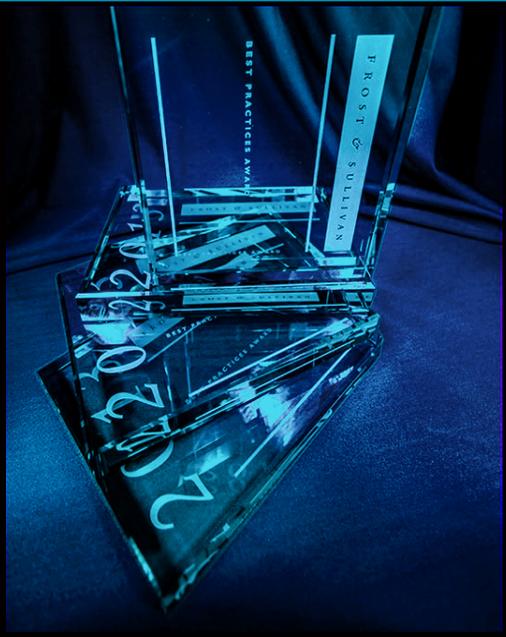


FROST & SULLIVAN



TELADOC™

2016 North American
Virtual Telemedicine Services
Product Line Strategy Leadership Award



FROST & SULLIVAN

BEST
2016 PRACTICES
AWARD

NORTH AMERICAN
VIRTUAL TELEMEDICINE SERVICES
PRODUCT LINE STRATEGY LEADERSHIP AWARD

2016
BEST PRACTICES
AWARDS

Table of Contents

Background and Company Performance	3
<i>Industry Challenges</i>	3
<i>Product Line Strength and Customer Impact</i>	4
<i>Conclusion</i>	7
Significance of Product Line Strategy	8
Understanding Product Line Strategy Leadership	8
<i>Key Benchmarking Criteria</i>	9
Best Practice Award Analysis for Teladoc	9
<i>Decision Support Scorecard</i>	9
<i>Product Line Strength</i>	10
<i>Customer Impact</i>	10
<i>Decision Support Matrix</i>	11
The Intersection between 360-Degree Research and Best Practices Awards.....	12
<i>Research Methodology</i>	12
About Frost & Sullivan	12

Background and Company Performance

Industry Challenges

In the United States, The Affordable Care Act has increased the number of patients with access to healthcare. These patients are now seeking to take advantage of medical services at the same point in time whereby the number of physicians in the United States is projected to be declining.¹ Meanwhile, the rise of Internet-based eCommerce, along with the popularity of consumer electronics, in the form of HDTV, smartphones, notebooks and tablets, has changed the expectations and practice of many consumers seeking to access products or professional services. Although eCommerce has been most visible in retail and commercial markets, healthcare consumers are increasingly likely to expect more electronic access to medical services. The latest edition of a survey by Merritt Hawkins² has provided results that clearly illustrate using traditional means to schedule a medical appointment could take days, weeks, or months, depending on an individual's location and/or condition. Many individuals must endure very long waiting times before they can reach and set-up an appointment with a primary care physician (PCP) or specialist. In some cases, these people have serious untreated conditions where time to treatment can literally be life or death. This clearly needs to change.

Fortunately, alternative approaches to seeking and accessing medical care exist. Several companies have launched virtual telemedicine services whereby an individual in certain locations may be able to reach a source of medical expertise and schedule an appointment in minutes or hours.

Although many companies are operating within this space, Teladoc has demonstrated a national-scale and multi-faceted product strategy based on a strong business model marked by introducing products aimed at addressing various identified healthcare consumer needs. These solutions may be accessed in a variety of ways using standard household equipment, such as a landline phone, smartphones, tablets, or notebooks connected to broadband networks via Wi-Fi or Bluetooth protocols.

Frost & Sullivan believes that Teladoc's product mix and early strategy aimed at achieving a national scale has showcased best practices.

¹ <https://www.aamc.org/newsroom/reporter/february2014/370350/physician-shortage.html>

² 2014 Survey, Physician Appointment Wait Times and Medicaid and Medicare Acceptance Rates accessible from: <http://www.merrithawkins.com/uploadedFiles/MerrittHawkings/Surveys/mha2014waitsurvPDF.pdf>

Product Line Strength and Customer Impact

Breadth

Teladoc, Inc. provides on-demand healthcare services that are accessible via the Internet by utilizing a variety of mobile devices, computers, video, and phone. The service offers a brief need assessment and rapidly connects consumers, or Teladoc members, with physicians and behavioral health professionals. Teladoc offers a network of providers who can diagnose and treat a range of conditions, such as infections of the upper respiratory system or urinary tract infections, along with medical problems such as sinusitis or dermatological conditions. In addition, Teladoc offers behavioral health services focused on treating a wide range of conditions, such as anxiety and depression and supporting smoking cessation.

Although there are numerous competitors, Teladoc and its network are available in every US state, with the exception of Arkansas. Whereas competitors have been very conservative in their attempts to build a national scale, and risk averse where some degree of challenge existed, Teladoc has been willing to champion the cause of telehealth by engaging with state governments and medical boards to become a pioneer in breaking down yesterday's barriers to enable implementation of virtual telehealth services.

The most visible example of this strategy has been in Texas where Teladoc has demonstrated the willingness and fortitude to engage opposing interests by utilizing the legal system rather than succumb to a restrictive view. Clearly, in this visible legal arena, Teladoc has proven that it has the rational solution needed by US citizens who require access to the healthcare system that may not be easily reachable.

Scalability

The Teladoc solution is able to be accessed by individual consumers or member organizations. Teladoc's largest base of customers includes employers, health plans, and health systems. Teladoc reports that it has 12.2 million members by the end of quarter 4, 2015 with a guidance to 14.5 million for quarter 1, 2016, and has a median response time of 10-minutes. The demand is managed by utilizing a network of 3,100 board certified physicians, and behavioral health professionals who meet with patients via phone, text message, email, patient portal, or video. The service has proven to be scalable, as it has managed to remain easily accessible while growing rapidly. Over the past three years, membership growth has been achieving a 40% compound annual growth rate (CAGR), while the actual visit volume growth has been about 110%. Although Teladoc believes that it is currently only reaching 0.5% of the full addressable market, it is gaining more and more awareness and it is starting to become the first choice for people who have experienced the benefits of this service. According to Teladoc, once they have entered the system, healthcare customers utilize Teladoc about 1.4 times per year. Although patients may not request a specific physician, the system is currently able to handle over 3,000 telehealth visits per day and maintain a 10-minute time to appointment. The solution is proving very effective, with a 92% problem resolution rate.

Frost & Sullivan believes that Teladoc has proven to be the market leader in achieving scalability. Although some competitors are able to report a higher percentage of video visits, technology experts have stated that seeking a high rate of video can hamper efforts to achieve a larger scale. Although Teladoc requires video for services involving certain conditions, such as dermatologic lesions, it does not require video for other conditions, such as sinusitis, whereby a visual examination is not needed.

Frost & Sullivan believes that Teladoc has pursued a prudent strategy aimed at growing its' membership and potential user base while maintaining a fast response time that is magnitudes faster than reported response times for traditional physician services.

Features

The core role of Teladoc is to intelligently match a patient in need of medical care with the proper practitioner as quickly as possible. Teladoc utilizes a flexible technology platform that is capable of matching the patient demand in relation to the available physician supply in a flexible manner around the clock, seven days a week. Teladoc is able to tap into a clinical platform that is comprised of over 3,000 board certified physicians and behavioral health professionals. These doctors are able to perform a clinical evaluation of the patient and determine whether or not they can and should provide service.

Teladoc is able to successfully respond to a number of conditions, such as cold, flu, bronchitis, allergies, pink eye, and urinary tract infections. The above conditions do not require a video session. Rather, the physician will review the patient's medical records to learn about past conditions, ongoing or past medications, and other allergy or family history issues, and meet with the patient. If a prescription is necessary, it can be provided and transmitted to the pharmacy of choice, or the best available option, should a drug be needed quickly if the pharmacy of choice is not open. Teladoc also treats dermatologic conditions, such as skin infection, acne, skin rash, abrasions, moles/warts, and others. For these skin-related problems, video is generally preferred and, at times, required. The patient can select the video option from an online menu. For those patients who want to upload an image, Teladoc enables up to three (3) images to be uploaded before a visit is scheduled. Acceptable file types include JPEG, GIF, and PNG. Image files may not exceed 15MB per image.

In addition, Teladoc is able to provide behavioral health services to manage a broad range of conditions such as stress/anxiety, depression, addiction, domestic abuse, and grief counseling and prescribe as medically necessary however, Teladoc doctors will not prescribe DEA-controlled substances. Also, non-therapeutic drugs such as Viagra and Cialis are not prescribed by Teladoc doctors. It must also be noted that Teladoc is designed to address "non-emergency" conditions. Frost & Sullivan recognizes Teladoc because the company has set up a wide-reaching program that is able to see more patients via a range of format options, and it has developed a strong customer engagement capability.

Customer Service Experience

Teladoc has a customer engagement strategy that permits patients to use the service in a manner similar to a traditional medical visit. The company has provisions that permit some patients to select a session format. Technology also permits uploading videos, having lab tests scheduled and evaluated, provisions for follow-up, and a message center. The company will transmit lab results in a secure format, and also has a policy for physician follow-up with a call to make sure results are received.

It has been reported that 50% of the Teladoc sessions occur during evenings, weekends, and holidays. This factor underlines the value of 24x7 access to medical help. Customers also appear to display a higher interest during the cold and flu season.

Frost & Sullivan believes that Teladoc represents a solid option for those patients in need of fast help for certain conditions. Teladoc offers a wider presence than its competitors with numerous and pragmatic options for a session format.

Price/Performance Value

Teladoc services are designed to present a favorable cost scenario when compared with standard office or unnecessary ER visits. Teladoc presents data that estimates the average cost of a 30-day episode of care for patients to be \$191, and \$2,661 for patients who went to the ER. A comparable Teladoc average cost for a session is said to be \$45 for the 30-day episode.

Teladoc also positions an average total per episode of care savings of \$717 per visit, including a \$673 average claims savings estimate, and an average productivity savings estimate of \$44. Teladoc defines an average episode of care as a session that: "Includes initial encounter and any subsequent utilization of follow up office visits, hospitalization, or ER utilization, resulting from initial encounter within a 30-day window for same and related diagnoses."

Teladoc also states that health plans can drive return on investment (ROI) using the following formula with input from the institutional customer such as:

- A plan designed with a \$0 copay can generate an ROI 400% greater than plan designs in which the member pays for the Teledoc visit.
- Internal support from an executive champion improves utilization rates
- Electronic outreach provides ease of communications
- Well-timed, personalized communications that are industry specific

Frost & Sullivan believes that at this early stage of virtual telemedicine, Teladoc has developed a well-defined price/performance scenario that is the most widely used service

of its kind. The company offers comparative pricing advantages when compared with traditional medical options and is available in every state, except for Arkansas.

Brand Equity

Teladoc is a public company. This status ensures the requirement to be transparent, along with opportunities to communicate metrics with leading investment firms and media. Although it is early in the evolving virtual telemedicine market, Teladoc is building awareness of its brand by partnering with US health plans and payers. The brand is regularly featured in discussions devoted to the most visible industry participants and produces numerous press releases and investor relations business summaries.

Frost & Sullivan believes that Teladoc has the strongest name recognition among competitors based on its high degree of visibility and national presence.

Conclusion

Teladoc has pursued a robust strategy to create a virtual telemedicine solution that spans all but one of the US states. The company has been more active than competitors in achieving this scale and is considered by many to be a market pioneer, blazing a trail that other services will eventually follow. Teladoc has developed a network of over 3,000 board certified physicians and behavioral health professionals and has demonstrated that its services can be applied to several non-emergent conditions. The company offers a range of medical and behavioral health services. The principal value proposition offered by Teladoc is that it can help a patient to connect with a physician much faster than the lengthy time required to schedule a traditional medical appointment. The company is available directly to consumers for behavioral health or via those health plans or companies that it has forged relationships with. The ROI is measureable in terms of direct cost savings for services and claims, as well as productivity savings. Competing services have been hampered by the lack of a national presence, the goal to offer too high a percentage of costly video services, or limited range of coverage.

Because of its strong overall performance, Teladoc has earned Frost & Sullivan's 2016 Product Line Strategy award.

Significance of Product Line Strategy

Ultimately, growth in any organization depends upon customers purchasing from your company, and then making the decision to return time and again. A full, comprehensive product line that addresses numerous customer needs and preferences is therefore a critical ingredient to any company's long-term retention efforts. To achieve these dual goals (customer value and product line strength), an organization must be best-in-class in three key areas: understanding demand, nurturing the brand, and differentiating from the competition.



Understanding Product Line Strategy Leadership

As discussed above, driving demand, brand strength, and competitive differentiation all play a critical role in delivering unique value to customers. This three-fold focus, however, must ideally be complemented by an equally rigorous focus on building a superior and comprehensive product line.

Key Benchmarking Criteria

For the Product Line Strategy Leadership Award, Frost & Sullivan analysts independently evaluated two key factors—Product Line Strength and Customer Impact—according to the criteria identified below.

Product Line Strength

- Criterion 1: Breadth
- Criterion 2: Scalability
- Criterion 3: Technology Leverage
- Criterion 4: Features
- Criterion 5: Supply Chain Reliability

Customer Impact

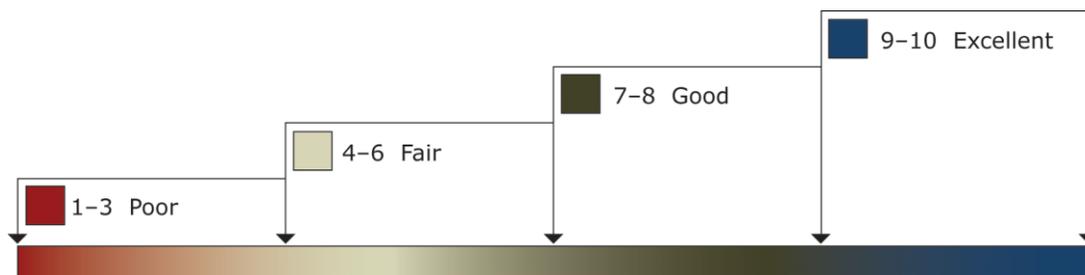
- Criterion 1: Price/Performance Value
- Criterion 2: Customer Purchase Experience
- Criterion 3: Customer Ownership Experience
- Criterion 4: Customer Service Experience
- Criterion 5: Brand Equity

Best Practice Award Analysis for Teladoc

Decision Support Scorecard

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows our research and consulting teams to objectively analyze performance, according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation; ratings guidelines are illustrated below.

RATINGS GUIDELINES



The Decision Support Scorecard is organized by Product Line Strength and Customer Impact (i.e., the overarching categories for all 10 benchmarking criteria; the definitions for each criteria are provided beneath the scorecard). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, Frost & Sullivan has chosen to refer to the other key players as Competitor 2 and Competitor 3.

DECISION SUPPORT SCORECARD: PRODUCT LINE STRATEGY LEADERSHIP AWARD

<i>Measurement of 1-10 (1 = poor; 10 = excellent)</i>			
Product Line Strategy	Product Line Strength	Customer Impact	Average Rating
Teladoc	10	10	10
Competitor 2	8	9	8.5
Competitor 3	7	9	8

Product Line Strength

Criterion 1: Breadth

Requirement: Product line addresses the full range of customer needs and applications

Criterion 2: Scalability

Requirement: Product line offers products at a variety of price points and functionality levels

Criterion 3: Technology Leverage

Requirement: Demonstrated commitment to incorporating leading edge technologies into product offerings, for greater product performance and value

Criterion 4: Features

Requirement: Products offer a comprehensive suite of features to serve customers at multiple levels of functionality, ease of use and applications

Criterion 5: Supply Chain Reliability

Requirement: There is sufficient control over the supply chain to ensure availability of key components and thereby the availability of products in the product line

Customer Impact

Criterion 1: Price/Performance Value

Requirement: Products or services offer the best value for the price, compared to similar offerings in the market

Criterion 2: Customer Purchase Experience

Requirement: Customers feel like they are buying the most optimal solution that addresses both their unique needs and their unique constraints

Criterion 3: Customer Ownership Experience

Requirement: Customers are proud to own the company's product or service, and have a positive experience throughout the life of the product or service

Criterion 4: Customer Service Experience

Requirement: Customer service is accessible, fast, stress-free, and of high quality

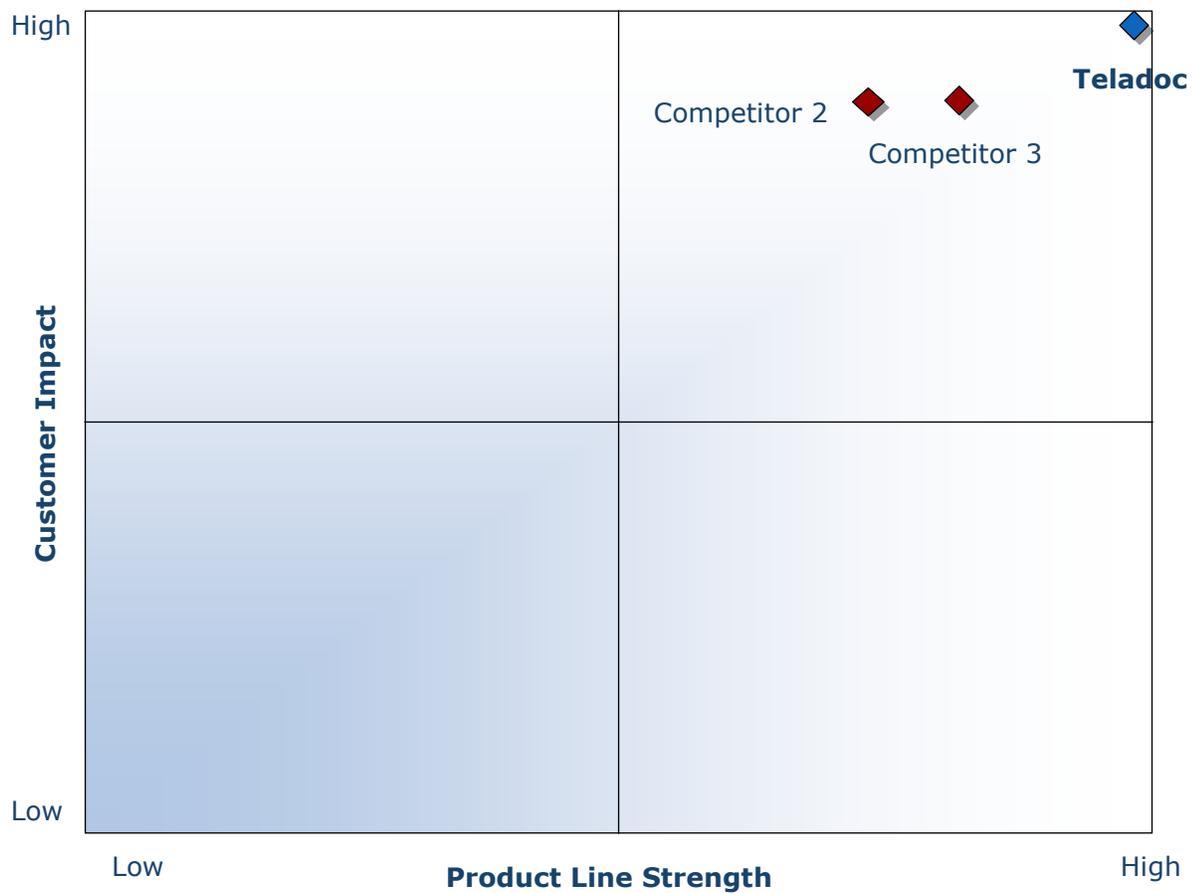
Criterion 5: Brand Equity

Requirement: Customers have a positive view of the brand and exhibit high brand loyalty

Decision Support Matrix

Once all companies have been evaluated according to the Decision Support Scorecard, analysts can then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.

DECISION SUPPORT MATRIX: PRODUCT LINE STRATEGY LEADERSHIP AWARD



The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan's 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree-view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often, companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry players and for identifying those performing at best-in-class levels.

360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS



About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best in class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages over 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 40 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.