



A Closer at TELUS' (TSX:T) Healthcare Venture

Description

What does wireless internet have to do with healthcare? At the moment, not much. Broadband penetration and 4G technology have helped connect billions of people, but they haven't had any noticeable impact on their health and well-being. Last year, Vancouver-based telecommunications giant **TELUS** ([TSX:T](#))([NYSE:TU](#)) decided to change that.

The company spent \$100 million to acquire a chain of 30 boutique corporate and employee health clinics across Canada. It's also partnered with UK-based virtual healthcare technology provider Babylon and deployed \$5 million to create a national network of mobile clinics.

These partnerships help TELUS Health get corporate subscribers to its premium clinics across the country, allow elderly patients to interact with a registered physician via an app on their phone, and deliver critical care through a network of modified vans that act as clinics-on-wheels across the region. It's still early days, but the overarching theme of innovative and premium health solutions is already apparent.

TELUS Health is perhaps the only example of an established telecom company entering the healthcare space. It's an unexpected and seemingly odd move, but on closer examination, the strategy comes across as a clever way to establish a foothold in the next frontier of digital innovation.

Healthcare, by all measures, is ripe for disruption. The costs of private care have far exceeded the rate of core inflation, and the quality or accessibility of healthcare hasn't noticeably improved. According to the 2019 Global Medical Trend Report, the cost of healthcare in Canada is expected to rise 6% in 2019, while inflation remains at 2.1%. In other words, health costs are going up at triple the rate of everything else.

This disconnect makes the healthcare industry in North America, and Canada in particular, ripe for disruption, and many Canadians seem to agree. A recent study by the Canadian Medical Association found that 70% of Canadians would take advantage of virtual physician visits. 75% believe technology can help solve systemic issues in the health industry.

With this in mind, TELUS' healthcare ventures seem ahead of the curve. The subsidiary is targeting the top-end of a market that could soon be redefined with cutting-edge technologies.

The services they offer, including virtual care appointments, private and secure personal health records, mental health applications, mobile health delivery and emergency response tools, seem tailored for large-scale enterprises and high-income seniors.

For example, part of their network now includes four luxury clinics in British Columbia and Alberta that serve business executives and employees covered under business health programs. Annual membership fees range from \$3,500 to \$4,500. High-end health services like these are a way to generate high-margin and recession-proof cash flow from recurring income streams.

The business model is further augmented by the fact that TELUS Health will harness medical data to develop artificial intelligence solutions for doctors and clinics on its network. The company could build a robust competitive edge if it collects and leverages this data before the sector gets competitive.

Bottom line

I think the strategy to diversify into healthcare is genius. The natural synergies between health tech and telecoms aren't apparent just yet, but TELUS' ability to deploy capital in a market that is aching for disruption should yield great results for investors over the long-run.

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