Phreesia Fiscal Fourth Quarter and Full Year 2020 Earnings Conference Call Transcript

April 23, 2020 | 8:30am EST

Corporate Participants

Chaim Indig | Chief Executive Officer and Board Member

Tom Altier | Chief Financial Officer

David Linetsky | SVP, Life Sciences

Balaji Gandhi | VP, Investor Relations

Other Participants

Anne Samuel | JPMorgan

Ryan Daniels | William Blair & Company

Sean Wieland | Piper Sandler Companies

Jamie Stockton | Wells Fargo & Company

Matthew Gillmor | Robert W. Baird & Co

Donald Hooker | KeyBanc Capital Markets Inc.

John Ransom | Raymond James

Stephanie Davis Demko | SVB Leerink LLC

Sean Dodge | RBC Capital Markets, LLC

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the Phreesia Fiscal Fourth Quarter and Full Year 2020 Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session, and instructions will follow at that time.

I would now like to introduce Balaji Gandhi, Vice President Investor Relations, for Phreesia. Mr. Gandhi, you may begin.

Balaji Gandhi

Thank you, Operator.

Good morning and welcome to Phreesia's earnings conference call for the fourth quarter and full Fiscal Year

2020, which ended on January 31, 2020.

Participating on today's call from Phreesia are Chief Executive Officer and Co-Founder, Chaim Indig; Chief Financial Officer, Tom Altier; and Senior Vice President Life Sciences, David Linetsky. Following prepared remarks from Chaim and Tom, we will conduct a Q&A session.

Complete disclosure of our results can be found in our earnings press release issued yesterday evening, as well as in our related Form 8-K submission to the SEC, both of which are available on the Investor Relations section of our website at ir.phreesia.com.

As a reminder, today's call is being recorded and a replay will be available following the conclusion of the call.

During today's call, we will make forward-looking statements pursuant to the Safe Harbor Provisions for forward-looking statements contained in Section 27A of the Securities Act and Section 21E of the Securities Exchange Act, including statements relating to the expected performance of our business, future financial results, our strategy, our partnerships, expected launches of products and services, long-term growth and overall future prospects.

These statements are subject to known and unknown risks, and uncertainties, that could cause actual results to differ materially from those projected or implied during this call, in particular those described in our Risk Factors included in our Form 10-K, which will be filed with the SEC later today. You should not rely on our forward-looking statements as predictions of future events. All forward-looking statements that we make on this call are based on assumptions and beliefs as of today, and we undertake no obligation to update them except as required by applicable law.

We will also refer to certain financial measures not in accordance with Generally Accepted Accounting Principles in order to provide additional information to investors. These non-GAAP measures should be considered in addition to and not as a substitute for or in isolation from our GAAP results. A reconciliation of GAAP to non-GAAP results may be found in our earnings release and supplemental materials, which were furnished with our Form 8-K filed after the markets closed on April 22 with the SEC and may also be found on our Investor Relations website at ir.phreesia.com.

I will now turn the call over to our CEO, Chaim Indig

Chaim Indig

Thank you, Balaji. Good morning, everyone.

We know this is a very challenging time for everyone listening in and we hope you are all managing through this as well as possible. I want to point out that we are participating on today's call from four different locations, so we appreciate your patience with us.

We'd like to acknowledge all of the healthcare provider organizations and medical professionals on the frontline of the COVID-19 pandemic for their bravery and dedication.

Our CFO, Tom Altier, will begin today's call by reviewing our Fiscal 2020 fourth quarter and full year results. Tom?

Tom Altier

Thank you, Chaim.

Let's start with our Fiscal Fourth Quarter 2020 results.

Revenue was $32.8 million, up 24% year-over-year.

Provider revenue, which combines our subscription and payments revenue, was $26.8 million, up 22% year-over-year, with the following contributing factors to growth: the average number of provider clients was 1,603, up 4% year-over-year, and our average revenue per provider client was $16,708, up 18% year-over-year.

Life Sciences revenue was an even $6 million, up 33% year-over-year.

Our Adjusted EBITDA was $1.3 million, up over $900,000 year-over-year.

Let's turn to the full fiscal year.

Revenue was $124.8 million, up 25% year-over-year.

Provider revenue was $102.9 million, up 27% year-over-year, with the following contributing factors to growth: the average number of provider clients was 1,571, up 5% year-over-year, and the average revenue per provider client was $65,486, up 21%, year-over-year.

Life Sciences revenue was $21.9 million, up 15% year-over-year.

Adjusted EBITDA was $4.8 million, up $1.3 million year-over-year.

Cash flow from operations was $826,000, representing a $3 million improvement year-over-year and our first year ever with positive cash flow from operations.

We ended Fiscal 2020 with just over $90 million in cash on the balance sheet.

We had $20 million of outstanding borrowings under our credit facility, and we have a $25 million revolving line of credit, which is undrawn.

We're extremely proud of our entire team for delivering these results and we would like to particularly acknowledge our Provider and Life Sciences sales team and our implementation teams for their strong push into the end of the fiscal year.

There is additional detail in our fiscal fourth quarter and full year 2020 results in our earnings press release and Form 10-K, and we encourage you to review them and follow-up with any questions.

I will now turn the call back over to Chaim.

Chaim Indig

Thank you, Tom.

Now, turning to the current state of Phreesia in light of the ongoing pandemic and the related federal, state and local guidelines that are affecting all of us, we would like for you to come away from today's call with a

solid understanding of the following three topics: first, the current state of Phreesia's operations, including our team's overall health, safety and engagement; second, how we are currently engaging our clients; and third, how we are preparing for near-term uncertainty and long-term growth.

Let's start with the current state of our operations and team. The week of March 1, we restricted all non-essential travel and soon after that, employees in our New York City; Raleigh, North Carolina; and Ottawa, Ontario offices began working remotely.

We took steps to ensure our team had access to the required resources to adapt to professional and personal challenges associated with this transition, which is a significant undertaking across our Organization. I am very proud of our team's resilience during such a challenging time.

I'd like to acknowledge our Human Resources and IT Services team for making the transition as soon as possible for our entire team.

Moving on to how we are responding to our clients. Phreesia's mission is to create a better, more engaging healthcare experience. It has been amazing to watch our entire team embody our mission in mobilizing for our clients in the wake of the pandemic. Let me share a few specific examples.

Back in February, our provider clients began asking Phreesia to bring the same automation we bring to their patient intake process into their COVID-19 screening process in order to triage at-risk patients and avoid putting their office staff at risk of infection.

In February, we quickly deployed our COVID-19 screening module based on CDC guidelines. The module allows providers to identify patients with COVID-19 risk factors before they arrive for their appointment or upon arrival at their visit and alerts patients and staff to take appropriate actions based on patient responses. We've been updating the module as CDC guidelines change and have been able to change the screener multiple times per week across our client organization. We have screened 2.5 million patients on our COVID-19 screening module.

Many of our provider clients also began to talk to us about bringing the automation our platform delivers for in-person visits to virtual visits. A virtual visit is similar to an in-person visit, patients need to check in for virtual visit and Phreesia's platform collects patient information, processes payments and seamlessly integrates with most electronic health records and practice management systems.

In March, we introduced Phreesia Intake for Telehealth. Patients pre-register ahead of the visit using Phreesia mobile, which includes education about how the visit will work. Just before the appointment, patients receive specific instructions and information for the session, such as a link to enter the virtual waiting room. We work alongside many Telehealth vendors including Microsoft Teams, Zoom, Amwell, InTouch Health and Doxy.me. We have made the decision to include intake for Telehealth as part of our base registration offering at no additional cost to clients.

We are preparing for a future that is less reliant on the physical waiting room.

You can find additional information on all of our COVID-19 response initiatives and product offerings and sign-up for updates on the Phreesia website. I'd like to acknowledge our Product Management and Engineering and Marketing teams for their effort to bring these important offerings to our clients in a matter of just weeks.

Let me take a moment to highlight our new clients.

Memorial Health System, a non-profit health system serving Ohio and West Virginia. We went live with Memorial in November 2019 in seven of its locations. Over the past several months through the COVID-19 pandemic, we've accelerated our rollout of the Phreesia platform across the rest of Memorial's outpatient service site, provider clinics and hospitals. Approximately half of the rollout of Memorial will be completed virtually by our team.

The health system is leveraging Phreesia's now generally available bidirectional discreet integration with Meditech to capture demographic and payment information from patients during intake. The data is automatically sent to staff in real time so they can more fully understand the patient's individual status. Memorial is currently using Phreesia's COVID-19 Screening Module to screen patients for self-reported risk factors including symptoms and exposure. To date, Memorial Health System has screened roughly 19,000 patients.

To minimize exposure during in-patient visit, Memorial is using Phreesia's Zero-Contact Intake, which supports no waiting room workflows (phon), including mobile check-in from patient's homes or cars. That solution is live in two emergency department locations, one urgent care clinic and Memorial's clinic for patients with COVID-19. Memorial is also using Phreesia intake for Telehealth. Memorial is a good example of how Phreesia's continued to deliver for clients in this more challenging work environments.

Let me now address the pandemic's impact on Phreesia and how we are preparing for a lot of near-term uncertainty and long-term growth.

We believe the steps we're taking are the right thing to do for our clients, for our employees and for our investors. As we disclosed in our 8-K filed with the SEC on April 6, our business relies in part on the growth and success of our clients, and certain revenues are driven by patient engagement. If the number of patient visits to our provider client locations decline, it will reduce our subscription related services, payment processing and life sciences revenue streams.

For the week ending March 28, 2020, we just provide our clients' experience of 55% decline in-patient visits compared to the week ending March 7, 2020, as nonessential elective visits were canceled or rescheduled. The decline will directly impact our patient payment processing and life sciences revenue for the fiscal quarter ending April 30, 2020. The future impact of COVID-19 on patient visit trends is difficult to predict, but we believe that patient visits could continue to slow during the pandemic.

Despite the decline in total patient visit, Phreesia's provider clients are experiencing a significant increase in Telehealth visits as providers increasingly shift away from in-person visits and towards virtual care. We believe our intake for Telehealth offering is helping our clients engage with the patients virtually for certain non-urgent, non-procedure-oriented visit.

Our subscription and related services revenue will be negatively impacted by current travel restrictions and our provider office closures in the wake of COVID-19, because of disruptions to sales processes, client implementations and the loss of clients.

At this time, we cannot predict the extent to which COVID-19 will negatively impact our business as the situation remains in flux. Many of our investors have asked us how we are positioning ourselves for the long term. Evan and I have led Phreesia for 15 years through several economic cycles. Tom has seen even more cycles as a CFO over the course of his career. Here are the priorities we are focused on:

First, take care of our team. We believe it's important to support our employees' health and welfare to the best of our abilities.

Second, maintain a solid liquidity position. We are comfortable navigating the current environment with our current balance sheets.

Third, maintain our critical value to clients. Making our coronavirus screener, Zero-Contact Intake and Intake for Telehealth widely and rapidly available are examples of how we are delivering value for our clients.

Before we move on to questions, I'd like to address our current view on guidance for our Fiscal 2021 ending January 31, 2021.

We do not know how long federal, state and local guidelines and restrictions related to the pandemic will stay in place. Our clients are currently restricted from seeing patients for elective treatments, but the impact on visits from new guidelines has extended beyond elective treatment. Once restrictions begin to loosen and be removed, we do not know what the pace of recovery will be. For these reasons, we will not be providing guidance for Fiscal 2021.

That concludes our pre-prepared remarks. Operator, we can now open-up the call for questions.

Operator

Thank you. At this time, we will be conducting our question-and-answer session. In order to ask a question, please press star, then the number one on your telephone keypad. In order to allow for as many questions as possible, we ask that you please limit your questions to one question with one related follow-up.

Your first question comes from the line of Anne Samuel with JPMorgan. Anne, your line is open.

Anne Samuel

Hi, guys. Thanks so much for all of the really helpful color. I was hoping you could maybe speak to what you're seeing in the software business around selling, are decisions still being made, are you having to sell differently in this environment, what's going on there?

Chaim Indig

Hey, Anne. Thanks for the question. We have been able to do some selling. But I must say the entire market has been impacted. It's impacted sales through our current clients. It's impacted sales to our prospects. That being said, we have been able to convert some of those opportunities. What we've really focused our sales team on in the near term though is really helping our clients and educating them around COVID-19 screener and Intake for Telehealth, and our zero-contact workflow applications and frankly, what we've seen is that, and we continue to believe, is our sales organization is a huge strategic asset. That will remain a strategic asset once the country comes out of this.

Anne Samuel

That's really helpful. Then obviously, it's really difficult at this point to predict what the recovery is going to look like. But are you expecting to see some pent-up demand within your practices once they start reopening, and maybe expect to see kind of on a rolling regional basis? How are your providers preparing for that pent-up demand if they're expecting it?

Chaim Indig

So that was like three questions, Anne, that was... Do you mind repeating that, just so I can get them all down. I don't have Balaji sitting right next to me—

Anne Samuel

Sure, yes, I mean, it's really just...

Chaim Indig

—to write it all out and tell me what to say.

Anne Samuel

Are you expecting pent-up demand from procedures that are being deferred and how are your providers preparing to address that?

Chaim Indig

First, I'll say, I'm not an epidemiologist nor do I have a crystal ball, and if I did, I'd probably be doing a lot better things with that crystal ball. But what I will say is I think that—and I'm going to defer quickly, after I answer the question, to David Linetsky, who is on the line. I think that, people go to the doctor's office and visit their doctors, because they need to, right. They need their wellness visits. They need to get their cancers treated. They need to understand why they have a weird lesion growing on their skin.

My general belief is, we don't go to doctor's office as a society because it's a fun thing to do; we go because we need to and these doctors want to treat their patients. So we've been working closely with them, so they could turn back on their offices, while keeping themselves, their staff and their patients safe in a zero-contact workflow.

I do believe the workflow of the practice is going to change within the near and long term, because people want to limit the amount of unnecessary contact that their patients have. And we've been building product and deploying it to allow that to happen, because even today, those physicians and their staff, they're seeing patients that can't wait, and I'm really proud to be able to partner with them.

On that, I do think it's going to lead... And we released right before, I think it's out at midnight tonight or midnight last night, a paper with the Commonwealth Fund and Harvard University, we coauthored. What we did is we used visit-data from the Phreesia platform and that paper is now available on our website and it includes detailed patient visit trends through April.

I wanted to introduce David Linetsky, our SVP of Life Sciences, to join today's call, because he is the coauthor of the paper, and his team worked closely with the Commonwealth Fund and Harvard teams to publish the paper. We really wanted to contribute Phreesia's network data to the research publication in order to support and advocate for our clients and our patients. So I'll sort of defer any questions around trends that we're seeing and provider practices to David in that point.

Anne Samuel

Great. Thanks very much.

Chaim Indig

Did I answer your question?

Anne Samuel

You did. Thank you.

Chaim Indig

Thanks, Anne. I hope you're healthy and safe. Great.

Anne Samuel

I am. Thank you. You as well.

Operator

Your next question comes from the line of Ryan Daniels with William Blair. Ryan, your line is open.

Ryan Daniels

Yes. Thanks for the details and I hope you guys are all doing well. Chaim, a question for you on the core business, if we think about the move to Telehealth, what's the like-for-like revenue capture for one of those visits versus a typical office visit?

Chaim Indig

Thanks, Ryan. It's a great question. So today, an office-based visit is still, I think for most payers, and even on a non-ex (phon) what the team has educated me about and what our providers have educated us about. Right now most of our providers, especially with Medicare and a lot of the forward-thinking plans, are allowed to get reimbursed for like-for-like in office visits. That being said, a large portion of providers, especially in the specialty space, their revenue comes from procedures and other ancillary services. Obviously, most of those services cannot be done or provided over Telehealth. So you're able to see visit volumes at a certain level. Visit charges are often comparable. But the ancillary services, I think that will be impacted with Telehealth.

Ryan Daniels

Okay. That's helpful. Then maybe a more philosophical question, as you think about your product offering going forward, I know there are some challenges in the sales environment with travel restrictions and a focus on COVID-19. But as offices think about preparing to reopen and what consumers will want to see before they're comfortable going in, it seems like the virtual waiting-room, the ability to check-in in your car and wait to say, hey, come in and go into room eight immediately versus sitting in a waiting room with a bunch of sick people is going to be very attractive.

I'm curious, internally, what you think this could do as a potential silver lining longer term for the growth in your business in client additions. Thank you.

Chaim Indig

I want to be really careful, because I don't think there is any silver lining to a pandemic other than hopefully bringing our country closer together and making everyone know that the impact that healthcare workers are having on our society and how necessary they are.

I would say that the traditional waiting room as we've known it is not going to exist for some time. I don't think people want to sit in a waiting room with other potentially sick people. I don't think providers want that and I also don't think that they want to put their staff at risk with unnecessary exposure. I think that we

are in a unique position to provide solutions to keep staff, patients and providers safe. And to us that was where we prioritize all of our resources: how do we make sure that we continue to allow doctors to treat their patients and staff to be able to be employed in that environment?

If we could keep doing the right thing over and over again, this is a company that I think a lot of people will continue to be excited to be part of, and most importantly, me and everyone else. So it's really nice that we've been able to do our part, and where possible we're always talking with our providers and understanding how we could just continuously improve, whether that's on the product or whether that's with implementation.

Operator

Your next question comes from the line of Sean Wieland with Piper Sandler. Sean, your line is open.

Sean Wieland

Thank you. Good morning. On the adoption of Intake for Telehealth, can you give us a sense of what percentage of your client-base has adopted this so far, how many will adopt it, and what specialties are most receptive in your view to transitioning to Telehealth?

Chaim Indig

Sean, I think that's a great question. I think I understood, which is sort of what type of adoption are we seeing in Telehealth, is that correct, that's what's you're looking?

Sean Wieland

Well, yes, I mean, specifically of your intake, but I'm trying to get a sense of where are the pockets within specialties that seem to be quite receptive to transitioning their business to Telehealth.

Chaim Indig

What I'll do is I'm going to pass that over to David. I think he'll give some visibility based on the data we published, which should provide some color to that. And I think that—we're seeing it broadly. What I will say is I think we are seeing it broadly adopted. But, David, do you want to jump in and answer?

David Linetsky

Sure, Sean, good question. The report we published along with Harvard and Commonwealth Fund does highlight the really rapid uptake of Telehealth. We're now seeing about 30% of all visit volume transition over to Telehealth, which has been really impressive. We did not specifically report on uptake within certain specialties, although we are planning on doing a follow-up report about that. I think that it's safe to say we certainly do see a lot of variability between different specialties. Some have had a very easy time transitioning. As an example, behavioral health was just a natural transition in many ways to that virtual model, whereas other procedure-based specialties are going to have a tougher time transitioning their business over. They were able to do consultations, but obviously procedures can't be done that way.

Sean Wieland

All right. I have not had a chance to go through that report that was published late last night. But maybe can

you call out some of the key findings that are in that report?

David Linetsky

Yes. Absolutely. Overall, what we were talking about was the really rapid drop in visit volumes that all the practices in our network, and I think all practices nationally, experienced in mid-March. Immediately following the declaration of a national emergency, we started to see practices cancel all non-essential visits. In appointments we saw, starting on or about March 15 and for the next two weeks, really rapid declines in visit volume: we saw those drop by about 55%. But over the last few weeks since, say, the week of March 22 through last week, those visit volumes have stayed low, but those declines have stopped. So they can relatively stable for the last few weeks of those lower levels. That was really the main finding.

We found that that same pattern in declines in visits was mirrored across the country in all regions, although the declines were greatest in New England and the Mid-Atlantic states, which I don't think will be surprising to anybody. We also saw that the number of in-office visits dropped even more steeply. They got down to nearly 70% decline. That delta there was really made up for in the adoption of Telehealth, which brought overall visits down to about 55%, as we had disclosed a couple of weeks ago.

Again, we saw a very, very rapid uptake of Telehealth. If you look back at the beginning of March, virtually none of our visits were via Telehealth, less than 1%; and starting on about March 15, over the next two weeks we saw incredibly rapid growth there. We're now running at—about 30% of our visit volume is happening through some sort of Telehealth platform. Again that those declines in visit volume, we also reported on those across various specialties and the declines were generally larger among the surgical and procedural specialties, and smaller and other specialties like primary care and OB-GYN oncology and behavioral health. But some that were really severely impacted, ophthalmology, otolaryngology and dermatology, we saw very steep declines in visit volume.

Sean Wieland

Super helpful. Thanks for that—

David Linetsky

(Multiple speakers)—no problem.

Sean Wieland

Yes. Thank you.

Operator

Your next question comes from the line of Jamie Stockton with Wells Fargo. Jamie, your line is open.

Jamie Stockton

Thanks. Good morning. I guess maybe my first question, this is a little bit of a follow-up to what Sean was asking. But if we think about the 55% decline in visits, including some benefit from higher Telehealth visits, is there a way to bucket that between elective procedures have been put on hold and as a result of that their visits that are not happening that once elective procedures start to back up should start to happen again, versus people just not wanting to go to a doctor's office because they don't want to risk getting infected by

someone else who might be there because they have COVID-19?

I guess, I sense that a number of states will start to green light elective procedures at some point in the next, let's say, month or so. But maybe that won't completely change people's behavior around more discretionary visits. Is there a way for us to think about how to bucket that 55%?

Chaim Indig

I'll let David sort of answer some of the color on that where we can.

David Linetsky

Jamie, that's a really good question. I think it's very difficult to tease apart those factors right now. We know for sure that both are contributing. Non-essential visits, we saw mass cancellation of those visits by many practices. We know also that patients are trying to social distance, are trying to stay home, and are not necessarily wanting to go to the doctor's office if they don't need to. So there's certainly a combination of both. In this report that we published we did not do that type of analysis, and I think that would be a difficult one to do quantitatively. It's something that we'll certainly take as a follow-up.

But we—anecdotally, we have heard from many of our clients, and I worked very closely with Dr. Hilary Hatch here, and I know that she has done tremendous amount of outreach to our practices and what she has been hearing both from primary care practices and from specialty care practices is that they are really, really serious about treating their patients. They want to be treating as many patients as possible, and they really look forward to being able to do that again and so they are thinking about how they will fill their schedules as quickly as possible. How they can do active outreach to patients that are in need of care, chronically ill patients that have been skipping care during the pandemic as well as people that deferred elective procedures. So they are really thinking about how to come out of this as quickly as possible when conditions on the ground allow for it.

Jamie Stockton

Okay. Then maybe my other question, just on the life sciences business. Historically, my understanding is you guys haven't, let's say, used all of your intake encounters to conduct a campaign. So while you've seen a huge decline in the number of encounters, potentially you could be increasing the percentage of encounters that involved some sort of campaign, or at least that's my sense. Can you just talk about that dynamic? Should we think about the life sciences business as being directly impacted by the decline in visit volume? Or is there some mitigating factor which is that maybe historically you haven't been using every single encounter as an opportunity to do a campaign? That'd be great.

David Linetsky

Yes. Excellent question.

Chaim Indig

Yes. I'll let David to answer.

David Linetsky

Yes. That's a great question. I think the answer is yes. We certainly are impacted by a decreased number of

visits. We are very, very thoughtful about how we engage with patients, so the most important thing for us is to always be delivering the most relevant and impactful content to a patient to make sure that we are driving a positive outcome. We continue to focus on that. One of the things that has been really incredible to watch over these last few weeks is how well our patient engagement platform has adapted to the new ways of working to these new workflows. As Chaim mentioned, all of those tasks that have to happen in advance of the visit are the same, whether that visit is a virtual visit via telemedicine or whether it is an in-person visit, and our ability to engage patients for either type of visit is the same. So we've been really effective in that environment, which has been nice.

In terms of using a higher percentage of our patients, I think we continue to stick to what we think are the right criteria for every single campaign and to deliver the most relevant patients. And in some instances, where we are not using all of available patients that need those criteria, we're able to adjust pacing accordingly.

Jamie Stockton

Okay. Thank you.

Operator

Your next question comes from the line of Matthew Gillmor with Baird. Matthew, your line is open.

Matthew Gillmor

Hey, thanks for the question. I wanted to ask about the implementation processes and whatever backlog may have been created by the pandemic. It sounds like you had a good selling season in the fourth quarter, and I guess, I presume implementations have been put on hold. So can you give us some sense for sort of what got implemented in the fourth quarter versus what's on hold and hopefully will get implemented later this year?

Chaim Indig

That's a great question, Matt. I would not say our implementations have been put on hold. I think certain implementations have, either because the practice is in the middle of dealing with the pandemic or they don't have the resources available because they've had to furlough some of those resources and this just can't be done at this point. But we also have other implementations where we've done virtual implementations, and the team has—Memorial is a great example of that, where we actually sped up a lot of the implementation remotely, and more than half of the implementation was done without our people on the ground and they work hand-in-hand with the team at Memorial to accelerate it to get it in place more broadly faster. So I think we've seen both some acceleration and we've seen some slowdown.

Net-net, I would say, the team has just—our organization that does our implementations and everyone supports them just done a phenomenal job at just being wildly and readily available. I know of some of the teams that, to just fit into schedules they were pulling overnights to make sure that they were able to support our clients to get them live, keep their practices safe. So it's just been amazing to watch, and I'm really thankful.

Matthew Gillmor

Got it. Then follow-up on Intake for Telehealth. I'm just trying to understand how differentiated that would

be in this environment. So if you're not using a Phreesia intake process for Telehealth, what would those practices be doing and is that sort of more cumbersome versus the traditional in-person intake process?

Chaim Indig

I think, what we're seeing isn't just cumbersome. We're seeing higher no-show rates when they don't use us tied to their Telehealth. That's anecdotal, what we're hearing early on because it obviously is pretty quick turnaround on it. We're seeing a lot more manual work at a significant level, and we're seeing a lot less data and information, and frankly, patient responsibility captured. So it's sort of across the board in all the buckets and a lot of the work in the short term is also just being transferred to the providers, who are just typing it in because they just didn't have a lot of it.

What we're seeing is that all those things that have to happen in-person still have to happen out of the office, right. You still need consents. You still need your information updated. You still need your co-pays collected. You still need your clinical histories done, and you still need to remind people to show up and give them instructions what to do when they do show up. So the choice is either throw bodies at it, skip doing it or use Phreesia. That's generally the way we've seen it. And also, it's a platform that our providers know and are comfortable with, and it gives them scale in automation. It's been really helpful. We got 1.2 million people doing it.

Matthew Gillmor

Okay. Great. Thanks a lot.

Operator

Your next question comes from the line of Donald Hooker with KeyBanc. Donald, your line is open.

Donald Hooker

Great. Thank you. Good morning. I hope everyone is well. In terms of—when I think about your P&L and your capital spending, you have plenty of balance sheet liquidity, of course. But can you give us a sense as to kind of the different line items, what's discretionary? What's not? How much sort of flex you have, I guess, at some level, everything's of variable cost? But kind of what kind of actions you can take if things get a lot worse or if things don't get worse, or what actions have you taken sort of across the P&L and cap ex line?

Chaim Indig

I'll let Tom jump in and talk about that.

Tom Altier

Yes. We've got a significant amount of flexibility in the P&L, pretty much up and down the income statement with the exception possibly of payment processing revenue, which is directly tied—payment processing expenses directly tied to our payment processing revenue. But sales and marketing, implementation, development, all can flex as the situation develops here. And also on the cap ex side with pads, we've got some flexibility there as well.

Chaim Indig

And let me...

Tom Altier

As you said, plenty of capital.

Chaim Indig

Let me be clear. Tom and I have been through multiple cycles. I've been running Phreesia with Evan for 15 years and we've definitely lived through more than one cycle, and Tom in his time as CFO, has been through many, many cycles. So from our standpoint, we think we've started already taking the necessary appropriate actions around hiring, where we've frozen all noncritical roles in the near-term and we're really taking a hard stance on what are the necessary expenditures just in the near-term.

Donald Hooker

Super. Thanks for that discussion. Then maybe one other sort of different question. I hear a lot of anecdotes in the press of sort of pretty substantial financial hardships by physician practices all around the country. What are you seeing in terms of maybe physician practices closing or looking to be acquired by larger health systems? Are you seeing any sort of pressure on your price points? Are there needs for maybe some temporary concessions or how are you managing some of the struggles that I'm certainly hearing about among physician groups?

Chaim Indig

So first and foremost, I do think physician groups and health systems across the country are struggling and it's not limited to any one type or size or region. We're seeing large health systems being materially impacted all the way through to the (Inaudible) practice that serves underserved communities. So first off, we're trying to work with them where possible and offer a deferral program, broadly speaking, across all of our client base. We think that that's just important and frankly, the right thing to do. Where necessary, we're having to do forgiveness to just make sure that they're able to keep seeing patients, which is a priority. But I don't think anyone that we're talking to is talking about throwing in the towel. I think what their number one priority is, is how do they serve their patients in this really challenging environment. I don't think that—I also don't think that the health systems are saying, hey, we're doing great either. So this is broadly across the board.

Donald Hooker

Yes. That's fair. Thank you for that.

Chaim Indig

Okay.

Operator

Your next question comes from the line of John Ransom with Raymond James. John, your line is open.

John Ransom

Hi, good morning, everybody. I hope everyone is well. My question is if you look at the doctors who have a subscription model versus a per-visit model, they're probably holding in a little better, and I'm thinking mostly of concierge type physicians. Do you see any risk with your user base, at least on the primary care side, moving more to subscription base type pricing and cutting out some of what you guys are able to add? Or do you think that, that really doesn't change in all this?

Chaim Indig

John, that's a really interesting question. I don't see anyone talking about changing their business model, right now. I think what was working before is still generally working. What they really want to do is just get back to treating their patients in a scalable, meaningful way. We aren't hearing anyone, at least I'm not, saying that they're interested in changing their business model. I think those that are doing concierge are probably just as worried about the longer-term economic impact of large scale unemployment, which could happen.

John Ransom

Right. A couple of other ones. This is where I ask you to play Nostradamus, and it's okay to take a pass. If somebody put a gun to your head and said, okay, when things normalize or sometime in 2021 and things are normalized, what would you guess the percent of visits would permanently shift to a Telehealth type of situation versus returning to an office? Do you have a guess?

Chaim Indig

You're going to make me advocate for gun control there. I don't want to (inaudible).

I think that what—I don't know what the answer is in terms of what are the material—like how much visit volume are we going to see in Telehealth? But I know it's here to stay, broadly speaking, and not just from niche provider. I think what we're seeing and hearing from providers is, this is now here to stay, and a portion of our patient flow can now be seen this way. What the big question marks are what is reimbursement is going to look like outside of this crisis, what are license levels going to be, what license levels and state regulations are going to be allowed post-crisis? What type of visits post-crisis will be better served with Telehealth versus not? What's really interesting about this is we're getting massive public health data that basically says, does this work or does it not work in large scale? So I think a lot of—can you do a wellness visit well this way or can you do a check-up visit? Can you do a pre-surgical screen this way? I think we're going to end up finding out a lot of information because of this, which hopefully will benefit our society as a whole and be able to provide more effective care where people need it, at a cost-effective manner.

But I think of Telehealth as opening up a satellite location to serve more patients, right. So it's just amazing that for years, people used to tell me that providers don't embrace technology and they are. What I believe very strongly is that providers will embrace things that help them help their patients. And what this study that we put out with Harvard and the Commonwealth Fund has shown is that that rings true. Providers will embrace technology very quickly, if they believe it will help them treat their patients most effectively. It really is wonderful to see.

John Ransom

Sure. My last question for you is, perfect world, if a 100% of your revenue was software license versus the

payment, the innovative payment model you've built, in theory, you'd have a more resilient revenue stream. Is this something you guys are thinking about? Maybe in the future we tilt the economics a little bit more to the permanent software license and maybe a little less toward the payment? Or do you think the current structure will survive intact?

Chaim Indig

I'm not prepared to change our business model because of a pandemic. I hope we as a nation learn to better prepare and manage, through this. But I would also say that people are broadly seeing that just because you have subscription dollars doesn't mean that you always receive them, like there is a lot of SaaS businesses that sell to the restaurant industry where it's a subscription and they're just not getting paid.

Right, so, I think having some level of flexibility also aligns us well with our clients and that's an important thing.

John Ransom

Right. Okay. Thanks so much.

Chaim Indig

Payment is frankly very stable, so...

John Ransom

Well, it's just interesting. I mean, obviously, nobody's pro-forma has ever contemplated 50% to 70% declines in volume, so it's not something—the word black swan is not even beginning to describe the level—nobody ever saw something like this coming.

From our standpoint, just the survivability and getting to the other side of the chasm is really just the key question. So...

Chaim Indig

Yes, I like to think about this not as a black swan, but a black lake, we're in a black lake right now.

John Ransom

Sounds a lot bigger. All right, thanks so much.

Chaim Indig

Cheers.

Operator

Your next question comes from the line of Stephanie Davis Demko with SVB. Stephanie, your line is open.

Stephanie Davis Demko

Hey, guys. Thank you for taking my question. Just given many of the Telehealth platforms like Amwell have their own embedded payment tech, is the revenue model for the Telehealth product any different in your core solution? And how should we think about the revenue streams in comparison?

Chaim Indig

We have a fair number of clients running us in conjunction with Amwell and integrated to it. So we think about it very similarly, just like a lot of EMRs often have payment integrations to them, we still often, more often than not win the payments business for that.

I just think of this as just at some level of overlap. But, generally speaking, it's been fairly consistent across the border.

Stephanie Davis Demko

Got it. Then with that in mind and in light of the Commonwealth Fund publication, is that marginal visit volume recovery in April reflecting greater usage of Telehealth or would that all be upside from that down 50% trend as your patient shift to Intake for Telehealth?

Tom Altier

Stephanie, that's a great question. I think that it's a little early to point to single 1% or 2% changes over the last couple of weeks and call it, a move towards recovery. I think some of that could be statistical noise. We have seen those be relatively stable. I think in-office visits and Telehealth will both ultimately when—if and when recovery happens, they'll both contribute. It's hard to say in advance which will be the driving factor first.

But certainly, we have seen that, in offices would have dropped much more significantly than overall visits so Telehealth has really helped bridge that gap.

Stephanie Davis Demko

Understood. Thank you, guys.

Operator

Your next question comes from the line of Sean Dodge with RBC Capital Markets. Sean, your line is open.

Sean Dodge

Thanks. Good morning. Maybe going back to the implementation for a moment, Chaim, you mentioned with Memorial being able to accelerate the rollout there using more virtual processes, what was it about Memorial that allowed you to accelerate there and not others? Is it just up to the—is it the willingness and resources of the specific clients or is there something else mechanically or, I don't know, physically constraining other sites or other practices to kind of continue their rollouts over the course of this?

Chaim Indig

That's a great question. It's mostly tied to the capacity willingness and general needs of the client themselves. We also prioritize any organizations that were going to be receiving frontline COVID patients. So we prioritize in our implementation any of the COVID screening sites above anyone else. We prioritize sort of CAR screening above other types of screenings with the whole thesis is, if you do ride and take care the providers and their staff and the patients, that's always the right Northern Star. So that's how we thought about that and that's how we'll continue to think through it. But Memorial made a point of making this a Tier 1 priority and we supported them through that. We will support all of our clients that Memorial is just a good example and they reached out wanting to talk about what they did with us to help other organizations.

Sean Dodge

Okay. That's helpful. Then on the hardware, the pads and kiosks you put into the clinics, your supply chains for all that, I'd imagine, it'd be some of the components that go into are source from some of the geographies affected by all this, has there been any disruption in supply chain, how much inventory you have on hand, is there any reason to be concerned there at all?

Chaim Indig

We were watching those levels pretty closely at the beginning of the year. We try to keep some—couple of months of buffer at a minimum. In the U.S. at our manufacturing facility of all of our components we did have to use some work grounds, but today we feel pretty comfortable with it. But I also say that frankly we see use of the hardware going down, right.

We think over time this is accelerating the move to mobile at a much faster rate than we would have even predicted, and the use of hardware diminishing even more so. I think that's also driven for the—less of an issue on supply chain.

Sean Dodge

Okay. Thank you again.

Operator

At this time, we have time for one last question.

Your final question comes from the line of Sean Wieland with Piper Sandler. Sean, your line is open.

Sean Wieland

Hi, thanks for squeezing in the follow-up. So I understand we're uncertain about the full year and the lack of guidance, that makes sense. But with a week left in the quarter, is there anything you can tell us to get us to be a bit more precise on our Q1 estimates?

Chaim Indig

I'm trying to think—I wish Balaji was in the room, Sean. I do, I think you're awesome. Balaji, can't unmute himself fast enough.

Balaji Gandhi

I did un-mute myself and Sean, the good news is we report our first quarter results is right around the corner, so...

Sean Wieland

So, stay tuned, got it. Thanks for the—

Chaim Indig

Sean, I will say that, looking at the data, you can sort of see when it started to impact us and that's why we also try to publish the information, just so we could give as much visibility also to all of our stakeholders while advocating aggressively for our providers and their patients.

Sean Wieland

Okay. Thank you very much.

Chaim Indig

Cheers. Now, be safe.

On that note, I'd like to thank everyone for their support, and I hope everyone and their family stays healthy and tries to get through this period of time as best as possible. Thank you very much, and thinking about everyone. Cheers.

Operator

Ladies and gentlemen, this concludes today's conference call. On behalf of Phreesia, thank you for participating. You may now disconnect.