

# Healthcare Technology

## Hospital Executives Weigh in on Telehealth Utilization, RPM, & TDOC/LVGO Merger

Healthcare Technology & Distribution | Comment

As part of [A.J. Rice's monthly hospital survey](#), we surveyed hospital executives at 69 hospitals across 21 states on various topics regarding telehealth trends and utilization, remote patient monitoring, and thoughts on the Teladoc/Livongo combination.

- **Telehealth Utilization Trends:** The percentage of outpatient visits currently being conducted via telehealth is 14%, on a weighted average basis. Respondents in urban, suburban and rural regions reported that telehealth visits made up 19%, 18% and 9% of total outpatient visits, resp. In a post-COVID-19 world, our respondents see the percentage dropping only modestly to 11%. Respondents in urban, suburban and rural regions expect that 15%, 12% and 7% of total outpatient visits, resp, will be conducted via telehealth post-COVID-19. Surprisingly, urban areas are adopting telemedicine the most quickly, and the states using telemedicine the least are mostly comprised of rural and suburban regions (somewhat counterintuitive given rural areas have the most to gain from providing telemedicine options). As we have noted in the past (see our note: [Telehealth Industry: Beyond the Pandemic](#)), we estimate around 30% of all ambulatory visits can be conducted via telehealth.
- **Remote Patient Monitoring:** Around 37% of respondents note that they work with a RPM vendor to provide care for patients that are living with chronic conditions, 33% do not have such a partnership but either plan to explore one or are rolling out next year, & 28% note they do not have such a partnership and have no options to explore one. We also asked respondents what they view as the most significant barrier to introducing or expanding a remote patient monitoring program for their patients. The most frequently selected answer (52% of respondents) was reimbursement, followed by operational complexity (24%).
- **Views About Teladoc/Livongo Combination:** When asked about their views on the Teladoc/Livongo combination, around 30% of respondents noted that the combined entity is compelling enough for them to explore (rest 70% noted that the merger has no impact on their future plans). Interesting, among the respondents who don't have any RPM vendor partnership but plan to explore one or are rolling out next year, around 48% of respondents see the combined entity compelling enough to explore. More interestingly, even among the respondents who currently work with a RPM vendor, around 38% of respondents see the combined entity compelling enough to explore. As we highlighted in our [TDOC rating upgrade note](#), we see an opportunity for the combined company to leverage the InTouch Health platform and exposure to the health system/provider market to serve as a natural extension and accelerate LVGO's entrance into an underpenetrated provider market. Through recent changes to reimbursement and covered remote patient monitoring services, LVGO has an opportunity to enable health systems/providers to manage care for their respective populations while getting reimbursed using CMS billable codes. The ability to send a patient home with a connected device that is integrated into a technology platform and able to provide insights and alerts at the appropriate moment is a compelling opportunity for LVGO, in addition to the capability to integrate the InTouch Health and LVGO solutions together in this underpenetrated market.

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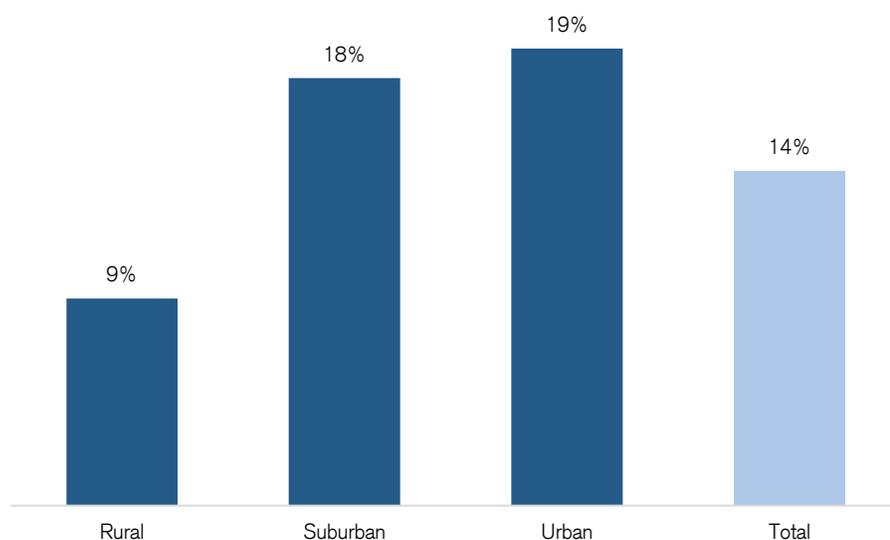
# Telehealth, Remote Patient Monitoring, and Thoughts on TDOC/LVGO Combination

As part of A.J. Rice's monthly hospital survey, we surveyed hospital executives at 69 hospitals across 21 states on various topics regarding telehealth trends and utilization, remote patient monitoring, and thoughts on the Teladoc/Livongo combination.

## Telehealth Trends and Utilization

We asked respondents what percent of their outpatient visits are currently being conducted via telehealth. On a weighted average basis, the percentage of outpatient visits being conducted via telehealth is 14%. There was some disparity in responses among hospital demographics, with respondents in urban, suburban and rural regions reported that telehealth visits made up 19%, 18% and 9% of total outpatient visits, respectively. These results were consistent with Doximity's 2020 State of Telemedicine report (see our note: [Interesting Takes From Doximity's 2020 State of Telemedicine](#)). Surprisingly, urban areas are adopting telemedicine the most quickly, and the states using telemedicine the least are mostly comprised of rural and suburban regions (somewhat counterintuitive given rural areas have the most to gain from providing telemedicine options).

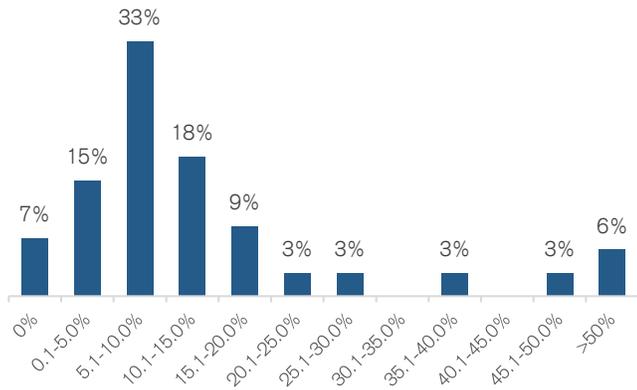
**Figure 1: What percent of your outpatient visits are currently being conducted via telehealth?**



Source: Credit Suisse

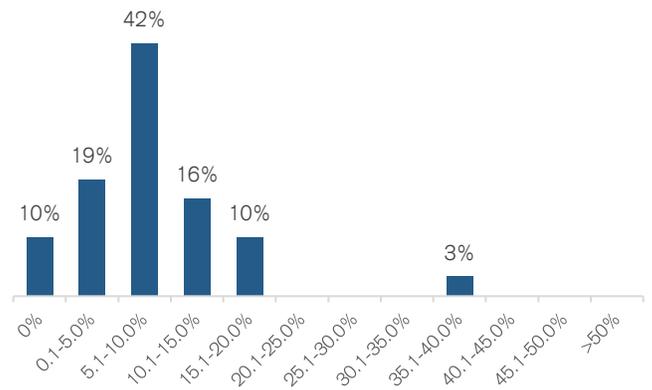
Overall, 33% of respondents indicated that 5.1-10% of outpatient visits are being done via telehealth, with 18% of respondents indicating 10.1-15% and 15% of respondents indicating 0.1-5%.

**Figure 2: What percent of your outpatient visits are currently being conducted via telehealth? – Total**



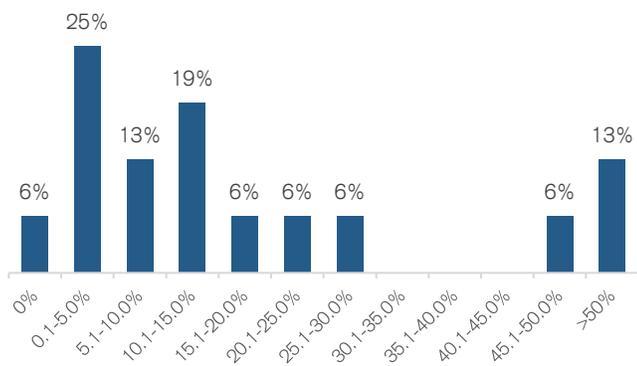
Source: Credit Suisse

**Figure 3: What percent of your outpatient visits are currently being conducted via telehealth? – Rural**



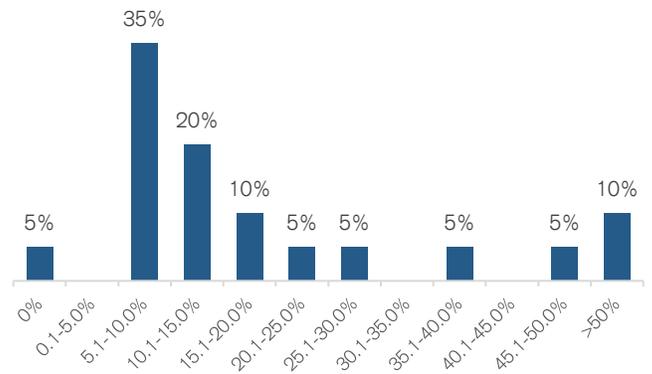
Source: Credit Suisse

**Figure 4: What percent of your outpatient visits are currently being conducted via telehealth? – Suburban**



Source: Credit Suisse

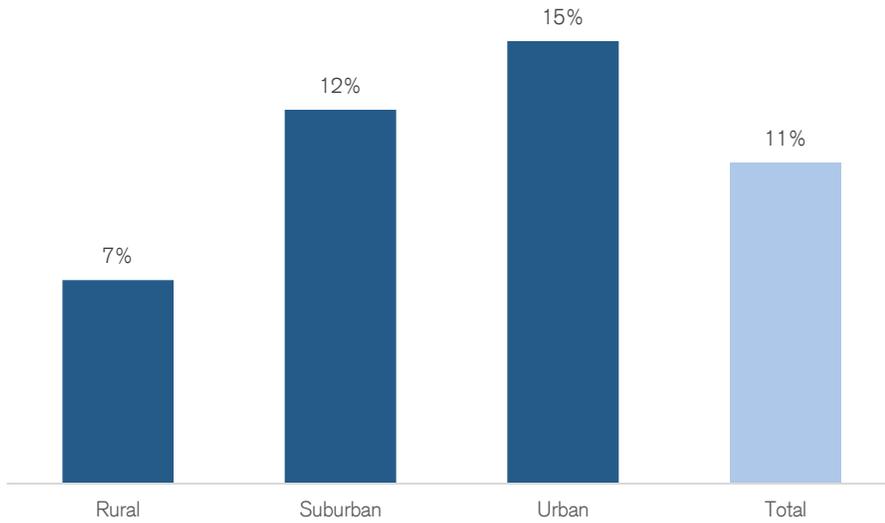
**Figure 5: What percent of your outpatient visits are currently being conducted via telehealth? – Urban**



Source: Credit Suisse

We also asked respondents, post-COVID-19, what they expect telehealth visits will represent as a percentage of all outpatient visits. On a weighted average basis, the percentage of outpatient visits that respondents expect will be conducted via telehealth is 11%. On a weighted average basis, respondents in urban, suburban and rural regions expect that 15%, 12% and 7% of total outpatient visits, respectively, will be conducted via telehealth.

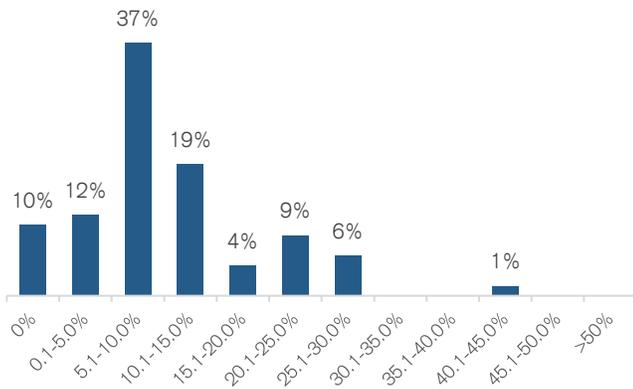
**Figure 6: Post-COVID-19, what do you expect telehealth visits will represent as a percent of all outpatient visits?**



Source: Credit Suisse

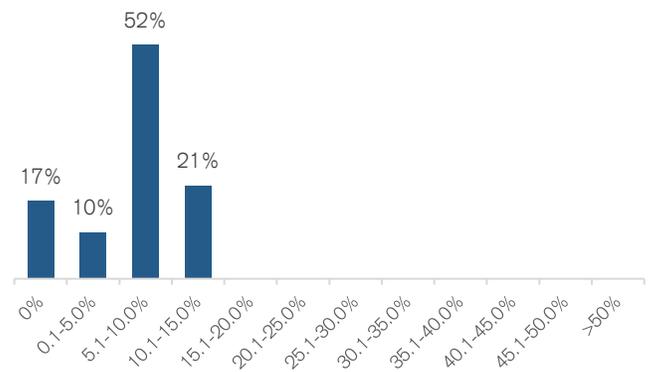
Overall, 37% of respondents indicated they expect telehealth visits will represent 5.1-10% of all outpatient visits post-COVID-19, with 19% of respondents expecting a higher range of 10.1-15%.

**Figure 7: Post-COVID-19, what do you expect telehealth visits will represent as a percent of all outpatient visits? – Total**



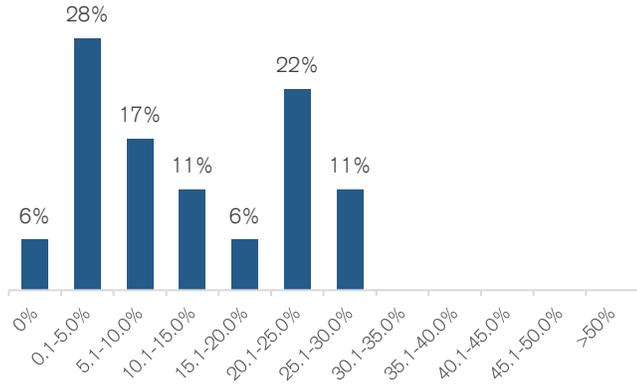
Source: Credit Suisse

**Figure 8: Post-COVID-19, what do you expect telehealth visits will represent as a percent of all outpatient visits? – Rural**



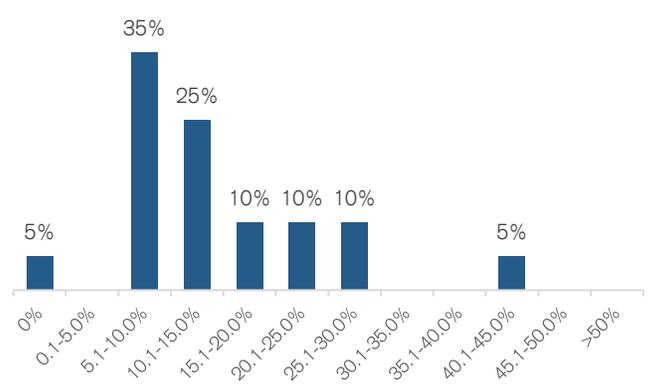
Source: Credit Suisse

**Figure 9: Post-COVID-19, what do you expect telehealth visits will represent as a percent of all outpatient visits? – Suburban**



Source: Credit Suisse

**Figure 10: Post-COVID-19, what do you expect telehealth visits will represent as a percent of all outpatient visits? – Urban**

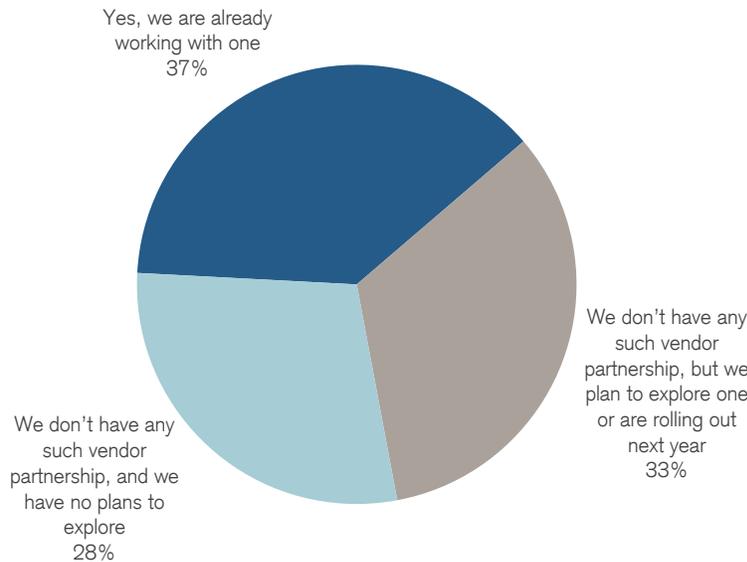


Source: Credit Suisse

## Remote Patient Monitoring

We asked survey respondents if they partner with any vendors in the remote patient monitoring space to provide care for patients that are living with chronic conditions. The responses were fairly evenly split, with 37% indicating they are already working with one, 33% indicating they do not have such a partnership but either plan to explore one or are rolling out next year, and 28% indicating they do not have such a partnership and have no options to explore such partnership.

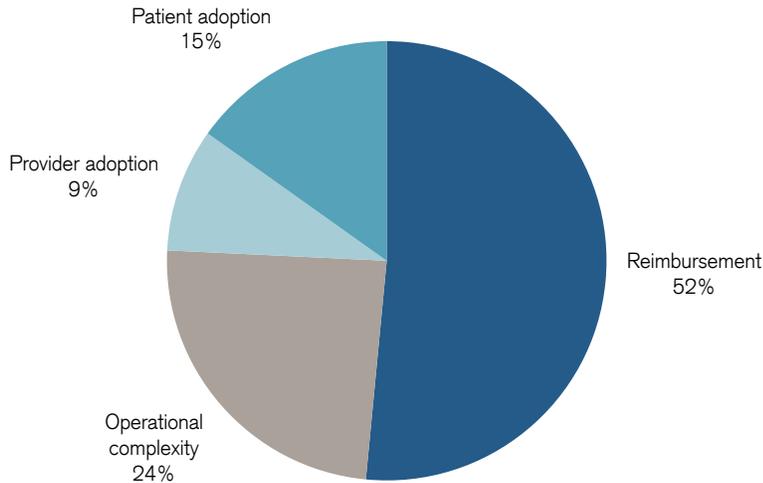
**Figure 11: Do you partner with any vendors in the remote patient monitoring space to provide care for patients that are living with chronic conditions?**



Source: Credit Suisse

We also asked our survey respondents what they view as the most significant barrier to introducing or expanding a remote patient monitoring program for their patients. The most frequently selected answer (52% of respondents) was reimbursement, followed by operational complexity (24%).

**Figure 12: What do you view as the most significant barrier to introducing or expanding a remote patient monitoring program for your patients?**

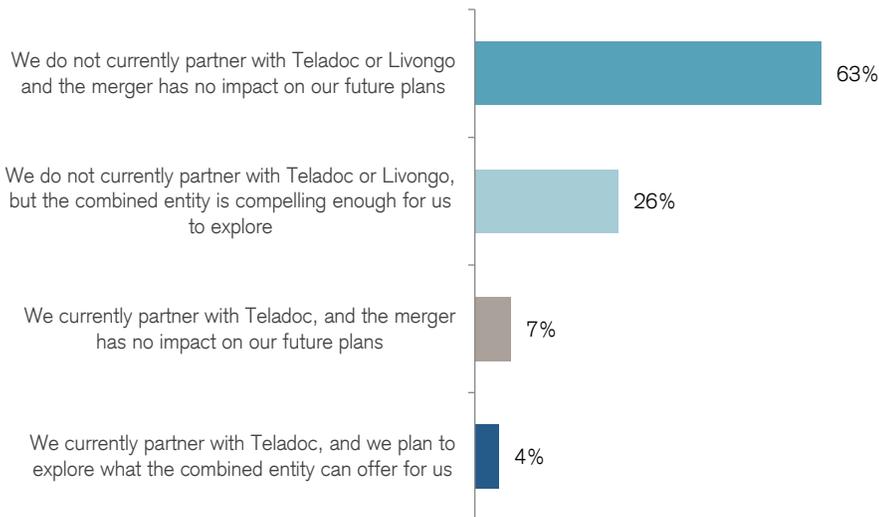


Source: Credit Suisse

## Teladoc/Livongo Combination

Finally, we asked survey respondents for their views on the Teladoc/Livongo combination. Around 30% of respondents noted that the combined entity is compelling enough for them to explore.

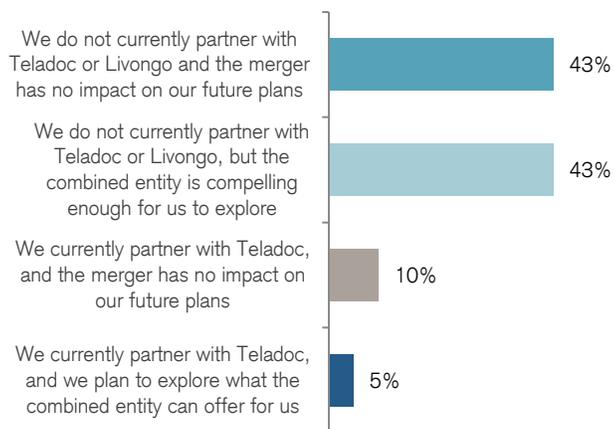
**Figure 13: What are your views on the Teladoc / Livongo combination?**



Source: Credit Suisse

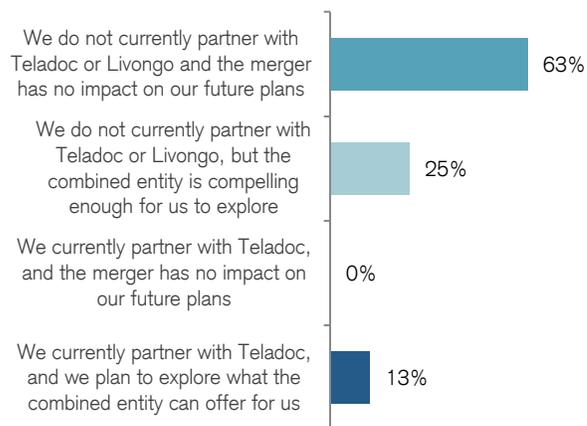
Interesting, among the respondents who don't have any RPM vendor partnerships but plan to explore one or are rolling out next year, around 48% of respondents see the combined entity compelling enough to explore. More interestingly, even among the respondents who currently work with a RPM vendor, around 38% of respondents see the combined entity compelling enough to explore.

**Figure 14: What are your views on the Teladoc / Livongo combination? – Among the respondents who don't have any RPM vendor partnership, but plan to explore one or are rolling out next year**



Source: Credit Suisse

**Figure 15: What are your views on the Teladoc / Livongo combination? – Among the respondents who currently have a RPM vendor partnership**



Source: Credit Suisse

## Valuation, Methodology and Risks

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### Target Price and Rating

#### Valuation Methodology and Risks: (12 months) for Livongo Health (LVGO.OO)

**Method:** Our \$132 target price and Outperform rating for LVGO are derived from 26x our 2021 revenues estimate, which assumes LVGO shares maintain the current one-year forward EV/revenue multiple 12-months from now.

**Risk:** Downside risks to our rating and TP include loss of any major contracts, failure to improve margins and a failure to execute on cross-selling among solutions, increased unemployment resulting in higher-than-expected churn in LVGO's existing membership base.

### Target Price and Rating

#### Valuation Methodology and Risks: (12 months) for Teladoc Health (TDOC.N)

**Method:** Our \$249 target price and Outperform rating for TDOC are derived from 16x our 2022 pro forma revenue estimate, generally in-line with similar high top-line growth SaaS companies. We rate TDOC as outperform as we expect the company to outperform its peers.

**Risk:** Downside risks to our \$249 target price and Outperform rating include loss of any major contracts and failure to improve margins and generate incremental revenue from current members, as well as integration issues with the announced merger with LVGO.

**Companies Mentioned** (Price as of 16-Sep-2020)

**Livongo Health** (LVGO.OQ, \$124.1)

**Teladoc Health** (TDOC.N, \$193.52)

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### 3-Year Price and Rating History for Livongo Health (LVGO.OQ)

LVGO.OQ	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
14-Jul-20	101.18	132.00	O *

\* Asterisk signifies initiation or assumption of coverage.



OUTPERFORM

### 3-Year Price and Rating History for Teladoc Health (TDOC.N)

TDOC.N	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
08-Oct-18	71.00	80.00	N *
15-Nov-18	60.29	67.00	
04-Nov-19	80.35	76.00	
12-Jan-20	85.16	90.00	
26-Feb-20	116.86	111.00	
05-Mar-20	134.33	137.00	
06-Apr-20	150.13	152.00	
30-Apr-20	164.59	165.00	
29-Jul-20	218.25	225.00	
17-Aug-20	205.02	249.00	O

\* Asterisk signifies initiation or assumption of coverage.



NEUTRAL  
OUTPERFORM

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Underperform/Sell*	12%	(20% banking clients)
Restricted	2%	

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This research report is authored by:

**Credit Suisse Securities (USA) LLC** .....Jailendra Singh ; Jermaine Brown ; Adam Heussner

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