Guidehouse

2024 Revenue Cycle Management Report

Making Every Claim Count

U.S. hospital and health system leaders cited payer challenges and staffing shortages as top areas of stress in today's complex revenue cycle landscape, according to a Guidehouse analysis of a Healthcare Financial Management Association survey. Among the 134 healthcare executive respondents, most are investing in supplemental staffing/managed services and digital solutions to resolve these challenges. The survey analysis reveals critical insights into strategies to improve revenue cycle operations so that healthcare providers leave no revenue uncollected.

outwit complexity ™

Guidehouse + Healthcare Financial Management Association (HFMA) Survey

In an industry where every claim counts, revenue cycle management is critical to the success, stability, resilience, and growth of hospitals, health systems, physician and dental groups, and other healthcare providers.

Guidehouse analyzed a survey conducted by HFMA in May 2024 of 134 chief financial officers and other C-suite and financial health system executives to learn more about their revenue cycle challenges and opportunities. The survey analysis reveals critical insights into revenue cycle pain points, solutions, and investments.

Insights Snapshot

Pain Points – Payer challenges represent the greatest area of stress, with 41% of leaders experiencing denial rates above 3.1%
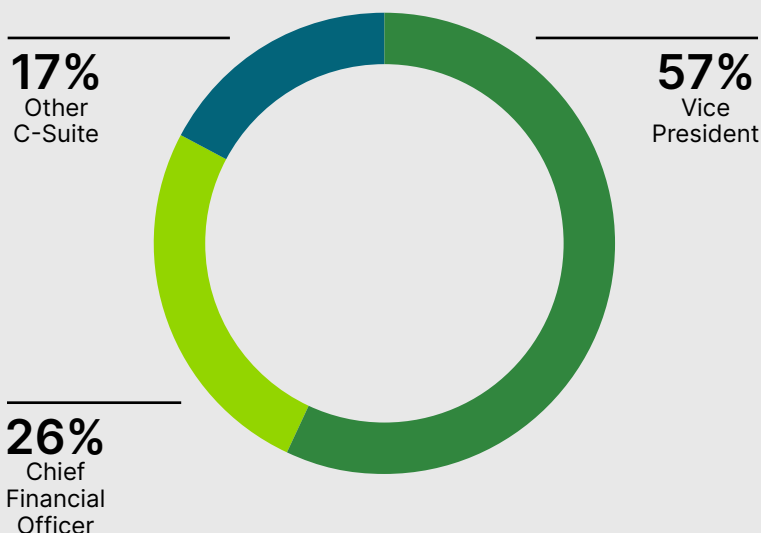
Solutions – Outsourcing is the top strategy for solving staffing shortages, and 71% of leaders are satisfied with their vendor partners

Investments – Automation, AI, and machine learning are the highest investment priorities for revenue cycle over the next year
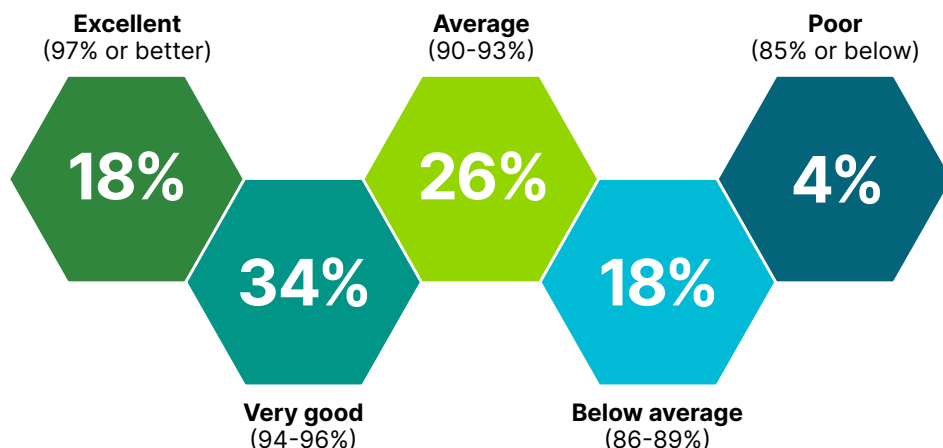
Health System Survey Respondents

17%
Other
C-Suite

57%
Vice
President

26%
Chief
Financial
Officer

Revenue Cycle Pain Points

Financial challenges associated with revenue cycle management continue to top the list of the biggest areas of concern among provider executives. Nearly half of healthcare leaders reported a 93% or less net collection yield, representing a significant opportunity to improve performance.
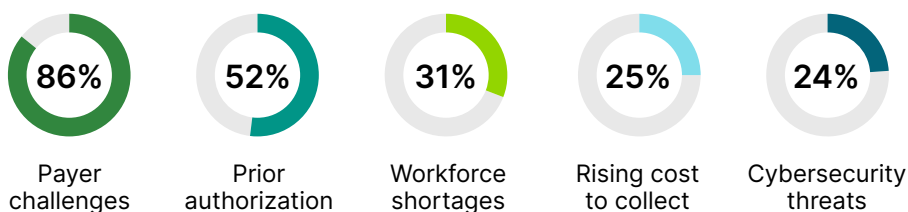
FIGURE 1.1 Assess the overall performance of your revenue cycle by percent of net collection yield.

Excellent
(97% or better)
18%

Very good
(94-96%)
34%

Average
(90-93%)
26%

Below average
(86-89%)
18%

Poor
(85% or below)
4%

Payer Challenges

A vast majority (86%) of executives cited payer challenges as their top area of stress and more than half of leaders flagged prior authorization as the second-highest area of stress.

FIGURE 1.2 Select the top three areas of stress to your revenue cycle department.

86%
Payer challenges

52%
Prior authorization

31%
Workforce shortages

25%
Rising cost to collect

24%
Cybersecurity threats

---

[1] https://www.beckershospitalreview.com/finance/hospital-average-days-cash-on-hand-hit-10-year-low-s-p.html

[2] https://www.ama-assn.org/system/files/prior-authorization-survey.pdf

KEY TAKEAWAYS

Yield is the most important indicator of revenue cycle performance. However, optimizing yield is an everyday battle that requires a variety of activities for swift and efficient reimbursement.

Median days cash on hand have dipped to a 10-year low for hospitals and health systems.[1] Between the complexities of reimbursement, denials, payment delays, and more, healthcare providers are leaving the revenue they have earned on the table. To get paid correctly, leaders must think like payers do by expertly navigating the payment process and making yield their most important key performance indicator with a goal to leave no revenue uncollected.

KEY TAKEAWAYS

The dynamics between payers and providers—a constant tug-of-war amidst the processing of claims, prior authorization requirements, denials, and payment delays—can negatively impact an organization's financial viability.

While a vital part of the revenue cycle process, prior authorizations are complicated and time-consuming — and the volume of requests only continues to rise. Many payers have increased requirements for prior authorizations, leading to more denials and increased cost to collect due to appeal activities. Additionally, prior authorizations cause operational delays and higher administrative burden. A 2023 American Medical Association survey found that, on average, organizations spend 12 hours completing 43 prior authorizations per week.[2]

Payer Challenges: Denials

Denials represent a significant roadblock for providers. Nearly 30% of leaders reported final denial rates between 3.1% and 5%, with more than 10% that cited final denial rates greater than 5%. Less than one-third of leaders cited having a final denial rate between 0-2%.

Looking at Medicare Advantage denials, 22% of leaders reported denial rates between 6.1% and 9%, with one-third that cited denial rates greater than 9.1%.

FIGURE 1.3 Assess your fatal and Medicare Advantage denial rates.

40%

Struggling with elevated
fatal denial rates

55%

Struggling with **Medicare
Advantage denial rates**

Workforce Shortages

The third major area of stress for executives (31%) is shortages in the revenue cycle workforce. Additionally, most leaders (90%) reported that revenue cycle labor challenges further exacerbate operations.

✅ **KEY TAKEAWAYS**

Higher-than-average denial rates indicate internal process breakdowns, documentation issues, and payer delay tactics such as requesting additional information. Plus, the time and effort needed to research and collect documentation to appeal fatal denials has become unsustainable. The goal should be to achieve a final denial rate of 1% or less; however, staffing shortages impact an organization's ability to counter the increased level of activity.

For Medicare Advantage specifically, providers typically realize only a portion of reimbursement as compared with traditional fee-for-service Medicare. Guidehouse experts have seen reimbursement realization levels as low as 90%.[3] The most common reasons are payer denials and prior authorizations.

✅ **KEY TAKEAWAYS**

Both providers and payers continue to face workforce shortages. For providers, being understaffed and experiencing increases in denials is a disastrous mix. To overcome these compounded complexities, providers need the staff necessary to bullishly manage the entire process—from front-end staff handling patient access to back-end processing and collection.

The struggle to recruit and retain qualified staff members—and the resulting high turnover—is costing organizations in more ways than one. In addition to the obvious breaks in revenue cycle continuity, providers invest significant time and money in training, onboarding, and benefits for new employees who often don't stay long enough for employers to realize a return on investment.

[3] https://guidehouse.com/insights/healthcare/2023/the-advantage-in-medicare-advantage-for-providers

KEY TAKEAWAYS

As the need for effective electronic health record integration, revenue cycle automation and modernization, and digital health continues to grow, provider technology systems have become prime targets for cybercriminals.

Laying the groundwork for a strong cybersecurity posture and risk mitigation program is imperative in today's healthcare environment. Testing incident response programs by implementing executive security simulations for revenue cycle management and clinical operations in the face of any level of cyber incident is critical to avoid detrimental financial and operational disruptions.

Cybersecurity

Notably, nearly 25% of leaders reported cybersecurity as a key area of stress in the revenue cycle. A 2023 Guidehouse survey analysis found cybersecurity infrastructure to be a top digital and technology investment priority for providers in 2024.[4] This comes as a wave of ransomware attacks have infected the healthcare industry, creating near- and long-term vulnerabilities.

Revenue Cycle Solutions and Investments

Executives pointed to outsourcing and digital services as key solutions for revenue cycle management sustainability.

Consulting and Outsourcing

Leaders cited consulting and outsourcing as the top strategies for overcoming revenue cycle staffing challenges. In fact, 77% of executives stated they already use some form of revenue cycle outsourcing, either full or partial, to help manage tasks like patient registration, coding, billing, claims, or accounts receivable (A/R) workflows.

FIGURE 2.1 Does your organization use outsourcing vendors?

23%
No

77%
Yes
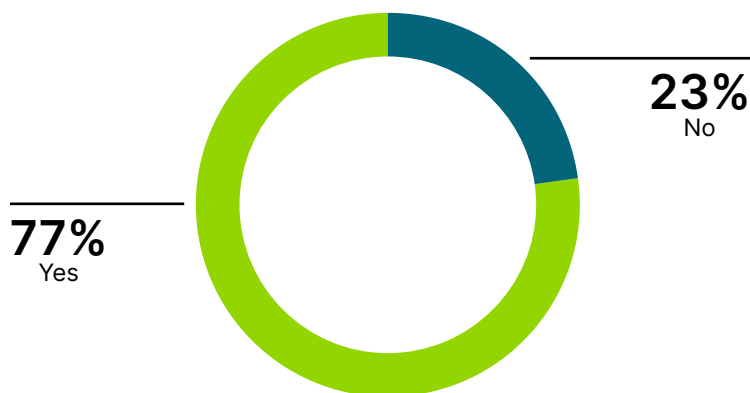
KEY TAKEAWAYS

Revenue cycle consulting and outsourcing partners can help healthcare providers achieve higher yield optimization so they can get back to the business of caring for patients.

Guidehouse experts have enabled clients to achieve final denial rates below 1%, A/R days below 50, and a revenue cycle management staffing vacancy rate below 5%. Learn more.

---
[4] https://guidehouse.com/insights/healthcare/2023/2024-health-system-digital-and-it-investments

Vendor Satisfaction

The majority of leaders are satisfied with their revenue cycle outsourcing partnerships, with nearly half reporting that they are somewhat satisfied and a quarter saying they are very satisfied. Only 13% of leaders cited unsatisfaction with revenue cycle outsourcing partners.

FIGURE 2.2 How satisfied are you with your current revenue cycle outsourcing partnerships?

Very satisfied	25%
Somewhat satisfied	46%
Neutral	16%
Somewhat unsatisfied	10%
Very unsatisfied	3%
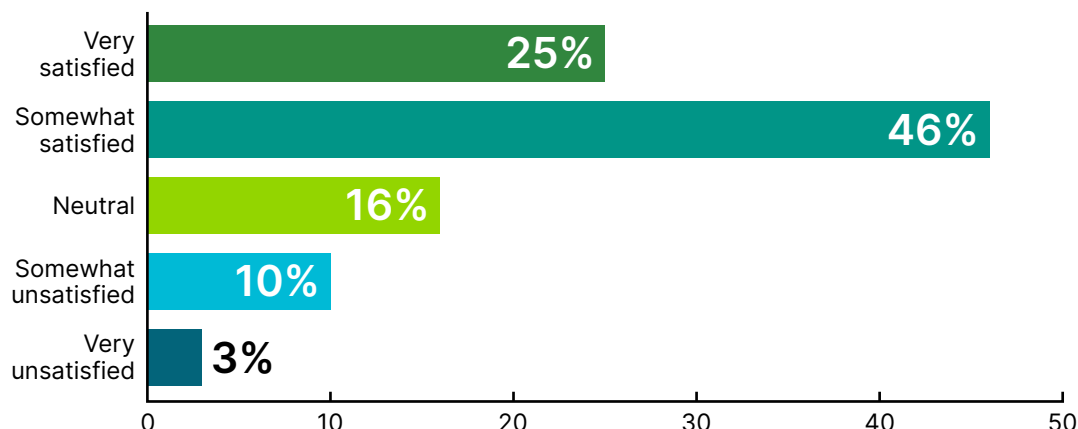
✓ KEY TAKEAWAYS

Outsourcing and managed services experts provide organizations a strategic upper hand by identifying scalable opportunities and areas of improvement and helping to create a customizable roadmap to successful revenue cycle management. Leaders should look for reliable managed services partners that can provide the following benefits.
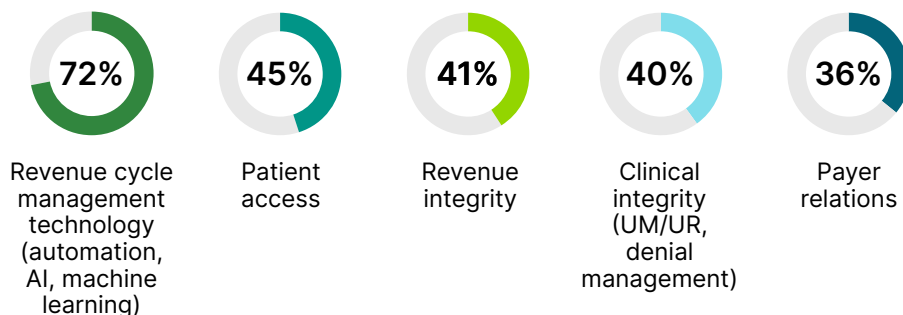
- **Streamlined administration and efficiency:** Less burden on staff to handle billing, coding, and collections, and fewer billing/coding errors and denials, translating to faster returns
- **Cost savings:** More efficient overhead, technology spend, and staff training
- **Compliance:** Improved compliance with current laws and regulations, lowering risk of penalties and losses for compliance errors
- **Cybersecurity:** Continuous protection of critical assets to mitigate risks that can compromise revenue cycle performance

Guidehouse helped a renowned research university and academic medical center increase net collections by 17.8% (a $324 million value) in two years with an end-to-end outsourcing initiative focused on utilization management and increasing overall yield. Learn more.

Digital and Technology

Executives reported that their highest priority for revenue cycle investment in the next 12 months is technology, such as automation, artificial intelligence (AI), and machine learning. Additionally, leaders cited automation as the second-most important strategy to address revenue cycle staffing challenges.

FIGURE 2.3 Select your highest priorities for revenue cycle investment over the next 12 months.

72%	45%	41%	40%	36%
Revenue cycle management technology (automation, AI, machine learning)	Patient access	Revenue integrity	Clinical integrity (UM/UR, denial management)	Payer relations

✓ KEY TAKEAWAYS

Providers are planning to heavily invest in automation, AI, and machine learning to address staffing shortages while streamlining operations, improving efficiency, and filling gaps. Research shows AI adoption alone has led to accelerated payment cycles, with payments processed within 40 days versus the standard 90.[5]

This trend aligns with broader industry movements, as noted in Guidehouse's 2023 Digital and Technology Report, which found that providers have increased their digital and IT budgets over the past few years.[6]
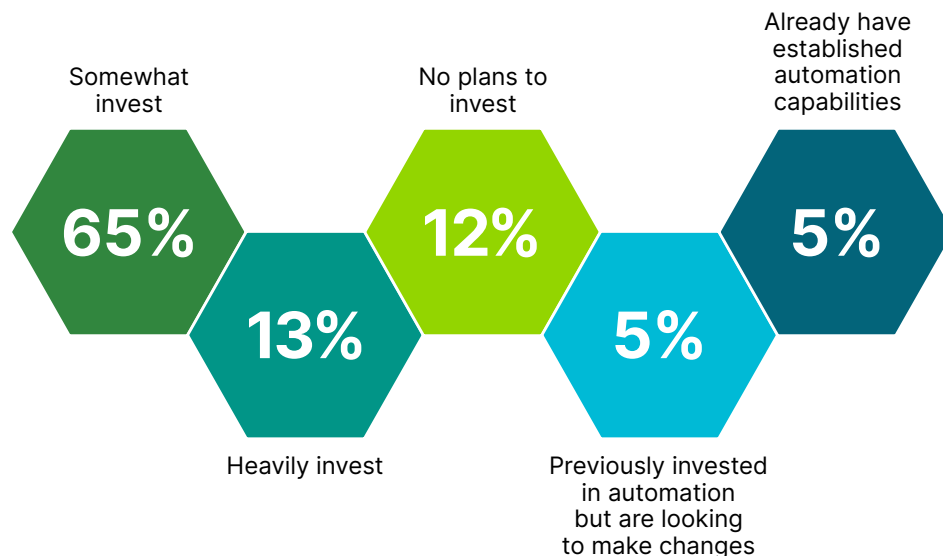
[5] https://mds.marshall.edu/etd/1824/
[6] https://guidehouse.com/insights/healthcare/2023/2024-health-system-digital-and-it-investments

Revenue Cycle Automation

When asked about their projected investment plans for revenue cycle automation, 78% of leaders said they plan to invest in this area over the next year. Despite increased interest, only 10% of leaders reported that they have invested in or established automation capabilities.

FIGURE 2.4 Describe your projected investment plans in revenue cycle automation over the next 12 months.

Somewhat invest

65%

Heavily invest

13%

No plans to invest

12%

Previously invested in automation but are looking to make changes

5%

Already have established automation capabilities

5%

KEY TAKEAWAYS

For healthcare organizations to get the best results and return on investment when applying automation, AI, and machine learning capabilities to revenue cycle management, they should:

- Assess data and technology governance, cybersecurity, and quality
- Determine whether the application is appropriate for each user's use case and patient population
- Identify metrics for validation, testing, measuring impact, and managing expectations
- Never lose sight of the human element

Guidehouse helped one healthcare client impact over $44 million in denied accounts that needed rework by optimizing their core technology and launching conversational AI with robotic process automation to deliver a unique automation experience. Learn more.

Patient Access

Notably, patient access was selected as the second-highest priority (45%) for investment. However, nearly one out of three leaders reported having limited to no success with previous investments in patient access.

KEY TAKEAWAYS

Improving access and the consumer experience requires much more than opening a digital front door. It requires 24/7 omnichannel access that gives individuals what they need at that moment and exceeds their customer service expectations. Adopting consumer experience as the end-to-end, top-to-bottom core value of the organization makes that possible.

Guidehouse works with industry leaders such as Yale New Haven Health/Yale Medicine and Tampa General Hospital on improving patient access to grow market share, reduce leakage, improve capacity, optimize revenue, and enhance consumer brand loyalty. A 2024 American Hospital Association report explores how the journey to improving patient access begins and documents their successes. Learn more.

Revenue and Clinical Integrity

Approximately 40% of leaders ranked revenue and clinical integrity as the third- and fourth-highest priorities, respectively.

✔ **KEY TAKEAWAYS**

Targeted investments in utilization management/review (UM/UR) and denial management have become strategic priorities for revenue cycle leaders because they address nuanced payer challenges and complexities while boosting financial performance.

Revenue and clinical integrity investments can fine-tune the documentation, coding, and billing process, minimizing discrepancies that lead to costly denials and underpayments. Leaders turn to UM/UR enhancements to ensure services are appropriate and aligned with payer expectations. Enhanced and/or tech-enabled denial management investments help providers identify systemic issues early, allowing for swift resolution and lasting yield optimization.

As part of its long-term partnership with a safety net hospital, Guidehouse implemented a comprehensive revenue and clinical integrity initiative. The project improved patient access and revenue integrity, as well as enhanced clinical documentation and coding with a 99% physician query response rate, and delivered cash collections at 108% of goal, timely payer notification of 100%, and reduced denials for medical necessity and no authorizations. Learn more.

Payer Relations

More than one-third of leaders plan to invest in payer relations.

✔ **KEY TAKEAWAYS**

Leaders should focus on evaluating the level of strategic, clinical, and financial alignment between their organization and its contracted payers. Quantifying yield across business lines for payers, identifying the discrepancies that exist, and working with payers to resolve issues with denials and payment delays every day is key.

Guidehouse partnered with The Steadman Clinic on a tailored physician revenue cycle outsourcing strategy, focused on A/R management to improve cash collections and reduce days in A/R. The initiative increased monthly cash collected by 21% and decreased average A/R days by 35%, achieving a clean claim rate that consistently exceeded 95% within six months. Learn more.

Conclusion

Today's revenue cycle management landscape can be overwhelming, with soaring healthcare expenses, workforce shortages, and payers often changing criteria for payments. Collecting every dollar owed for quality healthcare services is a taxing undertaking.

In the face of rising financial and operational pressures, leading healthcare organizations are leaning into innovative revenue cycle outsourcing/managed services and digital solutions to expertly navigate the payer process, maximize claims, and boost returns.

We know that every claim counts. That's why healthcare providers turn to Guidehouse's Best in KLAS® revenue cycle management advisory, digital, and managed services. Our experts bring a proven track record of helping providers combat payer challenges, reduce denials, eliminate staffing issues, improve physician satisfaction, and optimize operating costs. Take our complimentary, confidential risk assessment to rapidly identify your revenue cycle vulnerabilities and opportunities for improvement. **Learn more**.

About Guidehouse

Guidehouse is a global consultancy providing advisory, digital, and managed services to the commercial and public sectors. Guidehouse is purpose-built to serve the national security, financial services, healthcare, energy, and infrastructure industries. Disrupting legacy consulting delivery models with its agility, capabilities, and scale, the firm delivers technology-enabled and focused solutions that position clients for innovation, resilience, and growth. With high-quality standards and a relentless pursuit of client success, Guidehouse's more than 17,000 employees collaborate with leaders to outwit complexity and achieve transformational changes that meaningfully shape the future. guidehouse.com

🌐 guidehouse.com/rcm   ✉ healthcare@guidehouse.com   in linkedin.com/showcase/guidehouse-health