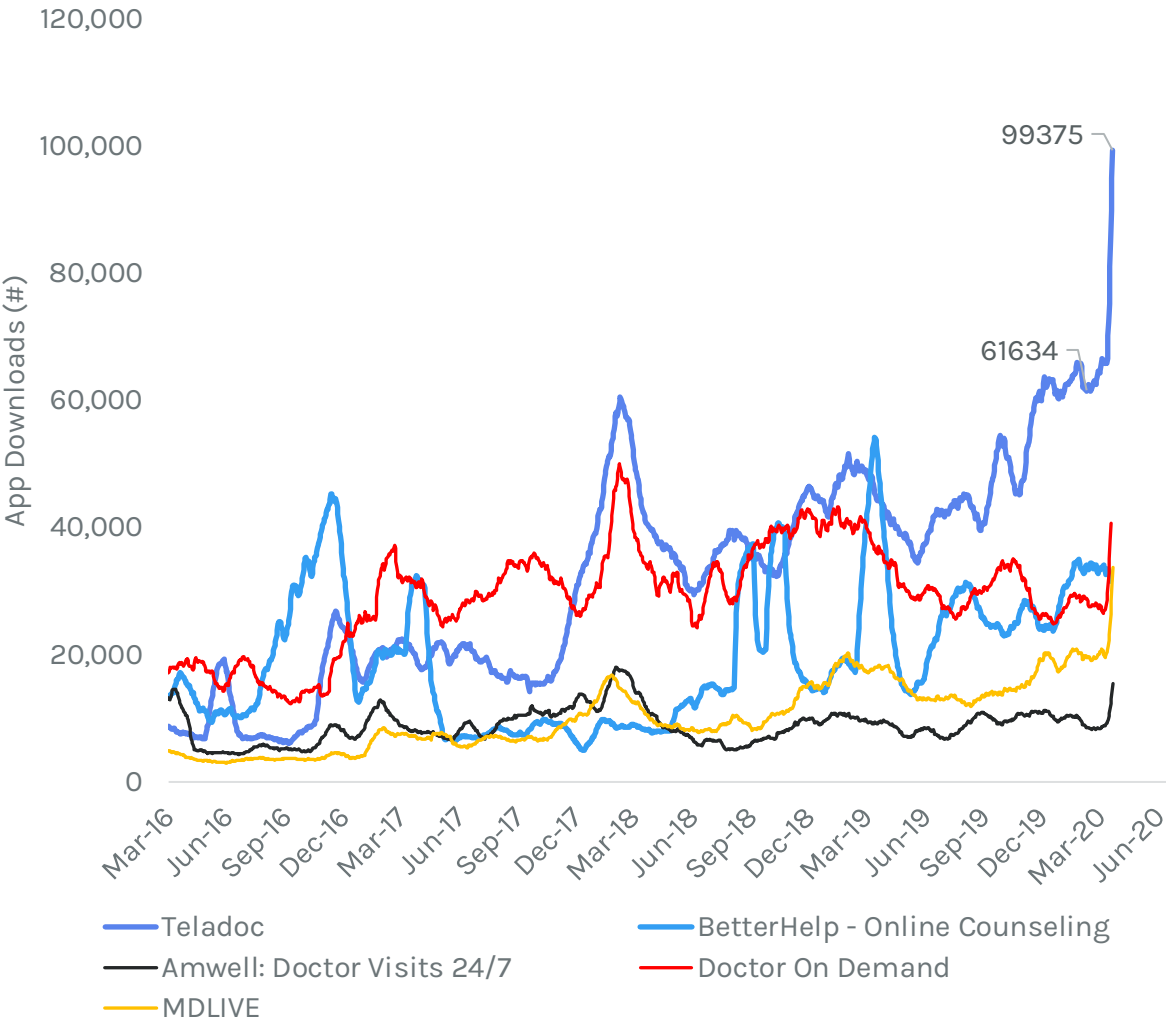
New users 1.5X existing users, potential users > 10X existing users

Q1: Have you cancelled an office-based doctor visit in the last 30 days? (Percentage of those with an appointment)



App Downloads and Active Users

50% increase in downloads since the end of January 2020



Key Assumptions

Assuming we exit at 10% penetration into the available ambulatory

	Q1-2019	Q2-2019	Q3-2019	Q4-2019	Q1-2020	Q2-2020	Q3-2020	Q4-2020	Q1-2021	Q2-2021	Q3-2021	Q4-2021
<i>Ambulatory visits per year per capita</i>	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
<i>Visits available</i>	20	20	26	28	30	31	32	33	36	37	38	39
<i>Weighted members</i>	23.01	23.90	25.99	29.39	32.61	37.28	39.46	41.70	44.00	45.36	46.86	49.10
<i>Ambulatory volume in period</i>	17.26	17.93	19.49	22.04	24.46	27.96	29.60	31.28	33.00	34.02	35.15	36.83
<i>Percentage enrollees utilizing</i>	21.0%	20.0%	16.5%	20.0%	23.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
<i>Capture rate</i>	14.0%	11.5%	12.0%	12.0%	15.0%	20.0%	22.0%	24.0%	22.0%	22.0%	22.0%	22.0%
<i>Utilization rate - implied</i>	2.9%	2.3%	2.0%	2.4%	3.5%	5.0%	5.5%	6.0%	6.3%	6.6%	6.9%	7.3%
<i>Utilization rate - annualized</i>	11.9%	9.2%	7.9%	9.5%	13.9%	20.1%	21.9%	23.9%	25.6%	26.5%	27.6%	28.9%
<i>Penetration ambulatory volume</i>	4.2%	3.4%	3.2%	3.9%	5.4%	7.3%	8.1%	8.8%	8.8%	9.4%	9.8%	10.1%
<i>Change in utilization, sequential change %</i>					43.8%	44.9%	10.0%	9.1%	5.0%	5.0%	5.0%	5.0%

Valuation

		2020 Sales					
		\$ 710	\$ 730	\$ 750	\$ 775	\$ 800	\$ 825
2020 EV/Sales	15.0x	124.05	127.35	130.65	134.77	138.89	143.01
	14.0x	116.25	119.33	122.41	126.25	130.10	133.95
	13.0x	108.45	111.31	114.16	117.74	121.31	124.88
	12.0x	100.65	103.29	105.92	109.22	112.52	115.81
	11.0x	92.85	95.26	97.68	100.70	103.73	106.75
	10.0x	85.04	87.24	89.44	92.19	94.93	97.68

		2021 Sales					
		\$ 875	\$ 900	\$ 925	\$ 950	\$ 975	\$ 1,000
2021 EV/Sales	15.0x	188.55	193.68	198.82	203.96	209.10	214.23
	14.0x	176.56	181.36	186.15	190.95	195.74	200.53
	13.0x	164.58	169.03	173.48	177.93	182.38	186.84
	12.0x	152.59	156.70	160.81	164.92	169.03	173.14
	11.0x	140.60	144.37	148.14	151.90	155.67	159.44
	10.0x	128.62	132.04	135.47	138.89	142.32	145.74



TDOC is expensive and would appear to reflect much of upside in store for 2020. On the other hand, the gap between consensus and what we view as a conservative revenue estimate is substantial. Being long here is ultimately backstopped by a COVID-19 persisting into 2021.

1 Ambulatory, Emergency, Mental Health is a Massive Market

We assume a market of ~3.0 visits per capita per year less volume that requires an in person visit. Excluding injury and other emergency situations, most symptoms could qualify as a telehealth visit, or at least a virtual first environment. Quarterly utilization of low single digits could easily ramp to mid to high single digits.

2 COVID-19 Persists into 2021

We expect cases to peak in the United States in the next few months, but risk for infection and social distancing behavior to persist well into next year as the virus travels to the southern hemisphere and back. Vaccination ends the cycle, but only after significant changes to behavior become ingrained.

3 Looser Regulations bring More Competition, but on a Lag

Regulations changes have made Telehealth easier to access for patients and physicians. Virtual first will become the new normal for many patients and physicians. Some physicians who are closed now won't re-open and others will adapt, although not enough to significantly impact TDOC. We expect the "telehealth is a commodity" thesis to potentially re-emerge late in 2020.

Fundamental Risks

1 Seemingly Unlikely “Quick Fix” for COVID-19

COVID pandemic ends abruptly and does not return to Northern Hemisphere, or a cure is found, or a vaccine developed in the short-term.

2 Brick and Mortar Practices Innovate

Brick and mortar practices adopt telemedicine aggressively, displacing the need for Teladoc.

3 Poor Economic Conditions Derail Adoption

Economic deterioration, joblessness, and an increase in the uninsured lead to declines in member growth.



Policy | Changing Behavior Through Crisis

Hedgeye Health Care

Tom Tobin, Managing Director, Health Care

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@HedgeyeHC

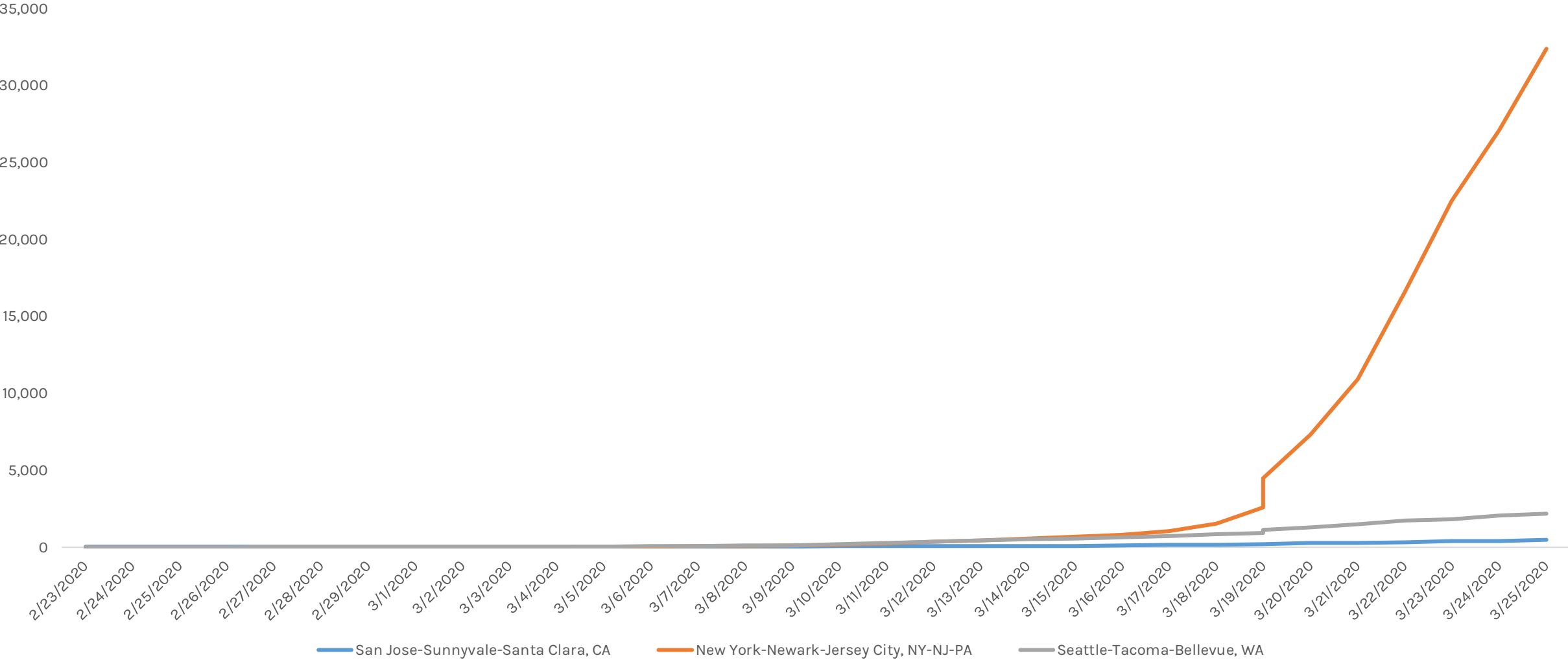
Emily Evans, Managing Director, Health Policy

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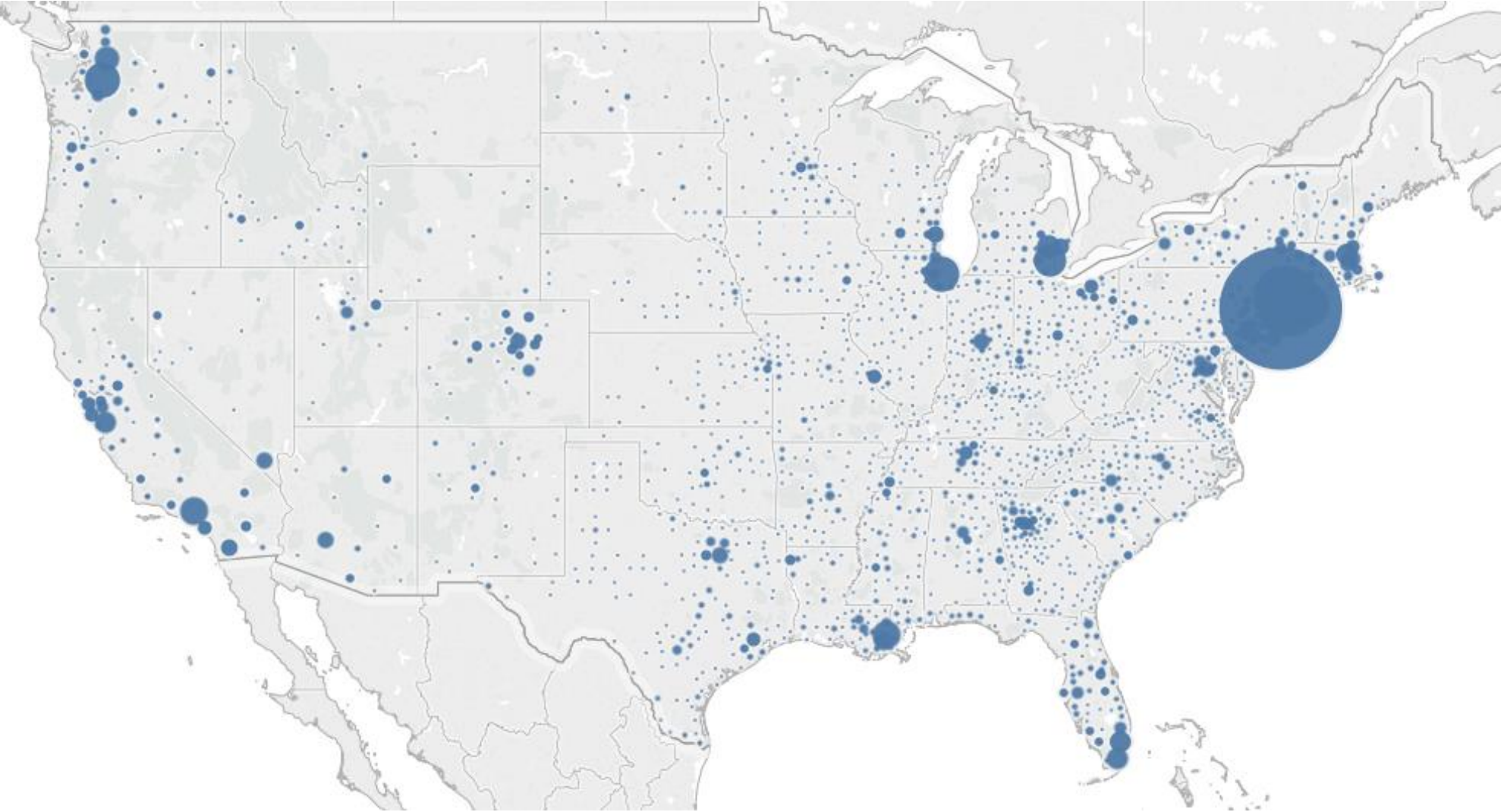
William McMahon, Analyst, Health Care

Wmcmahon@Hedgeye.com

Caseloads Early Infection Metros



All US Affected Counties



[1] Medicare FFS

- Traditional Medicare beneficiaries will be able to access telemedicine services regardless of where they live (no rural requirement)
- Access the care and without cost-sharing.
- Currently, there are about 38 million Americans enrolled in traditional Medicare. Given the low penetration of telehealth services, most, excluding dual eligible would likely make use of the benefit.
- Out of state providers will be permitted to operate across state lines regardless of licensure requirements
- Waiver of HIPAA for use of new technologies

[2] Medicaid

- States that offer telehealth services on par with Medicare will get a 1% increase in FMAP
- States can enroll out-of-state providers in Medicaid program

[3] Other

- Expansion of tele mental health services
- Permit enrollment and re-enrollment in Direct Care program via telehealth
- State licensure boards waiving requirements for all plan types

[1] Medicare

- Waives Face-to-Face Visit with dialysis patients during emergency period
- Waives Face-to-Face Visits with Hospice Patients to certify and recertify during emergency period
- Encourages use of telehealth services by home health agencies permanently

[2] Commercial

- Makes telehealth services exempt from requirements of HSA-High Deductible Plans

[3] Other

- Expands use of telehealth at community health centers and qualified health centers
- \$200 million to FCC to enhance rural broadband for telehealth

Private Sector Responses



An independent licensee of the Blue Cross and Blue Shield Association

Corporate Reimbursement Policy

Telehealth

File Name: telehealth
Origination: 11/1997
Last Review: 3/2020
Next Review: 12/2020

Temporary Expansion of Reimbursement for Telehealth Services:

There are so many reasons why FBHP members use **Teladoc**:

- 10% of visits are out of state
- 24% of visits are on Saturday or Sunday
- Average response time is 11 minutes

Teladoc® gives you access 24 hours per day, 7 days a week to a U.S. board certified doctor through the convenience of phone, video or mobile app visits. It's an affordable option for quality medical care.

TELADOC **Farm Bureau HEALTH PLANS Tennessee**

GET THE CARE YOU NEED
Teladoc doctors can treat many medical conditions, including:

- Cold & flu symptoms
- Allergies
- Pink Eye
- Respiratory infection
- Sinus problems
- Skin problems
- And more!

With your consent, Teladoc is happy to provide information about your Teladoc visit to your primary care physician

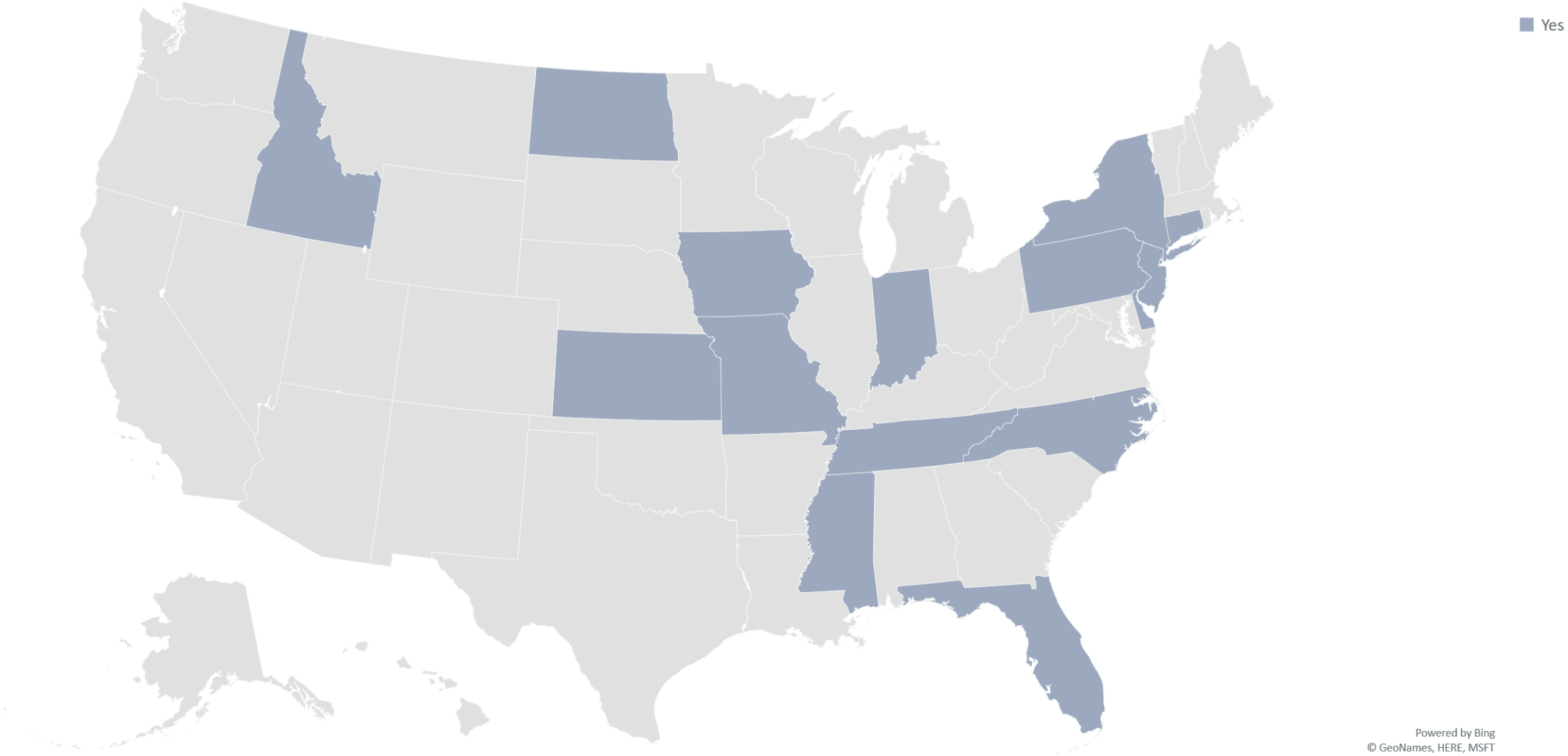
Another great benefit of your Farm Bureau Health Plans coverage!*

Teladoc.com
1-800-Teladoc

Available on the iPhone **App Store** **Google play**

*\$0 consultant fee on all plans except HDHP Plans. Your responsibility on HDHP Plans: \$45 consult fee until calendar year deductible is met. No charge on HDHP Plans after deductible is met.

State Level Waivers of Licensure Requirements



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For more information, contact us at:

HealthCareTeam@Hedgeye.com