R1 RCM's $4.1B acquisition of Cloudmed positions it as a market leader in revenue cycle management

Article

The news: Revenue cycle management (RCM) company **R1 RCM** is acquiring its competitor **Cloudmed** for $4.1 billion, including $857 million in net debt. The deal is expected to close in the second quarter.

More on this: Both companies focus on improving RCM in healthcare through technology like AI. For context, the RCM process involves all payments-related tasks from the start of a patient encounter through provider payment. These tasks include patient insurance eligibility, copays, claims submission and management, and billing.

- R1 RCM uses tech-powered solutions to improve the patient payments experience and optimize financial performance for providers, making sure they don't lose out on untapped revenues.

- Similarly, Cloudmed's software analyzes healthcare finances (like claims data and revenue captured) to identify undiscovered revenue sources and ensure accurate reimbursement.

How we got here: R1 has made previous acquisitions that have covered different aspects of RCM, from the standpoint of both consumers and providers.

- In 2020, R1 bought EHR giant Cerner's RCM business for **$30 million**.

- In May 2021, R1 scooped up digital health payments platform VisitPay for **$300 million**. This deal gave R1 a platform that streamlines the healthcare financial experience for consumers and access to major health system partners (like Intermountain and Geisinger) that already use it.

The bigger picture: This M&A deal primes R1 to become a top player in the healthcare RCM market—which is undergoing massive transformation, spurred by the pandemic's effect on hospital finances and a newfound focus on discovering revenue streams from telehealth.

- The acquisition fortifies R1's revenue intelligence and automation capabilities and gives it access to Cloudmed's roster of top-tier health system partners. **Cloudmed serves more than 400 health systems**, including 47 of the top 50 in the US.

- Health systems and hospitals had losses of nearly **$203 billion** in the first few months of the pandemic alone (largely due to low patient volumes and other COVID-19 related costs), per the AHA.

- So, it makes sense that health systems want to tighten their RCM to cushion against future financial hits by investing in tech tools like those offered by R1/Cloudmed.

On the flipside, as consumer frustration with existing healthcare payment processes rise, digital payment solutions like R1-VisitPay are long overdue.

- In an AccessOne Fall 2021 survey, 41% of consumers expressed confusion about medical bill coverages, and one in three consumers said communication on payment options for their bills could be improved.

Factors Driving Automation Investment and Growth in Healthcare According to US Healthcare Leaders, Dec 2020

% of respondents

Cutting wasteful spending will help us recuperate and grow faster
76%

Revenue collection is more important than ever given the reduction in elective procedures
67%

We need better predictability and insights into our operations
64%

The virtual work environment has required us to invest more in reliable technology
61%

We need more capacity—layoffs and furloughs have strained our staff
31%

Note: n=75
Source: Sage Growth Partners, "The State of Healthcare Automation" sponsored by Olive, March 9, 2021

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