

eWellness Healthcare Corp.

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eWellness Healthcare sparks digital revolution in physical therapy

Could a virtual revolution be coming to the world of physical therapy? Imagine that instead of visiting a physical therapist (PT) for a follow-up after surgery, you log onto your smartphone and exercise under digital guidance.

That's the brainchild of Douglas MacLellan, Darwin Fogt, Curtis Hollister and David Markowski, the co-founders of eWellness (OTCQB:EWLL). They are on a quest to upend the way the estimated \$35 billion market for physical therapy works in the US.

Fogt struck up a friendship with MacLellan over six years ago while working as his physical therapist after a bout of back surgery. "Doug went and experienced this physical therapy and it healed him and he lost like 60 pounds," remembers Markowski. "It changed his life."

A management team was formed, which grew to include Hollister, a top Canadian tech executive, and Markowski, an ex-investment banker, who were also friends of MacLellan's. Together, a method was devised to deliver physical therapy as a digital rehabilitation program.

In a traditional PT setting, you go to a clinic where a therapist assesses your condition, does an evaluation, sets up a plan of care and sends you home with a sheet of stick-figure exercises you've got to complete. Additional visits are booked to check on progress and modify treatments.

Cracks showing in traditional PT model

But there are flaws here. Patients don't do the exercises when they leave the clinic. Or they might live in a place where not enough physical therapists are available. The US Department of Veterans Affairs, for example, routinely flies veterans from Alaska to San Diego, California, to get them physical therapy, points out Markowski. People might also see improvement and opt to let trips to the PT fall by the wayside. Visits could also be delayed by weeks due to scheduling conflicts.

Consider eWellness's Phzio model by comparison. With the help of a library of nearly 1,100 exercises, a physical therapist can go to this online portal "PHZIO" and set up a regime capable of handling close to 70% of the issues a patient is suffering from, with the exception of severe or more complex injuries.

The online method allows for physical therapy to be provided within hours, with assessments given via a cyber connection that comes complete with real-time monitoring and audio and text-message feedback. Additional sessions are set up and a litany of follow-on exercises is prescribed. So, even flight attendants trapped in airport lounges can take part.

Price: US\$0.16

Market Cap: US\$29.68M

1 Year Share Price Graph



Share Information

Code: EWLL

Listing: OTCMKTS

52 week High Low
\$0.34 \$0.05

Sector: Health Care, Equipment & Services

Website: ewellnesshealth.com

Company Synopsis:

Phzio started as an idea to enable Physical Therapists with better access to their patients. We thought that if PTs have line-of-sight to their patients wherever they are, then the PTs are going to create better outcomes for their patients. When access is limited, so are results.

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"We have built tools that allow us to objectively assess a patient's range of motion and also do motion capture of particular movements. We capture all of this on video in a HIPAA compliant way," says Markowski, referring to the government regulations that protect sensitive patient data.

PHZIO system handles multiple patients at once

For therapists, the system offers the chance to handle multiple clients at the same time. "The problem on the physical therapy side is that you have physical therapists who aren't making enough money to pay off their school loans," reports Markowski. "This is an industry that's becoming squeezed and it hasn't been able to deploy technology."

The PHZIO system is robust enough to handle 30 different patients online at the same time - though the suggestion is for there to be a maximum of six patients in a session at one time.

READ: eWellness Healthcare to bring at-home physical therapy to Texas smartphone users

Insurers also stand to benefit as the costs they pay per session for physical therapy are greatly reduced. They also see more patients seek out physical therapy instead of a trip to a general practitioner that might end in a costly X-ray or MRI (\$2,600) or a year's prescription for opioids (\$6,000).

"If you get patients to physical therapy first, you can avoid MRIs," notes Markowski. "If we can get people into a physical therapy setting, there's a higher chance of reducing the pain, solving the problems and accelerating healing without all the cost and absenteeism."

Uber-style disruption likely

Markowski compares the impact eWellness intends to make to the way Uber disrupted the art of hailing taxis. "We could easily be by the end of next year, the largest physical therapy provider much like Uber is the largest ride company without having any drivers," according to Markowski.

In Uber-style fashion, if the eWellness model takes hold, Markowski envisages conducting business with an expansive network of therapists. "So, all you do is get online whenever you want to and there's a therapist there who will pick you up," he says.

The staff at eWellness, which is based in Culver City, California, is lean at roughly 20 and there are no plans to employ an army of physical therapists directly. "My model is very much like an Uber model. For the most part, we're going to utilize all contract labor just like Uber," he says. "We're just matching up the supply to the demand and we're doing it in such a way that it's cost-effective," he added.

The pre-revenue company saw its loss shrink 39% to \$1.1 million from \$1.8 million in the three months until September 30 compared with the year-ago quarter. Its cash pile also mounted over the same period, climbing to \$27.7 million from \$14.4 million.

Posing financial headwinds are the challenges eWellness faces in getting physical therapists themselves to convert to an online system. "We have PTs and we're getting new ones every day that come out and love this and serve it out of their clinic," says Markowski. "But it's not converting at the pace we want to see."

Workers comp programs are key to profits

The company's financial outlook is turning sunny, with the recent signing of a contract with First MCO, a managed care organization based in New Jersey that keeps a lid on costs for workers' compensation programs. Indeed, workers comp is a bonanza for eWellness as case managers in this arena are charged with bringing care to patients while saving costs.

Several additional multi-million dollar contracts of this sort are expected in the coming weeks and eWellness's management expects to see its first sales next quarter. "We're engaging in contracts that will put us nationwide pretty quickly. We're getting contracts signed this month and we have to start delivering on them in January," says Markowski. "We're scaling rapidly and our profit margins will improve."

Another coup is that since November, US Medicare, which provides subsidized medical insurance for Americans over 65, has moved towards paying for telerehabilitation sessions. This will greatly increase the number of insurers who pay for eWellness's services as many track Medicare when opting to back claims.

The company also boasts a wellness program, which aims to use exercise as a preventive way to ward off disease. Its efforts drew interest from several government agencies looking to make their workforce more robust on a recent trip by Markowski to Washington, DC.

Looking ahead

eWellness is a bet on an industry that is in need of digital therapy. Even if the company were to gain less than 1% of market share in the \$35 billion industry, it would still end up with a valuation of \$1bn by Markowski's estimates.

The management team at eWellness is bullish that success will come, with Fogt moving to sell his nine physical therapy clinics just a couple of months ago.

Could it be that the traditional route of physical therapy will go the way of the CD or the video cassette thanks to the wireless advance?

"That model will be gone based on what we're doing," concludes Markowski. "Our Phzio platform allows patients and physical therapists to cut the cord from the old-school brick and mortar clinical experience."

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