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2020 BEST PRACTICES AWARD

athenahealth

**2020 UNITED STATES
REVENUE CYCLE MANAGEMENT
COMPANY OF THE YEAR AWARD**

Contents

Background and Company Performance

Industry Challenges

In the United States, the prevalence of health plans with deductible arrangements (85%), coupled with the intense regulatory provision for episodic financial risk management, is driving the need for the better prediction and utilization of revenue cycles. As a result, more than 72% of US-based hospitals are currently using multiple revenue cycle management (RCM) systems, along with their electronic medical records (EMRs), to meet the evolving financial needs of the patient population that is enrolled in diverse payer programs. At 67%, most of these hospitals are failing to optimize their financial outcomes because of issues ranging from the lack of IT interoperability to poor regulatory compliance.

Patients' direct contribution to the total provider revenue is rapidly increasing. In 2018, patients in the United States contributed approximately 35% of the total physician practice revenue, up from 15% in 2014. Additionally, more patients are deferring payment on their healthcare bills, resulting in cash flow issues and solvency concerns for providers. Almost 75% of patients who receive ambulatory care are informed about their financial responsibility after medical bills are officially generated. Because almost 56% of patients are financially unable to pay medical bills over $1,000, and almost 40% of patients are likely to borrow or sell something to cover emergency medical expenses, US-based providers are exploring next-generation RCM IT and services that offer full pricing transparency to improve the patient's overall financial experience.

Therefore, solutions that verify insurance benefits before care and inform patients upfront about the amount of their co-pay will experience high demand. In addition, vendors that can optimize the financial performance through error-free clinical documentation, successful ICD-10 transition, automated payment preauthorization, and robust RCM analytics will have increased relevancy in the market. Data integration among disparate RCM systems and underlying EMR will be key to improving financial efficiency at an enterprise level. Revenue cycle data, when normalized and combined with the clinical record, creates tangible evidence about each patient's financial responsibility and likelihood of timely payment. Therefore, investment in robust RCM platforms will yield a positive return on investment (ROI) in the form of higher productivity and profitability.

In the foreseeable future, artificial intelligence (AI) and blockchain technologies will become essential components of all advanced RCM portfolios. For example, AI can help providers select the right codes for complex diagnosis at the point of service and indicate to patients the out-of-pocket costs before administering care. In addition, AI can help providers create compliant documentation that improves claim accuracy. Frost & Sullivan research reveals that next-generation RCM solutions will be able to digitize the entire billing ecosystem and demonstrate end-to-end capabilities, such as patient access management, eligibility checking, claims pre-adjudication, denials management, and collection optimization services. Moreover, top vendors can leverage advanced analytics to identify opportunities for additional profit and optimal returns, such as determining the margins for ancillary services and ensuring that reimbursement covers the costs. This task is not easy in an industry where providers, on average, lose 14% per dollar claimed per patient. Electronic

health record (EHR) centricity, service scalability, price customizability, and ecosystem-level connectivity will be key features of an integrated financial management solution.

Visionary Innovation and Performance/Customer Impact

Addressing Unmet Needs

Founded in 1997, US-based athenahealth is a privately held healthcare IT company that offers progressive RCM solutions through its software-as-a-service (SaaS)-based technologies (e.g., athenaCollector®) and through a global workforce of skilled medical billing employees who offer a wide variety of RCM services, such as patient access management, claims management, contract management, and collection. Since its merger with Virence Health in 2019, athenahealth now —offers both SaaS and on-premise revenue cycle solutions to more than 160,000 providers across the United States and demonstrates the proven ability to digitize and optimize the entire spectrum of RCM workflow for all types of providers, including small-, mid- and large-size practices, large integrated delivery networks, single- and multi-specialty hospitals, community hospitals, academic medical centers, and BPO customers who do billing for other provider organizations.

athenahealth has a history of focusing on the front door of healthcare, and has always been a particularly strong fit for independent practices. Virence Health took a different approach, offering on-premise and hosted solutions that meet the needs of large, complex health systems, and Virence products have a reputation for being easily customized and thus suiting specialty workflows very well. athenahealth currently manages a combined number of claims across its portfolio totaled 475M+ annually in 2019, and the dollar value of the claims processed in 2019 totalled $230B+

Such a diverse customer portfolio is not easy to retain, especially when different RCM objectives are at play. In addition, athenahealth is required to treat each objective with equal importance and offer market-leading solutions at scale 24/7, to deliver tangible returns for all its customers.

athenahealth stands out in its approach to attain diverse business objectives on behalf of its customers. Over the years, athenahealth has helped many RCM customers achieve higher efficiency and productivity at scale with their athenaIDX offering. As a result, many organizations can now increase their speed of collection and reduce their average accounts receivable (A/R) duration significantly. Many other prominent customers that were struggling to reduce their revenue leakages and automate the manual intervention to patient access management and claims pre-adjudication have reported substantial improvement in aggregate revenue capture and industry-leading first pass rate (95%) for all claims produced using athenahealth's solutions. Apart from pure-play technological support, athenahealth is well known in the industry for its best-in-class customer service that helps patients identify their benefits eligibility more easily and embrace financial advocacy support, thus ensuring the maximum collection for providers in the long run.

Frost & Sullivan commends athenahealth for remaining at the forefront of solving critical RCM challenges for both ambulatory and hospital providers, as well as BPO customers, in the United States.

Implementation of Best Practices

athenahealth's RCM deployment strategy allows health systems to customize their RCM workflows and optimize patients' financial experience at every stage, from appointment scheduling and benefits eligibility matching to point-of-care payments and post-care collection, using either cloud-based or on-prem IT configuration

Virence Health, which is now part of athenahealth, complements its parent company's vision to introduce on-prem RCM delivery models to its growing network of providers through industry-leading solutions.

By leveraging Virence Health's various financial solutions, athenahealth can now achieve the following:

- Provide large health systems with enterprise-grade RCM platforms and help them consolidate their fragmented approaches to RCM across ambulatory and inpatient settings

- Outsource entire RCM offices of small- and mid-size practices

- Streamline medical billing with pre-built eligibility and claims evidence

- Stratify the financial risk of various quality-based reimbursement programs

- Allow payers and providers to exchange real-time patient information for better decision making at the point of care

Apart from its patient-centric RCM IT modules, athenahealth offers a range of financial solutions that help providers automate back-end administrative responsibilities. These solutions deliver unprecedented efficiency in claims processing, denials management, and RCM performance reporting for both small and large health systems in the United States. For example, athenahealth has invested heavily on claims scrubbing solutions and has incorporated an auto-updated rules engine that learns from every new financial transaction and remembers past patterns of successful and erroneous reviews. As a result, customers report significant improvement in aggregate claims accuracy level and the speed at which they realize patient revenue.

athenahealth attains all the critical implementation best practices in the US RCM market by offering highly result-oriented solutions that remain 100% interoperable with both native and external clinical and financial applications.

Customer Ownership and Service Experience

Frost & Sullivan's latest research on the US RCM market reveals major success factors for vendors based on providers' ongoing priorities and future vision. Some of the critical attributes of athenahealth's RCM to ensure an unmatched customer ownership and service experience for financial solution customers in the United States include the following:

- **Leverage AI-enabled analytics** that provide insight into patients' propensity to pay without credit checks, with these analytics generating easy-to-read electronic

statements that offer flexible payment options and charity care screening to help providers improve 501(r) compliance

- **Determine eligibility** through best-in-class, real-time coverage detection technology that allows users to maximize the revenue from patients and payers while reducing A/R days by preventing future claim denials

- **Drive cognitive denial management** that quickly identifies unpaid or underpaid line items; create automated, pre-populated digital appeal packages; and batch similar appeals to specific payers.

- **Streamline contract management** by allowing the same-day uploads of commercial and government contracts

- **Improve vendor management** by analyzing and comparing vendor performance against pre-determined key performance indicators (KPIs), such as regulatory compliance, star ranking, revenue margin, and productivity gains

- **Achieve more than 580 application programming interface (API)-based RCM pathway deployments** by leveraging both internal and external open source algorithms that allow payers and providers to embrace episodic RCM capabilities quickly and cost effectively

These success factors provide athenahealth with a substantial competitive advantage against other participants that are still offering modular capabilities and are unable to consolidate a range of RCM IT and services to optimize the financial health of payers and providers at a holistic level. Therefore, athenahealth is well positioned to exceed industry expectations through its consolidated and result-oriented approach to end-to-end RCM.

Brand Equity and Financial Performance

athenahealth generates approximately $1.3 billion to $1.5 billion annually from its enterprise health IT and targeted managed services. The company's RCM business unit is strategically important because it remains one of the major revenue contributors. The RCM solution portfolio essentially enables the company to pursue population health management (Population Health) at scale by combining clinical data (sourced from athenaClinicals®), patient-generated data (athenaCommunicator®), physician-generated instructions (Epocrates), and financial data (athenaCollector) from a single platform window. Therefore, athenahealth's RCM solution portfolio incorporates the best of all its product lines and demonstrates its holistic capabilities for both payer and provider customers in the United States.

In terms of performance, athenahealth reports an industry-leading uptime of 99.95% and processes 9.9 billion transactions across all its platforms every year. Furthermore, the company's RCM business unit will likely receive incremental investment from management to drive post-merger integration with Virence Health and deliver visionary product upgrades through its growing marketplace of over 260 third-party partners. Overall, athenahealth is expected to sustain its leadership position in the US RCM market for many years to come.

Conclusion

athenahealth is a globally renowned company and has offered or integrated with more than 580 APIs across both the United States and international markets. The company is committed to driving innovative RCM solutions that optimize value-based reimbursement for providers and that prepare payers to work more collaboratively with their provider members across the care continuum. In addition, the company is planning to expand its scope of RCM beyond provider boundaries to target patients who are not insured or under insured. To optimize patient revenues while improving the patient financial experience, the company is currently building automated patient access management and payment solutions that trigger a more preventive and proactive outreach by different patient populations. Overall, athenahealth has proved its expertise in deploying enterprise-grade RCM solutions for large providers and outsourcing RCM services for physician practices. The company's technologies are agile, cost effective, easy to deploy, and interoperable across both its own solutions and other disparate systems. As a result, customers can visualize the patient's clinical and financial journey across the care continuum and leverage actionable data to make more informed decisions about how to pay and how much to pay for the care received.

With its strong overall performance, athenahealth has earned Frost & Sullivan's 2020 Company of the Year Award in the US RCM market.

Significance of Company of the Year

To receive the Company of the Year Award (i.e., to be recognized as a leader not only in your industry, but among non-industry peers) requires a company to demonstrate excellence in growth, innovation, and leadership. This excellence typically translates into superior performance in three key areas—demand generation, brand development, and competitive positioning—that serve as the foundation of a company's future success and prepare it to deliver on the 2 factors that define the Company of the Year Award: Visionary Innovation and Performance, and Customer Impact).

Understanding Company of the Year

Driving demand, brand strength, and competitive differentiation all play critical roles in delivering unique value to customers. This three-fold focus, however, must ideally be complemented by an equally rigorous focus on Visionary Innovation and Performance to enhance Customer Impact.

Key Benchmarking Criteria

For the Company of the Year Award, Frost & Sullivan analysts independently evaluated each factor according to the criteria identified below.

Visionary Innovation and Performance

Criterion 1: Addressing Unmet Needs
Criterion 2: Visionary Scenarios through Mega Trends
Criterion 3: Implementation of Best Practices
Criterion 4: Blue Ocean Strategy
Criterion 5: Financial Performance

Customer Impact

Criterion 1: Price/Performance Value
Criterion 2: Customer Purchase Experience
Criterion 3: Customer Ownership Experience
Criterion 4: Customer Service Experience
Criterion 5: Brand Equity

Best Practices Award Analysis for athenahealth

Decision Support Scorecard

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows research and consulting teams to objectively analyze performance according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation. Ratings guidelines are illustrated below.

RATINGS GUIDELINES
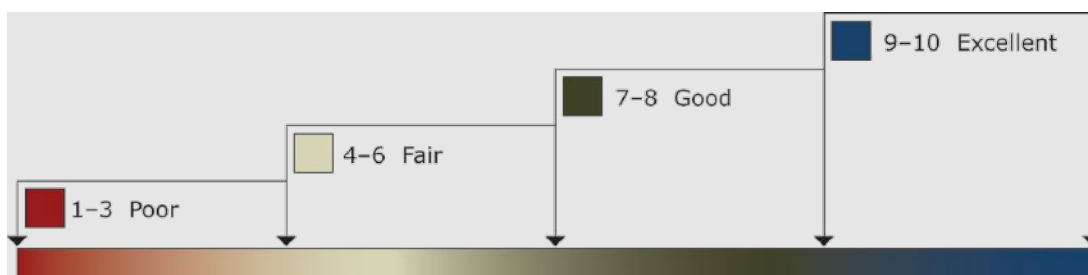
The Decision Support Scorecard considers Visionary Innovation and Performance and Customer Impact (i.e., the overarching categories for all 10 benchmarking criteria; the definitions for each criterion are provided beneath the scorecard). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, Frost & Sullivan has chosen to refer to the other key participants as Competitor 1 and Competitor 2.

Measurement of 1–10 (1 = poor; 10 = excellent)			
Company of the Year	Visionary Innovation & Performance	Customer Impact	**Average Rating**
athenahealth	**9.5**	**9.5**	**9.5**
Competitor 1	9	9	9
Competitor 2	8.5	8.5	8.5

Visionary Innovation & Performance

Criterion 1: Addressing Unmet Needs
Requirement: Implementing a robust process to continuously unearth customers' unmet or underserved needs, and creating the products or solutions to address them effectively.

Criterion 2: Visionary Scenarios through Mega Trends
Requirement: Incorporating long-range, macro-level scenarios into the innovation strategy, thereby enabling first-to-market growth opportunity solutions.

Criterion 3: Implementation of Best Practices
Requirement: Best-in-class strategy implementation characterized by processes, tools, or activities that generate a consistent and repeatable level of success.

Criterion 4: Blue Ocean Strategy
Requirement: Strategic focus on creating a leadership position in a potentially uncontested market space, manifested by stiff barriers to entry for competitors.

Criterion 5: Financial Performance
Requirement: Strong overall business performance in terms of revenue, revenue growth, operating margin, and other key financial metrics.

Customer Impact

Criterion 1: Price/Performance Value
Requirement: Products or services offer the best value for the price compared to similar offerings in the market.

Criterion 2: Customer Purchase Experience
Requirement: Customers feel they are buying the optimal solution that addresses both their unique needs and their unique constraints.

Criterion 3: Customer Ownership Experience
Requirement: Customers are proud to own the company's product or service and have a positive experience throughout the life of the product or service.

**Criterion 4: Customer Service Experience**

Requirement: Customer service is accessible, fast, stress-free, and of high quality.

Criterion 5: Brand Equity

Requirement: Customers have a positive view of the brand and exhibit high brand loyalty.

Decision Support Matrix

Once all companies have been evaluated according to the Decision Support Scorecard, analysts then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.
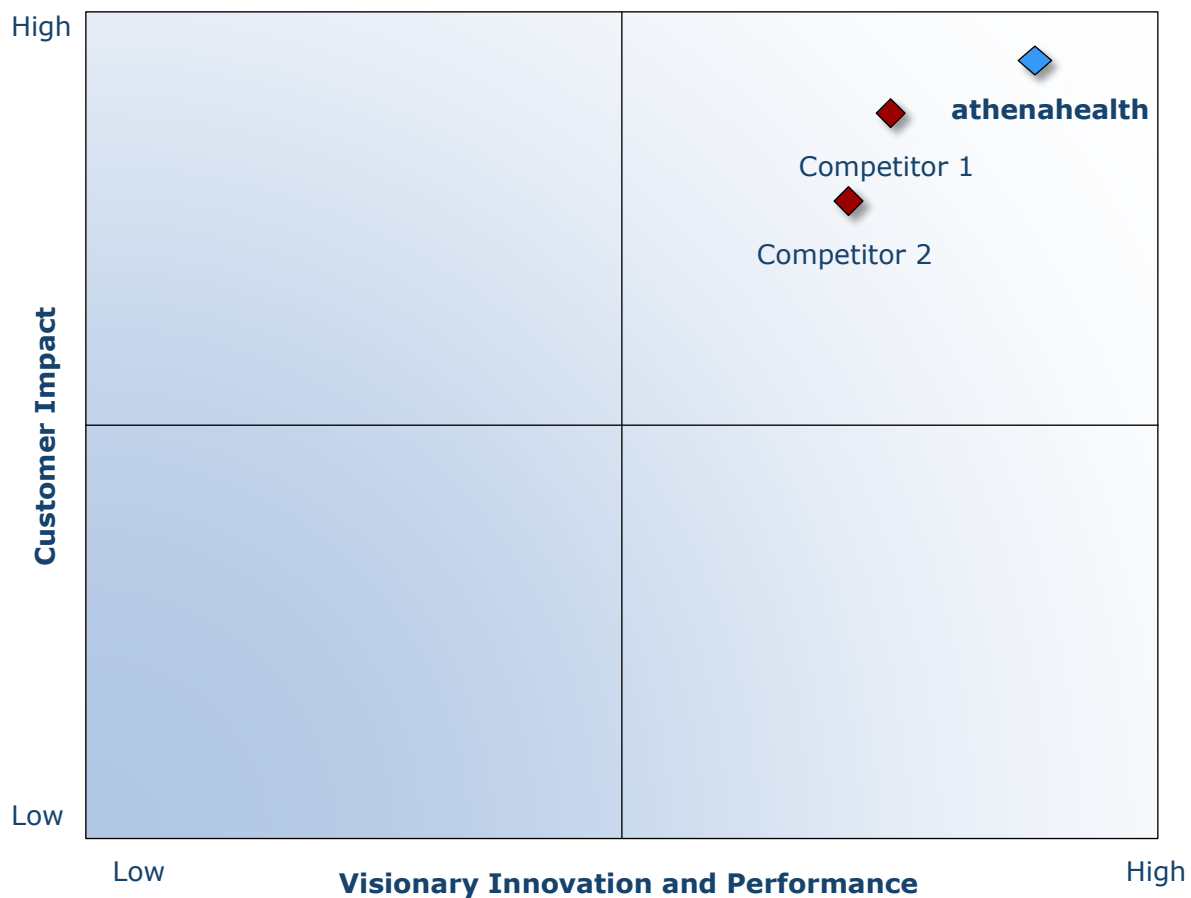
Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan analysts follow a 10-step process to evaluate award candidates and assess their fit with select best practice criteria. The reputation and integrity of the awards are based on close adherence to this process.

STEP		OBJECTIVE	KEY ACTIVITIES	OUTPUT
1	**Monitor, target, and screen**	Identify award recipient candidates from around the world	• Conduct in-depth industry research • Identify emerging industries • Scan multiple regions	Pipeline of candidates that potentially meet all best practices criteria
2	**Perform 360-degree research**	Perform comprehensive, 360-degree research on all candidates in the pipeline	• Interview thought leaders and industry practitioners • Assess candidates' fit with best practices criteria • Rank all candidates	Matrix positioning of all candidates' performance relative to one another
3	**Invite thought leadership in best practices**	Perform in-depth examination of all candidates	• Confirm best practices criteria • Examine eligibility of all candidates • Identify any information gaps	Detailed profiles of all ranked candidates
4	**Initiate research director review**	Conduct an unbiased evaluation of all candidate profiles	• Brainstorm ranking options • Invite multiple perspectives on candidates' performance • Update candidate profiles	Final prioritization of all eligible candidates and companion best practices positioning paper
5	**Assemble panel of industry experts**	Present findings to an expert panel of industry thought leaders	• Share findings • Strengthen cases for candidate eligibility • Prioritize candidates	Refined list of prioritized award candidates
6	**Conduct global industry review**	Build consensus on Award candidates' eligibility	• Hold global team meeting to review all candidates • Pressure-test fit with criteria • Confirm inclusion of all eligible candidates	Final list of eligible award candidates, representing success stories worldwide
7	**Perform quality check**	Develop official award consideration materials	• Perform final performance benchmarking activities • Write nominations • Perform quality review	High-quality, accurate, and creative presentation of nominees' successes
8	**Reconnect with panel of industry experts**	Finalize the selection of the best practices award recipient	• Review analysis with panel • Build consensus • Select winner	Decision on which company performs best against all best practices criteria
9	**Communicate recognition**	Inform award recipient of recognition	• Present award to the CEO • Inspire the organization for continued success • Celebrate the recipient's performance	Announcement of award and plan for how recipient can use the award to enhance the brand
10	**Take strategic action**	Upon licensing, company able to share award news with stakeholders and customers	• Coordinate media outreach • Design a marketing plan • Assess award's role in strategic planning	Widespread awareness of recipient's award status among investors, media personnel, and employees

The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan's 360-degree research methodology represents the analytical rigor of the research process. It offers a 360-degree view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often companies make important growth decisions based on a narrow understanding of their environment, resulting in errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry participants and for identifying those performing at best-in-class levels.

360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, helps clients accelerate growth and achieve best-in-class positions in growth, innovation, and leadership. The company's Growth Partnership Service provides the CEO and the CEO's growth team with disciplined research and best practices models to drive the generation, evaluation, and implementation of powerful growth strategies. Frost & Sullivan leverages nearly 60 years of experience in partnering with Global 1000 companies, emerging businesses, and the investment community from 45 offices on 6 continents. To join Frost & Sullivan's Growth Partnership, visit http://www.frost.com.