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Telehealth use declines as COVID-19 becomes less of an emergency—and investors are worried

Article

The news: Telehealth giant **Teladoc** got slapped with a lawsuit alleging it misled investors about “unrealistic” financial expectations for 2022.

- For context, the company reported a **total net loss of $6.6 billion** during Q1 as well as a "goodwill impairment charge" of $6.6 billion. Stakeholders allege they are now suffering "significant losses and damages" as a result of the charge.
- During its Q1 earnings call, Teladoc lowered its expected 2022 revenues from **$2.65 billion to about $2.4 billion.**
- A Teladoc spokesperson said "lawsuits like this one have become commonplace for public companies," per Becker's Hospital Review.

How we got here: Teladoc attributes its Q1 loss to high advertising costs and smaller competitors eating up market share.

During Teladoc's April earnings call, CEO **Jason Gorevic** said around **three-quarters of the revenue outlook decrease was related to Teladoc's BetterHelp business**, which sucked in higher marketing spend but lower-than-expected returns on it.

- Gorevic also said the company saw an **increase in prices** for keywords associated with online therapy.
- Teladoc believes it's because smaller private competitors are pursuing "low or no return" customer acquisition strategies to establish their market share.

The larger trend: Telehealth use is declining overall, which likely won't change as COVID-19 becomes less of an emergency.

US adults' telehealth use (measured by medical claim lines) decreased 6.1% in March alone, per nonprofit Fair Health. Researchers attributed the drop in telehealth adoption to the reduction of COVID-19 cases during that month. That could have led more people to tap in-person healthcare visits.

What's next? Increased competition from giants like **Optum** could make it difficult for Teladoc to land back in the good graces of investors. Especially as telehealth use wanes across the US.

Unlike when it first merged with **Livongo**, Teladoc is no longer the only telehealth giant out there.

- Last April, Optum announced the launch of a nationwide telehealth service, Optum Virtual Care.

- That's a big deal considering the company's expansive reach: **Optum employs 53,000 providers and 1,450 neighborhood clinics** across the US, according to its site.

  Plus, last year, **Doctor on Demand** merged with **Grand Rounds** to form a multibillion-dollar telehealth giant, **Included Health**.

- **19% of US telehealth users say they've used Teladoc, and 12% of users said they're using Doctor on Demand**, according to Insider Intelligence's 2021 survey.
- Now that Doctor on Demand has expanded its reach with the merger, it's likely the gap in adoption is beginning to close.

Telehealth Platforms US Telehealth Users Have Used, by Brand, Oct 2021

% of respondents

Teladoc	19%
Doctor On Demand	12%
MDLive	7%
MeMD/Walmart	6%
HealthTap	4%
One Medical	4%
iCliniq	3%
K Health	3%
Amwell	3%
Babylon	3%
Firefly Health	2%
PlushCare	2%
Hims & Hers	2%
Maven Clinic	1%
98point6	1%
Mindstrong	1%
Ro	1%
Other telehealth provider(s)	5%
Not sure	21%
None	24%

Note: n=1,519 ages 18-75
Source: Insider Intelligence, "US Telehealth Trends 2022," Jan 2022

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