

The Importance of Revenue Cycle Management in Healthcare



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In order to deliver quality patient care — and succeed financially while doing it — healthcare providers today face unparalleled challenges.

Increased operating costs and competition, evolving regulatory issues, complex billing, and a global pandemic are all factors impacting providers. Together they also all reinforce the need for organizations to ensure their **revenue cycle management** (RCM) is streamlined and efficient.

Businesses in virtually every industry rely on RCM to bill what they're owed and to pay for expenses, all in a timely manner. In retail, for example, transactions can be completed almost instantly.

Revenue cycle management in healthcare, however, is much more involved. It relies on both the administrative and clinical side of patient care to effectively communicate, starting with a patient's pre-registration — all the way through treatment to full payment.

Why Healthcare Revenue Cycle Management is Important

The US healthcare system comprises thousands of hospitals and providers, and more than 900 [payers](#). With so many moving parts, players, and touchpoints involved, coupled with a rapidly changing healthcare industry, the opportunity for errors that lead to **waste-related costs are mounting**.

On the flipside, the opportunity for organizations to minimize these errors with an improved revenue cycle could save millions in realized cash flow. It can also create a **competitive advantage** in the process by emphasizing their focus on patient care, throughout the entire continuum of care.

Revenue cycles can minimize waste

It's estimated that anywhere from [\\$760 billion to \\$935 billion of annual healthcare spending](#) (approximately 30%) could be considered "waste." For healthcare providers, the key takeaway is this: their ability to provide care for patients in the first place rests heavily on the health of their bottom line and their viability as a business.

[Denial of claims](#) and subsequent write-offs is the primary culprit when it comes to waste in healthcare. These denials typically arise from a failure to consistently follow an established and streamlined process. With a revenue cycle in place, as this Becker's Hospital CFO Report indicates among other findings, [90% of denials are preventable](#). That type of waste management could lead to upwards of \$5 million in additional revenue for the typical US hospital.

Revenue cycles can simplify administrative policies

Reducing administrative complexities within organizations, as well as between providers and payers, is a primary purpose of revenue cycle management.

According to [McKinsey & Company](#), simplifying and automating the types of activities related to the delivery of care — such as payment transactions, operational functions, customer and patient services, and administrative clinical support — could help net the healthcare industry upwards of **\$265 billion in savings**. Or put another way, **\$1,300 for each American adult**.

Other areas of everyday healthcare operations revenue cycle management can positively impact include:

- Proper care of delivery and coordination
- Overtreatment prevention
- Fraud and abuse identification and minimization
- Pricing failures

Revenue cycles bridge the gap between care and the business of care

Large or small, every healthcare provider exists to deliver the best care possible to as many patients as possible. Of course, the first step for anyone who isn't feeling well is to call for an appointment.

This initial touchpoint in the **revenue cycle**, when properly managed, sets in motion a chain of events that guides the process from start to finish. With accurate information that follows the patient throughout their care, stress can be reduced, potential claims or payment confusion is minimized, and the overall patient experience is enhanced.

For small to midsize clinics, the stress can fall more squarely on those delivering the care. When doctors are responsible for not only seeing patients but also managing their revenue calculations as well, physician burnout is a very real outcome.

Revenue cycles track and boost billing cycles

While collecting what patients owe is one of the very last steps in the revenue cycle, it's also one of the hardest. The U.S. Department of Commerce reports that an account 60 days past due only has a 70% chance of recovery. After six months, it only has a 30% probability of being paid.

What's more, [it can take twice as long to collect](#) from a patient than a payer.

As every provider today knows, communicating back and forth with healthcare insurance providers requires patience and industry know-how. Revenue cycle management can help make it easier to communicate back and forth between provider and payer with minimized errors in filings, and quicker resolution to denials.

Revenue cycles provide metrics for analysis and improvement

By monitoring metrics within revenue cycle management processes, practices can continue to improve the patient experience with more timely, transparent care — from initial visit, to treatment, to billing.

The Impact of COVID on Healthcare Revenue Cycle Management

The effects of the COVID-19 pandemic in healthcare are far-ranging and have pushed the revenue cycle into uncharted waters.

When COVID landed on our shores in early 2020, the shutdown of services was widespread and the drastic impact widely realized. [Healthcare providers across the industry experienced up to a 50% drop in volume](#) in visits, including an almost zeroed-out effect on [elective procedures](#) that will outweigh the care for COVID.

To that end, organizations still need to continue to minimize the snowball effect on the front end of the process with proper medical coding and documentation that can be measured. But perhaps **the greatest opportunity is on the**

back-end with denied claims, no-response claims, and partially or underpaid claims that can amount to 20% to 30% of an overall claim volume.

The bottom line is, COVID has ushered in the need for the [next generation of healthcare models](#) that include adaptive payer models, advances in telehealth, and [value-based care](#). With it, **healthcare revenue cycle management** will need to adapt to guide the process and ensure financial viability.

Should Providers Partner With Revenue Cycle Experts?

With efficient revenue cycle management in place, benefits can be realized throughout the continuum of a patient's care, including:

- Increase in claims paid after first submission
- Reduced denial rates
- Increase in net revenue
- Reduced outstanding accounts receivable
- Faster claims payment and less lost claims
- Simplified process with less stress to staff
- Increased value to key stakeholders

For some providers, the responsibility of revenue cycle management can create conflict with other administrative duties and become overwhelming. If that's the case, working with an outside entity can not only relieve some of that stress and error, but provide access to resources your practice wouldn't otherwise have.

As an extension of your practice, [Medical Economics recommends finding the proper RCM partner](#) by ensuring they offer:

- Certified coders/billers
- Understanding of your specialty
- Familiarity with your Electronic Health Records (EHS)
- Strong reporting capabilities
- Billing frequency capabilities
- Proven denial procedures

Patient-first Care Across the Continuum

Healthcare spending in the U.S. continues to increase annually at a rapid rate, [projected to reach upwards of \\$6.2 trillion by 2028](#). With so much volume and so many touchpoints in the process comes the very real potential for waste and lost revenue.

Effective revenue cycle management in healthcare can help practices operate more efficiently, and even realize greater profits while delivering care to those who need it most. When they need it most.

For more about revenue cycle management and how Dean Dorton can help your practice assess their current process, connect with us today.

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