Evaluation and Implementation of Telemedicine in an Independent Allergy Practice

Business Plan

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Project Summary

The company is a one-physician privately owned independent allergy practice located in a competitive allergy market. The company would like to offer telemedicine appointments in order to:

- Increase patient engagement and better retain its existing patient population.
- Attract new patients within its target demographic of females 25-49 years old.
- Differentiate itself in a crowded allergy market.

The company is in a mid-sized city that is attracting a younger demographic due to the variety of outdoor activities it offers. Studies show that 60% of millennials want greater online access to healthcare.¹ The company has utilized electronic health record software for 10 years and hopes to leverage this technological advantage to attract new and retain existing patients.

Executive Summary

Company Overview

The company is a one-physician privately owned independent specialty practice providing healthcare services for symptoms related to allergy, asthma and immunologic conditions. The company is in a mid-sized city of approximately 500,000 located in the southeast portion of the United States. In addition to the company’s main office, it also has two satellite offices; one is in a rural area and the other is in a small urban setting. A younger demographic is moving to the area due to the variety of outdoor activities offered (i.e. hiking, rock climbing, white water rafting and spelunking). This younger population is the target demographic (females 25-49 years old) of the company.

The main areas of service for the company are allergy testing and treatment for foods, pollen, molds, stinging insects, animals and other environmental allergens (i.e. cockroach and dust mites). Testing and evaluation of chemical sensitivities. Asthma diagnosis and treatment. And the evaluation, diagnosis and treatment of various immunologic conditions.

The practice was started 10 years ago by the physician owner who left another group in the area after 11 years. She is well regarded in the medical community, with a reputation for spending time with her patients and tenacity in seeking answers to patient problems. She has an extensive physician referral base. However, in the last 18-24 months this traditional referral base has been in flux as referral patterns have changed due to physicians joining a multi-specialty group which already has allergists in their group and other physicians joining local hospital groups.

After the company’s best year ever, the decision was made to hire another physician as part of the owner’s exit strategy. However, revenue has been flat since hiring this physician, which has reduced the practice’s free cash flow. This physician has since accepted a position in another town. High deductible insurance plans and reduced reimbursement from insurance payors, in particular for allergy immunotherapy, have increased the challenges of reimbursement for services.

Creating a niche in the crowded allergy market is critical to the practice’s ongoing growth and independence. The company was the first to adopt electronic health record technology and has been utilizing it since the beginning. In order to leverage the company’s technology expertise,

implementation of telemedicine should be an effective way to differentiate itself in the marketplace, expand patient access to care, and lower patient costs.

**Market Opportunities**
No other allergy practices in the company’s market currently utilize telemedicine. A 2015 Salesforce survey showed that 60% of millennials want greater online access to healthcare. Millennials fall within the company’s target patient demographic of 25- to 39-year-old females. Telemedicine offers the opportunity to attract new patients, solidify the company’s hold on our existing patients, and be a thought leader in the allergy community. With the increase in high deductible plans, it is hoped that patients with embrace telemedicine as a lower cost and more convenient option to in office visits. In addition, there has been discussion across the nation of the possibility of a bundled payment model for the ongoing care management of asthma diagnosed patients. A July 25, 2018 article by the American Academy of Allergy Asthma & Immunology reported that studies have “…suggested that combined-telemedicine involving tele-case management or tele-consultation should be promoted to improve asthma control and quality of life in adult patients with asthma.” Effective implementation of telemedicine would better prepare the company for any asthma bundled payment or alternative payment model.

**Capital Requirements**
Advances in telemedicine technology have improved the user experience and lowered the cost. Upfront setup costs are minimal with ongoing fees based on a per provider/user per month payment model or a per telemedicine session payment model. Hardware requirements are computers, tablets or smartphones with video and audio capabilities that also have access to broadband internet service.

**Mission Statement**
The owner’s desire when starting the company was to have a faith-based practice. The company mission statement is simple: “To be a place where patients want to come, people want to work, and God’s love is real.”

**Management**
The practice is managed by the physician owner and the practice manager. Evaluation and implementation of owner directives is the responsibility of the practice manager. The practice manager’s experience includes the selection and implementation of electronic health record and patient engagement software, as well as new billing and clinical workflows.

**Competitors**
The local market for allergy is highly competitive and dominated by two other larger allergy practices with multiple office locations. The largest competitor has five physicians, seven nurse practitioners and nine office locations. They spend heavily on marketing utilizing television, radio, online and print advertising as well as direct physician referral development. The other major allergy practice has five physicians, two nurse practitioners and seven office locations. Their marketing and advertising budget is much more modest. Allergy immunotherapy (allergy shots) represents a significant source of revenue for any allergy practice. Patient convenience (hours and locations) is critical to treatment compliance. The company receives multiple patient transfers of care from other allergy practices because patients desire a better explanation of their test results, greater disease education, and better understanding of their treatment options. Other

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competitors in the market include the many allergy medicines available over the counter (Flonase, Rhinocort, Nasacort, Zyrtec, Allegra, etc.), as well as several ENTs and primary care physicians that offer allergy testing.

The Company’s Competitive Advantage

The company was the first allergy practice in the area to adopt the use of electronic health record technology and has been using it for 10 years. The company also offers its patients text and email appointment reminders, a patient portal and the ability to securely text message staff in the office. The company feels that its use of technology is one of their competitive advantages and would like to leverage its expertise in this area to be the first allergy practice in the market to offer telemedicine.

Financial Projections

Incremental costs to implement telemedicine are minimal. No additional staff time or hardware is required. Costs are limited to marketing and the monthly fee for the telemedicine platform software which will total approximately $2,100/year.

Three-year financial projections indicate a net income of $1,140 in the first year, $1,950 in the second year and $2,962 in the third year. While these returns are modest, the greater value may be in increased retention of existing patients and brand differentiation in the local allergy market.

Organizational Plan

The Company

The company’s mission is to be a “place where patients want to come, people want to work, and God’s love is real.” The company’s vision is to deliver the highest quality, state of the art allergy, asthma and immunologic healthcare in their market while continuing as an independent practice.

The company is the smallest of the three major practices in the local market. The founder of the company was with another allergy practice in the market for 11 years before leaving to start the company.

The company’s strategic goal is to continue to offer its patient centric care by remaining a viable, independent specialty practice in a time of rapid consolidation within the healthcare industry. In order to do this, the company must continue to carve out its niche within the local allergy community. The company’s goal is to leverage its technological advantage in order to improve patient satisfaction by offering ease and convenience to our patient population. Offering telemedicine services supports this longer-term goal by allowing patients to have routine follow-up appointments from home via the telemedicine platform. The company anticipates that telemedicine will appeal to their target demographic of females ages 25-39.

The company has recently joined a Clinically Integrated Network with one of the local hospitals. Outside of relationships with referring physicians, this is the only other strategic relationship with which the company is involved.

The owner/founder of the company is the driving force behind the company’s brand within the community. She has a reputation for caring for the “whole” patient and not just their allergy/asthma/immunologic needs. She is tenacious in finding the underlying problems with her
patients and developing individualized treatment strategies that are best for them. She is the “face” of the company. The practice manager develops implementation plans from strategic goals outlined by the founder.

**SWOT Analysis**

**Strengths:**
1) The company has a reputation for emphasizing patient education and spending time with patients making sure their healthcare concerns are addressed.
2) The company was the first allergy group to implement electronic health record technology and the ability for patients to text the office with clinical or billing questions. The company has tried to use their technological edge to differentiate themselves in the market.
3) The company has two nationally certified Asthma Educators on staff.
4) The company recently implemented The Asthma Protocol (TAP). TAP is an evidence-based standardized model of care for newly diagnosed asthma patients.

**Weaknesses:**
1) The company is the smallest of the area’s allergy practices with the fewest office locations. Allergy immunotherapy (allergy shots) is a significant revenue stream for any allergy practice. Convenience is critical for patient compliance with their allergy shots. Additional office locations allow for market expansion and greater convenience for allergy shot patients.
2) Marketing budgets are limited relative to the other practices.
3) Referral patterns are changing as previously referring physicians have joined larger healthcare organizations with which the company is not aligned.

**Opportunities:**
1) Leveraging the company’s technological advantage has the potential to:
   a. Attract a younger demographic to the practice, particularly women of childbearing ages 25-39.
   b. Improve patient satisfaction by lowering costs and expanding access using telemedicine.
   c. Become a more attractive partner for potential integrated clinical networks that may be involved in value-based or bundled payment models.
2) The smaller size of the company allows for more individually personalized patient care.

**Threats:**
1) Continued loss of market share to larger competitors. Being increasingly left out of consolidation in healthcare delivery organizations.
2) Inability to find a clinical “partner” in the rapidly evolving move toward value-based payment models.
3) Inability to find and retain quality staff in a tight labor market.
4) Inability to recruit entrepreneurial allergists interested in working toward partnership in an independent practice.
5) Continued decline in reimbursement.
6) Increase in the number of high deductible health insurance plans, thus placing more of the financial responsibility on the patients themselves.
Services Offered

The company provides testing to a variety of potential allergens including:

1) Food (peanuts, shellfish, tree nuts, eggs, mammalian meats, etc.)
2) Environmental (trees, grass and weed pollen, dust mites, cockroaches, etc.)
3) Animal (cats, dogs, horses, etc.)
4) Molds
5) Stinging Insects (fire ants, wasps, hornets and bees)
6) Penicillin

Treatment of allergies with immunotherapy, both allergy shots and allergy drops, is offered. This service includes not only the custom preparation of allergy extract but also in many cases the administration by injection of the serum itself. Allergy testing and treatment through immunotherapy represent a significant proportion of the company’s total revenue. Immunotherapy has been hit with significant billing constraints implemented by commercial payors.

The company provides testing for a wide variety of chemicals that may potentially cause contact dermatitis. While not a true allergic reaction, many of these chemicals can cause severe skin irritation.

The company also provides asthma evaluation and treatment. While not a significant source of revenue, it is labor intensive for both providers and clinical staff. This is one area where the use of telemedicine will be evaluated by the company to see if an improvement in patient population health and satisfaction as well as a reduction of time spent by clinical staff returning phone calls is achieved.

Finally, the company offers the evaluation of immunologic conditions. No in-office procedures are involved, only blood draws to be sent to outside labs for testing. Treatment generally involves medication infusions and is performed by outside infusion companies. Immunologic consults are time consuming for the company’s providers.

Administrative Structure

The company was founded by the president. In addition to the president, the company is staffed with two Family Nurse Practitioners, one Physician Assistant, and a Practice Manager. Support staff includes receptionists, billing personnel, medical assistants, and a licensed practical allergen mixing nurse. Total staff including president and providers totals twenty-four.

The physician owner is the president of the practice. The practice manager and all clinical providers report to the president. Billing and clinical managers report to the practice manager. The billing manager directs all billing, front desk, and administrative staff daily.

The president is responsible for:

- Vision and strategic planning for the practice.
- Developing clinical policies, procedures and protocols.

She is certified by the American Board of Allergy and Immunology and has practiced allergy medicine in the community for over 21 years.
The practice manager implements and evaluates all initiatives as directed by the president. The practice manager is responsible for:

- **Human resources**: Benefit plan evaluation and administration, personnel hiring, onboarding and termination, staff performance evaluation, and salary review.
- **Financial reports**: Profit/loss statements, balance sheets, and quarterly summary reports. Review of insurance and patient accounts receivable, accounts payable, and payroll reports.
- **Information Technology**: Main contact with outside IT vendors; review/recommend all equipment purchases; evaluation and implementation of new software platforms.
- **Facility Management**: Maintain building and facilities at all offices. Negotiate leases.
- **Compliance**: Adherence to all HIPAA, OSHA, ERISA, Department of Labor, Medicare/Medicaid, and billing requirements.

The billing manager’s responsibilities include:

- Supervision of all billing and front desk staff.
- Review and submission of all claims.
- Supervision of payment posting and daily deposit preparation by others.
- Review and appeal of all denied claims.
- Supervision of patient accounts receivable.

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**Organizational Chart**

**The Company**

- **Physician Owner**
  - **Practice Manager**
    - **Billing Manager**
    - **Nurse Practitioners**
      - Payment Posting & Claim Denials
      - Front Desk Check-In Check-Out
      - Clinical Nursing Staff
      - Mixing Lab Nurse
Operational Timeline

It is anticipated that it will take three to four months for the new telehealth platform to be fully implemented and available for patient appointments. This breaks down as follows:

- Evaluate, select and contract telehealth platform. 1-2 months
- Develop marketing plan and materials. 1-2 weeks
- Setup and training of providers on new platform. 1 month
- Develop and implement patient appointment and provider availability templates. 1-2 weeks
- Announce new service.

Acceptance of telemedicine by the company’s patient population is a major concern. While convenience and lower cost for patients are major advantages, previously poor utilization of the patient portal by patients indicates that change is difficult to embrace. Marketing of the new telemedicine service by providers and staff is critical to its success.

Marketing Plan

Overview and Goals

Telemedicine is becoming more widespread and desired. According to research firm IBISWorld, the use of telemedicine services has grown by 44% from 2013-2018 to reach a total market revenue of $2 billion in 2018.3 A 2015 Salesforce survey showed that 60% of millennials want greater online access to healthcare.

The company will be offering scheduled telemedicine visits to its existing patient population for certain types of follow-up visits. These include annual follow-up visits to monitor the progress of immunotherapy treatment on the company’s allergy patients. Also included will be routine 6-month return visits for patients without a diagnosis of asthma or respiratory related illnesses. This restriction is because one of the limitations of telemedicine is the inability to evaluate patients’ breathing remotely. A spirometer device is required to measure lung function. The cost of each telemedicine visit will be $50.

Marketing of telemedicine services is critical for patient acceptance and usage. The goals of the marketing plan are threefold:

- Raising brand awareness of this new service offering.
- Defining exactly what telemedicine is and how it is beneficial to patients.
- Demonstrating ease of use.

Market Analysis

The company is the smallest of three main allergy practices in the area. The company has been in its current location for over 10 years and has a reputation for spending time with patients to

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educate them on their allergies, asthma or other immunologic conditions. The company markets to the community by using online and radio advertising and by participating in free allergy and asthma screenings at local businesses, health fairs, and schools. A recently started initiative is to screen all school age children for asthma in two of the adjoining county school systems. This represents a significant commitment of staff time but has proven beneficial in identifying previously undiagnosed asthma in children. Early diagnosis of asthma improves the chances of attenuating the disease’s progression. These screenings are also successful in generating new patient appointments.

The target market for telemedicine services is females 25-49 years old and their children. According to the U.S. Department of Labor, women make 80 percent of health care decisions in the United States. Appealing to this demographic is critical to the success of this initiative.

Competition in the telemedicine arena exists both nationally and locally. While telemedicine is currently offered by one of the local hospital systems and at least two of the major health insurance companies, it is not currently offered by any of the local allergy practices. However, national telemedicine companies such as Doctor on Demand, MyTelemedicine and Teladoc market online to consumers looking for on-demand virtual health care.

Common conditions currently treated via telemedicine include:

- Allergy
- Cough
- Bronchitis
- Sinus infection
- Skin rash
- Cold or flu

Allergists are specially trained to treat all these conditions and thus are well positioned to successfully offer telemedicine services.

**Marketing Strategy**

The telemedicine marketing plan will consist of three components:

- Internal in-office marketing
- Social media and internet
- External advertising

**Internal in-office marketing**—This will focus on marketing to existing patients with appointments and those who receive weekly allergy shots. Providers and staff will be trained on the benefits and use of telemedicine so existing patients may be educated on its availability. Interior signage will be designed and posted in all exam rooms, check in check out desk and shot lab. Postcards will be designed with summary description of services to hand out to patients.

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Social media and internet—New service offering notices will be posted on company website. Notices will be regularly posted on company Facebook and Instagram accounts.

External advertising—Ads will be placed in local publications and with local radio and television stations.

Marketing Budget

Marketing costs will be minimal. The main expenses will be for producing in-office flyers and postcards, updates to the website, and redesigning existing print, radio and television ads. Existing budget dollars for print, television and radio advertising will be re-purposed to promote telemedicine to the community.

Estimated Expenses

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-office signage/flyers</td>
<td>$100</td>
</tr>
<tr>
<td>Postcards</td>
<td>$300</td>
</tr>
<tr>
<td>Updates to website</td>
<td>$250</td>
</tr>
<tr>
<td>Facebook posts</td>
<td>$0</td>
</tr>
<tr>
<td>Redesign ads for print, TV &amp; radio</td>
<td>$250</td>
</tr>
</tbody>
</table>

Total Estimated Marketing Budget $900

Return on Marketing Investment

Assume twelve paid telemedicine visits per month @ $50 ea.

1st Year Marketing ROI—144 visits @ $50 ea. total $7,200 700%

Marketing Plan Evaluation

Measuring marketing effectiveness is always difficult. As marketing pioneer John Wanamaker stated, “Half the money I spend on advertising is wasted; the trouble is I don’t know which half”. There are a couple of ways that effectiveness of the marketing plan can be evaluated. Measuring website traffic to the telemedicine landing page utilizing Google Analytics will be essential. Tracking the number of postcards given out will give the company some idea of the reach of the marketing campaign. Reasonable goals would be that within 6 weeks after the launch of the marketing plan, 100 new viewers visit the telemedicine landing page and 500 postcards are handed out to patients.

Financial Evaluation

Summary of Financial Needs

The cost entry threshold for telemedicine is low. Most telemedicine software platforms are web based. The only equipment requirement is a computer with a web browser, microphone, and web camera which the company already owns.

Telemedicine platform pricing varies but typically is based on a per provider per month license model. This pricing can range from free (for a simple HIPAA compliant video conference
platform) to a few hundred dollars per provider per month for a more robust platform. There is also typically a one-time setup charge of $500-$1,500 per practice.

**Pricing**

Due to the current myriad billing constraints from Medicare, Medicaid and private insurance, offering telemedicine services on a cash only basis seems to make the most sense. Accepting cash only will reduce the risk of improper billing. After a review of other existing telemedicine platforms, pricing was set at $50 per visit.

Many telemedicine software platforms can collect credit card payments before patients are allowed into the “virtual” waiting room. This eliminates the need for either insurance or patient billing and thus lowers overall overhead cost for the procedure.

**How services will be provided**

Physician extenders (APNs, PAs) will be utilized to deliver telemedicine services. Physician extenders are used primarily to staff the two satellite offices. These providers all have the capacity to provide additional services at these offices. Telemedicine appointments will be scheduled on these provider patient schedule templates. While a long-term goal, it is not feasible currently to offer “on demand” telemedicine services. All telemedicine visits will be scheduled.

**Cash Flow Analysis**

<table>
<thead>
<tr>
<th>Per Visit Cost Estimate</th>
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</thead>
<tbody>
<tr>
<td><strong>Assumptions:</strong></td>
</tr>
<tr>
<td>• Physician Extender cost is $75/hr. including benefits. This will not be an incremental cost as excess provider capacity is utilized.</td>
</tr>
<tr>
<td>• Each visit to take twenty (20) minutes to complete including charting.</td>
</tr>
<tr>
<td>• Initially twelve (12) telemedicine visits per month will be delivered.</td>
</tr>
<tr>
<td>• Telemedicine platform costs approximately $100/provider/month. Platform cost per visit is approximately $8.35. This cost will decrease as more visits are performed.</td>
</tr>
<tr>
<td>• Project 25% year over year growth.</td>
</tr>
<tr>
<td>• Overhead cost of 55% is based on company’s actual overhead and includes facilities, IT, insurance, supplies and administration costs.</td>
</tr>
</tbody>
</table>

| Telemedicine Platform | $ 8.35 |
| Marketing | $ 6.25 |
| Other Overhead Costs @ 55% | $27.50 |
| **Total Estimated Per Visit Cost** | $42.10 |
| **Patient Payment** | $50.00 |
| **Profit** | $ 7.90 |
| **Profit Margin** | 15.8 % |
Pro Forma Cash Flow

For the Year Ending 12/31/2019
Cash at Beginning of Year 0

Operations
Cash receipts from
Telemedicine Visits-144 visits @ $50/visit 7,200
Cash paid for
Telemedicine Platform Software (1,200)
Marketing Expense (900)
Additional Wage Expense 0
Net Cash Flow from Operations 5,100

Net Increase in Cash 5,100

Cash at End of Year 5,100

Projected Income Statement

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Revenue</td>
<td>$7,200</td>
<td>$9,000</td>
<td>$11,250</td>
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<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Platform</td>
<td>-$1,200</td>
<td>-$1,200</td>
<td>-$1,200</td>
</tr>
<tr>
<td>Marketing Cost</td>
<td>-$900</td>
<td>-$900</td>
<td>-$900</td>
</tr>
<tr>
<td>Overhead</td>
<td>-$3,960</td>
<td>-$4,950</td>
<td>-$6,188</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>-$6,060</td>
<td>-$7,050</td>
<td>-$8,288</td>
</tr>
<tr>
<td>Net Income</td>
<td>$1,140</td>
<td>$1,950</td>
<td>$2,962</td>
</tr>
</tbody>
</table>

Break Even Analysis

Telemedicine visits will be performed by physician extenders (PAs/APN). These visits will be incorporated into these providers’ patient schedule templates. Initially, these telemedicine visits will be scheduled with providers at the company’s two satellite offices. Patient volume at these offices is significantly less than at the company’s main office so telemedicine visits can be accommodated without additional provider time or cost. No other staff time is required for telemedicine visits since these “virtual” visits do not occur in the office. Front desk staff are not needed to check in patients and clinical staff are not required to triage patients.

Hardware to perform telemedicine visits is any computer, laptop, tablet or phone that has a microphone, video screen, webcam and the ability to connect to the internet. The company already utilizes laptops with all these capabilities to access their electronic health record software. No additional hardware purchases will be required.

Incremental costs are minimal when offering telemedicine visits. The first-year costs include $1,200 for the telemedicine platform ($100/provider/month) and $900 for marketing materials.
totaling $2,100. In 2018 the company’s total expenses were approximately $2,150,000. Costs to offer telemedicine represent an estimated 0.01% increase in expenses. This seems manageable from a cash flow perspective. At $50/telemedicine visit, a total of 42 visits in the first year will needed in order to break even.

Telemedicine appears to be a low cost, minimally disruptive service to introduce to the company’s product line. Incremental startup costs are negligible relative to the company’s overall expenses. No additional provider or staff time will be needed.

**Innovative Elements and Expected Outcomes**

Telemedicine offers the company the opportunity to improve patient satisfaction through the convenience of the service as well as lowering patients’ out-of-pocket cost. Telemedicine also gives the company the opportunity to carve out a niche in a crowded allergy market for a relatively low upfront and ongoing cost while adding no additional staff.

While telemedicine would appear to be only marginally profitable, the additional direct costs associated with telemedicine are related to license fees for the platform itself and marketing. Existing staff will be utilized to provide telemedicine visits so there will be no additional labor costs.

Telemedicine holds the promise of improving the health of the company’s asthmatic population by repeated low-cost “visits” in order to identify obstacles to care (i.e. lack of understanding of treatment plan, inability to afford medication, improper bronchial inhaler technique, etc.). With the expansion of value-based payment models and the potential for bundled payments for asthma care management, the use of telemedicine will provide a lower cost means of better caring for the company’s asthmatic patient population. This will allow the company to be successful in profitably participating in any future value-based payment models.

Buy-in from management and providers are crucial to the success of this initiative. Patients are more likely to schedule a telemedicine appointment if encouraged by the provider. The challenge will be helping management and providers understand the non-monetary value in telemedicine as a marketing tool for the practice and as preparation for future alternative payment models.

The physician owner is the final decision maker. Once given the go-ahead by her, next steps will include telemedicine software platform evaluation and selection as well as developing marketing materials for in-office, online and traditional (i.e. print, radio and television) advertising mediums.

Telemedicine is an exciting opportunity for the company to:

- Improve patient satisfaction and care through more convenient and lower cost visit options.
- Differentiate itself and its service in a crowded allergy market.
- Prepare to successfully perform in any future value-based payment models.