



Revenue Cycle Management (RCM) Services Buyer's Guide

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The evolving Revenue Cycle Management (RCM) landscape

Overview

Healthcare RCM is the financial process that healthcare organizations use to manage the administrative and clinical functions related to processing claims, receiving payments, and generating revenue. The cycle begins with a patient scheduling an appointment and continues until the final payment is received.

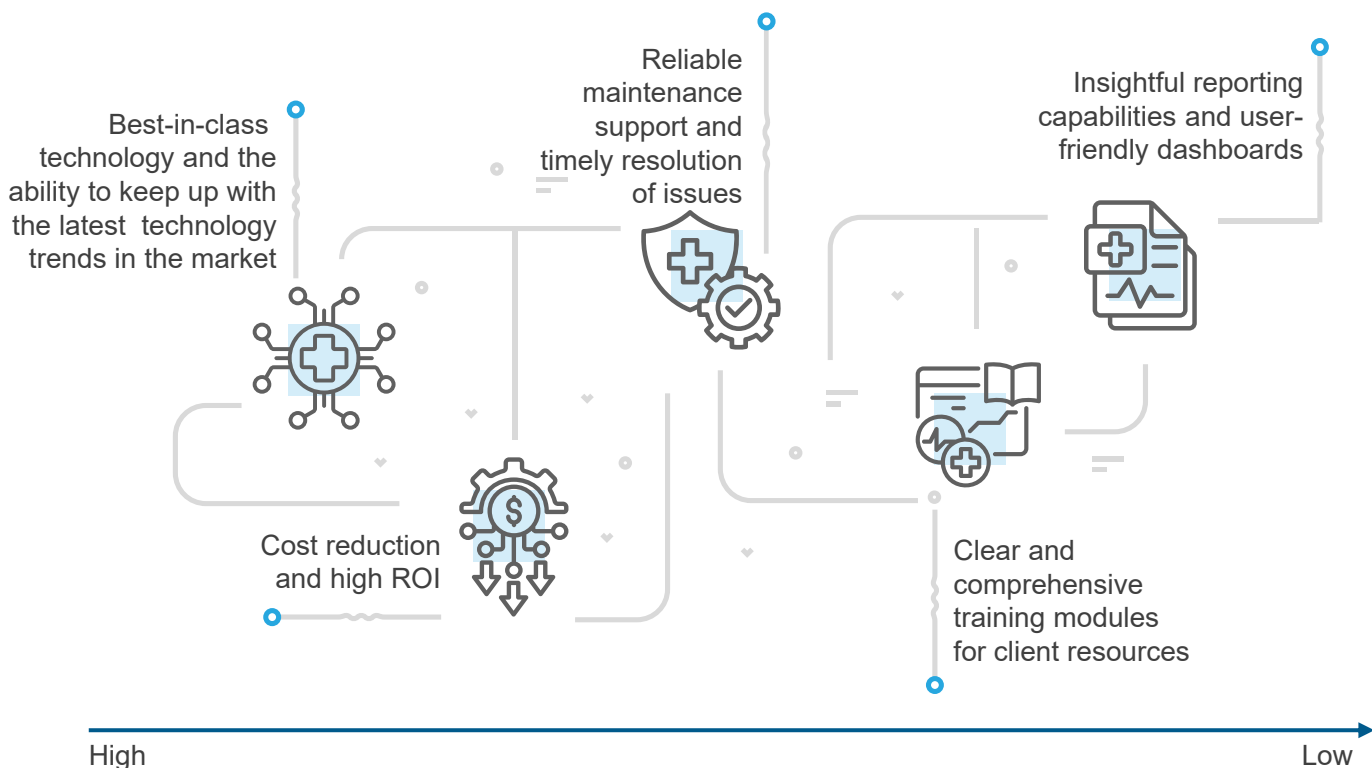
Due to factors such as staff burnout, changing regulations, rising costs, and the increasing focus on improving patient experiences, there is a growing demand for third-party services to assist healthcare providers with their RCM operations. This has led to significant growth in the RCM services market, making it one of the fastest-growing segments in the healthcare industry.

Within RCM, there are two key types of solutions: managed services and technology products. Both play vital roles in optimizing healthcare financial processes, and each has its unique advantages. In this viewpoint, we explore the collaborative relationship between healthcare providers and RCM service providers, specifically examining the contributions of these two partnership models (technology products and managed services). The report also examines how these models address challenges and looks ahead to future-proofing RCM in the evolving healthcare landscape. Exhibit 1 illustrates the major sourcing considerations for healthcare providers.

EXHIBIT 1

Top sourcing considerations for healthcare providers

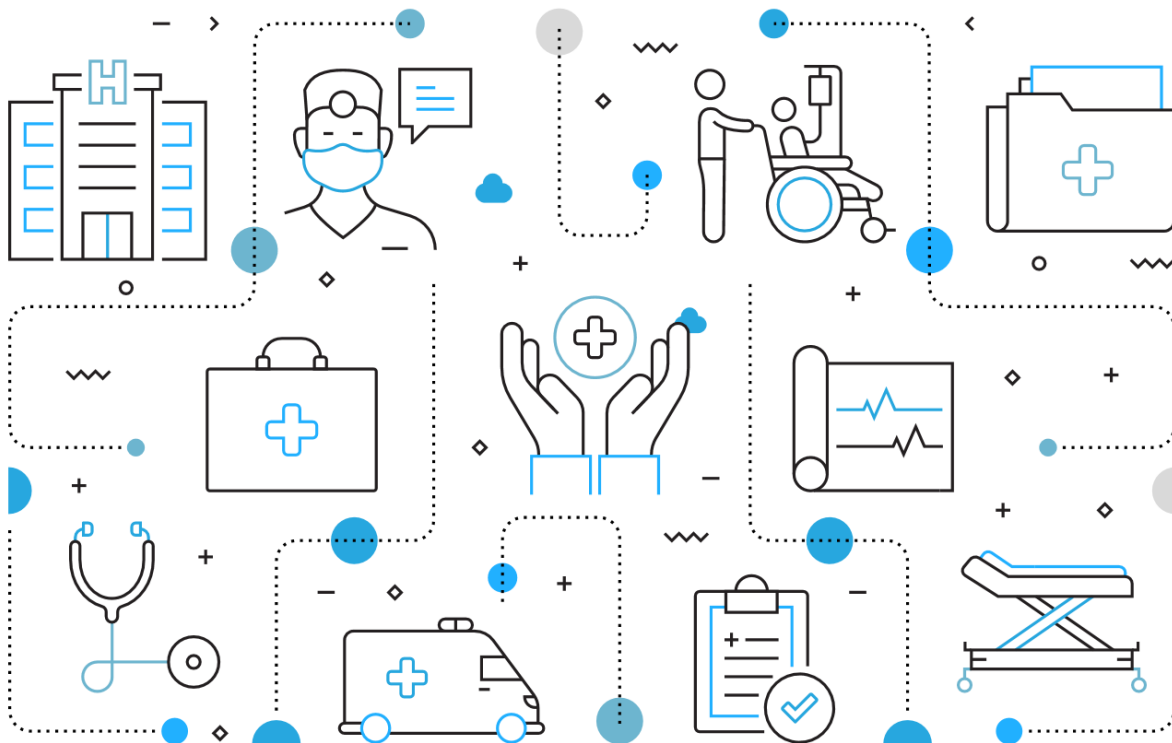
Source: Everest Group (2024)



Growing trends within RCM

Traditionally, RCM relied heavily on manual or labor-intensive models. However, recent advances in technology and the integration of AI, analytics, and automation into the RCM ecosystem have led to increased acceptance of RCM technology products and managed services. This shift has resulted in a notable 10-15% growth rate(2022-23) in the RCM operations solutions market. Managers are using AI in conjunction with automation to streamline manual tasks related to prior authorization and claims processing. AI is also being used in areas such as verifying patient eligibility, evaluating population health needs, and analyzing data on physician availability and resource utilization. These applications optimize vital functions from scheduling to claims management. The improvements in technology have driven several trends and related dynamics in the RCM market:

- **Compliance:** Initiatives from Centers for Medicare & Medicaid Services (CMS) and other government bodies to encourage better patient experiences are steering the industry toward digital-first approaches in the front end of the revenue cycle, particularly in areas such as prior authorization.
- **Technology adoption:** Traditional manual processes like including medical coding are increasingly incorporating technology to enhance productivity and reduce costs. High claims denial rates are prompting health systems to explore technology solutions capable of identifying and rectifying deficiencies in claims and clinical records, ensuring more timely and accurate payments.
- **Expansion of RCM services:** Providers are expanding their reliance on strategic partners for various aspects of revenue cycle operations. This includes services ranging from eligibility verification and patient payment collections to coding, clinical documentation improvement, billing, and accounts receivable management. Providers are increasingly relying on the scale and expertise of strategic partners to support or fully manage their revenue cycle operations.



The impact of RCM partnership models

Everest Group's industry analysis reveals a significant increase in investments in comprehensive RCM solutions. Large providers prefer end-to-end solutions to fulfill their RCM needs, whereas mid-sized and small providers are predominantly adopting point solutions. Many health system vendors see RCM platforms as integral to their cost reduction strategies, especially as they strive to streamline vendors and optimize the value derived from their Electronic Health Record (EHR) systems. Providers typically engage with two primary models: products and managed services. In the product model, technology solutions are licensed, and operations are managed by in-house staff employed by the health system. On the other hand, the service model involves collaborative operations through a shared service approach, where healthcare providers partner with service vendors. Exhibit 2 outlines the nuances of these two models.

EXHIBIT 2

Differentiating products vs managed services

Source: Everest Group (2024)



Products

- Situations/Scenarios where vendors offer only products to healthcare clients.
- Includes platforms/products as a standalone offering, generally in a licensed construct.
- No associated services are offered.

Managed services

- Situations/Scenarios where vendors offer services to healthcare clients.
- No associated product(s) is/are offered in a licensed construct. However, technology solutions are offered as a Business Process as a Service (BPaaS) model.
- Can include operations (business process), IT (such as implementation and maintenance and support), and/or consulting services.

Both the product and managed service models in RCM offer unique benefits and have realized increased investments in automation and analytics across the RCM value chain. Exhibit 3 lists their impact on essential Key Performance Indicators (KPIs).

EXHIBIT 3

Implications of products vs managed services across key KPIs

Source: Everest Group (2024)

KPIs	Technology products	Managed services
Impact on various provider organizations 	<ul style="list-style-type: none"> Technology solutions demonstrate strong interfacing capabilities with common billing platforms, EHRs, payer systems, and other healthcare IT systems. Practices with complex billing codes and procedures, such as ophthalmology and radiology, find technology products particularly useful. Accurate coding for these services is essential to secure proper reimbursement. 	<ul style="list-style-type: none"> Increased investments are realized in the managed services model due to internal staffing shortages prompting the need for external talent. Practices with little to no variation in billing or those utilizing a flat-rate system, such as mental health providers, find the managed services model more beneficial. Small to mid-sized providers typically prefer initiating with a managed services model as it demands limited upfront investments.
Quality and ability to scale 	<ul style="list-style-type: none"> Technology products are selected primarily for their capacity to reduce manual errors, enhance the likelihood of claims approval, and lower overall costs associated with prior authorizations. These features collectively enable better quality for health systems. Despite the longer transition time, technology products empower providers with greater control in scaling up and down. 	<ul style="list-style-type: none"> The contemporary approach to delivering managed services incorporates AI and automation, departing from the operation-driven and error-prone traditional model. This modern approach excels in areas such as handling claims denials, claims scrubbing, and clinical documentation improvement. In the managed services model, the flexibility to scale operations up and down is shared between the service vendor and the provider. Utilizing a highly skilled talent pool, with a balanced mix of onshore and offshore talent, facilitates quicker ramping of operations.
Areas of investment 	<p>Investments in technology encompass various areas, including tools that identify denial trends using predictive analysis, AI-driven automation in medical coding, clinical document processing, and prior authorization.</p>	<ul style="list-style-type: none"> Focus areas include ensuring medical coding compliance, adhering to regulatory changes, developing growth roadmaps, diagnosing and analyzing claims leakages, and improving KPIs in accounts receivable management. Patient and payer collections within accounts receivable processes are major outsourcing activities conducted through a pure play managed services model.
Key consideration when choosing vendors 	<p>When evaluating technology options, healthcare providers must consider the capability, flexibility, ease of deployment, engagement and commercial models, and support solutions provided by technology vendors.</p>	<p>Certifications of resources, both onshore and offshore, and the breadth and depth of the services portfolio are vital factors in selecting vendors.</p>

The role of partnership models in alleviating challenges

In a 2022 survey by the Medical Group Management Association (MGMA), turnover rates for healthcare employees were found to be 19.5% at hospitals, 65% for at-home care providers, and a high 94% at nursing homes. The main reasons for this high turnover include inflexible schedules, demanding workloads, and excessive administrative burdens. The costs associated with turnover are significant, encompassing expenses for recruiting, hiring, and training new employees, as well as the temporary use of expensive contract workers to fill staffing gaps. Healthcare organizations face the challenge of making decisions that balance providing quality care with controlling costs as care utilization levels change. To address these challenges, healthcare providers are seeking strategic partners that can leverage their scale to manage conflicting priorities while understanding the operational and care delivery needs of provider operations.


Technology products and managed services are two potential solutions, each offering unique advantages. However, developing effective technology products requires substantial domain expertise and maturity to deliver value beyond cost and talent optimization. Exhibit 4 presents the different use cases for technology products and managed services, examining their impact on providers, investment priorities, and scalability.

EXHIBIT 4

A comparison of risk assessment across use cases for technology products and managed services

Source: Everest Group (2024)

Measure of risk involved ● High ● Medium ● Low



KPIs	Technology products	Managed services
Workforce planning	●	●
Driving innovation	●	●
Up-front capital requirement	●	●
Working capital requirement	●	●
Global disruptions	●	●

Below we examine how each model impacts healthcare providers in addressing specific challenges:

- In workforce planning, a managed services model offers access to a broader pool of skilled talent, aiding in workforce planning during various transitions. For example, the use of medical coders in offshore locations, such as India and the Philippines, has increased in recent years, providing cost efficiency and supporting Business Continuity Planning (BCP).
- Technology products drive innovation by transforming key touchpoints in the revenue cycle. They enable scalability and create seamless experiences for both staff and patients, modernizing healthcare operations.

- Because managed services require limited up-front capital, this model facilitates the quick setup of operations without extensive financial commitments.
- Technology products provide a robust solution for maintaining control over data confidentiality during global disruptions caused by macroeconomic fluctuations or security and data breaches. This ensures that providers can scale operations up and down smoothly while safeguarding sensitive information.

In summary, managed services model excels in providing a skilled workforce and operational agility, particularly in situations with limited capital. On the other hand, technology products shine in driving innovation, transforming the revenue cycle, and offering control over data security during challenging disruptions. Healthcare providers can strategically choose options from both the models based on their specific needs and challenges.

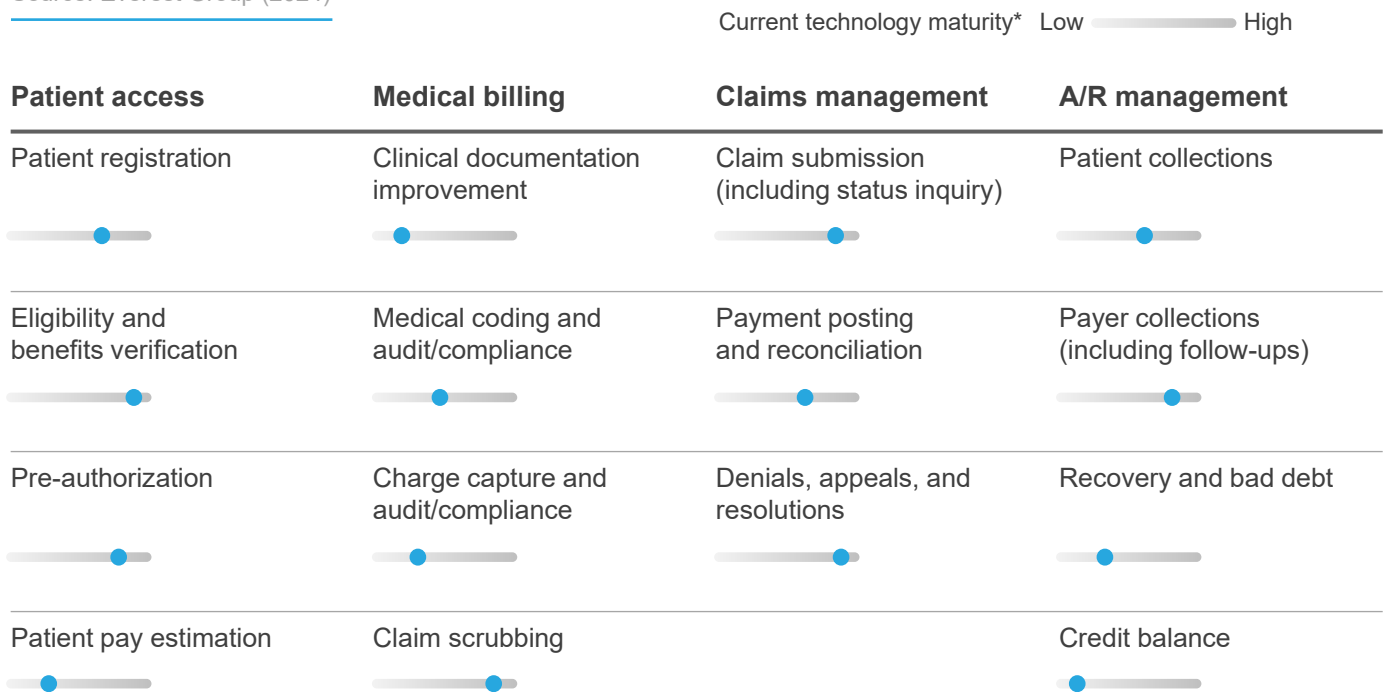
Future-proofing RCM: the road ahead

In practice, an effective RCM strategy frequently combines both managed services and technology products to achieve optimal results in terms of efficiency, accuracy, and cost-effectiveness. The use of technology across different components of the RCM value chain, as illustrated in Exhibit 5, serves as an indicator of the current level of digital maturity within RCM operations.

EXHIBIT 5

Maturity levels of technology solutions across the RCM value chain

Source: Everest Group (2024)



Note: *Please note that the indicators mentioned above reflect the current technology maturity and do not imply their adoption levels.

Going forward, healthcare providers must address fundamental questions, outlined in Exhibit 6, when determining their technology products- and services-focused RCM strategy.

EXHIBIT 6

Guidelines in devising an RCM strategy

Source: Everest Group (2024)

Key questions

Guidelines

 <p>What is your current stage of digital maturity?</p>	<p>Identify opportunities for automating existing components within RCM and incorporate analytics to further enhance efficiency</p>
 <p>Is there cultural alignment between the provider and the potential RCM services partner?</p>	<p>Establish synergies between healthcare providers and service vendor, vital for setting the right combination of managed services and technology products</p>
 <p>What is the impact of changing regulations?</p>	<p>Stay informed about evolving healthcare policies and regulations by maintaining an in-house team or through collaborative partnerships</p>
 <p>What additional incentives can be established?</p>	<p>Engage in win-win partnerships with payers, ensuring both quality compliance and a better member experience, such as value-based reimbursement</p>

Revenue cycle management isn't just a back-office function; it's a strategic imperative. It impacts everything from patient satisfaction to our ability to invest in new technologies and services.

– A large healthcare provider



To future-proof their RCM solutions, healthcare providers must focus on four key areas:



Identify gaps and embrace

digitization: Recognize gaps in existing processes and explore opportunities for digitization. As healthcare providers aim to enhance patient experiences and reduce claims denial rates, technology plays a vital role. Automation technologies, especially in tasks such as appointment scheduling, reminder generation, and eligibility verification, can address front-end operational gaps. Areas such as medical coding (through computer-assisted coding) are ripe for automation-related RCM investments.



Embracing value-based reimbursement:

Engaging in value-based reimbursement arrangements incentivizes providers to deliver efficient, patient-centric care, fostering a culture of continuous improvement for better patient outcomes and financial success. This approach encourages accurate data collection, documentation, and fosters improved relationships between payers and providers.



Collaborative partnerships for expertise:

Form collaborative partnerships to tap into specialized RCM expertise and prepare for industry regulation changes. Engaging with subject matter experts ensures knowledge of best practices, performance benchmarks, and billing nuances. Providers must select partners with deep domain expertise that can complement technology and services capabilities.



Adapting to patient-centric

changes: Tailor RCM strategies to meet patient needs, preferences, and expectations. This involves creating self-service portals, user-friendly billing statements, and personalized communication to improve the overall patient experience. These efforts contribute to building stronger and longer-lasting patient-provider relationships.

Looking ahead in RCM, investing in key technologies that reduce turnaround time and manual work is essential. Providers are increasingly adopting a digital-first approach, investing in managed services and technology products to navigate the evolving RCM landscape. Workforce planning, integrating new innovations, limited working capital, and global disruptions continue to pose challenges, emphasizing the need for a comprehensive RCM strategy that incorporates the right partnerships. Balancing solutions and constraints requires finding end-to-end solutions covering all aspects of RCM services. The evolving trends in this space will be closely monitored in the coming months.

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