What Is Revenue Cycle Management (RCM) in Healthcare?



ARTICLE 02.17.22 DEAN DORTON

Healthcare professionals strive to deliver exceptional service and outcomes to their patients throughout every facet of care. A significant point of friction for patients is cost – both the uncertainty of expense and lack of clarity in terms of understanding medical billing.

A patient-centered approach to billing can reduce that worry, improve overall patient experience, and shorten the revenue cycle of claims. Understanding the revenue cycle in healthcare is the first step toward creating a patient-centered, streamlined revenue system.

Revenue Cycle Management: What Is It?

The healthcare revenue cycle encompasses all administrative and clinical functions that contribute to the capture, management, and collection of patient service revenue. Revenue Cycle Management (RCM) is how an organization manages finances and associated processes as they relate to the full scope of patient care.

Primary functions involved in RCM include:

- **Patient registration:** Collecting patient demographics, including billing address and insurance eligibility
- **Insurance verification:** Validating patient insurance
- **Medical transcription:** Transcribing patient reports supplied by doctors and nurses
- **Medical coding:** Applying universal medical codes to the diagnoses of and procedures performed upon the patient
- **Charge entry and billing:** Applying a dollar amount to services provided and creating a claim
- **Claim submission:** Determining amount of reimbursement the provider seeks from insurance and applying for that amount
- **Claim rejections:** Instances where claims are rejected for payment by insurers
- **Payment and posting:** Applying payments by insurers to the balance of the patient's claim
- **Secondary claims submission:** Submitting claims to additional insurers, such as Medicaid
- **Denial management:** Determining cause of claim denial and assessing if the denial can be appealed
- **Medical appeals:** Appealing a payment denial by an insurer
- **Patient collections:** Determining amount owed by patient after insurance payments are applied and collecting payment
- **Refunds:** Determining if any parties are owed refunds after the balance of payments has been received from all billable parties.

One of the biggest organizational roadblocks to executing these functions efficiently is poor interdepartmental communication. Having both the clinical and administrative sides of your organization unified in the process of RCM is vital to increasing revenue. When front-end and back-end administrative units communicate, there is far less duplication of effort and internal waste.

Advantages of Revenue Cycle Management

With an efficient RCM system in place, your organization can accurately forecast revenue, identify points of friction within the billing process, and more readily identify instances of waste and fraud.

Simplified claims, faster payment

When the revenue cycle is managed properly from start to finish, there are more opportunities to reduce patient stress from confusing claims and billing statements. Offering payment opportunities in-office at time of appointment and via online portals linked to digital charts enables patients to use familiar, non-threatening interfaces to submit payment for copays and associated up-front costs.

Better organizational outcomes

Revenue is the engine that keeps the healthcare system running smoothly. The disruption seen in 2020 and beyond has impacted patients, providers, and stakeholders alike. Provider expenditures grew across the board, while sources of revenue were skewed greatly due to increased Federal COVID spending (up 36.0% in 2020, compared to 5.9% growth in 2019) as well as reduced spending by consumers (down 3.7%) and insurers (down 1.2%). An efficient RCM system bolsters revenue streams and offers a degree of future-proofing.

Overview of the Revenue Cycle Process

There are many opportunities for process improvement throughout the revenue cycle. By better understanding how these functions relate to each other, your RCM team can identify weak points and craft a strategy to eliminate them.

Start of claim

The revenue cycle process begins the moment a patient schedules an appointment. This is the point at which vital demographic information is gathered by the administrative side. The information will ultimately be used as part of the patient's bill, or claim. Determining insurance eligibility early ensures any procedures that need pre-approval can be processed in a timely manner.

Claim submission

During the claim submission stage of the process, the clinical information from the patient's visit is transcribed and coded so the provider and insurers understand exactly what procedures and supplies are represented in the claim. Charge entry is the final task in this step, resulting in an itemized list of charges.

Claims management

Claims management encompasses all steps involved with processing claims through insurers, including Medicaid. Claims are approved or denied by insurance, followed by rework and resubmission where applicable. When managed well, this stage has a significant impact on increasing revenue by reducing claims denials.

Patient statements and collections

Once the provider has received all eligible payments from insurers, the remaining balance of the claim is sent to the patient as a statement of financial obligation, or a bill. The patient collections stage may involve setting up a payment

plan for larger bills. Any payments received are documented, and necessary action is taken when claims become past-due.

Analytics and evaluation of results for improved functionality

Analytics from each stage of the RCM process should be reviewed regularly by parties representing all relevant departments to ensure opportunities for improvement aren't missed.

Challenges and Opportunities in RCM

The RCM process involves a great many moving parts. Due to strict regulations within the healthcare industry, there are challenges associated with implementing changes to an RCM strategy, though many of those challenges present opportunities for improved digital solutions and more efficient organizational structure.

Compliance

HIPAA has reduced administrative costs by setting rules for the security and portability of personal health information across medical systems. Any digital or outsourced services utilized by organizations for the RCM process must be HIPAA compliant. Investment in cybersecurity is a must for healthcare organizations.

Billing and Coding

Incorrect coding is a costly error. Reworking a claim costs on average $25 per claim. Half the time denied claims aren't even reworked, leaving potential payouts from insurers on the table. The goal of any RCM strategy should be submitting clean claims the first time.

Siloing data

Data silos create the potential for inflated administrative costs. Breaking down these silos is a matter of employing the right digital strategy, as well as training personnel to ensure accurate data flow between departments.

Provider credentialing

Healthcare provider credentialing requires a great deal of data monitoring and reporting by both providers and insurers. Proper reporting is necessary for remaining on an insurer's approved provider list. Being an approved provider increases opportunities for revenue from claims payments by insurers, as well as a wider pool of potential patients who carry that insurance.

Data analytics

Regularly analyzing the efficiency of each function of the RCM process is the best way to know what is working and what needs improvement. The digital tools used should include robust analytics to keep your organization on-pace for increased revenue.

Patient-focused care

Healthcare professionals who provide direct services to patients should be freed up from as much administrative work as possible so they can remain patient-focused throughout the day. Automation and outsourcing of regular administrative tasks where feasible will improve patient care and experience.

Invest Now for the Long Term

With the changing pace of technology and the COVID-accelerated shift to more telehealth and digital care solutions, now is the time to invest in optimizing your RCM. There are qualified RCM professionals who can assist you in the process of sifting through all the available services to find the one that is right for your organization.

Just as it is important for healthcare professionals to connect with patients as individuals, it is important that changes of this size and nature are met with proactive training and education for administrators and clinicians throughout your organization.