S&P Global
Market Intelligence

Talkspace, Inc. NasdaqCM:TALK

FH2 2023 Earnings Call Transcripts

Thursday, February 22, 2024 1:30 PM GMT

S&P Global Market Intelligence Estimates

	-FY 2023-		-FY 2024-
	CONSENSUS	GUIDANCE	CONSENSUS
EPS (GAAP)	(0.13)	-	(0.02)
Revenue (mm)	146.40	146.00	182.48

Currency: USD
Consensus as of Jan-03-2024 3:00 PM GMT

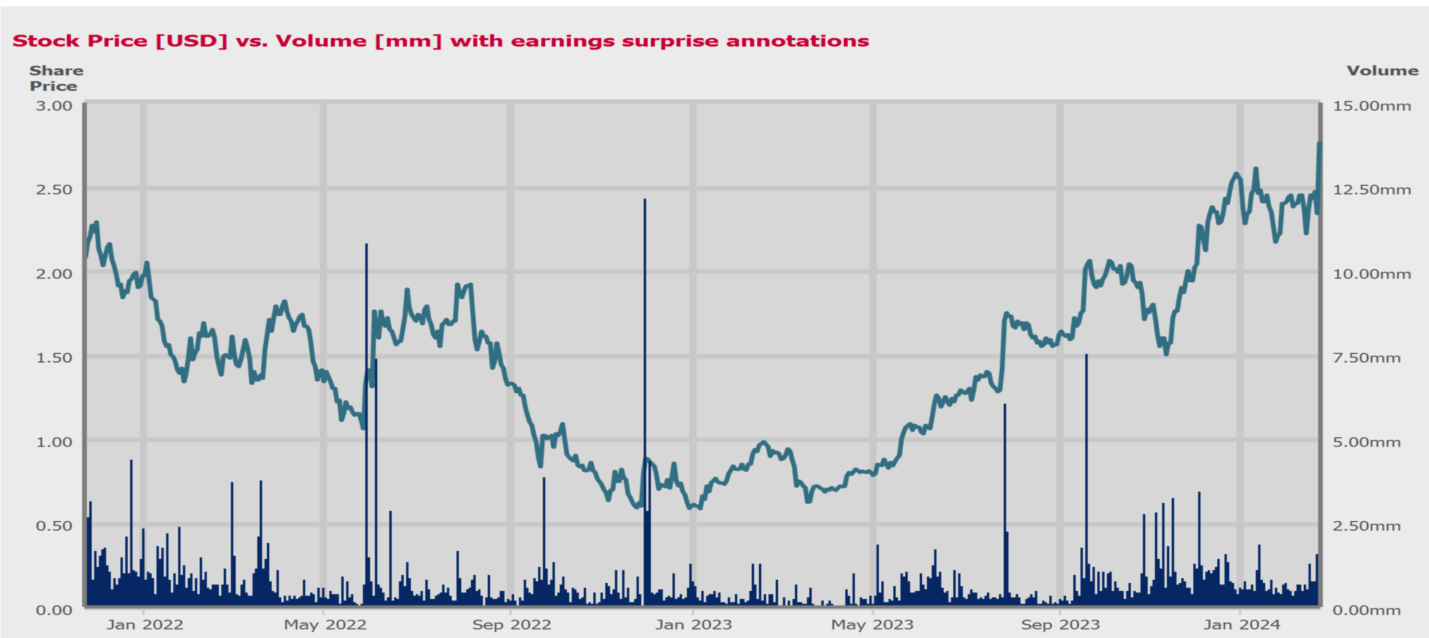

Table of Contents

Call Participants

EXECUTIVES

Jeannine Feyen
Director of Communications

Jennifer Fulk
Chief Financial Officer

Jon R. Cohen
CEO & Director

ANALYSTS

Charles Rhyee
TD Cowen, Research Division

Jack A. Senft
William Blair & Company L.L.C., Research Division

Stephanie July Davis
Barclays Bank PLC, Research Division

Presentation

Operator

Good morning. My name is Audra, and I will be your conference operator today. At this time, I would like to welcome everyone to the Talkspace Fourth Quarter and Full Year 2023 Earnings Conference Call. Today's conference is being recorded. [Operator Instructions] At this time, I would like to turn the conference over to Jeannine Feyen, Director of Communications. Please go ahead.

Jeannine Feyen
Director of Communications

Good morning, and welcome to Talkspace's Fourth Quarter and Full Year 2023 Earnings Conference Call. I am Jeannine Feyen, Director of Communications. I hope you've had the opportunity to access the press release we posted on Talkspace's IR website and the presentation of our earnings results. We'll use this presentation to walk you through today's remarks. Leading today's call are our CEO, Dr. Jon Cohen; and our CFO, Jennifer Fulk. Management will offer their prepared remarks, and we'll then take your questions.

Certain measures we'll discuss on this call are expressed on a non-GAAP basis and have been adjusted to exclude the impact of one-off items. Reconciliations of these non-GAAP measures are included in our earnings release and on our website, investors.talkspace.com.

I also want to remind you that we will be discussing forward-looking information today, which may include forecasts, targets and other statements regarding our plans, goals, strategic priorities and anticipated financial results. While these statements represent our best current judgment about future results and performance as of today, our actual results are subject to many risks and uncertainties that could cause actual results to differ materially from what we expect. Important factors that may affect our future results are described in our most recent SEC reports and today's earnings press release. For more information, please review our safe harbor disclaimer on Slide 2.

Now I will turn it over to Dr. Jon Cohen.

Jon R. Cohen
CEO & Director

Thanks, Jeannine, and thank you all for joining us today. I am excited to discuss our strong Q4 results and the successes we had in 2023. We will then provide financial guidance for 2024 and for the first time, discuss a longer-term outlook as to how we believe the business will perform over the next 3 years.

Overall, 2023 was a year of important achievements for us, and I'm proud of the way we executed against our strategic goals outlined early last year. Financially, it was a year of solid growth and operational refinement, which positions us well entering 2024. We increased revenue in 2023 by 25% year-over-year while significantly reducing operating expenses, resulting in an adjusted EBITDA loss of $13.5 million, an improvement from a $59 million loss in 2022.

The improvement in our financial performance developed sequentially throughout the year, and our adjusted EBITDA loss in Q4 narrowed to just $300,000. With our top line momentum and rationalized cost structure, we are poised to grow profitably in 2024 and beyond, and Jennifer will elaborate on this later.

Let me review in more detail each of our strategic initiatives that we outlined at the beginning of 2023. Our first initiative was to grow payor revenue. We delivered on this objective, more than doubling our payor revenue compared to the prior year. As we laid out in our objectives, this strong growth was driven by both an increase in covered lives from 92 million to 131 million lives, as well as through expanding our same basis capture rate, which grew by almost 50%. As a result, we nearly doubled our session volume.

We also established a business development process to engage new partners and increase referrals to Talkspace by leveraging our in-network status. We are pleased with the early traction we are seeing on these efforts. Our first relationships include Evernow, a partnership to provide mental health support with menopausal care; Oura Ring to provide sleep data to therapists to help support therapy and Bicycle Health to expand access to mental health care for patients with opioid use disorder.

Our second strategic priority was to grow our direct-to-enterprise business. A significant part of our DTE strategy was based around providing services to help combat the youth mental health crisis. The surgeon general has said that among teens, mental health is the defining public health crisis of our time, and that social media addiction is the greatest threat to the lives of our children and teens more so than cigarette smoking in the past.

Since joining Talkspace a little over a year ago, we have rebuilt our DTE sales team, which has already begun to demonstrate success. On November 15, we announced our partnership with the City of New York to provide every single teenager between the age of 13 and 17, approximately 465,000 teenagers, access to therapy. In December, we announced a similar partnership with the Baltimore County School System, where we are now providing access to Talkspace to all high school students in Baltimore County.

In addition to the students, we are also actively supporting teachers. We recently entered a partnership with the State of Vermont to provide Talkspace services to all educators throughout the state. In addition, we recently announced our partnership with the American Federation of Teachers to enhance mental support to AFT's more than 1.7 million members. As a reminder, Talkspace delivers therapy by live video, voice and asynchronous messaging and texting. Asynchronous therapy continues to be a significant differentiator in the market as many of our competitive providers of telehealth mental services utilize video only and do not have the platform to provide messaging and asynchronous care.

As part of our improvement in the DTE offering, we invested in and improved our self-guided product called Talkspace Go, which can be integrated into our therapy platform depending on the clients' needs. It includes daily reflections, information, learning modules and live classes. Content is curated by the client needs.

For instance, for teens, there is a 2-week course covering mental health foundations, feelings, relationships and identity, and live classes with a therapist about forgiving, healthy relationships, kind communication and many others. Members can easily move from self-guided to therapy as needed. Our revenue performance in 2023 would not have been possible without a world-class network of therapists. And in 2023, we aggressively pursued our third strategic initiative, which is to be the platform of choice for providers by improving the therapist experience and focusing on the quality of clinical care.

We grew our network during the year by 75%, adding 2,300 therapists to now over 5,300 therapists across all 50 states while at the same time, improving our provider satisfaction rates. In our pursuit of our fourth initiative, operational excellence, we reduced our total operating expenses 32% from $143 million to $98 million. We also improved our revenue cycle management to above industry standards and made important investments in our compliance and control processes.

The resulting rationalized and refined expense base positions us to realize continuing operating leverage going forward. In addition to these 4 strategic initiatives, we made a number of key investments in our leadership team during the year. This includes hiring a new Chief Medical Officer, rebuilding our direct-to-enterprise business through new senior hires and strengthening our corporate governance by adding 2 new independent directors to our Board, Swati Abbott and Liat Ben-Zur.

Swati was previously the CEO of Blue Health Intelligence, a health care data and analytics company spun out of the Blue Cross Blue Shield Association. Liat has over 27 years of digital product experience in health care, software and consumer businesses. She most recently served as the Corporate Vice President of Consumer Services at Microsoft, where she led efforts to reshape the company's consumer service businesses.

Thanks to the hard work in 2023 executing against the strategic priorities I walked through, we entered 2024 with a very robust foundation of operational excellence. We will maintain that focus, but enhance our fourth strategic pillar to include investments in innovation and technology. At the heart of this initiative is our commitment to leveraging artificial intelligence across various applications aiming to enhance our clinical efficiency and operational excellence.

Innovation is deeply ingrained in our DNA at Talkspace. We're proud of our legacy as innovators, having led the way in messaging therapy. This year, we're excited to push the boundaries further, integrating AI to not only continue our tradition of innovation, but also to redefine the standards of mental health care delivery. Our AI tools will be utilized to assist our therapists, helping them to deliver better care and be more efficient, but not replacing them.

We will continue to explore the power of AI and how to use it to improve quality of our services. As an example, our proprietary machine learning model alerts our therapists when a patient may be at risk for self-harm. It detects language patterns consistent with high-risk behaviors that place individuals at risk for self-harm or suicide and is 83% accurate. We published the results of this algorithm in 2019. And since then, we have flagged 32,000 patients since the launch who are at risk for suicide.

The model has been revalidated recently for teens. To give you an idea of a structured and unstructured data set, our data contains approximately 4 billion words from over 75 million messages. The de-identified data is also augmented by other data types that provide a holistic view of our users and their behavioral health. It is an incredible data set.

At Talkspace, we believe that digital therapy provides an unprecedented opportunity for us to improve mental health through data science and machine learning, all securely HIPAA compliant. We intend to make investments in AI in pursuit of our goal to leverage our unique data to identify patterns and improve the way behavioral health is delivered.

In summary, I am very pleased with our execution against our strategic initiatives. Based on our progress in 2023 and where we stand today, we are incredibly excited about the year ahead as Talkspace is poised to grow profitably in 2024 and to demonstrate continuing operating leverage while maintaining a robust and liquid balance sheet to responsibly invest in our technology, people and growth to serve our customers even better.

2024 will be another year of continued payor revenue growth as we are uniquely positioned to capture the opportunity in this growing market, which is estimated to grow at a 5% CAGR through 2032 to about $137 billion. Affordability and access to insurance remain challenges for behavioral health patients as 42% of the population with a diagnosed condition cannot access their treatment. And of those who actually have access to insurance, 34% of those people have difficulty finding a therapist to accept their insurance.

Two months ago, the Attorney General of New York issued a report on the ghost behavioral health networks that are occurring all around the country where investigators found that 86% of providers were ghosts, meaning that they are unreachable, not actually in network or in network, but not accepting new patients.

It is our vision to continue to be the solution to this problem by maintaining our leading position as the largest in-network telehealth mental health provider in the country. To achieve this, we expect to substantially add to the number of covered lives with additional Blues plans, other regional plans and Medicare.

In 2023, we paved the groundwork to be a Medicare provider for both standard Medicare and Medicare Advantage. We will roll that out in all 50 states throughout 2024. Medicare has 65 million lives, 33 million standard Medicare and 32 million in Medicare Advantage. The importance of mental health support for the elderly, particularly loneliness and depression, has surfaced as a critical issue in their overall health. The number of people over 65 years old that have said they have mental health challenges has increased 2.5x since 2020.

In addition, we will continue to pursue and launch needle-moving strategic partnerships to increase referrals such as the partnership we announced yesterday with Wheel, the foremost virtual care platform delivering consumer-centric primary care, giving patients access to both primary care and behavioral health conveniently and virtually.

We are also excited about our momentum at DTE. In 2024, we will continue to pursue multiple opportunities in the DTE space with employers, governments, universities and teams. We are in conversations with multiple other school districts and we'll continue to aggressively pursue this market. Our goal is to be the national leader in addressing the team mental health crisis, and we look forward to updating you on our progress throughout the year.

Financially, we will achieve a significant milestone in 2024 by reaching breakeven and transitioning into profitability for the first time in the 12-year history of the company, and we entered the year with a robust cash reserve of $124 million. Importantly, Talkspace will grow profitably this year, which provides the Board and management with the flexibility to determine the best use of that capital.

Given the size of the yet substantially untapped and growing mental health care market and our solutions to address those needs with our existing product offerings, we do not require M&A to grow and we will continue to deploy capital internally to grow the business organically. However, we will take a disciplined approach to considering inorganic opportunities if they make sense to enhance our existing product set.

This quarter, the Board approved a share repurchase plan of $15 million. This initial authorization will be used to mitigate the impact of stock-based employee compensation. Over time, the Board will continue to evaluate optimizing the return on excess capital for our shareholders, but this initial authorization reflects the confidence we all share in the future profitability of the company.

With that, I'll turn the call over to Jennifer.

Jennifer Fulk
Chief Financial Officer

Thank you, Jon, and good morning, everyone. We are pleased with our fourth quarter and 2023 results, which reflect our continued execution across our company priorities translating into strengthening financial performance. Today, I'll primarily focus on the fourth quarter results on a sequential quarter-over-quarter basis and 2023 on a year-over-year basis, unless otherwise stated. Let's begin with our top line performance.

Fourth quarter revenue was $42.4 million, a 10% increase from the previous quarter and a 40% increase year-over-year. For 2023, our total revenue amounted to $150 million or 25% growth over 2022. GAAP net loss was $1.3 million in Q4 and $19.2 million in 2023. Adjusted EBITDA loss was approximately $300,000 in the fourth quarter and $13.5 million in 2023. And as of December 31, 2023, our cash and cash equivalents totaled $123.9 million.

Moving to revenue results by category. Payor fourth quarter revenue maintained strong growth with an increase of 15% sequentially to $25.4 million. Payor sessions completed by behavioral health and EAP members grew 9% sequentially to almost 250,000. And unique payor members completing sessions grew sequentially by 5% and year-over-year by 67% to 79,200. We will provide both sessions completed and active payor members within each quarter going forward as these metrics are key indicators to progress against both capture rate and utilization in the payor category.

Also of note, in Q4, there was a onetime net revenue and gross profit benefit of $1.5 million from year-end reconciliations and further progress on collections from prior periods. For the full year 2023, payor revenue more than doubled from the prior year to $80.8 million. Covered lives grew 42% year-over-year, and sessions in 2023 nearly doubled to 850,000, driven by additional covered lives as well as an increase of almost 50% in the same basis capture rate.

Net price grew 12% in 2023, partly reflecting our investments in revenue cycle management, which drove improvement of our collections rate to 94% in the fourth quarter. In the direct-to-enterprise category, fourth quarter revenue was $8.9 million, up 11% sequentially, primarily due to the new launches in the quarter. For 2023, DTE revenue was up 19% year-over-year to $33.6 million.

Turning to the consumer category, where members are paying out of pocket. Revenue was $8.2 million in the fourth quarter, a 4% sequential decline and $35.6 million in 2023, a 35% year-over-year decline. These results aligned with our expectations.

As we've previously discussed, our approach has increasingly centered on attracting payor members with more attractive conversion rates through our marketing initiatives. While we do not have dedicated resources for the consumer category, it continues to have a positive contribution to our financial results.

Moving to gross profit. Our fourth quarter gross profit grew 11% sequentially to $21 million. Gross margin for the fourth quarter was 49.4%, slightly higher than the third quarter gross margins, primarily due to the nonrecurring payor revenue benefit that I mentioned earlier, partially offset by net revenue mix shift towards the payor category. For the full year 2023, gross profit grew approximately 23% to $74.4 million.

Moving to OpEx. In the fourth quarter, our GAAP operating expenses were lower by almost $500,000 sequentially to $23.6 million. For 2023, GAAP operating expenses decreased by 32% year-over-year to $97.6 million. Excluding stock-based compensation and nonrecurring benefits, operating expenses were $21.6 million in Q4 and $89.2 million in 2023, which was a 27% year-over-year decrease.

Cost savings achieved in 2023 were driven by notable progress across several areas. First, in marketing efficiency. We have streamlined and optimized our marketing expenditure, enhancing the efficiency of our advertising spend to lower the cost of acquiring members while simultaneous increasing the lifetime value of these members through product improvements. We focused our marketing on investments in channels that drive brand strength and awareness by leaning into storytelling through social media, partner marketing and integrated campaigns with influencers, ensuring that Talkspace is top of mind as the highest quality affordable therapy solution available.

Second, we've built scalable capability and processes across the company. Built-for-purpose revenue cycle management and efficiencies and operational processes enabled us to streamline our cost base. Lastly, we have developed a culture of discipline and prioritization. We are fortunate to have a considerable amount of organic growth opportunities and our teams excel at identifying and executing the most promising and profitable projects. These optimization measures have resulted in not only improved financial performance, but also position us to drive greater operating leverage over time.

Turning to our 2024 financial guidance. First, we've previously guided we continue to expect to exit Q1 with breakeven adjusted EBITDA. For the full year, we expect revenue to be in the range of $185 million to $195 million, an increase of 23% to 30% year-over-year. And we expect adjusted EBITDA to be in the range of positive $4 million to $8 million, an improvement in profitability of approximately $18 million to $22 million compared to 2023.

Let me expand on these. First, on revenue. Based on Q4 performance, we are exiting 2023 at an annualized run rate of $165 million. We expect we can continue to grow payor session volumes including the benefit of the covered lives that were added in December. Also, as Jon highlighted, we expect to add more covered lives throughout the year, including Medicare. We also expect meaningful revenue growth in DTE driven by our recent launches in New York City and Baltimore as well as converting additional wins from our growing pipeline and further monetizing our broadening product offerings.

We continue to believe that we have a significant and profitable opportunity in payor over the long term. Of note, these large-scale payor contracts represent significant volume opportunities but also typically come at lower gross margin rates as compared to our consumer offering. For that reason, we anticipate overall gross margin to be lower and gross profit to grow at 18% to 23%, moderately slower than revenue in 2024. We also expect that we can continue to manage our operating expenses at current levels on an absolute basis this year by continuing to be diligent about optimizing resourcing across the business.

Regarding capital expenditures, and as Jon noted, we see a number of organic opportunities to invest in technology and AI and have an initial estimate for CapEx in 2024 of $3 million to $4 million. These investments will be focused on our priority technological areas, including AI features that support our therapists, operational efficiencies and further development of the product ecosystem for DTE members.

Moving to our early view on a 3-year financial outlook. We believe we should be able to sustain compounded revenue growth in a range of 20% to 25% and deliver adjusted EBITDA margin in a range of 12% to 15% by 2026. This outlook is based on continued expansion of our payor segment, achieving higher capture rates by fine-tuning our marketing strategies and broadening our referral networks, reaching more people more effectively; second, by elevating the DTE experience, investing in our digital capabilities within our product suite to provide not only therapy but a holistic mental health care journey. We expect that these enhanced digital offerings support meaningful gross margin opportunities and will contribute to both revenue and profitability over this time frame. We continue to believe we can deliver on both of these go-to-market opportunities with only moderate growth in our operating expense base. Again, this is a preliminary view based on our current assessment of the business, and we will update this over time.

In conclusion, we are excited about the growth prospects in payor revenue and our position as a leader in covered mental health care. We are equally excited about the significant opportunities in DTE, and we believe our highly scalable infrastructure creates a foundation for profitable growth in 2024 and years to follow. With that, we will open the call for questions.

Question and Answer

Operator

Thank you. [Operator Instructions] We'll take our first question from Charles Rhyee at TD Cowen.

Charles Rhyee
TD Cowen, Research Division

Congrats on the quarter. And I really want to talk a little bit more about the outlook here. Jennifer, you talked about sort of these digital channels that you're looking to use to leverage to really fuel growth. One of your peers kind of talked about customer acquisition costs, particularly in sort of the social media channels being a gating factor for growth. Maybe can you talk about the difference of how you look to deploy different types of marketing channels on your end, particularly through -- in conjunction with your payor clients as well as DTE clients? And maybe what the differences are there when you deploy these kind of solutions into your customer base versus maybe a pure direct-to-consumer model?

Jennifer Fulk
Chief Financial Officer

Yes. Thanks, Charles. So first on the member acquisition costs that we've talked about for a few quarters now, where our marketing efforts are really channeled at driving kind of overall member acquisition and driving the lifetime value of those members that we acquire. And so I would say on the payor category and specifically related to the outlook, we'll continue to focus those dollars on acquiring those members. I think we've made a lot of really good progress in driving down that cost of acquisition over the last several quarters, and we continue to expect that. I would say I would come back to the references we made earlier in the call on our opportunity with referral partnerships. And that being what we see as a big catalyst for us, particularly in the 3-year time frame to be able to drive that member acquisition at a really effective cost.

On the digital capabilities that I mentioned related to the direct-to-enterprise category, that's more related to our product offering and how we're enhancing the suite of offerings for that category. So we see those 2 go-to-market as, of course, highly related, but really incremental opportunities for us over the long term.

Charles Rhyee
TD Cowen, Research Division

Great. And Jon, you spent a lot of time talking about teens and children. And obviously, it's a big challenge in the country as well as an opportunity for Talkspace. You've talked about school systems as a big opportunity as well. Can you give us an update there more? I mean is this -- how much in sort of in this year or in the pipeline, are these opportunities sitting there right now? And maybe kind of give us a sense on the average size of one of those kind of deals. Is it -- is it on par with a DTE? Or is it even larger? Maybe give us a sense of scope and scale, that's great.

Jon R. Cohen
CEO & Director

Sure. So we have had a very significant interest since we made those 2 announcements. And it's variable between school systems, what I'll say, is school districts and then there's the cities and then actually the states and/or the counties. So all -- they are much different entities that are looking to improve the mental health of teens. So it really is, quite honestly, quite variable entity to entity. The Baltimore, for instance, we are in contract with them with the multiple county school system, whereas in New York City, we're in contract with the Department of Health in New York City, just to give you an idea of the difference.

So we are seeing significant interest in terms of the teens and what our pipeline looks like. So the answer is to stay tuned in terms of the size and scope. It always comes down to how many kids there are that we need to cover. And it could be -- it is really quite variable. I mean you've seen the size of New York City contract for 465,000 kids; it's obviously less for Baltimore for the over many we're doing there, 20,000 or 30,000. So it goes anywhere between that and can scale either way. So it's -- they are quite variable is what I'm telling you.

Charles Rhyee
TD Cowen, Research Division

Great. And then maybe one last on the guidance, Jennifer. If we look at the -- maybe you get a sense of how we should think about the adjusted EBITDA. Is that -- obviously, we're close to breakeven in the fourth quarter. Should we think of it as fairly linear in terms of profitability improvement as revenues kind of sequentially increase through the year? Or is there any seasonality that we should be aware of?

Jennifer Fulk
Chief Financial Officer

Yes. Charles, I would say for now and without giving a specific quarterly number, I -- we expect that we'll be able to deliver quarterly sequential improvement in adjusted EBITDA through the year, so a fairly smooth estimate as contemplated in our guidance.

Charles Rhyee
TD Cowen, Research Division

Okay. Great. Congrats again.

Operator

We'll move to our next question from Ryan Daniels at William Blair.

Jack A. Senft
William Blair & Company L.L.C., Research Division

This is Jack -- I am on for Ryan Daniels. This is kind of a follow-up on the previous questions here, but with the 3-year guidance you noted, EBITDA margins are expected to improve significantly. If we take the 2024 midpoints, you are expecting EBITDA margins of about 3%. So first, maybe can you touch on where you see the most leverage in OpEx to get these 3-year margins that give you that confidence?

Really [spread up] since you've already decreased the OpEx margin by a lot, so I was trying to figure out how much more you can kind of go? And then just as a quick follow-up there, too, how should we think about the progression of margins to get there, maybe not on a quarterly basis but on a yearly basis. Will you see kind of fairly linear improvement each year kind of going out the next 3 years? Just any additional color here would be appreciated.

Jon R. Cohen
CEO & Director

[Tough line]

Jennifer Fulk
Chief Financial Officer

Yes. So thanks, Jack. So first on 2024, and we -- I talked earlier about some specifics there. In 2024, our guidance assumes that the payor category continues to be the largest driver to our revenue growth. And I mentioned that comes at a lower gross margin relative to the other categories. So we mentioned a moderately slower growth in the gross margin as a result in 2024.

As we look further, and again, this is a preliminary long-term outlook that we provided, and it was in response to several inquiries we got from investors on what is our view of the longer-term profitability of the business given that 2023 was such a year of important progress towards profitability, 2024 is still a transitional year as we grow into profitability. We wanted to give this 3-year view. And I'll just come back to the couple of elements that weigh in there, which is continued progress in the payor category, and that's really in the long term against our capture rate opportunity. So we mentioned how big of a volume opportunity we see there.

And then in direct to enterprise, not playing a bigger part contributing to both the top line and the bottom line over the next 3 years. And it's -- the things we referenced earlier as far as the digital capability is and very importantly, all the opportunities that Jon has mentioned, we have -- we see in the teens market.

Jon R. Cohen
CEO & Director

Yes, I would just reiterate that the majority of the operating costs are taken out. We're relatively stable on the OpEx side. It's a top line growth that we see a lot of opportunity now, which we think is going to have the biggest impact on the longer range plan because the opportunity is so big. So it's not like you're going to see us think take a lot more out of the operating costs. It's going to be much more the ability and the opportunity before us to grow the top line.

Jack A. Senft
William Blair & Company L.L.C., Research Division

Okay. Understood. Appreciate that color. Just a quick follow-up here, too. I know you've grown the clinician network to about 5,300 or up about 75%. Can you maybe just talk about therapist turnover, clinician turnover. Kind of curious what you're seeing on that front? And are you seeing good traction from clinicians with the -- on the artificial intelligence front? Or is there kind of something else that you see clinicians citing that they really like.

Jon R. Cohen
CEO & Director

Yes. So we don't -- the turnover is low. We don't -- it's really not an issue. And the reason it's growing is because of all the time and effort we put in to be the employer of choice and the interest we have from people coming on to the platform because of all the things that Talkspace actually does offer, a chance to grow their practice in an environment where they like the people they're talking to, they like the community, they like the education we're providing them. So the success there has been, as you can see, quite extraordinary in terms of growing the market. I would say that the AI thing, we know will be very positive for the therapists. We only have anecdotal information quite honestly. But the very early experience is they're really, really excited about the idea to have the summary available to them, both on sessions that they've completed and soon to have the summary of the intake information to be able to make it much easier for them. So -- so those 2 documentation issues, we know are very popular.

The third is going to be the ability to help them provide actually better care, which is what we're dealing with the self-harm and suicide and we're going to lean in on developing other algorithms, which will help them deliver better care. It doesn't substitute in any way for them. But it gives them -- it really makes it better for them as clinicians to provide better care. So we're seeing a lot of interest in that, to say the least.

Operator

We'll go next to Stephanie Davis at Barclays.

Stephanie July Davis
Barclays Bank PLC, Research Division

Jon, you have been very busy since my garden leave. You have talked about going into the student population and government populations and payor populations. Should I think about the majority of your expansion into new markets as done and now it's -- you've made your proof point and you're going to go on a kind of a hunting spree? Or are there further markets you're looking at and thinking, well, why don't we do that?

Jon R. Cohen
CEO & Director

Well. First, Stephanie, thanks for that. I would say that one is focus is a really big issue for us. It always is, not getting diverted. I would say the other -- yes, we've leaned in on teens. We've talked about the respect in terms of government, cities, counties, is all relative to teens. So it's the same market that we're after. It's just a matter of who the customer is going to be.

I would say, though, the other big one for us was our announcement for Medicare. We are -- we will be -- we believe, the primary, if not only large national telehealth mental health provider that's going to be providing that service to Medicare -- to the Medicare population. As a result of that, we like to think now it's from teens to seniors, right? So the senior -- it's not just a matter of getting into Medicare, which as you heard me talk about, is both the regular Medicare or standard Medicare but Medicare Advantage. It's really a strategy to get Medicare patients, people over the age of 65 usually to actually utilize the service.

So given we know the mental health challenges in the seniors, the question is that the challenge for us, which we are ready to address because we've put an enormous amount of effort and planning into this is to address the needs of the Medicare patient and get them to use the platform as we're doing with teams, right? So it's -- you have the product, and now we have to figure out how to make sure that they come on to the platform, which we actually proven we're able to do with teams, and I'm very confident we'll be able to do on the Medicare population also.

Stephanie July Davis
Barclays Bank PLC, Research Division

What I do, let's tease that out a little bit more. How -- is there any color you can share on these revenue model -- and what sort of offsetting costs you're going to have to try to experiment around some engagement for these populations?

Jon R. Cohen
CEO & Director

So I would say that the payors are very interested in us being in Medicare and Medicare Advantage. So for us, that's a really important advantage, quite honestly, because we're already in network with all the majors. So in terms of that, it's not the investment for us in Medicare was to get us ready -- was to get us ready to go into 50 states to get -- make sure that the therapists are signed up and then develop some marketing plan to go and try different channels.

The -- we know the opportunity is pretty big. The data is 20%, 25% of seniors say that they have significant loneliness/depression. So we know that the market is there. I'll reiterate what I said earlier, the question is how do we get to them to get them to sign up. We think it's going to be a big opportunity at 65 million people, but it's obviously not even early days. We just -- we haven't just barely gotten out of the gate.

Stephanie July Davis
Barclays Bank PLC, Research Division

Understood. I have another question, then this is my last one on just broader sizing of your consumer opportunity. How are you looking at historical top of funnel investments? And what the steady state could look like given you do have an established brand?

Jon R. Cohen
CEO & Director

So great question. We've -- Talkspace has been around for 12 years. It has a very strong brand and continues to have so in the market. What we're seeing on the consumer side, as we've talked about before, is there continues to be pressure on consumers, right? I mean I think everybody would say, no one is going to predict where the market is going, where the economy is going. But you can see that consumer spending is very, very, I would say, much up in the air relative to how much you're going to spend, how much you should not.

Our pivot 2 years ago to a payor strategy, we know is working because when people come to find Talkspace and they have a choice between paying out of pocket or determining eligibility and then having the payors pay for it, we know is a very strong movement towards the payor side because they're going to pick their insurance given the choice. That's a big differentiator for us in the market.

The other to consider on that is the consumer, we know, will spend less time on the platform than a person that has insurance. That's a big deal because the long-term value of that individual patient relative to what it took for us to get that person onto the platform is much, much better than a consumer. Essentially, if insurance is paying for your therapy, pretty good chance you're going to stay on and continue to get therapy for as long as you need it without the overhang of, "Oh, am I going to continue to need to pay for it?" So we -- that's a big differentiator for us relative to being in the consumer market.

Stephanie July Davis
Barclays Bank PLC, Research Division

Got it. So cannibalization, but welcome cannibalization.

Operator

And there are no further questions at this time. I'd like to turn the conference over to Jon Cohen for closing remarks.

Jon R. Cohen
CEO & Director

Thank you everybody for being on. In closing, our achievements in 2023 and our outlook for 2024 reflect our unwavering commitment to providing easily accessible, readily available and affordable high-quality mental health care. We are poised for continued success, and we look forward to sharing our progress with you. Thank you again for joining us today.

OperatorAnd this concludes today's conference call. Thank you for your participation. You may now disconnect.