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RelayHealth's SaaS Intelligent Network Encompassing Award-Winning Consumer Services, Revenue Cycle Management, and Pharmacy Transactions Prove the Power of Connectivity as a Service

The last frontier of healthcare information technology may be the power of the network--the increased value and decreased cost that can be realized only when providers, payers, and patients are electronically interconnected. RelayHealth, a business of Fortune 18 McKesson Corporation, operates like a nimble start-up, parlaying strategic acquisitions and solid execution to create what it calls healthcare's "intelligent network." Whether it's used to process claims, manage prescription data, provide revenue cycle management services, or link providers to consumers, RelayHealth's open network is moving healthcare data invisibly and surely, giving the company a tremendous footprint on which to build financial, clinical, and consumer services. We spoke with Jim Bodenbender, RelayHealth's senior vice president and general manager.

Tell me about your background and what you do at RelayHealth.

I've been with McKesson for four years and I was fortunate to have been involved in the creation of RelayHealth a little over two years ago. I've directed several start-ups, almost all in healthcare IT, and I love that hard-charging, entrepreneurial, "get it done and climb the hill" culture of a start-up venture.

That's interesting, considering you work for a large corporation.

That's what makes RelayHealth unique. Unique in that the risk/reward tradeoff is a consideration when looking at doing a start-up within a company like McKesson versus an angel or VC-backed endeavor. The idea of incubating and sustaining an entrepreneurial culture in an organization that has achieved the scale of RelayHealth can be contagious.

McKesson embraced that. They isolated this team and our business and provided a framework of support that encourages us to drive innovation. When you're a stand-alone start-up, you're always looking for capital; but, here we've got a Fortune 18 company that supports us all the way. It's very exciting.

RelayHealth has a broad set of offerings for a two-year-old company. How do you describe them in your elevator speech?

I'll give you an analogy. I recently got the opportunity to sit in the middle of a live orchestra without any knowledge

RelayHealth FAST FACTS

PRODUCT

Consumer, Provider and Pharmacy Connectivity Services

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of what it really takes to make everything work together. I was amazed to learn how different members have distinct roles and came together to create a successful end result. The conductor plays a role, the lead chair plays a role, and the different sections play off each other to create the music. It is much more complex than I had ever imagined.

It occurred to me that in healthcare the roles aren't always clearly defined ... it's difficult to see what others are doing in contributing to the care of the patient. That's what we're trying to effect -- create a way for healthcare to collaborate because the individual players really can't see what's happening in the other parts of the process. The consumer and the physician can work together to orchestrate the process and fill the role of lead chair and the conductor.

We engage every healthcare constituent in the process -- patient, provider, payer, pharmacist, financial institution, and others--to make it more efficient and more effective. We harmonize the care process by giving them access to the information they need but did not have available to them before. Our elevator pitch: RelayHealth enables a virtual exchange of patient information.

How has the economic downturn affected your business?

Our revenue model is based on Software-as-a-Service (SaaS) delivery and transactions or subscriptions, not licenses. That removes some of the barriers to actually bringing in technology for customers who are being squeezed on capital right now. You don't have huge capital outlays upfront -- you pay as you go. We're not charging license fees, nor do we have long install cycles. Our install cycles are short and low cost. Our SaaS platform provides us with a very low support cost. Those economics really help in today's financial climate.

Our transaction volumes fell off somewhat in October 2008 as people were getting laid off and losing insurance. But by the middle of the fourth calendar quarter, people started making doctor appointments, claim volumes rebounded, and prescription volume normalized. Moreover, we always see an uptick at the end of the calendar year as people look to spend any excess money in their FSAs.



JIM BODENBENDER, RELAYHEALTH'S SENIOR VICE PRESIDENT AND GENERAL MANAGER.

We also think that as patients look for alternative ways to obtain medical care, they will take advantage of lower cost options such as RelayHealth's webVisit® consultation service. A HIPAA-compliant, Web-based messaging platform is an easy and affordable way for patients to interact with their doctor to get the care they need for non-urgent conditions. Physicians need only a computer and the Internet to use the online service.

We also stress that online connectivity can promote a healthier patient population. Built-in preventive health e-reminders, for example, "It's time to get a flu vaccine shot," can be sent to patients with chronic care conditions and even alert the doctor's office after a few days if the patient has neglected to open his or her message. It gives patients and their physician an easier way to work together to manage their care in between office visits.

Are you seeing more impact from consumer-driven healthcare plans and the rise in patient financial responsibility or self-pay accounts due to higher deductibles?

Absolutely. We're seeing more emphasis on point-of-service and consumer self-service types of capabilities, especially in the physician's office. Physicians are really getting pinched by a lot of these economic changes. They are the ones that typically have to eat the costs associated with collecting of higher deductibles and co-pays. Determining the correct source of funding for the patient's care and collecting upfront is important. Doctors can't afford the ongoing cost of collection efforts. Plus, the higher level of patient financial responsibility has made it imperative to develop a plan for getting paid when initial care is being delivered.

We recommend a three-prong process: Enact better screening prior to service to identify those patients who can pay, those who qualify for third party coverage or Medicaid, and those who truly need financial assistance.

What would you offer the typical two-physician office to make them more efficient?

We have great financial tools for identifying coverage that can drive more point-of-service collections. We also take costs out of the back end by moving many functions to the Internet. Consumers can pre-register and view their accounts online and make online payments. We also offer an e-prescribing platform that saves the physician, pharmacist and the patient both time and money. We've got workflow tools to manage the entire claims process.

We have established clinical connectivity too, such as results distribution to the physician and the patient. We have messaging capabilities for helping patients with referrals,

and automatic population of a personal patient health record that documents and archives all interactions. We also provide physicians with the ability to conduct webVisit online consultations, which helps doctors with throughput and drives reimbursement for non-urgent symptoms normally discussed over the phone for free or in person.

Physicians who have minimal technology may be at a crossroad where they either have to put a server in the back room to run an electronic medical record or use services like yours that require minimal upfront cost and maintenance but get them paid. Do you see physicians having to make that choice?

We advocate a modular approach. You don't have to go all the way to an EMR immediately to realize significant value. Small physician practices are not going to go digital very easily. It's a marathon, not a sprint, so you have to take it one step at a time.

Studies show that practices using EMRs today are not all getting the full value of their investment. We think there is a better way to gain adoption by leveraging Web technologies and lower cost SaaS platforms.

But the bottom line is keep it simple, deliver value, and integrate into their workflow. We're seeing firsthand what it takes to help our customers manage the diversity of servicing Baby Boomers, Generation X, and Generation Y to Generation O and the Millennials.

The company describes itself as an "intelligent network." Do you think physicians and hospitals will increasingly find their value to be driven by who they connect with and how?

Yes, I most certainly do. Although some of the RHIO and state HIE efforts are intending to solve the connectivity problem, they fall short of addressing the functionality and workflow requirements to support a community-level service. We're also seeing hospitals aggressively executing initiatives to connect both employed and affiliated physicians into the acute setting. In our case, a complete healthcare community supporting the interconnectivity and workflow for physicians, pharmacies, patients and multiple care settings is the goal.

This community level hospital driven-connectivity initiative enables providers to extend their brand -- not the RelayHealth brand. Consumers with strong ties to their providers easily recognize their group practice, hospital, or health system brand. What we provide is a unique set of B2B2C solutions that support and broaden that brand equity into the community.

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The industry has been plagued by the fact that most connectivity is proprietary. We are an open network. We are driving standards for interoperability. Our goal is to build community networks and make it easy for other vendors to interconnect to all applications and users on the network. It's a somewhat unique strategy. We're growing local networks of collaboration among payers, hospitals, health systems, physicians, pharmacies, and even financial institutions, all of them working together to appropriately connect to each other as well as to patients.

Why should a physician's office care about your being a neutral partner?

Let's use the ATM analogy. Consumers can go to an ATM and complete a transaction with their bank, no matter what the location of the ATM. Thanks to the banking industry's efforts years ago, electronic banking transactions became commonplace.

RelayHealth is not trying to be the end user application in most cases. Instead, we're providing the connectivity and network services that deal with the interaction taking place between two entities. We interoperate with most of the EMR vendors.

Our value is not based on whose application is running in your environment. Rather, the question is, "Who can tie it in with the physicians, pharmacies or hospitals that you or your patients work with?" With our interactive services, you get more value, and most importantly, the patient gets more value.

How important is the role of insurance companies in that connectivity?

It's very important. That was one of the first things that came out of the creation of RelayHealth. We focused early on deepening our payer connectivity. Most of the payers are no longer just insurance companies. They're managing the health of their members and trying to support physicians and hospitals with administrative and clinical decision support services that reduce costs and improve outcomes/medical loss ratios.

With the connectivity we have to the physician, it's natural for us to work with payers. Not just for care management, but to address the administrative costs they incur for simple things such as printing and mailing checks and EOBs to physicians. Hundreds of millions of dollars can be saved each year just by enabling simple transactions like EFTs and 835s.

Then you layer on top of that the information and other services that the payers give to their physician network



continue their efforts to being more ingrained into the care process, with a big push toward disease management as well as wellness and preventative care.

Everybody thinks everybody else is making all the money in healthcare. Is administrative friction eating up all the potential?

To some degree, I think the answer is yes. The one thing we do know is that hospitals and physicians aren't making as much money as the average consumer probably thinks they are. I worry that they're already running on very thin margins and are likely to be squeezed even further.

The solution is not easy. It will take a truly collaborative effort to get costs under control and improve margins.

We have all heard GM and Chrysler express that healthcare costs are part of their problem. Eventually, the consumer is paying for this, whether they are paying for it in the cars they buy or the places they shop. Now that more costs are being shifted to the consumer, I believe they have the largest voice. If we can engage consumers in the process, which is really what we're trying to do, I think we'll take a big step in our country toward making improvements.

What do you expect from healthcare reform and what role do you think RelayHealth will play?

The Obama team, as we all know, has been very focused on healthcare reform and investments

in healthcare IT. McKesson is a very active participant on the Healthcare Leadership Council and submitted recommendations to the transition team for HIT funding. Giving priority funding to connectivity services that have been proven to deliver immediate value is where RelayHealth can help make an impact.

What are your thoughts on privacy?

There is no question that every effort must be made to protect patient privacy. It is a key concern for us all and needs to remain in the spotlight. At the same time, we need to break through some of the issues and stigmas that may inhibit our ability to create a nationwide network to support electronic medical records.

RelayHealth won a consumer award for "best innovation stimulating consumer engagement" this past December. What capabilities were involved in winning that award and what's the benefit to consumers?

to extend the value of what they are striving to accomplish. We're seeing payers reaching out to hospitals and physicians to create a more collaborative working relationship. We provide the connectivity to more effectively enable that collaboration.

Insurance companies had an interest in becoming banks to be able to manage healthcare savings accounts. Are you seeing any impact from that?

No, not really. Everybody thought HSAs and high-deductible plans were going to catch on like wildfire similar to 401(k)s. So it made sense that the payers would position themselves to have custodial responsibility over those funds. They, too, however, are being challenged on many fronts.

As employers are applying pressure because of premium increases, insurance companies are getting more entwined in healthcare delivery. We're working on some really interesting capabilities with some of them, leveraging their data and health expertise. I think you'll see them

The award recognized our ability to transform paper- and phone-based delivery of hospital lab, pathology, and radiology results as well as transcription reports into a secure and actionable electronic exchange between physicians and their patients. We're taking data from the lab, radiology, pathology -- anywhere there is a report -- and presenting it to the physician, who reviews it with a couple of clicks and sends it to the patient electronically in a way they can understand. The exchange and archiving of vital patient data in their personal health record improves the quality and continuity of their care. It makes it much easier for collaboration about their care among the physician community.

RelayHealth acquired HTP in May 2008. Where are you with integration of the capabilities this brought?

We have been moving fast and furious. The demand for the capabilities that HTP provided has escalated even more than we expected because of the economy. The issue of verifying eligibility and identifying coverage is critical, so their advanced capabilities and payer connectivity were a great addition to our portfolio. Helping hospitals determine charity and Medicaid eligibility is also in huge demand. We've already integrated it into several McKesson and non-McKesson applications. The key thing is we're also integrating it into the new B2B2C services, so it's now proliferating into our entire service line.

Here's a simple example. When a patient goes online to pre-register or to request a webVisit, the first thing we do is verify insurance coverage and process co-pays. That was a natural fit for what HTP had to offer. It has been a game-changing opportunity for physicians as well as hospitals and a platform that fits well in our portfolio.

Last summer, Microsoft issued a press release about working with RelayHealth to offer provider connectivity for HealthVault. How are you working with Microsoft?

We have pilot initiatives underway as well as a joint development project. You should see more at the upcoming HIMSS conference about our joint progress. This is an example of the kind of partnerships needed right now to make a significant impact. It takes a strong commitment by big companies to move markets.

Our strategy is to build a network of users, provide the infrastructure for collaboration, and then provide the applications that are unique to that data transfer process.

Is it like the Internet, where each new person on the network provides more value than they consume individually and you eventually have an infinite number of ways to capitalize on the footprint?

Exactly. That's our approach. We're not trying to keep the

network as a proprietary network. We envision that we'll be able to host other SaaS applications on this network. It will not be RelayHealth; it will not be McKesson. As we build the network, I think you'll see that it will accelerate the capabilities that we have, many of which will not be ours.

What does the future hold for RelayHealth in the next five years?

I believe we're in the right place at the right time. I mentioned earlier that I've done several start-ups. A lot of them were successful, but none were home runs in that they transformed markets. This is a home run.

We've got a great team. The market is right. The political climate is right. We have the backing of McKesson. So, the stars are aligned. As long as we don't develop a huge ego, which we won't while I'm involved, we'll be very successful because our goal is to work with others, not to compete with everyone. "Co-opetition" is a good thing.

We're creating a new market segment. The pace at which we're innovating is the key driver, launching two or three services each quarter. Looking ahead four or five years, this will be a tremendous success story. RelayHealth will forever change the healthcare IT landscape.

THE BOTTOM LINE

Software-as-a-Service offerings provide customers with quick and easy implementation, rapid ROI, minimal IT effort, and no capital outlay.

RelayHealth's revenue cycle transaction tools help both hospitals and doctors collect the money owed to them. Its award-winning tools also provide patients with online connectivity to their doctors, transparency and payment assistance, both critical in the shift to consumer-driven healthcare.

RelayHealth is a neutral partner, improving care and reducing administrative costs across all organizations and information systems.

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