Teladoc – Innovation and Investment, Opportunity and Growth

National Healthcare Innovation Summit | 10 June 2013
Agenda

1. Investment thesis - why invest in the Telehealth space?
2. Evaluating investment opportunity – why Teladoc?
3. Closer look at Teladoc - corporate overview
4. Market problem – healthcare issues
5. Teladoc solution
6. Market opportunity
7. Case studies and ROI
8. Future vision & strategy
## Top Down Telehealth Revenue and Cost Savings Opportunity

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Estimated U.S. Acute Care Visits Addressable by Remote Consultation</td>
<td>264M</td>
</tr>
<tr>
<td>Avg. Cost per Visit Today</td>
<td>$178</td>
</tr>
<tr>
<td>Total “Avoidable” Cost</td>
<td>$47B</td>
</tr>
<tr>
<td>Cost if delivered through Telehealth* (i.e., Revenue opportunity for Teladoc)</td>
<td>$12B</td>
</tr>
<tr>
<td>Cost Savings to System</td>
<td>$35B</td>
</tr>
</tbody>
</table>

* Includes $38 per visit plus assumed PMPM of $.40

Source: Ateev Mehrotra, Margaret C. Wang, Judith R. Lave, John L. Adams and Elizabeth A McGlynn *Retail Clinics, Primary Care Physicians, and Emergency Departments: A Comparison of Patients’ Visits* Health Affairs, 27, no.5 (2008): 1272-1282

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Volume and price trends drive 40% opportunity growth

Total Estimated U.S. Acute Care Visits Addressable by Remote Consultation

<table>
<thead>
<tr>
<th></th>
<th>Today</th>
<th>5 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visits</td>
<td>264M</td>
<td>291M</td>
</tr>
<tr>
<td>Avg. Cost per Visit Today</td>
<td>$178</td>
<td>$217</td>
</tr>
</tbody>
</table>

Total “Avoidable” Cost

<table>
<thead>
<tr>
<th></th>
<th>Today</th>
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</tr>
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<tbody>
<tr>
<td>Cost</td>
<td>$47B</td>
<td>$63B</td>
</tr>
<tr>
<td>Cost if delivered through Telehealth* (i.e., Revenue opportunity for Teladoc)</td>
<td>$12B</td>
<td>$14B</td>
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</table>

Cost Savings to System

<table>
<thead>
<tr>
<th></th>
<th>Today</th>
<th>5 Years</th>
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<tr>
<td>Savings</td>
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<tr>
<td>ROI</td>
<td>4.1:1</td>
<td>4.5:1</td>
</tr>
</tbody>
</table>

* Includes $38 per visit plus assumed PMPM of $.40 “Today.” Assumes $42 per visit and $.44 PMPM “In 5 Years.”

Source: Ateev Mehrotra, Margaret C. Wang, Judith R. Lave, John L. Adams and Elizabeth A McGlynn Retail Clinics, Primary Care Physicians, and Emergency Departments: A Comparison of Patients’ Visits Health Affairs, 27, no.5 (2008): 1272-1282

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A Solution to Help Increase Access

Use perishable physician capacity

- Gaps in schedules
- Cancelled appointments
- Semi-retired physicians
- Work from home physicians
- Stranded capacity in retail clinics
- Off-hours

More clinical time, less administrative overhead

- No claims to file
- No additional space
- No front office resources (e.g., receptionist)
- No nurse or med assistant
- No bad debt expense, and paid immediately
- Medical malpractice insurance provided

Increase Physician Capacity

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Employer adoption of telehealth

Workplace telemedicine is a growing trend, and one that is gaining increasing attention.

“Health care delivery and treatment settings continue to evolve, leading to the acceleration of alternate network strategies, including high-performance networks, third-party providers and telemedicine. For example, 17% plan to offer telemedicine by 2013, and another 27% are considering it for 2014 and 2015.”


1 Health Care Changes Ahead Survey Report, Towers Watson, October, 2012. Link:

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Teladoc, the industry leader

Telehealth’s time has come.

Teladoc is the first and largest provider of telehealth medical consultations in the United States. Not only do we have the most experience, we have the results to prove it:

- **97%** Member Satisfaction
- **125,000+** Consultations Annually
- **12 min** Avg. Consult Duration
- **0 Malpractice Claims**
- **1 hour** Guaranteed Response Time
- **91%** Patient Issues Resolved

Based on Teladoc reporting and member surveys

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## Teladoc Competitive Advantages

**Teladoc’s complete solution differentiates us from the competition**

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Experience</strong></td>
<td>The industry’s deepest experience in telehealth, and across the healthcare space (payer, employer, clinical, technology, regulatory)</td>
</tr>
<tr>
<td><strong>Clinical Quality</strong></td>
<td>The industry’s only dedicated in-house clinical quality capability, including provider credentialing, rigorous QA, clinical protocols, and proprietary EBM guidelines tailored to telehealth</td>
</tr>
<tr>
<td><strong>Operational Excellence</strong></td>
<td>A highly secure, stable, and scalable platform audited by multiple health plans and employers, delivering 125K consults this year</td>
</tr>
<tr>
<td><strong>Platform Flexibility</strong></td>
<td>Ability to leverage client clinical resources and Teladoc's physicians, utilizing flexible rules-based network configurations and routing of consults</td>
</tr>
<tr>
<td><strong>Member Engagement</strong></td>
<td>Member communications expertise and a full portfolio of collateral &amp; strategies to drive consumer engagement and utilization</td>
</tr>
<tr>
<td><strong>Proven Results</strong></td>
<td>A demonstrated history of data-validated, statistically significant ROI results delivered for clients</td>
</tr>
</tbody>
</table>

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Who we are

We understand the needs of consumers, employers, health plans, and health systems

Experienced health care leadership

• Jason Gorevic, CEO
• Kevin Williamson, Marketing/Product
• Jeff Nadler, Chief Technology Officer
• Daniel Trencher, Business Development
• Mike King, Chief Sales Officer
• Henry DePhillips, Chief Medical Officer
• Paul Squire, General Counsel

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Teladoc’s Founding Principles

Providing solutions for three of the biggest issues in healthcare:

- **Timely access**
- **Lower cost**
- **Quality care**

Employee / consumer satisfaction is one of the many benefits of addressing these issues.

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Teladoc – The leader in telehealth

The first and largest provider of telehealth medical consults in the United States.

- Leading market since founded in 2003
- 900+ Employer clients; multiple National, BCBS, and Medicaid MCO Health Plans
- The market’s only fully integrated technology, clinical, and engagement solution
  - On-demand, live diagnostic physician consultations 24/7/365 by phone, online video, mobile, and kiosk
  - 50 state physician network
  - 16-minute average physician call back time
  - For only $40 / consultation
- Strong financial performance and opportunity
  - $35B market opportunity
  - Recurring subscription based revenues -- 99% retention
  - Top HC VC investors – Kleiner Perkins, Cardinal, HLM, Trident

Teladoc leads the industry with over
5,000,000 Members, approximately
125,000 Consultations annually, and
97% Customer satisfaction

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Market adoption of Teladoc

Exponential Growth Fueled by Rapid Market Adoption

**Members**

- Dec-09: 1,000,000
- Jun-10: 2,000,000
- Dec-10: 3,000,000
- Jun-11: 4,000,000
- Dec-11: 5,000,000
- Jun-12: 5,000,000
- Jan-13: 5,000,000

**Monthly Consults**

- Dec-09: 2,000
- Jun-10: 4,000
- Dec-10: 6,000
- Jun-11: 8,000
- Dec-11: 10,000
- Jun-12: 12,000
- Jan-13: 14,000

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We serve leading Employers, Health Plans, and Health Systems
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Telehealth and Healthcare Crisis

What are the issues in healthcare today?

National shortage of PCP’s¹
- 78% of physicians believe there is a nation-wide shortage of PCPs, and 49% of physicians state they will reduce patients or stop practicing.

Coverage expansion²
- National healthcare coverage is expected to result in an increase of approximately 30M members into the healthcare system.

Medical cost and Misuse of ER
- 85% of Americans who went to the ER said they couldn’t wait to see their regular medical provider.³
- 79.7% of adults who visited the ER did so due to the lack of access to other providers.⁴

Cost shift to consumer
- Employers are rapidly shifting more cost to members through HDHP plans. Teladoc provides a lower cost alternative for common primary care services.

Provider risk arrangements
- As providers manage more risk, telehealth is a great alternative to ER and urgent care visits.
- Some hospitals are exploring kiosks in ER waiting rooms to manage patient outflow.

³. American College of Emergency Physicians Emergency Care Poll 2012
The primary care physician supply-demand gap

The demand in the number of yearly PCP visits due to population increase and expanded coverage will drive the need for more PCPs.

The impact of mandated insurance in Massachusetts

The numbers:

- **48 days** Average wait time to see an internal medicine physician
- **53%** Family medicine physicians no longer accepting new patients.
- **51%** Internal medicine physicians no longer accepting new patients.
- **9%** Increase in number of ER visits

Coverage increase resulting from healthcare reform:

**Massachusetts**: Increased from 90% to 96% = an increase of 6.7%

**National**: Projected to increase from 86% to 94% = an increase of 9.3%

Conducted by Anderson Robbins Research for the Massachusetts Medical Society
"Severe‘ doc shortage seen hiking wait times", Boston Herald, September 15, 2009

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Misuse of the ER

Recent CDC and ACEP data:

- **85%** of ER visits were the result of not being able to wait to see person’s regular medical provider.¹
- **20%** of adults from age 18-64 visited an ER in the past 12 months.²
- **80%** of adult ER visits were due to lack of access to other providers.²
- **46%** of ER visits were not classifiable as immediate, emergent or urgent at triage.³

### Reasons for last ER visit

- Doctor’s office not open – 48.0%
- No other place to go – 46.3%
- ER is closest provider – 45.8%
- Most care is at ER – 17.7%

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¹ American College of Emergency Physicians Emergency Care Poll 2012


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The complete telehealth solution

Teladoc is a clinical services company that delivers customer value and ROI.
How does Teladoc work?

An employee has cold-like symptoms but doesn’t have the time to sit in an urgent care waiting room. Instead they call Teladoc:

Step 1. Medical History
The employee completes their medical history when setting up their Teladoc account to ensure this information is available when they request a consultation.

Step 2. Contact Teladoc
The employee simply logs into their account or calls Teladoc, 24/7/365, to request either a telephone or video consultation.

Step 3. Talk with a doctor
A U.S. board-certified physician licensed in the member’s state reviews the Electronic Health Record (EHR) and provides a consultation, just like an in-person visit.

22 min avg response time

Step 4. Resolve the issue
The physician recommends the right treatment for their medical issue. If a prescription is necessary, it is electronically sent to the employee’s pharmacy of choice.

Step 5. Settle up
The employee is charged $38 or less, depending on their benefit plan. A claim is sent to the health plan each night for the remaining balance.

Step 6. Resolution
Your member’s medical issue gets resolved at fraction of the time and cost.
What is it commonly used for?

**Top 10 Diagnoses**

- Sinus Problems
- Urinary Tract Infection
- Pink Eye
- Bronchitis
- Upper Respiratory Infection
- Nasal Congestion
- Allergies
- Flu
- Cough
- Ear Infection

**Prescription Management**

- Electronic prescribing (SureScripts) or by phone, if needed
- Frequency of prescribing similar to provider practice (about 80%)
- Use of antibiotics limited to short durations; patient education and physician reminders for appropriate use
- No prescribing of DEA-controlled substances, medication for psychiatric illness, or lifestyle drugs (i.e. erectile dysfunction, diet, smoking-cessation).
- Generic drugs are automatically recommended
Teladoc’s solution: clinical quality and health

Telehealth as a fully integrated solution.

Clinical quality and health

• National provider network
• Proprietary EBM clinical guidelines
• Rigorous Quality Assurance
• Regulatory compliance
• Credentialing

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The highest quality care

By directly managing our network, our physicians are:

<table>
<thead>
<tr>
<th><strong>Board-certified</strong></th>
<th>Board-certified in internal medicine, family practice, emergency medicine or pediatrics.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State-licensed</strong></td>
<td>State-licensed in their respective states.</td>
</tr>
<tr>
<td><strong>Experienced</strong></td>
<td>Experienced, with an average of 15 years of practice.</td>
</tr>
<tr>
<td><strong>U.S. residents</strong></td>
<td>U.S. residents, living and working in the United States.</td>
</tr>
<tr>
<td><strong>Primary Source Verified</strong></td>
<td>Verified through the National Practitioner Data Bank (NPDB) and the American Medical Association (AMA) Board certification, work history, peer reference, State licenses, monthly state sanction reports, DEA license, criminal and civil background.</td>
</tr>
<tr>
<td><strong>Credentialed</strong></td>
<td>Teladoc is the first and only telehealth company in the US to have a provider credentialing process that is certified by NCQA.</td>
</tr>
</tbody>
</table>

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Teladoc quality management

Telehealth processes and systems in place to ensure quality consultations.

- Physicians review a multi-phase patient checklist prior to consultation
- Over 110 proprietary Evidence Based Medicine clinical guidelines specifically designed for telehealth embedded with hyperlinked references
- Patients are educated using CDC “Get Smart” program about overuse of antibiotics and when they should not be prescribed (e.g., cold, flu), and physicians are reminded using the CMA Foundation AWARE
- 15% of all consults are randomly reviewed. QA reviews determined by evidence-based medicine
- Bi-directional exchange of clinical and administrative data available
- Prescriptions are sent electronically to the patient’s pharmacy

Teladoc pursues excellence through quality assurance and improvement.
Teladoc Resolution Rate

For nearly three years, Teladoc member survey results have shown a 91% resolution rate:

**91%**
PATIENT MEDICAL ISSUES RESOLVED

**9%**
UNRESOLVED:

- 4% referred
- 2% out of scope for telehealth
- 2% seeking meds only
- 1% sent to the ER

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Teladoc’s solution: integrated technology platform

Telehealth as a fully integrated solution.

Integrated technology platform

- Clinical/administrative data exchange
- Scheduling, Routing, Queuing engine
- Flexible Network Structures
- EHR
- SLAs
- Reporting

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Modern telehealth technology platform

Multiple Points of Access to Quality Care

Phone

Mobile

Kiosk

Video

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Teladoc is highly automated and supports continuity of care.

- Systems and operational flexibility to handle different network models (including use of partner providers as primary)
- Transfer Continuity of Care Record (CCR or CCD) to PCPs or other providers, with ability for deeper EHR integration
- Advanced system for on-demand consultation scheduling, routing and queuing
- High degree of automation, standardization, and real-time processes: real time eligibility, benefits checking, claims submission
- e-prescribing through Surescripts
- Ability to integrate care alerts and messaging
- Platform fully vetted by national health plans and Fortune 100 clients; scalable to handle millions of additional members
Telehealth must be a fully integrated solution.

**Consumer engagement**
- Drive utilization and savings
- Portfolio of communication strategies
- Proprietary predictive model
- Consultative approach
- Direct to consumer experience

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Consumer Engagement

Teladoc supports clients with targeted messaging, and a consultative approach to drive utilization – and ROI that speaks to a client’s membership.

Proven Communication Capabilities:
- Dedicated, experienced utilization marketing team
- Welcome kit to each household
- Two marketing campaigns per year (e.g., seasonal, behavior change, pediatrics)
- Co-branded with organization’s logo
- Multiple distribution formats

Industry Leading Expertise:
- Proprietary predictive model to optimize messaging and distribution of communications across large populations
- Consultative support on plan design (e.g., copays, incentives) to maximize ROI
- Best practices and targeted market research
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### Value Proposition by Customer

**Who pays for service...**

**Payors / Employers**
- Reducing Costs
- Access to Care
- Differentiation / Innovation
- Productivity (Employers)

**Patients / Consumers**
- Convenience / Access
- Lower Cost Care
- Quality

**Providers / Hospitals**
- Providing Access
- Managing Risk
- Patient Acquisition
- Revenue

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Teladoc’s Distribution Strategy

- DTC Partnerships
- Employer
- Health Plan
- Provider

Large, efficient channels to access lives
- 91M ASO lives, or 59% of total Commercial lives
- Top 4 national HP’s control 104M total lives (AET/CI/UNH/WLP)
- BCBS Plans (ex-WLP) control 90M lives
- Medicaid MCO’s have 30M lives, with 30% growth from ACA expansion
Multiple leverage points for growth

- **New Clients and Channel partners** – e.g., have Highmark and Blue Shield CA, but BCBS ex-WellPoint has 65M+ lives
- **Increasing penetration of existing clients** – e.g., have 1M of 18M Aetna lives, and 140K of 35M United lives
- **Increasing share of wallet $ per member** – e.g., Behavioral Health, Kiosks
- **New segments** – e.g., Retail, ACO’s, Small Group

**Case Study:**

- Launched originally in 2011 with TX and FL Fully Insured, then added AK in 2012 – 760K total members
- Implemented ASO channel arrangement in 2012, generating 260K employee lives through 1/1/13
- Looking at expansion to new states for FI in 2013
- Partnering on sales to hospitals for ACO’s
- Pursuing new opportunities in behavioral health, health kiosks, student health
Customer Penetration Opportunity within Existing HP’s

Potential Growth Opportunity Within Aetna, Highmark, BSCA and United Medicaid
($ in Millions)

- Current Revenue: $7.6
- Total Potential Revenue: $84.4

* Total members for each of Highmark, Aetna, BS CA, and United (Medicaid only), multiplied by expected average PMPM revenue yield, less current revenues

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Utilization Marketing – Increasing member use of service

- Dedicated utilization marketing team
- Communications strategies, plans, and execution to support clients
- Co-branded welcome kits, seasonal emails, posters, etc.
- Proprietary predictive model to optimize and target communications
- Consulting on plan design, incentives
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What you can save

A benefit of telehealth is redirecting ER and UC utilization to an affordable alternative.

Based on Teladoc reporting. Actual savings may vary based on geography. Productivity savings based on U.S. Dept. of Labor data.

<table>
<thead>
<tr>
<th>ACTION</th>
<th>AVERAGE COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>ER Visit</td>
<td>$750</td>
</tr>
<tr>
<td>Teladoc $38</td>
<td>$712 Savings</td>
</tr>
<tr>
<td>Urgent Care</td>
<td>$150</td>
</tr>
<tr>
<td>Teladoc $38</td>
<td>$112 Savings</td>
</tr>
<tr>
<td>Specialist Visit</td>
<td>$120</td>
</tr>
<tr>
<td>Teladoc $38</td>
<td>$82 Savings</td>
</tr>
<tr>
<td>PCP Visit</td>
<td>$100</td>
</tr>
<tr>
<td>Teladoc $38</td>
<td>$62 Savings</td>
</tr>
</tbody>
</table>

AVERAGE MEDICAL SAVINGS PER CONSULTATION $115.70

4 HOURS OF LOST PRODUCTIVITY AT AN AVERAGE WAGE OF $21.74/HOUR $86.96

Total savings/consultation $202.66
Rent-A-Center case study

RAC implemented Teladoc Jan 1, 2011 to provide telehealth services to their 12,300+ employees and their dependents who have elected healthcare coverage

Why they chose telehealth

- Convenience
- Affordability
- Reduce ER utilization

Plan design

- “Consult Bank” concept
- Part of benefit plan design
Rent-A-Center case study: communication strategy

Teladoc is mentioned in multiple communication channels, including member ID cards, employee benefit book, wellness and benefit communications, open enrollment, posters, postcard campaigns, and seasonal messaging.
Rent-A-Center case study: 24-month utilization

Utilization is strongly influenced by seasonality. Communication campaigns help increase awareness, use of the service and savings.
Rent-A-Center case study: 24-month consult redirection

If their employees hadn’t gone to Teladoc, where would they have gone?*

- 13% ER Visit (921)
- 13% Did Nothing (927)
- 36% Urgent Care & Specialist (2,466)
- 38% PCP Visit (2,592)

When an employee is unable to see their primary care physician, they may turn to an expensive alternative to get the care they need.

* Teladoc reporting
Rent-A-Center case study: 24-month savings

What would it have cost?*

<table>
<thead>
<tr>
<th></th>
<th>TELADOC</th>
<th>SAVINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ER / $476</td>
<td>$38</td>
<td>$438,396</td>
</tr>
<tr>
<td>UC, Specialist / $116</td>
<td>$38</td>
<td>$286,056</td>
</tr>
<tr>
<td>PCP / $116</td>
<td>$38</td>
<td>$300,672</td>
</tr>
</tbody>
</table>

**Rent-A-Center reporting. Productivity savings based on average number of hours lost per visit at Rent-A-Center’s average hourly salary per hour.**

**Represents gross savings and does not consider the fees associated with the service.**

By covering the cost of the consult, RAC has provided Teladoc to their employees as an affordable health care option for non-emergency care, helping reduce unnecessary ER/urgent care visits. And best of all, employees can use Teladoc from anywhere, even while at work.
A large client partnered with Teladoc and their health insurer to offer our telehealth service to their 350,000 members

- Primary goal to reduce unnecessary ER utilization
- 58,000 ER visits annually (~1/3 of visits were redirectable)
- Average redirected ER visit cost of $1,600
- Telehealth service launched in April 2012
Driving utilization for members who have the greatest need

A dedicated focus on active and regular communication:

- Teladoc discussed in yearly open enrollment meetings.
- Presentations before open enrollment meetings.
- Teladoc included in member benefit guide, monthly emails and bi-monthly newsletters.
- Posters placed in offices.
- Welcome kits mailed to eligible employees, including instructions to set up their account and membership cards.
- Seasonal communication targeting current members with past ER usage for non-emergent issues, or likelihood to use ER for non-emergent issues.
Health Plan Client case study: 9-month consult redirection

If their employees hadn’t gone to Teladoc, where would they have gone?*

- 13% ER Visit (359)
- 17% Did Nothing (448)
- 24% Urgent Care & Specialist (644)
- 46% PCP Visit (1,221)

When a member is unable to see their primary care physician, they may turn to an expensive alternative to get the care they need.

* Teladoc reporting

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### Health Plan Client case study: redirection savings

#### What would it have cost?*

<table>
<thead>
<tr>
<th></th>
<th>CONSULTS</th>
<th>TELADOC</th>
<th>SAVINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ER Visit / $2,200</td>
<td>359</td>
<td>$38</td>
<td>$776,158</td>
</tr>
<tr>
<td>UC, Specialist / $150</td>
<td>644</td>
<td>$38</td>
<td>$72,128</td>
</tr>
<tr>
<td><strong>Total Savings:</strong></td>
<td></td>
<td></td>
<td><strong>$848,286</strong></td>
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By covering the cost of the consult, our client has provided Teladoc to their members as an affordable health care option for non-emergency care, helping reduce unnecessary ER/urgent care visits.

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Teladoc’s Vision

We will revolutionize how consumers use the healthcare system by delivering remote access to affordable, lower cost, high quality care -- when, where, and how each patient chooses.

- Timely access
- Lower cost
- Quality care
Teladoc has continued to evolve and grow off of our core service and membership base.

### Employer
- Core technology platform
- Clinical quality (QA, EBM guidelines, credentialing)
- National provider network
- Member utilization marketing
- Reporting & ROI
- Regulatory expertise

### Health Plan
- Administrative integration (eligibility, claims, etc.)
- Clinical data exchange
- Plan design flexibility and automation
- Scalability, security testing and upgrades

### Provider
- PCP / patient relationship
- Custom multi-tiered networks
- Provider availability scheduling
- EHR integration
- Clinical protocol flexibility

### Retail
- Direct to Consumer marketing
- Health system co-branded partnerships
- Patient acquisition
- Referral capture
- Health kiosk partnership

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Teladoc Strategy

Transform Care Access

**Exponentially Expand Footprint / Penetration**
- New Accounts
- New Channels
- Greater Penetration of Existing Health Plans
- Increase Utilization
- Direct to Consumer

**Expand Scope of Telehealth Products & Services**
- Health Kiosk Access
- Smartphone Apps
- Connected Biometric Devices
- At Home Testing

**Clear Market Leader in Telehealth**

**Expand Clinical Use Cases**
- Home Care
- Post Discharge
- Wellness / Screening
- Chronic Care

**Expand Specialties**
- Behavioral Health
- Dermatology
- Diabetes
- Second Opinion
- Travel Med

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