

2022

Mid-Year

# Healthcare Financial Trends Report

Today's top trends, priorities and concerns  
among healthcare executives

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## Foreword

The healthcare industry is facing a unique combination of challenges that are affecting providers, administrative staff and patients to an extent never before seen. Labor shortages (clinical and non-clinical), shrinking margins, and supply chain issues are dramatically impacting the patient experience and affecting our ability to deliver high-quality care both clinically and administratively.

I have been in the healthcare finance space for more than 30 years, and what we have experienced over the last three years has been devastating, eye-opening and a call to action to an industry that is a vital part of every community. We watched our colleagues struggle to keep up with the demands of a raging pandemic in 2020 and now, as we emerge, the systems, processes and people that were once in place are charged with finding a new way forward.

While these challenges present many difficulties, they also provide opportunities. As the proverb states, “necessity is the mother of all invention.” It’s a reckoning for leaders in healthcare to explore new solutions to transform how we care for our colleagues and communities.

The financial difficulties the healthcare industry is facing are driving a need for both digital and cultural transformation, which will lead to better outcomes for both staff and patients alike. The best way for health systems and physician groups to address these challenges is to focus on optimizing in every way they can: investing in people, processes and technology, and embracing an open mind regarding partnerships, employee reallocation and global delivery.



**Todd Craghead**

Former VP of Revenue Cycle,  
Intermountain Healthcare

SVP Commercial Relationships, R1 RCM

## Introduction & Methodology

One of the most notable outcomes of the pandemic has been the strain it has put on the healthcare industry. Increasing costs, shrinking margins and a labor shortage are making it more and more difficult to keep clinical and administrative staff and ensure excellent patient care. Health systems and physician groups across all departments have been impacted. While the news has largely focused on the clinical setting, the financial crisis is impacting all levels of healthcare and risking the patient experience and the bottom line, not to mention the ability of some hospitals, health systems and clinics to remain open.

With this in mind, R1 set out to uncover today's top priorities, concerns and trends for health system and physician group executive leaders, with a particular focus on revenue cycle management (RCM).

This report shares the data from this survey, as well as the stories behind it. If your health system, physician group or RCM departments have found the last few years difficult, you are not alone. Your peers are struggling as well, but many are forging an innovative path ahead.

With this report, you will have a view of the challenges faced by health systems today, as well as insight into how leading organizations are responding to them and improving their operations as a result.

### Methodology

R1 commissioned Censuswide to conduct an online survey of 205 CFOs and RCM VPs in the U.S. from health systems and physician groups. The survey ran from June 9 to June 16, 2022, and the results have a confidence interval of approximately +/-7%. Censuswide abides by and employs members of the Market Research Society which is based on the ESOMAR principles.

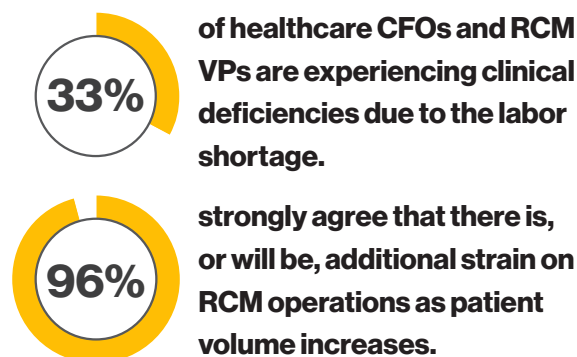


# Unprecedented Challenges in Healthcare

## Returning Patients & New Economic Pressures

As the pandemic slowly wanes, more patients are returning to the clinical setting for deferred procedures. But as they come back, staffing shortages are causing further complications.

Our survey found that:



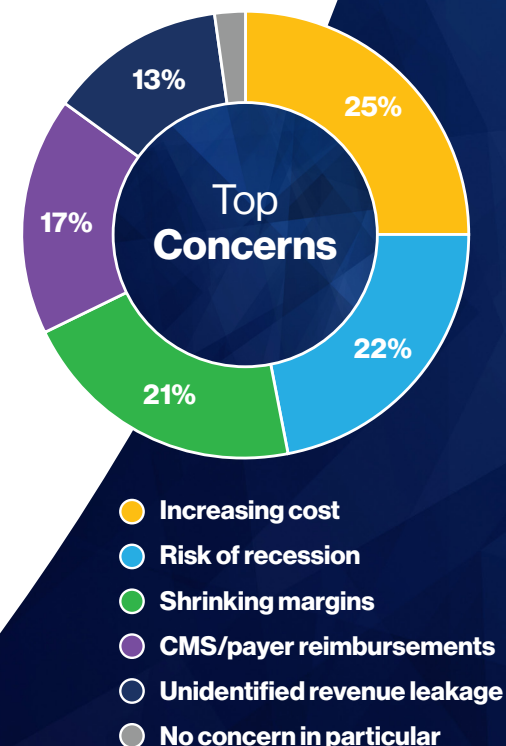
RCM departments are now competing for top talent like never before, which is becoming ever more expensive. Even if they find strong job candidates, health systems and physician groups cannot afford to recruit, hire and train new RCM employees (including staffing for key patient access areas, registration, scheduling, check-in and more) the

way they once could. Economic pressures and lingering pandemic-related workforce struggles are squeezing the bottom line.

According to Kaufman Hall, margins [have shrunk](#) across health systems. “The median Kaufman Hall Year-To-Date Operating Margin Index reflecting actual margins was -0.98% through July 2022.” The firm also shows that costs are going up. “[Labor expenses](#) at U.S. hospitals and health systems increased 37% per patient between 2019 and March 2022.”

Our data shows that 25% of healthcare CFOs and RCM VPs cite increasing costs as their top concern, but ‘risk of recession’ and ‘shrinking margins’ closely follow. To underscore these challenges even more, 46% say their organization is behind on their 2022 revenue goals. Healthcare leaders are at a crossroads. Their top concerns and underwhelming financial performance cannot be solved with small, cost-cutting initiatives. Leaders will have to rethink

how their organizations are structured and embrace a new way of operating to overcome this new era in healthcare. Partnerships, automation and global delivery can provide a path forward.



# Unprecedented Challenges in Healthcare

## Patients Expect More

In addition to competing for top talent, health systems also face tough market competition for patients as well. Today's consumers expect a convenient experience that allows them to take care of key tasks, such as scheduling or paying a bill, on their own. And patients will switch providers based on their experience. Giving patients unified interactions across each step of their journey, from booking to arrival to payment to continued engagement, is critical.

Elevated patient expectations, a lack of staff and high costs are all contributing factors that have led many organizations to begin considering outsourcing, with 28% of healthcare CFOs and RCM VPs saying they are focused on finding a strategic RCM partner in the second half of 2022.

The right RCM partner can remove repetitive tasks through intelligent automation, improved workflows and increased efficiency, so staff can focus on more satisfying work. In addition to increasing efficiency and satisfaction for staff, an RCM partner can help gain patient adoption of digital self-service tools. Such tools help providers meet patients where they are with the convenient experience they expect, while reducing costs and improving revenue capture.



# 2 Impacts of the Labor Shortage on RCM

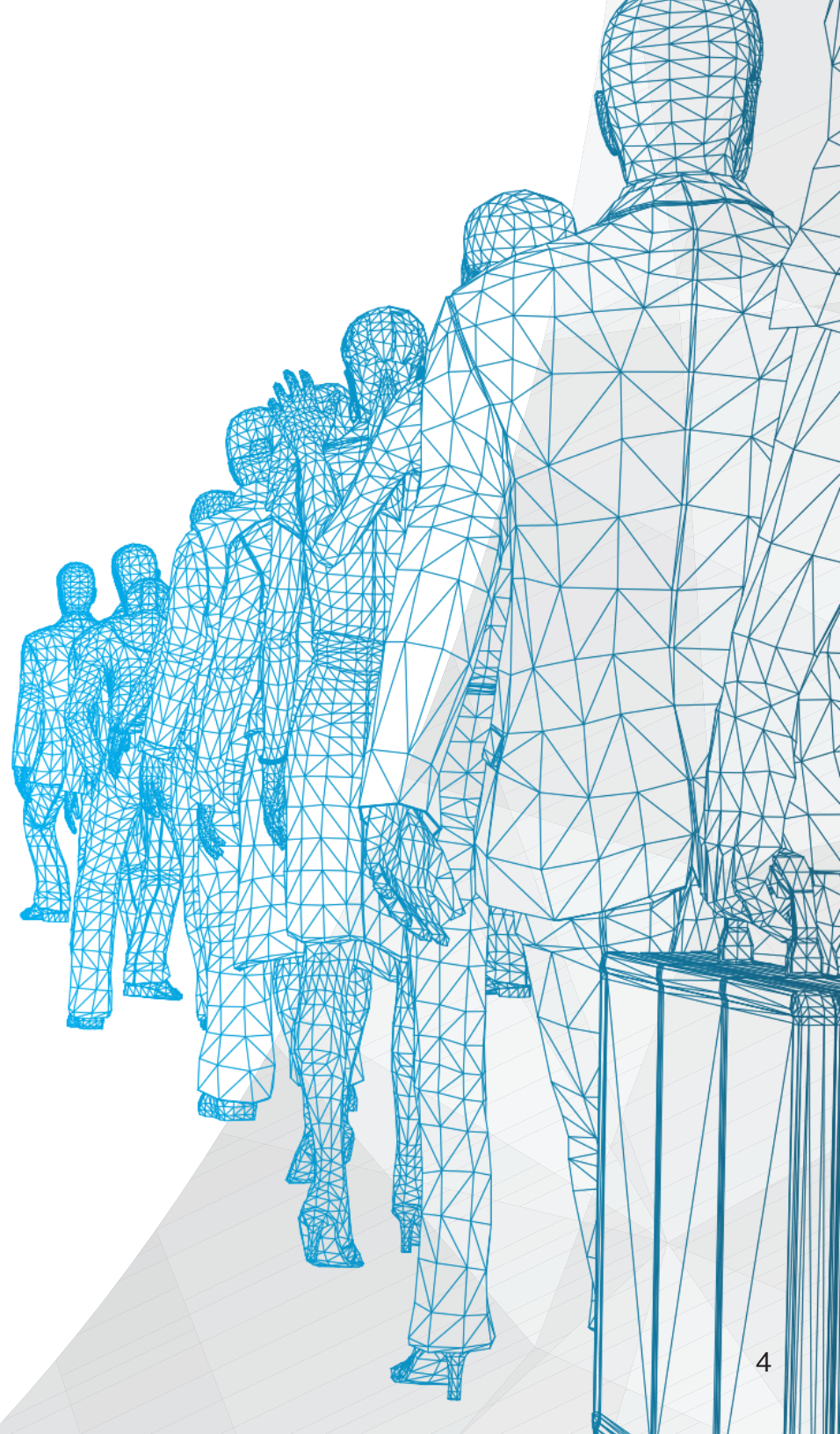
## Shortages Strain Health System and Physician Group Resources

Despite the benefits of digital patient experience tools, things are as difficult on the back end as they are on the front end: billing and follow-up teams are all strained by the labor shortages. It's clear that today's health systems simply don't have the resources they need to effectively process patients and clear them financially. This has slowed the speed to collect and resulted in higher collection costs.

Nearly half of the respondents to our survey report that they are experiencing a severe shortage in their organization's RCM or billing department:



As patient volume rises and revenue cycle positions remain unfilled, administrative burdens increase. The combination of staff shortages, increased revenue cycle complexity and technological advancements has led the healthcare industry to a point where automation is now a necessity.





# 2 Impacts of the Labor Shortage on RCM

## Improving Experiences Through Automation

Traditionally, RCM staff members carry out what are often mundane tasks like referrals, preregistration, authorizations, payments processing and so on.

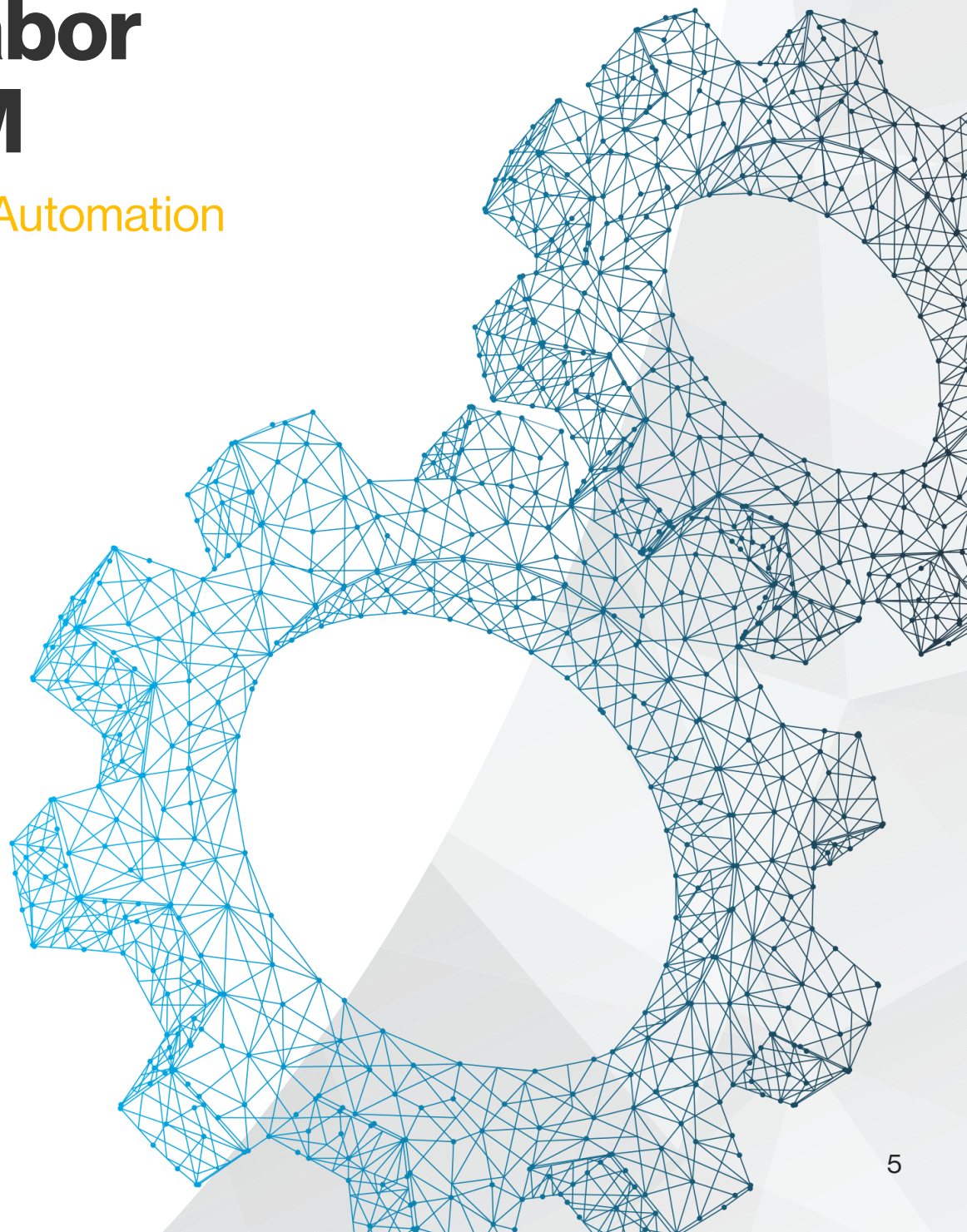
45%

**of healthcare CFOs and RCM VPs say labor shortages have led to longer hold times for scheduling and customer service calls.**

48%

**have witnessed patient billing errors due to lack of experienced staff for coding, claims and reimbursement.**

The right RCM partner can automate much of the routine, repetitive work, freeing health systems to invest in upskilling remaining staff to take on more complex assignments. Automation also makes for a more seamless patient journey at points along the revenue cycle while empowering staff to deliver better patient experiences.



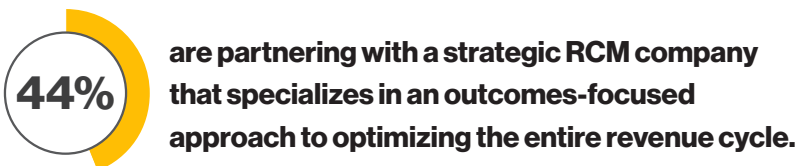


# 3 RCM Partnership & Global Delivery

## The Value of an RCM Partner

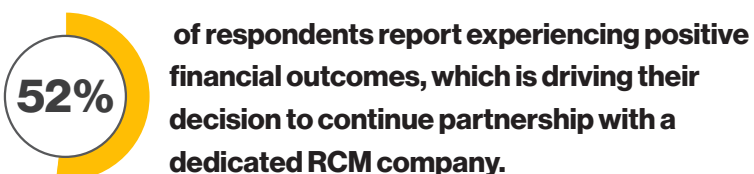
Today's challenging healthcare environment, including the labor shortage, has made more health systems consider the value of engaging with RCM partners.

Of respondents:



An RCM partner can assist in an end-to-end engagement or a targeted solution for the front, middle or back to help reduce total cost to collect, improve net patient revenue and enhance patient experience. For example, having processes and technology in place to capture complete registration information and secure prior authorizations on the front end reduces billing delays and payment denials on the back end. Breaking down silos allows teams to collaborate in a truly multidisciplinary way and deliver revenue cycle experiences that benefit everyone.

As such:

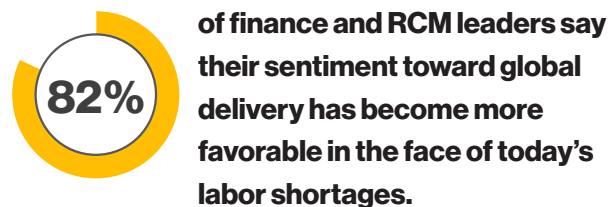


# 3 RCM Partnership & Global Delivery

## The Benefits of Global Delivery

Ultimately, the right RCM partner takes care of the revenue cycle so health systems can focus on delivering excellent clinical care and patient experiences. This includes providing end-to-end RCM solutions or deploying modular solutions for specific tasks. To enable flexibility and scalability, some work may be supported through global delivery, in which certain parts of the revenue cycle occur in offices overseas.

This may have been an obstacle in the past, but:



Many RCM companies use a global delivery model, as it helps reduce costs while maintaining high quality for revenue cycle tasks such as coding and chart review. The right approach to RCM outsourcing includes full transparency and control, whether the

work is being done by domestic or global teams. And the way to realize both is having an RCM partner that keeps global delivery within its own company. This model – as opposed to when an RCM partner contracts outside of its organization – also reduces security risks, because consistent and stringent security measures and standards are maintained under one umbrella.

A high-value RCM partner holds all its team to the same standards and processes no matter where they are located, so health systems never have to worry about service quality levels.



## Key Takeaways

Here are the top five takeaways from our research:

# 1

## As patients return to the clinical setting, RCM operations are strained.

96% of healthcare CFOs and RCM VPs strongly agree that there is, or will be, **additional strain on RCM operations as more patients return** for elective health appointments.

# 2

## RCM departments are experiencing unprecedented staffing lows.

90% of healthcare executives are currently experiencing a labor shortage in their RCM/billing department, while **50% of their RCM/billing roles are currently vacant.**



3

## Financial strains are affecting the patient experience.

45% of executives say patients are experiencing **longer hold times for scheduling and customer service calls**, while 48% have witnessed **billing errors due to lack of experienced staff**.

4

## Many health systems and physician practices are opting to partner with a trusted RCM company.

44% of financial and RCM leaders in healthcare are **partnering with a strategic RCM company that specializes in an outcomes-focused approach** to optimizing the entire revenue cycle.

# 5

## Health leaders are open to global delivery.

82% of finance and RCM leaders say their sentiment toward global delivery has become **more favorable in the face of today's labor shortages.**

Our findings exposed the concerns and financial challenges that are affecting health systems and physician group across the country. While labor shortages, shrinking margins and supply chain issues are dramatically impacting the patient experience and the bottom line, there is hope. **Partnerships, automation and global delivery can provide an innovative way forward.**



## About R1

R1 is a leading provider of technology-driven solutions that transform the patient experience and financial performance of hospitals, health systems, and medical groups. R1's proven and scalable operating models seamlessly complement a healthcare organization's infrastructure, quickly driving sustainable improvements to net patient revenue and cash flows while reducing operating costs and enhancing the patient experience.

To learn more, visit [r1rcm.com](https://r1rcm.com) or contact us at [contact@r1rcm.com](mailto:contact@r1rcm.com)