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The Case for Outsourcing Revenue Cycle Management

According to Grand View Research, the revenue cycle management (RCM) market is forecast to increase from \$136.7 billion in 2020 to \$286.7 billion in 2028, reflecting a compound rate of growth of 11.2%.¹ Hospitals (in-house) account for nearly 60% of the market, followed by physician practices (in-house), external RCM applications/software and outsourcing.² Outsourcing represents 10% to 15% of the market and is projected to grow rapidly.³

Outsourcing solutions may be partial, end-to-end (comprehensive) or involve re-badging. End-to-end outsourcing results in the “total” loss of control and institutional knowledge, whereas partial outsourcing results in the retention of “some” control and knowledge. Providers commonly contract with a

clearinghouse intermediary, where billing and claims submissions are “checked for errors, verified for the correct codes, transformed into electronic format, and made compatible with payer software” to help assure “clean-claims” are submitted to payers.⁴

¹ U.S. Revenue Cycle Management Market Size, Share & Trends Analysis Report by End User, by Product Type, by Component, by Delivery Mode, by Physician Specialty, by Sourcing, by Functions, and Segment Forecasts, 2021 – 2028. Grand View Research; March 2021. <https://www.grandviewresearch.com/industry-analysis/us-revenue-cycle-management-rcm-market>

² Ibid.

³ Ibid.

⁴ AKASA Annual Report on the State of Revenue Cycle Automation. <https://akasa.com/annual-report-on-automation>

There are many reasons for outsourcing:

— **Potential revenue generation/increased cash flow**

The revenue cycle is rife with dependencies; early errors (incompletions) affect downstream collections. Improvements in cash flow result from increased net collections, fewer denials, reduced accounts receivable and a decreased time to payment (i.e., shorter duration of receivables).

— **Potential for operational efficiencies/cost reduction**

Revenue cycle management is labor intensive. A holistic view of the entire workflow may identify opportunities for process improvement, automation and/or outsourcing. Providence Health & Services (Renton, Washington) has 4,000 employees in its revenue cycle operation.⁵

— **Potential reduction in “cost-to-collect”**

Cost-to-collect is defined as the total revenue cycle cost divided by total patient service cash collected. Outsourcing may potentially reduce costs and/or increase cash collected.

— **Potential for improving the patient/customer experience**

The patient/customer experience extends from (pre-) registration and appointment scheduling to the final payment of a balance. Cost information (deductibles, co-payments) and financial counseling need to be part of the upfront process, especially given the advent of high-deductible plans. Convenience has become a basis of competitive differentiation. Getting accounts to pay at earlier points in the cycle results in lower denials and quicker invoicing to the patient, resulting in higher overall patient satisfaction.

— **Limited access to skilled labor due to supply shortages; scalability challenges**

Patient access reps, CDI specialists, back-office specialists, accounts receivable, and denial management experts and other revenue cycle roles are in short supply. The potential impact includes “1) cash flow delays due to a lack of staff for core functions, 2) revenue left on the table due to capacity challenges in complex claim or denied populations, and 3) reductions in the audit and accuracy reviews to uncover additional revenue collection opportunities.”⁶ Remote labor is increasingly being utilized, especially in response to the COVID-19 pandemic. Technology automation is being applied to highly repetitive processes.

— **Technology advancement and avoidance of unnecessary touches to accounts**

Approximately 66 percent of health systems and hospitals currently use some form of automation in their revenue cycle operations; more than 60 percent of the provider organizations that do not currently use automation plan to do so by the end of 2021.⁷ Specific processes for automation (prior authorization, eligibility verification, payments processing, coding, accounts receivable status, denials, appeals) require identification. Multiple technological options (e.g., Robotic Process Automation, Artificial Intelligence, and Machine Learning) require evaluation, inclusive of product features, benefits and cost. Budgetary, security, privacy and accuracy concerns exist.⁸ Vendor management is essential to ensure timely execution; legacy systems may pose challenges. In addition, automation may necessitate organizational change.

⁵ To keep cash flowing in today's tight labor market, revenue cycle leaders are using technology — 3 experts answer 3 Qs. Becker's Hospital Review; November 16, 2021. <https://www.beckershospitalreview.com/hospital-management-administration/to-keep-cash-flowing-3-experts-answer-3-qs.html>

⁶ Ibid.

⁷ AKASA Publishes “Annual Report on Revenue Cycle Automation” in Healthcare <https://akasa.com/press/akasa-publishes-annual-report-on-revenue-cycle-automation-in-healthcare/>

⁸ Mark Hagland. Survey: AI Set to Transform Healthcare Revenue Cycle Management. Healthcare Innovation; January 20, 2021. <https://www.hcinovationgroup.com/finance-revenue-cycle/charge-capture/news/21206497/survey-ai-set-to-transform-healthcare-revenue-cycle-management>

Reasons not to outsource include:

— **Vendor management challenges**

Specific criteria are necessary to ensure the appropriate selection of a vendor for outsourcing. These criteria include, but are not limited to, the level of RCM maturity/experience (implementations, technology development, etc.), range of offerings, use of technology, cloud-based, direct integration with electronic medical record and other systems, scalability, contract management capabilities, reporting capabilities and being clearinghouse agnostic. Customer experience (CX) also matters.

Vendor management is focused on auditing, monitoring and reporting, and performance management. The Healthcare Finance Management Association (HFMA) has identified 29 MAP Keys (KPIs) for revenue cycle benchmarking, divided into five major groups: patient access, pre-billing, claims, account resolution and financial management.⁹

Vendor management adds overhead, and many providers do not have a system in place to monitor vendor performance, which can result in performance leakages.

— **Potential for underperformance**

Despite assurances and a contractual obligation, KPIs are not always met on a timely basis. Transitions — even to partial outsourcing — may result in management issues.

Bottom line:

Outsourcing provides an excellent opportunity for providers to instantly gain access to experienced revenue cycle staff to augment their operation. Attrition rates, coupled with vacancies, Family and Medical Leave Act (FMLA) and Paid Time Off (PTO), can serve as short-term disrupters that interfere with steady cash flow; not to mention the “catch-up” required when these vacancies are filled. Often, providers are not staffed appropriately to touch every account. Outsourcing can help fill the gap and result in increased cash flow, lower denials and improved patient satisfaction.

Additionally, by strategically implementing an outsourcing approach, providers can re-sequence higher dollar and younger accounts receivable (A/R) to their internal staff at quicker intervals while outsourcing the lower-balance and older A/R to an outsource vendor, thus attacking the A/R from both directions. This combined approach creates a windfall of cash flow within 30 to 60 days of implementation and maintains a longer overall effect by reducing denials and aging and adding improvements to net revenue.

Contact us today for a complimentary analysis of your A/R using our advanced analytic tools, which will also reveal the proper age, payer and balance breaks for optimal outsourcing points.

⁹ Healthcare Financial Management Association, HFMA Map Keys. <https://www.hfma.org/tools/map-initiative/map-keys.html>

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