

American well: the doctors will e-see you now

[Business](#), [Company](#)



Predicament faced by the founders of American Well, an US based online HealthCare about the future growth of the company.

The Founders of the company are facing challenges in expanding and diversifying their business and aim to bring about a major transition in the traditional healthcare services by leveraging Information Technology.

Detailed analysis of the problem

The right timing for the rollout of Team Edition: the next-generation product of American Well which has the potential to revolutionize interactions between doctors. It would also expedite the process of a patient seeing a specialist by introducing an interface where a Primary Care Physician (PCP) would log onto a system and contact doctors available online to provide medical expertise to the patient.

Whether to provide services outside the US market in countries such as Australia, UK and Germany which had already expressed interest, as it would require tailor made services to be provided to those markets because of different regulations prevalent there.

Whether to market their products to other delivery networks besides the insurance companies which would result in a conflict of interest.

Whether to use the model of linking real-time excess capacity with real-time excess demand beyond the health care industry, in areas of legal and accounting services without compromising on being the definitive leader in Online Care.

Another dimension of the problem regarding expanding the business is whether to follow the B2B model or the DTC model.

5C Analysis

(I)Customer:

Health insurance companies formed the primary target customers of American Well, which in turn would go after patients to avail online health care services in emergency and non-critical situations. The company's value proposition to insurance companies was:

Lower Costs: Increased savings of \$3. 36 per patient per month by resolving health problems online.

Higher Revenues: Substantial increase in revenue by opening the physician network to non-members, which would be an opportunity to initiate dialogue with potential clients. The company's value proposition to patients was:

Convenience: The problems of geographical constraints and insufficient access to care, especially in rural areas having provider shortages, were overcome as online services allowed the patients to choose their convenient time and location of service

Shorter Wait Time: With the consultation going online, the time taken for the check up and diagnosis reduces drastically which in turn ensures better health results.

(II)Context:

Demographic: Technology is leveraged to extend health care by eliminating geographical and situational constraints like physical location and time of

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availability of doctors. Online Care could balance out the dearth of doctors in some locations by enabling virtual appointments of patients with the doctors.

Economic: Healthcare expenditure was estimated to be \$2. 5 trillion in 2009 and expected to reach \$4. 3 trillion by 2018- 17. 6% of US GDP. More than 80% of the population under the age of 65 have subscribed to some medical insurances. This creates an amazing prospect for online care. **Legal:** HIPAA has been put in place to tackle problems of concerns over patient's data privacy and doctors' quandary over reimbursements for online care by insurance companies. **Technological:** Online Care used advancements in telecommunications and computer based tools for collecting, managing and communicating health records of patients electronically. **Socio-cultural:** Use of online form of communication was on the rise among patients as well as doctors (23% in 2001 to 36% in 2008).

(III)Company:

The company " American Well" was founded by two trained physicians Ido Schoenberg and Roy Schoenberg. Online Care, which was the novel service model of the company specialized in the use of technology to eliminate the mismatch between supply and demand in the health services sector and also to reduce the time. The company's source of income was a combination of upfront and recurring revenue. Health insurance companies paid a one-time fee, an annual maintenance and support fee and an annual hosting fee per addressable life (members and non-members)

Additional revenue:

\$2-\$7 per Online Care transaction

American Well also provided tailor made services in IT or marketing on a consultancy basis to the insurance companies.

(IV) Collaborators:

Physicians/Specialists: Doctors specializing in different areas can be made available to the patients through an online network. This will decrease the workload of unnecessary diagnosis and reduce the follow-up clutter with the PCP. Doctors that are more likely to join this service are: new medical graduates, retired doctors and doctors who have not been utilized fully.

IT: Technology companies are important collaborators as the entire service model works on IT. **Insurance Companies:** The primary customer of American Well had the potential to expand its services to non-members, resulting in increased revenues as well as reduced costs by providing services online.

Pharmacies and Hospitals: Patients could enquire about the usage, side effects and other information about a medicine with a pharmacist, easily and quickly through an online platform.

Retail Clinics: NPs at the clinics could take the opinion of a specialist through Online Care kiosks in case the NP was unable to address an issue or in cases when the patient wanted an immediate second opinion.

(V) Competitors:

- Medfusion: Manages online physician-patient communication through its Virtual Office Suite
- RelayHealth: Offers online solutions for facilitating patient-physician communication

- TelaDoc: Provides the patients with 24*7 phone access to a vast network of physicians in a call center model, round the year
- Cisco TelePresence: Enables live video conferencing for patients to interact with physicians
- The existing array of offline care such as NPs, Minute Clinics, Take Care Clinics and RediClinics offer medical services to patients who are skeptical about getting medical aid without physically meeting a practitioner.

SWOT Analysis

Strengths

- Leveraging the first mover's advantage in the U. S. market, the company plans to introduce ' Team Edition' a product that intends to make the process more time efficient
- Having worked in the healthcare sector for few decades, founders of ' American well' were in a better position to anticipate challenges and identify hidden opportunities in the sector
- The backbone of their operations is a robust and well-built proprietary software which gives them an edge over other competitors due to high market entry cost
- The company was able to come up with healthcare solutions which were cost effective for all the stakeholders i. e. patients, doctors, insurance companies

Weaknesses

- Doctors' apprehensiveness towards offering medical aid without physically examining the patients

- There is also pre conceived notion among doctors that online consultation would increase their work and they might not get compensated for the same
- Potential conflict of interest in approaching retail clinics, hospitals and insurance companies simultaneously
- Concerns over international expansion and business diversification due to resource constraints

Opportunities

- Current platform provides for an amazing opportunity to diversify into areas like legal advice, accounting services and religious consulting
- Favorable responses from the overseas customers is an indicator towards the great international opportunities
- Growing accessibility of internet within the United States, especially in the rural areas, allows for more customers to avail the services provided by American Wells
- Rapidly ageing population in the U. S. and consequent increase in healthcare spending will require a more proficient and cost-effective healthcare delivery
- A huge untapped market of customers and doctors who are not affiliated to any insurance companies provides for a lucrative market opportunity

Threats

- Failure to strategize and plan out the business expansion, would allow the competitors to grab the opportunity

- The threat of patient's information getting hacked online poses a grave privacy concern
- The possibility of overutilization of healthcare services and doubts over authenticity of treatment.

Solutions

Since the company is a new entrant and is yet to establish its market presence and does not have a wide customer base as of now, their first and foremost priority should be to establish their presence in the Healthcare industry domestically and focus heavily on marketing their primary product which is the Online care platform that they have developed. Also, there are a lot of existing players in the markets like RelayHealth, Medfusion, TelaDoc, and Cisco Telepresence who have tried out similar models in smaller markets and have proven results. American well can leverage this experience and market their model to a wider audience domestically.

Following this, they should focus on developing and rolling out Team Edition which offers higher value proposition to all stakeholders. They stand to gain considerably from the demographic shift that is going to happen in the next 20 years as 20% of the population would be over 65 years of age. The health care needs of this senior population result from chronic problems like diabetes and heart conditions and would require constant care, hence resulting in more opportunities and revenues for American Well. Hence it is crucial that they capture the domestic market at the earliest and use the first movers' advantage to their benefit.

They should also continue to target the insurance companies for maximum gains due to their extensive network of doctors and patients and also have a higher spending potential compared to other delivery channels.

American well can expand into international markets where countries like Germany, UK and Australia have expressed interest, but only after establishing themselves in the domestic market. They can start by rolling out pilot models on a small scale in a particular market and use this feedback for the actual implementation. The major problem in the international markets is the different regulations imposed by the government and the nature of demand existing in the market. The pilot model will help to improvise the actual model to suit the different markets. They could use other delivery networks in these and assess if this would be advantageous over using insurance companies.

After completing the roll-out of their platform in the healthcare industry in the domestic and international markets and solving the various unforeseen problems that arise during implementation phase, American Well can use their expertise and experience in devising models in other sectors and industries like legal and accounting services or religious counseling.

Alternative Solution-1

An alternative solution for the problems mentioned in the case would be to start operations as a Direct-to-consumer company and also as a B2B company. The DTC approach can be taken up for implementation through a pilot model and the returns from both the approaches can be compared before ruling out the other.

With the DTC approach, American Well can establish themselves as a one-stop solution for all online health care needs and would be able to provide better user experience.

The problems caused due to operations of the third party insurance companies would cease to exist as American Well would take end-to-end ownership of the entire operations.

Working with the customers directly would help them build brand loyalty which can be a driving factor to boost sales and increase profits. Also, this will help American Well to utilize the entire profits for their own operations rather than sharing them with the Insurance companies.

Adopting the B2B approach could adversely affect operations due to volatile U. S health-care environment.

Alternative Solution-2

Another alternative to this case would be to start operations as a B2B company and establish its presence in the market as a leading healthcare provider and after doing that successfully, switch to a DTC model.

This would enable American Well to utilize the network of doctors and patients offered by the Insurance companies in the initial stages and later start their own network after capturing the markets. The transition from B2B to DTC would help them reap benefits of both the models and grow at a much better rate with increasing brand loyalty and recognition.