Knack RCM

Whitepaper

The Advantages of a Scalable, Future-Ready RCM Model for Sustainable Growth

Achieving Revenue Cycle Excellence Through People and Technology

As healthcare margins tighten and staffing shortages persist, medical practices must adapt to ensure financial sustainability. Recent headlines have reported multiple organizations missing payroll, laying off significant numbers of staff, and closing facilities.[1,2,3]

However, many organizations are taking the approach of outsourcing clinical or nonclinical job functions. According to an article by Managed Healthcare Executive, "The global hospital outsourcing market is anticipated to grow from $375.1 billion in 2023 to $612.24 billion in 2027, a 14.4% compound annual growth rate."[4] The article mentions claims processing, billing, and coding as "ripe for outsourcing."

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Each practice is unique and must carefully weigh the best pathway to meet its needs and those of the communities it serves. A scalable, future-ready revenue cycle management (RCM) model—leveraging both people and technology—should be an essential part of these discussions.

Today's Most Pressing Revenue Cycle Challenges

Increasing Denials

When questioned about their most significant revenue cycle challenges, the majority of healthcare leaders say increasing denials are at the top of the list.[5] Payers are using more sophisticated technology to flag potential issues, especially regarding claims, prior authorizations, and medical necessity. For example, Medicare Advantage plans denied 7.4% of prior authorization requests in 2022, yet 83.2% of those that were appealed were overturned.[6] This means that providers have had to appoint scarce staff and waste untold hours appealing denials that should have been paid in the first place.

[1] https://www.beckershospitalreview.com/finance/perfect-storm-for-cash-flow-how-this-hospital-missed-payroll.html?origin=RCME&utm_source=RCME&utm_medium=mail&utm_content=newsletter&oly_enc_id=5878G0123745E2Z
[2] https://www.beckershospitalreview.com/finance/4-hospitals-health-systems-cutting-jobsjan19.html
[3] https://www.beckershospitalreview.com/finance/steward-to-close-2-ohio-hospitals.html?origin=BHRE&utm_source=BHRE&utm_medium=email&utm_content=newsletter&oly_enc_id=4324E2629090F6Y
[4] https://www.managedhealthcareexecutive.com/view/why-diy-hospitals-are-outsourcing-clinical-nonclinical-services
[5] https://www.prweb.com/releases/new-plutus-health-revenue-cycle-management-challenges-index-2023-offers-insights-into-healthcare-revenue-management-301928063.html
[6] https://www.kff.org/medicare/issue-brief/use-of-prior-authorization-in-medicare-advantage-exceeded-46-million-requests-in-2022/

The Financial Impact of Denied Claims

40% of healthcare leaders report an annual revenue loss of over 500,000 due to denied claims.[7]

18% of healthcare leaders report an annual revenue loss of over $2M due to denials.[8]

$43.84 The average cost of appealing a single denied claim.[9]

3 The average number of payer reviews undertaken for each denied claim.[10]

45-60 DAYS The average time spent for each payer review.[11]

Regulatory Changes

Keeping up with ever-changing and complex payer requirements and federal and state regulations is also high on the list of health leaders' top challenges.[12] Even seasoned revenue cycle professionals can find it challenging to stay on top of payer requirements. For organizations with staff shortages or high turnover in their revenue cycle teams, the effort becomes even more difficult. Denials resulting from payer requirements related to eligibility verification, prior authorizations, medical necessity, and timely filing deadlines can have a significant impact on cash flow and revenue.

Coder Shortages

Coding quality is another area where organizations often struggle. The American Medical Association reports that there is "a 30% shortage in medical coders."[13] Stressed coders or new, inexperienced coders are more prone to make errors, which can cause denied claims and delayed or inaccurate reimbursement. It can take many years to become a high-performing coder as there are tens of thousands of codes, with hundreds of codes added or removed every year.[14]

Poor quality coding and a lack of coding staff can have significant ramifications. New coders are much more likely to make mistakes. Since coding errors are considered "fraud" and "abuse," even if they are "innocent mistakes," they can result in payer audits, takebacks, and penalties. The MDaudit Annual Benchmark Report found a "50 percent increase in risk-based audits across professional and hospital billing and a 170 percent increase in hierarchical conditions coding (HCC) audits."[15]

[7] https://premierinc.com/newsroom/blog/trend-alert-private-payers-retain-profits-by-refusing-or-delaying-legitimate-medical-claims#:~:text=There%20are%20indirect%20costs%20to,between%2045%20and%2060%20days.

[8] https://premierinc.com/newsroom/blog/trend-alert-private-payers-retain-profits-by-refusing-or-delaying-legitimate-medical-claims#:~:text=There%20are%20indirect%20costs%20to,between%2045%20and%2060%20days.

[9] https://premierinc.com/newsroom/blog/trend-alert-private-payers-retain-profits-by-refusing-or-delaying-legitimate-medical-claims#:~:text=There%20are%20indirect%20costs%20to,between%2045%20and%2060%20days.

[10] https://premierinc.com/newsroom/blog/trend-alert-private-payers-retain-profits-by-refusing-or-delaying-legitimate-medical-claims#:~:text=There%20are%20indirect%20costs%20to,between%2045%20and%2060%20days.

[11] https://premierinc.com/newsroom/blog/trend-alert-private-payers-retain-profits-by-refusing-or-delaying-legitimate-medical-claims#:~:text=There%20are%20indirect%20costs%20to,between%2045%20and%2060%20days.

[12] https://www.techtarget.com/revcyclemanagement/news/366600324/Claim-Denials-Pose-Expensive-Problem-for-Providers

[13] https://www.ama-assn.org/about/leadership/addressing-another-health-care-shortage-medical-coders

[14] https://www.cms.gov/medicare/coding-billing/icd-10-codes/2024-icd-10-cm

[15] https://www.techtarget.com/revcyclemanagement/news/366599930/Providers-See-Fourfold-Increase-in-External-Payer-Audits#:~:text=External%20payer%20audits%20increased%20alongside,professional%20visits%20by%2015%20percent.

Collection Challenges

The vast adoption of high-deductible health plans (HDHPs) means patients are now responsible for more of their medical costs, making patient collections more crucial than ever. At the same time, high deductibles have made it more challenging for patients to pay. The average maximum out-of-pocket deductible for a family is $16,100.[16] Growing medical debt is another factor; in the past five years, medical debt has grown 46%.[17]

Besides making it difficult for patients to pay and providers to collect, HDHPs and medical debt can cause patients to put off needed care. KFF reports, "One in four adults say that in the past 12 months they have skipped or postponed getting health care they needed because of the cost."[18] The report also indicates that 21% of adults have put off filling a prescription, and 10% have skipped doses or cut their medicine in half because of costs. When patients put off care or do not take their medications as prescribed, their conditions may deteriorate, leading to avoidable hospitalizations and costly visits to the emergency department. This, in turn, can impact outcomes and reimbursement for providers participating in value-based payment programs.

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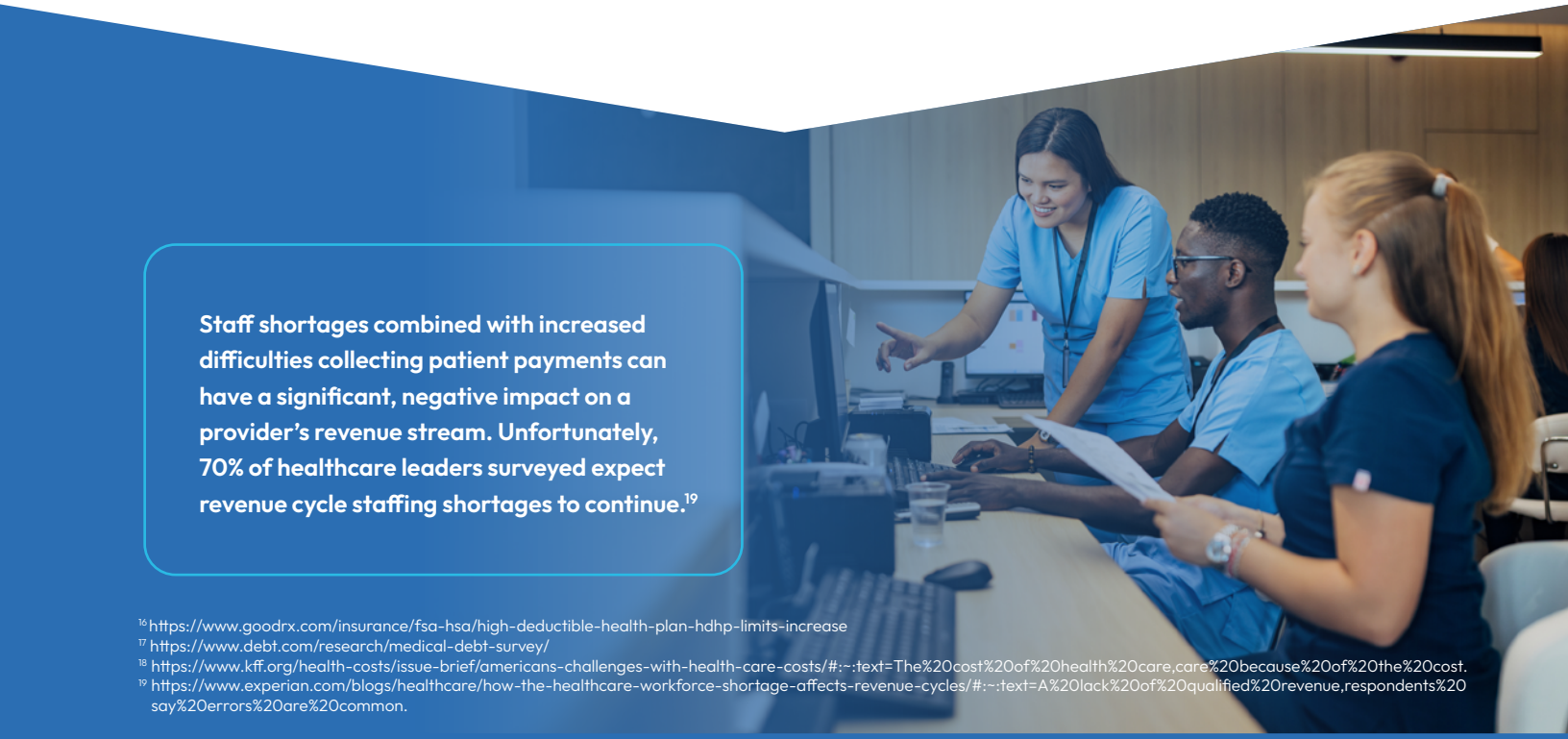
Staff shortages combined with increased difficulties collecting patient payments can have a significant, negative impact on a provider's revenue stream. Unfortunately, 70% of healthcare leaders surveyed expect revenue cycle staffing shortages to continue.[19]



[16] https://www.goodrx.com/insurance/fsa-hsa/high-deductible-health-plan-hdhp-limits-increase
[17] https://www.debt.com/research/medical-debt-survey/
[18] https://www.kff.org/health-costs/issue-brief/americans-challenges-with-health-care-costs/#:~:text=The%20cost%20of%20health%20care,care%20because%20of%20the%20cost.
[19] https://www.experian.com/blogs/healthcare/how-the-healthcare-workforce-shortage-affects-revenue-cycles/#:~:text=A%20lack%20of%20qualified%20revenue,respondents%20say%20errors%20are%20common.

The Impact of Staffing Shortages on Revenue Cycle Operations

80% of healthcare leaders say turnover in their revenue cycle staff is 11% to 40%.[20]

92% of healthcare leaders say that errors made by new staff have caused significant delays or declines in reimbursement.[21]

70% of healthcare leaders say staffing shortages have caused an increase in denials.[22]

43% of healthcare leaders say patient collections and payer reimbursements are the revenue cycle channels most impacted by staffing shortages.[23]

How Leveraging a Scalable Model Can Help

While staffing shortages exacerbate RCM challenges, they also highlight opportunities for innovation. The pandemic spurred widespread adoption of telehealth and hybrid workforces, opening the door to revenue cycle management and technology-driven solutions.

How Technology Enhances RCM Performance

Practices partnering with scalable RCM solutions benefit from:

- **AI and Robotic Process Automation (RPA):** Automates error-prone manual tasks and enhances efficiency.
- **Advanced Analytics:** Metrics such as clean claims rate, denial rate, and days in A/R help monitor performance and identify improvement areas.
- **Predictive Insights:** Forecasting and trend analysis to improve revenue recovery and decision-making.
- **Seamless Patient Engagement Tools:** Offer patients online payment portals, text reminders, and financial counseling for improved payment collections.

Benefits of a Global, Scalable Solution

- Larger pool of revenue cycle experts to pull from
- Lower labor costs
- Greater financial resources to build a larger workforce
- Scalability to meet fluctuating needs
- Around-the-clock revenue cycle operations
- Extensive experience in U.S. payer management
- Reduction of backlogs
- Less stress on existing staff means reduced turnover

[20] https://www.experian.com/blogs/healthcare/how-the-healthcare-workforce-shortage-affects-revenue-cycles/#:~:text=A%20lack%20of%20qualified%20revenue,respondents%20say%20errors%20are%20common.
[21] https://www.experian.com/blogs/healthcare/how-the-healthcare-workforce-shortage-affects-revenue-cycles/#:~:text=A%20lack%20of%20qualified%20revenue,respondents%20say%20errors%20are%20common.
[22] https://www.experian.com/blogs/healthcare/how-the-healthcare-workforce-shortage-affects-revenue-cycles/#:~:text=A%20lack%20of%20qualified%20revenue,respondents%20say%20errors%20are%20common.
[23] https://www.experian.com/blogs/healthcare/how-the-healthcare-workforce-shortage-affects-revenue-cycles/#:~:text=A%20lack%20of%20qualified%20revenue,respondents%20say%20errors%20are%20common.

SUCCESS STORY:

Largest Provider of Medically Integrated Vision Care in the U.S.

Challenge

The provider had previously outsourced their revenue cycle management (RCM) operations to a third-party healthcare BPO provider but faced several critical staffing, quality control, and operational responsiveness challenges.

The vision care provider recognized the need for a change and sought a new partner capable of addressing these issues. After a thorough vendor assessment, they chose to partner with Knack because of their fast ramp-up timeline and commitment to quality and responsiveness.

The Provider turned to Knack to:

- Deploy 400+ resources, including supervisors and auditors, within the deadline.
- Complete a comprehensive knowledge transfer with clear communication metrics and training plans.
- Initiate a pilot run to measure project performance and ensure quality parameters were met.

Results

Through a well-executed strategy focused on speed, quality, and transparency, Knack was able to deliver exceptional results within the client's tight timeframe:

Production started on Aug 15 as expected with 30% of output and gradually increased to 85% by Sep 23

The project achieved a 97% or better quality rating throughout the production timeline

Stakeholder satisfaction was high, with positive feedback on the onboarding process and operational performance after the pilot run.

Next Steps

With revenue cycle challenges and staffing shortages expected to continue, providers must consider a new approach to achieve financial sustainability. Leveraging a global solution can bring a faster return on investment than local recruiting, hiring, and training. Global revenue cycle experts are typically familiar with the top practice systems and processes, so they can begin adding value on day one. Partnering with a revenue cycle outsourcing partner like Knack RCM can help.

Knack RCM helps healthcare organizations optimize their revenue streams while minimizing administrative costs and improving patient satisfaction. Their carefully curated, experienced team of global professionals understands the complexities of healthcare billing, payer policies, and reimbursement processes, all of which help improve their clients' financial performance. Services include:

- Payment posting
- Charge entry & audit
- Medical coding
- Accounts receivable
- Denial management
- Provider enrollment & credentialing

With Knack RCM, medical practices have achieved the following improvements:

- **4%-13%** increase in net revenue
- **20%** reduction in accounts aged over 90 days
- **30%** reduction in denials
- **98%** clean claims rate

To learn more about revenue cycle management outsourcing or Knack RCM, visit knackrcm.com.