2026 Outlook:

Telemedicine Industry

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Introduction

What began as a pandemic-era stopgap has matured into a permanent fixture of the American healthcare delivery system. The telemedicine industry has undergone a dramatic transformation since 2020, moving from emergency improvisation to deliberate, permanent integration into care delivery models across many clinical specialties. According to one market analysis, as of 2026, the global telemedicine market is valued at approximately $124 billion and is projected to surpass $441 billion by 2034, growing at a compound annual growth rate of more than 17 percent.[1]

This article provides an updated overview of the telemedicine industry, examines the key drivers shaping its current trajectory, reviews recent market and transaction activity, and discusses the valuation considerations relevant to telemedicine service arrangements, businesses, intellectual property, and capital assets.

1 Fortune Business Insights, "AI in Telehealth & Telemedicine Market Size, Share, Growth," 2026.

Background

Telemedicine is a broad term encompassing the use of technology to deliver healthcare services remotely, including clinical care, patient monitoring, health education, and administrative functions. Telemedicine, a subset of telehealth, refers specifically to the remote delivery of medical professional services via electronic communication systems. What was once primarily a tool for bridging geographic gaps in rural healthcare has evolved into a mainstream care delivery model adopted across urban, suburban, and rural settings alike.

The COVID-19 pandemic served as an unprecedented catalyst for telemedicine adoption. Regulatory barriers that had constrained the industry for decades were lifted virtually overnight, and utilization surged across many specialties. More than 28 million Medicare beneficiaries used telehealth services during the first full year of expanded access, particularly for behavioral health and primary care.[2]

As the public health emergency receded, the critical question facing the industry was whether the infrastructure, reimbursement frameworks, and clinical workflows built around it would endure.

The answer, by 2026, is largely known. Patients have embraced virtual care for its convenience, providers have integrated it into their practice workflows, and both public and private payors have moved to make significant portions of expanded telemedicine coverage permanent.

The industry has also matured considerably in terms of technology, moving well beyond the basic video-visit platforms that defined the early pandemic era. Artificial intelligence (AI), wearable diagnostics, remote physiologic monitoring, and ambient clinical documentation tools have transformed telemedicine from a simple communication channel into an intelligent, data-rich care environment.

Outlook

Several powerful structural forces are expected to sustain and accelerate telemedicine adoption through the remainder of the decade. Chief among them are a shortage of physicians, the growing burden of chronic disease, and the rapid integration of artificial intelligence into virtual care platforms.

The physician supply gap in the United States continues to be of concern. The Association of American Medical Colleges (AAMC) projects a total physician shortfall of between 13,500 and 86,000 by 2036, with both primary care and non-primary care specialties being impacted.[3] The shortage is driven by a large cohort of practicing physicians approaching retirement age, medical school training pipelines that cannot keep pace with population growth, and rates of burnout that are accelerating departures from the workforce.

Telemedicine offers meaningful mitigation across several dimensions of this challenge. Virtual care enables physicians to see more patients per day by eliminating travel time and streamlining visit workflows. Similarly, remote patient monitoring reduces the frequency of in-person follow-up visits for patients with stable chronic conditions, allowing providers to allocate appointment capacity to more complex cases. Telemedicine also expands the geographic reach of specialty providers, allowing nationally recognized specialists to consult at rural or underserved facilities without the burden of travel.

Compounding the physician shortage is the accelerating prevalence of chronic disease. The Centers for Disease Control and Prevention (CDC) estimates that approximately three in four American adults currently live with at least one chronic condition, and more than half have two or more.[4] Chronic disease management is a natural fit for telemedicine since conditions such as diabetes, hypertension, heart failure, and COPD require frequent monitoring and regular provider contact, much of which does not require a physical examination.

Perhaps the most significant development shaping the industry's near-term trajectory is the integration of AI across every layer of the telemedicine stack. AI is being deployed for patient triage and symptom assessment, clinical

2 American Medical Association, "Medicare telehealth coverage renewed for two years," February 2026.
3 Association of American Medical Colleges (AAMC), "The Complexities of Physician Supply and Demand," 2024.
4 Centers for Disease Control and Prevention (CDC), "About Chronic Diseases," 2026.

documentation, diagnostic imaging analysis, chronic disease prediction, and administrative workflow automation. According to an American Medical Association survey released in 2026, the share of physicians using AI in their practice jumped from 38 percent in 2023 to 81 percent in 2026.[5] The AI in telemedicine market itself is projected to grow from approximately $5.6 billion in 2026 to over $32 billion by 2034.[6]

Increasingly prevalent, the wearable device and remote monitoring ecosystem has also reached an inflection point. Consumer-grade wearables capable of tracking heart rate, blood oxygen saturation, ECG, sleep patterns, and physical activity are now ubiquitous, and clinical-grade remote monitoring devices are increasingly being deployed for home-based management of complex conditions. The integration of these data streams into telemedicine platforms and the application of AI to derive actionable clinical insights is creating a model of continuous, data-driven care that represents a fundamental departure from the episodic, appointment-centric model that has historically defined healthcare delivery.

Reimbursement and Regulatory Environment

The regulatory and reimbursement environment for telemedicine in 2026 reflects a healthcare system still working through the transition from emergency-era flexibility to permanent, sustainable policy. Significant progress has been made, but material uncertainties remain, particularly with respect to the long-term status of Medicare telemedicine flexibilities.

The most consequential recent development is the passage of the Consolidated Appropriations Act of 2026, which extended key Medicare telehealth flexibilities through December 31, 2027.[7] This two-year extension covers a broad range of provisions, including the elimination of geographic restrictions on originating sites for non-behavioral health services, the ability for Medicare patients to receive telemedicine from their homes, and the use of audio-only platforms for

certain service types. Several categories of telemedicine coverage have also been made permanent, including the removal of geographic and originating site restrictions for behavioral and mental health services, and the permanent elimination of frequency limitations on certain inpatient and nursing facility visits delivered via telemedicine.[8]

The CY 2026 Medicare Physician Fee Schedule Final Rule, effective January 1, 2026, introduced the first physician reimbursement rate increase in five years (approximately 3.77 percent for qualifying APM participants) and new Advanced Primary Care Management (APCM) add-on codes designed to support integrated virtual and in-person chronic care management.[9] On the prescription front, the Drug Enforcement Administration (DEA) has extended the COVID-era flexibilities permitting practitioners to prescribe Schedule II-V controlled substances via telemedicine through December 31, 2026.[10]

Despite these extensions, meaningful uncertainty persists. The telemedicine industry has now operated through multiple cycles of short-term extensions and near-lapses, including a disruptive 43-day lapse in Medicare telemedicine coverage during the 2025 government shutdown, that create planning challenges for providers, health systems, and investors. Until permanent policy is enacted, reimbursement uncertainty will remain a structural headwind for the industry, particularly for providers building telemedicine-centric business models on the assumption of continued Medicare coverage.

5 American Medical Association Survey, "AI Usage Among Doctors Doubles as Confidence in Technology Grows," March 2026.
6 Fortune Business Insights, "AI in Telehealth & Telemedicine Market Size, Share, Growth," 2026.
7 American Medical Association, "Feb. 6, 2026: National Advocacy Update," February 2026.
8 HHS Telemedicine.HHS.gov, "Telemedicine Policy Updates," February 2026.
9 Centers for Medicare & Medicaid Services, "Calendar Year 2026 Medicare Physician Fee Schedule Final Rule (CMS-1832-F)," October 2025
10 U.S. Drug Enforcement Administration, "DEA Extends Telemedicine Flexibilities to Ensure Continued Access to Care," December 2025.

Applications of Telemedicine

The range of medical conditions and situations that telemedicine can address has grown dramatically since the early days of the pandemic. By 2026, virtual care has become a routine part of how medicine is practiced across many specialties and care settings, and the tools available to deliver that care have become far more capable.

Telemedicine is generally delivered in three ways: live video visits, messages and images sent between patients and providers without a real-time connection, and remote patient monitoring, which uses connected devices to track a patient's health from home.

Each of these approaches is becoming more powerful. Live video visits now often use AI to help gather patient information before the appointment, automatically generate visit notes through ambient documentation tools, and connect directly with a patient's medical records. The store-and-forward approach, where images or data are sent ahead for a provider to review later, has become especially valuable in fields like dermatology, radiology, and ophthalmology, where AI tools can analyze images and help providers reach conclusions faster.

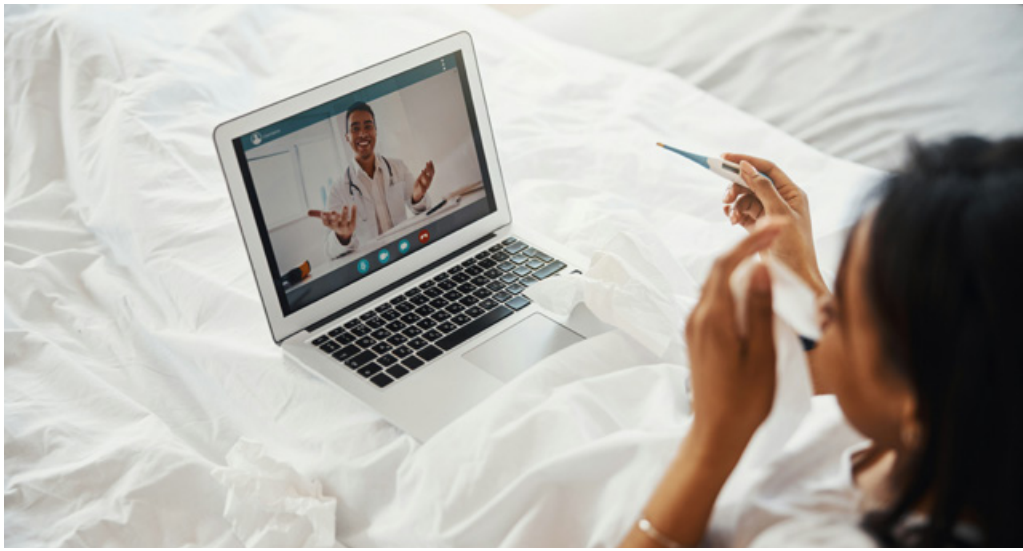
Mental and behavioral health has become one of the fastest-growing areas of telemedicine. Permanent changes to Medicare coverage, including the removal of location restrictions and the ability to conduct audio-only visits, have opened the door for far more patients to access care. Demand for mental health services remains high, and virtual behavioral health programs offered through employers have become a standard part of most large workplace benefits packages.

Hospital-at-home programs are another rapidly growing development. These programs allow patients who would previously have needed a hospital stay to recover at home instead, supported by video check-ins with their care team, remote patient monitoring devices, and periodic in-person visits from nurses. Meanwhile, ambient documentation tools that listen to patient visits and automatically write up clinical notes are significantly cutting the time physicians spend on paperwork, directly helping to address the burnout crisis facing the medical profession.

Transactions and Valuation Trends

The telemedicine transactions market has experienced a full cycle since 2020, from the euphoric 'pandemic premium' era of 2020 and 2021, through the sharp valuation reset of 2022 and 2023, and into the more disciplined, profitability-oriented market that characterizes 2024 and 2025. M&A activity rebounded meaningfully in 2024, with 53 transactions completed in the telemedicine sector (up from 42 in 2023) reflecting a return of buyer conviction, if not a return to the exuberant multiples of the pandemic peak. That momentum accelerated further in 2025, with 87 deals completed as large consolidators continued to reshape the landscape.[11]

The valuation landscape today looks strikingly different from 2020. At that time, pure-play telemedicine companies commanded TEV/Revenue multiples north of 10x on the strength of explosive growth narratives. Teladoc Health (NYSE: TDOC), the sector's bellwether, traded at a peak EV/Revenue multiple of approximately 35x, reached during the height of pandemic-era enthusiasm in 2020-2021. By 2024, that multiple had compressed to below 1x, which was a reflection of slowing revenue growth, persistent net losses, and substantial goodwill impairment charges.[12] The market has delivered a clear verdict: growth without a credible profitability pathway no longer commands a premium.



11 Drake Star Partners, "From Telemedicine to Fully Integrated Health Tech: Telemedicine Report Q4 2025," 2025.

12 GuruFocus, "Teladoc Health EV-to-Revenue," accessed 2026

Notwithstanding TDOC's challenges, the company has continued to invest in its platform through targeted acquisitions. In February 2025, Teladoc acquired Catapult Health, a virtual preventive care company, for $65 million, with the goal of funneling patients identified with early-stage chronic conditions into its disease management programs.[13] In April 2025, Teladoc acquired UpLift, a virtual mental health provider, for $30 million, primarily to enable BetterHelp customers to access insurance-covered mental health services and to expand its network of mental health professionals.[14]

The most significant strategic development in the broader digital health landscape has been Amazon's completion of its acquisition of One Medical[15] for approximately $3.9 billion, subsequently integrating its clinical capabilities with Amazon Pharmacy. In January 2026, Amazon One Medical introduced a Health AI assistant providing members with 24/7 personalized health guidance, lab result interpretation, appointment booking, and medication management.[16] The broader M&A market in 2025 is characterized by buyers underwriting profitability pathways, clinical outcome differentiation, and AI-enabled workflow leverage rather than top-line growth alone.

Telemedicine Arrangements

The full complement of healthcare laws and regulations applicable to traditional provider arrangements applies with equal force to telemedicine, which is a point underscored by a series of high-profile enforcement actions targeting telemedicine-related fraud. Providers and health systems entering into telemedicine arrangements must ensure that their compensation arrangements are consistent with fair market value (FMV) in order to satisfy the requirements of the Stark Law and Anti-Kickback Statute.

Through our service offerings, Stout has encountered a wide range of arrangements involving the exchange of cash or in-kind services for the professional medical services, equipment, software, and intellectual property of telemedicine providers. Common telemedicine arrangement types are outlined in **Figure 1**.

Figure 1: Common Telemedicine Arrangements

Type of Arrangement	Description
Telemedicine Services Arrangements	A professional services arrangement between healthcare facilities and providers to deliver patient care via telemedicine platforms.
Management Services Arrangements	Due to corporate practice of medicine regulations, telemedicine companies often adopt an MSO model and enter into management services agreements with physician groups. The physician practices compensate the telemedicine company (as an MSO) for management services.
Intellectual Property / Software Licensing Arrangements	Telemedicine platforms rely on proprietary technology and AI-powered software. Arrangements may include sublicensing of clinical decision-support tools, ambient documentation systems, and de-identified patient data used to train predictive models.
Equipment Lease Arrangements	Telemedicine carts, wearable diagnostic devices, and remote monitoring hardware are prevalent in hospital and home-based settings. Timeshare leases remain the most common structure.
Real Estate Arrangements	Timeshare leases remain the most common telemedicine real estate structure, enabling landlords and tenants to capture value from underutilized clinical space.
Data Licensing Arrangements	As AI companies and health systems seek de-identified patient datasets to develop predictive analytics, data licensing has emerged as a growing and distinct arrangement category requiring careful FMV analysis.

13 Healthcare Dive, "Teladoc to acquire virtual care company Catapult Health for $65M," February 2025.
14 Fierce Healthcare, "Teladoc Health acquires UpLift for $30M, doubling down on virtual mental health despite BetterHelp's struggles," April 2025.
15 Acquired in February 2023
16 CNBC, "Amazon launches AI health-care tool for One Medical members," January 21, 2026.

Management and Professional Services Arrangements

Physicians and other healthcare professionals delivering care via telemedicine retain the ability to refer patients to facilities and entities that compensate them for their services, creating the same referral relationship concerns that apply in traditional care settings. Hub-and-spoke telemedicine models remain prevalent and require careful FMV consideration given the bidirectional referral dynamic.

Benchmark data for telemedicine compensation has improved materially since 2020, though significant variability remains across service lines and care models. The proliferation of outcome-based and value-based compensation structures introduces additional complexity into FMV analyses, as traditional fee-for-service benchmarks may not fully capture the risk-sharing dimensions of these arrangements. Common compensation models for telemedicine service arrangements are outlined in **Figure 2**.

Software, Intellectual Property, and Capital Equipment

The intellectual property underlying telemedicine platforms has grown considerably more complex and valuable since 2020. Today's leading platforms incorporate proprietary clinical AI models, ambient documentation engines, population health analytics tools, EHR integration middleware, and remote monitoring device firmware, each of which may constitute a separately licensable or acquirable intellectual property asset.

Stout has observed a significant increase in IP licensing transactions between health systems and telemedicine companies, as well as a growing number of arrangements in which AI model development agreements and de-identified patient data licensing transactions are intertwined. When valuing telemedicine IP and software, Stout employs a Cost to Recreate New approach under the Asset/Cost framework, capturing both initial development investment and ongoing enhancement costs. The Income Approach, grounding value in projected future economic benefit, is particularly relevant when valuing a telemedicine company or a platform with meaningful contracted revenue.

With respect to capital equipment, the remote monitoring equipment ecosystem has expanded substantially. Connected blood pressure monitors, continuous glucose monitors, pulse oximeters, ECG patches, and wearable cardiac monitors are now routinely deployed as part of chronic disease management programs. The rapid pace of innovation in this space means that equipment obsolescence risk is a material consideration in any appraisal of telemedicine capital assets.

Figure 2: Common Compensation Models for Telemedicine Arrangements

Payment Mechanism	Brief Description	Common Modalities
Per Procedure Rate	A prospective payment is made for each telemedicine event. Multiple rates may apply depending on the service performed.	Teleradiology, telepsychiatry, telecardiology
Fixed Allowance	A fixed fee (e.g., monthly, quarterly, annually) is paid to secure telemedicine availability.	Low-volume service lines
Allowance Plus	In addition to a fixed availability fee, a payment is made for each telemedicine event.	Various service lines
Multi-Tier Allowance	A fixed fee is paid to secure availability and may increase or decrease depending on event volume according to a tiered schedule.	Various service lines
Multi-Tier Allowance with Overage	A regular fee secures a predetermined number of events. An additional payment is made for each event above the maximum.	Various service lines
Hourly Rate	An hourly payment is made for the services of each provider type (e.g., physician vs. mid-level).	Telepsychiatry
Per Bed Rate	A fixed payment is made for each bed under the care of the telemedicine provider.	eICU, remote monitoring
Outcome-Based / Value-Based	Compensation is tied to measurable patient outcomes, quality metrics, or total cost of care reductions, increasingly prevalent in value-based care arrangements.	RPM, chronic disease management

Summary

The telemedicine industry has traveled a remarkable distance since 2020, from a sector scrambling to meet an unprecedented surge in demand to one that is now woven into the fabric of how healthcare is organized, delivered, and reimbursed in the United States. The tailwinds driving growth remain intact and, in most cases, have strengthened.

The path forward is not without its challenges. Reimbursement policy remains unsettled at the federal level, with providers and investors navigating rolling short-term extensions rather than durable statutory authority. Valuation complexity has increased alongside the proliferation of AI-enabled services, data licensing arrangements, and outcome-based compensation structures. The market correction of the past several years has reminded participants that growth alone does not create value. Instead, clinical differentiation, operational discipline, and a credible path to profitability are the currency of the current environment.

Stout has the experience and expertise to render well-supported valuation opinions across the full spectrum of telemedicine assets and arrangements, including professional services agreements, management services organizations, software and intellectual property, remote monitoring equipment, and telemedicine company enterprise valuations.

ATA NEXUS 2026 Conference: Key Takeaways

In addition to the industry outlook summarized above, Keith Stenhouse, MHA, one of the authors of this article and a Vice President at Stout, recently attended the American Telemedicine Association's 30th Annual Conference, NEXUS 2026, held in Orlando, Florida. The following represent a few of the relevant key takeaways from that conference.

Direct-to-Consumer (DTC) Strategies Are Growing Amid Payor Adoption Lag

DTC telemedicine was a prominent theme. With traditional payor adoption still lagging for a number of virtual care services, health systems and digital health companies are increasingly turning to consumer-funded models as an alternative path forward. The sense from the conference was that the industry views DTC not as a workaround, but as a legitimate and growing part of the business model going forward.

Medicare Reimbursement Continuity Is Providing Health System Confidence

Health system leaders seem cautiously optimistic that Medicare reimbursement for telemedicine is here to stay. The 2026 extension of key telehealth flexibilities through December 2027 has given organizations enough stability to make real investments rather than just waiting to see what happens. That said, permanent statutory authority is still missing, and the reimbursement question is far from fully settled.

AI Integration Dominated the Program Agenda.

AI was everywhere, which was no surprise. What stood out was how much the conversation has matured. Instead of asking whether AI belongs in telemedicine, the discussion has moved to how to deploy it effectively and responsibly.

Scaling Sustainably, Not Just Growing, Is the Defining Challenge of the Current Era

The broader message from NEXUS 2026 was that telemedicine has entered a more mature phase. The focus has shifted from growth to sustainability, demonstrating real outcomes and building models that hold up financially over time.

The Federal Policy Landscape Is Evolving, With AI Regulation a Central Focus

A political roundtable on the regulatory environment was among the more notable discussions. The Trump administration's posture appears to be pro-expansion and pro-deregulation broadly, but with a recognition that AI in healthcare requires some guardrails where patient safety is involved. This will be something interesting to keep an eye on going forward.

Rural Access and Health Equity Remain High-Priority Policy and Operational Challenges

Rural access and health equity came up repeatedly. The industry clearly recognizes the gap between telemedicine's promise as an access equalizer and the harder reality of delivering care in under-resourced settings. Closing that gap will take more than technology. It requires payment reform, workforce investment, and infrastructure support that the industry alone cannot deliver.

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