

# Quick-Hitting Survey Outsourcing Revenue Cycle Management

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## Executive Summary

The global healthcare market for outsourcing revenue cycle management (RCM) is expected to increase in valuation by 96% to \$23 billion in 2023.<sup>1</sup> Despite this projected growth, the extent to which Leading Health Systems are willing to outsource the entirety of their RCM function is still unknown.

## Methodology

In February 2019, The Health Management Academy conducted qualitative interviews with financial executives of Leading Health Systems to assess interest in outsourcing RCM. The 7 responding Chief Financial Officers (CFOs) and Vice Presidents (VPs) of Finance represent health systems with an average Total Operating Revenue (TOR) of \$6.3 billion that own or operate 120 hospitals and have approximately 1.3 million admissions per annum.

## Key Findings

- Large health systems (TOR>\$5B) are less likely to outsource end-to-end RCM services compared to small health systems (TOR<\$2B).
- Most health systems are extremely unlikely to enter into equity arrangements with RCM companies, potentially marking a slowdown in the recent trend in equity partnerships.

## Results

### Health systems are unlikely to pursue end-to-end RCM outsourcing or equity arrangements

Despite recent growth in the RCM outsourcing market, Leading Health Systems are not eager to outsource end-to-end RCM solutions or enter into equity arrangements with third-party RCM companies (Figure 1).

Factors affecting outsourcing decision making include:

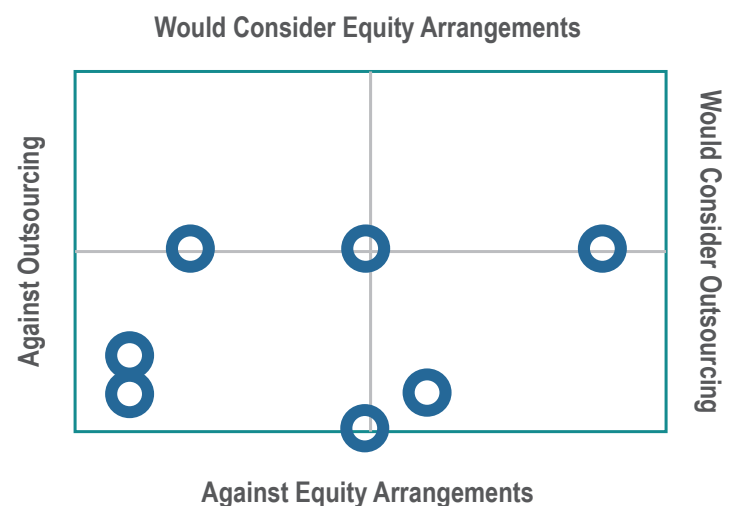
#### Periods of transition

Health systems experiencing periods of transition, such as a merger or change in senior leadership, are more likely to outsource certain components of their revenue cycle as a short-term solution.

#### Shortage in labor or leadership

Health systems recognize that they are often the largest employers within the communities they serve and are therefore reluctant to outsource labor and cut jobs within the community. Health systems will however, consider outsourcing labor if there are staffing shortages within their market. For these systems, outsourcing to offshore labor pools is very attractive.

FIGURE 1. WILLINGNESS TO OUTSOURCE RCM OR ENTER INTO EQUITY ARRANGEMENTS (n=7)



<sup>1</sup> "The Market Reports." Global Healthcare RCM Outsourcing Market by Manufacturers, Countries, Type and Application, Forecast to 2023. Accessed March 12, 2019. <https://www.themarketreports.com/report/global-healthcare-rcm-outsourcing-market-by-manufacturers-countries-type-and-application-forecast-to-2023>.

### Need for enhanced technology and automation

Executives view the future of RCM trending towards the use of more advanced technology (e.g., blockchain, AI.). Although most executives indicated that financial savings stemming from outsourcing RCM is the most important factor when considering RCM strategies, some find the advanced technology to be most appealing (Figure 2).

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*“Our RCM is good and nothing has caused us to look outside of our organization. Our cost to collect and the rest of our indicators are good as well.”*

– CFO

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### Factors affecting RCM equity decision-making include education, availability, and internal dynamics

Despite recent growth in the RCM market, it is still unclear whether financial executives perceive RCM outsourcing as vital to the stability or growth of their organizations. Awareness of equity partnerships has increased; however, health systems are still reluctant to enter this market. CFOs and financial executives revealed the following factors influence their decision to pursue equity arrangements with RCM vendors:

#### Education around data-driven success

Advancements made by larger, perceived as more innovative health systems seem to be viewed as unattainable goals for the average health system. Executives seek data demonstrating improvements across key performance indicators from their peers who have achieved success in this space.

#### Availability

Health systems expect the availability of equity opportunities to diminish over time as large health systems pursue such arrangements with a limited number of RCM companies in the market. Furthermore, health systems are hesitant to have stakes in companies where a competing health system already has share.

#### Internal dynamics

RCM equity decision making can often create internal conflict between a health system’s RCM division and senior leadership dissuading health systems from outsourcing.

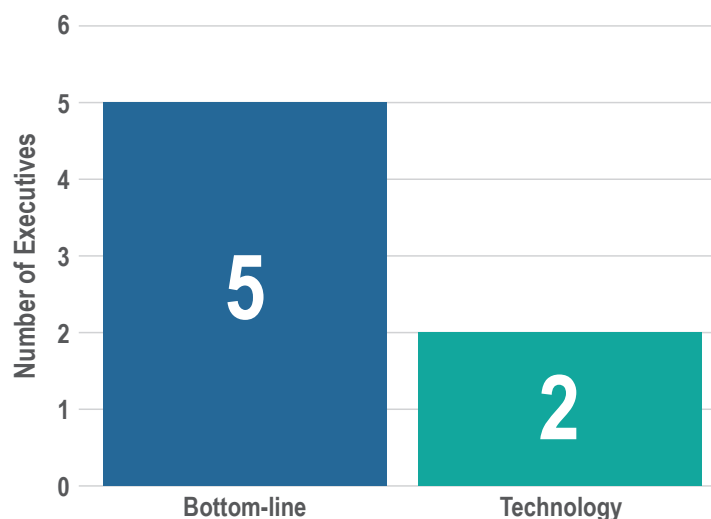
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*“RCM companies have to stop offering equity as an incentive, or else there will be nothing left.”*

– VP of Finance

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FIGURE 2. MOST IMPORTANT FACTOR WHEN CONSIDERING OUTSOURCING (n=7)



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*“I would never say never, but I need to understand what they are bringing to the table that we don’t already have.”*

– VP of Finance

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