

BRANSTON

E-comm strategy & finance

Online primary healthcare

CFO perspective

Four themes set the scene

COVID

**Care
Commissioning
Groups**

Competitors

Cash

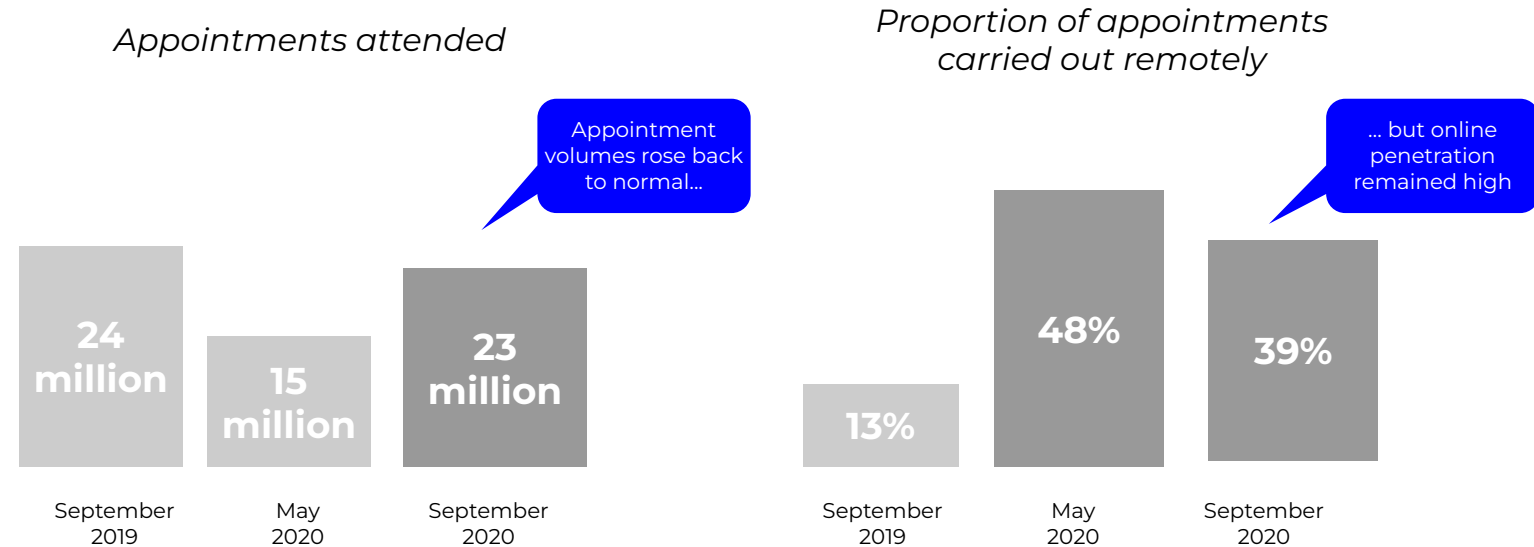
Irreversible
move online

Partnering their
thinking and
their funding

Well funded and
pursuing similar
ends

Show progress
window before
new funding

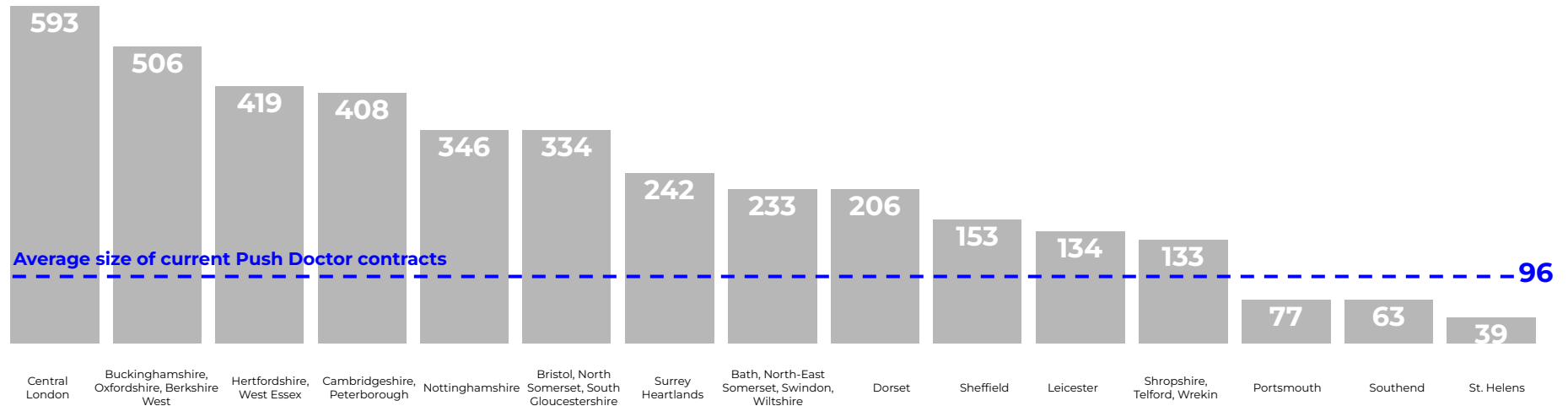
COVID: appointment volumes recovered but remained online



Rebound in GP access has been in remote, not in-person appointments

Online services contracts could expand to take more of CCG budgets

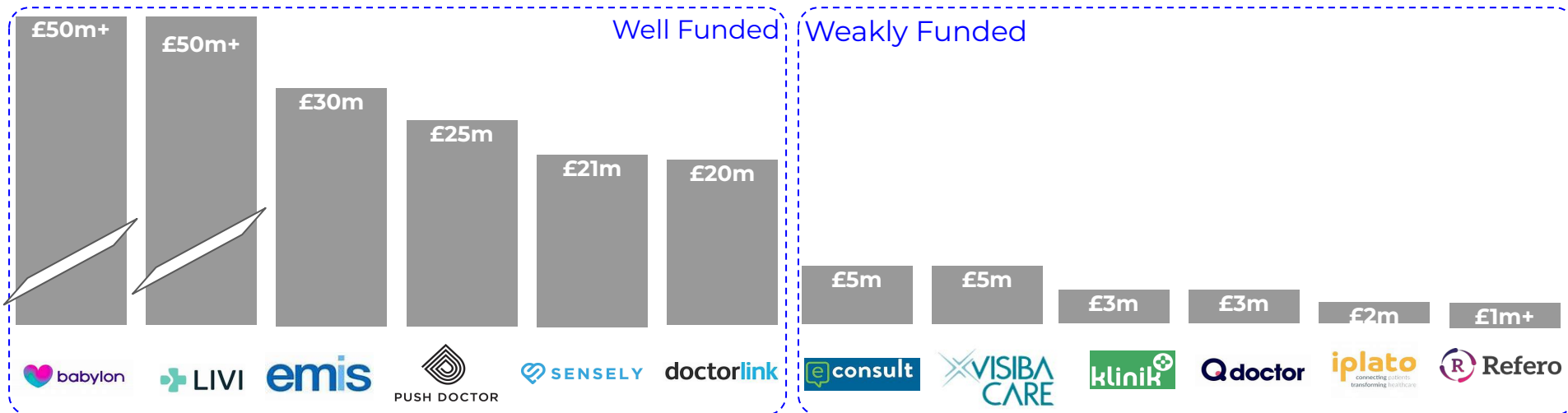
Size of CCG online consultations budgets, £K (2019/20 and 2020/21, pre-Covid)



**Range of solutions not limited to locum services (e.g. online booking)
Sometimes through a single provider (e.g. eConsult in Dorset)**

Competitors are well funded and will invest to expand into each other's product domains

Equity, grant and debt funding for UK activities, 2018 - 2020



Integration with practice management and health records will be a key battleground

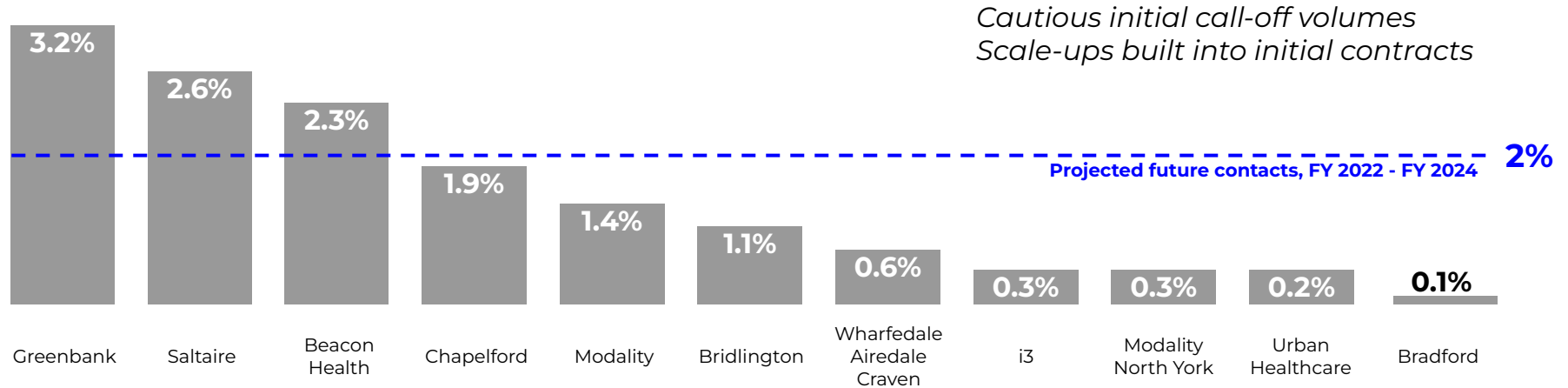
Some of the 'distressed' players could be open to 'acquihires' or IP acquisition (e.g. Docly)

CFO attention focus

Short term 1 year		Medium term 2 years		Long term 3 years	
Control & Decide		Invest & Market		Leverage the marketplace	
ROLLOUT	Resource NHS contract win efforts	PRODUCTS	Evolve the mix between build and go to market	BUILD	Bring focus to Apollo investments
MARGIN	Control locum utilisation and profitability	CONTRACTS	Develop commercial skills in the business	PEOPLE	Flatten cost base growth
CASH	Seek working capital efficiencies and funding	BURN	Spend and revenue options buy time before fundraise	VALUES	Help set the example for NHS success
PRICING	Develop scalable contract pricing	FUNDING	Equity case and investor outreach for next funding	OVERSEAS	Develop a selective international approach

Digital Locum contracts capture a low proportion of appointments

% of surgery appointments under contract, FY 2021*



**Performance milestones and accessing alternative budgets
could accelerate onboarding and volume call-offs**

*Estimated based on 5.3 appointments per patient.

NHS GP recruitment incentives could eat into Digital Locums revenue...and gross margin

Revenue pressure

NHS bid to 'corral locum GPs' into permanent roles with £150m pandemic fund

Impact of GP funding on Digital Locums revenue

Locum online appointments	7m
Non-locum GP online appointments	55m
Online appointments at 20% online (year to July 2021)	62m
<hr/>	
NHS funding for salaried GPs (November 2020 announcement)	£150m
Potential new GPs	1,900
Increase in GP online appointments capacity	6%

Utilisation and gross margin pressure

GP crisis leaving surgeries with one doctor caring for 11,000 patients

**Risks to Digital Locum costs projection
At 77% of Digital Locum revenue**

*Contract price per appointment
falls as contracts get bigger*

*Locum hourly rates rise nationally
due to ongoing supply squeeze*

GP capacity recovers

**Locum utilisation should continue
to be tracked continuously and closely**

**Functions should collaborate
on contract pricing, e.g 'pricing committee'**

CCGs allocating insufficient budget for Digital Locums to break even at scale

CCGs budgets are rising, but are unlikely to reach Digital Locum break even at scale





Break-even annual contract model for Nottinghamshire, 2020/21		
Population (K)		1,095
Appointments (K)	=	5,804
Online share of appointments	x	20%
Online appointments	=	1,161
Locum share of online appointments	x	12%
Online locum appointments (K)	=	135
Cost per appointment (Push Doctor projections)	x	15
Potential contract size based on appointments (£K)	=	2,031
Current CCG budget allocation (£K)	>>	346

Need to rapidly develop 'per patient' product and pricing

CFO contribution

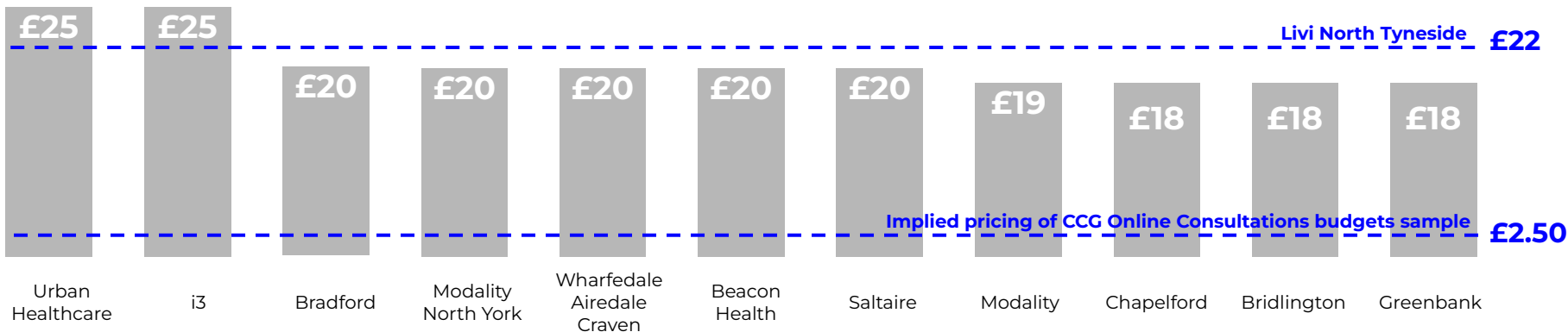
Short term

1 year

	Observations		CFO contribution
ROLLOUT	Digital Locums sales to PCNs have a high success rate but low market penetration		Assess whether product, and commercial teams, can support faster go to market
MARGIN	Locum service margins are thin, cannot be sustained in big contracts, and are vulnerable to GP recruitment drive		Accelerate move away from services to Clinician Apps Tight control of gross profit throughout FY 2021
CASH	Working capital outflows, FY 2021 to FY 2023 No credit facility		Pursue new credit facilities to supplement equity Seek grants from Innovate and Digital Health
PRICING	Cautious initial online consultations budgets Scale ups to handle COVID are at punitive 'per patient' rate.		Help sales team partner CCGs at greater contract scale Cross-functional pricing committee

Digital Locums pricing power cannot translate to large contracts

Digital Locums £ per appointment, FY 2021



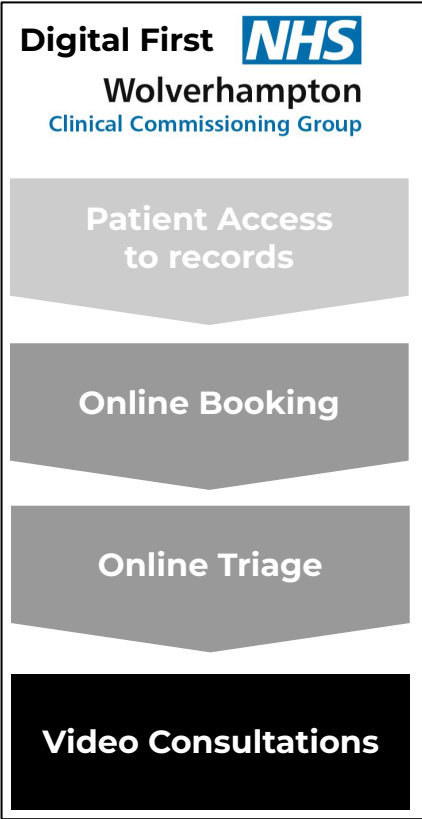
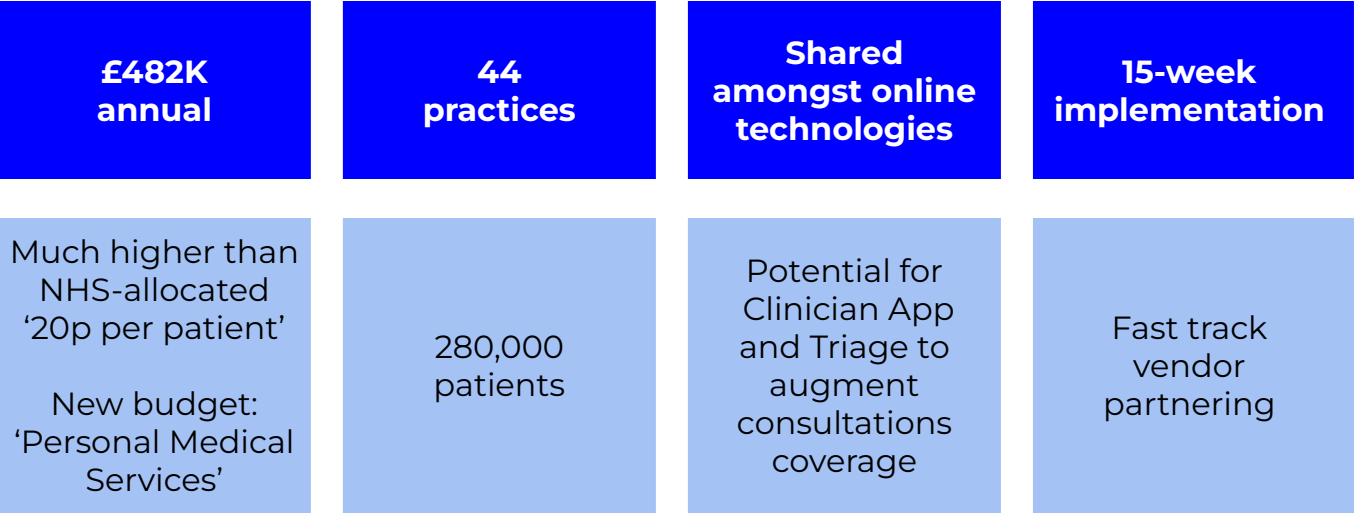
CCGs price 'per patient': more price-conscious for higher volumes after March '10p a patient' emergency tender

20p referenced for subsequent contracts (Somerset)...recovery from 10p to 20p by FY 2024

By FY 2024, higher online consultations per customer means Digital Locums cannot make a gross profit even with a rise in 'per patient' pricing

Some CCGs are pursuing joined up online solutions and pulling funds from beyond IT-specific budgets

Case Study: Wolverhampton CCG Online Consultations, 2020/21



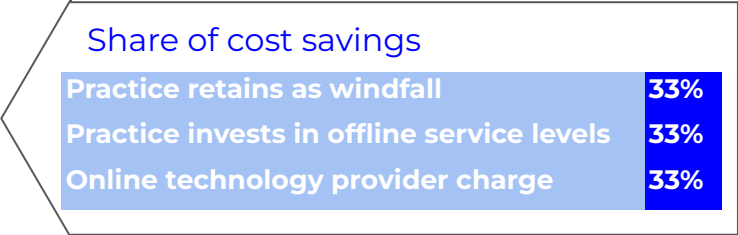
Source: Wolverhampton CCG, March 2020

Repricing the benefits of online GP access could unlock bigger contracts

Well-documented cost savings from online consultations are not yet reflected in budget allocations

A new kind of budget discussion

Nottinghamshire - alternative pricing (year to September 2020)	
Patients	1,095
Appointments	6,124,444
Online consultations: % of appointments	20%
Online consultations: total	1,224,889
Online consultations: % by either locum or clinician app	25%
Online consultations: by locum or clinician app	306,222
Offline consultation cost per consultation	£30
Online cost saving against offline, per consultation	£10
Total savings	£3,062,222
Online technology providers' share of savings (%)	33%
Online consultations technology providers' share of savings	£1,010,533
Most recent Online Consultations budget	£346,000



Extend partnership dialogue with CCGs to lay the ground for accessing new budget sources

Upsell strategy offers improved financial leverage but brings cannibalisation, pricing and investment challenges

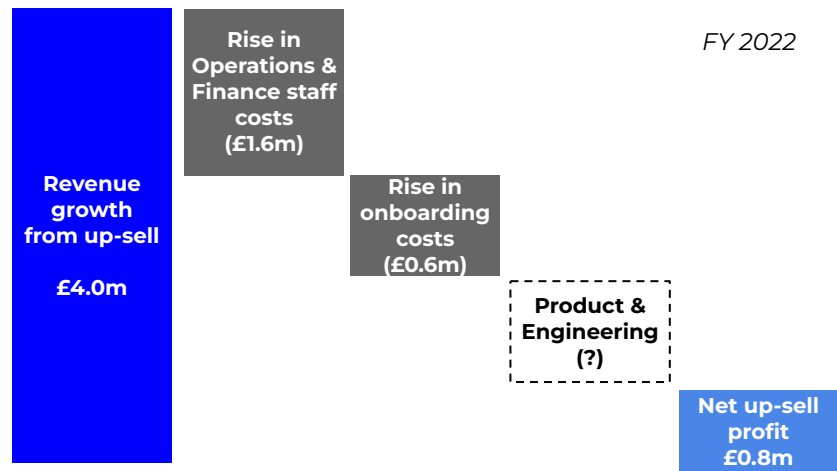
Will customers adopt and migrate to Clinician Apps?

	Clinician App	Triage
Market size	✓ Retained GPs > locums	✓ Key stage of patient experience
Market timing	✓ 'ARRs' funding for practice roles	? Late to market? Installed base play?
Up-sell potential	✓ 70% of Digital Locum customers want it	? 20p per patient funding for bundle including Triage
Cannibalisation	? Digital Locum contracts migrate to Clinician App?	? 25-30p per patient but EMIS add video consulting free
Product endgame	? Locum-GP-clinician-triage app with flat per patient charge	
Commercial endgame	✓ Outsourced practices administration Beware backlash from <i>Livi</i> scheme in North Tyneside	

Can upsell strategies be profitable?

With no service cost, gross margin leverage should be greater than Digital Locums, enabling 'per patient' pricing for NHS...

...but onboarding reintroduces variable costs



Challenges

Delayed profit payback?

Weak operating leverage?

Seeds market for integrated practice app?

Enables outsourced practice service?

CFO contribution

Medium Term

2 years

Observations

CFO contribution

BURN

Cash burn before market and offering have matured



Review **roadmap and go to market** to seek leverage

Cash options: sell or monetise **D2C** businesses?
Revenue **campaigns** (e.g. Pharmacy Consultations)?

CONTRACTS

Contract size is variable

CCGs budget for online access and consultations in a variety of ways: GPIT, GPFV, GMS, PMS, etc.



Develop **commercial skills** and resources to deal at scale with NHS, Insurers, data stakeholders and vendor partners

Explore upside from accessing **new budgets** at GP, PCN, CCG or Trust level (e.g. £500m GPIT framework, January 2020)

PRODUCTS

Different upsell products have different adoption rates and success factors



Review role of **KPIs in OKRs**, with an emphasis on newer products and consistent team productivity metrics

Balance resource between '**upsell**' and **core** technology

FUNDING

New funding will be in a mature, competitive and price-conscious market, calling for a clear pitch

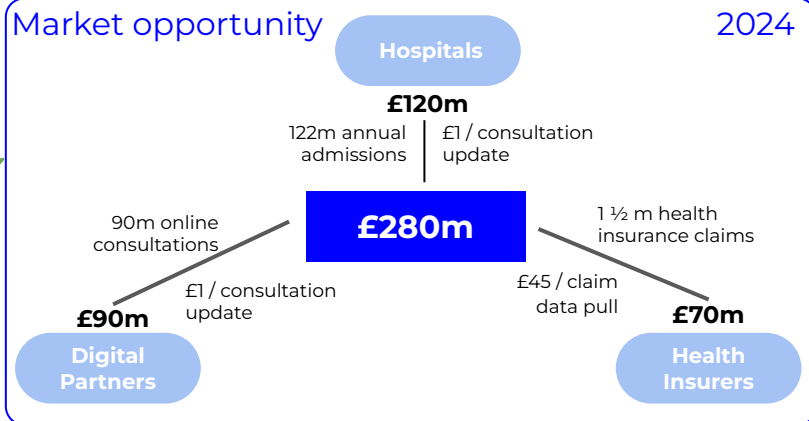


Equity story with credible metrics, authoritative market evaluation, supportable new product revenues

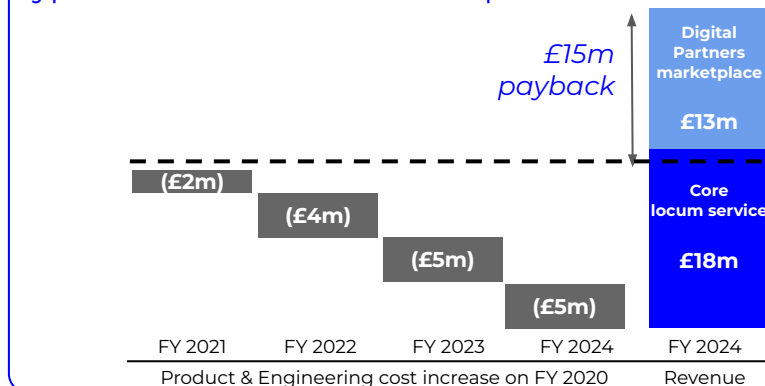
Data integration for a 'marketplace' offer has distant payback so the investment case must be credible

Market opportunity

2024



Typical return on investment profile



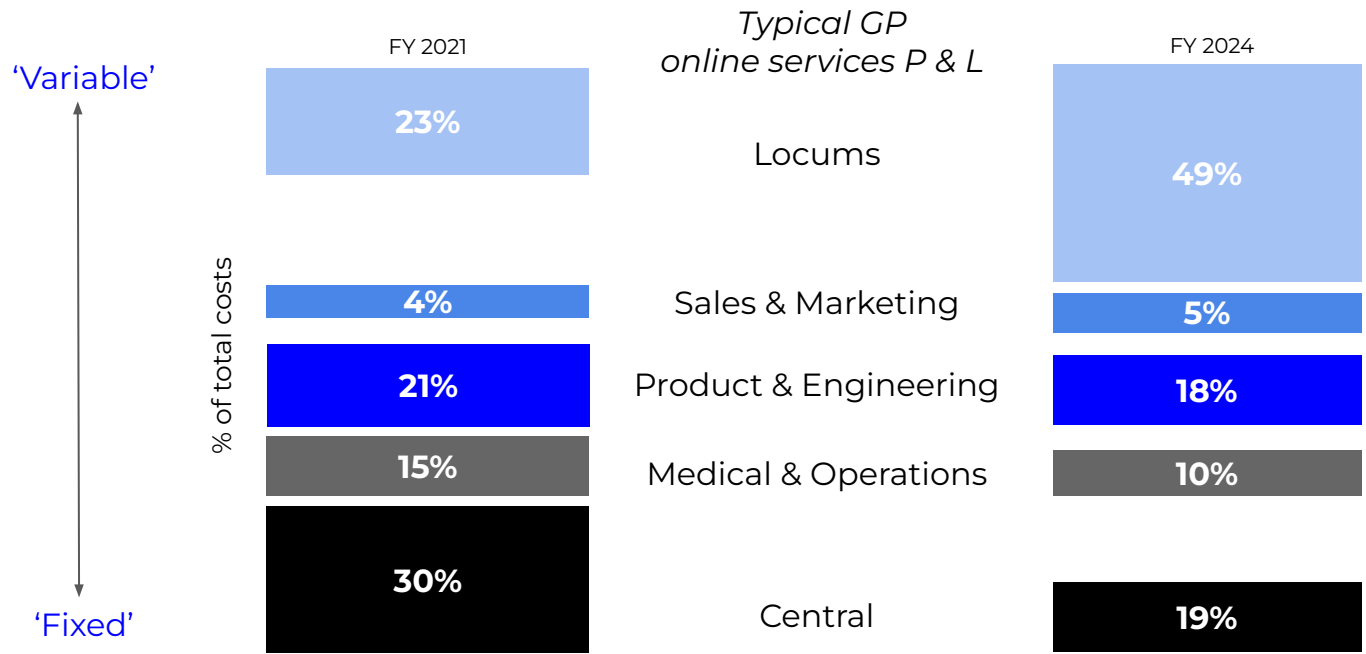
Go To Market considerations



NHS Online providers claiming direct write to health records



Getting the balance right between 'build' and 'market' could better match costs and revenues



Review the mix between Engineering and Go To Market

CFO contribution

Long term

3 years

Observations

CFO contribution

BUILD

Focus on the best use cases

All vendors are creating integration; acquisitions could accelerate development



Investment committee for buy / build and roadmap decisions
M & A evaluation programme

PEOPLE

Headcount expansion weighted to engineering and operations



Review balance between engineering (any recycling of teams?) and go to market (upskilling and faster rollout?)

VALUES

GP At Hand & Livi backlash is a reminder of healthcare values

Helping the NHS succeed is an entry criterion



Cautious '**outsourced practice**' partnership strategy
Consistent level of medical and **compliance expenditure**

OVERSEAS

UK could be one of the European leaders in connected online consultations



International strategy drawing on US experience (65% remote)
Germany: 10 GP visits / year with low online adoption; new Digital Health Act; *Livi* active here

Let's make it run better

