

7th Annual Investor Summit

December 11, 2014



Welcome to Our 7th Annual Investor Summit!

Dana Quattrochi
Executive Director, Investor Relations



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In our earnings releases, conference calls, slide presentations, or webcasts, we may use or discuss non-GAAP financial measures as defined by SEC Regulation G. The GAAP financial measure most directly comparable to each non-GAAP financial measure used or discussed, and a reconciliation of the differences between each non-GAAP financial measure and the comparable GAAP financial measure, is available within this presentation and within our public filings with the Securities and Exchange Commission, available on the Investors section of our website at <http://www.athenahealth.com>.

Opening Remarks

Jonathan Bush
Chairman & CEO





Patients disconnected from their
own care and from cost



62M

patients without a PCP

<http://www.nachc.com/pressrelease-detail.cfm?pressreleaseID=897>

88%

of patients not receiving
"Well Patient" visits

SOURCE: <http://downloads.cms.gov/files/Beneficiaries-Utilizing-Free-Preventive-Services-by-State-YTD2013.pdf>



Providers disconnected from patients by
EMRs, regulations, etc.



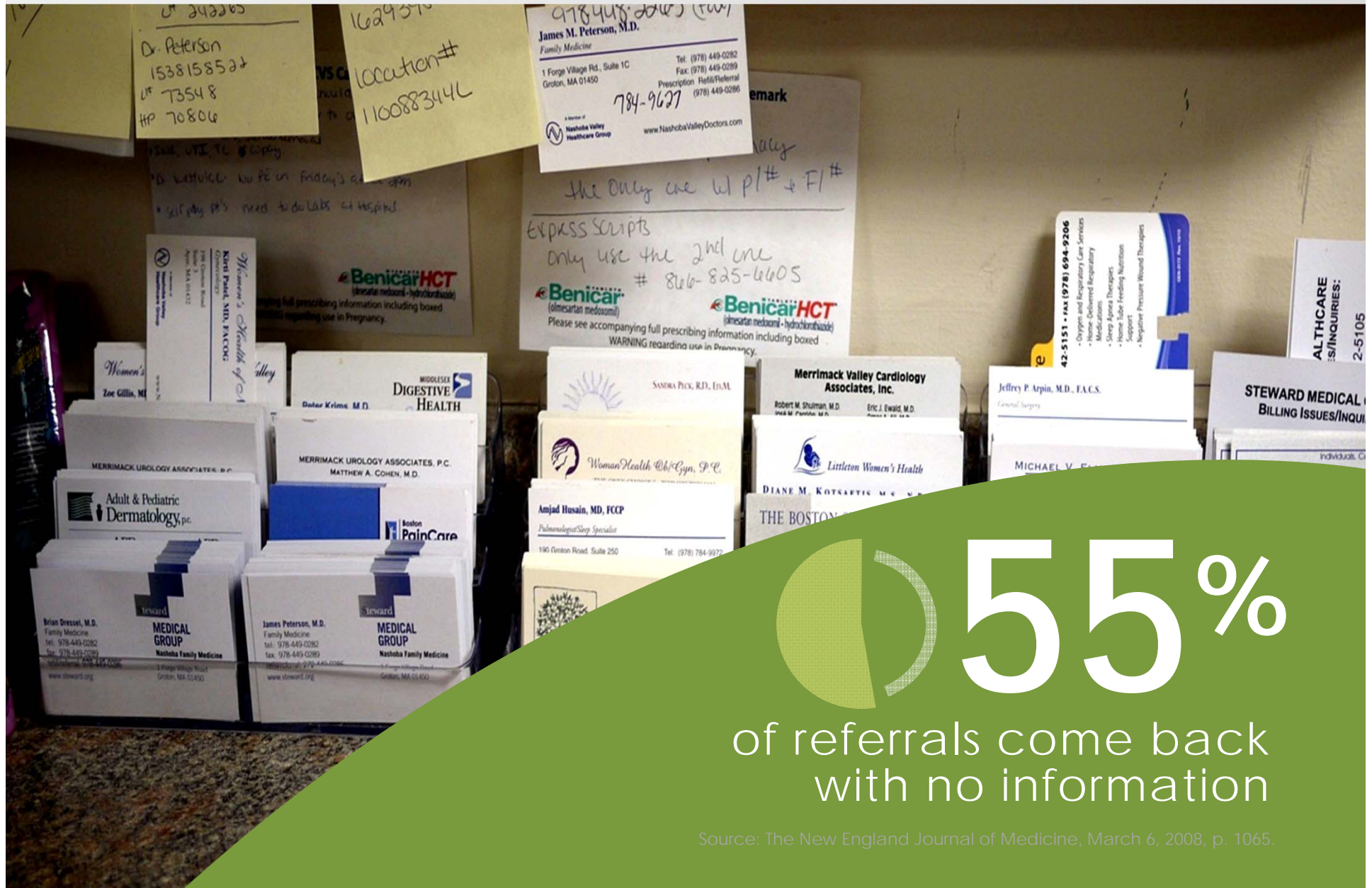
:08M

Average visit duration

http://well.blogs.nytimes.com/2013/05/30/for-new-doctors-8-minutes-per-patient/?_r=0



Providers disconnected from each other...



... and from the rest of the continuum



#42

USA rank in global life expectancy

<https://www.cia.gov/library/publications/the-world-factbook/rankorder/2102rank.html>

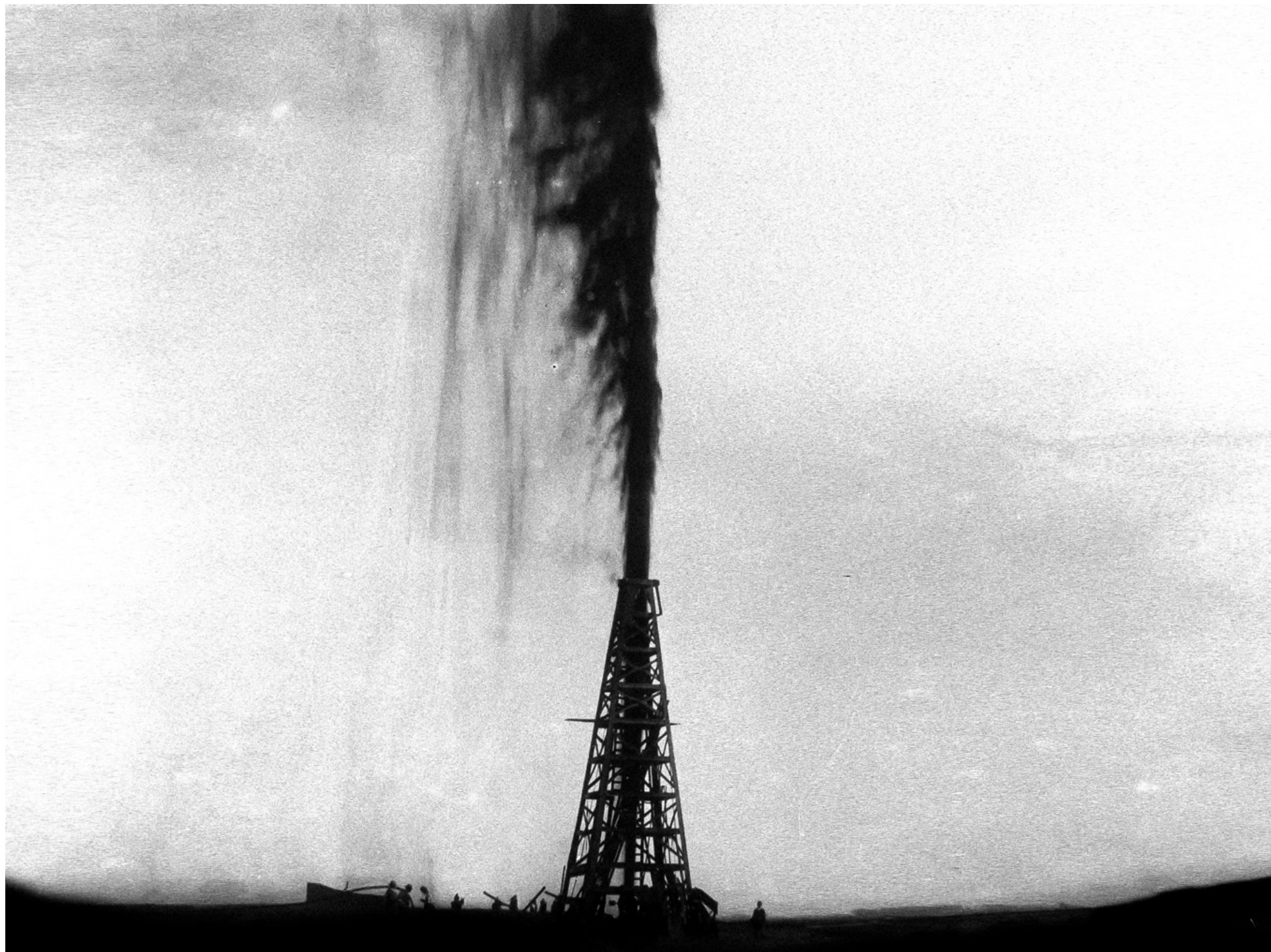
... and from their sense of purpose.



 59%

of doctors wouldn't
recommend medicine

<http://www.prweb.com/releases/2013/6/prweb10881121.htm>





We continue to follow the same principles



VISION

To build the national health information backbone.

MISSION

To be health care providers' most trusted service, helping them do well by doing the right thing.

CULTURE

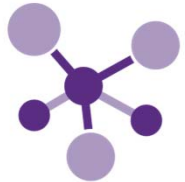
We are teachers and learners; in it for the mission and rewarded by team success.



Transform the provider user experience



Support the full continuum of care



Open athenaNet® and build an ecosystem of partners



Equip providers to win at alternative reimbursement



athenaNation

- Develop seamless connection & knowledge flow among employees and offices
- Launch “athena-Moves-Faster”
- Spread & embed our mobile competence across athenaNation



athenaNet

- Make athenahealth the continuum of care clinical and financial record
- Master continuous streamlining of the athenaNet experience
- Finalize athenaNet as an open platform
- Package, promote, and deliver our services by targeted specialties and segments
- Make client performance insight native to our services

We have a new and more heavily weighted corporate scorecard

Stability

(10% weight)

- Voluntary Turnover
- Employee Engagement

Performance

(25% weight)

- Client Days in Accounts Receivable
- Closed-Loop Order Rate

Satisfaction

(20% weight)

- Net Promoter Score

Financial

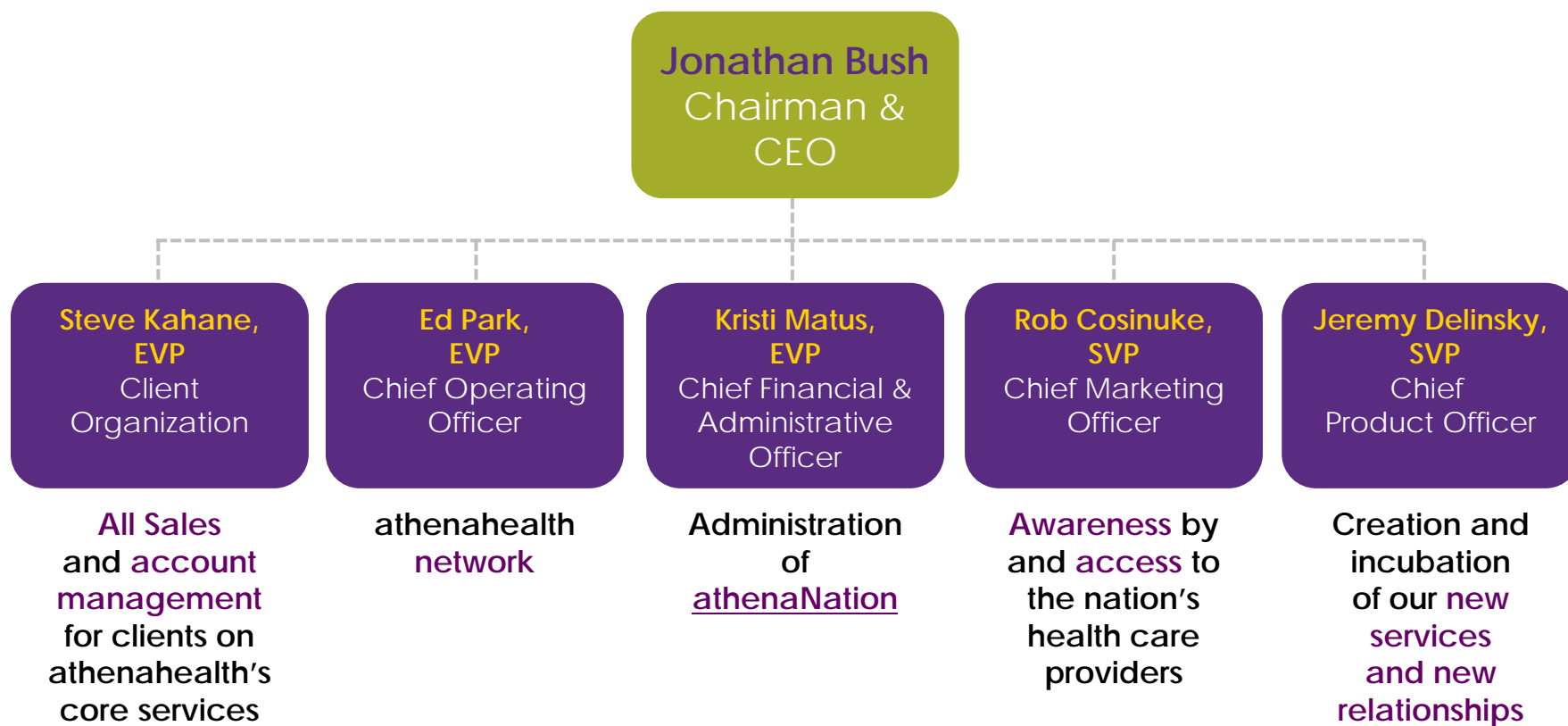
(45% weight)

- Bookings
- Revenue
- Non-GAAP Net Income

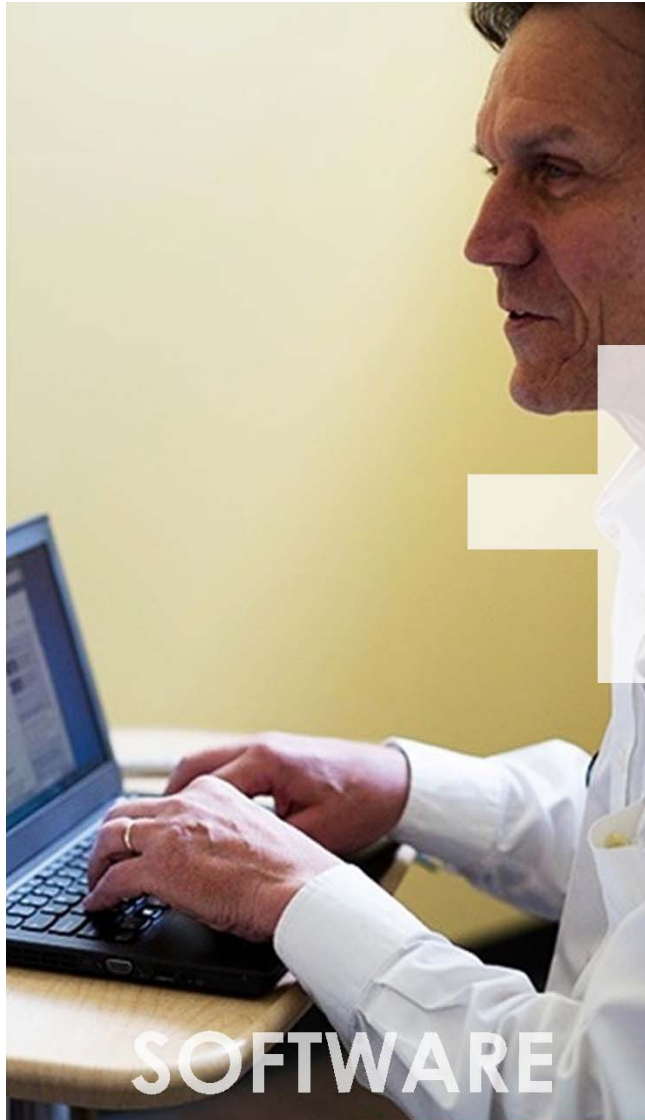
We are organizing ourselves around
these strategic priorities

2015 Organization Chart

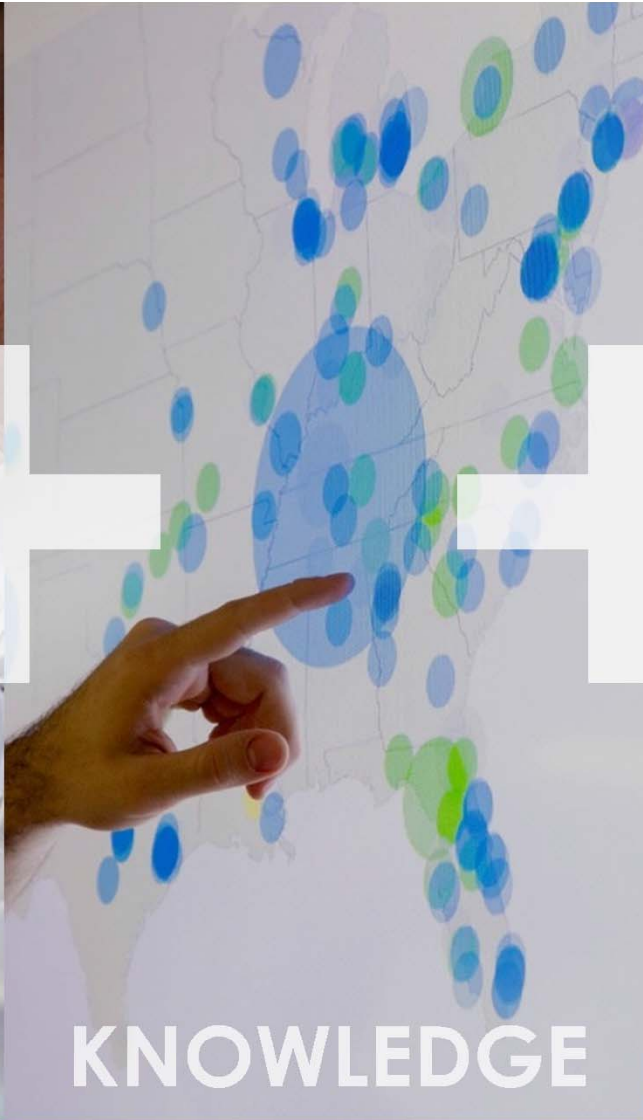
"Same Game. New Teams"



Business Model Reminder



SOFTWARE



KNOWLEDGE



WORK

RESULTS



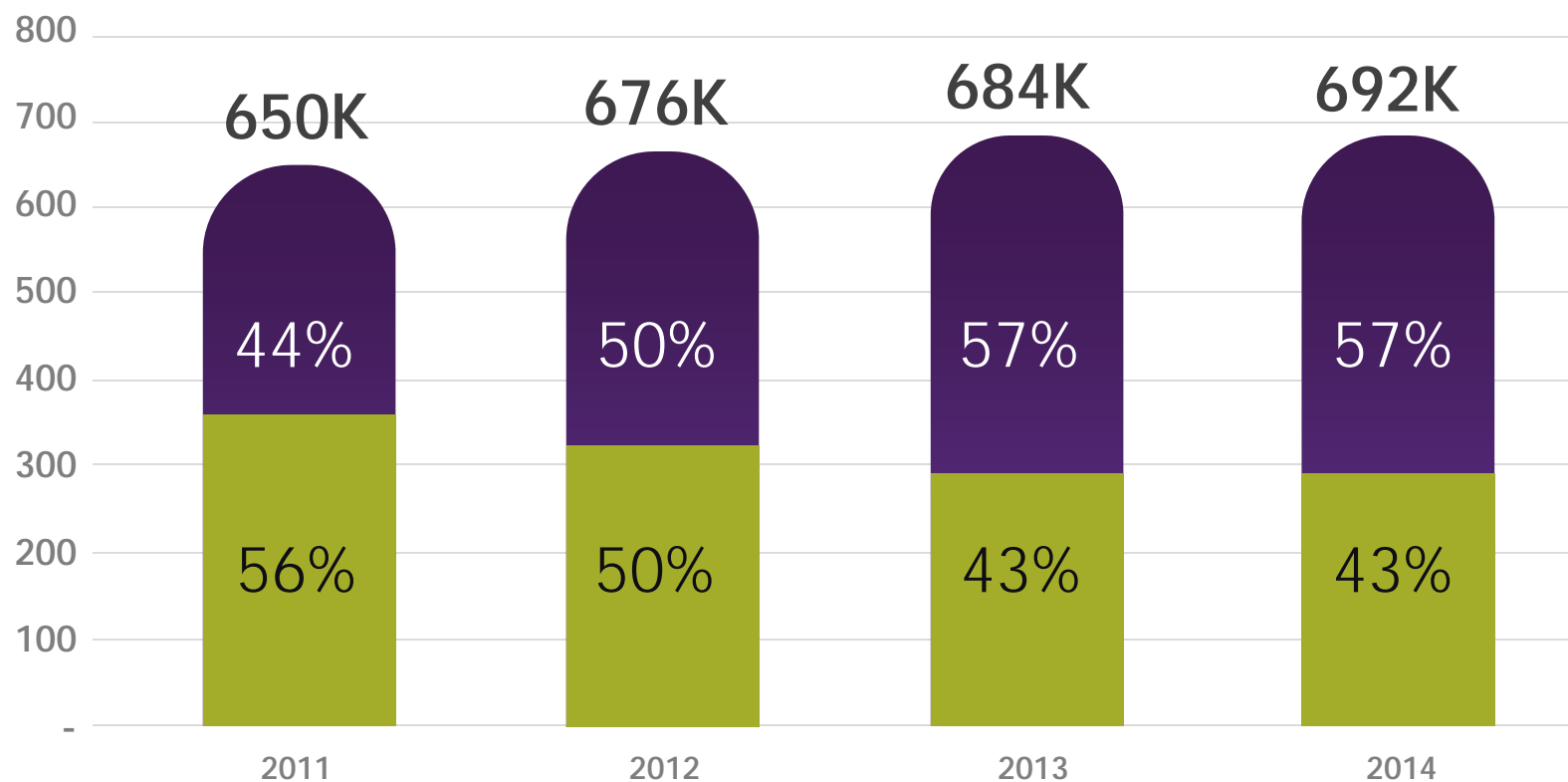
We provide five integrated services that deliver immediate value to providers and health systems





The background is a solid green color. Overlaid on this background is a pattern of light green circles. The circles are arranged in a grid-like fashion, with some circles appearing more prominent than others, creating a subtle texture.

Who We Target

% Employed Physicians

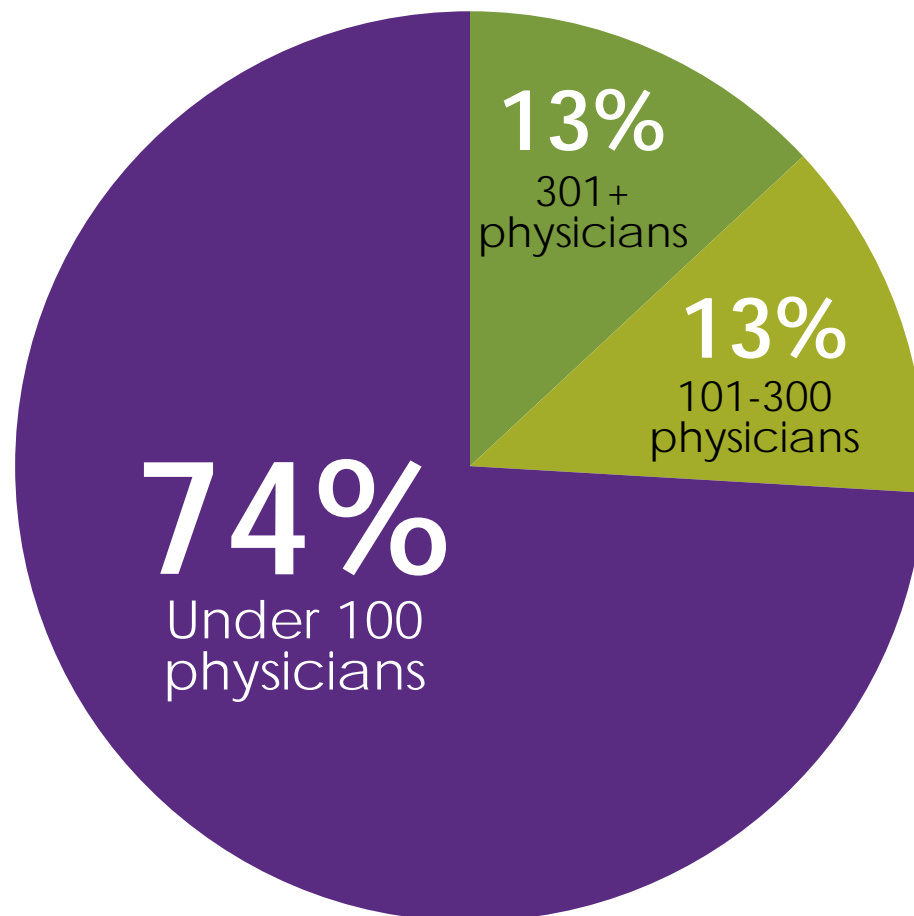


Source: athenahealth's addressable market (physicians) based on athenahealth analysis using SK&A, HIMSS, and self-collected data

 Employed
 Independent

It is not just large health systems
employing physicians

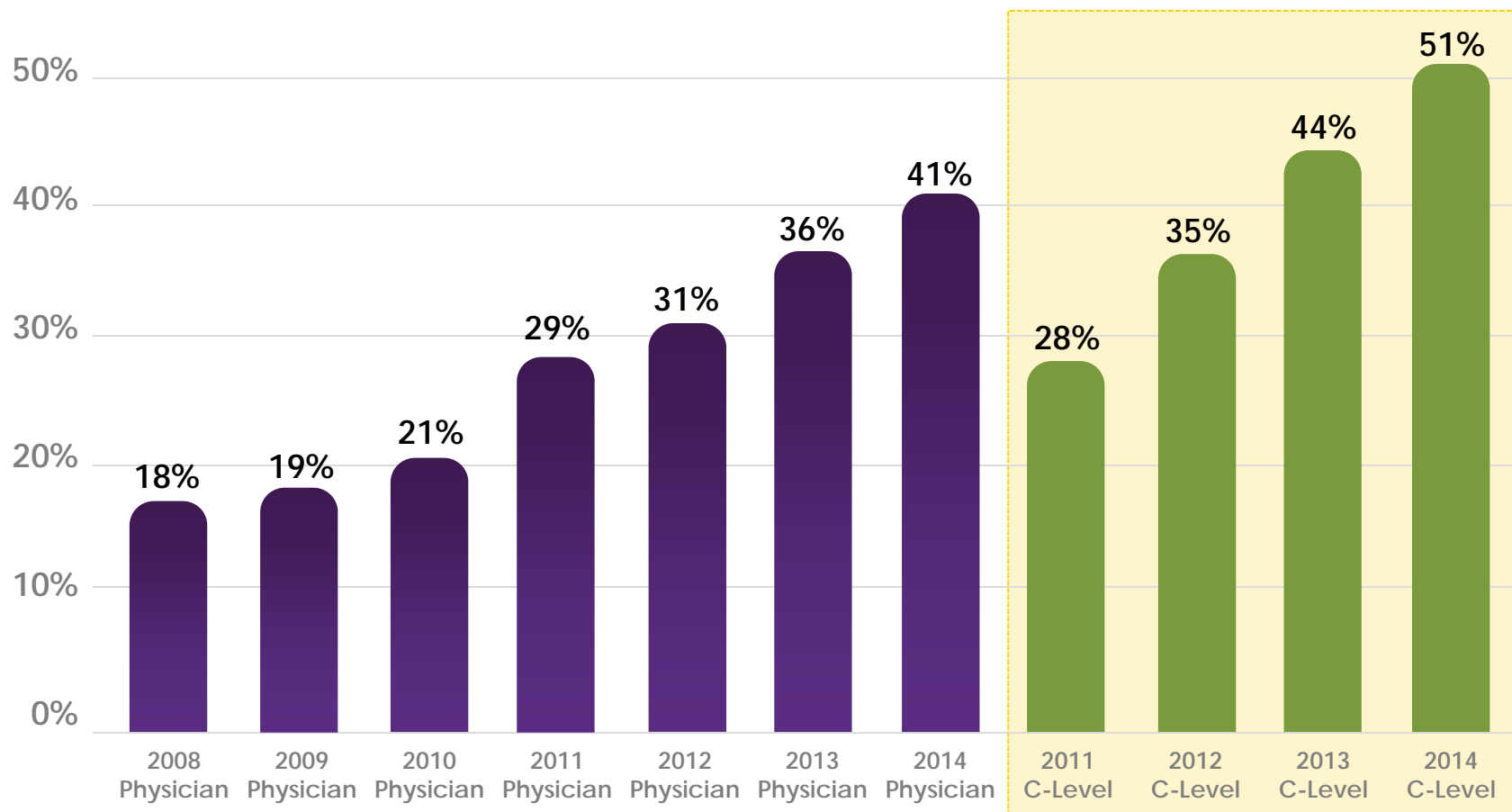
Hospitals and Health Systems Employing Physicians



Source: athenahealth's addressable market (physicians) based on athenahealth analysis using SK&A, HIMSS, and self-collected data

And our national awareness continues to increase in the market

National Market Awareness of athenahealth



Base: All Respondents National (1060) Q8: Which of these companies are you aware of?
Q11: To the best of your knowledge, what products or services does athenahealth provide?



Cut non-clinical costs

Identify missed opportunities

Get full credit for the care delivered

NOT
The Preservers



Make money through scale & access

Use data to drive decisions

Empowered to use their own data

The Newbies

e.g., Privia; Target; MedExpress



Position for the ability to shop, sell, harvest

Actively identify and harvest savings

Aggressively grow patient share

The Transformers

e.g., Ascension; CHRISTUS; Steward



The key to market share is cracking the code on patient engagement and patient experience



#1

Access

#2

Empathy

#3

Quality

We have built our growth strategy
around the “Land War”



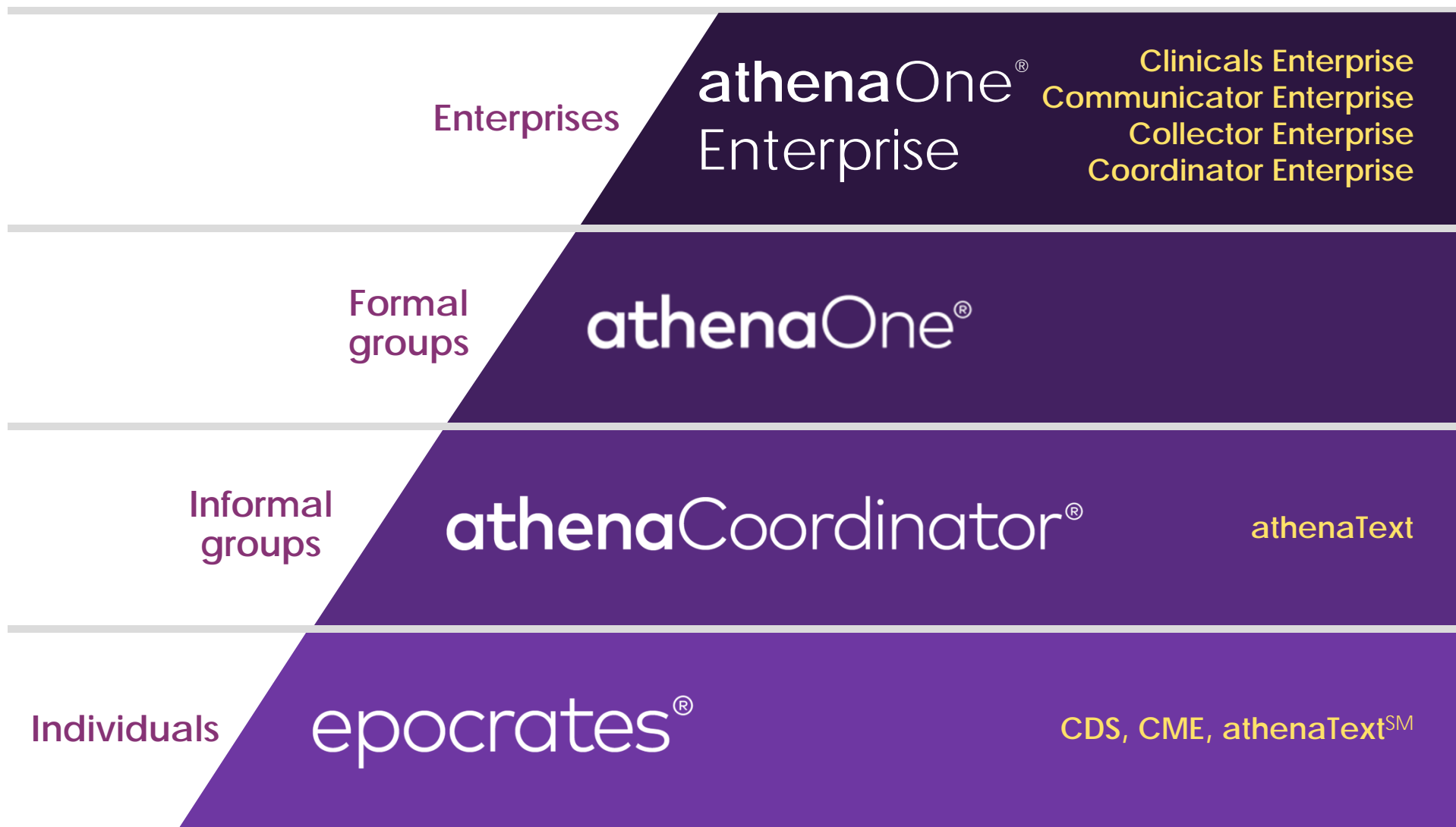
The Land War

...And also by building powerful *brand* bonds to get providers onto our network



Winning the Hearts and Minds

And this is how we are going after the market



We are on the right side of history and
the opportunity for us is significant

1 Still have the right strategy

2 Still room to shop

3 Still having fun

Financial Discussion

Kristi Matus

EVP, Chief Financial & Administrative Officer



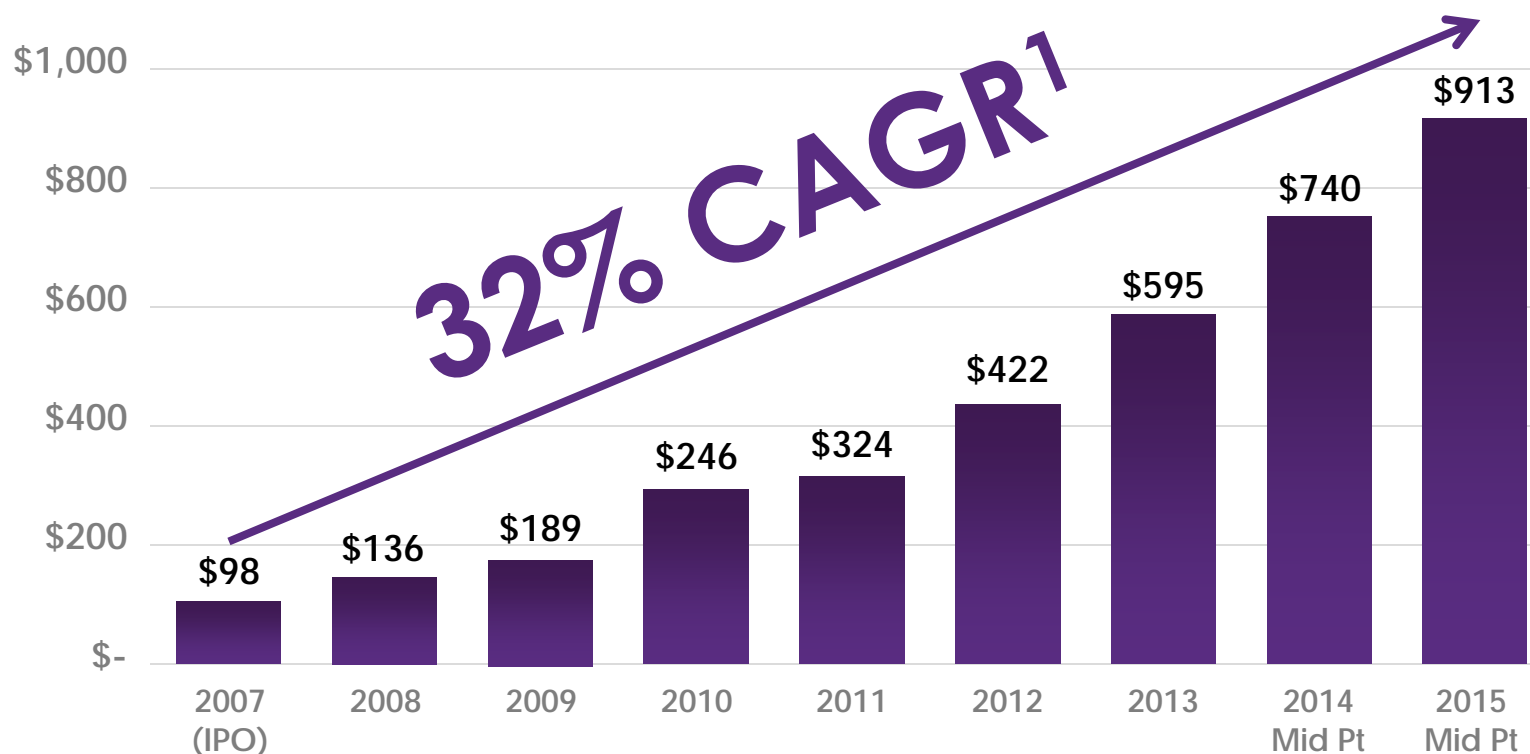
We have a consistent track record of profitable growth with significant opportunity ahead of us

1 Our strategies target massive, untapped market opportunities

2 Our success is aligned with our clients' long-term success

3 Our focused investments fuel future growth and profitability

We have a demonstrated track record of growth: above our 30% target



¹ CAGR from 2007 to 2015 Guidance (Mid Point)

 Consolidated Revenue (\$M)

7 years ago we were an emerging
company just starting to grow...

A graphic consisting of a solid olive-green circle. The text "12k" is written in white inside the circle, and the words "providers Collector (2000)" are written in white to the right of the circle.

12k providers
Collector (2000)

...and today we are a proven
aggressive growth company

59k providers
Collector (2000)

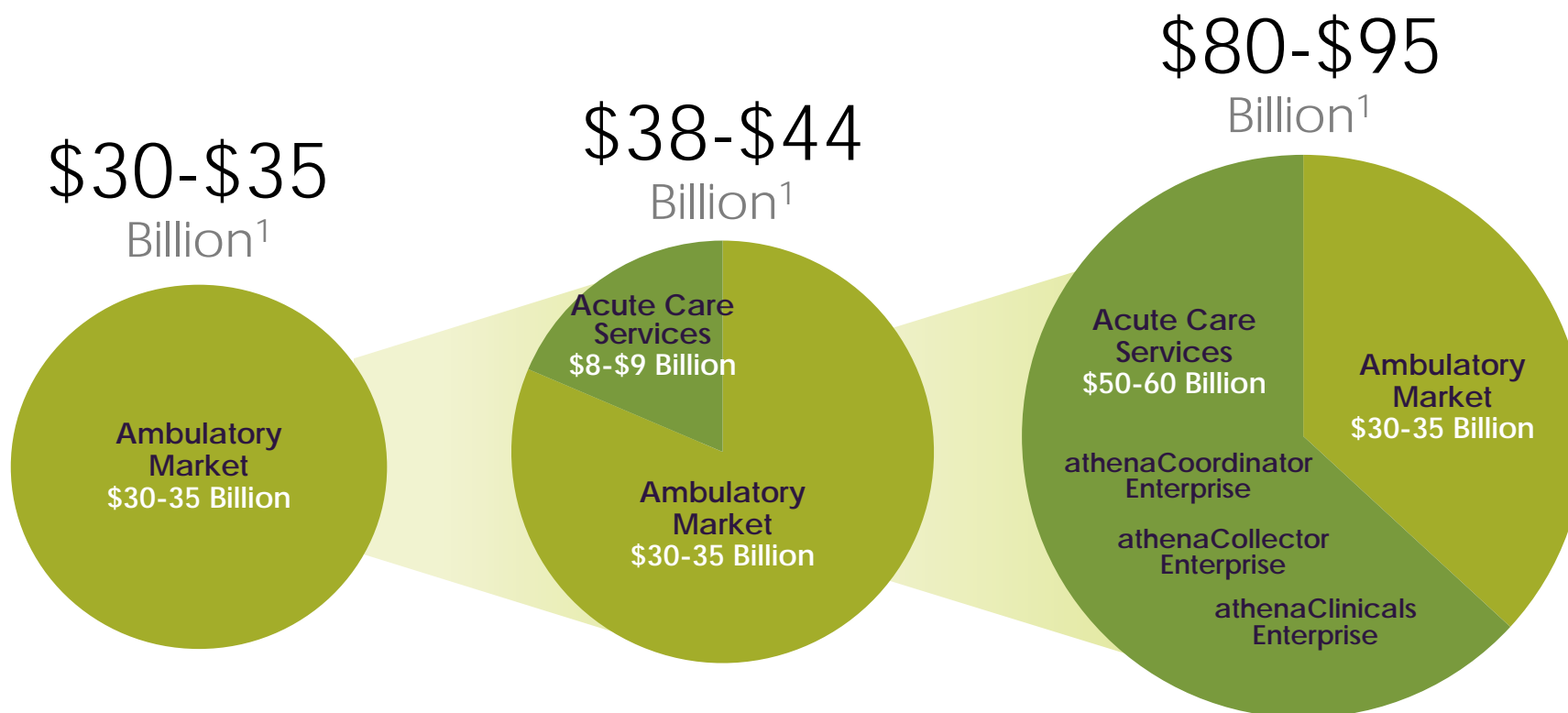
23k providers
Clinicals (2006)

39k providers
Communicator (2010)

5k receiver nodes
Coordinator (2012)

1.1M providers
Epocrates (2013)

Road to Support Full Continuum of Care



¹ Calculated by multiplying athenahealth's average billing rate of each service offering by \$880B Hospital Expenditures and \$560B Physician & Clinical Services, Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group, 2012.

We contribute directly to client success

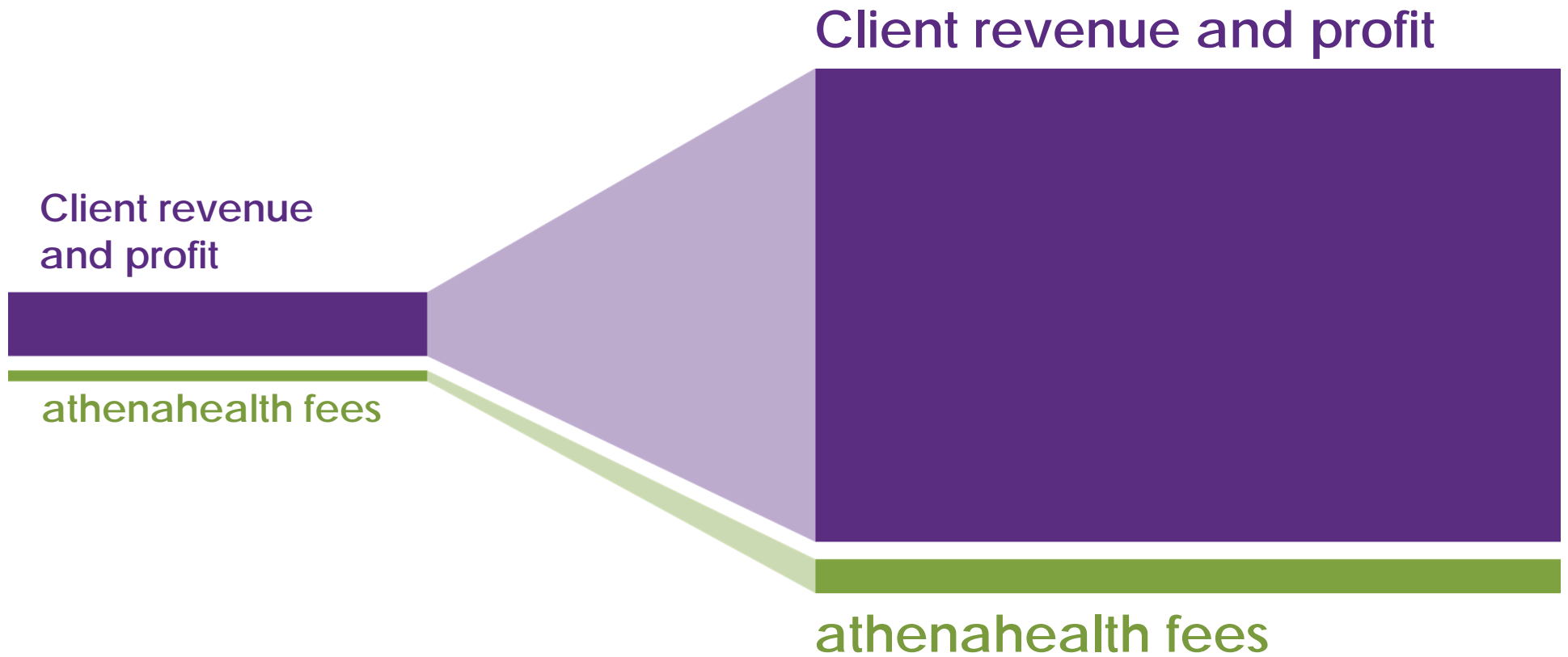
6% increase in collections

8% decrease in no-show rate

95% Meaningful Use attestation rate

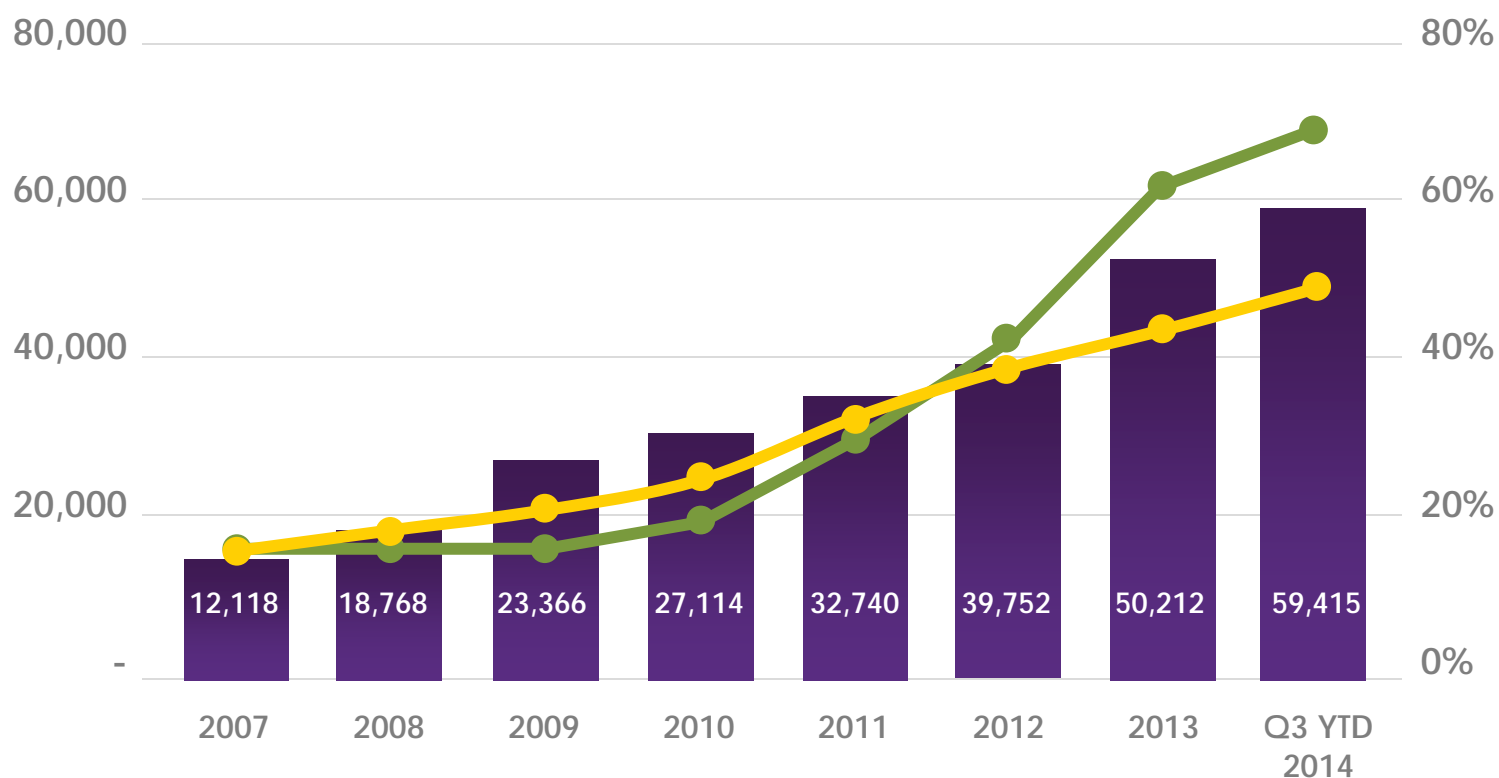
32% reduction in days in accounts receivable

97% EHR adoption rate



We enjoy continued rapid adoption of our core services

74% of 2014 Deals were athenaOne¹

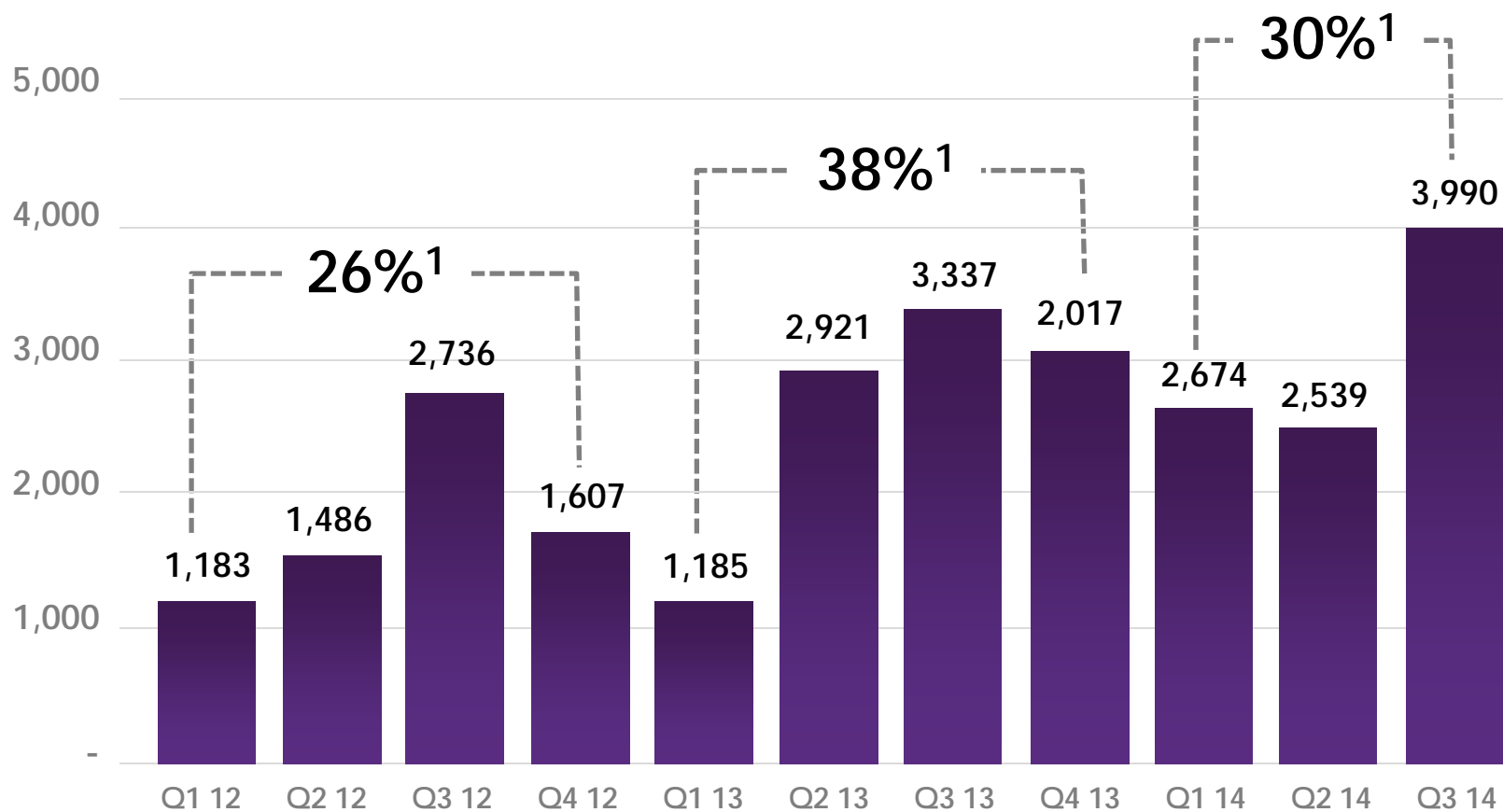


¹ YTD Q3 2014

■ athenaCollector Providers

● athenaCommunicator Adoption

● athenaClinicals Adoption



¹ Percentage of athenaCollector Providers added from existing clients (go-live dates from prior years)

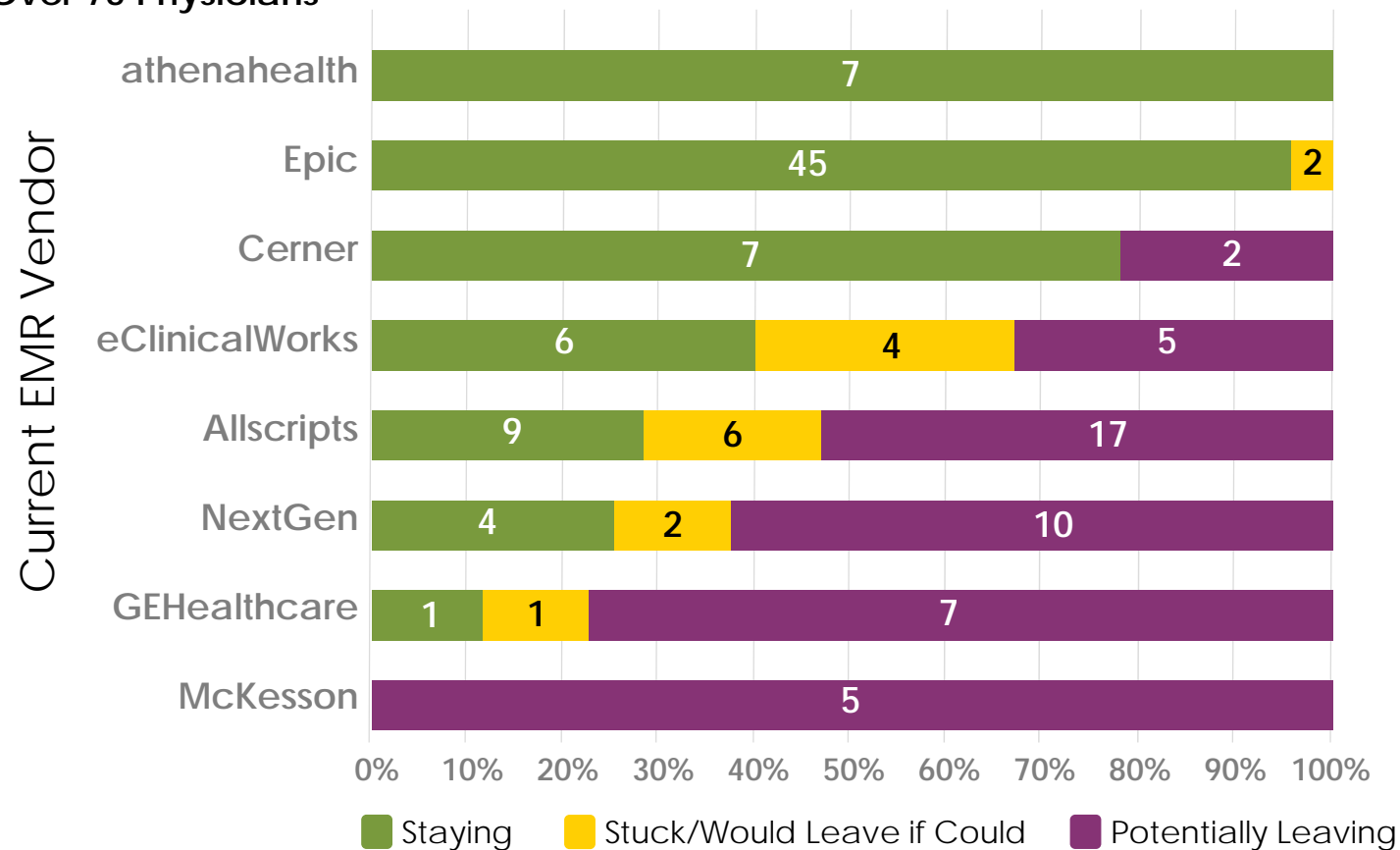
 athenaCollector Provider Adds

Client retention is high, and forward results are predictable

Stuck between a Rock and a Hard Place

Are you leaving, do you wish you could leave, or are you staying?

Over 75 Physicians



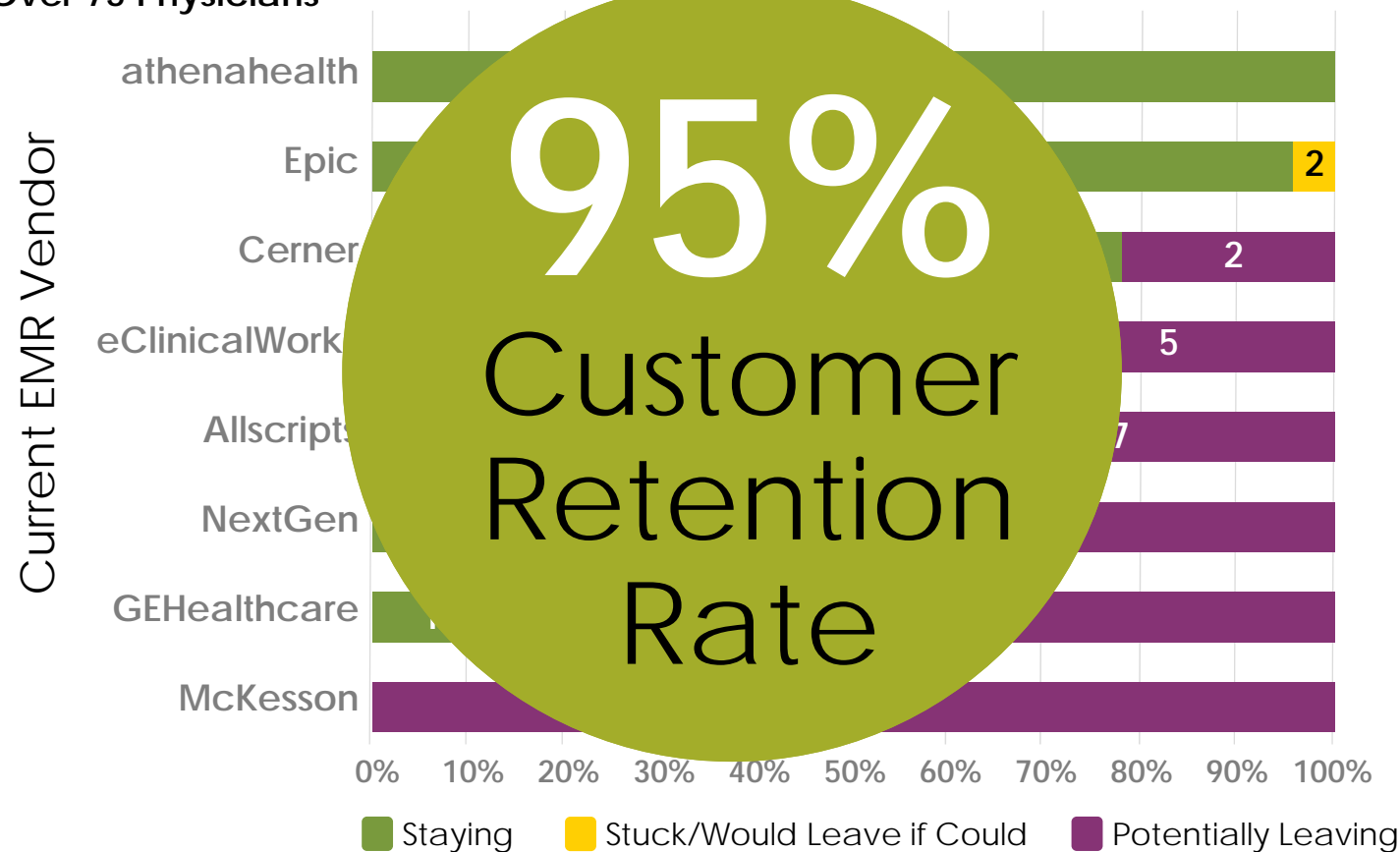
Source: "Ambulatory EMR Perception 2014: New Leaders Emerging as Market Shifts," August 2014. © KLAS Enterprises, LLC. All rights reserved.

Client retention is high, and forward results are predictable

Stuck between a Rock and a Hard Place

Are you leaving, do you wish you could leave, or are you staying?

Over 75 Physicians



1 Low Customer Acquisition Costs: \$0.55 to \$0.60 of sales and marketing spend to get \$1 recurring revenue

2 Quick Payback: payback period to recover customer acquisition costs is less than 1 year

3 High Lifetime Value of a Customer: ~6-7x customer acquisition costs

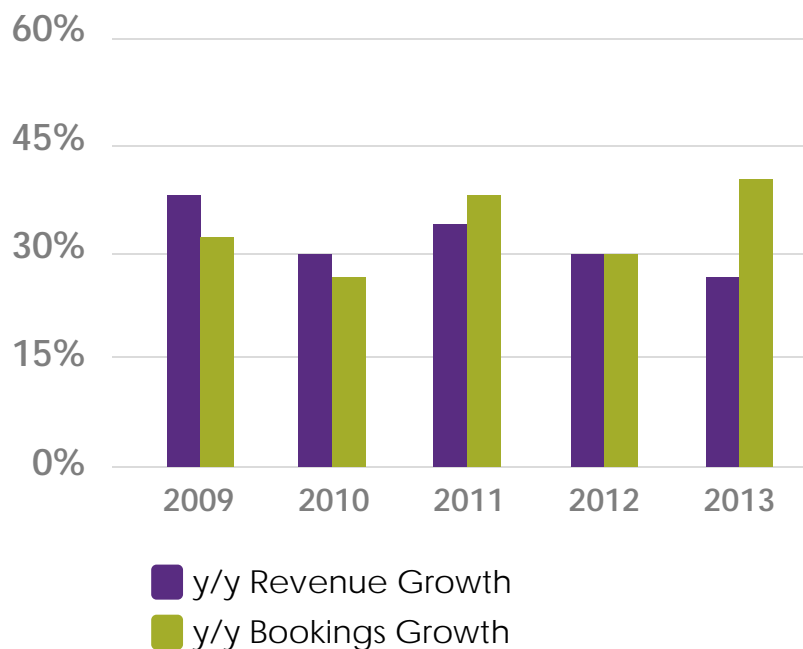
4 Significant Cross-Sell Opportunity: existing and future services

5 High Recurring Revenue Model: >80% of 2015 revenue is expected to come from existing client base

As we have grown, we have delivered both growth and profitability

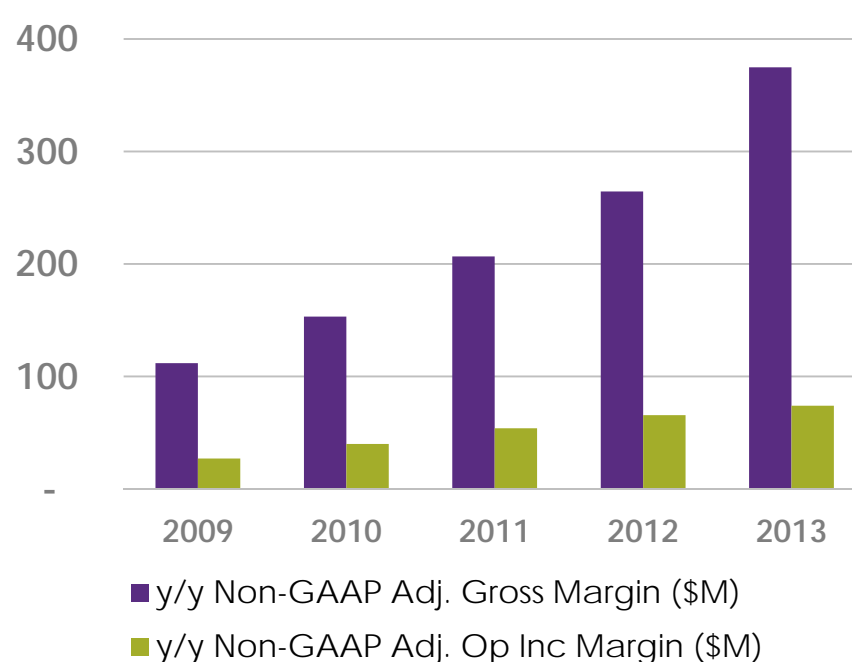
Growth¹

4-year CAGR:
Rev 30%, Bookings 32%



Profitability²

4-year CAGR:
GM\$ 35%, Op Inc\$ 29%



1. Represents revenue and bookings growth from athenahealth branded-services (excludes Epocrates branded-services and other)

2. Represents Non-GAAP Gross Margin and Non-GAAP Operating Margin which exclude stock based compensation, amortization of purchased intangibles and other non-GAAP adjustments.

We continuously improve our gross margin while investing in our services

Mature Services

70's¹

Emerging Services

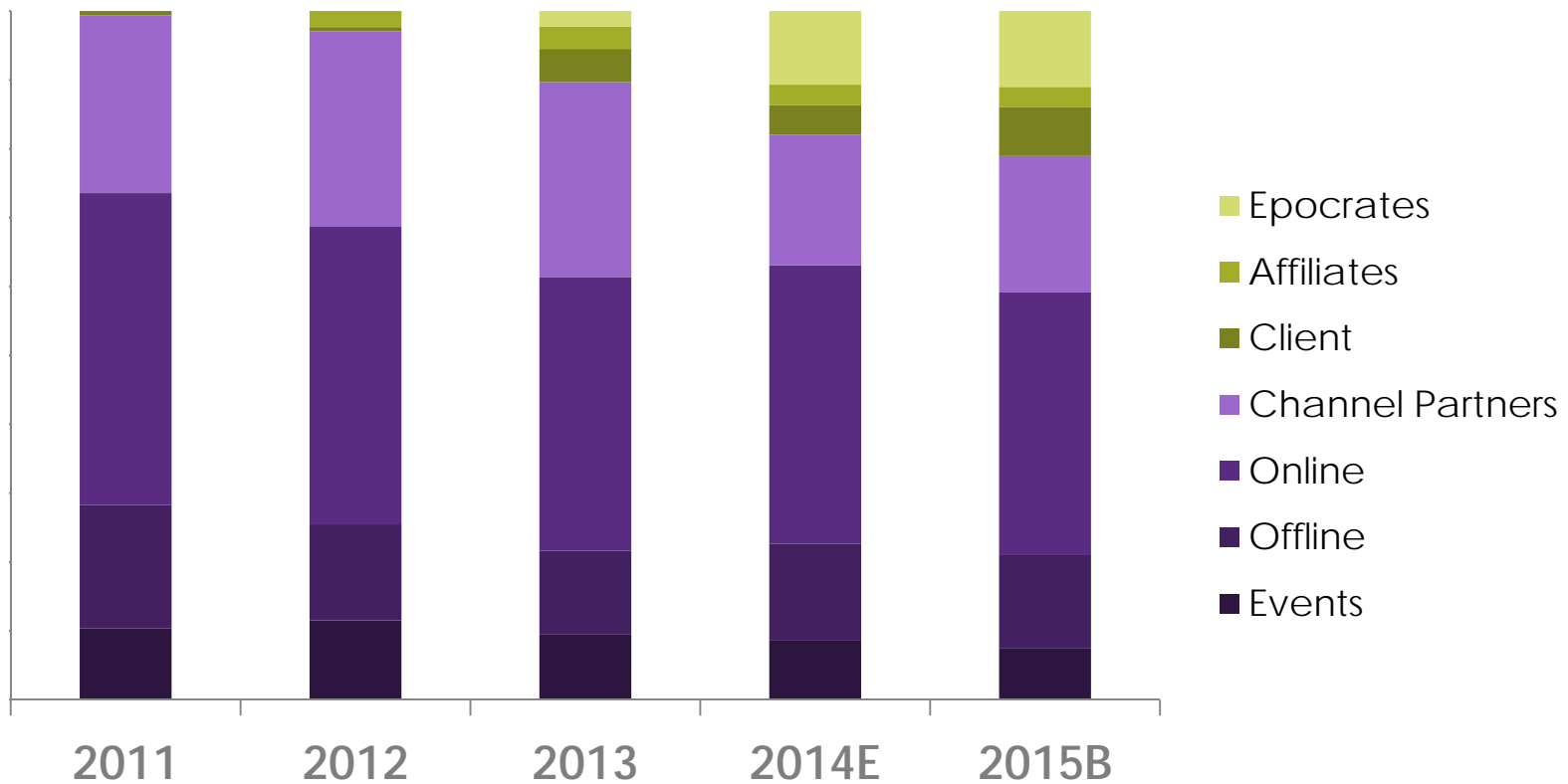
50's – 60's¹

New Services

20's or below¹

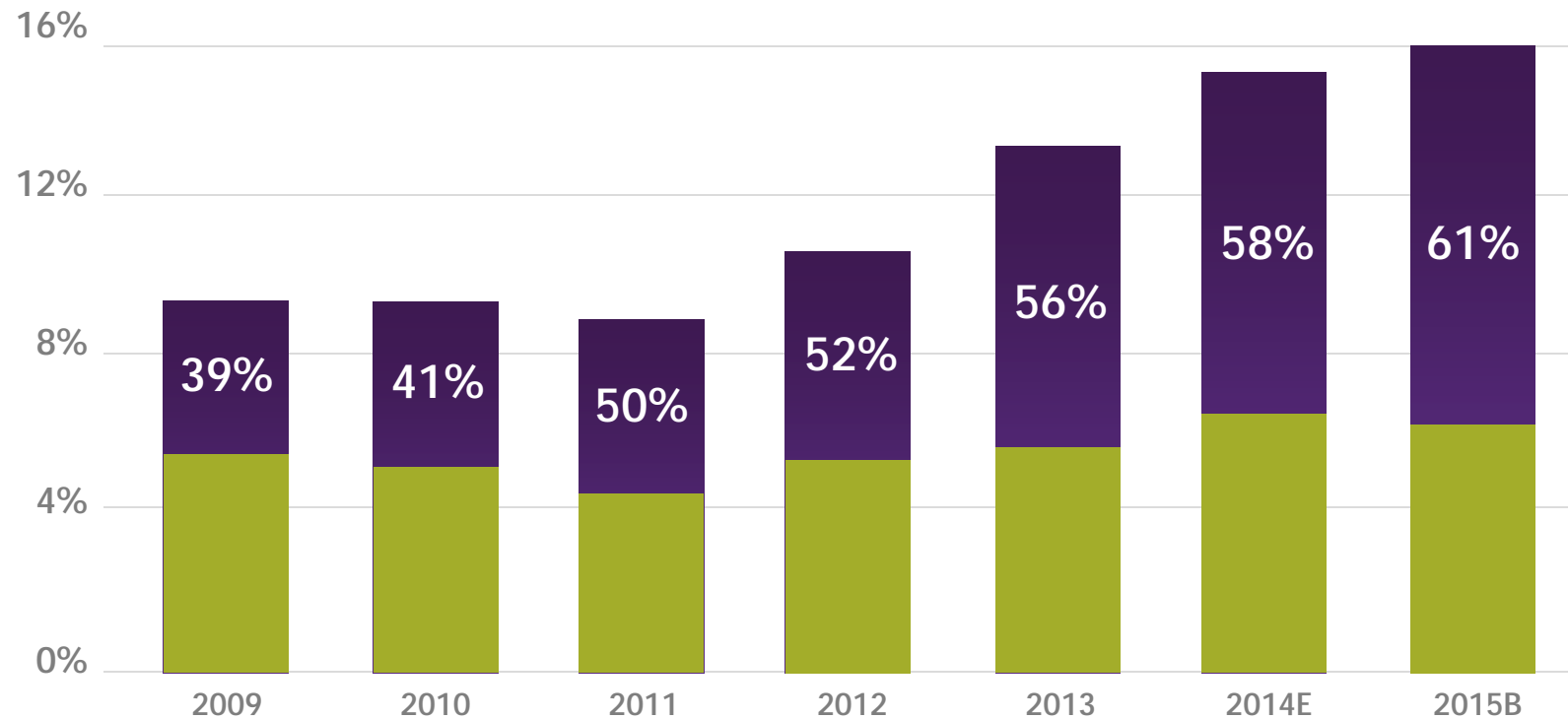
¹ Non-GAAP Adjusted Gross Margin, excluding implementation fees and implementation costs

Developing low cost and high close rate channels



2015 budget includes a 30%+ increase in leads

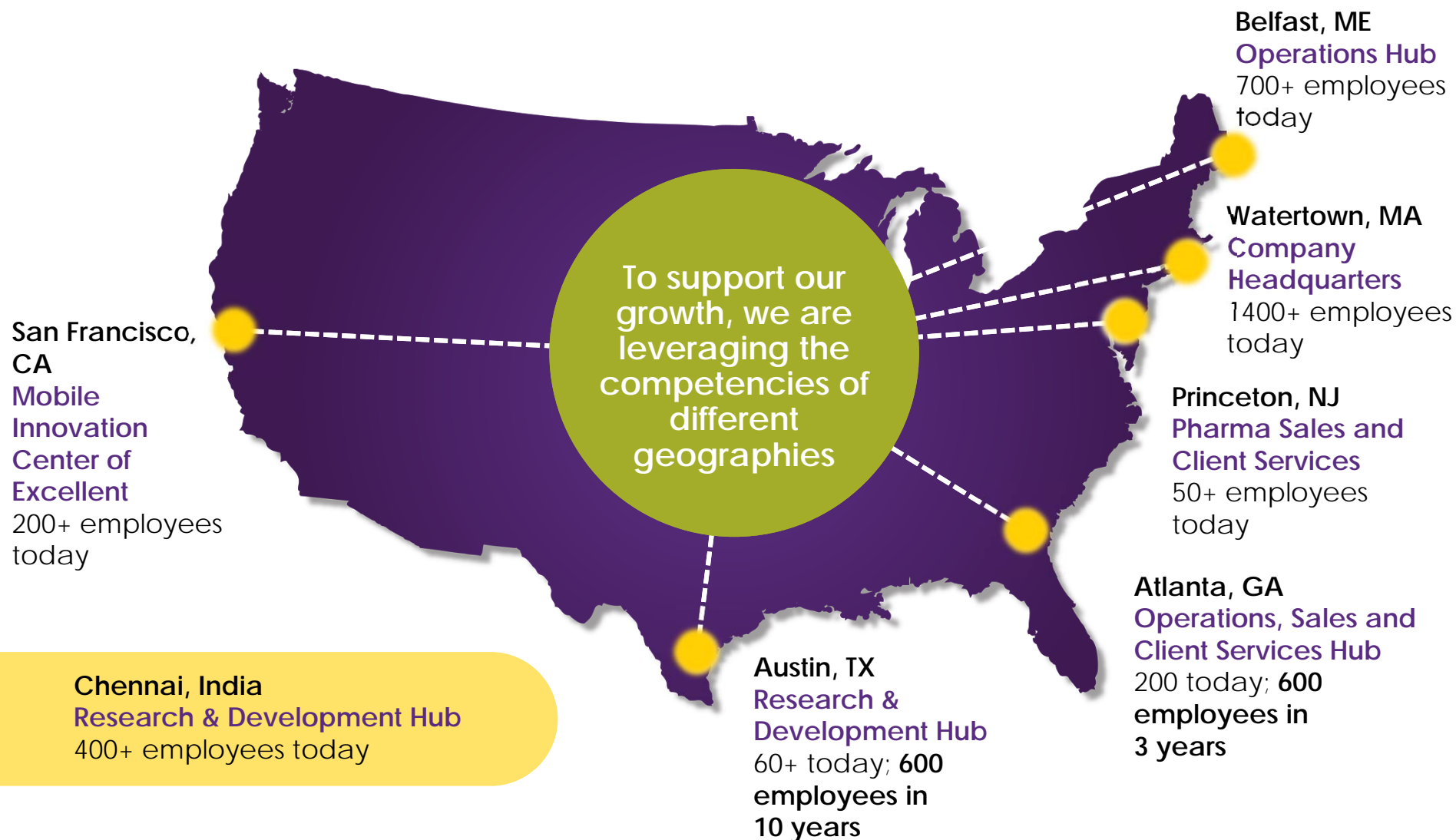
Growing percentage of our R&D investment is focused on true innovation



1 R&D Project Categories: C1 (Stability), C2 (Gross Margin and Productivity), C3 (Service Enhancement), C4 (New Service Development)

■ C1/C2 ■ C3/C4

We are making the necessary investments to attract, stimulate, and retain talent



We are athenaNation

3,525
employees

7
locations

5
services

48K applicants YTD 2014

5K unique candidate interviews YTD 2014

1200 new hires YTD 2014

44% new hires from employee referrals

4 day new hire immersive course

99% new hires attended NHO

4-7 week training for client-facing roles

30+ competency specific courses

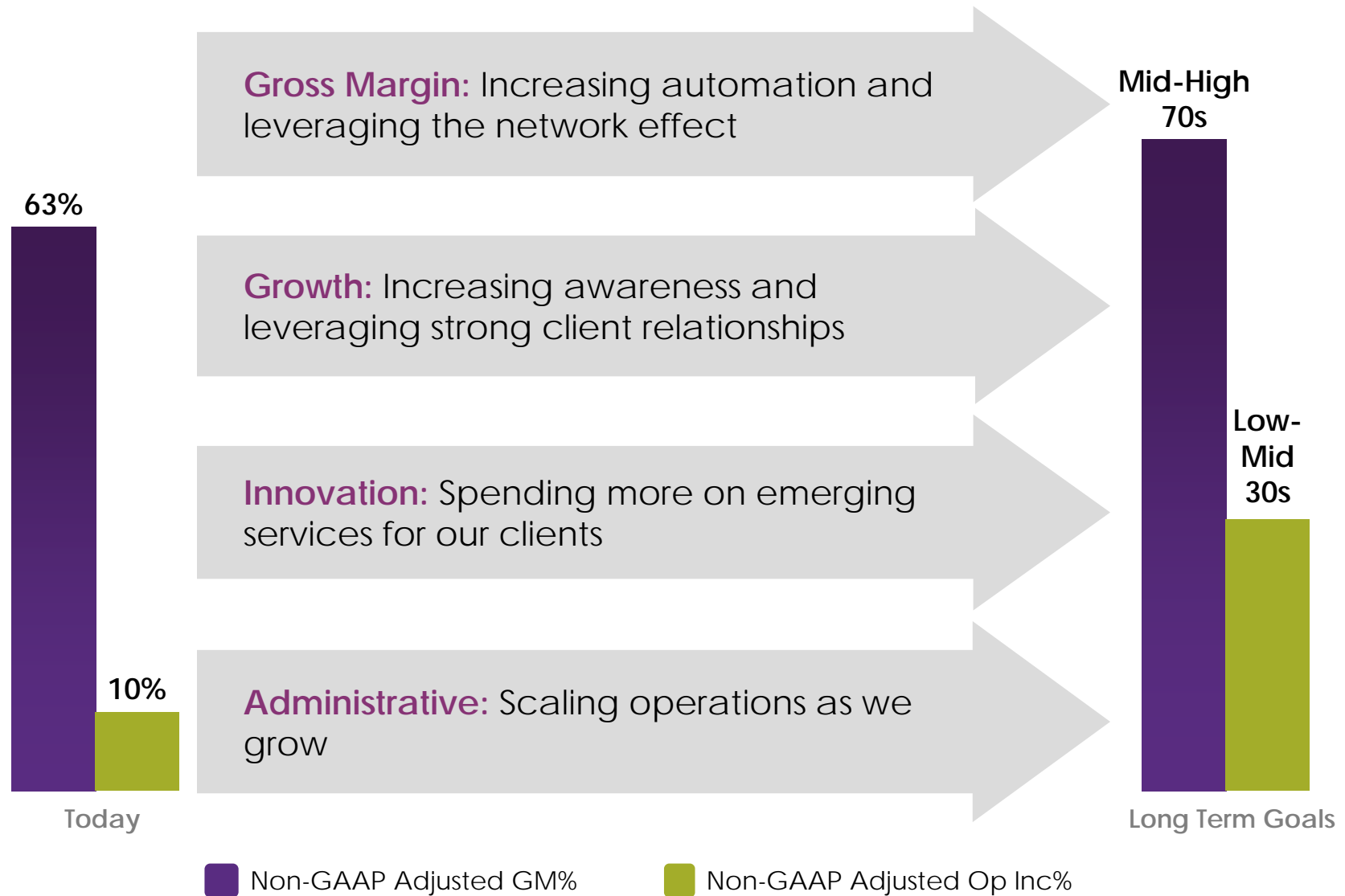
4 leadership programs

65% unique learners in 2014*

*On top of regulatory, compliance, and other required training



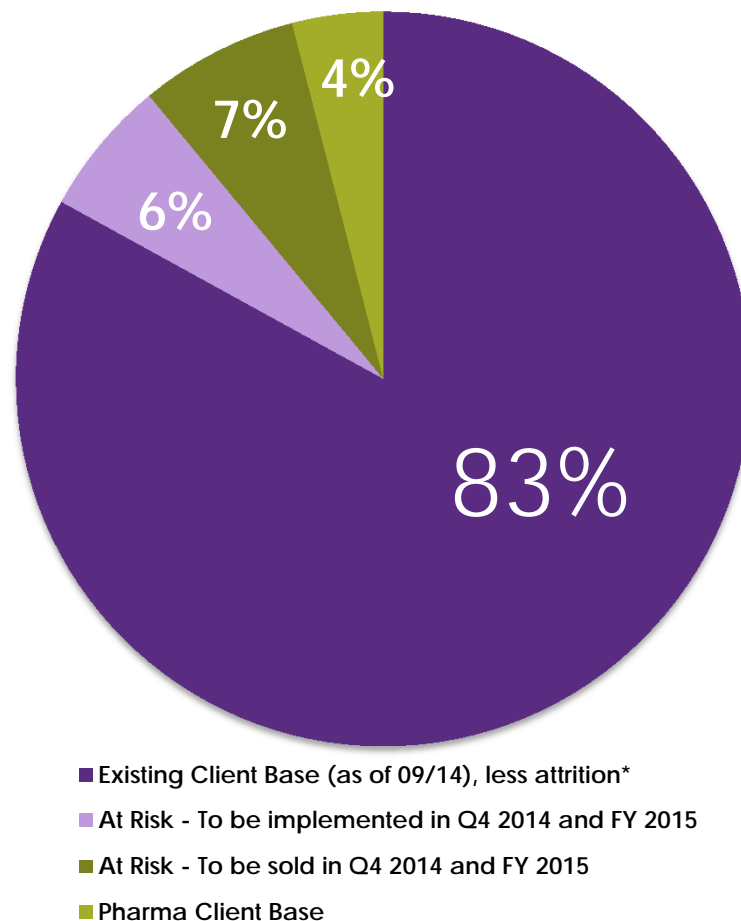
Path to long-term profitability targets



- 1** Grow bookings by 30% over fiscal year 2014
- 2** Maintain cost of bookings flat to fiscal year 2014
- 3** Improve non-GAAP adjusted gross margin for each service and overall
- 4** Increase investment in research and development to support building our continuum of care strategy
- 5** Scale general & administrative overall while strategically investing in select areas

The company continues to enjoy strong revenue visibility into next year

2015 Revenue Budget



*Includes Epocrates subscription revenue and Arsenal third-party tenant revenue



We are introducing our fiscal year 2015 growth and profitability expectations

Fiscal Year 2015 Expectations	
GAAP Total Revenue	\$900 - \$925 million
Non-GAAP Adjusted Gross Margin ¹	63.0% - 64.0%
Non-GAAP Adjusted Operating Income ¹	\$80 - \$90 million
Non-GAAP Adjusted Net Income per Diluted Share ¹	\$1.20 - \$1.30

Note: These estimates reflect our current operating plan as of December 11, 2014, and are subject to change as future events and opportunities arise.

¹ See non-GAAP reconciliation tables in the 12/10/14 press release

- 1 Our strategies target massive, untapped market opportunities
- 2 Our success is aligned with our clients' long-term success
- 3 Our focused investments fuel future growth and profitability

Additional points of interest and guidance for fiscal year 2015

It is best to assess our business on a year-over-year basis as there is typically an increase in expense levels during Q1 versus Q4

- FICA payroll tax reset, benefit rate changes, trade shows, etc.

The number of working days varies each quarter; impacting collections during each period

Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15
61	64	64	62	61	64	64	62

Our estimated FY 2015 capital expenditures, excluding capitalized software, is approximately 10% of consolidated revenue

Our estimated FY 2015 stock-based compensation expense is approximately \$66 million

Our estimated FY 2015 amortization of purchased intangible assets is approximately \$25 million

Our expected FY 2015 Non-GAAP tax rate is 40%

Our expected FY 2015 weighted average diluted share count is approximately 40.1 million

In our earnings releases, conference calls, slide presentations, or webcasts, we may use or discuss non-GAAP financial measures as defined by SEC Regulation G. The GAAP financial measure most directly comparable to each non-GAAP financial measure used or discussed, and a reconciliation of the differences between each non-GAAP financial measure and the comparable GAAP financial measure, is available within this presentation and within our public filings with the Securities and Exchange Commission, available on the Investors section of our website at <http://www.athenahealth.com>.

Non-GAAP reconciliation for fiscal year 2014 expectations

Non-GAAP Adjusted Gross Margin

	LOW	HIGH
	Fiscal Year Ending December 31, 2014	
Total revenue	\$ 725.0	\$ 755.0
Direct operating expense	292.4	295.9
Total revenue less direct operating expense	\$ 432.6	\$ 459.1
Add: Stock-based compensation expense allocated to direct operating expense	9.2	9.2
Add: Amortization of purchased intangible assets (1) allocated to direct operating expense	11.3	11.3
Non-GAAP Adjusted Gross Profit	\$ 453.1	\$ 479.6
Non-GAAP Adjusted Gross Margin	62.5%	63.5%

(1) Based on preliminary estimates related to purchase accounting for the Epocrates and Arsenal transactions.

Please note that the figures presented above may not sum exactly due to rounding.

Non-GAAP reconciliation for fiscal year 2014 expectations

Non-GAAP Adjusted Operating Income

	LOW	HIGH
	Fiscal Year Ending December 31, 2014	
Total revenue	\$ 725.0	\$ 755.0
GAAP net loss	(6.8)	(1.2)
Add: (Benefit) provision for income taxes	(0.6)	1.7
Add: Total other expense	5.4	7.5
Add: Stock-based compensation expense	48.6	48.6
Add: Amortization of capitalized stock-based compensation related to software development	1.5	1.5
Add: Amortization of purchased intangible assets (1)	21.9	21.9
Non-GAAP Adjusted Operating Income	\$ 70.0	\$ 80.0
Non-GAAP Adjusted Operating Income Margin	9.7%	10.6%

(1) Based on preliminary estimates related to purchase accounting for the Epocrates and Arsenal transactions.

Please note that the figures presented above may not sum exactly due to rounding.

Non-GAAP reconciliation for fiscal year 2014 expectations

Non-GAAP Adjusted Net Income & Non-GAAP Adjusted EPS

	LOW	HIGH
	Fiscal Year Ending December 31, 2014	
GAAP net loss	\$ (6.8)	\$ (1.2)
Add: Stock-based compensation expense	48.6	48.6
Add: Amortization of capitalized stock-based compensation related to software development	1.5	1.5
Add: Amortization of purchased intangible assets (1)	21.9	21.9
Sub-total of tax deductible items	\$ 72.0	\$ 72.0
(Less): Tax impact of tax deductible items (2)	(28.8)	(28.8)
Add: Tax impact resulting from applying a normalized non-GAAP tax rate (3)	2.3	1.5
Non-GAAP Adjusted Net Income	\$ 38.8	\$ 43.5
Weighted average shares - diluted	39.5	39.5
Non-GAAP Adjusted Net Income per Diluted Share	\$ 0.98	\$ 1.10

(1) Based on preliminary estimates related to purchase accounting for the Epocrates and Arsenal transactions.

(2) Tax impact calculated using a tax rate of 40%

(3) Represents adjusting the GAAP net loss at a Non-GAAP tax rate of 40%. For 2014, we are using a non-GAAP tax rate of 40% to normalize the tax impact to our non-GAAP Adjusted Net Income per Diluted Share because a relatively small change in pre-tax GAAP income (loss) could result in a volatile GAAP effective tax rate.

Please note that the figures presented above may not sum exactly due to rounding.

Non-GAAP reconciliation for fiscal year 2014 expectations

Non-GAAP Adjusted EPS

	LOW	HIGH
	Fiscal Year Ending December 31, 2014	
GAAP net loss per share - diluted	\$ (0.17)	\$ (0.03)
Add: Stock-based compensation expense	1.23	1.23
Add: Amortization of capitalized stock-based compensation related to software development	0.04	0.04
Add: Amortization of purchased intangible assets (1)	0.55	0.55
Sub-total of tax deductible items	\$ 1.83	\$ 1.83
(Less): Tax impact of tax deductible items (2)	(0.73)	(0.73)
Add: Tax impact resulting from applying a normalized non-GAAP tax rate (3)	0.06	0.04
Non-GAAP Adjusted Net Income per Diluted Share	\$ 0.98	\$ 1.10
Weighted average shares - diluted	39.5	39.5

(1) Based on preliminary estimates related to purchase accounting for the Epocrates and Arsenal transactions.

(2) Tax impact calculated using a tax rate of 40%

(3) Represents adjusting the GAAP net loss at a Non-GAAP tax rate of 40%. For 2014, we are using a non-GAAP tax rate of 40% to normalize the tax impact to our non-GAAP Adjusted Net Income per Diluted Share because a relatively small change in pre-tax GAAP income (loss) could result in a volatile GAAP effective tax rate.

Please note that the figures presented above may not sum exactly due to rounding.

Non-GAAP reconciliation for fiscal year 2015 expectations

Non-GAAP Adjusted Gross Margin

	LOW	HIGH
	Fiscal Year Ending December 31, 2015	
Total revenue	\$ 900.0	\$ 925.0
Direct operating expense	359.5	359.5
Total revenue less direct operating expense	\$ 540.5	\$ 565.5
Add: Stock-based compensation expense allocated to direct operating expense	13.8	13.8
Add: Amortization of purchased intangible assets allocated to direct operating expense	12.7	12.7
Non-GAAP Adjusted Gross Profit	\$ 567.0	\$ 592.0
Non-GAAP Adjusted Gross Margin	63.0%	64.0%

Please note that the figures presented above may not sum exactly due to rounding.

Non-GAAP reconciliation for fiscal year 2015 expectations

Non-GAAP Adjusted Operating Income

	LOW	HIGH
	Fiscal Year Ending December 31, 2015	
Total revenue	\$ 900.0	\$ 925.0
GAAP net loss	(7.2)	(3.1)
Add: (Benefit) provision for income taxes	(2.9)	(0.4)
Add: Total other (income) expense	(0.2)	3.2
Add: Stock-based compensation expense	61.4	61.4
Add: Amortization of capitalized stock-based compensation related to software development	4.2	4.2
Add: Amortization of purchased intangible assets	24.7	24.7
Non-GAAP Adjusted Operating Income	\$ 80.0	\$ 90.0
Non-GAAP Adjusted Operating Income Margin	8.9%	9.7%

Please note that the figures presented above may not sum exactly due to rounding.

Non-GAAP reconciliation for fiscal year 2015 expectations

Non-GAAP Adjusted Net Income and Non-GAAP Adjusted EPS

	LOW	HIGH
	Fiscal Year Ending	December 31, 2015
GAAP net loss	\$ (7.2)	\$ (3.1)
Add: Stock-based compensation expense	61.4	61.4
Add: Amortization of capitalized stock-based compensation related to software development	4.2	4.2
Add: Amortization of purchased intangible assets	24.7	24.7
Sub-total of tax deductible items	\$ 90.3	\$ 90.3
(Less): Tax impact of tax deductible items (1)	(36.1)	(36.1)
Add: Tax impact resulting from applying a normalized non-GAAP tax rate (2)	1.2	1.0
Non-GAAP Adjusted Net Income	\$ 48.1	\$ 52.1
Weighted average shares - diluted	40.1	40.1
Non-GAAP Adjusted Net Income per Diluted Share	\$ 1.20	\$ 1.30

(1) Tax impact calculated using a tax rate of 40%

(2) Represents adjusting the GAAP net loss at a Non-GAAP tax rate of 40%. For 2015, we are using a non-GAAP tax rate of 40% to normalize the tax impact to our non-GAAP Adjusted Net Income per Diluted Share because a relatively small change in pre-tax GAAP income (loss) could result in a volatile GAAP effective tax rate.

Please note that the figures presented above may not sum exactly due to rounding.

Non-GAAP reconciliation for fiscal year 2015 expectations

Non-GAAP Adjusted EPS

	LOW	HIGH
	Fiscal Year Ending December 31, 2015	
GAAP net loss per share - diluted	\$ (0.18)	\$ (0.08)
Add: Stock-based compensation expense	1.53	1.53
Add: Amortization of capitalized stock-based compensation related to software development	0.11	0.11
Add: Amortization of purchased intangible assets	0.61	0.61
Sub-total of tax deductible items	\$ 2.25	\$ 2.25
(Less): Tax impact of tax deductible items (1)	(0.90)	(0.90)
Add: Tax impact resulting from applying a normalized non-GAAP tax rate (2)	0.03	0.03
Non-GAAP Adjusted Net Income per Diluted Share	\$ 1.20	\$ 1.30
Weighted average shares - diluted	40.1	40.1

(1) Tax impact calculated using a tax rate of 40%

(2) Represents adjusting the GAAP net loss at a Non-GAAP tax rate of 40%. For 2015, we are using a non-GAAP tax rate of 40% to normalize the tax impact to our non-GAAP Adjusted Net Income per Diluted Share because a relatively small change in pre-tax GAAP income (loss) could result in a volatile GAAP effective tax rate.

Please note that the figures presented above may not sum exactly due to rounding.

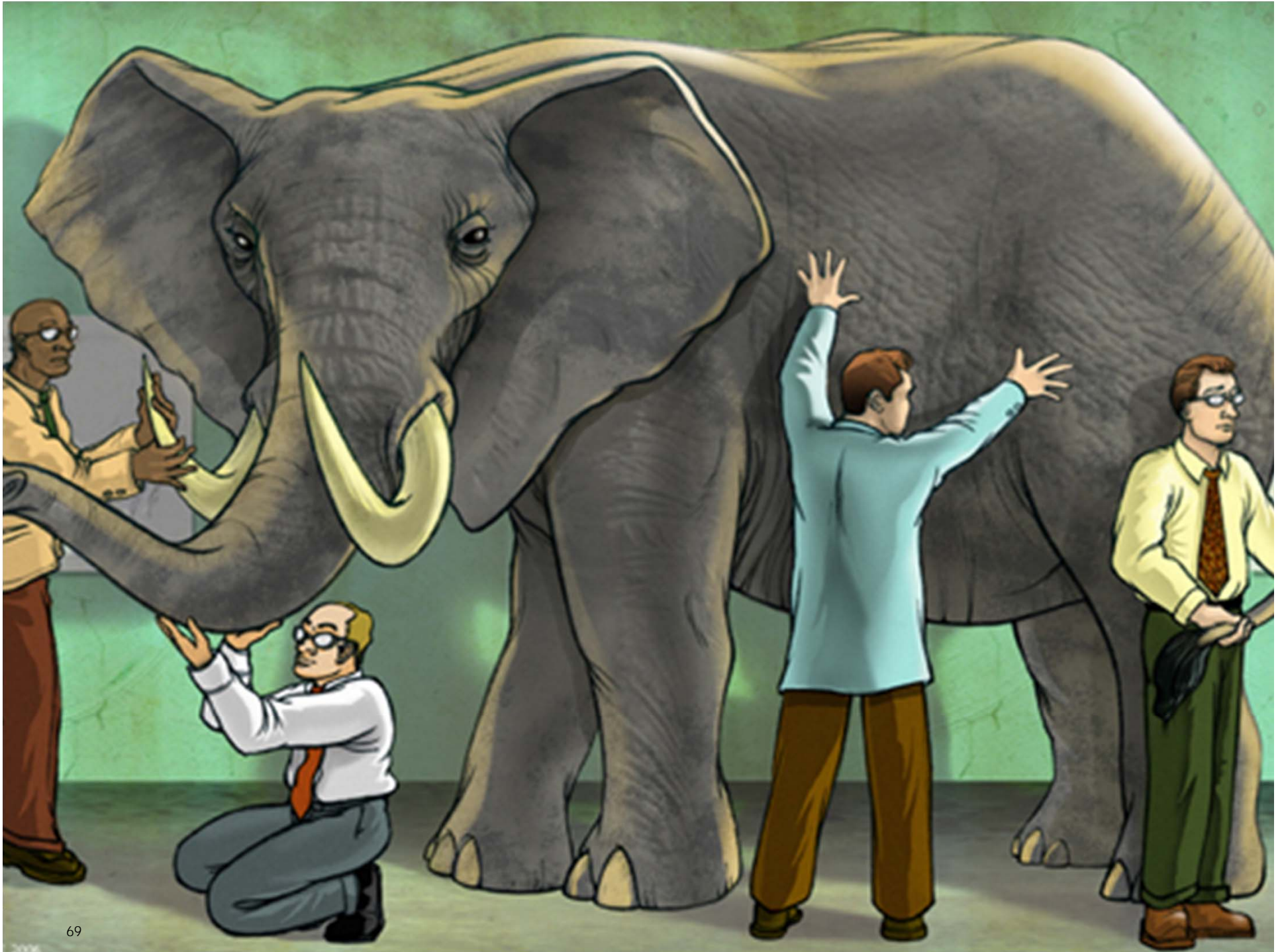
The background is a solid green color. Overlaid on this background is a pattern of light green circles. The circles are arranged in a grid-like fashion, with some circles appearing more prominent than others, creating a subtle texture.

Presentation Break

Core Business Update

Ed Park
EVP, Chief Operating Officer

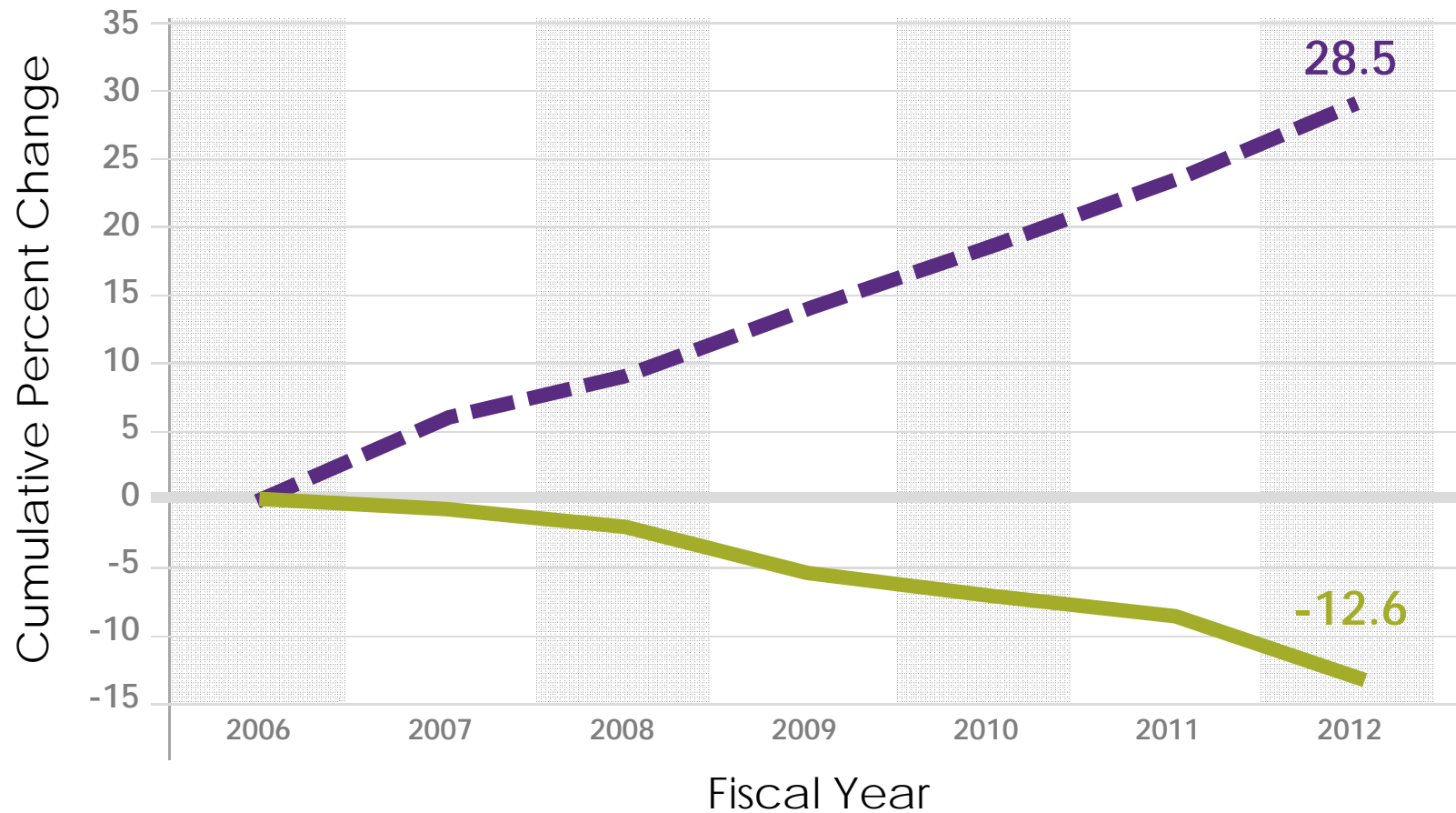




The background is a solid green color. Overlaid on this background is a pattern of light green circles. The circles are arranged in a grid-like fashion, with some circles missing in certain areas, creating a sparse, dotted effect. The text "View From The Air" is centered in the middle of the image in a white, sans-serif font.

View From The Air

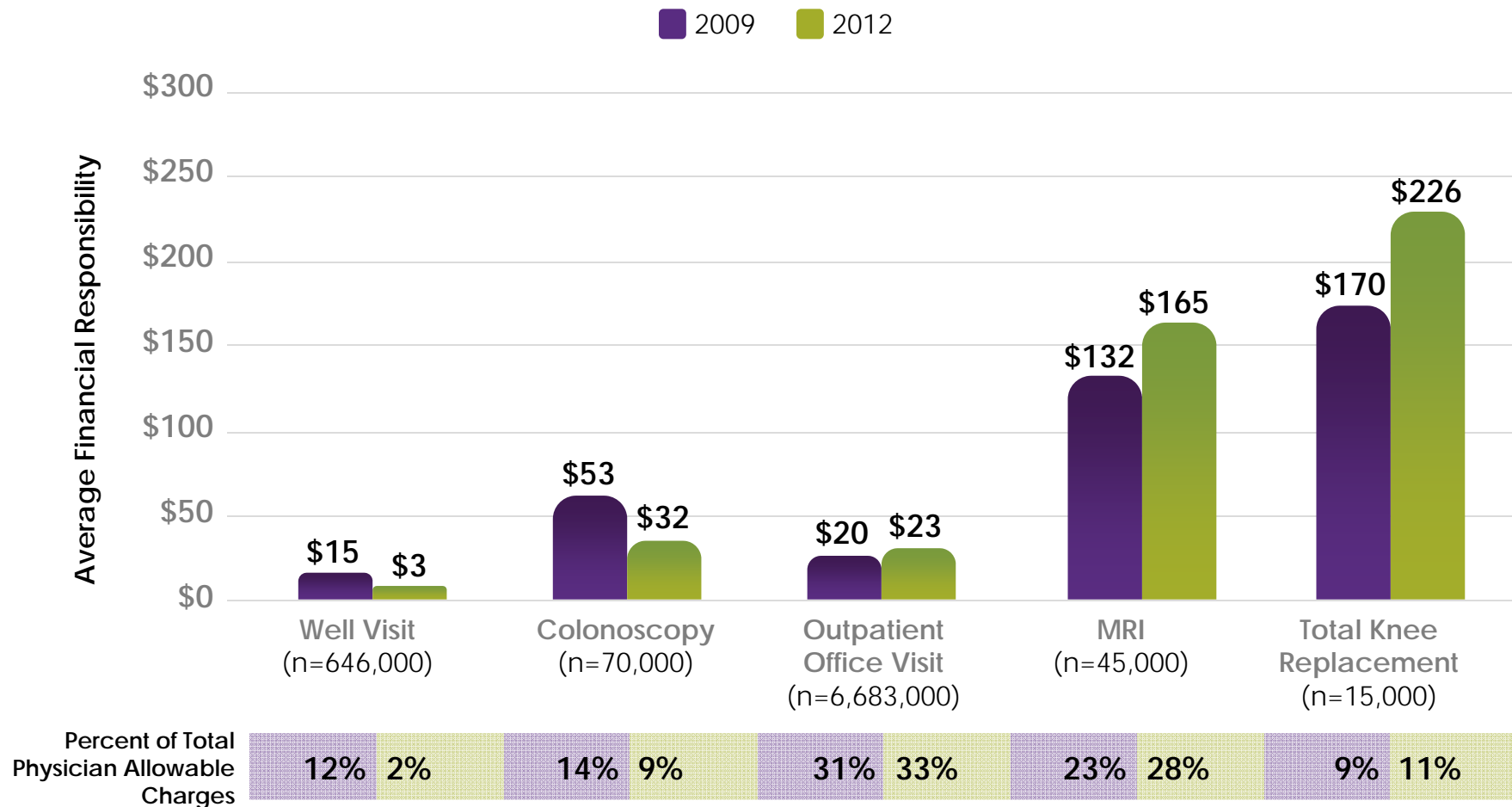
Care is moving out of the hospital while outpatient visits continue to rise



Source: MedPac Medicare Payment Advisory Commission, A Data Book: Health Care Spending and the Medicare Program, June 2014 <http://www.medpac.gov/-documents-/data-book>

■ Outpatient services per FFS Part B beneficiary
■ Inpatient discharges per FFS Part A beneficiary

One reason for this is that patients are bearing more of the cost of sick-care



Note: For physicians in athenahealth network, patient obligations as a percent of allowables appear in bars

Source: athenahealth data



PAYERS



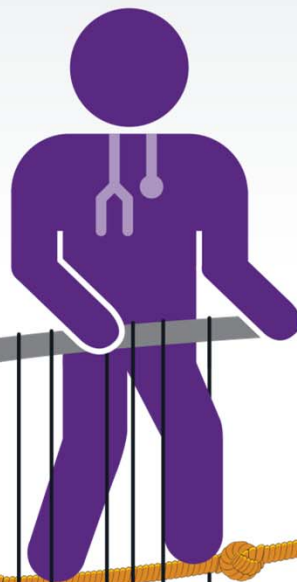
HOSPITALS



PATIENTS



GOVERNMENT



2011

2012

2013

2014

2015

2020

Buy MDs
and EHR
subsidy

Access to
apts. &
clinical
info

Meaningful
Use
Stage 2

PCMH
& ACOs

eRx
penalties

Tiered
networks

Meaningful
Use
Stage 2

+14 mil
to
Medicaid

Meaningful
Use
Stage 3

SGR fix

Increased
Self-Pay

Increased
P4P

ANSI
510

ACO
formation

PQRS
Reporting

Insurance
exchange
plans

Clinical
Trials

ACA

Access to
telehealth
& evisits

Donut
hole
closed

Cadillac
tax

ICD-10

The government is taking an axe to Medicare

Table 1 — Estimated Federal Costs (+) or Savings (-) under the Patient Protection and Affordable Care Act, as Enacted and Amended, in billions

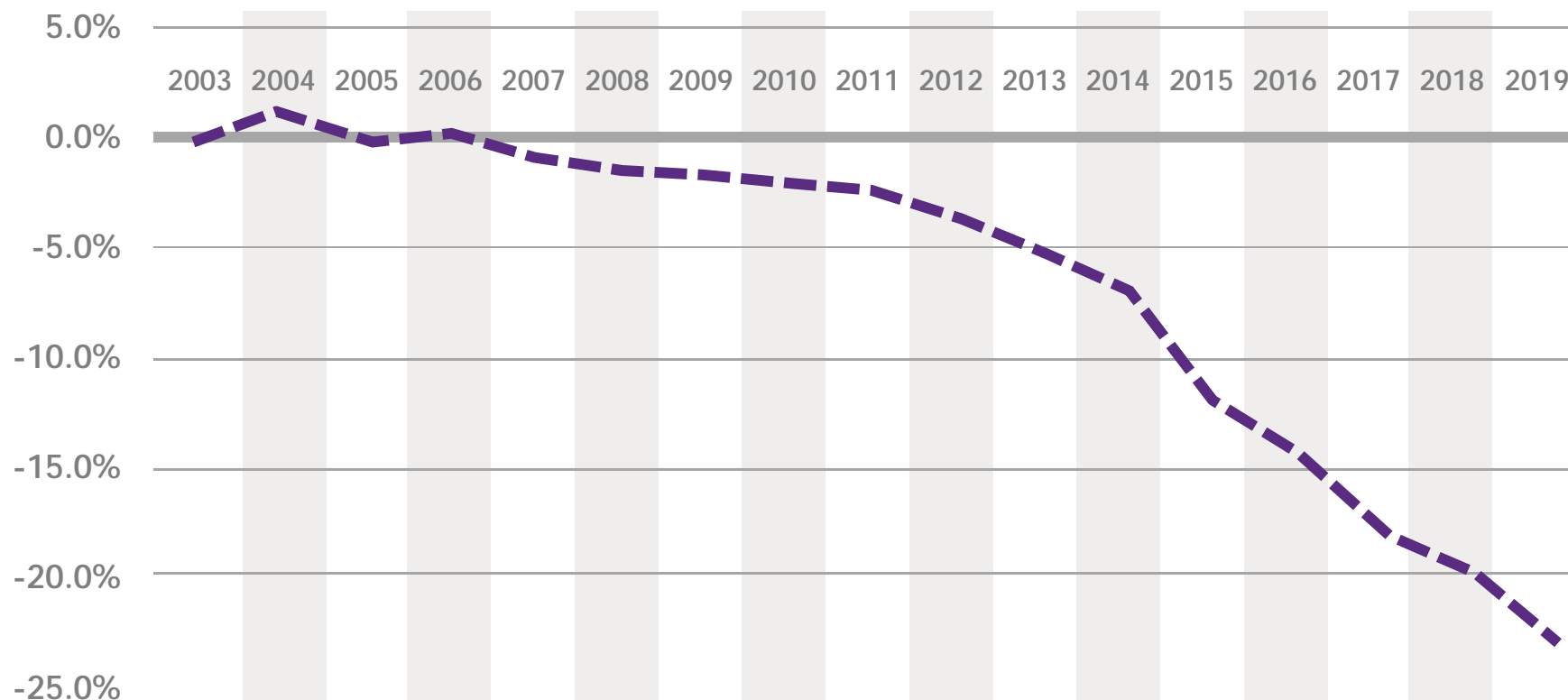
<p>DEPARTMENT OF HEALTH & HUMAN SERVICES Centers for Medicare & Medicaid Services 7500 Security Boulevard, Mail Stop N3-01-21 Baltimore, Maryland 21244-1850</p> <p>Office of the Actuary</p> <p>DATE: April 22, 2010</p> <p>FROM: Richard S. Foster Chief Actuary</p> <p>SUBJECT: Estimated Financial Effects of the "Patient Protection and Affordable Care Act," as Amended</p>											Total, FY 2010-2019
							2016	2017	2018	2019	
							\$63.1	\$54.2	\$47.2	\$38.5	\$251.3
							138.2	146.6	157.6	165.8	828.2
							78.7	72.2	76.3	81.2	410.3
							77.9	99.1	110.3	115.5	537.9
							76.3	99.1	110.3	115.5	506.5
							68.3	88.6	98.7	103.0	451.1
							8.0	10.5	11.6	12.5	55.4
							1.6	0.0	0.0	0.0	31.4
							-18.4	-24.7	-29.0	-30.9	-119.9
							-5.3	-7.6	-8.6	-9.2	-33.1
							-13.0	-17.1	-20.4	-21.8	-80.3
Medicare	1.2	-4.7	-14.9	-26.3	-68.8	-60.3	-75.2	-92.1	-108.2	-125.7	-575.1
Medicaid/CHIP (Excluding Coverage Expansions)	-0.9	-0.9	0.8	4.5	8.6	5.1	4.6	3.4	1.3	1.7	28.7
Cost Trend Proposals:	—	—	—	—	0.0	-0.1	-0.2	-0.4	-0.6	-0.9	-2.3
Comparative Effectiveness Research†	—	—	—	—	0.0	-0.1	-0.2	-0.4	-0.6	-0.9	-2.3
Prevention and Wellness	—	—	—	—	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fraud and Abuse	—	—	—	—	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Administrative Simplification	—	—	—	—	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Medicare savings estimated at \$575B

Source: Centers for Medicare & Medicaid Services, Office of the Actuary, Estimated Financial Effects of the "Patient Protection and Affordable Care Act," as Amended, April 22, 2010
http://www.cms.gov/research-statistics-data-and-systems/research/actuarialstudies/downloads/ppaca_2010-04-22.pdf

Hospitals will bear the brunt of these cuts and margins will fall off a cliff

Total Hospital Medicare Margins by Year

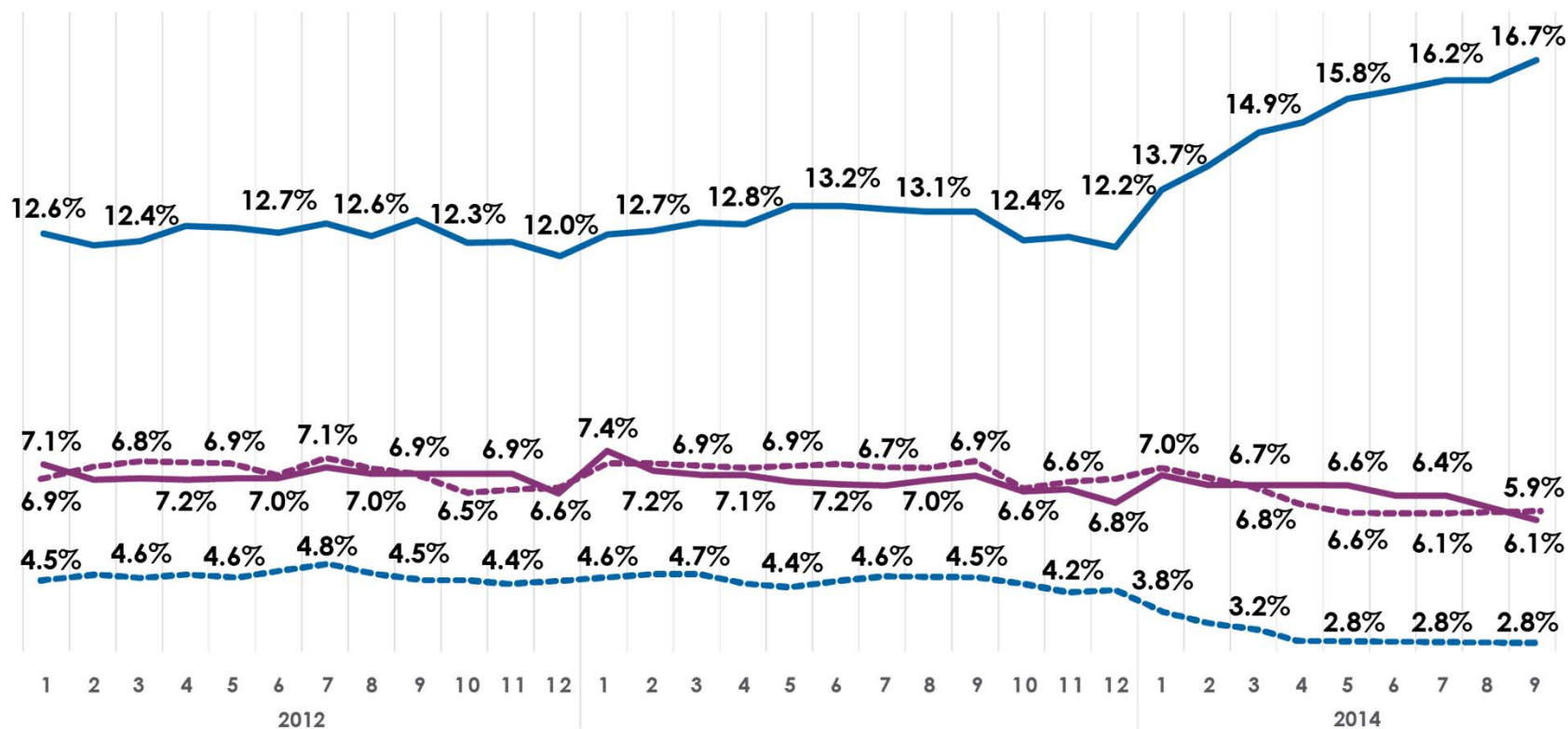


Source: <http://www.tha.com/blog/Default.aspx?pid=17>

One silver lining: providers in Medicaid expansion states are getting some reprieve

Proportion of Adult (18-64) PCP Visits from Medicaid and Uninsured Patients

Medicaid Expansion States vs. Non-Expansion States



Source: athenaResearch

Samples Approximately 19 million visits to practices active on the athenahealth network before 2011

- Medicaid Non-Expansion
- - - Uninsured Non-Expansion
- Medicaid Expansion
- - - Uninsured Expansion

A silhouette of a person standing on a small boat or pier, casting a large, wide net into a body of water. The net is spread out in a large, irregular shape, resembling a giant's hand reaching out. In the background, a city skyline with several domes and minarets is visible across the water. The entire image has a purple tint.

The new world order is
creating a scramble for
patient volume

We see four consolidation plays on the healthcare chessboard



1. Hospital-Centered

2. Multi-Specialty Group

3. Focused Factory

4. Virtual Group

Regardless of strategy, providers need a partner to minimize controllable risks

1

Operational Risk

Need “instant-on” implementations and best-practice core workflows

2

Regulatory Risk

Need to guarantee MU/MU2 and be future-proofed against regulatory uncertainty– e.g., ICD-10

3

Financial Risk

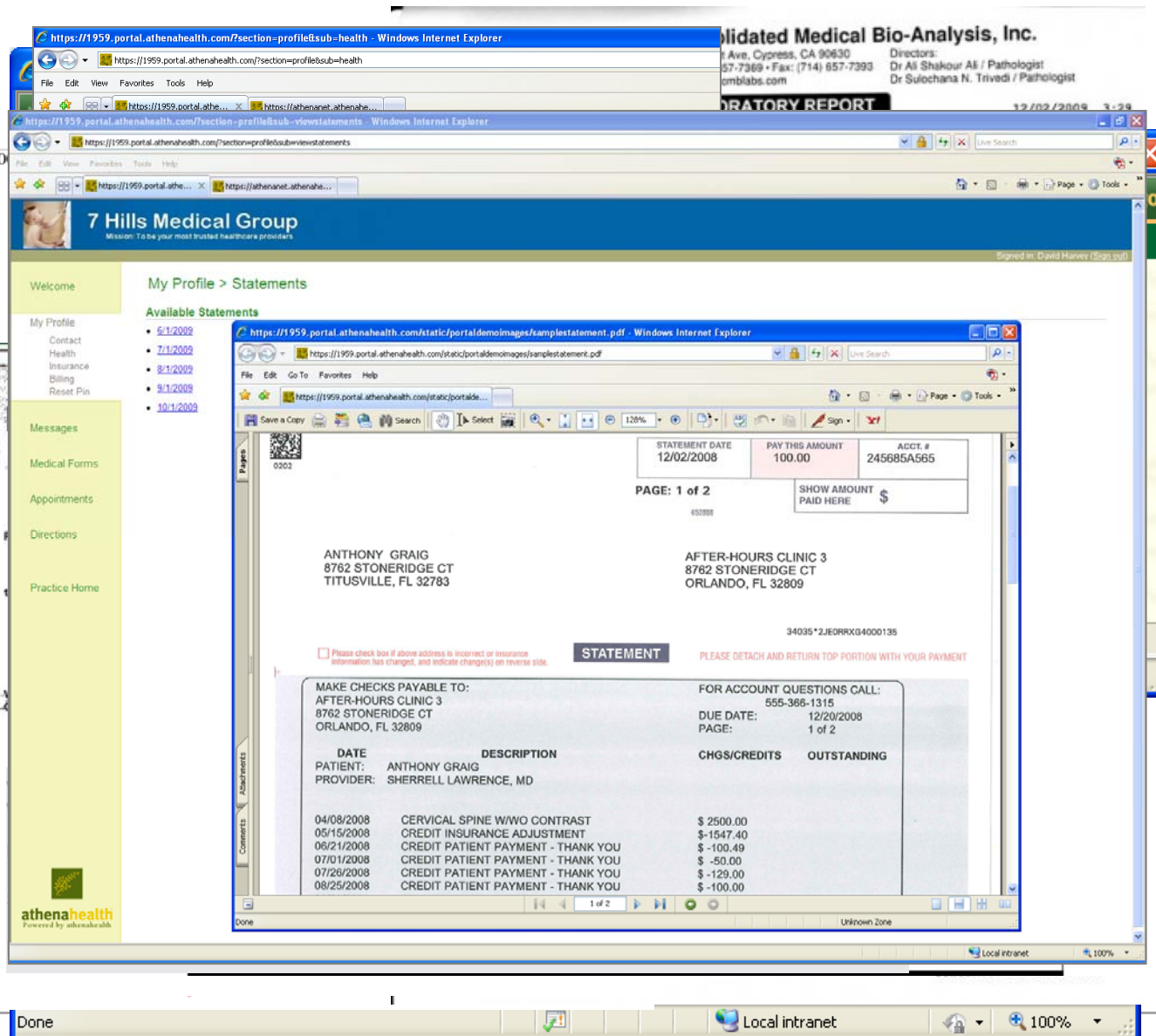
Must be capital-efficient – lightweight, self-funding models work best

The view from the trenches



Running a medical practice is a messy, complicated business

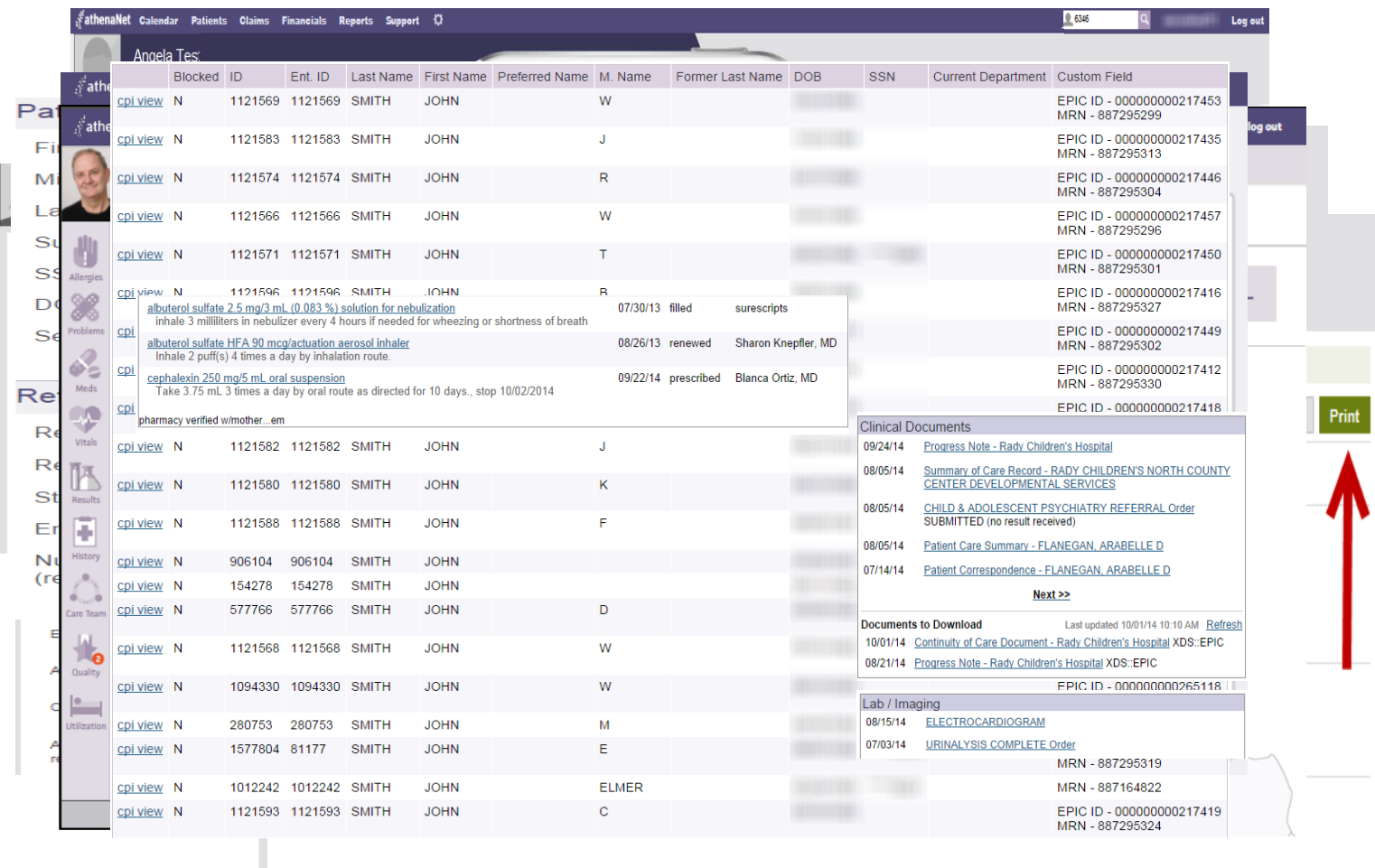
- Schedule visit
- Run eligibility inquiry
- Send reminder call
- Collect co-pay via credit card or e-check transaction
- Ask about P4P-related clinical protocol measure
- Document visit
- Order prescription
- Order lab order
- Send referral
- Order Immunization
- File with state immunization registry
- Send claim to payer
- Submit pay for performance report
- Receive lab results
- Notify patient of lab results on patient portal
- Receive consult note
- Receive EOB from payer
- File appeal if claim denied
- Post payment from payer
- Pay outstanding balance via web portal



The screenshot displays the athenahealth patient portal interface. The main content area shows a medical statement for Anthony Graig, dated 12/02/2008. The statement includes patient information, a list of services provided, and a table of charges and payments. The table shows a total charge of \$2500.00 for a cervical spine scan, with subsequent payments and credits totaling \$1547.40, leaving an outstanding balance of \$952.60.

DATE	DESCRIPTION	CHGS/CREDITS	OUTSTANDING
04/08/2008	CERVICAL SPINE W/O CONTRAST	\$ 2500.00	
05/15/2008	CREDIT INSURANCE ADJUSTMENT	\$-1547.40	
06/21/2008	CREDIT PATIENT PAYMENT - THANK YOU	\$ -100.49	
07/01/2008	CREDIT PATIENT PAYMENT - THANK YOU	\$ -50.00	
07/26/2008	CREDIT PATIENT PAYMENT - THANK YOU	\$ -129.00	
08/25/2008	CREDIT PATIENT PAYMENT - THANK YOU	\$ -100.00	
			\$ 952.60

- Portal Registration
- Direct scheduling
- Referral management
- Pre-authorization
- Pre-certification
- CCD exchange



The screenshot displays the athenaNet patient portal interface. The main content area shows a list of patients with columns for Blocked, ID, Ent. ID, Last Name, First Name, Preferred Name, M. Name, Former Last Name, DOB, SSN, Current Department, and Custom Field. A detailed view of a patient's medical history is shown, including a list of medications and a section for Clinical Documents. The sidebar on the left contains navigation options such as Allergies, Problems, Meds, Vitals, Results, History, Care Team, Quality, and Utilization. A red arrow points to a 'Print' button on the right side of the interface.

Blocked	ID	Ent. ID	Last Name	First Name	Preferred Name	M. Name	Former Last Name	DOB	SSN	Current Department	Custom Field
cpi view	N	1121569	1121569	SMITH	JOHN		W				EPIC ID - 000000000217453 MRN - 887295299
cpi view	N	1121583	1121583	SMITH	JOHN		J				EPIC ID - 000000000217435 MRN - 887295313
cpi view	N	1121574	1121574	SMITH	JOHN		R				EPIC ID - 000000000217446 MRN - 887295304
cpi view	N	1121566	1121566	SMITH	JOHN		W				EPIC ID - 000000000217457 MRN - 887295296
cpi view	N	1121571	1121571	SMITH	JOHN		T				EPIC ID - 000000000217450 MRN - 887295301
cpi view	N	1121596	1121596	SMITH	JOHN		R				EPIC ID - 000000000217416 MRN - 887295327
cpi								07/30/13	filled	surescripts	
cpi								08/26/13	renewed	Sharon Kneptler, MD	
cpi								09/22/14	prescribed	Blanca Ortiz, MD	
cpi											EPIC ID - 000000000217412 MRN - 887295330
cpi											EPIC ID - 000000000217418
cpi view	N	1121582	1121582	SMITH	JOHN		J				
cpi view	N	1121580	1121580	SMITH	JOHN		K				
cpi view	N	1121588	1121588	SMITH	JOHN		F				
cpi view	N	906104	906104	SMITH	JOHN						
cpi view	N	154278	154278	SMITH	JOHN						
cpi view	N	577766	577766	SMITH	JOHN		D				
cpi view	N	1121568	1121568	SMITH	JOHN		W				
cpi view	N	1094330	1094330	SMITH	JOHN		W				
cpi view	N	280753	280753	SMITH	JOHN		M				
cpi view	N	1577804	81177	SMITH	JOHN		E				
cpi view	N	1012242	1012242	SMITH	JOHN		ELMER				
cpi view	N	1121593	1121593	SMITH	JOHN		C				

Clinical Documents

- 09/24/14 [Progress Note - Rady Children's Hospital](#)
- 08/05/14 [Summary of Care Record - RADY CHILDREN'S NORTH COUNTY CENTER DEVELOPMENTAL SERVICES](#)
- 08/05/14 [CHILD & ADOLESCENT PSYCHIATRY REFERRAL Order SUBMITTED \(no result received\)](#)
- 08/05/14 [Patient Care Summary - FLANEGAN, ARABELLE D](#)
- 07/14/14 [Patient Correspondence - FLANEGAN, ARABELLE D](#)

[Next >>](#)

Documents to Download Last updated 10/01/14 10:10 AM [Refresh](#)

- 10/01/14 [Continuity of Care Document - Rady Children's Hospital XDS:EPIC](#)
- 08/21/14 [Progress Note - Rady Children's Hospital XDS:EPIC](#)

EPIC ID - 000000000265118

Lab / Imaging

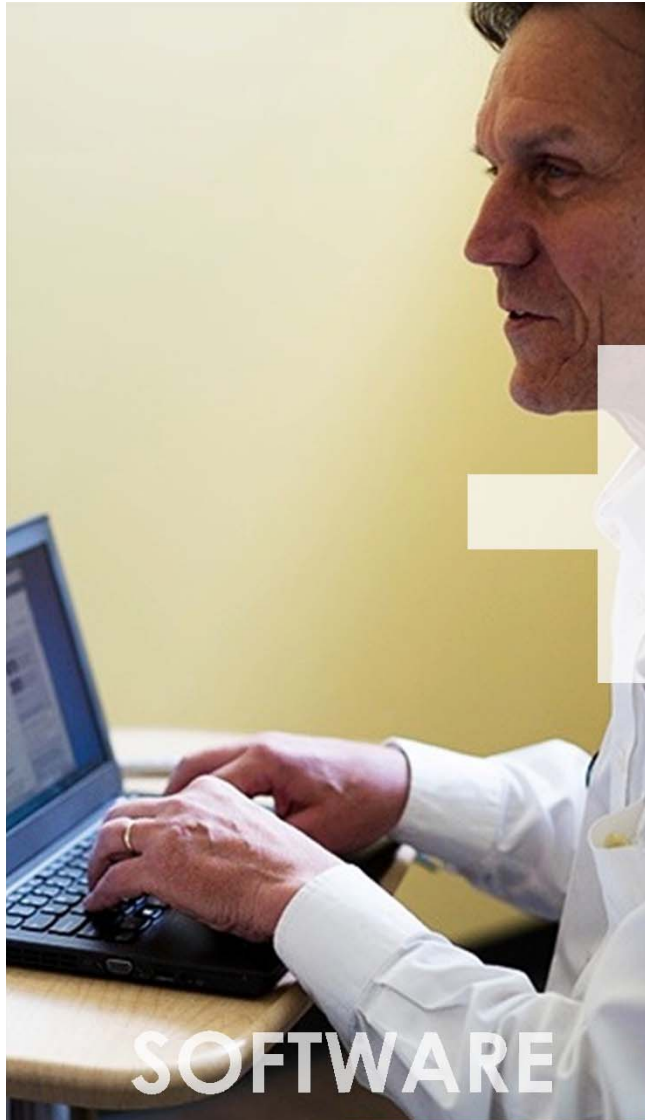
- 08/15/14 [ELECTROCARDIOGRAM](#)
- 07/03/14 [URINALYSIS COMPLETE Order](#)

MRN - 887295319

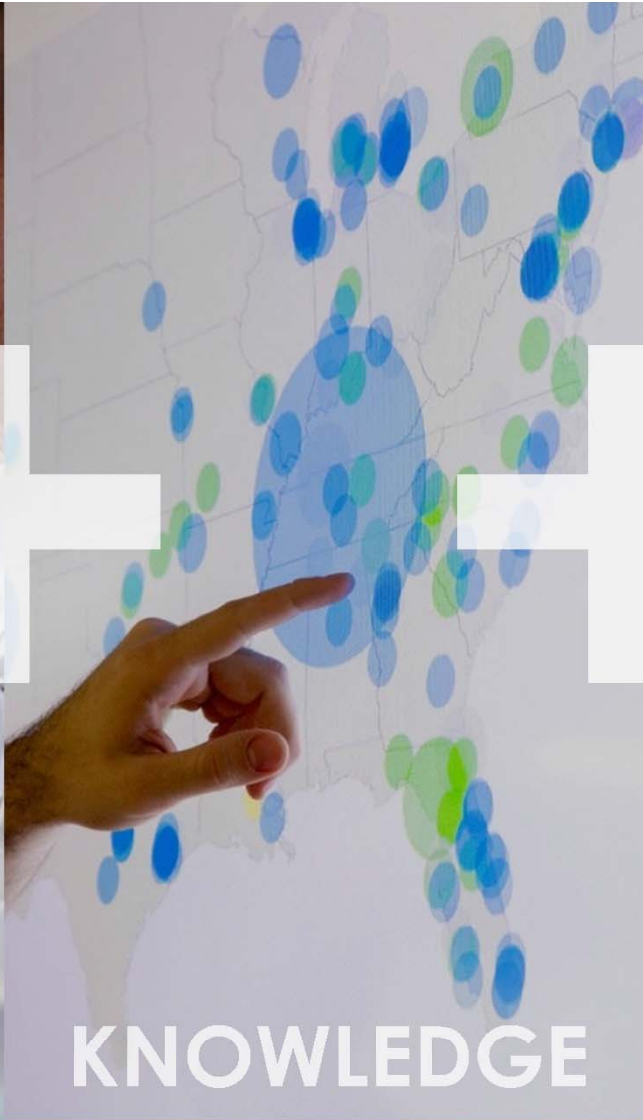
MRN - 887164822

EPIC ID - 000000000217419

MRN - 887295324



SOFTWARE



KNOWLEDGE

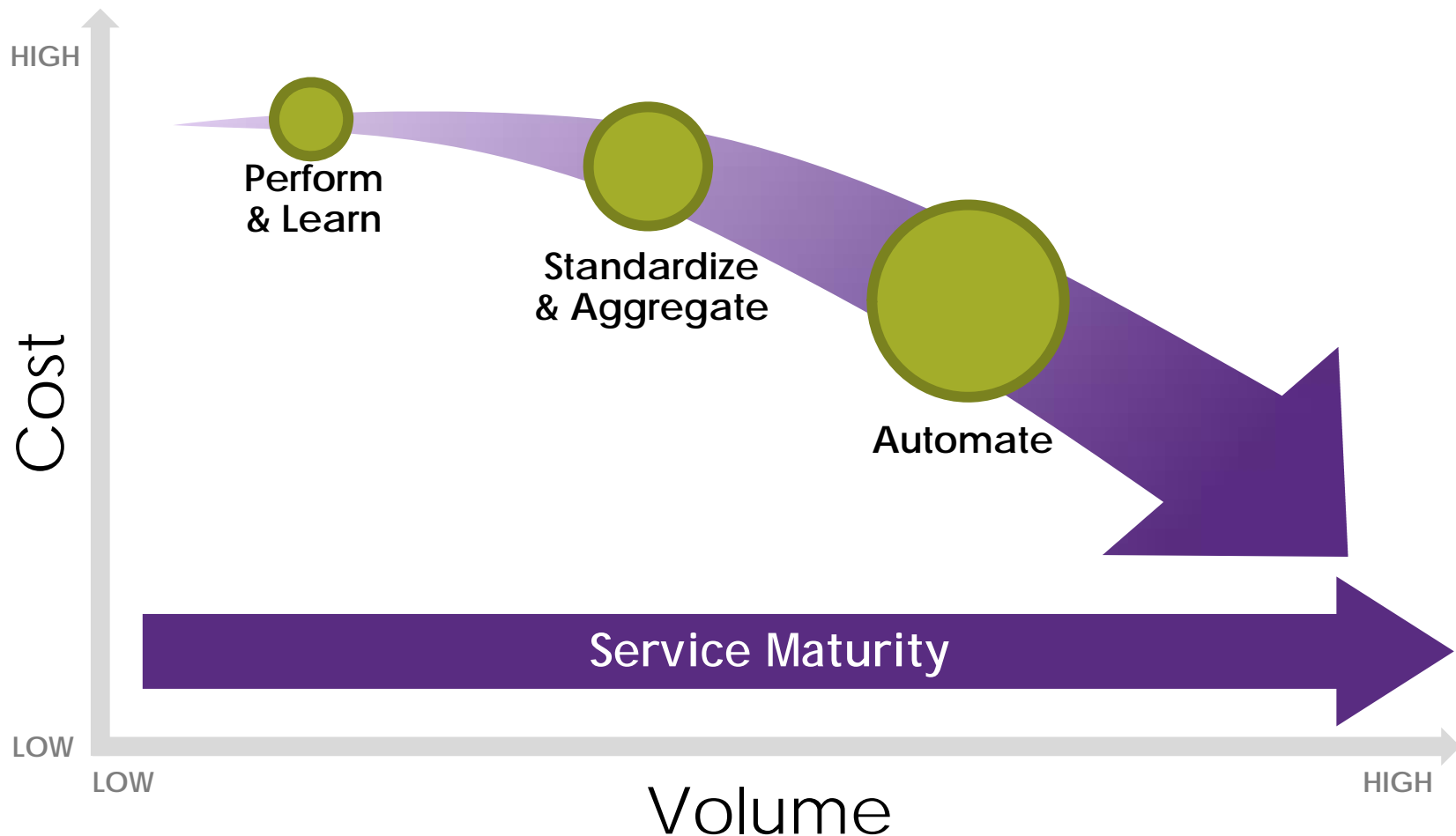


WORK

RESULTS



We follow a tried and true approach for scaling and growing our services



Many folks still think of what we do as
mostly software or mostly services



Cost to license,
implement &
maintain software

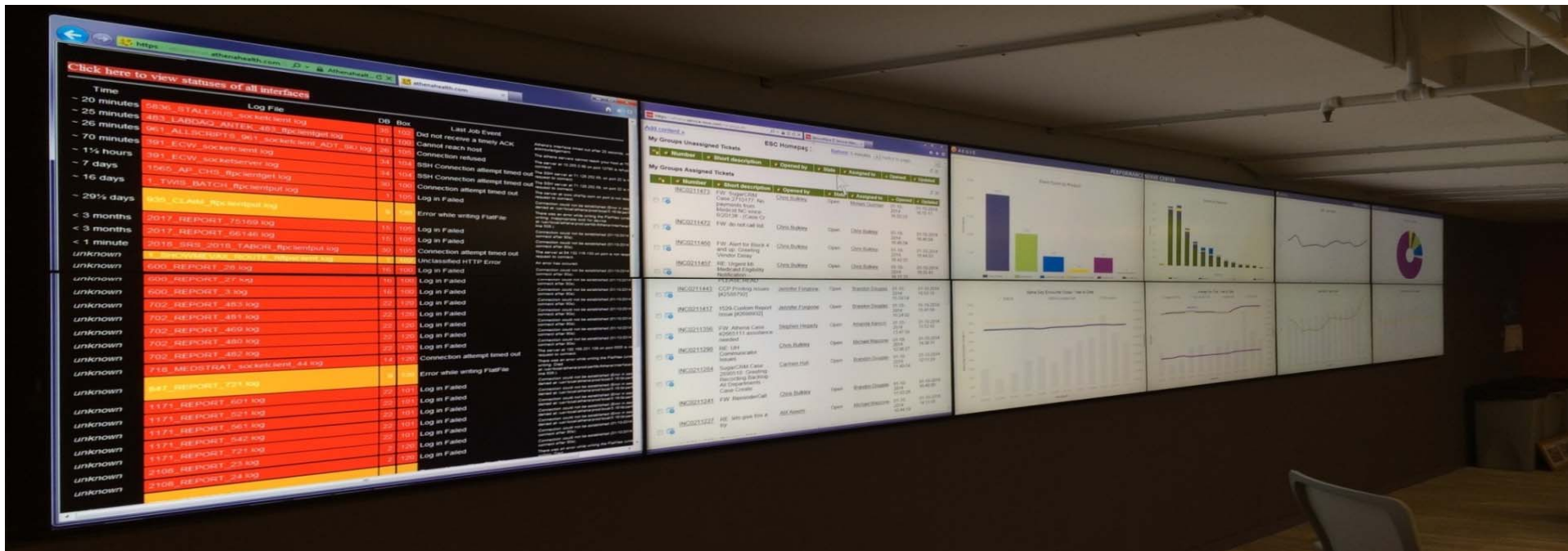
VS.



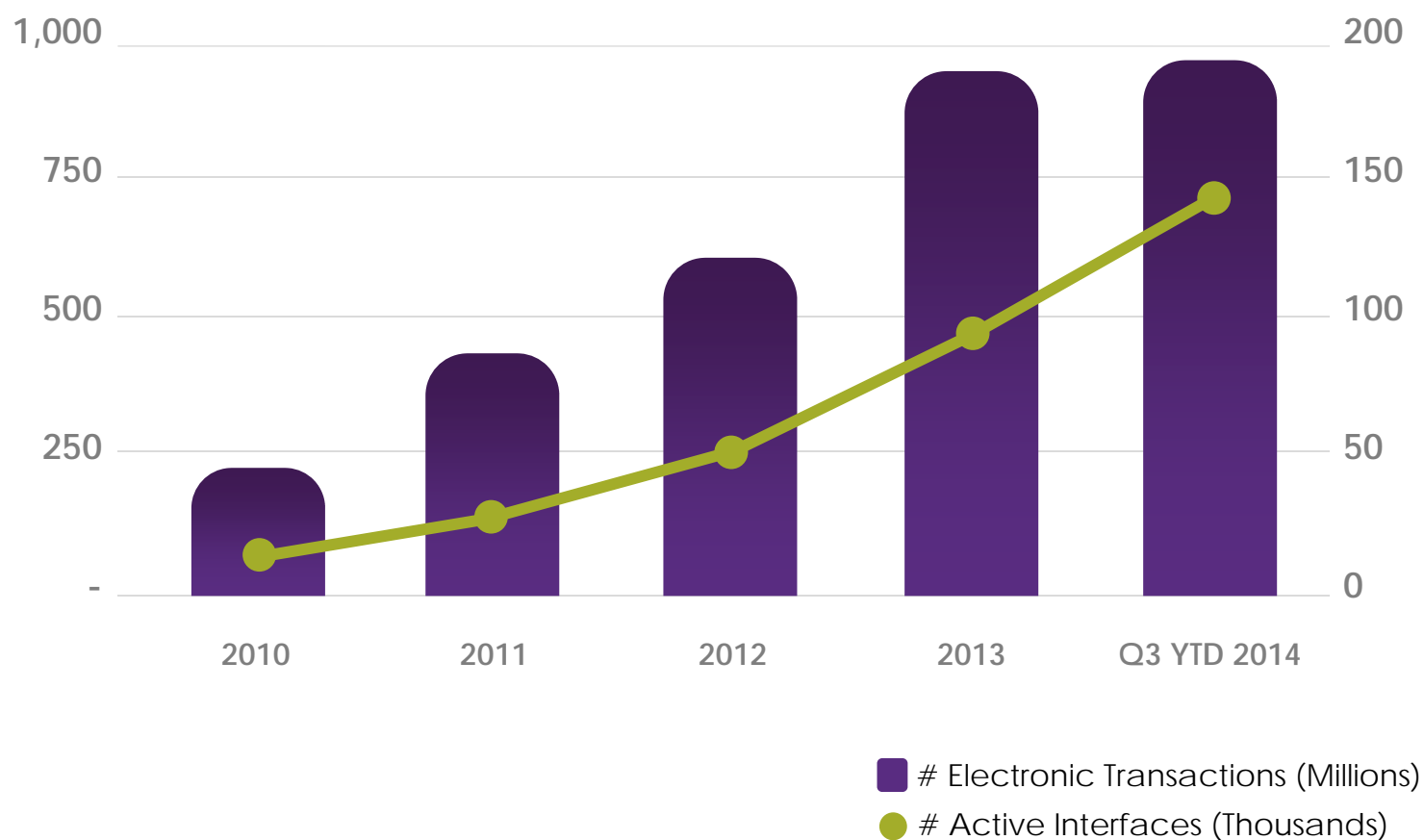
Cost to operate
& deliver services

The truth is that we're both, and that has created
a powerful and forgiving business model





Building interfaces to eliminate this paper has created a scalable asset



This, in turn, drives margins – and there is plenty of room to run here

Total Automation Rate just 50% Today

Mature Services

70's¹

Emerging Services

50's – 60's¹

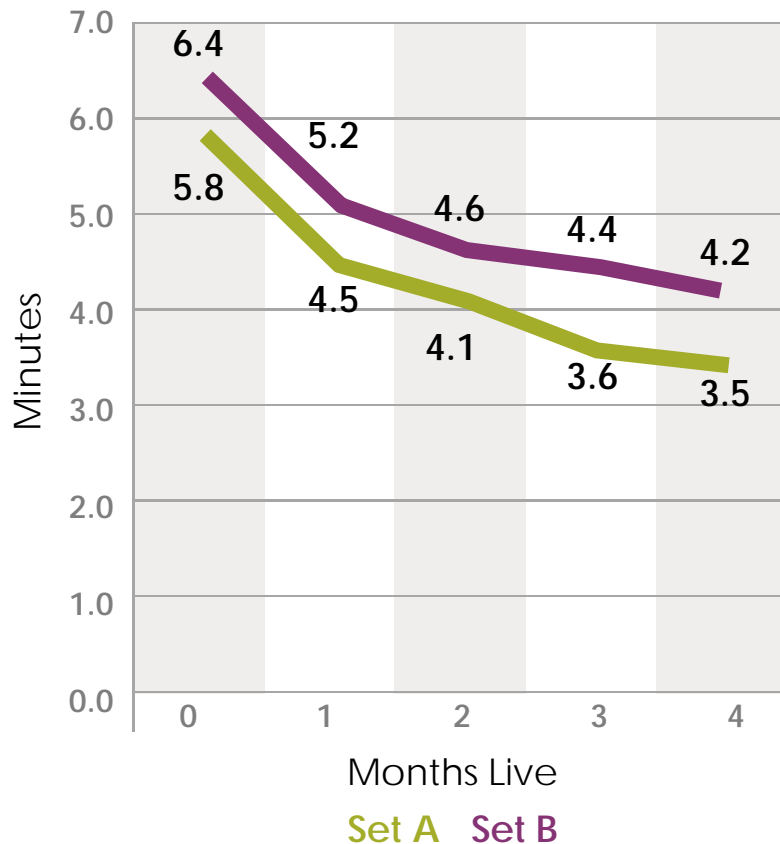
New Services

20's or below¹

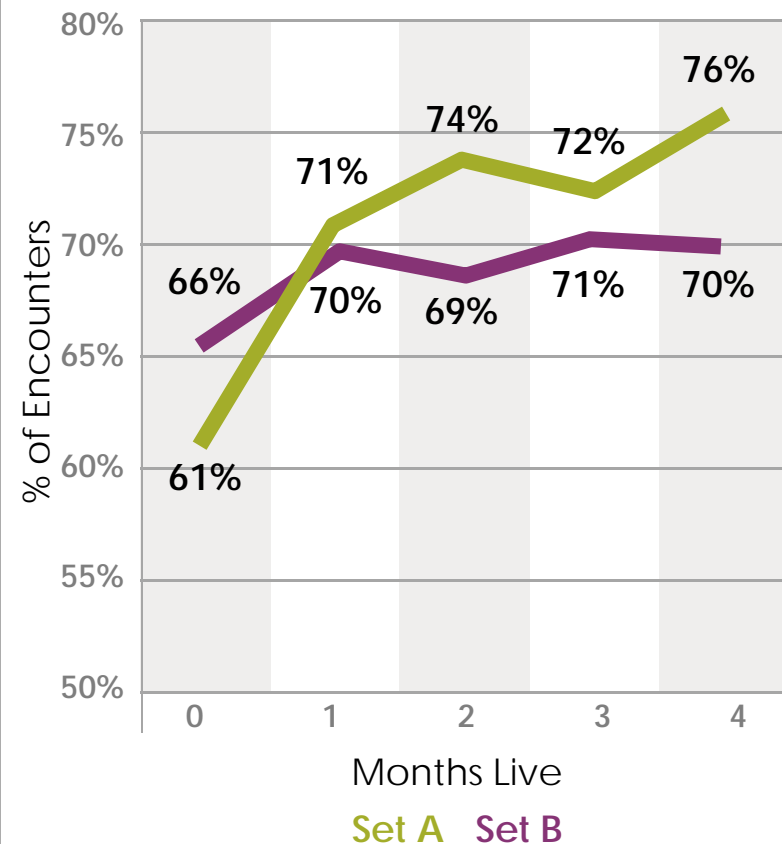
¹ Non-GAAP Adjusted Gross Margin, excluding implementation fees and implementation costs

We apply this same discipline to client performance metrics

Provider Documentation Time



Same Day Encounter Close Rate

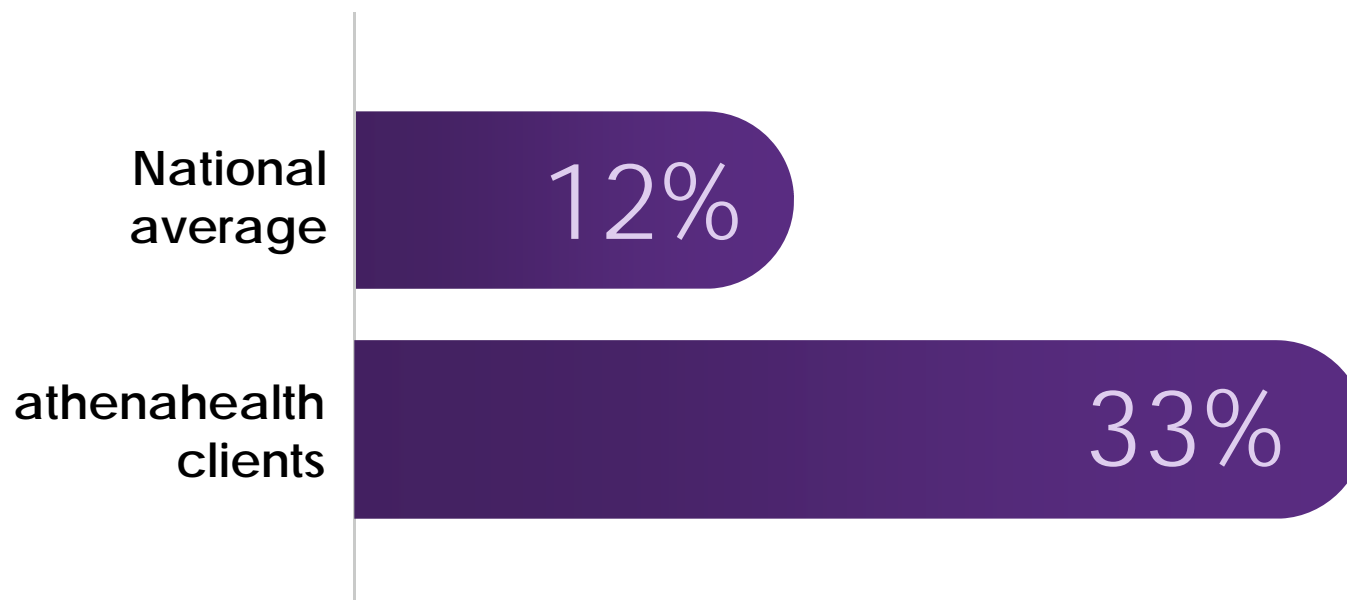


Source: athenahealth data

And we're applying this discipline
to help clients close gaps in care

Medicare Annual Wellness Visit

% of patients who utilized annual service



SOURCE: <http://downloads.cms.gov/files/Beneficiaries-Utilizing-Free-Preventive-Services-by-State-YTD2013>



6%

increase in
collections

8%

decrease
in no
show rate

95%

Meaningful
Use
attestation
rate (2013)

32%

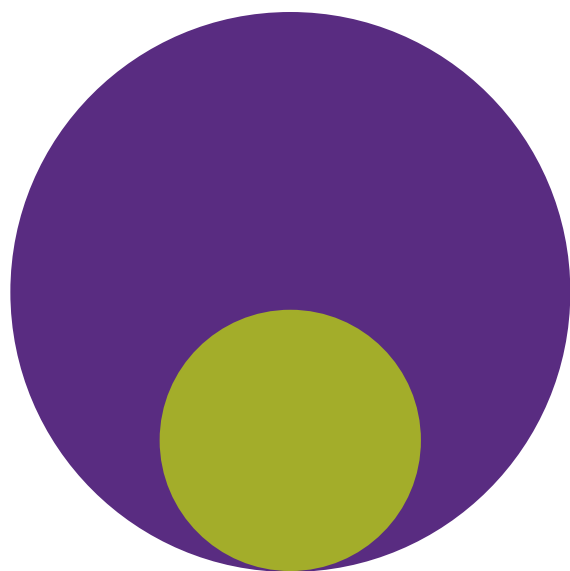
reduction
in days in
accounts
receivable

97%

provider
adoption
rate

We are being rewarded as a first mover in a post-software world

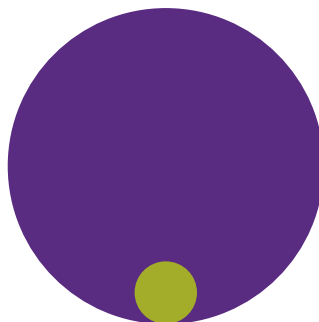
2014: 59,415



2007: 12,118

athenaCollector
Providers

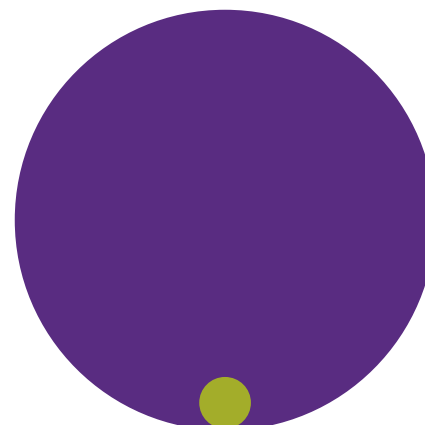
2014: 23,053



2009: 1,471

athenaClinicals
Providers

2014: 38,699



2010: 1,213

athenaCommunicator
Providers

1 The rules of the game **keep changing** and it is straining providers' capabilities to keep up

2 Over the years, we've **built a scalable** asset that helps our clients thrive

3 It is still the **early innings** of a long game and our results are being rewarded with growth

Emerging Services Update

Jeremy Delinsky
SVP, Chief Technology Officer



Our success formula requires an experience
that feels native to athenaNet





We have a tremendous track record of commercializing core workflow products within athenaNet

athena**Collector**

athena**Clinicals**

athena**Communicator**

Started development:

1997

2004

2008

Generally available:

2000

2006

2010





Best in KLAS:

2003

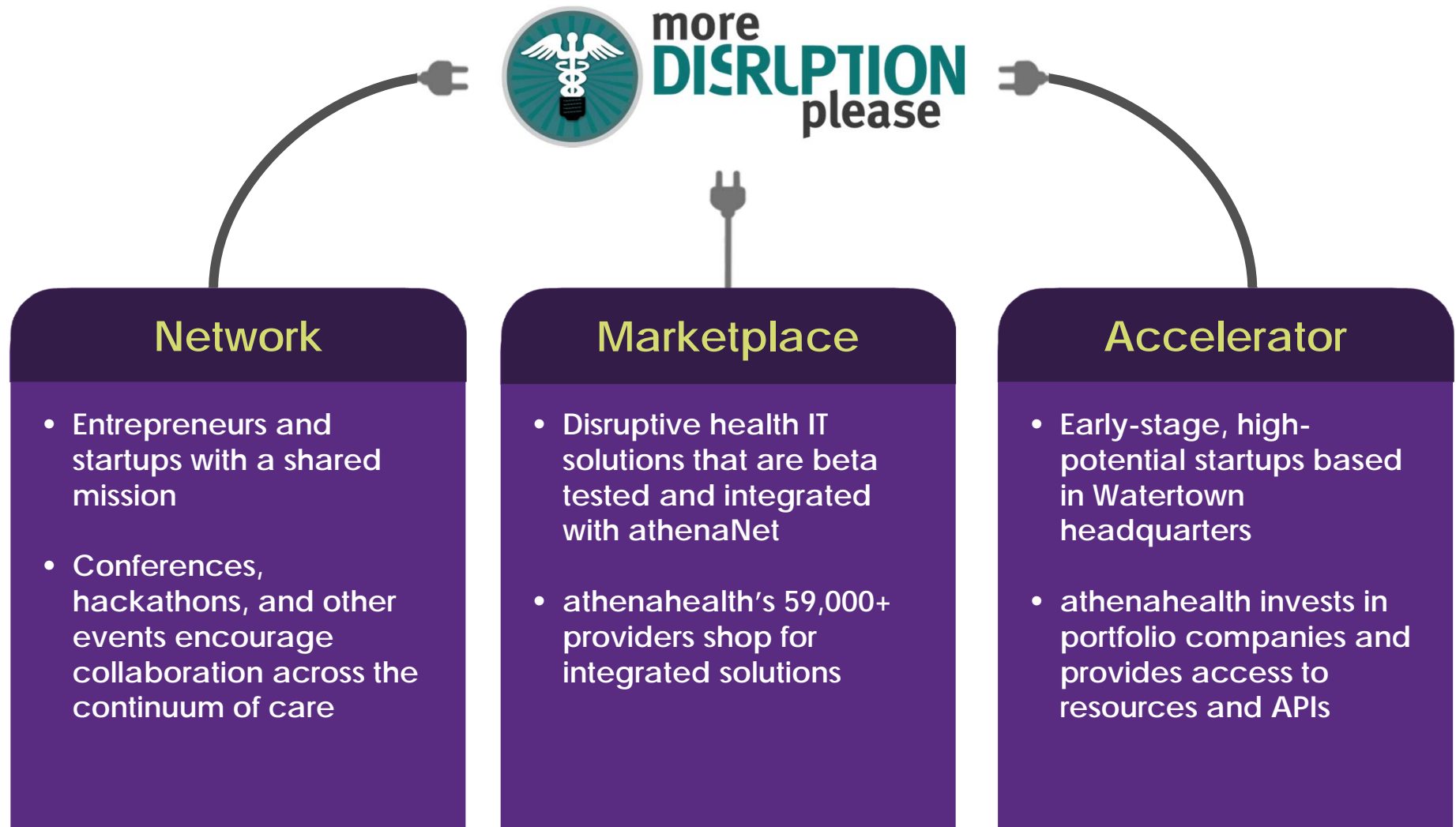
2011

2013

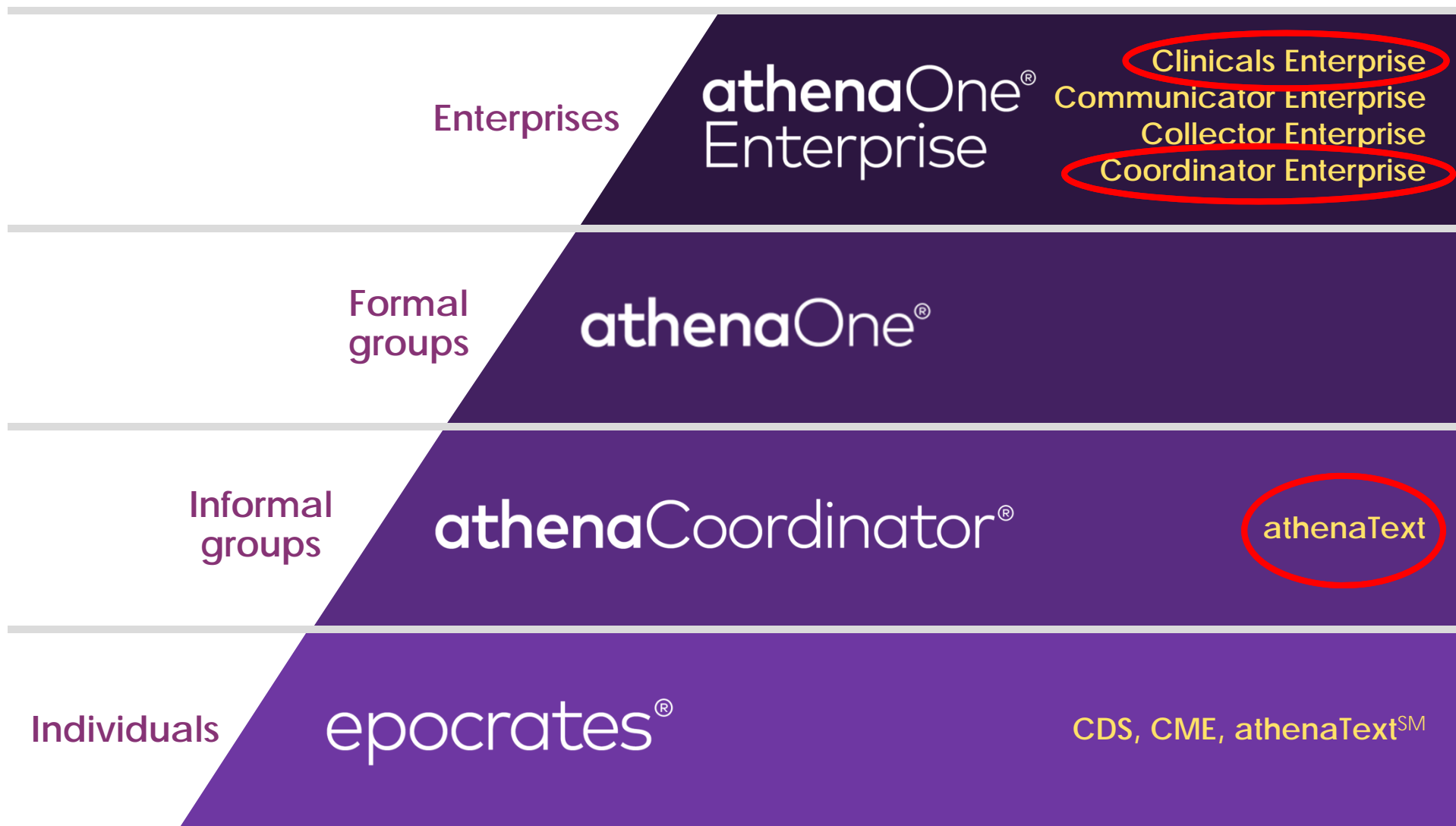
* © 2014 KLAS Enterprises, LLC. All rights reserved. www.KLASresearch.com

-  Product Acceleration
-  Capability and Expertise
-  Access and Awareness
-  Cost and Complexity

More recently, the seamless integration of other cloud-based services became a key component of product theory



And this is how we are going after the market



The logo features the text "Emerging Service" in white, "athenaText" in dark blue, and "SM" in a smaller dark blue font. The background is a solid green color with a pattern of lighter green circles.

Emerging Service athenaTextSM



Awareness and access

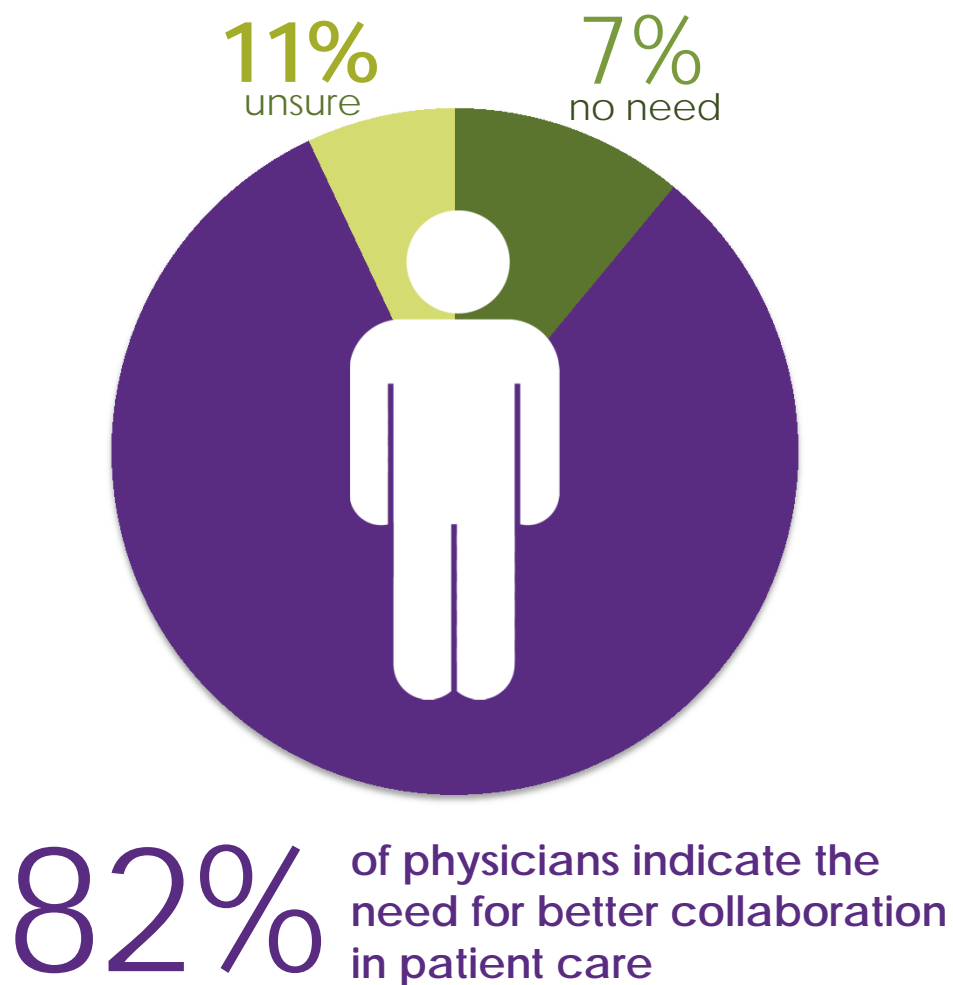
Distribution of clinical decision support

Personal hub for all physicians

Remote control layer on top of EHR

epocrates[®]
an athenahealth service

Physicians are using tools from their consumer lives to coordinate care



Source: 2014 HIMSS Analytics Mobile Technology Survey

Physician Collaboration Tools



There are three overlapping user-communities for athenaText



athenaClinicals

Existing and new
athenaClinicals client

athenaText is a new feature
Added convenience

Used by Physicians & staff

MD/DO & NPI have the ability
to invite



athenaCoordinator Core

Existing & new
athenaCoordinator Core
client

athenaText is a core feature
Potential for additional athena
products

Used by Physicians & staff

MD/DO & NPI have the ability
to invite



Epocrates Users

MD/DO, NPI holder or anyone
else

May have a relationship to an
athena user

May have searched and
found app

May be first experience with
athena

May have had an experience
with epocrates

MD/DO & NPI have the ability
to invite



athenaText will simultaneously launch on three platforms

Secure. Immediate. Designed for health care providers.

athenaText is a secure messaging application for medical professionals that enables better collaboration around patient care.



Collaborative

Connect across care teams



Convenient

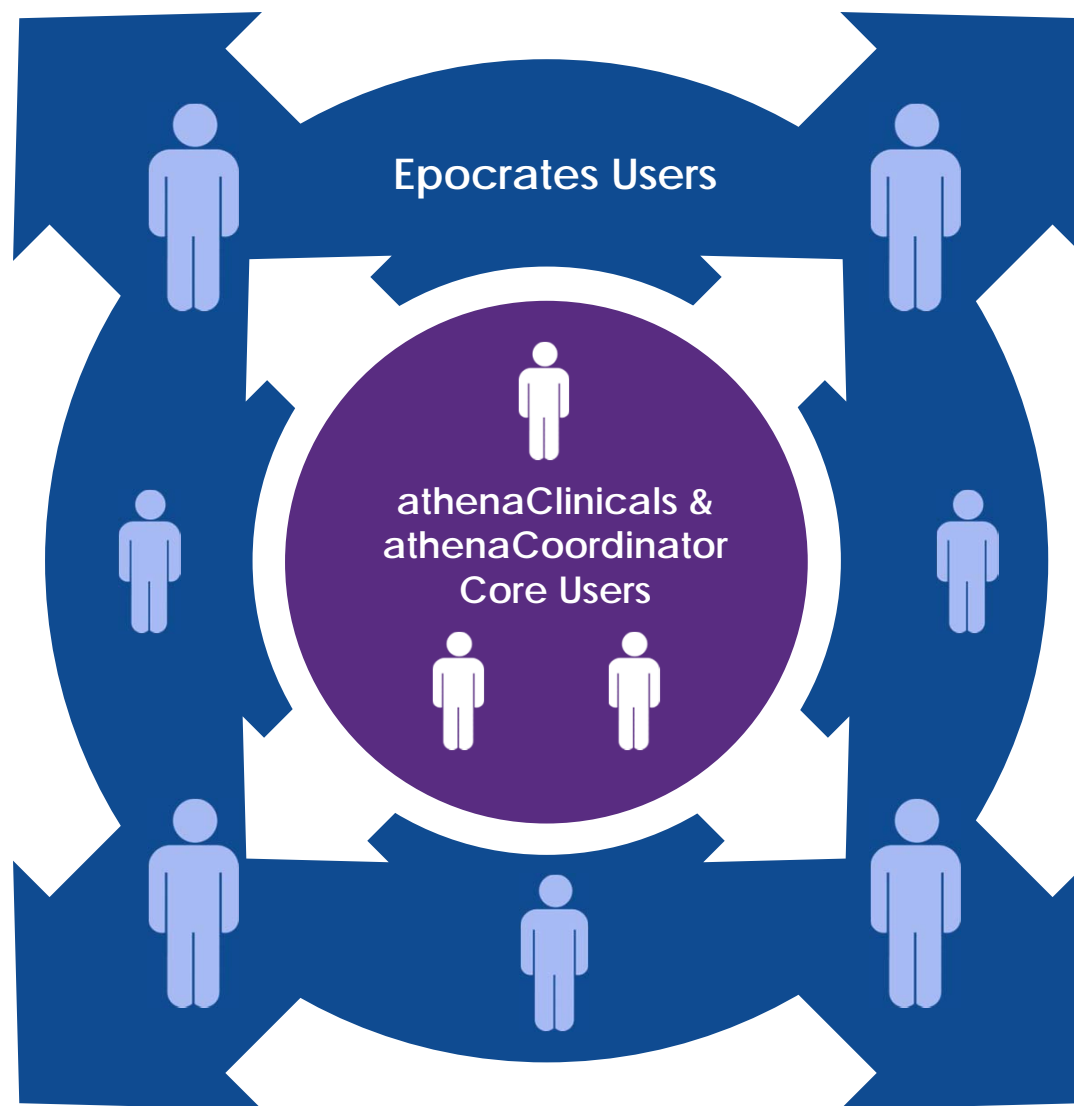
Share information instantly



Secure

Enables HIPAA compliance

We are carefully “growth hacking” for network adoption



Emerging Service athenaCoordinator® Enterprise

The front-end of the health system is a revenue sieve... in an era of unprecedented financial pressure

Patients wait
33.4 days
for follow-up care by playing
appointment charades³



The average practice's
schedule is only³
70% full

hospitals
provided over
\$49B
of uncompensated
care in 2013¹



88%
Of patients have
not received their
Well Visit²



50%
Of consult +
imaging orders
not closed³

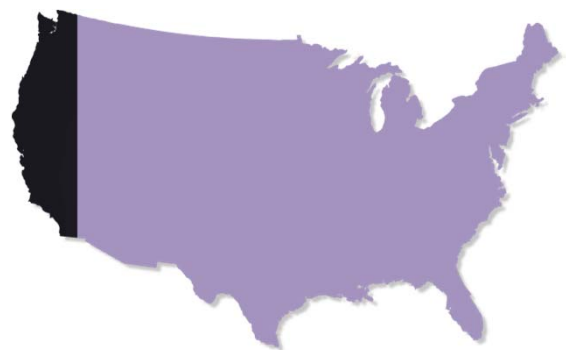
¹ <http://marketrealist.com/2014/11/understanding-hospitals-bad-debt-expenses-profitability/>

² <http://downloads.cms.gov/files/Beneficiaries-Utilizing-Free-Preventive-Services-by-State-YTD2013>

³ athenahealth data



The results, though early, are promising in our Alpha deployment experience



Our tools help manage

8%

of the at-risk lives in the country



Appointment wait times reduced to **3.25** days from over **30** days



65.2% reduction in referral-related denials




45.6% improvement in first year ACO33 quality scores



18.8% of direct scheduled appointments made by affiliated entities

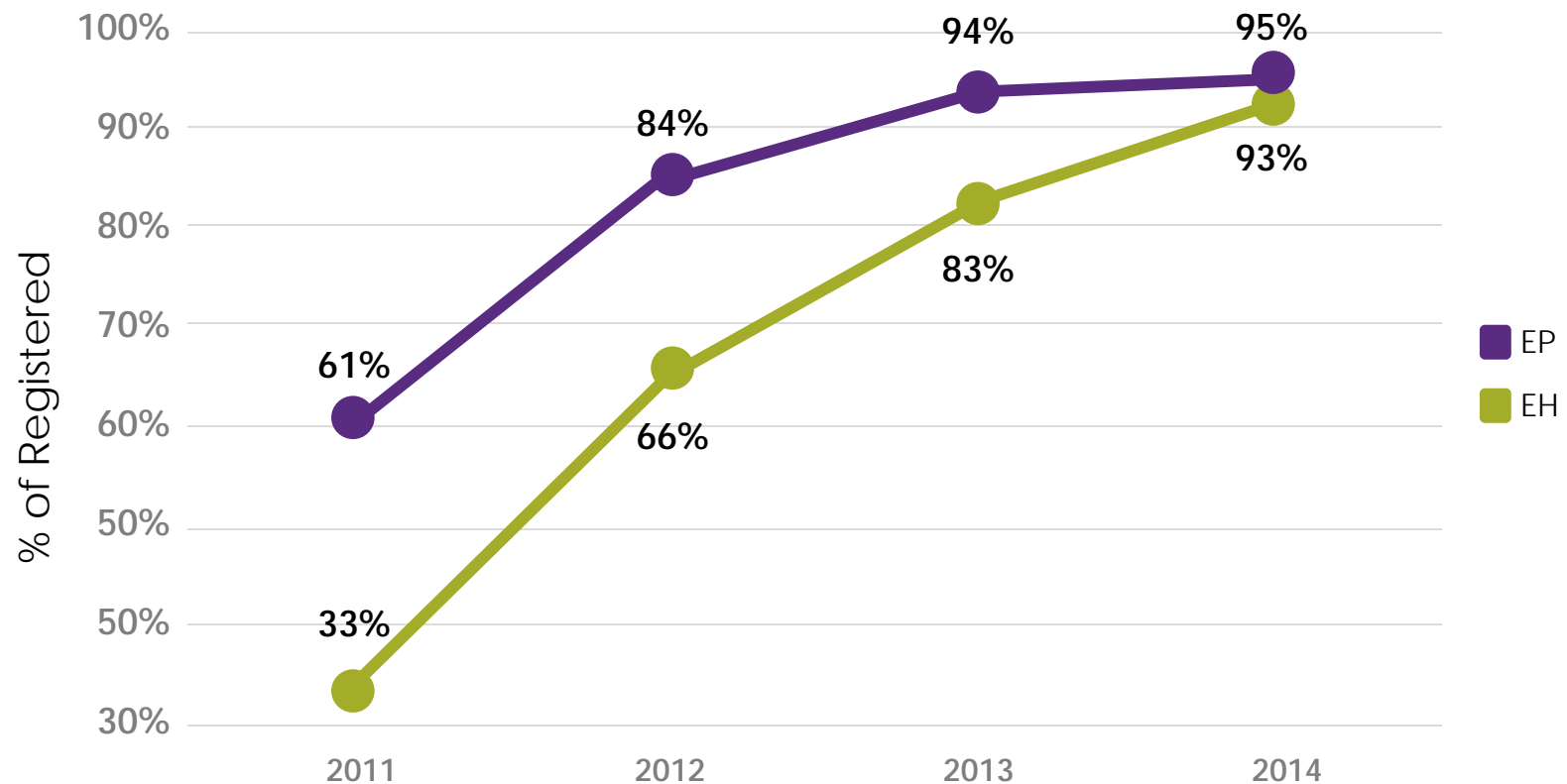
Source: athenahealth data



Emerging Service athenaClinicals[®] Enterprise

Virtually all physicians and hospitals intend to adopt an EHR

Active Registrations as a Percentage of Eligible Participants

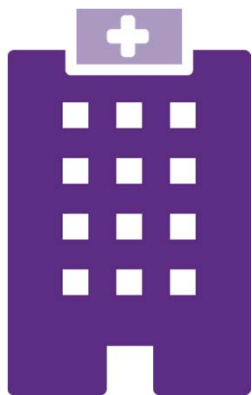


Source: http://www.cms.gov/Regulations-and-Guidance/Legislation/EHRIncentivePrograms/Downloads/October2014_SummaryReport.pdf

Those intentions aren't translating into results

85%

of eligible hospitals attested to Stage 1 MU



34%

of eligible hospitals have attested to Stage 2 MU



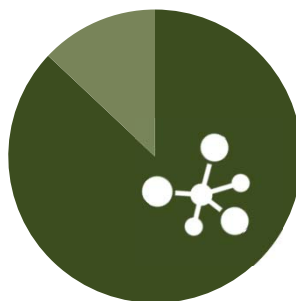
41%

of EHR adopters can't even enter lab and imaging orders or request a consult electronically



72%

of adults can't access their online medical record



87%

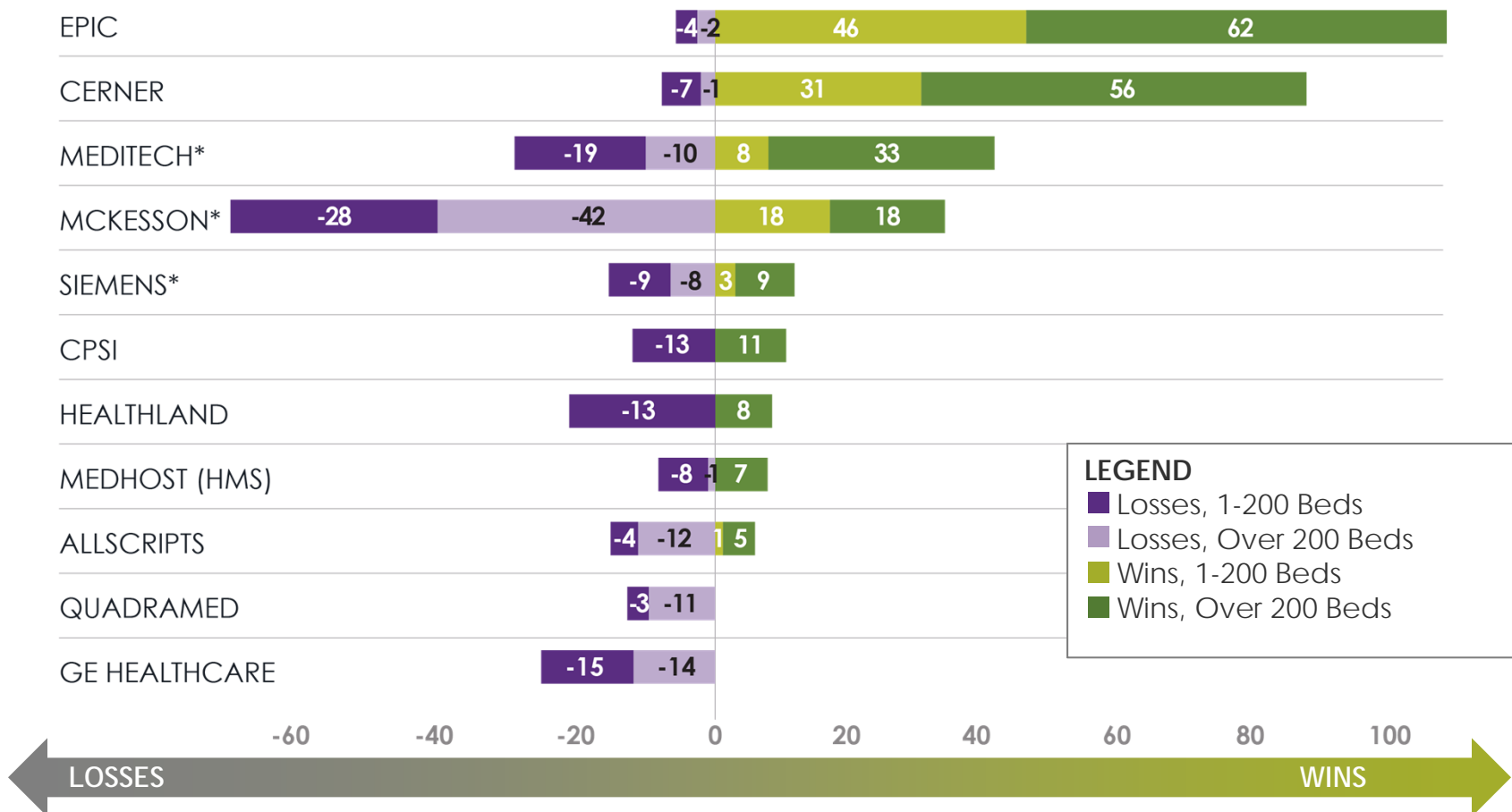
of physicians can't exchange information electronically with others outside their organization

Source: http://www.healthit.gov/facas/sites/faca/files/HITPC_CMS_DataUpdate_2014-12-09.pptx
http://www.healthit.gov/FACAS/sites/faca/files/HITPC_InteroperabilityUpdate_2014-08-06.pdf

Fewer vendors than ever are passing today's basic, MU-driven functional requirements

2013 Market Movement by Hospital Size

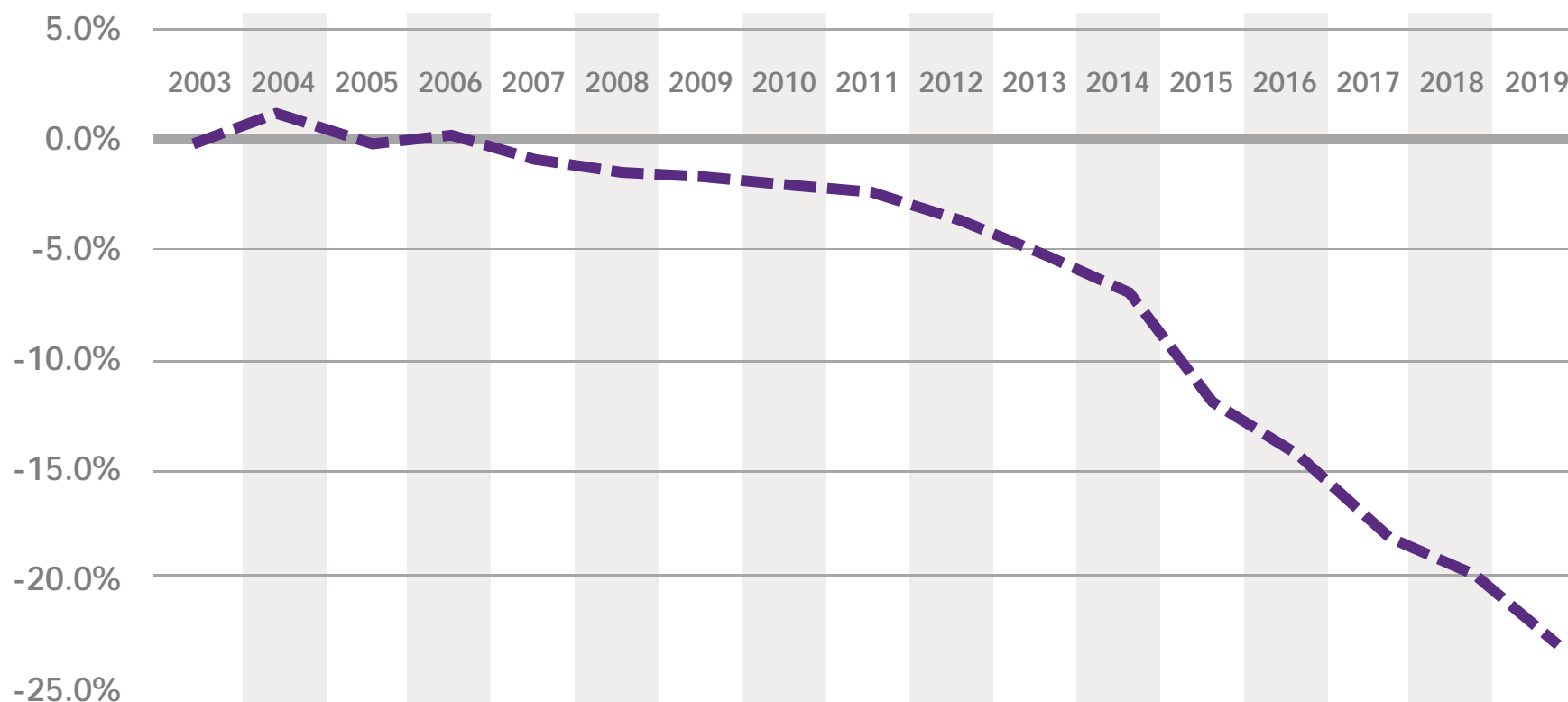
* Legacy to current product migrations are counted in both win and loss columns



Source: "Clinical Market Share 2014: Competition Mounts as Markets Collide," June 2014. © KLAS Enterprises, LLC. All rights reserved. www.KLASresearch.com

And the hospital business model is under assault, necessitating new operating platforms

Total Hospital Medicare Margins by Year



Source: <http://www.tha.com/blog/Default.aspx?pid=17>

...Which has led to declaration of the
“post-EHR” or “post-MU” era

*“The EHR is still going to be the heavy transaction system as you move forward... It's going to be the plumbing, the foundation – but **you're going to have a layer of smarts on top of that.**”*

– Zane Burke, President, Cerner

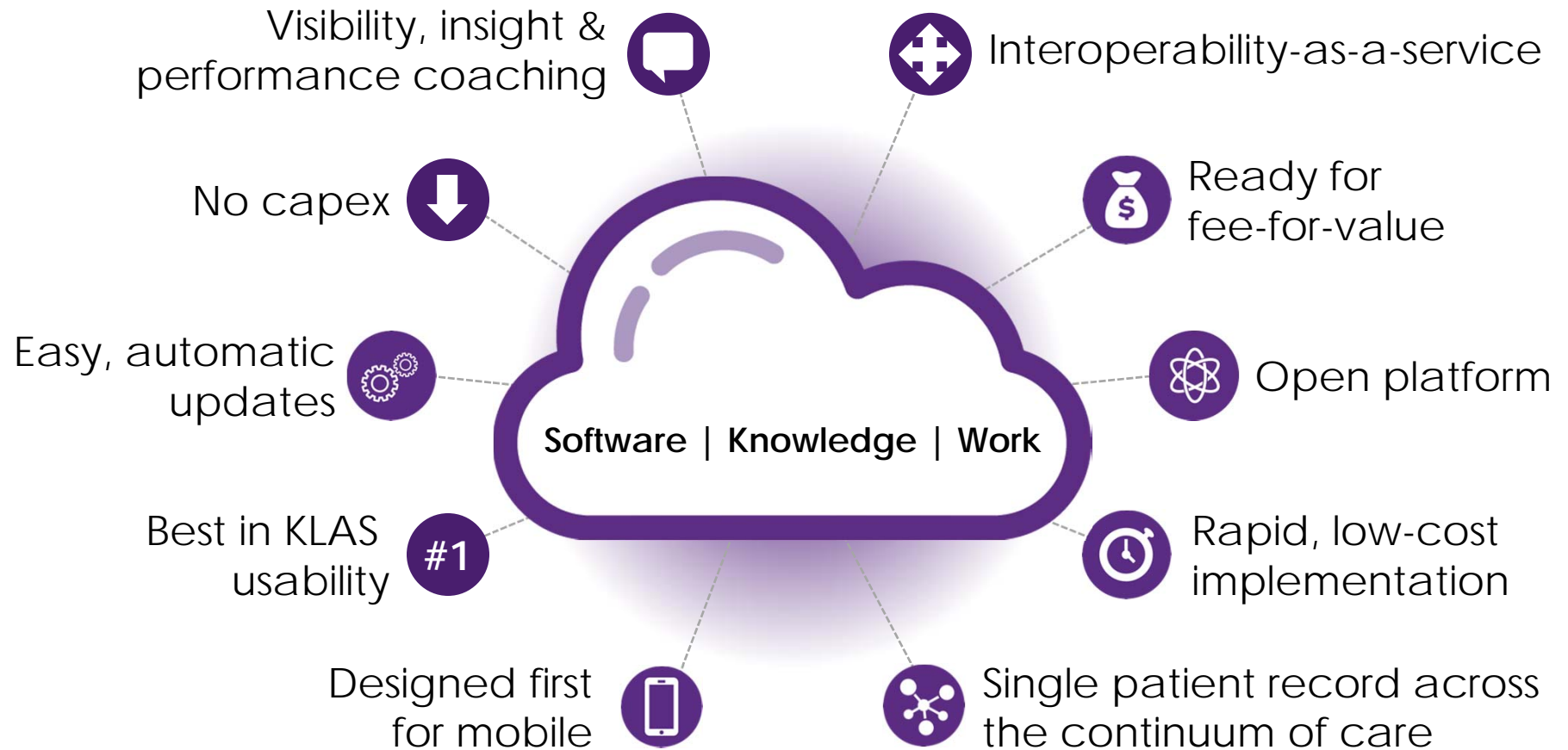
*“U.S. providers are feeling themselves in a place where they may have implemented the full functionality of an EHR, and they look at the roadmap for their EHR supplier and **do not see the types of tools they need in order to restore productivity.** They're looking at communication and care coordination, and **at things that go beyond EHRs**”*

– Judy Hanover, Research Director, IDC

*“We see this across industries and across time – technologies you put in place today, **over the course of 10 years, become obsolete** or are certainly overtaken by new, cool, much more potent stuff”*

– John Glaser, CEO, Siemens Healthcare

We're ready to lead a "post-software"
service-rich future beyond ambulatory



RESULTS



Past performance is not an indicator of future outcomes... but we love our chances

	athenaOne			athenaOne Enterprise			
	<i>athenaCollector</i>	<i>athenaClinicals</i>	<i>athenaCommunicator</i>	<i>athenaCoordinator Enterprise</i>	<i>athenaCommunicator Enterprise</i>	<i>athenaClinicals Enterprise</i>	<i>athenaCollector Enterprise</i>
Started development:	1997	2004	2008	2013	2014	2015	
Generally available:	2000	2006	2010	2015	2015		
Best in KLAS:	2003	2011	2013	NA			



Convenient care



Physician Office



Ancillary Setting



Hospital



Post-Acute Care



Long-Term Care



Home

The background is a solid green color. Overlaid on this background is a pattern of light green circles. The circles are arranged in a grid-like fashion, with some circles missing to create a sparse, decorative effect. The text "Presentation Break" is centered in the middle of the image.

Presentation Break

Client Panel Discussion

Stephen Kahane, M.D., M.S.
President, Enterprise Solutions



Moderator

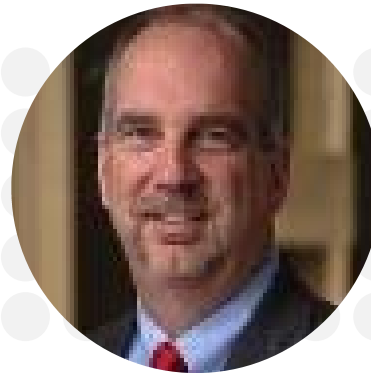
Stephen Kahane, M.D., M.S., President, Enterprise Solutions

Panelists



Andrew Aronson, M.D.

Chief Medical Officer
Privia Health



Peter Plantes, M.D.

CEO & Chief Physician
Executive
CHRISTUS Physician Network



John Stewart

SVP & Operations Leader
Ascension Physician
Services



Management Q&A

Closing Remarks

Jonathan Bush
Chairman & CEO



Thank You