The RCM Maturity Framework: A 4-Stage Journey to Digital Transformation and Operational Excellence

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1. Introduction

Healthcare organizations are under mounting pressure to accelerate their rebound from the sustained and devastating financial losses that preceded the pandemic. By the end of 2022 – dubbed by Kaufman Hall as "the worst financial year since the start of the pandemic" – about half of US hospitals had negative margins as growth in expenses outpaced revenue increases.

Specifically, 2022 operating margins were 39 percent lower than 2021 margins, and 26 percent lower than 2019. Expenses in 2022 were up 7 percent over 2021 and 20 percent over 2019, with increasing labor costs bearing the brunt of the blame.[i] Further, while 2023 margins showed signs of improvement, Kaufman notes that they "continue to stand well below historical norms."[ii]

In response to this unprecedented financial stress, healthcare finance leaders are seeking ways to accelerate cash flow, reduce expenses, and increase profitability, with many turning to outsourcing and technology to transform their revenue cycle operations. The global healthcare revenue cycle management (RCM) outsourcing market, which reached $23.7 billion in 2022, is projected to grow to $62.4 billion by 2028 – a compound annual growth rate (CAGR) of 17.4 percent.[iii] That growth is driven in part by the push to outsource broader swaths of RCM services. A recent survey by the Healthcare Financial Management Association (HFMA) found that nearly 22 percent of respondents who manage their organization's inpatient RCM functions outsource at least some of their outpatient RCM and 12 would like to do so in the future.[iv]

On the technology front, research suggests that effectively deploying automation and analytics could eliminate up to $360 billion of spending in US healthcare, some of which would come from administrative functions including RCM, as well as scheduling, coordinating care with insurers, documentation, and claim or bill adjudication.[v] More than three-quarters of respondents to one HFMA survey indicated their organizations were already using or are in the process of implementing RCM automation tools, a 12 percent increase in just one year.[vi]

These steps – outsourcing and technology – are important aspects of achieving a high-performing revenue cycle. Understanding where an organization falls on the path to that goal can be best understood by determining its level of RCM maturity based on an established framework. This knowledge can then be used as the foundation of a strategic roadmap toward full maturity.

2.

The RCM Maturity Framework

The RCM Maturity Framework is a powerful diagnostic tool in the quest to optimize and digitally transform revenue cycle performance. It is the basis for a practical approach to RCM transformation that can help future-proof operations through a hybrid model of in-house management, outsourced services, advanced technologies, and actionable analytics.

Four stages make up the Maturity Framework: Emerging, Foundational, Advanced, and High Performing. Where an organization falls within those stages is determined by its level of maturity across three pillars:

1. Service delivery
2. Technology and interoperability, and
3. Analytics

Knowing their organization's status within each pillar, and therefore its stage of maturity within the Framework, allows finance and revenue cycle leaders to determine where their organization stands in comparison to other similar institutions. It also allows them to benchmark their current maturation level, identify the steps needed to accelerate the maturation process, and gain insights from high-performing organizations.

The RCM Framework allows leaders to create a customized roadmap for navigating their organization's unique journey toward operational maturity and enhanced revenue cycle performance by answering questions such as:

- What level of revenue cycle management maturity has your organization achieved?
- Are you aware of how high-performing organizations are achieving advanced maturity?
- Do you know what's needed to accelerate the maturation of your organization's RCM?
- Have you determined the intended destination for your journey?
- Does your team have the necessary skills and experience to take your revenue cycle operations to the next level?

Knowing the organization's stage of maturity and where it falls short within each pillar provides the directional clues needed to continue advancing toward operational goals.

Assessment framework to evaluate current state maturity of revenue cycle operations

	Emerging	Foundational	Advanced	High Performing
Service Delivery	**In-house** • Fragmented, de-centralized, delivery model • **100% in-house staffing model**	**Staff augmentation** • Limited degree of centralization • Foundation to scale is lacking • Staff augmentation vendors exist in pockets, comprising **<20% of work delivery**	**Complementary** • Complementary onshore vendors strategically support operations, comprising **up to 50% of required effort** • Centralization of like-services for inhouse populations is prevalent across business units	**Strategic integration** • Strategically leverage global partnerships, maximizing ROI and limiting reliance on inhouse staff. Vendors assist with **>50% of work effort** • Scalable delivery model • High degree of centralization

Technology and Interopera-bility	**Incompatible**
	• Minimal system integration between EMR/PM and other RCM technologies
	• Limited automation of core processes, resulting in manual intervention for **>80% of work**
	• Intelligent automation does not exist
		Standardized
		• Automation of processes allows for exeption-based processing for some processes
		    • Automated Eligibility used for **>80% of eligible visits**
		• Leading technology vendors utilized, opportunities exist to optimize
		• Intelligent automation has not matured beyond proof-of-concept stage
			Tech-enabled
			• Integrated tech infrastructure across enterprise
			• Exception-based processing heavily adopted, significantly reducing reliance on manual effort
			    • Prior Authorization automaton - **supports >50% of eligible visits**
			    • Computer Assisted Coding (CAC) applies to **100% of acute charts**
			    • Claim Status Inquiry for **>75% of eligible portal follow-up**
			    • Omnichannel Patient Payment solutions for **100% of patient collections**
			• Intelligent automation pilot(s) exist
				Automation-forward
				• Highly configured and optimized systems, aligned with operating model across all locations
				• **Computer Assisted Professional Coding (CAPC) has been introduced** for ambulatory services
				• **Autonomous Coding has been introduced,** augmented by CAC/CAPC
				• Innovative intelligent automation prevalent across organization, governed by CoE

Analytics	**Ad hoc (Excel)** • Organization lacks unified analytics strategy • KPIs often manually tracked and lack benchmarks in **>80% of reporting** • Data integrity challenges are widespread, negatively impacting adoption and insight	**Automated (Excel)** • Centralized Analytics team does not exist or supports **<50% of organization**, resulting in business unit-owned reporting • Local leaders apply benchmarks to increase insights in reporting • Inconsistent data integrity across business units • Limited visibility into outsourced RCM vendor performance	**Automated (BI)** • Consolidated business intelligence platform across organization • Benchmarking exists, using applicable industry standards, for **>75% of all reporting** • System-wide metric definition and adoption • Minimal data integrity issues • Strong visibility into outsourced populations	**Integrated & insightful** • Self-service, enterprise-wide analytics • Actionable insights across **100% of populations** - inhouse and outsourced • Comprehensive **benchmarking,** governed by Analytics CoE, **applies to 100%** of reported metrics • Predictive analytics exist in pockets • Robust data literacy program

Emerging Stage

An Emerging stage organization is best thought of as one that has historically relied solely on private pay reimbursement models (e.g., retail healthcare) or that has grown rapidly through mergers and acquisitions (M&A) or other means and is therefore saddled with disparate systems, processes, and delivery models. Its service delivery is all in-house and its technology is incompatible with interoperability. Emerging organizations share several common characteristics:

- **Service delivery:** The model is fragmented, de-centralized, and 100 percent in-house, and analytics are best described as ad hoc and spreadsheet-based.
- **Technology and interoperability:** There is minimal system integration between electronic medical record (EMR), practice management (PM), and other RCM technologies. Limited automation of core processes requires manual intervention for more than 80 percent of the work. Intelligent automation is non-existent.
- **Analytics:** There is no unified analytics strategy and key performance indicators (KPIs) are manually tracked Because of this, benchmarks are missing in more than 80 percent of reporting. Further, data integrity challenges are widespread, which negatively impacts technology adoption and insights.

Emerging

Service Delivery	**In-house** • Fragmented, de-centralized, delivery model • **100% in-house staffing model**
Technology and Interoperability	**Incompatible** • Minimal system integration between EMR/PM and other RCM technologies • Limited automation of core processes, resulting in manual intervention for **>80% of work** • Intelligent automation does not exist
Analytics	**Ad hoc (Excel)** • Organization lacks unified analytics strategy • KPIs often manually tracked and lack benchmarks in **>80% of reporting** • Data integrity challenges are widespread, negatively impacting adoption and insight

Foundational Stage

Foundational organizations have started on their digital transformation journey, but still have a long way to go to achieve full maturation. There is some degree of staff augmentation and technology is standardized across the enterprise or locations and analytics, while automated, are still primarily on spreadsheets. Common characteristics across the pillars are:

- **Service delivery:** There is a limited degree of centralization but no scalable foundation. Less than 20 percent of work delivery is completed by staff augmentation vendors.
- **Technology and interoperability:** Process automation allows for some exception-based processing and automated eligibility is used for more than 80 percent of eligible visits. Leading technology vendors are utilized, but there are opportunities for optimization. Finally, intelligent automation has not matured beyond proof-of concept stage.
- **Analytics:** There is either no centralized analytics team or the existing team supports less than 50 percent of the organization, resulting in business unit-owned reporting. Local leaders apply benchmarks to increase insights in reporting, however data integrity is inconsistent across business units and there is limited visibility into outsourced RCM vendor performance.

Foundational

Service Delivery

Staff augmentation

- Limited degree of centralization
- Foundation to scale is lacking
- Staff augmentation vendors exist in pockets, comprising **<20% of work delivery**

Technology and Interoperability

Standardized

- Automation of processes allows for exeption-based processing for some processes
  - Automated Eligibility used for **>80% of eligible visits**
- Leading technology vendors utilized, opportunities exist to optimize
- Intelligent automation has not matured beyond proof-of-concept stage

Analytics

Automated (Excel)

- Centralized Analytics team does not exist or supports **<50% of organization**, resulting in business unit-owned reporting
- Local leaders apply benchmarks to increase insights in reporting
- Inconsistent data integrity across business units
- Limited visibility into outsourced RCM vendor performance

Advanced Stage

Organizations that have reached the Advanced stage of maturity are more technologically forward and innovative, with the ability to direct large cash outlays toward necessary investments like technology. Service delivery is best described as complementary, the organization is tech-enabled, and analytics are automated. Shared characteristics include:

- **Service delivery:** Complementary onshore vendors strategically support operations and comprise up to 50 percent of the required effort. Centralization of like services for in-house populations is prevalent across business units.

- **Technology and interoperability:** There is an integrated enterprise-wide technology infrastructure and exception-based processing has been heavily adopted, significantly reducing reliance on manual efforts. For example, prior authorization is automated for more than half of all eligible visits and/or computer-assisted coding (CAC) is used for 100 percent of acute charts. Other examples include claim status inquiries that are automated for more than 75 percent of eligible portal follow-up; Omnichannel Patient Payment solutions are in place for all patient collections; and/or intelligent automation pilots are in place.

- **Analytics:** A consolidated organization-wide business intelligence platform is in place. Benchmarking utilizing applicable industry standards exists for more than 75 percent of all reporting, and metrics have been defined and adopted across the system. There are minimal data integrity issues and strong visibility into outsourced populations.

Advanced

Service Delivery

Complementary

- Complementary onshore vendors strategically support operations, comprising **up to 50% of required effort**
- Centralization of like-services for inhouse populations is prevalent across business units

Technology and Interoperability

Tech-enabled

- Integrated tech infrastructure across enterprise
- Exception-based processing heavily adopted, significantly reducing reliance on manual effort
  - Prior Authorization automaton - **supports >50% of eligible visits**
  - Computer Assisted Coding (CAC) applies to **100% of acute charts**
  - Claim Status Inquiry for **>75% of eligible portal follow-up**
  - Omnichannel Patient Payment solutions for **100% of patient collections**
- Intelligent automation pilot(s) exist

Analytics

Automated (BI)

- Consolidated business intelligence platform across organization
- Benchmarking exists, using applicable industry standards, for **>75% of all reporting**
- System-wide metric definition and adoption
- Minimal data integrity issues
- Strong visibility into outsourced populations

High-Performing Stage (Full Maturity)

High-Performing organizations are among the 5 percent to 10 percent that have reached full maturity. They are cutting edge, heavily driven by automation and autonomous coding, and receive optimal ROI for their use of outsourced/offshore vendors. Their service delivery is strategically integrated, technology is automation-forward, and analytics are integrated and insightful. Common characteristics include:

- **Service delivery:** Global partnerships are strategically leveraged to maximize ROI and limit reliance on in-house staff. Vendors assist with more than half of work effort, the delivery model is scalable, and there is a high degree of centralization.

- **Technology and interoperability:** Systems are highly configured, optimized, and aligned with the operating model across all locations. Computer-assisted professional coding (CAPC) has been introduced for ambulatory services, while CAC-augmented autonomous coding is also in use. Innovative intelligent automation is prevalent across the organization, which is governed by Centers of Excellence (CoE) that tracks its impact.

- **Analytics:** Analytics are self-service and enterprise wide, providing actionable insights across 100 percent of populations (in-house and outsourced). Comprehensive benchmarking is governed by Analytics CoE and applies to 100 percent of reported metrics. Predictive analytics exist in pockets and a robust data literacy program is in place.

High Performing

Service Delivery

Strategic integration

- Strategically leverage global partnerships, maximizing ROI and limiting reliance on inhouse staff. Vendors assist with **>50% of work effort**
- Scalable delivery model
- High degree of centralization

Technology and Interoperability

Automation-forward

- Highly configured and optimized systems, aligned with operating model across all locations
- **Computer Assisted Professional Coding (CAPC) has been introduced** for ambulatory services
- **Autonomous Coding has been introduced,** augmented by CAC/CAPC
- Innovative intelligent automation prevalent across organization, governed by CoE

Analytics

Integrated & insightful

- Self-service, enterprise-wide analytics
- Actionable insights across **100% of populations** - inhouse and outsourced
- Comprehensive **benchmarking,** governed by Analytics CoE, **applies to 100%** of reported metrics
- Predictive analytics exist in pockets
- Robust data literacy program

3.

Moving Along the Framework

The RCM maturity journey is typically a five-step process that starts with evaluating the maturity of the current state operations. Next is identification of a realistic long-term maturity target, followed by development of iterative annual goals to achieve that target.

Step four is cultivation of an alliance partner ecosystem to accelerate growth and finally annual reviews focused on iterative goals and re-focusing as needed for the long term.

01
Evaluate maturity of current state operation

03
Develop iterative, annual, goals to achieve long-term target

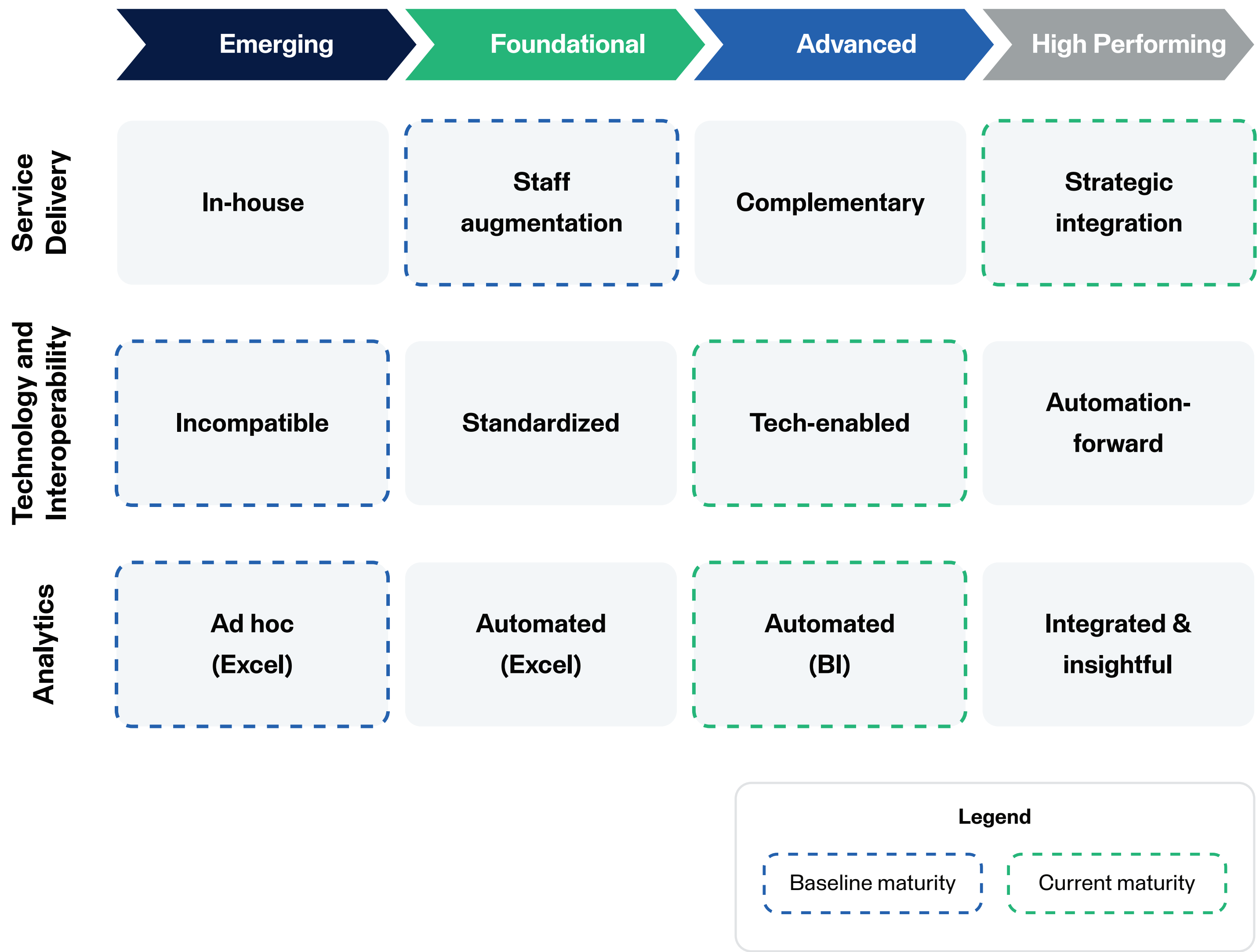
05
Perform annual review focused on iterative goals and re-focusing long-term as needed

02
Identify **realistic** long-term (3-5 year) maturity target

04
Cultivate alliance partner ecosystem (service & technology) to accelerate growth

This process and the efficacy of the RCM Framework can best be illustrated by the transformation journey underway at a multi-state not-for-profit health system with more than 40 hospitals and over 350 health and urgent care centers along the southern U.S. The health system was struggling with a ballooning A/R that was impacting cash collections/receivables on both the hospital and physician sides and a 15 percent increase in post-pandemic denials. There were limited automation tools in place, creating a high reliance on manual intervention and insights into the leading indicators impacting KPIs.

A baseline assessment revealed that the organization's maturity stage was split across the lower two levels—Emerging and Foundational. Technology and Interoperability and Analytics were at the Emerging stage, with minimal integration between the EMR/PM systems and other RCM technologies, limited automation of core processes, and no intelligent automation. There was no unified analytics strategy, KPIs were typically tracked manually and without benchmarks, and data integrity challenges were widespread.



Service delivery was determined to be at the Foundational stage. There was a limited degree of centralization, but no scalability and staff augmentation vendors existed in only in pockets.

Armed with this knowledge, the organization was able to design an effective strategy to advance toward its goal of full maturity. A complementary offshore partnership strategy (Champion/Challenger model) was implemented, and by-exception workflows were instituted. These included the use of API-integrated real-time claims status to improve the efficiency of its A/R processes. An analytics suite was also developed to provide insights into the RCM operations, including benchmarks to gauge its performance against peers.

Today, the organization has advanced in all three pillars. Service delivery is now High Performing, with strategically leveraged global partnerships that limit reliance on in-house staff and a scalable delivery model with a high degree of centralization.

Technology and Interoperability are now Advanced, with an integrated infrastructure and exception-based processing. Analytics has also improved to the Advanced stage with a consolidated business intelligence (BI) platform, benchmarking, system-wide metric definition and adoption, minimal data integrity issues, and strong visibility into outsourced populations.

4.

Working with an Advisor

Each healthcare organization's journey across the RCM Maturity Framework will be unique and based on multiple factors including size, resources, budget, and tolerance for innovation. It also requires agility, adaptability, and a deep understanding of the revenue cycle and its impact on the patient's financial experience.

As such, it is wise to seek the support of an advisor with proven experience capable of providing the guidance needed to steer the organization through its RCM growth plans. The right advisor should have deep expertise in revenue cycle management and be committed to the long-term well-being of the organization, its providers, and their patients.

The right advisor will be able to assess the current state of RCM operations and recommend practical solutions for sustained financial health. They should become part of the organization's team and act as committed partners and trusted advisors able to truly understand its operations, culture, and strategic growth plans. This includes working on-site, where applicable, to get to know the healthcare organization's internal team and to gain a deeper understanding of its revenue cycle operations.

5.

Achieving Full Maturity

Leveraging advanced automation and global partnerships are key to alleviating the intense and unprecedented financial pressures currently crushing the healthcare industry, but it's not simply a matter of outsourcing and buying the latest technology. Success requires a comprehensive understanding of the organization's RCM maturity, which can be gauged through an assessment utilizing the RCM Framework to form a roadmap for a strategic approach to maturation.

Analytics should form the underpinning of the roadmap, allowing organizations to measure progress and determine when operations are ready to move on to the next level of automation, centralization, and augmentation. Performance metrics will also determine when a pivot is necessary and when the organization's revenue cycle has successfully achieved full maturity.

Ultimately, a strategic, thoughtful approach to achieving High Performing status is worth the effort, as it will not only put the organization on sound financial footing but maximize the return it receives on its investments.

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