STUDENT CASE STUDY

athenahealth:
At the Edge of Health Care’s Changing Frontiers

Celeste LeRoux, Scott Snyder, Mirza Ramic, Leroy Terrelonge, Thomas Galloway, Mehvish Arifeen

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I. INTRODUCTION

Athenahealth, offering cloud-based services for Electronic Health Records (EHR), physician practice management, and care coordination, has been a trusted and recognized provider in the health care industry since 1997. Jonathan Bush, the company’s president and CEO, has had much to celebrate over the years: an innovative and thriving business, steady growth, a plethora of awards and accolades, and a loyal customer base. However, in a U.S. health care industry where fundamental changes appeared to be on the horizon—as a result of new health care regulation and further advances in web-based technology, among other things—Bush and athenahealth have increasingly found themselves facing critical decisions that need to be addressed. Where will the company’s future growth come from? How can athenahealth continue to innovate in an industry not particularly known for innovation, while maintaining its robust offering of products and services? Where should the company’s business focus and resources be invested? Looking out into a fragmented and unpredictable health care industry from his headquarters in Watertown, Massachusetts, Bush is faced with some key strategic decisions that will shape the company’s future outlook.

II. ELECTRONIC HEALTH CARE RECORDS AND NEW HEALTH CARE REGULATION

Over the past 20 years, many health care practices have switched from hard copies to an electronic system of storing medical records. EHR comes in two forms – inpatient and ambulatory. Traditionally, inpatient (and to a much lesser extent, ambulatory) EHR are used within hospitals and larger health systems whereas ambulatory EHR serve primarily community physicians and the numerous labs and pharmacies to which they refer their patients. Due to differences in the nature of ambulatory and inpatient care, these two types of EHR are not interchangeable and face different regulatory requirements. Furthermore, inpatient EHR is usually locally-based in the place of use, while ambulatory EHR is well-suited for web-based solutions.
In recent years, EHR adoption has been accelerated by the 2009 Health Information Technology for Economic and Clinical Health (HITECH) Act and its Medicare and Medicaid EHR Incentive Programs. Started in 2011 and continuing through 2016, physicians’ practices that meet federal requirements for EHR can receive up to $44,000 under the Medicare EHR Incentive Program. A key requirement to realizing these benefits is demonstrating ‘meaningful use’ of EHR systems through metrics and trackable health data. Broken into two phases, Meaningful Use Stage 1 “emphasizes proper data capture and data sharing” whereas Meaningful Use Stage 2 makes some of the Stage 1 measures mandatory and “demands an even greater level of reporting in an effort to put advanced processes into place and continually evolve nationwide EHR use.” The idea is that as more systems come online and data around patients begins to move, certification standards as a group will increase, raising the bar of recorded and reported information. The deadline for meeting Stage 2 expanded metrics is October 1, 2014 and those who fail to respond to incentives will face the threat of reduced payments for Medicare reimbursements starting in 2015.

The movement toward EHR was further bolstered in 2010 by the introduction of the Patient Protection and Affordable Care Act (PPACA), or ACA, one of the largest changes to American health care policy in decades. Though not directly linked to HITECH, a key focus of the ACA was on increased collection and digitization of data, stating that “electronic health records will reduce paperwork and administrative burdens, cut costs, reduce medical errors and most importantly, improve the quality of care.” ACA also introduced the Medicare Shared Savings Program, which encouraged physicians to form accountable care groups in order to “standardize billing and required health plans, and to begin adopting and implementing rules for the secure, confidential, electronic exchange of health information.” The metrics to qualify for incentives under the Shared Savings Program are aligned with Stage 2 Meaningful Use metrics in order increase the adoption of EHR systems among care groups.

III. athenahealth: INTEGRATED CLOUD-BASED SERVICES

_The biggest challenge in family medicine is communication and information management, because information comes in from a variety of different sources._

– David Little, MD, Wright State practice

In response to this challenge, athenahealth’s integrated cloud-based Practice Solutions offer physician offices services to enhance ambulatory electronic health records (athenaClinicals), streamline medical billing and patient management (athenaCollector), and improve patient communication (athenaCommunicator). athenahealth’s customers span three types of medical care providers: small practices that typically have 1-6 physicians, medium sized medical groups that usually consist of 7-35 physicians, and large multi-care specialty health care systems, such as Baptist Health care System, Valley Medical Group, and Wright State Physicians. Available for a low up-front cost, Practice Solutions enable these health care providers to increase efficiency, boost revenues, and focus more on patient care. athenahealth’s cloud-based platform has also allowed the company to regularly update their services – a useful feature in the rapidly changing U.S. health care environment.

_athenaClinicals_

athenaClinicals offers practices a service to streamline EHR management and reduce time spent on recordkeeping. The electronic interface is a centralized location where physicians and staff can access their tasks for the day, view patient workflow, and systematically document patient history through global templates as well as inputting handwritten notes and free-form drawings. Through
its Back-office Document Services, the athenahealth team receives, scans, and sorts all physician offices’ faxes, and then delivers them electronically to the caregivers. This system greatly reduces administrative work, for example, by tying incoming test results with original orders from the physician, electronically closing the loop and alerting staff only if an order has not come in. The service has a 97 percent adoption rate.

The athenaClinicals software’s Quality Management Engine also embeds Meaningful Use quality measures into each stage of a practice’s workflow – from check-in, to intake, the exam, sign-off, and check-out. This ensures that practices are in compliance with current regulation and are able to realize the HiTECH Act’s Meaningful Use incentive. Athenahealth leverages its three-pronged offering of software, knowledge, and work (Exhibit A) to ensure practices realize Stage I and are prepared for the Stage 2 Meaningful Use incentives. Account Managers coach practices on performance by helping them track clinical measures and sharing best practices across the network.

At the same time, a clinical intelligence team made up of Meaningful Use experts and clinical performance experts analyze all providers against clinical measures and make changes on the network to better facilitate compliance. In 2012, athenahealth promoted its services to clients as a way to realize the Meaningful Use Stage 1 incentive of up to $44,000 by guaranteeing free athenahealth services for half a year if they did not fulfill this promise. 96 percent of eligible providers received the incentive.

**athenaCollector**

athenaCollector offers a “medical billing and practice management service” that also helps increase revenue while reducing administrative burden. An electronic dashboard for each patient displays balances due, insurance instructions based on their provider, and appointment history along with a reminder of copay amount due at appointment. The electronic appointment scheduling and automated call reminder services reduce no-shows by 8 percent and free up staff time. The software also maintains up-to-date information on rules of insurance providers, checks the eligibility of patients before their scheduled appointment, and ensures practitioner compliance. Athenahealth’s Back-Office Services processes all practices’ insurance claims through the software’s Billing Rules Engine, which prevents claim errors from happening repeatedly so that 94 percent of claims submitted are paid the first time. The athenaCollector service won the Best in KLAS award twice and led to a 29 percent average reduction in days accounts receivable and an 8 percent increase in collection for health care practices.

On October 1, 2014 the International Statistical Classification of Diseases and Related Health Problems (ICD)-10 regulation will come into effect with five times the number of medical classification codes than the current regulation. The athenaCollector service is ready for the transition and the company has been working with providers to make sure they are prepared. Athenahealth has set aside a $50 million fund and promised to infuse their own cash into qualified providers who do not receive reimbursement payments due to blockages in the system until issues are resolved.

**athenaCommunicator**

athenaCommunicator is a “live, automated and online patient communication service” that won the 2013 Best in KLAS Patient Portal and helps practices build patient engagement. The patient web-portals are customized with individual practices’ name and logo and allow patients to request appointments, view lab results, and access online payment services. Practices can also send out ‘soft’ collection messages, by phone or email, for outstanding payments – a useful feature as the burden on health care organizations for collecting patient payment has grown with the increased patient responsibility for health care payment. Through a partnership with Healthwise, a provider of
health information, patients can also explore their health concerns through the portal. The athenaCommunicator service aims to meet patient engagement requirements of Meaningful Use Stage 2.

In addition to the Practice Solutions, by aggregating client information, athenahealth offers physicians knowledge portals with valuable insight on industry averages for key performance metrics (PracticeVitals) and reimbursement payments per procedure (CodeView). In order to further build out the health care network, athenahealth launched a fourth offering, athenaCoordinator Core, for other service providers, such as laboratories, specialists, imaging and surgical centers. AthenaCoordinator Core integrates these providers into the athenahealth network for a fee of $1 per order received and processed through Back-Office Services.

In February 2014, athenahealth announced the launch of athenaCoordinator Enterprise that builds on the Practice Solutions and athenaCoordinator Core to provide hospitals and health systems with a combined clinical integration and patient access service that can be used across various Health Information Technology (HIT) systems. The fact that the services can be laid across various HIT systems is important due to the significant amount of care referrals that come from out-of-network providers. Athenahealth says the service will be offered with no upfront capital investment, or extra cost for additional software upgrades. The system seeks to disrupt the health care system by allowing providers to “Activate Patients” by sifting through patient records to identify those in need of care and bring them in. The new athenaCoordinator Enterprise interface will be released in the summer of 2014 and is the result of a two-year effort to reexamine user experience. Athenahealth is also in the process of seeking certification for Meaningful Use Stage 2 requirement for this service.

**IV. COMPETITORS**

While there have been many players in the HIT field, there is a divide between companies that specialize in ambulatory care and those that specialize in inpatient care. Athenahealth, as mentioned earlier, has focused on ambulatory services, with an emphasis on smaller physician practices. In this space it has faced direct competition from Greenway Medical Technologies (2013 revenues of $138 million) and Allscript Health care Technologies (2013 revenues of $1.4 billion). Comparatively, athenahealth made $595 million in revenues in 2013. On the other side of the divide are companies who focus on inpatient care. McKesson, the oldest health care services company in the U.S., has been the largest player by size of revenue, with $122.5 billion in revenues in 2013. Also very active in this space is Epic Systems (Epic), a Verona, Wisconsin-based, privately-owned HIT company; 40 percent of the U.S. population had its medical information stored in an Epic digital record. Epic has developed software, called Care Elsewhere, that enables interoperability with non-Epic customers’ inpatient EHR.

While athenahealth has performed well against the competition, garnering the second highest number of “Best in Klas” awards in 2012 and 2013, the company has struggled to increase customer awareness of its brand. Bush acknowledged in 2013 that 70 percent of doctors did not even know his company existed. This was one factor that prompted the company to acquire Epocrates, a mobile HIT company. Epocrates serves half of the physicians in the United States and is a brand recognized by approximately 90 percent of U.S. physicians. Athenahealth hopes that its acquisition will increase awareness of the company and encourage further adoption.
At the same time, several of athenahealth’s competitors have introduced mobile technologies for their users. These technologies tend to be application-based and tied to specific mobile platforms: Apple products (iPhones and iPads) and devices with Android operating systems. And unlike athenahealth’s cloud-based platform, users are not able to connect remotely with these technologies via a laptop. However, in March 2013, athenahealth and some of its HIT competitors (Cerner, McKesson, Greenway, and RelayHealth [acquired in 2006 by McKesson]) founded a not-for-profit trade association of HIT companies called the CommonWell Health Alliance™. Through this initiative, the companies hope to design a secure, national infrastructure that will allow for “seamless interoperability” and common access to patient information across all HIT software providers and locations. CommonWell is headed by athena’s CTO, Jeremy Delinski, and its board consists of representatives of each member company.

V. THE FUTURE OF HEALTH CARE: INTEGRATION, COLLABORATION, OPPENNESS

We imagine a health care industry that lets providers “shop” browsing an iTunes-like store of health care applications and services enabling them to provide higher quality patient care more efficiently... Visionary companies like Amazon and Apple realized the long-term value of open collaboration and ecosystems; by following their lead, we in health care need to embrace the technologies we have that can unleash seamless connectivity across platforms, applications, and devices.

– Kyle Armbrester, VP of Business Development, athenahealth

In January 2014, athenahealth revealed its plans to open a research and development (R&D) facility in Austin, Texas, with investments of $13 million and a $5 million incentive package on offer from the state, in addition to a 10-year $679,500 incentive package from the city. Such expansion comes amidst athenahealth’s vision of transforming the status quo in the health care industry through innovative and disruptive ideas. The construction of a new R&D center in Austin, Texas is just one of athenahealth’s recent initiatives supporting a focused and strategic effort to put the company at the forefront of health care industry, as well as to ensure its future growth.

One of athenahealth’s primary business development initiatives is the More Disruption Please (MDP) program, whose objective is to forge strategic partnerships and promote “outside the box” solutions in the health care industry. At the center of the MDP program is a three-prong approach: create an ecosystem, develop a marketplace, and launch an accelerator. With an ecosystem, athenahealth hopes to engage entrepreneurs, thought leaders, and other important players through various forums such as conferences, hackathons, newsletters, etc. Thus far, about 2,500 companies have become involved, with the common goal of thinking creatively about technological breakthroughs in the vastly complex health care field. By developing a health care marketplace, athenahealth hopes to put companies in a position to sell their products. In this regard, athenahealth has partnered with several medical services, logistics, and IT companies to offer innovative products and services. Finally, athenahealth hopes to launch an accelerator this year to help entrepreneurs and their new ventures gain traction with customers, ultimately helping expand athenahealth’s ecosystem and diversify its marketplace.

At the core of athenahealth’s R&D and business development efforts is a long-term vision of a health care industry driven by, in Kyle Armbrester’s words, “open collaboration” and “open platforms.” While this has already helped transform other industries, health care has largely remained fragmented and closed off. For athenahealth, the future of the industry and its own
growth lies with integrated and seamless cloud-based platforms that will support increased “coopetition” (a mixture of cooperation and competition) in product offerings and offer more efficient patient care. As Armbrester notes,

We are not too far away from seeing the ‘pro-patient’... blurring the lines between provider and patient. As consumers become more involved in the control of their own health by way of technology—able to access, update, share, and manage their health-related data easily and often—providers will need to become equally equipped to address patients’ rising needs and demands.

As “democratization” of health care slowly begins to take place, athenahealth hopes to develop a robust ecosystem and marketplace—much like Amazon did—that will support this new openness through an integrated platform. In a recent article titled “What Health Care Can Learn From Amazon,” athenahealth’s COO Ed Park provided some key elements of the Amazon business model that could be transferred to health care. With a customer-centric approach backed by effective use of big data and strategic partnerships, Amazon was able to shake—and eventually break—the status quo and introduce an enhanced consumer experience.

Nevertheless, athenahealth faces several uncertainties as it embraces the future of health care and tries to position itself as the leader in a fundamentally changing industry. For one, it is unclear whether an Amazon-like platform and “marketplace of care” is possible in an industry that is much more complicated than the one Amazon operates in. As Veronica Combs notes, health care is “messy and emotional, and fulfillment is much more than just delivering a treatment or even an experience.” Moreover, establishing trust and promoting collaboration might prove especially difficult in a historically fragmented industry, and while athenahealth’s efforts in engaging other companies and players has worked thus far through initiatives such as the CommonWell Health Alliance and the MDP program, it is unclear whether this can lead to truly disruptive and transformative changes. Finally, by focusing on forward-looking and disruptive business development initiatives based around strategic partnerships and an integrated ecosystem, athenahealth runs the risk of shifting focus away from its product and service offerings and potentially losing the trust and loyalty of its customer base.

VI. LOOKING AHEAD

Bush and athenahealth face exciting future prospects. They also face many uncertainties. While the company continues to have plenty of reasons to celebrate its past and ongoing accomplishments, the way forward demands decisions which could lead athenahealth to great new heights— or tarnish its growth and stability. As the health care industry continues to evolve, Bush will need to carefully assess his options. Should athenahealth attempt to build inpatient EHR infrastructure and interoperability in an effort to increase its presence in hospitals and larger health systems? Or should the company limit its focus to the ambulatory products and services that have helped establish its trusted reputation from the beginning? On the other hand, as many industries continue to experience fundamental and disruptive changes as a result of technological advancements, athenahealth finds itself in a great position to be at the forefront of health care’s eventual industry-wide transformation. As such, should the company bolster its R&D and innovation efforts and focus on creating an ecosystem that will put athenahealth at the center of a future “marketplace of care”? Or is such a visionary objective too risky and uncertain, in particular amidst changing government policy and regulation? While the prospects of becoming the Amazon of health care sound incredibly appealing and somewhat tangible given athenahealth’s history of innovation, the path ahead—
much like the Charles River outside of Bush’s Watertown office—is extremely curvy and highly unpredictable.
This is how we help you get your Meaningful Use dollars.

Knowledge

- Government introduces new mandates and requirements.
- Our Clinical Performance Specialists track each provider against every Meaningful Use measure and optimize workflow to the benefit of all providers on the network.
- Our Clinical Intelligence Team builds all clinical quality measures into your workflow via our Quality Management Engine™.

Software

- 5-Stage Patient Workflow embeds measures directly into your workflow where you and your staff can satisfy them with as little effort as possible.
- Our cloud-based software is continuously updated for all 35,000 athenahealth providers, automatically keeping you on top of roles changes and new Pay-for-Performance programs.

Work

- Our Account Managers provide free coaching and share best practices from across the network to get your providers to the finish line.
- Our Back Office and Transaction Teams do the work of registering and attesting as well as enrollment, testing, and maintenance for all health information exchange measures.

You get your Medicare incentive payments—guaranteed—with low up-front cost and no software or hardware to update and maintain.

athenahealth