



August 9, 2017

Letter to Net Medical Xpress Shareholders

Telemedicine in 2017 is taking a sharp turn upward increasingly impacting America's medical landscape.

Net Medical Xpress is a major beneficiary of this powerful dynamic and, frankly, it couldn't come at a better time for our company. Over the past decade, the market for radiology services, which has been our primary business segment, has become a saturated low margin commodity business. Pricing pressures have caused us to lose customers so we are aggressively redirecting our efforts to higher margin telemedicine related businesses.

As a result, near term over the next few quarters our top end revenue will be lower as we build our bottom line with stronger margins that will provide us with better returns from higher priced products. You will see the composite makeup of our activities rapidly shifting from a focus on teleradiology to multiple modalities and a growing partnership model serving the telemedicine market.

Our important partnership with the University of New Mexico (UNM) is expanding. Initially, we provided their hospital network with neurology and neuro surgery telemedicine services. Today we are working with the university's Center for Telehealth to enhance coverage in critical care and Child Ready, a pediatric emergency medical service for rural hospitals in New Mexico, Washington, Wyoming, Minnesota and Oklahoma designed to reduce child mortality. This is an important step in our being totally integrated by providing technology for many of UNM's telemedicine programs including cardiology, diabetes management, dermatology, burn care, psychiatry, palliative care, wound care, obstetrics and primary care for in-patients as well as ambulatory and clinical patients.

We are preparing to deploy new clinical software to provide reassurance to patients recovering from stroke and dealing with other neurological conditions. The goal is for a rural hospital's providers to be able to assure patients that a return trip to the emergency room may not be necessary after being discharged. Doctors will visit via telemedicine with patients as they recover at home. This is important medically for the patients and financially for the insurance companies and the hospitals.

Here's why it is so important. For one of our hospitals in Gallup, NM the transfer of a patient to a Level 1 trauma center is a minimum of two hours in any direction. The cost to a patient to be transferred is shared by insurance companies, state government and the patient. Out of a \$54,500 helicopter transportation cost, the patient is billed \$6,500. Elimination of just these kinds of transfer costs represents savings of millions of dollars. So far with our program, the transfer rate for hospitals in the program has dropped to 10% on average with 88% of the patients retained in the local facility, also helping the finances of the local hospital. Thus telemedicine is the only way for many rural hospitals like Gallup to retain their patients without the risk of closing their doors.

In 2014, UNM received a CMS (Center for Medicare and Medicaid) grant of \$15 million for a program called ACCESS (Access to Critical Cerebral Emergency Support Services). Net Medical was selected as the technical provider partner to install a network of low cost, high definition cameras and audiovisual conferencing equipment in emergency rooms throughout the state. The equipment allows UNM neurosurgeons and Net Medical neurologists to provide real time, face-to-face consultation via the Internet with doctors, patients and their families who live in areas traditionally lacking access to this level of specialized care. Net Medical is now on target to provide over 30 hospitals with neurological coverage through ACCESS and the Child Ready program.

At the annual ACCESS meeting with hospital administrators and personnel from around the state, hospital CEO Rod M. Schumacher of Eastern NM Medical Center told the group that in 2013 prior to telemedicine the transfer rate was close to 50% of the patients who needed to be transferred to a Level 1 trauma center like UNM Hospital in Albuquerque. With the implementation of ACCESS, the hospital was able to retain significantly more patients, positively impacting the patient, the families and the hospital's bottom line. With ACCESS, the number of neurological presentations has grown substantially, in part because the community now knows that the hospital can handle neurological emergencies. With the number of neurological cases approaching 500 a year, the transfer rate is down to 8%.

It is also gratifying to see that the life saving blood clot drug known as tPA has shown an increase in usage from 2% in New Mexico rural hospitals prior to the ACCESS program to 16%; well above the national average, thus saving hundreds of lives. Needless to say, Net Medical is proud to be part of this service with UNM.

Net Medical has now partnered with Medtech Global, Consova and Manage My Health USA in developing a national program for Nephrology. This program gets underway in October 2017 and is expected to reach 112 hospitals in multiple states. This multi-year program will be the largest project to date for this modality. Managed in Denver, the program will use our Telemed Building Blocks software and Telemedicine Video Conferencing systems.

One of our most potentially rewarding new programs is our contract with the VA in 38 states to help providers assess service members and veterans in determining federally available benefits for injuries or conditions developed while on active duty or in retirement. This program will be run by our Huntsville, AL office. We have started signing telemedicine providers for training needed to provide this service. To date we are in contract negotiations with over 160 providers in 56 VA locations.

We also are developing a program for a very large east coast university with their unique sleep management program. This program will be expanding from the initial startup project that has been ongoing since 2014.

Meanwhile, our staffing and recruiting division is growing. We offer programs for companies providing D-M-E (Durable Medical Equipment), cancer screening and primary care services. Several new companies have signed with Net Medical to not only contract with our providers but to utilize the Net Medical Telemed Building Blocks and Video Conferencing systems.

So while our teleradiology services will continue with our remaining customers, we do not anticipate any growth in this sector. Our growing strength is serving the rural hospital market, leading the way

to provide top of the line medical coverage to the most needy of our rural communities. The near term impact for Net Medical Xpress will be smaller top end revenue but a stronger bottom line.

My thanks for your support. I am also thankful for all the dedicated people at Net Medical Xpress who are working hard to build a successful company in the telemedicine era.

Dick Govatski
CEO
Net Medical Xpress

For more information on Net Medical Xpress, visit www.netmedical.com or www.nmxs.com or contact Dick Govatski, president and CEO, at 505-255-1999 or ceo@nmxs.com. Follow Net Medical on Twitter **@netmedxpress**

An investment profile for Net Medical Xpress is available online at:
<http://www.hawkassociates.com/profile/nmxs.cfm>. To receive future releases in e-mail alerts, sign up at <http://www.hawkassociates.com/about/alert>.

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