American Well Case Study Analysis

American Well (AW) provides an online platform for the patients to virtually connect with the physicians and get immediate medical care and attention. The key stakeholders in the online health care model are:

Providers: Physicians could be associated with insurers or AW (OCG). Physicians could benefit from this model as this would help them in utilizing their free time, avoid administrative expenses, and practice medicine irrespective of age. But online health care would decrease the fee per consultation leading to decreased revenue to the physicians.

Patients: These include the public who receive medical care and could be segmented into insured patients and uninsured patients. For uninsured patients, online health care is an advantage as they can get medical care at lower prices of around $50 compared to an in-person doctor's visit of around $70-$80. To insured patients, this was not a covered benefit and had to pay out of their pocket. They could for a doctor's visit and pay a co-pay of $20 for the treatment instead of $50 for an online consultation. Hence, the online health care model is not a viable option for insured patients.

Payors: Insurers were skeptical about the online health care model because this would save them costs ($100 for in-person vs $30 using AW to physicians) only when the online consultations replace in-person visits and not become an add-on. Also, this model would let the insurers tap into the non-members segment charging them $50 per online consultation. To self-insured employers, this is a cost-saving option as they could easily opt for lower-priced online consultations compared to costlier in-person visits and get the same cut from their employees.

I would not support the DTC move by AW because of several reasons:

- Could create friction with the existing health plans as AW now becomes a direct competitor. Hence would lose out on the constant revenue from annual subscription fees, PMPM, OCG, and customer network provided to health plans.
- AW must come up with strategies to market DTC aggressively and could incur a lot of additional costs.
- DTC route would not make much of a difference to AW in terms of the number of customers. Because only the uninsured patients would benefit from the DTC model and this number is very less (13%) when compared to insured patients. Also, with introducing ACA, the uninsured number could further go down. Hence, AW's utilization% (<1%) would remain the same.
- AW doesn't have specialists in OCG and wouldn't be sufficient to handle the growing customers via the DTC model. To have physicians available 24/7 for the online marketplace would be a challenge.

AW should instead pursue the insurers to include online care as part of their benefit, which would lead to a greater number of consumers using online healthcare and come up with strategies to market it so that the in-person visits are replaced by online consultations. This would be a win-win situation for AW and the Insurers.

Other new initiatives:

Employers: This could lead to a potential increase in the utilization rate. The communication campaigns crafted for the employers could be used by the insurers to promote to their employers. Increasing the number of employer groups would help AW in gaining new health plans and retain the existing ones. But this approach could be viewed as a competition by insurers.

Retailers: Targeting retailers would be a good move to broaden the consumer base as this was covered by insurers and AW would get access to the foot traffic at retailer stores. Insured patients only had to take care of a $20 co-pay. For uninsured patients, medical care is provided at lower prices. Example $59 at retail clinic vs $95 for an in-person visit. Also, providing immediate care would increase over-the-counter sales. The annual licensing fees are an added revenue to AW.

Kiosks: Although the motive of Kiosks was to tap into the consumer segment who did not have access to the hardware setup required for online consultation and act as a marketing device, this led to increased hardware development and servicing costs to AW and venturing into an unknown space. Also, AW could not estimate the increased utilization rate from this move, putting AW at risk.

Delivery Network: This could be a great move to reach a broader consumer base. More hospitals would be willing to do an online health care model as this would be an easy way to follow up with their patients and act as a relationship-management tool. To AW this is an additional revenue generator.

Annual savings for a self-insured employer with 50k employees:

#of visits to physicians per annum – 1.2 billion

Population of US – 315 million

Average number of visits per person per year – 1.2billion/315 million ~ 3.8

Total number of employee vis its per year – 50,000 * 3.8 = 190,000

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Number of employees – 50,000

Number of online visits – 2.5% of 50,000 = 1250

Number of online visits per year – 1250*3.8 = 4750

Amount spent by company per employee (wages lost for 2 hours of in-person consultation) = $60

Wages lost in online consultation per employee (10 minutes) = $5

Amount saved on wages spent per employee = $60 -$5 = $55

Hence, total savings for 4750 online visits per year = 4750 * $55 = $261,250

Financial incentive for a PCP to participate in online care:

#of visits to physicians per annum – 1.2 billion

PCP visits – 56% . i.e., 672,000,000

Online PCP visits = 2.5% i.e., 16,800,000

Amount per online session = $30

Hence, total incentive = 16,800,000*30 = $504,000,000

Future revenue estimates:

- **Retail:** Number of stores – 4600, stores providing online care – 2000
  Per store per year - $3000
  Revenue from online enabled store – 2000 * $3000 = $6,000,000
  Per OCG consult - $49
  Per network consult - $5
- **Employer**: Assuming only 1 employer
  50,000 employees. $49 per OCG consult. Hence, 49*50,000 = 2,450,000
- **Health Plan**: Annual minimum fee together - $550,000
  Per OCG consult - $49
  Per network consult - $5
- **Provider**: Annual minimum fee together - $550,000
  Per OCG consult - $49
  Per network consult - $5