

Why billing tech could help health system CFOs from falling behind on their 2022 revenue goals

Article

The data: Nearly half of health systems and physician groups say they're behind on their 2022 revenue goals, per a June R1 RCM survey of 205 health system CFOs and VPs shared with

Insider Intelligence via email.

- Health executives' top three financial concerns are **rising costs (25%)**, an **impending recession (22%)**, and **shrinking margins (21%)**.

How we got here: Health systems have yet to fully recover from the financial fallout brought on by the pandemic.

US health systems said their gross operating margins and revenues rose from April to May this year (compared with May 2021). However, they were still significantly lower than pre-pandemic levels, [per](#) Kaufman Hall's June 2022 National Hospital Flash Report.

Digging deeper into the data: Part of the problem is the healthcare labor shortage—it's a major cost.

- **About 48% of health executives** cited their healthcare organization's billing department or revenue cycle management (RCM) department had a **"severe" shortage**.
- **34% of execs** indicated their billing department had a "moderate" shortage.
- **10% reported a "mild" shortage** of admin staff.
- And **only 8% of execs said they have sufficient staffing** for their RCM departments.

Labor shortages mean health systems are doling out higher pay and seeing fewer hours worked. That's leading to elevated costs and affecting health systems revenues, per Kaufman Hall.

What's next? Many health execs want to either outsource their revenue cycle management duties or adopt new software to keep up with their revenue goals for the second half of the year.

- **About 28% of execs** are interested in finding a **RCM partner**, per R1 RCM.
- And **26% of leaders plan to adopt new billing/RCM software or eliminate redundant systems (24%)** currently in place.

Startups to watch: RCM entrants like R1 RCM and **Olive** are supplementing admin staffing challenges with tech that finds new revenue streams for health systems.

R1 RCM recently [acquired](#) competitor **CloudMed** in a **\$4.1 billion deal**, which primes it to become a top player in the healthcare RCM market.

- R1 RCM obtained access to Cloudmed’s roster of 400 health system partners, including 47 of the top 50 in the US, for instance.
- CloudMed’s software analyzes healthcare finances (like claims data and revenue captured) to identify undiscovered revenue sources and ensure accurate reimbursement.

Similarly, AI company Olive offers a suite of RCM solutions to over 900 US hospital partners.

- Last year, it acquired surgical analytics platform **Empiric Health** to help health system administrators with any variation in healthcare costs and patient outcomes.
- Its latest acquisition could help health systems target a costly area of healthcare—clinical waste. Overtreatment, care coordination failures, and a lack of care delivery accounts for up to 15.7% of health spending in the US, [according to](#) Peterson-KFF Health System Tracker data cited by Health Affairs.

