Beyond the Bottom Line: Revenue Cycle Outsourcing as a Means to Achieve Tangible Value For Your Practice
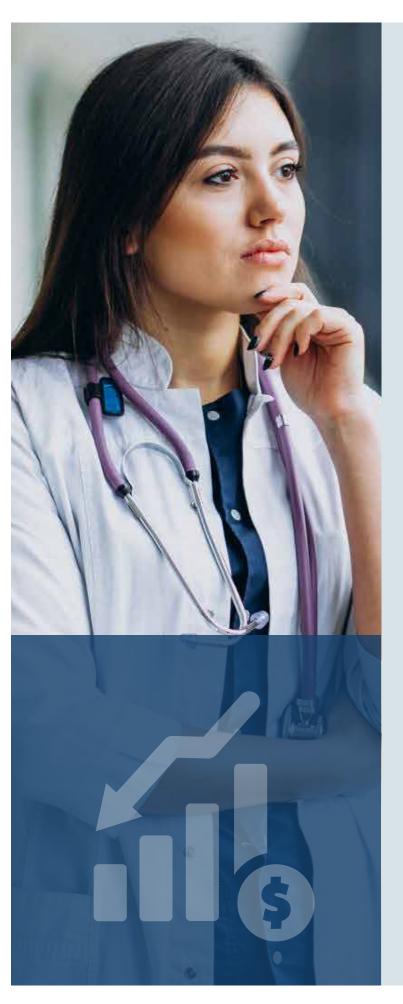
Summary

Presented in the paper is a comprehensive overview of the nuances of revenue cycle management (RCM) and the intricacies of handling it internally in a hard-pushed healthcare setting. Besides combing out the complexities associated with billing and RCM operations, the paper also attempts to pick up on the primacy of revenue cycle outsourcing (RCO), i.e., how an outsourced team of dedicated process specialists can make the cycle simpler, smoother, and more efficient by taking care of the tricky and tedious parts of the process.

This paper is designed to assist you in optimizing your revenue cycle performance and achieving tangible value for your practice in the long run while stretching your growth curve beyond the bottom line. As part of the paper, the aim is to provide you with an in-depth understanding of the challenges that come with managing the revenue cycle in-house and the benefits that outsourcing revenue cycle management operations can bring to the table.

Introduction

It is estimated that hospitals lose $68 billion each year due to billing errors, and the credit for this huge revenue loss goes to the mis-management of revenue cycle processes. It goes without saying that mismanaged patient accounts, inaccurate coding, under-billing, and overbilling are the real culprits that put the kibosh on the healthcare facilities' financial viability as well as their ability to deliver quality care.

Not following up on payments, not collecting co-pays or deductibles, or not reconciling accounts in a timely manner, providers can experience delayed payments and even deni-als of reimbursement from payers—which in turn— lead to decreased revenue, lower cash flow, increased overhead costs, poor patient experience, and ultimately poor credibility as a provider.

Outsourcing can help reduce the administra-tive and operational burdens on existing staff, allowing them to focus on more specialized tasks. The global healthcare outsourcing market is expected to grow at a 9.6% growth rate by 2026 from $296.4 billion in 2021, a total value of $468.5 billion. Major reasons for this growth in outsourcing are attributed to the increasing demand, viability, and recognition of outsourcing services among providers.

Background

With increasing healthcare reforms, increased regulatory scrutiny, and ever-evolving reimbursement models, the healthcare industry is confronting unprecedented challenges. As a consequence, there is an ever-increasing pressure on healthcare providers to stay managed and efficient with their financial undertakings, i.e., patient billing and revenue cycle —and—to remain competitive in an extremely volatile industry.

It has been found in a recent study that 22% of healthcare practices in the US chose to outsource some of their revenue cycle management activities, and an additional 12% plan on doing so in the future. You can dream of increased operational output and financial stability at your practice with specialized outsourcing services at your disposal.

Outsourcing revenue cycle functions can increase efficiency in the healthcare system with reduced costs and streamlined processes. The testimony lies in the fact that outsourcing has a proven record of helping companies cut costs by an average of 15%, with the potential to save up to 70% on operational and customer service expenses. Thus the cost-saving symmetry outsourcing offers alongside streamlined billing and RCM operations makes it an investment well worth considering.

Challenges of Managing Revenue Cycle In-house

Managing financial aspects of healthcare services is a vital part of the RCM process and it is tasked with ensuring that the processes involved in financial services are as efficient as possible. Many healthcare organizations traditionally manage RCM processes in-house, an approach that can often lead to practices failing as a result of inadequate management.

Managing healthcare RCM internally may present the following challenges:

01 Resource Requirements

Professionals trained in billing, collections, and coding are essential to managing the revenue cycle. Small to medium-sized practices tend to have a difficult time attracting and retaining such talent, as it can be quite expensive to train them and provide them with proper infrastructure to support their work.

02 High Cost

The in-house management of healthcare RCM also comes with a high cost. As per the estimates, approximately 7.5% of all healthcare revenue is spent on RCM. Among healthcare organizations with limited resources, the likelihood of experiencing problems in terms of cost is higher.

03 Compliance Issues

Typical community hospitals spend nearly $7.6 million annually on compliance-related administration. There are still compliance issues in place. Managing the revenue cycle in-house can make it hard for providers to stay in compliance with regulations. In the event of failure, heavy fines and legal liabilities may be incurred.

04 Technology Infrastructure

A system for electronic health records (EHR) can cost anywhere between $15,000 and $70,000 per provider. Now determine the cost of setting up the whole IT infrastructure to manage other RCM processes. Maintaining these systems in line with technology advancements is costly and complex to do in-house.

05 Data Breach

There is a general assumption that healthcare providers spend around 5% of their annual budgets on cybersecurity to keep data breaches to a minimum. If not done properly, you may end up failing to protect patients' data, resulting in penalties and charges. It, as the evidence shows, is more likely to fail if you attempt to handle it in-house.

06 Time Consumption

In a well-run medical billing department, the collection period can be as short as 40-50 days when working efficiently. However, accuracy issues may persist if handled improperly by an inefficient internal team—it may lead to delays in collections. This is true for other RCM tasks as well, resulting in more time being consumed as a result.

07 Financial Risks

Approximately 30% of claims are denied, lost, or ignored by Medicare and Medicaid Services, according to the Centers for Medicare and Medicaid Services (CMMS). If you manage your revenue cycle internally, you may be exposed to unwarranted financial losses as a result of denials, rejections, and failed payments. Challenging here is to get your healthcare facility ready to handle these risks.

It is possible to encounter inefficiencies, data breaches, time constraints, and poor patient experiences when managing the revenue cycle on an internal basis. Healthcare organizations opt to outsource revenue cycle management to third-party vendors, which provides an efficient and cost-effective means of improving revenue cycle management and lowering costs.

Benefits of Outsourcing Revenue Cycle Management to an Expert

01 Substantial Cost-Saving

The International Organization for Standardization, in its report, estimates outsourcing can reduce a business's costs by 15%. These cost savings can help you stay competitive and maximize profits. Furthermore, it can allow your practice to reinvest those savings into expanding your healthcare practice, making it even more competitive in the market.

02 Improved Practice Performance

Aside from reducing costs, outsourcing RCM functions can also help improve the performance of the revenue cycle process. According to a study, 68% of healthcare providers saw an improvement in accounts receivable days after outsourcing their RCM functions. Additionally, 82% of the respondents reported an improvement in their net collection rates as well.

03 Enhanced Compliance

The findings of a leading market research organization revealed that 86% of healthcare providers that outsourced their RCM functions reported improved compliance with regulations such as HIPAA, HITECH, and others. The right RCO provider can help you manage privacy, compliance, and data security. Keeping up with compliance can save you from paying hefty fines and legal liabilities.

04 Increased Staff Efficiency

RCM outsourcing lets you focus on core functions like patient care and clinical operations while saving time and resources. As reported in a study by the Healthcare Information and Management Systems Society (HIMSS), outsourcing RCM functions can result in a 30% reduction in the time spent by personnel on billing and collections. This can improve staff efficiency and reduce burnout, leading to higher patients.

05 Enhanced Clinical Outcomes

Healthcare providers can also improve the quality of their clinical outcomes by utilizing revenue cycle outsourcing. In addition to optimizing revenue cycle processes, RCO providers can help healthcare providers invest in clinical programs and initiatives that improve patients' outcomes by ensuring timely and accurate reimbursements.

06 Scalability and Flexibility

With the well-managed IT infrastructure in place, RCO providers can help your practice remain agile and nimble in the face of unexpected fluctuations. By leveraging RCO providers, you can quickly and effectively scale up operations to meet any changes in demand or volume, allowing you to remain agile and competitive in the ever-evolving business environment.

07 Improved Patient Experience

According to a study conducted by the Medical Group Management Association (MGMA), outsourcing RCM functions can reduce patient complaints by 50 percent. As a result of streamlining the registration and billing processes, RCO providers can reduce the stress and frustration patients commonly experience when it comes to healthcare bills. They can improve billing accuracy, reduce billing errors, and provide more accurate insurance verification.

Revenue cycle outsourcing can improve patient experiences by streamlining the revenue cycle, reducing patients waiting time, and ensuring that bills and insurance claims are processed accurately. Using technology and expertise, an RCO partner can optimize revenue cycle workflows, allowing healthcare providers to focus on what they do best, i.e., providing quality care. Thus, healthcare providers improve patient experience, their credibility as a provider, and ultimately their bottom lines.

Conclusion

Healthcare organizations looking to reduce costs while improving their revenue cycle management performance should consider revenue cycle outsourcing. While cost savings and revenue enhancement are the key benefits of RCO, it can also bring tangible value to your practice in the form of improved patient experiences, enhanced compliance, improved staff efficiency, and scalability and flexibility. Amidst the ever-increasing pressures and challenges that healthcare organizations are experiencing, RCO can be an effective way for them to remain competitive and continue to deliver high-quality health services to their patients.

How Can Capline Fit into Meeting Your Revenue Cycle Requirements?

Peter Drucker, an Austrian-American management consultant, educator, and author, puts it so well, "Do what you do best and outsource the rest." Taking Peter Drucker's quote to its logical end, it appears that the idea of outsourcing your RCM operations to a billing & RCM expert like Capline Healthcare Management has a legitimate basis — just in case you aren't sure whether utilizing outsourcing can be a way forward to maximize your practice productivity and profit.

Over 400 practices have benefited from Capline's expertise and technology intervention to streamline their RCM operations, including health care billing and claims processing. With an experienced team of healthcare billing and revenue cycle professionals, Capline has enabled greater accuracy and efficiency, resulting in improved cash flows for their clients. Leverage Capline's integrated suite of revenue cycle management services designed to maximize revenue, improve practice performance, and enhance patient satisfaction.

Contact Info

888-444-6041

thinkgrowth@caplineservices.com

3838 N Sam Houston Pkwy E. Suite 430 Houston, Tx, 77032