

ATHENAHEALTH INC
Form DEF 14A
April 25, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under § 240.14a-12

athenahealth, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

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 - (1) Title of each class of securities to which transaction applies:
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 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:

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April 25, 2013

Dear Stockholder:

You are cordially invited to attend the 2013 Annual Meeting of Stockholders of athenahealth, Inc. to be held on Thursday, June 6, 2013, at 5:00 p.m. Eastern Time, at our headquarters at 400 North Beacon Street, Watertown, Massachusetts 02472. Directions to our headquarters can be found on the last page of the Proxy Statement.

Pursuant to the Securities and Exchange Commission rules that allow issuers to furnish proxy materials to stockholders over the Internet, we are posting the proxy materials on the Internet and delivering a notice of the Internet availability of the proxy materials. This delivery process will allow us to provide stockholders with the information they need, while lowering the costs of delivery and reducing the environmental impact of the Annual Meeting. On or about April 26, 2013, we will begin mailing to our stockholders a Notice of Internet Availability containing instructions on how to access or request a copy of our Proxy Statement for the 2013 Annual Meeting of Stockholders and our Annual Report on Form 10-K for the year ended December 31, 2012.

The Notice of 2013 Annual Meeting of Stockholders and the Proxy Statement contain details of the business to be conducted at the Annual Meeting.

Whether or not you attend the Annual Meeting, it is important that your shares be represented and voted at the meeting. Therefore, I urge you to promptly vote by submitting your proxy via the Internet at the address listed on the proxy card or by signing, dating, and returning the enclosed proxy card in the enclosed envelope. If you decide to attend the Annual Meeting, you will be able to vote in person, even if you have previously submitted your proxy.

On behalf of the Board of Directors, I would like to express our appreciation for your continued interest in the affairs of athenahealth, Inc. I look forward to greeting as many of our stockholders as possible at the Annual Meeting.

Sincerely,

Jonathan Bush
Chief Executive Officer, President, and Chairman of the
Board of Directors

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athenahealth, Inc.
311 Arsenal Street
Watertown, MA 02472

NOTICE OF 2013 ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the 2013 Annual Meeting of Stockholders of athenahealth, Inc. will be held on Thursday, June 6, 2013, at 5:00 p.m. Eastern Time, at 400 North Beacon Street, Watertown, Massachusetts 02472. The purpose of the meeting is the following:

1. to elect three directors, Charles D. Baker, Dev Ittycheria, and John A. Kane, to serve as Class III directors for a term of three years and until their successors are duly elected and qualified, subject to their earlier resignation or removal;
2. to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013;
3. to approve an amendment and restatement of the 2007 Stock Option and Incentive Plan;
4. to hold an advisory vote to approve executive compensation; and
5. to transact such other business as may properly come before the meeting or at any and all adjournments or postponements thereof.

The proposal for the election of directors relates solely to the election of Class III directors nominated by the Board of Directors and does not include any other matters relating to the election of directors, including, without limitation, the election of directors nominated by any athenahealth, Inc. stockholder.

Only athenahealth, Inc. stockholders of record at the close of business on April 10, 2013, will be entitled to vote at the meeting and any adjournment or postponement thereof.

Your vote is important. Whether or not you are able to attend the meeting in person, it is important that your shares be represented. To ensure that your vote is recorded promptly, please vote as soon as possible, even if you plan to attend the meeting.

By Order of the Board of Directors,

Jonathan Bush
Chief Executive Officer, President, and Chairman of the
Board of Directors

Watertown, Massachusetts
April 25, 2013

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ATHENAHEALTH, INC.

PROXY STATEMENT

FOR THE 2013 ANNUAL MEETING OF STOCKHOLDERS

GENERAL INFORMATION

Our Board of Directors (the “Board of Directors”) has made this Proxy Statement and related materials available to you on the Internet, or at your request has delivered printed versions to you by mail, in connection with the Board of Directors’ solicitation of proxies for our 2013 Annual Meeting of Stockholders (the “Annual Meeting”), and any adjournment of the Annual Meeting. If you requested printed versions of these materials by mail, they will also include a proxy card for the Annual Meeting.

Pursuant to rules adopted by the Securities and Exchange Commission (“SEC”), we are providing access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the “Notice”) to our stockholders of record and beneficial owners as of the record date identified below. The mailing of the Notice to our stockholders is scheduled to begin on or before April 26, 2013. All stockholders will be able to access the proxy materials and our Annual Report on Form 10-K for the year ended December 31, 2012, on a website referred to in the Notice, as well as request printed or electronic copies of the proxy materials and that Annual Report. Instructions on how to access the proxy materials over the Internet or to request printed or electronic copies may be found in the Notice. Stockholders may also request to receive proxy materials and our Annual Report on Form 10-K in printed form by mail or electronically by e-mail on an ongoing basis.

In this Proxy Statement, the terms “athenahealth,” “we,” “us,” and “our” refer to athenahealth, Inc. The mailing address of our principal executive offices is athenahealth, Inc., 311 Arsenal Street, Watertown, MA 02472.

Stockholders Entitled to Vote; Record Date

As of the close of business on April 10, 2013, the record date for determination of stockholders entitled to vote at the Annual Meeting, there were outstanding 36,717,457 shares of our common stock, par value \$0.01 per share, all of which are entitled to vote with respect to all matters to be acted upon at the Annual Meeting. Each stockholder of record is entitled to one vote for each share of our common stock held by such stockholder. No shares of athenahealth preferred stock were outstanding as of April 10, 2013.

Quorum; Abstentions; Broker Non-Votes

Our By-laws provide that a majority of the shares entitled to vote, present in person or represented by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. Under the General Corporation Law of the State of Delaware, shares that are voted “abstain” or “withheld” and broker “non-votes” are counted as present for purposes of determining whether a quorum is present at the Annual Meeting.

Under our By-laws, any proposal other than an election of directors is decided by a majority of the votes properly cast for and against such proposal, except where a larger vote is required by law or by our Certificate of Incorporation or By-laws. Our majority voting policy included in our Corporate Governance Guidelines requires that each director nominee in an uncontested election must be elected by a majority of the votes cast in that election. Abstentions and broker “non-votes” are not included in the tabulation of the voting results on any such proposal and, therefore, do not have the effect of votes in opposition to such proposals. A broker “non-vote” occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner.

If your shares are held in “street name” by a brokerage firm, your brokerage firm is required to vote your shares according to your instructions. If you do not give instructions to your brokerage firm, the brokerage firm will still be able to vote your shares with respect to certain “discretionary” items, but will not be allowed to vote your shares with respect to “non-discretionary” items. Proposals 1, 3, and 4 are “non-discretionary” items. If you do not instruct your broker how to vote with respect to those proposals, your broker may not vote for those proposals, and those votes will be counted as broker “non-votes.” Proposal 2 is considered to be a discretionary item, and your brokerage firm will be able to vote on this proposal even if it does not receive instructions from you.

Voting

In Person

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If you are a stockholder of record, you may vote in person at the meeting. We will give you a ballot when you arrive. If you hold your shares through a bank or broker and wish to vote in person at the meeting, you must obtain a valid proxy from the firm that holds your shares.

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By Proxy

If you do not wish to vote in person or will not be attending the meeting, you may vote by proxy. You may vote (1) over the Internet, (2) by telephone, or (3) by mail. If you wish to vote over the Internet or by telephone, please follow the instructions provided in the Notice, or, if you requested printed copies of the proxy materials by mail, you can vote by mailing your proxy as described in the proxy materials. You may also authorize another person or persons to act for you as proxy in a writing, signed by you or your authorized representative, specifying the details of those proxies' authority. The original writing must be given to each of the named proxies, although it may be sent to them by electronic transmission if, from that transmission, it can be determined that the transmission was authorized by you. If you complete and submit your proxy before the meeting, the persons named as proxies will vote the shares represented by your proxy in accordance with your instructions. If you submit a proxy without giving voting instructions, your shares will be voted in the manner recommended by the Board of Directors on all matters presented in this Proxy Statement, and as the persons named as proxies may determine in their discretion with respect to any other matters properly presented at the meeting.

If any other matters are properly presented for consideration at the Annual Meeting, including, among other things, consideration of a motion to adjourn the Annual Meeting to another time or place (including, without limitation, for the purpose of soliciting additional proxies), the persons named in the enclosed proxy card and acting thereunder will have discretion to vote on those matters in accordance with their best judgment. We do not currently anticipate that any other matters will be raised at the Annual Meeting.

Revocability of Proxy

You may revoke your proxy by (1) following the instructions on the Notice and entering a new vote over the Internet, by telephone, or by mail before the Annual Meeting or (2) attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not in and of itself revoke a proxy). Any written notice of revocation or subsequent proxy card must be received by our Secretary prior to the taking of the vote at the Annual Meeting. Such written notice of revocation or subsequent proxy card should be hand delivered to our Secretary or sent to our principal executive offices, athenahealth, Inc., 311 Arsenal Street, Watertown, MA 02472, Attention: Secretary. If a broker, bank, or other nominee holds your shares, you must contact them in order to find out how to change your vote.

Expenses of Solicitation

athenahealth is making this solicitation and will pay the entire cost of preparing and distributing the Notice and these proxy materials and soliciting votes. If you choose to access the proxy materials or vote over the Internet, you are responsible for any Internet access charges that you may incur. Our officers and employees may, without compensation other than their regular compensation, solicit proxies through further mailings, personal conversations, facsimile transmissions, e-mails, or otherwise. We have hired Broadridge Investor Communication Solutions, Inc. to assist us in the distribution of proxy materials and the solicitation of votes described above. Proxy solicitation expenses that we will pay include those for preparation, mailing, returning, and tabulating the proxies. We have engaged The Proxy Advisory Group, LLC[®] to assist in the solicitation of proxies and provide related advice and informational support, for a services fee and the reimbursement of customary disbursements that are not expected to exceed \$21,000 in the aggregate.

Procedure for Submitting Stockholder Proposals

Stockholder proposals intended to be presented at the next annual meeting of our stockholders must satisfy the requirements set forth in the advance notice provision under our By-laws. To be timely for our next annual meeting of stockholders, any such proposal must be delivered in writing to our Secretary at our principal executive offices between the close of business on February 6, 2014, and March 7, 2014. If the date of the next annual meeting of the stockholders is scheduled to take place before May 7, 2014, or after August 5, 2014, notice by the stockholder must be delivered no earlier than the close of business on the 120th day prior to such annual meeting and no later than the close of business on the later of (1) the 90th day prior to such annual meeting or (2) the 10th day following the day on which public announcement of the date of such meeting is first made.

In addition, any stockholder proposal intended to be included in the proxy statement for the next annual meeting of our stockholders must also satisfy the SEC regulations under Rule 14a-8 of the Securities Exchange Act of 1934, as

amended (the “Exchange Act”), and be received not later than December 27, 2013. If the date of the annual meeting is moved by more than 30 days from the date contemplated at the time of the previous year’s proxy statement, then notice must be received within a reasonable time before we begin to print and send proxy materials. If that happens, we will publicly announce the deadline for submitting a proposal in a press release or in a document filed with the SEC.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of our common stock as of April 10, 2013, for: each person known to us to be the beneficial owner of more than five percent of our outstanding common stock; each of our named executive officers; each of our directors and nominees; and all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Except as noted by footnote, and subject to community property laws where applicable, we believe based on the information provided to us that the persons and entities named in the table below have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them.

The table lists applicable percentage ownership based on 36,717,457 shares of our common stock outstanding as of April 10, 2013. The number of shares beneficially owned includes shares of our common stock that each person has the right to acquire within 60 days of April 10, 2013, including upon the exercise of stock options or the vesting of restricted stock units (“RSUs”). These stock options and RSUs shall be deemed to be outstanding for the purpose of computing the percentage of outstanding shares of our common stock owned by such person but shall not be deemed to be outstanding for the purpose of computing the percentage of outstanding shares of our common stock owned by any other person.

Name and Address of Beneficial Owner(1)	Number of Shares Beneficially Owned	Percent of Class	
FMR LLC(2) 82 Devonshire Street Boston, MA 02109	4,895,284	13.33	%
Morgan Stanley(3) 1585 Broadway New York, NY 10036	4,301,235	11.71	%
Artisan Partners Limited Partnership(4) 875 East Wisconsin Avenue, Suite 800 Milwaukee, WI 53202	3,639,400	9.91	%
Janus Capital Management LLC(5) 151 Detroit Street Denver, CO 80206	2,615,714	7.12	%
T. Rowe Price Associates, Inc.(6) 100 E. Pratt Street Baltimore, MD 21202	2,586,302	7.04	%
Capital Research Global Investors(7) 333 South Hope Street Los Angeles, CA 90071	2,140,119	5.83	%
The Vanguard Group(8) 100 Vanguard Blvd. Malvern, PA 19355	1,981,820	5.40	%
BlackRock, Inc.(9) 40 East 52nd Street New York, NY 10022	1,868,987	5.09	%
Jonathan Bush(10)	726,917	1.96	%
Timothy M. Adams(11)	87,465	*	
Rob Cosinuke(12)	165,745	*	
Stephen N. Kahane(13)	28,740	*	
Ed Park(14)	29,204	*	

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Charles D. Baker(15)	4,036	*	
Brandon Hull(16)	26,062	*	
Dev Ittycheria(17)	8,516	*	
John A. Kane(18)	59,501	*	
Ruben J. King-Shaw, Jr.(19)	2,018	*	
Jacqueline D. Kosecoff(20)	2,018	*	
James L. Mann(21)	41,524	*	
David E. Robinson(22)	200,000	*	
William Winkenwerder, Jr.(23)	60,397	*	
All directors and executive officers as a group (15 persons)(24)	1,461,136	3.87	%

* Represents beneficial ownership of less than one percent of outstanding common stock.

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- (1) Unless otherwise indicated, the address for each beneficial owner is c/o athenahealth, Inc., 311 Arsenal Street, Watertown, MA 02472.
Based solely on a Schedule 13G/A filed on February 14, 2013, by FMR LLC and Edward C. Johnson 3d, the Chairman of FMR LLC, reporting those stockholders' beneficial ownership as of December 31, 2012. Fidelity Management & Research Company ("Fidelity"), a wholly owned subsidiary of FMR LLC, is the beneficial owner of
- (2) 4,895,284 shares as a result of serving as investment adviser to various investment companies that own such shares. Mr. Johnson and FMR LLC, through its control of Fidelity, each has the sole power to dispose of the shares owned by these investment companies but do not have the sole power to vote or direct the voting of those shares, which power resides with the investment companies' Boards of Trustees.
Based solely on a Schedule 13G/A filed on February 13, 2013, by Morgan Stanley and Morgan Stanley Investment Management, Inc. reporting those stockholders' beneficial ownership as of December 31, 2012. The entities
- (3) reported the following beneficial ownership: (i) 4,301,235 shares beneficially owned by Morgan Stanley, with sole voting power over 4,253,163 shares and sole dispositive power over all of the shares, and (ii) 4,301,235 shares beneficially owned by Morgan Stanley Investment Management, Inc., with sole voting power over 4,253,163 shares and sole dispositive power over all of the shares.
Based solely on a Schedule 13G/A filed on April 9, 2013, by Artisan Partners Limited Partnership ("APLP"), Artisan Investments GP LLC, Artisan Partners Holdings LP, Artisan Partners Asset Management Inc., Artisan Investment Corporation, ZFIC, Inc., Andrew A. Ziegler, Carlene M. Ziegler, and Artisan Partner Funds, Inc. ("Artisan Funds")
- (4) reporting those stockholders' beneficial ownership as of March 31, 2013. This Schedule 13G/A reports that the shares have been acquired on behalf of discretionary clients of APLP, with APLP holding 3,639,400 shares, including 2,078,115 shares on behalf of Artisan Funds. The stockholders reported that they have shared voting power over 3,468,815 shares and shared dispositive power over all of the shares.
Based solely on a Schedule 13G/A filed on February 14, 2013, by Janus Capital Management LLC reporting that
- (5) stockholder's beneficial ownership as of December 31, 2012. The stockholder reports sole voting power and sole dispositive power over all of the shares.
Based solely on a Schedule 13G/A filed on February 6, 2013, by T. Rowe Price Associates, Inc. and T. Rowe Price New Horizons Fund, Inc. reporting those stockholders' beneficial ownership as of December 31, 2012. The entities
- (6) reported the following beneficial ownership: (i) 2,586,302 shares beneficially owned by T. Rowe Price Associates, Inc., with sole voting power over 487,715 shares and sole dispositive power over all of the shares, and (ii) 1,477,800 shares beneficially owned by T. Rowe Price New Horizons Fund, Inc., with sole voting power over all of the shares and no dispositive power.
Based solely on a Schedule 13G filed on February 12, 2013, by Capital Research Global Investors reporting that
- (7) stockholder's beneficial ownership as of December 31, 2012. The stockholder reports sole voting power and sole dispositive power over all of the shares.
Based solely on a Schedule 13G filed on February 13, 2013, by Vanguard Group Inc. reporting that stockholder's
- (8) beneficial ownership as of December 31, 2012. The stockholder reports the sole voting power over 51,101 shares and sole dispositive power over 1,932,319 shares with shared dispositive power over 49,501 shares.
Based solely on a Schedule 13G filed on January 30, 2013, by BlackRock, Inc. reporting that stockholder's
- (9) beneficial ownership as of December 31, 2012. The stockholder reports sole voting power and dispositive power over all of the shares.
Includes 424,149 shares issuable to Mr. Bush upon exercise of stock options, 12,492 of which are subject to a pre-existing divorce settlement agreement with his former wife that covers the disposition of the options for her benefit. Excludes 111,994 shares held by the Bush 2004 Gift Trust for the benefit of certain of Mr. Bush's children, for which trust Carl B. Byers and Stephanie Seldon serve as co-trustees and who, acting together by
- (10) unanimous consent, have the sole voting and dispositive power over such shares. Excludes 23,399 shares held by the Jonathan J. Bush, Jr. 2011 Grantor Retained Annuity Trust, the beneficiaries of which are Mr. Bush and certain of his children, and 10,232 shares held by the Oscar W. Bush 2007 Gift Trust, the beneficiary of which is Mr. Bush's child. Carl B. Byers serves as trustee of these trusts and has sole voting and dispositive power over such shares.

- (11) Includes 67,500 shares issuable to Mr. Adams upon exercise of stock options.
- (12) Includes 145,687 shares issuable to Mr. Cosinuke upon exercise of stock options.
- (13) Includes 7,621 shares issuable to Dr. Kahane upon exercise of stock options.
- (14) Includes 17,500 shares issuable to Mr. Park upon exercise of stock options.

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- (15) Includes 4,036 shares issuable to Mr. Baker upon exercise of stock options.
- (16) Includes 19,642 shares issuable to Mr. Hull upon exercise of stock options.
- (17) Includes 2,018 shares issuable to Mr. Ittycheria upon vesting of RSUs.
- (18) Includes 56,812 shares issuable to Mr. Kane upon exercise of stock options and 2,018 shares upon vesting of RSUs.
- (19) Includes 2,018 shares issuable to Mr. King-Shaw upon vesting of RSUs.
- (20) Includes 2,018 shares issuable to Dr. Kosecoff upon vesting of RSUs.
Includes 30,000 shares issuable to Mr. Mann upon exercise of stock options, 6,100 shares held by the James L. Mann Living Revocable Trust (the "Mann Trust"), and 2,018 shares issuable to the Mann Trust upon vesting of RSUs. Mr. Mann is the settlor and serves as trustee of the Mann Trust, and as such, he has sole voting and dispositive power over the shares held by the Mann Trust.
- (21) Includes 200,000 shares issuable to Mr. Robinson upon exercise of stock options.
- (22) Includes 48,750 shares issuable to Dr. Winkenwerder upon exercise of stock options.
- (23) Includes an aggregate of 1,034,697 shares issuable upon exercise of stock options and 10,090 shares upon vesting of RSUs held by our directors and executive officers.
- (24)

DIRECTORS AND EXECUTIVE OFFICERS

The following table identifies our directors and executive officers and sets forth their current position(s) at athenahealth and their ages as of April 25, 2013.

Name	Age	Position
Jonathan Bush	44	Chief Executive Officer, President, and Chairman of the Board of Directors
Charles D. Baker	56	Director
Brandon Hull	52	Director
Dev Ittycheria	46	Director
John A. Kane	60	Director
Ruben J. King-Shaw, Jr.	51	Lead Director
Jacqueline B. Kosecoff	63	Director
James L. Mann	79	Director
David E. Robinson	69	Director
William Winkenwerder, Jr.	58	Director
Timothy M. Adams	53	Senior Vice President, Chief Financial Officer, and Treasurer
Rob Cosinuke	52	Senior Vice President and Chief Marketing Officer
Stephen N. Kahane	55	President, Enterprise Services Group
Daniel H. Orenstein	43	Senior Vice President, General Counsel, and Secretary
Ed Park	38	Executive Vice President and Chief Operating Officer

Set forth below are the biographies of each director and executive officer, as well as a discussion of the particular experience, qualifications, attributes, and skills that led our Board of Directors to conclude that each person nominated to serve or currently serving on our Board of Directors should serve as a director. In addition to the information presented below, we believe that each director meets the minimum qualifications established by our nominating and corporate governance committee.

Jonathan Bush is our Chief Executive Officer ("CEO"), President, and Chairman of the Board of Directors. Mr. Bush co-founded athenahealth in 1997 and has been a director since our inception. Prior to joining us, Mr. Bush served as an EMT for the City of New Orleans, was trained as a medic in the U.S. Army, and worked as a management consultant with Booz Allen & Hamilton. Mr. Bush obtained a Bachelor of Arts in the College of Social Studies from Wesleyan University and an M.B.A. from Harvard Business School. As a founder of athenahealth, Mr. Bush has extensive knowledge of all aspects of our business, including our day-to-day operations. His history with us,

combined with his business and leadership skills, makes him particularly well suited to serve as Chairman of the Board of Directors.

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Charles D. Baker has served as a member of our Board of Directors since June 2012. Mr. Baker is the Entrepreneur in Residence at General Catalyst Partners, focusing on investing in mid-size firms, primarily in the health care services industries. Prior to joining General Catalyst, he was the Republican nominee for Governor of Massachusetts, losing a close four way race to incumbent Governor Deval Patrick. From 1999 to 2009, Mr. Baker served as Chief Executive Officer of Harvard Pilgrim Health Care (HPHC), a \$2 billion, 1 million member health benefits plan serving individuals and employers. Under his tenure, HPHC went on to become the highest ranked health plan in the country for member satisfaction and clinical effectiveness for five years in a row. In the 1990s, Mr. Baker served as Secretary of Health and Human Services and Secretary of Administration and Finance for the State of Massachusetts. He also serves as a board member for several private organizations. Mr. Baker holds a B.A. in English from Harvard College and an M.B.A. from the Kellogg Graduate School of Management at Northwestern University. Mr. Baker's experience in health care policy at the Department of Health and Human Services of Massachusetts, as chief executive officer of HPHC, and as an advisor to health care services companies, led our Board of Directors to conclude that he should be nominated to serve as a director.

Brandon Hull has served as a member of our Board of Directors since 1999. Since October 1997, Mr. Hull has served as General Partner of Cardinal Partners, a venture capital firm that he co-founded that specializes in health care and life-sciences investments. From 1991 to 1997, Mr. Hull served as principal of the Edison Venture Fund. Mr. Hull serves on the board of directors of Awarepoint Corporation, CodeRyte, Inc., FluidNet Corporation, MDX Medical, Inc., and Replication Medical, Inc. Mr. Hull obtained his Bachelor of Arts from Wheaton College and his M.B.A. from The Wharton School at the University of Pennsylvania. Mr. Hull's experience with health care services, health care information systems, and medical products and devices at Cardinal Partners, and on the boards of numerous health care and medical technology companies, led our Board of Directors to conclude that he should serve as a director.

Dev Ittycheria has served as a member of our Board of Directors since July 2010. Mr. Ittycheria is currently a Venture Partner at Greylock Partners. He previously served as the Senior Vice President, President of the Enterprise Service Management of BMC Software, Inc. from November 2008 to February 2010 and as Senior Vice President, Strategy and Corporate Development from April 2008 to October 2008. Prior to working at BMC, Mr. Ittycheria was co-founder, President, CEO, and a director of BladeLogic, Inc. from August 2001 to April 2008, which was acquired by BMC in April 2008. He also serves as a director of Bazaarvoice, Inc. and AppDynamics, Inc. Mr. Ittycheria received a Bachelor of Science in Electrical Engineering from Rutgers University. Mr. Ittycheria's experience in building high-growth technology businesses that excel at acquiring customers, delivering financial results, and creating long-term sustainable value, together with his leadership ability, led our Board of Directors to conclude that he should be nominated to serve as a director.

John A. Kane has served as a member of our Board of Directors since 2007. Mr. Kane served as Senior Vice President, Finance and Administration, Chief Financial Officer ("CFO"), and Treasurer of IDX Systems Corporation from May 2001 until it was acquired by GE Healthcare in 2006, and as the Vice President, Finance and Administration, CFO, and Treasurer of IDX from October 1984, when he joined IDX, until 2001. While at IDX, Mr. Kane guided the company through more than a dozen acquisitions and at various times managed the finance, facilities, legal, human resources, and information systems functions for the company. Previous to his employment with IDX, Mr. Kane worked as an audit manager at Ernst & Young LLP, in Boston. Mr. Kane serves as a director of Merchants Bancshares, Inc. and several private organizations. He also served as a director of Spheris, Inc. from 2007 to 2010. Since his retirement from IDX in 2006, Mr. Kane has not been employed on a full-time basis, and his principal occupations have consisted of the directorships mentioned in the preceding sentences. He earned a Bachelor of Science and Master of Accountancy from Brigham Young University. Mr. Kane's experience auditing financial statements at Ernst & Young LLP, directorships with other public companies, and experience as CFO of a health care software technology company led our Board of Directors to conclude that he should be nominated to serve as a director. Our Board of Directors chose Mr. Kane to serve as a director and chairman of the audit committee because of his financial and accounting skills and experience related to auditing financial statements.

Ruben J. King-Shaw, Jr. has served as a member of our Board of Directors since 2003 and was named Lead Director in 2007. Mr. King-Shaw is the Chairman, Managing Partner, and Chief Investment Officer of Mansa Equity Partners,

Inc., which he founded in 2005. From 2009 to 2012, he served as a member of Medicare's Program Advisory and Oversight Commission which advised the Obama administration on effective value-based procurement strategies for health care reform. From January 2003 to August 2003, Mr. King-Shaw served as Senior Advisor to the Secretary of the Department of the Treasury. From July 2001 to April 2003, Mr. King-Shaw served as Deputy Administrator and Chief Operating Officer of the U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services ("CMS"). From January 1999 to July 2001, Mr. King-Shaw served as Secretary of the Florida Agency for Health Care Administration. Before that, Mr. King-Shaw was the Chief Operating Officer of Neighborhood Health Partnership, Inc. and the Executive Director of the Jackson Memorial Health Plan. Mr. King-Shaw serves on the boards of directors of iHealth Technologies, Inc., Independent Living Systems, Inc., and Steward Health LLC where he chairs the Compliance Committee. He also served as a director of Wellcare Health Plans, Inc. from 2003 to 2009. In 2011, he was elected to the Board of Trustees at Cornell University. Mr. King-Shaw obtained a Bachelor of Science in Industrial and Labor Relations from Cornell University, a Master in Health Services Administration from Florida International University, and a Master of International Business from the Chapman Graduate School of Business and the Center

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for International Studies in Madrid, Spain. Mr. King-Shaw's experience in health policy, economics, and finance at CMS, directorships with other public companies, experience as an advisor to government agencies and health care services companies, and knowledge of the health care insurance industry led our Board of Directors to conclude that he should serve as a director.

Jacqueline B. Kosecoff, Ph.D. has served as a member of our Board of Directors since June 2012. Dr. Kosecoff is a Managing Partner at Moriah Partners, LLC, a private equity firm investing in health care, security, and sport industries with a focus on software, content, and services. Prior to this role, she served as a Senior Advisor from December 2011 to February 2012 at Optum, a leading information and technology-enabled health services business of UnitedHealth Group, consisting of OptumHealth, OptumInsight, and OptumRx and representing over 30,000 employees worldwide who focus on population health management, care delivery, and improving all of the clinical and operating elements of the health system. Dr. Kosecoff served as Chief Executive Officer of OptumRx, a leader in the delivery, clinical management and affordability of prescription medications and consumer health products, from 2007 to 2011 and Chief Executive Officer of Ovations Pharmacy Solutions Division, a UnitedHealth Group company, from 2005 to 2007. She has served as a consultant to the World Health Organization's Global Quality Assessment Programs, on the Institute of Medicine's Board of Health Care Services, the RAND Graduate School's Board of Governors, and on the board of directors of CareFusion Corporation, Sealed Air Corporation, and STERIS Corporation. Dr. Kosecoff served as a professor at the School of Medicine and Public Health at the University of California, Los Angeles (UCLA). Dr. Kosecoff holds a B.A. from UCLA, an M.S. in Applied Mathematics from Brown University, and a Ph.D. in Research Methods from UCLA. Dr. Kosecoff's experience as a seasoned health care executive and deep expertise in care coordination and data management led our Board of Directors to conclude that she should serve as a director.

James L. Mann has served as a member of our Board of Directors since 2006. Mr. Mann has served as Chairman of the Board of Directors of SunGard Data Systems Inc. from 1987 to 2005 and as Director from 1983 to 2005 and from 2006 to the present. Mr. Mann served as SunGard's CEO from 1986 to 2002, President from 1986 to 2000, and Chief Operating Officer from 1983 to 1985. From 2005 through August 2011, Mr. Mann was employed by SunGard in an advisory capacity. Mr. Mann previously served as President and COO of Bradford National Corp. Mr. Mann obtained a Bachelor of Science in Business Administration from Wichita State University. Mr. Mann's experience as CEO and Chief Operating Officer of SunGard, including his skills in leading a company through rapid growth, acquisitions, and developing corporate strategy led our Board of Directors to conclude that he should serve as a director.

David E. Robinson has served as a member of our Board of Directors since January 2011. He served as our Executive Vice President and Chief Operating Officer from February 2009 to July 2010 and as an executive advisor from July 2010 to December 2010. Mr. Robinson served as the Executive Vice President of SunGard Data Systems Inc., a global leader in software and processing solutions for financial services, higher education, and the public sector, which position he held from 2002 to 2004. Mr. Robinson served as Senior Vice President of SunGard from 2000 to 2002, as a Group CEO of SunGard Investment Systems from 1997 to 2000, and as President of SunGard Investment Systems from 1993 to 1997. Mr. Robinson holds an M.B.A. from the University of Chicago, a Masters in Chemical Engineering from the University of Rochester, and a Bachelor of Science in Chemical Engineering from Carnegie Mellon University. Mr. Robinson's experience as our Chief Operating Officer and leading technology organizations led our Board of Directors to conclude that he should serve as a director.

William Winkenwerder, Jr. M.D. has served as a member of our Board of Directors since December 2009.

Dr. Winkenwerder serves as President and CEO of Highmark, Inc., a national diversified health services company, based in Pittsburgh, PA., with businesses in health insurance, health care delivery, dental insurance, vision care, and other insurance products, with more than \$15 billion in revenues and 34 million customers nationwide. He also serves as a director of CapGemini Government Solutions LLC. Dr. Winkenwerder served as chairman and CEO of The Winkenwerder Company, LLC, a health care consulting firm that he founded from 2007 to 2012. Previously, Dr. Winkenwerder was the Assistant Secretary of Defense for Health Affairs in the U.S. Department of Defense from 2001 to 2007. At the Department of Defense, Dr. Winkenwerder was the leader of the Military Health System, with a \$40 billion annual budget, and the principal medical advisor to the Secretary of Defense. During his tenure, he led groundbreaking advances in battlefield medicine and implementation of the world's largest electronic health record system (AHLTA). Prior to his government service, Dr. Winkenwerder worked as a senior health executive and

practicing physician for more than twenty years. Dr. Winkenwerder received his Bachelor of Science from Davidson College, M.D. from the University of North Carolina, and M.B.A. from the University of Pennsylvania.

Dr. Winkenwerder's skills as a practicing physician, private industry executive, and government health policy leader, and his experience at the Department of Defense as the leader of the military health system and principal medical advisor to the Secretary of Defense, led our Board of Directors to conclude that he should serve as a director.

Timothy M. Adams has served as our Senior Vice President and CFO since January 2010. Prior to joining us, he served as Chief Investment Officer at Constitution Medical Investors, Inc., a private investment firm focused on health care-sector-related acquisitions and investments, as well as Senior Vice President of Corporate Strategy for Keystone Dental, Inc., a

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provider of dental health products and solutions. From November 2007 to April 2008, he served as the CFO, Senior Vice President, Treasurer, and Assistant Secretary of Orthofix International N.V., a diversified orthopedic products company. From 2004 to 2007, Mr. Adams served as CFO and Treasurer of Cytoc Corporation, a global medical device and diagnostics health company. He worked for seven years in the audit practice at Price Waterhouse and is a Certified Public Accountant. Mr. Adams obtained his Bachelor of Science from Murray State University and his M.B.A. from Boston University.

Rob Cosinuke has served as our Senior Vice President and Chief Marketing Officer since December 2007. Mr. Cosinuke was a co-founder of Digitas, LLC in 1991. Digitas is a leading interactive and database marketing advertising agency and was acquired by Publicis Group SA in February of 2007. From 1991 to 2006, Mr. Cosinuke was employed by Digitas, most recently as President of Digitas, Boston. He also served as President of Global Capabilities, Digitas. Mr. Cosinuke has a Bachelor of Arts from Haverford College and an M.B.A. from Harvard Business School.

Stephen N. Kahane, M.D., M.S. has served as President of our Enterprise Services Group since February 2011. Dr. Kahane's career spans more than 30 years across companies that have delivered health care IT and automation solutions for physician practices, hospitals, and integrated delivery networks. Prior to joining us, Dr. Kahane was CEO of AMICAS, Inc., an image and information management solutions company. Dr. Kahane's experience also includes roles as CEO of VitalWorks, CEO of Datamedic, and Medical Director and System Development Director of Information at Johns Hopkins Medical Institution. Dr. Kahane holds an M.S. in Computer Science from Johns Hopkins University and an M.D. from Emory University.

Daniel H. Orenstein has served as our Senior Vice President, General Counsel, and Secretary since July 2010. He served as Vice President, General Counsel, and Secretary from July 2008 to July 2010, Deputy General Counsel from 2006 to June 2008, and Chief Integrity Officer from 2005 to 2006. Prior to joining us, he practiced in the areas of corporate, intellectual property, and health care law with law firms in Boston and Washington, D.C. He currently serves as Vice Chair of the Health Information and Technology Practice Group of the American Health Lawyers Association. Mr. Orenstein obtained a Bachelor of Arts from Columbia University and a J.D. from the Georgetown University Law Center.

Ed Park has served as our Executive Vice President and Chief Operating Officer since July 2010. He served as our Chief Technology Officer from March 2007 to June 2010 and as Chief Software Architect from 1998 to March 2007. Mr. Park serves on the board of Healthpoint Services Pvt Ltd and Kyruus, Inc. and as a board observer at Castlight Health, Inc. Prior to joining us, Mr. Park was a consultant for Viant, Inc. Mr. Park obtained a Bachelor of Arts magna cum laude from Harvard College in Computer Science.

RELATED PERSON TRANSACTIONS

Policies for Approval of Related Person Transactions

Our Board of Directors has adopted a written policy that sets forth the policies and procedures to review and approve transactions, contracts, or other legal or business arrangements with directors, director nominees, executive officers, holders of more than five percent of our voting securities, and the immediate family members of any of these persons, each of which we refer to as a "related person." Our Board of Directors determined that our audit committee should administer the policy, since the audit committee also acts as our qualified legal compliance committee and as such oversees our regulatory compliance programs and procedures. Any amendments, modifications or supplements to the policy are subject to final approval by our Board of Directors, upon recommendation of our audit committee.

Our policy requires that we create a list of related persons and all entities in which a related person is an employee, acts as a director or executive officer, or holds more than five percent of ownership interest, each such entity we refer to as a "related person affiliate." The list is updated at least annually and is maintained by our CFO. The list is made available, at the direction of our CFO, to appropriate regulatory, marketing, and operations (including finance) employees and executives who are involved or familiar with the transactions, contracts, or other legal or business arrangements that we have entered into or propose to enter into from time to time with third parties. These personnel then cross-check the parties involved in any such transactions against the related person transaction list. If it is determined that we have entered into or are proposing to enter into any transaction or arrangement (including any

modification or addition to an existing contract or arrangement) with a related person or related person affiliate, our CFO is notified.

Once notified, our CFO, together with legal counsel, will review the appropriate NASDAQ rules, SEC rules, our corporate governance guidelines and any other applicable rules and determine whether the contemplated transaction or arrangement requires the review or approval of the Board of Directors or any committee thereof. For example, under applicable NASDAQ Marketplace Rules, transactions between us and such persons in excess of \$120,000 must be reviewed by our audit committee or another independent body of our Board of Directors. In addition, our compensation committee charter requires that compensation arrangements with our executive officers be approved by our compensation committee. No transaction or arrangement with a related person or related person affiliate may be entered into unless the CFO has either (i) specifically

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confirmed that no further review or approval as described above is necessary or (ii) specifically confirmed that all requisite reviews and approvals necessary to enter into that transaction or arrangement have been obtained.

Our policy is intended to identify related person transactions prior to their consummation. However, if for any reason we enter into a transaction or arrangement without recognizing that such transaction or arrangement constituted a related party transaction, our CFO is notified. The procedure described above is then followed in order to determine whether (i) further review and ratification is necessary as described above or (ii) all requisite reviews and approvals necessary to enter into such transaction or arrangement have been obtained.

If our CFO determines that our Board of Directors or an independent committee thereof is required to review or approve (or ratify) a transaction as described above, that transaction will be presented to our Board of Directors or an appropriate committee, as the case may be, for review and approval. In the absence of any specific legal requirement that such transaction be reviewed or approved by our Board of Directors or a specific committee, it is expected that in most circumstances the transaction will be submitted to our audit committee.

In considering any related person transactions, our directors consider the facts and circumstances regarding such transaction, including, among other things, the amounts involved, the relationship of the related person with us and the terms that would be available in a similar transaction with an unaffiliated third party. The directors also consider their fiduciary duties, our obligations under applicable securities law, including disclosure obligations and director independence rules, and other applicable law in evaluating any related person transaction.

Transactions with Related Persons

Based on a review of the transactions and arrangements between us and any related person or related person affiliate, we have determined that we were not a party to any transaction or arrangement in which any related person or related person affiliate has a direct or indirect material interest during the year ended December 31, 2012.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our officers and directors and persons who beneficially own more than 10% of our outstanding common stock (collectively, "Reporting Persons") to file reports of beneficial ownership and changes in beneficial ownership with the SEC. Reporting Persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of such reports received or written representations from certain Reporting Persons during fiscal year ended December 31, 2012, we believe that all Reporting Persons complied with all Section 16(a) reporting requirements except Messrs. Adams and Hedges failed to timely file a Form 4 and Mr. Baker and Dr. Kosecoff failed to file timely a Form 3 with the SEC with respect to one transaction each.

CORPORATE GOVERNANCE

Board Independence

The Board of Directors has determined that each of the directors, except for Mr. Bush as CEO and Mr. Robinson as a former executive officer, has no relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and is "independent" within the meaning of our director independence standards and the director independence standards of NASDAQ and the SEC. Furthermore, the Board of Directors has determined that each member of each of the committees of the Board of Directors is independent within the meaning of NASDAQ's, the SEC's, and our applicable committee independence standards, including Rule 10a-3(b)(1) under the Exchange Act. In making that determination, the Board of Directors considered all relevant facts and circumstances, including (but not limited to) the director's commercial, industrial, banking, consulting, legal, accounting, charitable, and familial relationships. In addition, at least a majority of the members of the Board of Directors meet the independence standards of the NASDAQ Marketplace Rules.

At least annually, the Board of Directors evaluates all relationships between us and each director in light of relevant facts and circumstances for the purposes of determining whether a material relationship exists that might signal a potential conflict of interest or otherwise interfere with such director's ability to satisfy his or her responsibilities as an independent director. Based on this evaluation, the Board of Directors makes an annual determination of whether each director is independent within the meaning of NASDAQ's, the SEC's, and our independence standards.

Code of Ethics

We have adopted a code of ethics, which we call our Code of Conduct, that applies to all of our employees, officers, and directors, including those officers responsible for financial reporting. The current version of the Code of Conduct is available in the corporate governance section of our website at <http://investors.athenahealth.com/>. A copy of the Code of Conduct may also be obtained, free of charge, upon a request directed to: athenahealth, Inc., 311 Arsenal Street, Watertown, MA 02472, Attention:

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Secretary. We intend to disclose any amendment or waiver of a provision of the Code of Conduct that applies to our principal executive officer, principal financial officer, principal accounting officer, or controller, or persons performing similar functions, by posting such information on our website (available at <http://www.athenahealth.com>) or in our public filings with the SEC.

Corporate Governance Guidelines

The Board of Directors has adopted corporate governance guidelines to assist and guide its members in the exercise of its responsibilities. These guidelines should be interpreted in accordance with any requirements imposed by applicable federal or state law or regulation, NASDAQ, and our Certificate of Incorporation and By-laws. Our corporate governance guidelines are available in the corporate governance section of our website at <http://investors.athenahealth.com/>. Although these corporate governance guidelines have been approved by the Board of Directors, it is expected that these guidelines will evolve over time as customary practice and legal requirements change. In particular, guidelines that encompass legal, regulatory, or exchange requirements as they currently exist will be deemed to be modified as and to the extent that such legal, regulatory, or exchange requirements are modified. In addition, the guidelines may also be amended by the Board of Directors at any time as it deems appropriate.

Majority Voting Policy

In 2011, the Board of Directors revised our corporate governance guidelines by adopting a majority voting policy. This policy requires that any director nominee in an uncontested election be elected by a majority of the votes cast in that election. If a director nominee in such an election does not receive a greater number of votes “for” his or her election than votes “withheld” from such election, that director must promptly submit his or her resignation to the Board of Directors. The nominating and corporate governance committee will then consider all relevant facts and circumstances and recommend to the Board of Directors the action to be taken in regard to such resignation. No later than 90 days following the final tabulation of the stockholders’ vote in that election, the Board of Directors must act on the submitted resignation and the recommendation of the nominating and corporate governance committee and disclose its decision regarding whether to accept the nominee’s resignation (or the reasons for rejecting the resignation, if applicable), as well as the decision-making process followed, in a Form 8-K furnished to the SEC.

Board and Committee Meetings

The Board of Directors meets on a regularly scheduled basis during the year to review significant developments affecting us and to act on matters requiring their approval. It also holds special meetings when important matters require action between scheduled meetings. Members of senior management regularly attend meetings to report on and discuss their areas of responsibility. During fiscal 2012, the Board of Directors held eight meetings and acted by unanimous written consent once. The Board of Directors has three standing committees:

- the audit committee, which held six meetings in fiscal 2012;
- the compensation committee, which held five meetings in fiscal 2012 and acted by unanimous written consent once; and
- the nominating and corporate governance committee, which held five meetings in fiscal 2012.

Each of the incumbent directors of the Board of Directors attended at least 75% of the aggregate of all meetings of the Board of Directors and all meetings of committees of the Board of Directors upon which they served (during the periods that they served) during 2012. The Board of Directors held at least two executive sessions of the independent directors during 2012. Executive sessions do not include employee directors or directors who do not qualify as independent under NASDAQ and SEC rules. The lead director, Mr. King-Shaw, presides as chair of such executive sessions.

Annual Meeting Attendance

It is our policy that members of the Board of Directors are encouraged to attend annual meetings of our stockholders. Five directors attended last year’s annual meeting of stockholders.

Committees

Our By-laws provide that the Board of Directors may delegate responsibility to committees. The Board of Directors has three standing committees: an audit committee, a compensation committee, and a nominating and corporate governance committee. The Board of Directors has also adopted a written charter for each of the three standing committees. Each committee charter is available in the corporate governance section our website at

<http://investors.athenahealth.com>.

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The table below shows the composition of the standing committees of the Board of Directors.

Director	Audit	Compensation	Nominating and Corporate Governance
Jonathan Bush			
Charles D. Baker	Member		
Brandon Hull	Member		
Dev Ittycheria		Member	Member
John A. Kane	Chair		
Ruben J. King-Shaw, Jr.	Member		
Jacqueline B. Kosecoff		Member	Member
James L. Mann		Chair	Member
David E. Robinson			
William Winkenwerder, Jr.			Chair
Audit Committee			

Messrs. Baker, Hull, Kane, and King-Shaw currently serve on the audit committee. Mr. Kane is the chairman of our audit committee. The Board of Directors has also determined that each member of the audit committee is independent within the meaning of NASDAQ's and our director independence standards and the SEC's heightened director independence standards for audit committee members, including Rule 10A-3(b)(1) under the Exchange Act. We have determined that each of the members of the audit committee is financially sophisticated and is able to read and understand consolidated financial statements and that Mr. Kane is an "audit committee financial expert" as defined in the Exchange Act. Mr. Kane qualifies as an "audit committee financial expert" due to his experience auditing financial statements, directorships with other public companies, and experience as a CFO as further described above in the section entitled "Directors and Executive Officers." The audit committee's responsibilities include:

- overseeing our regulatory compliance programs and procedures;
- appointing, approving the compensation of, and assessing the independence of our independent registered public accounting firm;
- pre-approving audit and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;
- coordinating the oversight and reviewing the adequacy of our internal control over financial reporting;
- establishing policies and procedures for the receipt and retention of accounting related complaints and concerns; and
- preparing the audit committee report required by SEC rules to be included in our annual proxy statement.

Compensation Committee

Messrs. Ittycheria and Mann and Dr. Kosecoff currently serve on the compensation committee. Mr. Mann is the chairman of our compensation committee. The Board of Directors has determined that each member of the compensation committee is independent within the meaning of NASDAQ's and our director independence standards. In addition, each member of the compensation committee is an "outside director" as defined in Section 162(m) of the Internal Revenue Code and a "non-employee" director as defined under Section 16 of the Exchange Act. The compensation committee's responsibilities include:

- annually reviewing and approving corporate goals and objectives relevant to compensation of our CEO;
- evaluating the performance of our CEO in light of such corporate goals and objectives and determining the compensation of our CEO;
- reviewing and approving the compensation of all our other officers;
- establishing and reviewing our compensation philosophy and policy; and
- overseeing and administering our employment agreements, severance arrangements, change in control agreements or provisions, and any special or supplemental benefits.

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The compensation committee may delegate its authority to one or more subcommittees or to one member of the compensation committee. The compensation committee has the authority to engage independent advisors to assist it in carrying out its responsibilities and the sole authority to approve any such advisor's fees and other retention terms. For a description of the compensation committee's processes and procedures for the consideration and determination of executive compensation, please see the section entitled "Compensation Discussion and Analysis" below.

Nominating and Corporate Governance Committee

Messrs. Ittycheria, Mann, and Winkenwerder and Dr. Kosecoff currently serve on the nominating and corporate governance committee. Dr. Winkenwerder is the chairman of our nominating and corporate governance committee. The Board of Directors has determined that each member of the nominating and corporate governance committee is independent within the meaning of NASDAQ's, the SEC's and our director independence standards. The nominating and corporate governance committee's responsibilities include:

- developing and recommending to the Board of Directors criteria for selecting members of the Board of Directors and its committees;
- establishing procedures for identifying and evaluating director candidates, including nominees recommended by stockholders;
- identifying individuals qualified to become members of the Board of Directors;
- recommending to the Board of Directors the persons to be nominated for election as directors and to each committee of the Board of Directors;
- developing and recommending to the Board of Directors a code of business conduct and ethics and a set of corporate governance guidelines; and
- overseeing the evaluation of the Board of Directors and its committees and management.

Director Nominations

The Board of Directors has adopted a policy governing director nominations which is available on the corporate governance section of our website at <http://investors.athenahealth.com/>. The process for identifying and evaluating nominees for the Board of Directors, including nominees recommended by security holders, is as follows: the nominating and corporate governance committee will: (1) solicit recommendations; (2) review and evaluate the qualifications of any proposed director candidate and conduct inquiries it deems appropriate; (3) evaluate all proposed director candidates in the same manner; (4) consider any proposed director candidate who is deemed qualified in light of the minimum qualifications; and (5) consider, in addition to the minimum qualifications, all facts and circumstances that it deems appropriate or advisable, including, among other things, the skills of the proposed director candidate, his or her depth and breadth of professional experience or other background characteristics, his or her independence, and the needs of the Board of Directors.

In January 2012, we engaged a third-party search firm to assist in identifying, screening, retaining, and successfully on-boarding a new member to the Board of Directors. Our nominating and corporate governance committee provided the third-party search firm with certain capabilities and competencies that the Board of Directors seeks in potential nominees. Based on this information, the search firm compiled a list of candidates and the nominating and corporate governance reviewed and evaluated the list, meeting with candidates, as needed, and subsequently made recommendations to the Board of Directors. Dr. Kosecoff was recommended as a nominee by this third-party search firm acting on behalf of the nominating and corporate governance committee.

Minimum Qualifications

The nominating and corporate governance committee will consider the following, and any other qualifications, skills, and attributes it deems appropriate, when recommending candidates to be nominated for election as directors and for appointment to any committee of the Board of Directors. Each nominee shall:

- have experience at a strategic or policymaking level in a business, government, non-profit, or academic organization of high standing;
- be highly accomplished in his or her respective field, with superior credentials and recognition;
- exhibit high standards of integrity, commitment, and independence of thought and judgment;
- have significant business or professional experience or demonstrated an exceptional understanding of our industry or other disciplines relevant to our business;

have sufficient time and availability to devote to athenahealth's affairs, particularly in light of the number of boards on which the nominee may serve; and

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to the extent such nominee serves or has previously served on other boards, the nominee shall have a demonstrated history of actively contributing at board meetings.

In identifying and evaluating proposed director candidates, the nominating and corporate governance committee may consider, in addition to the minimum qualifications and other criteria for Board of Directors membership approved by the Board of Directors from time to time, whether, if elected, the nominee assists in achieving a mix of board members that represents a diversity of race, ethnicity, gender, age, background, and professional experience. Although we do not have a policy with regard to the consideration of diversity in identifying director nominees, a diversity of race, ethnicity, gender, age, background, and professional experience is one of the factors the nominating and corporate governance committee considers in recommending potential nominees to the Board of Directors.

Stockholder Recommendations

Stockholders may submit recommendations for director candidates to the nominating and corporate governance committee by sending the individual's name and qualifications to our Secretary at: athenahealth, Inc., 311 Arsenal Street, Watertown, MA 02472. Our Secretary will forward all such recommendations to the nominating and corporate governance committee. The nominating and corporate governance committee will evaluate any candidates recommended by stockholders against the same criteria and pursuant to the same policies and procedures applicable to the evaluation of candidates proposed by directors or management.

Stockholder Communications

The Board of Directors provides to every security holder the ability to communicate with the Board of Directors, as a whole, and with individual directors on the Board of Directors through an established process for security holder communications. For a security holder communication directed to the Board of Directors as a whole, security holders may send such communication to the attention of the Chairman of the Board of Directors via U.S. Mail or Expedited Delivery Service to: c/o athenahealth, Inc., 311 Arsenal Street, Watertown, MA 02472, Attn: Chairman of the Board of Directors.

For a security holder communication directed to an individual director in his or her capacity as a member of the Board of Directors, security holders may send such communication to the attention of the individual director via U.S. Mail or Expedited Delivery Service to: c/o athenahealth, Inc., 311 Arsenal Street, Watertown, MA 02472, Attn: Ruben J. King-Shaw, Jr.

We will forward by U.S. Mail any such security holder communication to each director, and the Chairman of the Board of Directors in his or her capacity as a representative of the Board of Directors, to whom such security holder communication is addressed to the address specified by each such director and the Chairman of the Board of Directors, unless there are safety or security concerns that mitigate against further transmission.

Board Leadership Structure

The Board of Directors believes that our board leadership structure — a combined Chairman of the Board of Directors and CEO, a lead director, and committees led by independent directors — is the most appropriate for us at this time. Jonathan Bush serves as our CEO and Chairman of the Board of Directors. The Board of Directors believes that Mr. Bush is the director most capable of identifying strategic priorities, leading critical discussions, and executing our strategy and business plans and, therefore, he is best suited to serve as Chairman of the Board of Directors. While Mr. Bush possesses extensive knowledge of the challenges we face and has years of experience guiding athenahealth through rapid growth, the independent directors bring their own outside experiences, oversight, and expertise. The Board of Directors elect a lead director to preside as chair of the executive sessions of the independent directors, in addition to the following responsibilities:

- assist the Chairman of the Board of Directors in developing agendas for Board of Directors meetings and provide input for committee agendas;
- develop agendas and chair executive sessions of the independent directors;
- call special meetings of the independent directors;
- brief the Chairman of the Board of Directors and our Secretary on issues discussed during the independent directors executive sessions;
- facilitate discussion among independent directors on key issues and concerns outside of Board of Directors meetings;
- communicate independent directors concerns to the Board of Directors;

interview director nominee candidates and make recommendations to the nominating and corporate governance committee;
•
be available for consultation and direct communications with stockholders, regulators, and other third parties; and
be available for additional responsibilities from time to time as determined by the Board of Directors.

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Board's Role in Risk Oversight

The Board of Directors oversees our risk management process. Management is responsible for the day-to-day risk management. We conduct an annual assessment of the adequacy and effectiveness of our processes for controlling activities and managing risk, and categorize the relevant risks identifying contributing and mitigating factors. While the Board of Directors oversees risk management, the Board of Directors delegates the majority of the administration of its risk oversight function to the audit committee. The annual risk assessment is presented to the audit committee, and it determines whether our processes require modification or enhancement. The Chief Audit Officer, who reports directly to the audit committee, leads the internal audit department that helps evaluate and improve the effectiveness of risk management in conjunction with our legal department. The audit committee reviews with management significant business and financial risks and exposures and our guidelines, policies and measures for assessing and managing these risks and exposures. These risks may be reviewed at regularly scheduled meetings or at special meetings depending on the timing and magnitude of the risk. Management may consult with the audit committee or the chairman of the audit committee to discuss modifications or enhancements to our risk management processes. We complement the internal audit department with a strong compliance function and a compliance committee. The audit committee oversees the compliance committee, which assesses legal and regulatory risks that we face, and assists the Board of Directors in its oversight of our compliance program.

The Board of Directors monitors and manages operational and competitive risks through management updates at the regularly scheduled board meetings. Management provides periodic updates on business units and on our long-term goals and mission. The board agenda is tailored to address significant developments that may present risks, such as new government regulations.

The compensation committee reviews our compensation programs to determine whether they are appropriate, properly coordinated and achieve their intended purpose, including furthering our strategic plans and objectives. This review includes understanding the risk introduced by the compensation programs, as discussed in more detail below.

The nominating and corporate governance committee oversees the risks associated with our governance through assessing the adequacy of our code of conduct and corporate governance guidelines, and by its succession planning process.

Risks Related to Compensation Policies and Practices

Our compensation committee reviews and evaluates potential risks related to our compensation policies and practices for employees. The components of compensation are generally the same for all employees: base salary, short-term cash incentive awards, and for some employees long-term incentive awards. We benchmark our compensation at all levels based on external and internal market surveys.

Base Pay is designed to provide steady income regardless of pre-defined performance metrics or our stock's performance which allows employees to be compensated without heavy reliance on appreciation of our stock's value or business results beyond their control.

Cash Incentive Awards are based on pre-defined performance objectives. For executives these awards are based on the corporate scorecard or financial metrics discussed below, and for non-executives these awards are based on individual goals associated with their division set by each employee and the employee's manager. The overall bonus pool is funded based on corporate scorecard results, and the funding is increased or decreased based on our performance against the corporate scorecard. Setting individual and corporate performance metrics for cash incentive awards helps align employees' goals with our business plan. Goals and performance metrics can be adjusted annually to address areas of particular concern and risks to athenahealth.

Long-Term Incentive Awards align our employees' interests with stockholders, help attract new employees, and motivate and retain current employees for future performance. Typically long-term incentive awards vest over four years.

We structure our compensation to address company-wide risk. This is accomplished in part by tying compensation to our scorecards and individual-specific goals. Scorecards and employee's goals can be adjusted annually to address risks identified in the annual risk assessment. We also use a mix of different compensation elements to balance short-term versus long-term awards to align compensation with our business strategy and stockholders' interests. In 2013, management presented potential risks and mitigating factors related to our compensation practices, which the

compensation committee reviewed. We believe the combination of base pay, cash incentive awards tied to performance objectives, and long-term incentive awards with four year vesting periods is balanced and serves to motivate our employees to accomplish our business plan without creating risks that are reasonably likely to have a material adverse effect on us.

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COMPENSATION DISCUSSION AND ANALYSIS

This section discusses the compensation of our named executive officers, or NEOs. Our NEOs include the (i) CEO; (ii) CFO; and (iii) three most highly compensated executive officers other than the CEO and CFO who were serving as executive officers as of December 31, 2012. For 2012, our NEOs are:

Jonathan Bush	Chief Executive Officer, President, and Chairman of the Board of Directors
Timothy M. Adams	Senior Vice President, Chief Financial Officer, and Treasurer
Rob Cosinuke	Senior Vice President and Chief Marketing Officer
Stephen N. Kahane	President, Enterprise Services Group
Ed Park	Executive Vice President and Chief Operating Officer

Executive Summary

athenahealth has a performance-oriented culture and we designed our compensation program to reward executives when we achieve our corporate goals and objectives. Our executive compensation program is reviewed annually and can be adjusted to address our business goals and to promote both short- and long-term growth. The elements of our executive compensation include base salary, cash incentive awards, and long-term stock-based compensation. Base salary is used to attract and retain executives and to provide them with a guaranteed level of compensation. Base salary is intended to compensate an executive for performing his or her job responsibilities on a day-to-day basis. Cash incentive awards are used to reward achievement of individual and corporate goals. Long-term stock-based awards are used to attract and retain executives, align executives' interests with stockholders, and motivate executives to achieve long-term corporate objectives. We put a significant portion of executive compensation at risk based on the achievement of our goals and objectives or an increase in stockholder value.

In 2012, athenahealth's financial and operational performance was strong and as a result our executives received cash incentive awards approximately at target. In addition, a substantial portion of executive compensation was in the form of stock options or RSUs which provides a strong incentive for executives to increase stockholder value. We also introduced performance-based equity awards into our executive compensation program in 2011. These awards vest based upon the attainment of pre-defined performance metrics. The summary of athenahealth's performance, how executives were compensated relative to our performance, material changes in our compensation program, and results of the say-on-pay vote from last year is as follows.

athenahealth Performance

athenahealth is the leading provider of cloud-based business services for medical care givers. Our cloud-based services are currently packaged as four integrated offerings: athenaCollector for revenue cycle management, athenaClinicals for clinical cycle management, athenaCommunicator for patient cycle management, and athenaCoordinator for referral cycle management. Complementing these services is our athenaClarity cloud-based analytics service that converts revenue cycle, clinical, and claims data into actionable insight for medical groups and health systems.

2012 was a strong year for athenahealth.

◆We had strong annual revenue growth:

\$422.3 million in revenue in 2012, representing 30% growth over \$324.1 million in revenue in 2011

◆The underlying drivers of long-term success were strong in Q4:

Employee engagement at 4.1 out of 5.0

Client satisfaction at 87.2%

Average client days in accounts receivable of 36.4 days

○Out client base continued to expand while client adoption of other services in our service suite grew:

Over 4,800 physicians added to athenaCollector in 2012

71% year over year growth in physicians on athenaClinicals

148% year over year growth in physicians on athenaCommunicator

82% of all new athenaCollector deals included athenaClinicals in Q4

67% of all new athenaCollector deals included athenaClinicals and athenaCommunicator in Q4

○Our services received national recognition in the KLAS survey rankings:

athenaCollector was named Best in KLAS in the practice management segments for 1 to 10 and 11-75 physicians

athenaClinicals was named Best in KLAS in the Ambulatory EHR in the 1 to 10 physician segment and was ranked second in the 11 to 75 physician segment

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Pay for Performance

Our executive compensation is linked to athenahealth's performance through cash incentive awards and equity awards. Cash incentive awards are tied to financial and operational performance. Historically, equity awards were subject solely to time-based vesting; however, in 2011, we introduced performance-based equity awards which tie equity awards to specific corporate goals and objectives in addition to our stock price performance.

Cash Incentive Awards. Cash incentives for executives other than our CEO are based on thirteen metrics of corporate performance tracked under our "corporate scorecard" in the areas of stability, performance, satisfaction, financial performance, and growth, while our CEO's cash incentive is directly linked to our net income. The compensation committee tied the cash incentive for our CEO to net income instead of the corporate scorecard because it wanted our CEO to focus on profitability.

Corporate Scorecard — Our executives other than our CEO receive cash incentive awards set as a target percentage of that executive's base salary based on athenahealth's performance against the corporate scorecard. The corporate scorecard uses weighted performance metrics which are designed to capture the most important operational and financial aspects of athenahealth. In 2012, the corporate scorecard showed performance results equal to 99.9% of target. The bonus percentage earned is adjusted by 2% for every 1% of variance from the corporate scorecard target. Because of this, the bonus percentage for our executives other than our CEO was decreased by 0.2% due to athenahealth's actual performance against the targets.

CEO Scorecard — Our CEO receives a cash incentive award based on our net income, excluding certain non-cash and non-recurring items. The CEO scorecard links our CEO's cash incentive compensation directly to our profitability.

The CEO scorecard sets lower and upper ranges of net income with incremental cash incentives for net income achievement in each range. In 2012, athenahealth's net income as measured under the CEO scorecard was \$4.7 million above the upper limit of the highest range (\$61 million); therefore our CEO received an additional incentive of 3.8% of the amount in excess of the upper limit for a cash incentive award of \$719,600.

Equity Awards. We grant time-based and performance-based equity awards. Time-based equity awards tie executive compensation to our stock price performance. Performance-based equity awards link executive compensation to corporate goals and objectives.

Time-Based Equity Awards — Our executives receive time-based stock options and RSUs. These awards typically vest 25% per year over four years. Time-based awards provide an incentive to increase long-term stockholder value and align our executives' interests with stockholders.

Performance-Based Equity Awards — Certain of our executives receive performance-based stock options and RSUs. The awards vest based upon the attainment pre-established performance goals thereby motivating the executives to achieve our corporate objectives.

Compensation Program Changes

In 2012, the compensation committee adopted the practice of granting equity awards in terms of a percentage of an employee's base salary with additional incentives for individuals who receive a high individual performance rating for 2012 performance. The size of the equity award is determined in part based on the individual's job level and qualitative performance appraisal rating. This change was effective for the equity awards granted in 2013 relating to 2012 performance.

Advisory Vote on Executive Compensation

At the 2012 Annual Meeting, our stockholders approved, on an advisory basis, the compensation of our named executive officers, as disclosed in the proxy statement for that meeting pursuant to the compensation disclosure rules of the SEC. The compensation committee reviewed the final vote results for the proposal, and, given the significant level of stockholder support (over 93% of total votes cast), concluded that our compensation program continues to provide a competitive pay-for-performance package that effectively incentivizes our named executives and encourages long-term retention. While the compensation committee had already determined our executive compensation arrangements for 2012 by the time we held our say-on-pay vote, the compensation committee took into account the positive outcome of the vote in setting 2013 executive compensation. Accordingly, the compensation committee determined not to make any significant changes to the executive compensation policies or decisions as a result of the vote. Our compensation committee will continue to consider the outcome of our say-on-pay votes and our stockholder

views when making future compensation decisions for the named executive officers.

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Our Executive Compensation Philosophy and Objectives

Our compensation committee designed our executive compensation program to:

- attract, retain, and motivate highly qualified executives;
- provide executives with a significant incentive through focus on our business strategy by maximizing revenue, managing expenses, and enabling us to produce long-term growth thereby increasing our value to stockholders; and
- foster a cooperative teaching and learning environment that focuses on delivering stockholder value, providing the highest level of service to our clients, and respecting our colleagues.

Our business model is based on our ability to establish long-term relationships with clients and to maintain our strong mission, client focus, entrepreneurial spirit, and team orientation. We have sought to create an executive compensation package that balances short-term versus long-term components, cash versus equity elements, and fixed versus contingent payments in ways that we believe are most appropriate to motivate executives and reward them for achieving the following goals:

- develop a culture that embodies a passion for our business, creative contribution, and a drive to achieve established goals and objectives;

- provide leadership to the organization in such a way as to maximize the results of our business operations;

- lead us by demonstrating forward thinking in the operation, development, and expansion of our business;

- effectively manage organizational resources to derive the greatest value possible from each dollar invested; and

- take strategic advantage of the market opportunity to expand and grow our business.

We believe that having a compensation program designed to align executives' interests to achieve business results and to reinforce accountability is the cornerstone to successfully implementing and achieving our strategic plan. In determining the compensation of our executives, we are guided by the following key principles:

- **Competition.** Compensation should reflect the competitive marketplace, so that we can attract, retain, and motivate talented executives.

- **Accountability for Business Performance.** Compensation should be tied to financial and operational performance, so that executives are held accountable through their compensation for contributions to our performance as a whole through the performance of the businesses for which they are responsible.

- **Accountability for Individual Performance.** Compensation should be tied to the executive's performance to encourage and reflect individual contributions to our performance. We consider individual performance, as well as performance of the businesses and responsibility areas that each executive oversees, and weigh these factors as appropriate in assessing that executive's performance.

- **Alignment with Stockholder Interests.** Compensation should be tied to our financial performance through cash incentives and equity awards to align executives' interests with those of our stockholders.

Our executive compensation structure not only aims to be competitive in our industry, but also to be fair relative to the compensation paid to other professionals within our organization, our short-term and long-term performance, and the value we deliver to our stockholders. We seek to maintain a performance-oriented culture and a compensation approach that rewards our executives when we achieve our goals and objectives, while putting at risk an appropriate portion of their compensation against the possibility that our goals and objectives may not be achieved.

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Determination of Executive Compensation Awards

Roles in the Compensation Process

Our compensation committee determines executive compensation and oversees and administers our compensation program. The compensation committee typically meets at the beginning of each year to review the executive compensation for the past year and to determine base salary, cash incentive awards, and long-term incentives for the current year. In setting executive compensation, the compensation committee uses competitive benchmarking data as described below to set each component of compensation and make decisions on the total compensation levels. Although the compensation committee reviews and relies on this benchmarking data in the course of its annual compensation review, the data only provides a reference point. The compensation committee ultimately uses its own business judgment and expertise to determine the appropriate components and levels of compensation for our executives. In general, our compensation committee seeks to attract, retain and motivate superior performers, but recognizes that, in the absence of superior performance in a particular year, compensation at the outer end of industry norms may not be necessary or appropriate. Our compensation committee seeks to construct a compensation structure that is fair relative to compensation paid at similarly situated companies, but skewed slightly higher than industry norms so as to attract highly qualified personnel in a competitive employment environment.

Our compensation committee determines the amount of each element to award to executives, although it continues to rely, in part, upon the advice and recommendations of our CEO, particularly with respect to those executives that report directly to him. Our CEO performs an annual subjective assessment of the professional effectiveness of each executive and assigns a performance rating for the executive. The compensation committee takes the CEO's performance ratings into consideration when setting executive compensation particularly with respect to setting the target percentile level as compared to the benchmark data and determining the number of long-term incentive awards to grant to those executives. Our human resources and legal department staff also provide general administrative support to the compensation committee.

Our compensation committee has the authority to retain and terminate any consulting firm or other outside advisor on compensation matters. The compensation committee retained Pearl Meyer & Partners, LLC ("PM&P") to review our peer group and recommend modifications, understand our competitive position for board compensation, and provide additional analysis, competitive data, and advice as requested. Based on the recommendation of PM&P, the compensation committee expanded our peer group to include the companies listed below. Additionally, the compensation committee used PM&P for benchmarking our CEO's equity compensation. In 2012, the compensation committee engaged Compensia to collect background information and update our peer group, provide competitive executive compensation market analysis, and provide a board compensation assessment. Other than as described above, we did not retain PM&P or Compensia to perform any other services during fiscal 2012. The compensation committee has considered whether the work of each of PM&P and Compensia as a compensation consultant has raised any conflict of interest, taking into account the following factors: (i) the amount of fees from us paid to each such consulting firm as a percentage of the firm's total revenue; (ii) the provision of other services to us by each such consulting firm; (iii) each consulting firm's policies and procedures that are designed to prevent conflicts of interest; (iv) any business or personal relationship of the individual compensation advisors with any member of the compensation committee; (v) any business or personal relationship of each consulting firm or the individual compensation advisors employed by the firm with any of our executive officers; and (vi) any of our stock owned by the individual compensation advisors employed by the firm. Based on the above factors, our compensation committee has concluded that the work of each of PM&P and Compensia and the individual compensation advisors employed by each such consulting firm as compensation consultants to us has not created any conflict of interest. Going forward, the compensation committee intends to assess the independence of any of our compensation advisors consistent with applicable NASDAQ listing standards.

Benchmarking

The compensation committee reviews the compensation of each of our executives against the compensation levels of comparable positions with a peer group of companies on an annual basis. Our compensation committee strives to select companies within the health care and equipment services, software and services, and Internet application software industries with similar annual revenue. Below is the peer group the compensation committee used to evaluate

executive compensation for 2012:

▲ Accretive Health, Inc.

▲ Advent Software, Inc.

▲ Allscripts-Misys Healthcare Solutions, Inc.

♣ Blackboard Inc.

● Cerner Corporation

● Commvault Systems, Inc.

● Constant Contact, Inc.

♣ Emdeon

♣ Epocrates, Inc.

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Greenway Medical Technologies, Inc.

HMS Holdings Corp.

MedAssets, Inc.

Medidata Solutions, Inc.

NetSuite Inc.

NuVasive, Inc.

Quality Systems, Inc.

SuccessFactors, Inc.

Taleo Corporation

Transcend Services, Inc.

Tyler Technologies, Inc.

Ultimate Software Group, Inc.

We added five new companies to our peer group: Accretive Health, Inc., Cerner Corporation, Emdeon, Epocrates, Inc., and Greenway Medical Technologies, Inc. and data for three companies was no longer available: Eclipsys merged with Allscripts and the data reflected the combined companies, Cybersource was acquired by Visa, and Phase Forward was acquired by Oracle.

For competitive benchmarking purposes, the positions of our NEOs were compared to their counterpart positions in the peer group. Our compensation committee used the compensation levels for comparable positions in the peer group as a guide in determining total direct compensation (that is, base salary plus cash incentive awards for achievement of pre-defined performance objectives, and target long-term incentive awards) of our NEOs.

In fiscal 2012, the compensation committee aimed to pay the NEOs (i) at or above median for base salary, (ii) at or above the 65th percentile for total cash compensation, and (iii) at or above the 65th percentile for total direct compensation. In order to provide additional incentive to retain and motivate superior performers, the compensation committee aimed to pay the NEOs, who received a high individual performance rating for the prior year, at or above the 75th percentile for total cash compensation. For NEOs other than our CEO, the pre-defined performance objectives for cash incentive awards were based on the corporate scorecard metrics, and, in the case of our CEO, in the form of specified financial targets (each as described in more detail below). The compensation committee did not set targets for long-term incentive awards granted in 2012. The compensation committee adopted a new equity strategy for 2012 executive compensation setting target long-term incentive awards as a percentage of base salary with additional incentives for individuals who receive a high individual performance rating for 2012 performance.

Components of our Executive Compensation Program

Our executive compensation program currently consists of three components:

• base salary;

• cash incentives linked to corporate performance, paid either in quarterly installments or, in the case of our CEO, annually; and

• periodic grants of long-term stock-based compensation, such as stock options and RSUs.

Our compensation philosophies with respect to each of these elements, including the basis for the compensation awarded to each of our NEOs, are discussed below. In addition, although each element of compensation described below is considered separately, the compensation committee takes into account the aggregate compensation package for each individual in its determination of each individual component of that package. The compensation committee's philosophy is to put significant weight on those aspects of compensation tied to performance, such as annual cash incentives based on measurable performance objectives and long-term incentives in the form of stock options, RSUs, or a combination of both.

Base Salary

In 2012, the base salary for each NEO, except Mr. Park, met or exceeded the median based on the peer group benchmarking and survey data. In 2012, the compensation committee decided to increase Mr. Bush's salary to \$540,000, a 13.7% increase, to move his base salary above the median and his target total cash compensation at the 75th percentile of the benchmarking data. The compensation committee left the remainder of the NEOs base salaries unchanged as it decided to put more of those NEOs' compensation at risk with long-term incentive awards. The

following table sets forth base salaries of the NEOs for 2011 and 2012 and the percentage increase in the salary for each NEO:

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	2011 Salary(1)	2012 Salary(1)	% Increase (2011-2012)	
Executive				
Jonathan Bush	\$475,000	\$540,000	13.7	%
Timothy M. Adams	321,300	321,300	—	%
Rob Cosinuke	300,000	300,000	—	%
Stephen N. Kahane	300,000	300,000	—	%
Ed Park	300,000	300,000	—	%

Represents base salary on an annualized basis. Due to our payroll schedule and the timing of salary adjustments, (1) the amounts actually paid varied from these figures. For the amounts actually paid, please see “— Summary Compensation Table” below.

Cash Incentives Awards

We believe that cash incentive awards should be tied to financial and operational performance. Our executive cash incentive plan has two parts, one for our CEO (“CEO Plan”) and another for the senior leadership team (“SLT Plan”). The compensation committee annually determines the goals that serve as the basis for incentive compensation under the CEO Plan. For the SLT Plan, the CEO develops the underlying annual goals, which are then submitted to the compensation committee for approval. For fiscal 2012, the CEO Plan goal was a specified financial target for our financial performance and the SLT Plan goals were set forth in the corporate scorecard, which includes metrics relating to our stability, performance, satisfaction, financial results, and growth.

CEO Plan

For 2012, our CEO’s cash incentive award was based on athenahealth’s Net Income Before Taxes for the fiscal year ending December 31, 2012. This goal was based on the compensation committee’s interest in linking Mr. Bush’s annual cash incentive compensation directly to our profitability. The compensation committee used the following CEO scorecard which set lower and upper ranges of Net Income Before Taxes with incremental cash incentives and an inter-range percent for achievement of a Net Income Before Taxes in each range.

CEO Scorecard

Net Income Before Taxes ¹		Incremental	Total	Inter Range	
Lower	Upper	Incentive	Incentive	Percent	
\$53,000,000	\$55,000,000	\$100,000	\$100,000	5.0	%
\$55,000,000	\$57,000,000	\$150,000	\$250,000	7.5	%
\$57,000,000	\$59,000,000	\$100,000	\$350,000	5.0	%
\$59,000,000	\$60,000,000	\$100,000	\$450,000	10.0	%
\$60,000,000	\$61,000,000	\$90,000	\$540,000	9.0	%

"Net Income Before Taxes" is based on the net income reported in our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC on February 11, 2013. Net (1) Income Before Taxes is calculated as net income, excluding the income tax provision, stock-based compensation expense, loss on the interest rate derivative contract, and the amortization of purchased intangibles. Any reduction of an intangible asset as a result of an impairment test was charged against Net Income Before Taxes.

There is an additional incentive of 3.8% of the amount in excess of \$61 million, the highest range, up to a maximum total cash compensation (that is, base salary plus the cash incentive award) of \$1,500,000. Based on a Net Income Before Taxes achievement of \$65,726,314 for the fiscal year ended December 31, 2012, Mr. Bush received the maximum award of \$540,000 plus an additional incentive of \$179,600 based on the \$4,726,314 amount in excess of the \$61,000,000 maximum for a total cash incentive award of \$719,600. This resulted in Mr. Bush receiving total cash compensation above the 75th percentile of the peer group benchmarking data.

SLT Plan

For 2012, cash incentive awards for Messrs. Adams, Cosinuke, Kahane, and Park were tied to achievement of our goals and objectives as set forth in the corporate scorecard. The compensation committee set a bonus target amount for each executive that was equal to a specified percentage of such executive’s base salary, as set forth below. These percentages were based on such person’s job level and qualitative performance appraisal rating as determined by the CEO based on performance during the prior fiscal year. Under the SLT Plan, the target percentage is adjustable up or

down based on our performance as measured against the corporate scorecard. The bonus percentage earned was adjusted (upward or downward, as applicable) by 2% for every 1% of variance from the corporate scorecard target. The annual performance bonus for the first three quarters of

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2012 was based on a year-to-date corporate scorecard value and the annual performance bonus for the fourth quarter of 2012 was based on the annual corporate scorecard values, when those values are calculated.

Our 2012 corporate scorecard was comprised of thirteen specific stability, performance, satisfaction, financial, and growth metrics as set forth below, and each metric was assigned a different percentage value of the overall scorecard value. These categories of performance metrics were designed to capture the most important operational and financial aspects of the organization and can be broken down as follows:

The stability metrics comprised 15% of the overall scorecard value and consisted of employee voluntary turnover rate and corporate compliance. The corporate scorecard also tracked employee engagement for informational purposes, but did not count it toward the stability metrics value.

The performance metrics comprised 30% of the overall scorecard value and consisted of client days-in-accounts-receivable (DAR) for athenaCollector clients, DAR in client work buckets, client collection rate, and provider documentation time per appointment.

The satisfaction metric comprised 20% of the overall scorecard value and consisted of client touches per claim, client tickets per provider (per month), and client satisfaction.

The financial metrics comprised 15% of the overall scorecard value and consisted of total revenue and non-GAAP adjusted operating income.

The growth metric comprised 20% of the overall scorecard value and consisted of bookings.

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Our 2012 corporate scorecard results are summarized below:

Corporate Scorecard

	Weight	Target	Result	Score
Stability				
Voluntary Turnover	10	% 10%	8%	122.0%
Corporate Compliance	5	% 95%	80%	84.5%
Employee Engagement	—	% 4.1	4.1	99.5%
Stability Results	15	%		109.5%
Performance				
Client Days in Accounts Receivable (DAR)	10	% 37.5	38.0	98.6%
DAR in Client Work Buckets	10	% 7.9	7.8	100.1%
Client Collection Rate	5	% 96%	96%	100.0%
Provider Documentation Time per Appointment	5	% 5.0	5.2	97.4%
Performance Results	30	%		99.1%
Satisfaction				
Client Touches per Claim	5	% 10 % improvement (2)		109.7%
Client Tickets per Provider (per month)	5	% 0.35	0.34	102.3%
Client Satisfaction	10	% 85%	88%	103.1%
Satisfaction Results	20	%		104.5%
Financial				
Total Revenue	10	% \$430 million	\$422.3 million	97.8%
Non-GAAP Adjusted Operating Income(1)	5	% \$60 million	\$65.5 million	108.7%
Financial Results	15	%		101.4%
Growth				
Bookings	20	% 30% growth	(2)	88.3%
Growth Results	20	%		
Total Results	100	%		99.9%

“Non-GAAP Adjusted Operating Income” is defined as the sum of GAAP net income as reported in our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012, filed (1) with the SEC on February 11, 2013, before the provision for income taxes, total other (income) expense, stock-based compensation expense, amortization of capitalized stock-based compensation related to software development, and amortization of purchased intangibles.

Because the client touches per claim and bookings metrics contain highly sensitive data such as service operation results and targeted bookings, we do not disclose the specific performance measures and targets, because we believe that such disclosure would result in serious competitive harm. We set the targets for the client touches per claim and bookings metric at a high level because we are a growth-oriented company and rely on bookings and client satisfaction to help drive our growth. Additionally, the value associated at the time of booking was an estimate of the revenue that we expected to receive from new clients which, in turn, was based on an estimate of what the clients’ total collections would be for new clients using our services. The number was an estimate based on an estimate, which means it was inherently volatile and cannot be used to predict actual revenue. We believe the client touches per claim and bookings targets within the corporate scorecard were designed to be challenging but attainable if we had what we considered to be a successful year. We have used similarly devised bookings targets in the corporate scorecard for the past three years and the results against those applicable targets were 101.2% for the year 2009, 92.4% for the year 2010, and 105.7% for the year 2011.

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Corporate Scorecard Metrics Definitions

Stability

Voluntary Turnover	The number of voluntary terminations during the period divided by starting headcount.
Corporate Compliance	Percentage of compliance tasks that are met within the deadline.
Employee Engagement	Quarterly engagement survey results for employees.

Performance

Client Days in Accounts Receivable (DAR)	The average number of days that it takes outstanding balances on claims to be resolved, e.g. paid, for clients on athenaCollector. Clients that have been live less than 90 days are excluded, as well as clients who are terminating services.
DAR in Client Work Buckets	The number of days in accounts receivable that are due to tasks assigned to clients' work buckets.
Client Collection Rate	The percentage of charges that are not written off to bad debt.
Provider Documentation Time per Appointment	The average number of minutes athenaClinicals providers spend on the computer documenting the exam and orders for each appointment. Providers that have been live less than 90 days are excluded.

Satisfaction

Client Touches per Claim	The total number of scrub records, denials on the back-end and posting exceptions that clients must work divided by the total number of claims created.
Client Tickets per Provider (per month)	The number of Client Service Center (CSC) cases that are not resolved on the initial call by the CSC team divided by the number of athenaCollector providers.
Client Satisfaction	The percentage of clients who chose 4 or 5 on a scale of 1 to 5 when asked if they would recommend athenahealth to a trusted friend or colleague. These responses are generated from a "client listening" survey that the company conducts for its client base twice per year.

Financial

Total Revenue	Total consolidated revenue.
Non-GAAP Adjusted Operating Income	Total non-GAAP adjusted operating income.

Growth

Bookings	The annualized value of deals sold.
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The above-referenced performance targets should not be interpreted as a prediction of how we will perform in future periods. As described above, the purpose of these targets was to establish a method for determining the payment of cash based incentive compensation. You are cautioned not to rely on these performance goals as a prediction of our future performance. The elements included in the corporate scorecard have changed over time as we gain experience using them, and are likely to be adjusted in the future as well. As described above, in 2012 the bonus percentage earned was adjusted by 2% for every 1% of variance from the corporate scorecard target.

Because the corporate scorecard was 0.1% below target, the bonus paid to the NEOs participating in the SLT Plan (all NEOs except for our CEO) was decreased by 0.2% of the target bonus percentage. The following table sets forth information concerning the cash incentive awards earned by the following NEOs:

Executive	Target Bonus %	Corporate Scorecard Results	% Change	Adjusted Bonus %	Base Salary	Cash Bonus
Timothy M. Adams	60	% 99.9	% (0.2))% 59.8	% \$321,300	\$192,137
Rob Cosinuke	60	% 99.9	% (0.2))% 59.8	% \$300,000	\$179,400
Stephen N. Kahane	60	% 99.9	% (0.2))% 59.8	% \$300,000	\$179,400

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Ed Park	80	% 99.9	% (0.2)% 79.8	% \$300,000	\$239,400
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Long-Term Stock-Based Compensation

Our long-term stock based compensation is intended to reward long-term performance and help align the interest of our executives with those of our stockholders. Historically, we granted stock options as the sole form of long-term incentives. In 2010, our compensation committee reviewed this practice and in light of our overall business strategy, existing market-competitive best practices, and other factors, decided to give executives the choice of stock options, RSUs, or a combination of both. Based on the financial characteristics of RSUs, the compensation committee established that each share represented by a RSU shall be deemed to equal the issuance of two stock option shares. This design gives executives a stake in the process of determining their long-term incentive compensation, and provides them with incentive to execute their responsibilities in such a way as to generate long-term benefit to us and our stockholders. Our compensation committee wanted executives to have the option of evaluating their overall risk tolerance based on their own financial portfolio. Through possession of stock options and RSUs, our executives participate in the long-term results of their efforts, whether by appreciation of our stock's value or the impact of business setbacks, either company-specific or industry-based. Additionally, stock options and RSUs provide a means of promoting the retention of our executive officers, in that they are in almost all cases subject to vesting over an extended period of time. Stock options and RSUs provide executives with a significant and long-term interest in our success. By rewarding only the creation of stockholder value, we believe that stock options and RSUs provide our NEOs with an effective risk and reward profile.

The number of long-term incentive awards granted to our NEOs is determined by the compensation committee in its discretion. Grants have not been formula-based, but instead have historically been granted taking into account a mixture of the following qualitative factors: the executive's level of responsibility; the competitive market for the executive's position; the subjective assessment of the executive's potential contribution to our growth; and the subjective assessment of the professional effectiveness and capabilities of the executive (with such subjective assessments determined by our CEO for our NEOs other than our CEO and by our compensation committee for our CEO). Although the specific number of long-term incentive awards has not attributable to any specific factor, we have placed the most emphasis in determining the number of awards on trends in the competitive market for the executive's position and the subjective assessment of the executive's potential contribution to our success. Additionally, larger awards have typically been made to the NEOs that have areas of responsibility and function that are more likely to build long-term stockholder value as determined by how directly linked their areas of responsibility and function are to our growth. Relative to other NEOs, larger awards are typically made to Mr. Bush in light of his responsibility and function.

In 2011, we reviewed different types of long term incentives and proposed appropriate changes that aligned with our business goals and supported retention and attraction of key talent. We granted performance based-equity awards to certain executives with performance metrics tied to the achievement of our growth and financial goals. Our performance against corporate metrics during a performance period determines the number of shares subject to these awards that vest. In determining the conditions and size of these awards, the compensation committee considered the importance of focusing these executives on achieving key metrics from our business plan. By increasing the portion of total target compensation that is performance-based for these individuals, we believe the performance-based awards provide appropriate levels of incentives for these executives.

Time-Based Awards

In 2012, our compensation committee approved grants of time-based stock options and RSUs to our NEOs, as follows:

Name	Stock Options	RSUs
Jonathan Bush	244,630	—
Timothy M. Adams	—	12,500
Rob Cosinuke	—	12,500
Stephen N. Kahane	—	12,500
Ed Park	—	30,000

The compensation committee approved:

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Mr. Bush's award based upon the compensation committee's intent to set his long-term incentive awards as a percentage of shares outstanding at the 75th percentile of the benchmarking data;

- Messrs. Adams, Cosinuke, Kahane, and Park's awards as part of the 2011 annual performance review, taking into account the recommendations of our CEO, which were based upon his subjective assessment of the professional effectiveness and capabilities of these executives, the nature and scope of their areas of responsibility, and the number of unvested equity awards remaining as to each individual.

All of the time-based awards vest 25% per year over four years on each anniversary of the grant date.

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Performance-Based Awards

In order to provide additional incentives to Messrs. Cosinuke and Kahane, both responsible for sales and growth functions, the compensation committee granted them performance-based awards in 2011. The actual amount of stock options or RSUs, as applicable, that vests under the performance-based awards in any year depends on the achievement of corporate objectives with respect to that year. The corporate objectives for these awards are based on sales bookings and revenue for Messrs. Cosinuke and Kahane, respectively. The compensation committee selected these metrics as it will drive our growth and create stockholder value. We set the targets for the bookings and revenue metrics at a high level because we are a growth-oriented company and rely on bookings to drive growth and revenue to sustain it. We believe the targets for these awards were designed to be challenging but attainable if we had what we considered to be a successful year during the applicable performance periods. The performance-based awards vest on the March 1 following each performance period, if, and to the extent that, the performance metrics are achieved and subject to continued service through such date.

The number of shares that could be earned for Mr. Cosinuke's performance-based RSU award could vary from 0 to 15,117 of the target amount for the metric described below according to the following table:

Period	RSUs Earned at 100% of	
	Target	Maximum
2012	7,117	15,117
2013	8,000	15,117

Mr. Cosinuke's performance-based RSU award vests based on achievement of Non-Enterprise Bookings during each period adjusted proportionally. "Non-Enterprise Bookings" means sales bookings for our group and small group clients. If Non-Enterprise Bookings is below target then the unearned RSUs from the grant are forfeited by Mr. Cosinuke. If the Non-Enterprise Bookings for any period is above target, then Mr. Cosinuke can earn a number of shares for that period in excess of the target. The excess shares earned will reduce accordingly the shares that can be earned in a subsequent period. The maximum amount of RSUs subject to this award is 15,117. For 2012, the Non-Enterprise Bookings metric was 91% of target, resulting in 6,837 RSUs vesting.

The number of shares that could be earned for Dr. Kahane's performance-based stock option and RSU awards could vary from 0 to 57,000 of the target amount for the metric described below according to the following table:

Period	Stock Options	RSUs Earned		
	at 100% of Target	at 100% of Target	Total	Maximum
2011-2012	4,000	8,000	12,000	57,000
2013	6,000	12,000	18,000	57,000
2014	9,000	18,000	27,000	57,000

Dr. Kahane's performance-based stock option and RSU awards vest based on achievement of New Enterprise Revenue. "New Enterprise Revenue" is based our revenue from new enterprise clients during the month of December at the end of each performance period. Our revenue from new enterprise clients during the December at the end of each period is annualized and New Enterprise Revenue is calculated based on the annualized rate for such performance period. If New Enterprise Revenue is below target then the unearned RSUs and shares subject to the option are forfeited by Dr. Kahane. If New Enterprise Revenue for any period is above target, then Dr. Kahane can earn a number of shares subject to the option and RSUs for that period in excess of the target. The excess option shares and RSUs earned will reduce accordingly the option shares and RSUs that can be earned in subsequent periods. The maximum amount of shares subject to these awards is 57,000. For the 2011-2012 performance period, New Enterprise Revenue was 78% of target, resulting in 3,121 shares subject to the stock option and 6,241 RSUs vesting.

Timing of Equity Grants

Our equity award grant policy formalizes our process for granting equity-based awards to officers and employees. Under our equity award grant policy, all grants must be approved by our compensation committee or our General Counsel. All stock options will be awarded with an exercise price that is not less than the fair market value of our common stock, calculated based on our closing market price on the grant date. Under our equity award grant policy,

equity awards will only be granted on the first business day of any month, as follows:
grants made in conjunction with the hiring of a new employee or the promotion of an existing employee will be made on the first trading day of the month following the later of (1) the hire date or the promotion date or (2) the date on which such grant is approved; and

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grants made to existing employees other than in connection with a promotion will be made, if at all, on an annual basis.

Our compensation committee has delegated authority to our General Counsel to make equity grants of (i) stock options exercisable for less than 50,000 shares, (ii) RSUs exercisable for less than 25,000 shares, or (iii) a combination of stock options and RSUs exercisable for less than 50,000 shares (for purposes of calculating the number of RSUs permitted in connection with any such combination, each RSU is deemed to be the equivalent of two stock options), to employees but not to non-employees or Section 16 officers. All grants of equity to Section 16 officers or non-employees and all grants to employees of stock options exercisable for 50,000 or more shares or 25,000 or more RSUs, or a combination of stock options and RSUs exercisable for 50,000 or more shares require approval of the compensation committee.

Benefits

We provide the following benefits to our executives on the same basis as the benefits provided to all employees:

health, dental, and vision insurance;

life insurance;

short- and long-term disability;

401(k) plan; and

an employee stock purchase plan.

These benefits are consistent with those offered by other companies and specifically with those companies with which we compete for employees.

We provide a matching contribution to each employee, including our executive officers, who participate in our 401(k) plan. This matching policy provides a match of one-third of employee contributions up to 6% of eligible compensation.

Employment Agreements

Jonathan Bush. We are party to an employment agreement with Jonathan Bush for the position of CEO. The agreement provides for at-will employment and a base annual salary subject to annual review. Mr. Bush currently receives a base salary of \$540,000. Mr. Bush is eligible to participate in our employee benefit plans, to the extent that he is eligible for those plans, on the same terms as other similarly situated executive officers and is eligible for a bonus as described above.

Timothy M. Adams. We are party to an employment agreement with Timothy M. Adams for the position of CFO. The agreement provides for at-will employment, a \$50,000 signing bonus (which was paid to Mr. Adams in his year of hire), and for a base annual salary subject to annual review. Mr. Adams currently receives a base salary of \$350,000. Mr. Adams is eligible to participate in our employee benefit plans, to the extent that he is eligible for those plans, on the same terms as other similarly situated executive officers and is eligible for a bonus as described above.

Rob Cosinuke. We are party to an employment agreement with Rob Cosinuke for the position of Chief Marketing Officer. The agreement provides for at-will employment and for a base annual salary subject to annual review. Mr. Cosinuke currently receives a base salary of \$300,000. Mr. Cosinuke is eligible to participate in our employee benefit plans, to the extent that he is eligible for those plans, on the same terms as other similarly situated executive officers and is eligible for a bonus as described above.

Stephen N. Kahane. We are party to an employment agreement with Stephen N. Kahane for the position of President, Enterprise Services Group. The agreement provides for at-will employment and for a base salary subject to annual review. Dr. Kahane currently receives a base salary of \$300,000. Dr. Kahane is eligible to participate in our employee benefit plans, to the extent that he is eligible for those plans, on the same terms as other similarly situated executive officers and is eligible for a bonus as described above. His employment agreement also provides for severance payments if we terminate his employment without “cause” or he resigns from his employment for “good reason.” See “— Potential Payments Upon Termination or Change-in-Control” below for additional information about the terms of Dr. Kahane’s employment agreement.

Ed Park. We are party to an employment agreement with Ed Park for the position of Chief Operating Officer. The agreement provides for at-will employment and for a base annual salary subject to annual review. Mr. Park currently receives a base salary of \$350,000. Mr. Park is eligible to participate in our employee benefit plans, to the extent that

he is eligible for those plans, on the same terms as other similarly situated executive officers and is eligible for a bonus as described above.

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Compensation Committee Interlocks and Insider Participation

During 2012, Messrs. Foster, Ittycheria and Mann, and Dr. Kosecoff served as members of our compensation committee. No member of the compensation committee was an employee or officer of athenahealth during 2012, a former officer of athenahealth, or had any other relationship with us requiring disclosure herein.

During the last fiscal year, none of our executive officers served as: (1) a member of the compensation committee (or other committee of the board of directors performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on our compensation committee; (2) a director of another entity, one of whose executive officers served on our compensation committee; or (3) a member of the compensation committee (or other committee of the board of directors performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on our Board of Directors.

Compensation Committee Report

The information contained in this report shall not be deemed to be (1) “soliciting material,” (2) “filed” with the SEC, (3) subject to Regulations 14A or 14C of the Exchange Act, or (4) subject to the liabilities of Section 18 of the Exchange Act. This report shall not be deemed incorporated by reference into any of our other filings under the Exchange Act or the Securities Act of 1933, as amended (the “Securities Act”), except to the extent that we specifically incorporate it by reference into such filing.

The compensation committee of the Board of Directors of athenahealth has reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with management. Based on such review and discussion, the compensation committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement for the fiscal year ending December 31, 2012.

THE COMPENSATION COMMITTEE

James L. Mann (Chair)

Dev Ittycheria

Jacqueline B. Kosecoff

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Summary Compensation

The following table sets forth information concerning the compensation of the NEOs for the fiscal years ended December 31, 2012, 2011, and 2010.

Summary Compensation Table(1)

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(2)	Option Awards (\$)(2)	Non-Equity Incentive Plan Compensation(\$)(3)	All Other Compensation(\$)(4)	Total (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(i)	(j)
Jonathan Bush	2012	530,000	—	—	7,813,482	719,600	7,801	9,070,883
Chief Executive Officer, President, and Chairman of the Board	2011	475,000	—	—	1,525,418	592,000	5,012	2,597,430
	2010	466,538	—	—	2,928,787	523,000	5,068	3,923,393
Timothy M. Adams	2012	321,300	—	885,750	—	192,137	4,863	1,404,050
Senior Vice President and Chief Financial Officer	2011	320,331	—	561,250	—	233,264	2,945	1,117,790
	2010	296,827	50,000 (6)	1,636,000	1,916,766	182,700	3,086	4,085,379
Rob Cosinuke	2012	300,000	—	885,750	—	179,400	3,541	1,368,691
Senior Vice President and Chief Marketing Officer	2011	294,154	—	1,611,730	—	217,800	3,735	2,127,419
	2010	261,231	—	275,850	118,863	151,960	396	808,300
Stephen N. Kahane(5)	2012	300,000	—	885,750	—	179,400	2,263	1,367,413
President, Enterprise Services Group	2011	249,231	—	5,466,120	714,756	217,800	2,265	6,650,172
Ed Park	2012	300,000	—	2,125,800	—	239,400	3,511	2,668,711
Executive Vice President and Chief Operating Officer	2011	290,769	—	1,122,500	—	247,800	3,736	1,664,805
	2010	231,877	—	906,000	125,232	139,200	3,341	1,405,650

The column disclosing compensation under the heading “Change In Pension Value And Nonqualified Deferred (1) Compensation Earnings” is not included because no compensation in this category was awarded to, earned by, or paid to the NEOs in 2012, 2011, or 2010.

The valuation of stock and option awards is based on the grant date fair value computed in accordance with FASB ASC Topic 718. The assumptions used to calculate the value of stock and option awards are set forth in the section entitled “Critical Accounting Policies” under Item 7 and Note 11 to our consolidated financial statements included in (2) our Annual Report on Form 10-K for the year ended December 31, 2012. For performance-based awards, the grant date fair value is based upon the probable outcome, which is also the maximum outcome, consistent with the estimate of aggregate compensation cost to be recognized over the service period determined as of the grant date under FASB ASC Topic 718.

(3)

The amounts listed in this column for 2012 represent cash incentive awards earned by NEOs under the CEO Plan and SLT Plan, as applicable, for fiscal 2012 performance, as further described in the section entitled "Cash Incentives Awards" above. The amounts listed in this column for 2011 and 2010 are reported in the fiscal year earned. The NEOs (except for Mr. Bush) were paid the cash incentive awards quarterly in part in the fiscal year earned and in part in the following year. Mr. Bush was paid his cash incentive awards in the year following the fiscal year in which the award was earned.

- (4) Represents 401(k) matching contributions for Messrs. Adams, Cosinuke, Kahane and Park. Represents 401(k) matching contributions of \$5,301 and an employee referral bonus of \$2,500 for Mr. Bush.
- (5) Dr. Kahane was not a named executive officer in fiscal 2010, and therefore no information is presented for that year.
- (6) Represents a signing bonus paid pursuant to Mr. Adams' employment agreement.

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Grants of Plan-Based Awards

The following table sets forth information concerning plan-based awards granted to the NEOs during the fiscal year ended December 31, 2012.

Grants of Plan-Based Awards — 2012

Name	Grant Date	Compensation Committee Action Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)	All Other Stock Awards: Number of Shares of Stock or Units (#)(2)	All Other Option Awards: Number of Securities Underlying Options (#)(2)	Exercise or Base Price of Option Awards
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