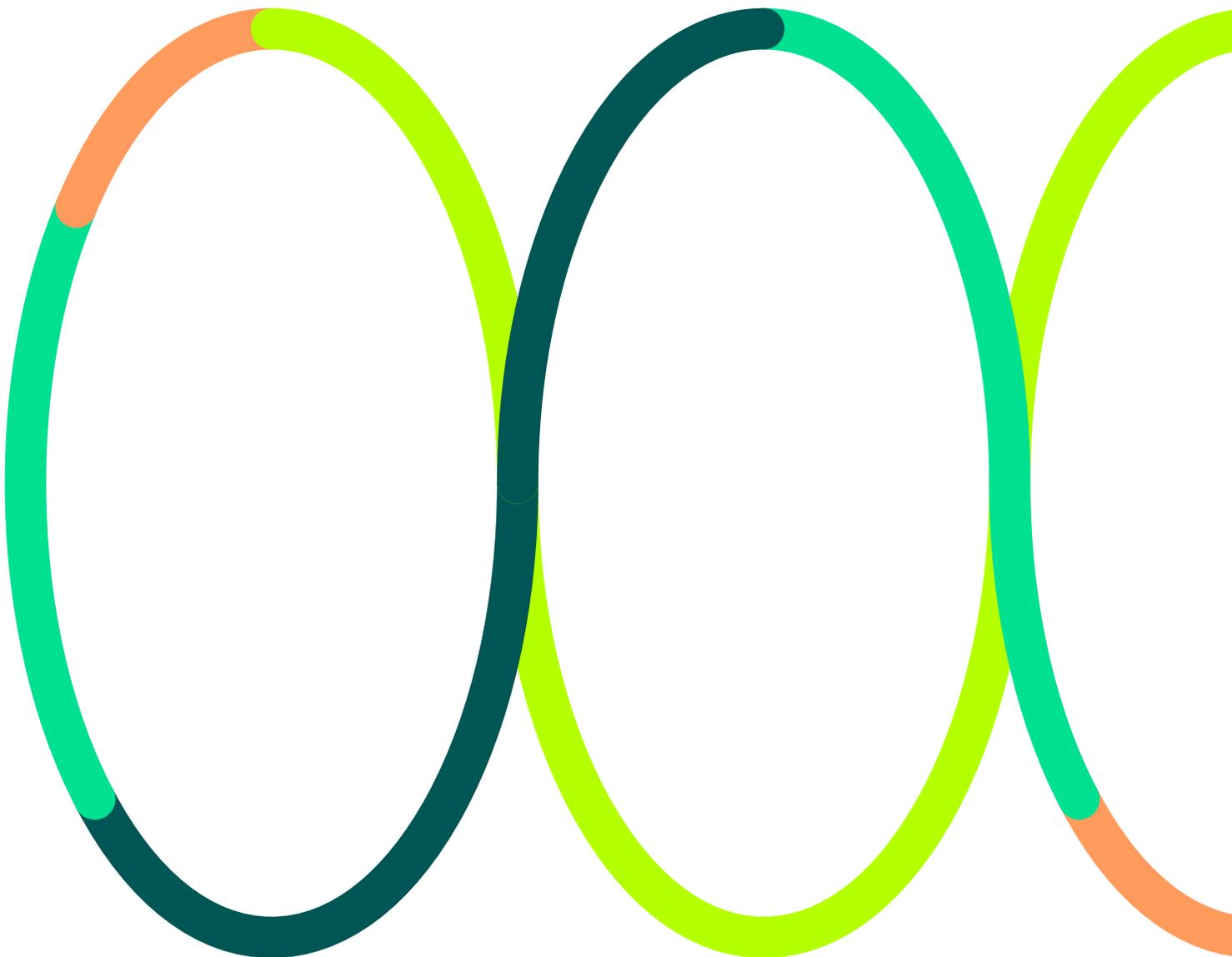# FinThrive™

2024 RCM Transformative Trends

A data-driven report for healthcare providers

Hemant Goel
Chief Executive Officer

FinThrive™

To our customers, partners and RCM changemakers,

Today, it's clear we stand at the cusp of a pivotal era in healthcare. 2023 was a year of recalibration and financial recovery for providers. We witnessed a collective endeavor to stabilize operations and reinstate a trajectory of growth. The fruits of these labors are now showing, with many provider organizations - particularly larger health systems - successfully rebounding to profitability. As financial stability returns to healthcare, it's imperative to recognize that some organizations continue to grapple with negative margins, underscoring the need for new strategies to ensure all organizations can continue caring for the communities they serve.

As providers increasingly return to profitability, strategic focus is evolving - from recovery to reinvention. Our **2024 RCM Transformative Trends Report for Providers** highlights a significant increase in focus on enhancing the patient financial experience, a testament to our industry's commitment to placing patients at the heart of everything we do. This year, health system financial leaders are targeting improved self-scheduling, virtual check-in and payments processes to deliver modern digital experiences that will better align with the expectations patients have grown accustomed to from other industries.

While improving patient financial experiences has climbed the executive priority list, increasing revenue remains the top corporate objective of 2024, as it was in 2023. The pathways to achieve this objective are now expanding to include organic growth efforts that were largely absent in 2023, including investments in new facilities and service lines that position health systems to better meet the needs of patients. The need to effectively operationalize and scale denials management programs also comes across loud and clear, with preventative strategies now taking center stage. To this

end, transforming prior authorization processes with AI and automation is top of mind for health system financial leaders. These initiatives are not merely revenue-generating strategies but are integral to building enduring healthcare institutions within the communities they serve.

Cost reduction continues to be a priority, albeit with a nuanced approach that balances vendor consolidation initiatives with the need to empower the revenue cycle workforce with modern digital tools like artificial intelligence and robotic process automation. The insights drawn from this year's report illuminate strategies and investments that not only mitigate expenses but also empower patients with self-service tools and accelerate access to care. It's a holistic vision that seeks to optimize workforce efficiency while elevating the standard of care we deliver.

In closing, I wish to express my profound gratitude to those working day-to-day to architect a more frictionless healthcare experience for patients and a financially sound healthcare economy that continues with its commitment to funding transformative research and innovation across our industry. Our communities and families are all better off for the work you have dedicated yourselves to. The year ahead brings its own set of challenges, but it's equally brimming with opportunities to innovate, improve and make a lasting impact on the lives we touch.

As always, I hope the research you find in this report provides insight and guidance that helps you move forward within your own initiatives in 2024.

Warm regards,

Contents

Market Landscape

2022 marked the worst year for operating margins for hospitals since the start of the pandemic. As 2023 began, healthcare financial executives were laser focused on financial recovery, looking to bounce back after their deficit.

As we enter 2024, many leaders have successfully returned their organizations to profitability and are setting their sights on **long-term growth initiatives**.

How organizations are prioritizing 2024 initiatives largely depends on their current financial performance and size. However, several external market factors are also influencing how all healthcare organizations are planning their paths forward.

A return to profitability—for some

According to [Kaufman Hall's March 2024 National Hospital Flash Report](#),[1] 2023 saw a positive trend in operating margins compared to 2022. This momentum continued into 2024. Overall, hospitals saw an improvement across operations and financial measures, signaling that many organizations are positioned to turn the page on survival mode and focus on driving revenue.

Operating Margin

2022   2023   2024

That said, while large health systems show growth, smaller organizations are still struggling with razor-thin or negative operating margins. According to data compiled by FinThrive, hospital volumes across outpatient, inpatient and emergency room visits are down, causing already tight operating margins to constrict further.

Weekly Visit Volumes

-14.7% Emergency   **-1.2%** Inpatient   **-8.7%** Outpatient

2020   2021   2022   2023   Jan. 2024
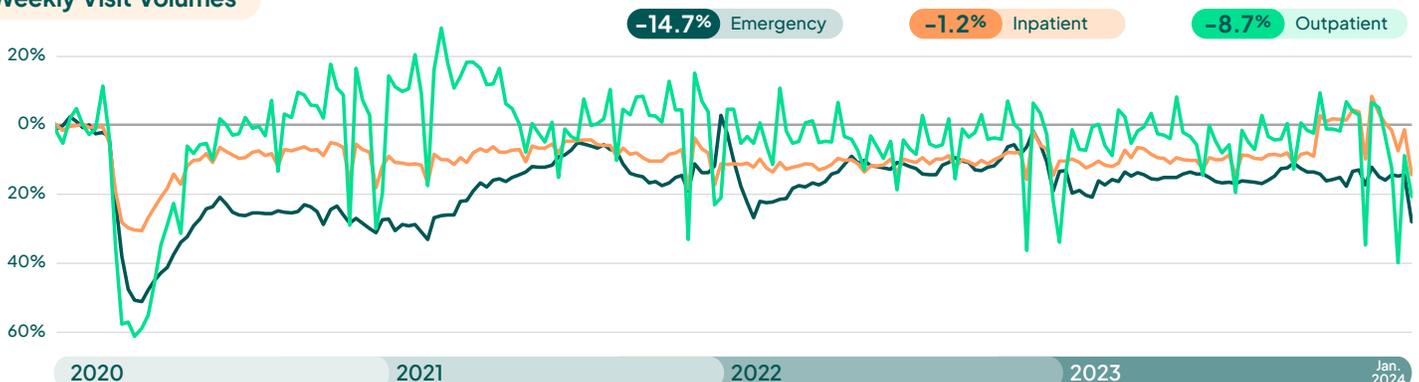
New regulations are poised to drive front-end technology modernization

On November 2, 2023, the Centers for Medicare and Medicaid Services (CMS) finalized changes to the Hospital Price Transparency regulations,[2] which were published in 2021 with the goal of empowering patients to make more informed healthcare decisions.

The enhanced regulations, which went into effect in January 2024, are stricter, aiming to increase compliance with the rules. The mandates require use of standardized price transparency templates as well as carrying steeper consequences for noncompliance. Providers will be held responsible for giving patients accurate costs of treatments, arming them with the information they need to avoid unnecessary or overpriced procedures or even shop around for better prices.

Additionally, on January 30, 2024, CMS published The Interoperability and Prior Authorization rule (CMS-0057-F),[3] which pushes payers and providers to implement FHIR® (Fast Healthcare Interoperability Resources) APIs to facilitate authorization determination and submission workflows, as well as establishing response time mandates for payers. The goal is to improve the electronic exchange of healthcare data and streamline the prior authorization (PA) process, ensuring healthcare data can flow easily and securely between patients, providers and payers to improve healthcare outcomes.

Payers are announcing reductions to PA usage

Major health insurance providers are announcing significant pullbacks to their PA requirements. While prior authorization programs were intended to reduce healthcare expenditures by ensuring care provided is evidence-based, overuse of these requirements has been widely criticized for creating excessive administrative burdens for providers and delays in necessary care for patients.

For example, in September 2023, UnitedHealthcare—the nation's largest payer—initiated[4] a two-phased approach to reduce PA requirements for nearly 20% of its overall PA volume. This reduction applies to commercial, Medicare Advantage and UnitedHealthcare Individual Exchange plans. Additionally, UnitedHealthcare plans to introduce a national Gold Card program in 2024 for provider groups meeting specific eligibility criteria, which is expected to further reduce PA requirements by simplifying the process to a mere administrative notification for most procedures.

This initiative by UnitedHealthcare is indicative of a larger trend among payers to reduce the burden of PA processes. Other insurers—like Humana, Aetna and Health Care Service Corporation (HCSC)—are reducing requirements for specific codes or implementing electronic PA to limit care disruptions, simplify the healthcare experience for consumers and providers, and streamline care delivery.

AI is revolutionizing revenue cycle management (RCM)

AI is being integrated into the technology we use every day, including RCM tools. This technology can help automate administrative tasks, prioritize work that cannot be automated and create a self-service patient experience.

2023 was a significant year for AI in RCM, with broad adoption of generative AI tools aimed at streamlining clinical documentation requirements for providers. Epic announced a partnership with Microsoft that brings full integration of Copilot into the Epic electronic health record (EHR). Other areas of notable advancement include use of computer vision in patient messaging tools to automate insurance card and driver's license data extraction. Technology vendors are also leveraging intelligent automation agents to monitor payer policy letters to ensure schedulers are alerted when PAs are required by a plan. Additionally, some are incorporating predictive models into existing workflows to identify denial probability prior to a final bill.

As with all technology markets, AI is poised to meaningfully reshape the RCM landscape in 2024.

> The growing issue of cyber threats in healthcare has prompted a vital discussion on the need for RCM technologies that ensure capacity, system redundancy and cash flow protection.
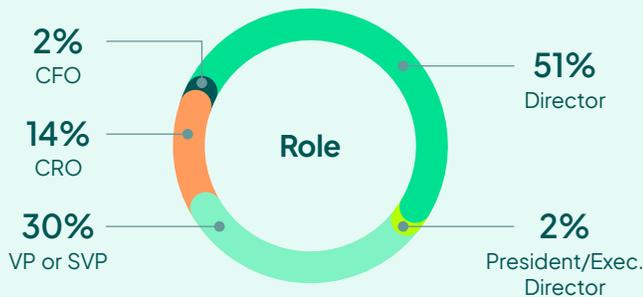
Methodology

To gain a deeper understanding of how financial leaders are prioritizing objectives, initiatives and investments, FinThrive surveyed 92 healthcare RCM and finance executives. They were asked to rank their organization's top three overall corporate objectives for the year ahead. From there, they reported on initiatives and investments they planned to make in order to achieve corporate objectives.

To conduct the research, FinThrive partnered with Healthcare Financial Management Association (HFMA) to identify a curated network of RCM leaders. Surveys were disseminated and fielded online in December 2023.

All respondents held **financial leadership roles** in their organizations, with the majority at the Director, Vice President or Senior Vice President levels. The breakdown of titles was as follows:

Role

- 51% Director
- 2% President/Exec. Director
- 30% VP or SVP
- 14% CRO
- 2% CFO

Net patient revenues were fairly evenly distributed in representation from $500 million up to more than $5 billion.

NPR

- 17% $1.1B to $2B
- 29% $2.1B to $5B
- 32% $500M to $1B
- 22% More than $5B

To understand respondents' technology and integration considerations, the survey queried **EHR information**. The majority (nearly 73%) are Epic hospitals, followed by Cerner (18%), Meditech (5%) and Allscripts (3%).

Director-level roles represented a broad range of **responsibility** across the revenue cycle, including billing, coding, process improvement and patient access.

Category	%
Billing/Collections	24%
Revenue Integrity/Insurance follow-up	21%
Patient Access/Registration	16%
Managed Care/Payer Relations	12%
Business Process Improvement/ Innovation Team/Training	11%
HIM/Coding	11%
Scheduling/Intake	6%
All of these	5%
IT Systems	4%

Top Corporate Objectives

Shifting from Financial Recovery to Growth

Top corporate objectives reported by RCM leaders
(n, year) ~ (86, 2023) vs (92, 2024)

2024 **2023**

Following a dismal 2022, it's not surprising that leaders across all healthcare organizations, regardless of size, were focused on two primary goals in 2023: increasing revenue (90%) and reducing costs (65%). With the economy stabilizing and margins improving steadily throughout 2023, the tides are changing as organizations—particularly large healthcare systems—shift focus from financial recovery to strategic growth initiatives.

In 2024, respondents are still prioritizing increasing revenue as their top strategic objective, but the percentage of respondents focused on revenue growth dropped from 90% to 70%. Also notable is the shift in the number two spot. In 2024, 60% of respondents will be **focusing on improving the patient experience as their second highest priority** rather than reducing costs, which came in second in 2023. For 2024, reducing costs fell to third place with 55% of respondents prioritizing it.

At the same time, respondents report an increase in the prioritization of:

- Managing staffing shortages (from 36% to 42%)
- Increasing payer-provider collaboration (from 16% to 38%)
- Reducing provider administrative burden (from 12% to 18%)

When you look at the data by net patient revenue (NPR), the discrepancy in goals widens.

Last year, 62% of organizations with an NPR of more than $5 billion had a goal to improve the patient experience in 2023. That number jumped to 70% for 2024. Conversely, for organizations with an NPR of $500 million to $1 billion, 48% plan to prioritize the patient experience—coming in as the fourth priority for that cohort. That's likely because they have yet to see a significant margin relief that many larger organizations have realized.

Smaller organizations are still focused on cutting costs

For 2023, 100% of health systems with an NPR below $1 billion had designated increasing revenue as their top priority. While that number fell to 69% for 2024, it's still clear that small healthcare systems are concerned mostly with the bottom line. Cutting costs remains a strong priority, nudging downward just slightly from 62% to 59%.

Smaller organizations were also least likely to prioritize reducing administrative burden on providers, with only 14% (up from 10%) prioritizing it for 2024. To compare, 20% of the $5 billion+ cohort is prioritizing it in 2024 (up from 15% in 2023).

For those organizations under $1 billion NPR, we saw a drastic jump (from 24% to 55%) in respondents who will prioritize managing staffing shortages this year, and with good reason. According to a new survey from the National Council of State Boards of Nursing released last year,[5] roughly 100,000 registered nurses quit during the COVID-19 pandemic, and more than half a million more plan to leave the workforce by 2027.

Ultimately, most health systems and hospitals are still heavily focused on increasing revenue. However, while larger organizations are prioritizing investments to provide more seamless service, smaller organizations are still heavily focused on cost-cutting measures to improve operating margins.

Manage staffing shortages by NPR

2024   2023

	$500M to $1B	$1.1B to $2B	$2.1B to $5B	More than $5B
2024	55%	31%	44%	30%
2023	24%	41%	55%	27%
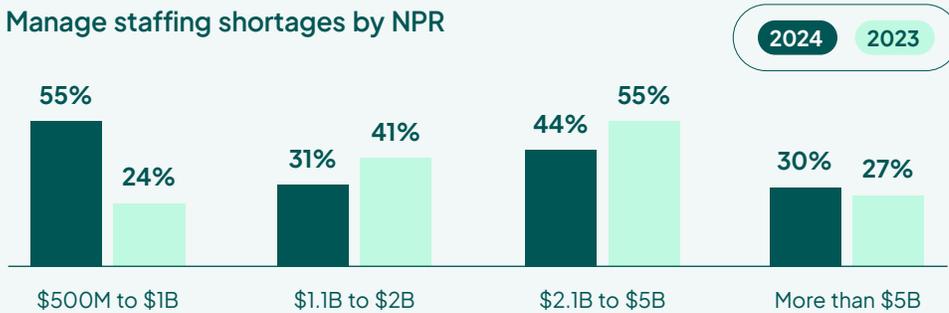
Managing staffing shortages jumped from 24% to 55% among organizations under $1 billion NPR

Top Technology Investments

Electronic Prior Authorization Solutions are the Number One Priority

Since the pandemic, the healthcare industry has experienced a boom in technology adoption, and 2024 promises more of the same, particularly when it comes to AI and how it can enhance existing solutions. Senior leadership is driving this investment activity, with more than 50% of CFO/CROs budgeting for PA and 50% of VP/SVP-level respondents planning to make investment decisions this year.

Leading the shopping list for revenue cycle management (RCM) leaders for 2024 is an electronic PA solution (41%), with RPA/automation capabilities (33%) and denials management solutions (28%) rounding out the top three investments.

Electronic prior authorization solution	41%
RPA/automation capabilities	33%
Denials management solution	28%
Real-time eligibility solution	23%
Underpayment recovery solution	22%
CDI (clinical documentation integrity) solution	20%
Insurance discovery solution	18%
Patient estimation/good faith estimate solution	18%
Computer-assisted coding solution	15%
Patient payment solution	14%

Electronic PA

Electronic PA is the top priority for tech investments. The Interoperability and Prior Authorization Rule is partially driving the trend, as electronic PA can accelerate the time from submission to decision-making and enable providers to meet CMS time frames.[6] But it also further supports executives' goals to provide a low-friction process and better health outcomes for patients.

Today, less than 60% of the market leverages an electronic prior authorization solution, though this is changing as there's significant value in automating parts of the prior authorization process, particularly determination and status checking.

Considering that for Medicare Advantage plans, only 6% of prior authorization requests are denied, but 13% of claim denials are prior authorization related,[7] it's clear there's significant opportunity to reduce both electronic PA and claims denial rates with modern systems.

RPA/automation

Staffing shortages[8] have bogged down financial clearance processes and status checking—be it electronic PAs, claims or appeals—and the manual process to manage it all can cost providers millions of dollars per year.

Robotic process automation (RPA) can handle the high-volume, low-complexity tasks that plague the revenue cycle, including:[9]

- Validating eligibility and correcting insurance data in the EHR from eligibility vendor responses

- Accelerating the laborious process of performing a manual Medicare Beneficiary Identifier lookup search for each individual account

- Resolving incorrectly bundled lab charges and adjusting off charges that often result in denials

- Reducing the time and cost to work on Medicare document requests by streamlining the documentation process at billing

- Automating insurance follow-up on unpaid claims

- Streamlining the troublesome process of posting insurance payments and provider-level balance (PLB) adjustments

Using RCM technology powered by AI and RPA to complete tasks like these (and more) can lead to big-time cost savings and productivity gains. For example, automating PA tasks can produce an average 65% reduction in time spent on manual PA and a 38% average reduction in time to receive a final decision on the request, allowing patients to access care faster.[10]

Denials management

Like electronic PA, denials cost healthcare systems millions of dollars in lost revenue and manual labor. That is driving executives to budget for upgrades to their denials management[11] processes and technology. According to FinThrive research, in 2024, 57% of respondents are prioritizing denials management, and nearly 30% plan to invest in a denials management solution.

RCM platform providers are innovating to meet those needs, pulling together elements from traditional patient access, claims, clearinghouse, contract management and collections solutions to establish AI-based tools that can:

- Generate predictive denials alerts to prioritize reviews prior to claim submission

- Identify the root cause of denials and underpayments

- Bucket like denials into groups for bulk appeal

- Gather needed documentation from the EHR

- Monitor the status of submitted appeals

- Compile denials analytics dashboards and benchmarking data

As these elements become more broadly adopted, providers can expect to have more data to bring payers to the table to systematically address drivers of denials.

Where financial leaders plan to rely on EHR capabilities

In 2024, healthcare systems are most likely to leverage their core EHR to support patient-facing capabilities—including self-scheduling, virtual intake/check-in, patient messaging, payment estimations and patient payments. The market is evenly split on whether to use EHR vendors or third-party providers to support patient-facing technology needs. A slight majority look to their EHR vendor for scheduling and check-in capabilities, but a slight minority trust their EHR vendor to manage messaging and payment modernization efforts.

Category	Percentage
Patient self-scheduling/appointment reminder solution	56%
Virtual intake/check-in solution	51%
Patient messaging solution	46%
Patient estimation/good faith estimate solution	41%
Patient payment solution	40%
Denials management solution	34%
Electronic prior authorization solution	29%
Contract management solution	25%
Collections management solution	22%
Charge capture audit solution	21%

Financial leaders are far less open to relying on EHR capabilities to support chargemaster, charge capture, collections and contract management needs.

Corporate Objective 1

Increasing Revenue

For the second year, increasing revenue was the top strategic objective reported across all the leaders we surveyed. Notably, however, fewer executives are making it their number one priority compared to prior years, highlighting an emerging shift in focus toward other initiatives, like improving patient experience and managing staff burnout.

While many organizations are still facing revenue shortfalls, the decreasing focus on revenue points to a reimagining in how they're planning to improve margins. It signals a shift from short-term cash acceleration to more strategic investing in initiatives that will improve patient satisfaction, cultivate loyalty and, ultimately, drive sustained top-line growth.

This is a shift that Kaufman Hall says is vital to embracing strategic growth in the coming year and beyond. In the March 2024 National Hospital Flash Report,[1] the organization warns hospitals and health systems "will not be able to cut their way to profitability" in 2024.

Health systems reporting increasing revenue as their top corporate objective

2024   2023

$500M to $1B	$1.1B to $2B	$2.1B to $5B	More than $5B
69% / 100%	69% / 82%	67% / 91%	75% / 85%
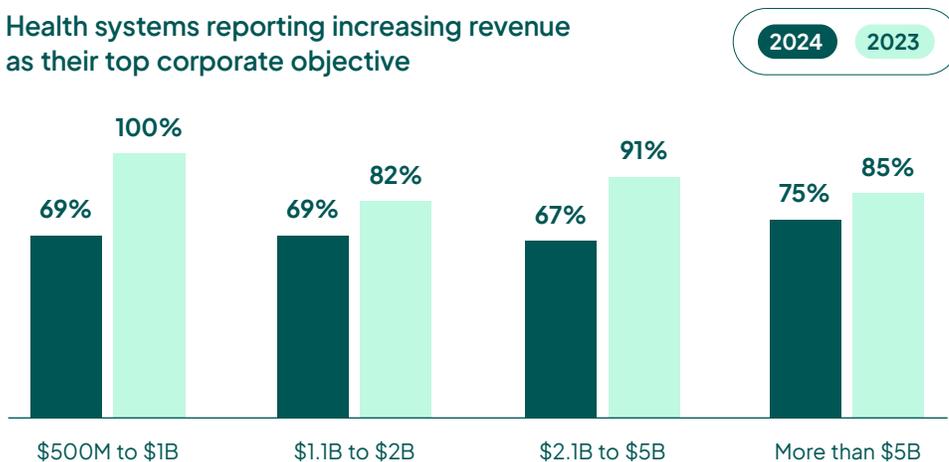
Top strategies to increase revenue

Healthcare finance leaders continue to emphasize the need to create strategies to effectively bring in more cash flow. Looking at ways to prevent denials and negotiate better rates with payers remain top of mind.

Reduce denials

Once again, reducing denials is a chief concern for healthcare executives in 2024, but it may be time to review strategies.

FinThrive examined hospital denial rates across different quartiles and discovered that the bottom 25% of U.S. hospitals (quartile 4) experience a denial rate of 3.77%, while the top 25% of U.S. hospitals (quartile 1) fare better with a rate of 0.36%. For a typical health system with an NPR of $500 million, this translates to a substantial $17 million difference between optimal denials management and suboptimal approaches. This underscores the financial impact of denial rates and highlights the potential for substantial savings through an effective denials management solution.
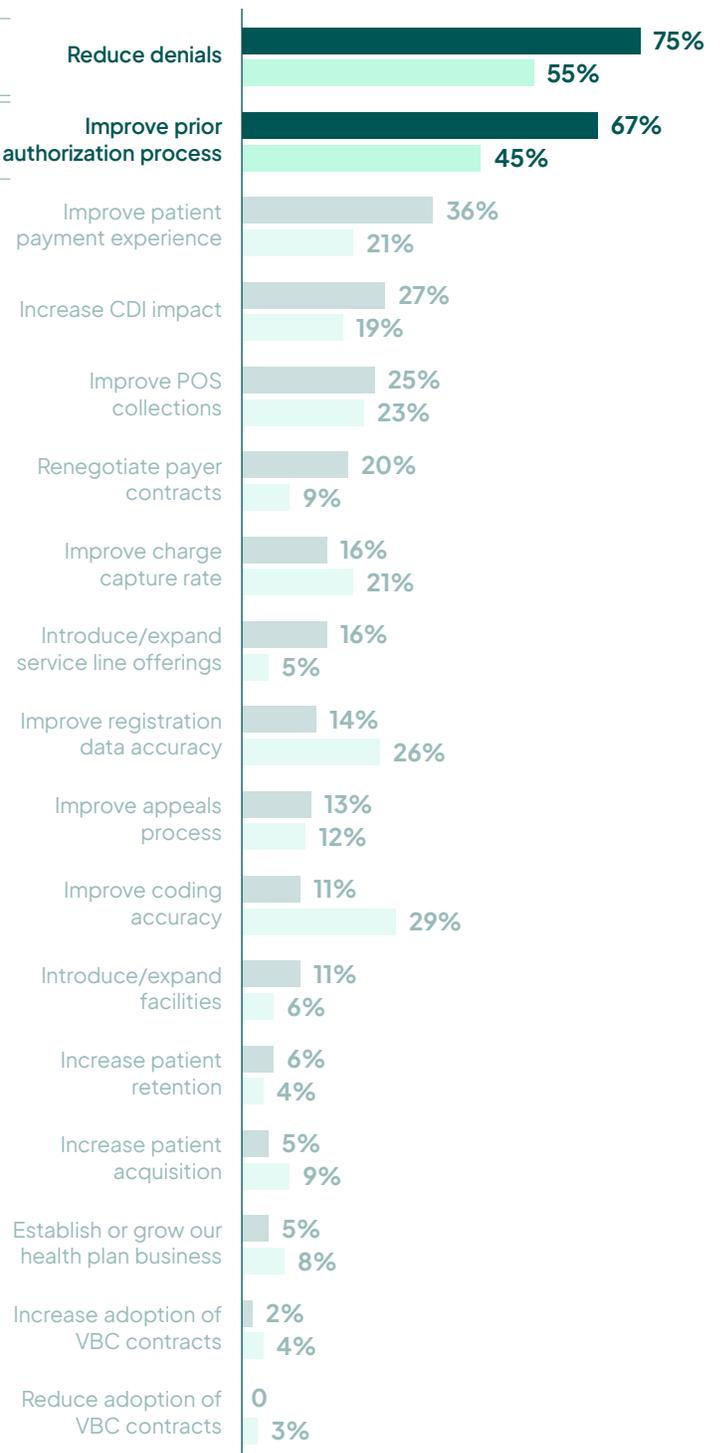
Improve PA

Improving the PA process is a top-of-mind initiative for revenue cycle leaders targeting revenue growth, with 67% of respondents planning to address prior authorization challenges in 2024. **This represents a 22% increase over 2023**.

It's a necessary goal; organizations can lose millions of dollars each year because of PA-related denials. Prior authorization denials on inpatient accounts were a key driver behind the increase of denials to 2.5% of gross revenue in 2022.[12] While the new Interoperability and Prior Authorization rule legislation, which goes into effect in 2026, is poised to alleviate the burden of PA, it won't completely resolve the issues associated with avoidable denials.

Key initiatives planned to increase revenue

2024 2023

Initiative	2024	2023
Reduce denials	75%	55%
Improve prior authorization process	67%	45%
Improve patient payment experience	36%	21%
Increase CDI impact	27%	19%
Improve POS collections	25%	23%
Renegotiate payer contracts	20%	9%
Improve charge capture rate	16%	21%
Introduce/expand service line offerings	16%	5%
Improve registration data accuracy	14%	26%
Improve appeals process	13%	12%
Improve coding accuracy	11%	29%
Introduce/expand facilities	11%	6%
Increase patient retention	6%	4%
Increase patient acquisition	5%	9%
Establish or grow our health plan business	5%	8%
Increase adoption of VBC contracts	2%	4%
Reduce adoption of VBC contracts	0	3%

"One area we are particularly excited about is the opportunity to leverage now publicly available payer reimbursement rates to help inform our contract renegotiation strategy. Being able to see what other providers are being reimbursed brings a new level of transparency to the negotiating table."

— Seth Katz, Vice President of HIM and Revenue Cycle, University Health, Truman Medical Center

Negotiate payer contract rates

Though not a top planned initiative for 2024, there was a notable uptick in plans to renegotiate payer contract rates for more favorable terms, jumping from 9% to 20% between 2023 and 2024.

Despite rising rent, labor and supply costs and an increase in patient demands for attention and convenience, reimbursement rates remain stagnant at pre-pandemic levels.[13] The jump suggests healthcare leaders see a near-term opportunity to improve contract terms in 2024.
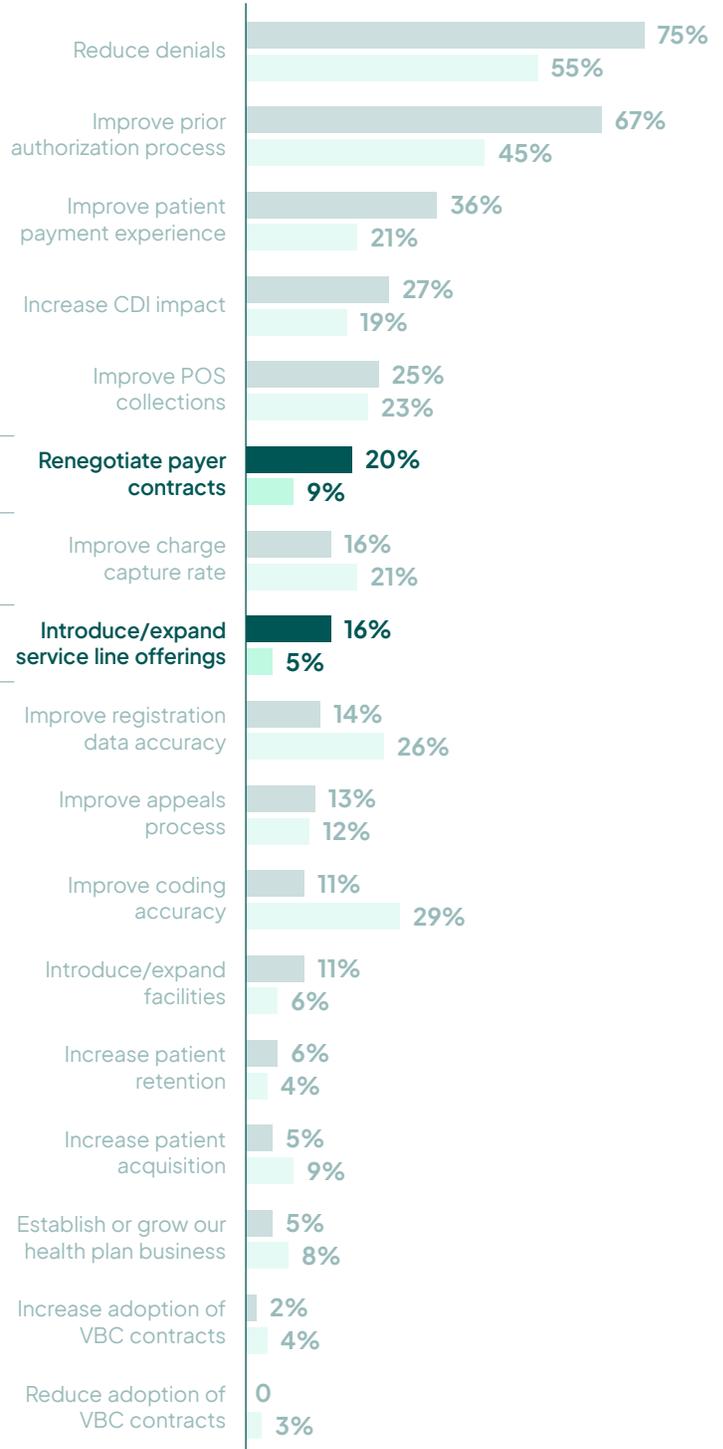
Introduce new service lines

Additionally, the number of respondents who said they would be introducing new service lines to drive revenue nearly tripled, signaling a shift away from low-cost, short-term revenue capture strategies that dominated plans in 2023, to funding longer-term initiatives that will pay off in years to come. Providers will need to fully embrace the introduction or expansion of emerging service lines, such as home-based care and telehealth, to remain competitive and grow revenue.

Introducing/expanding service lines to drive revenue more than tripled for 2024

3X+

Key initiatives planned to increase revenue

2024 **2023**

Initiative	2024	2023
Reduce denials	75%	55%
Improve prior authorization process	67%	45%
Improve patient payment experience	36%	21%
Increase CDI impact	27%	19%
Improve POS collections	25%	23%
Renegotiate payer contracts	20%	9%
Improve charge capture rate	16%	21%
Introduce/expand service line offerings	16%	5%
Improve registration data accuracy	14%	26%
Improve appeals process	13%	12%
Improve coding accuracy	11%	29%
Introduce/expand facilities	11%	6%
Increase patient retention	6%	4%
Increase patient acquisition	5%	9%
Establish or grow our health plan business	5%	8%
Increase adoption of VBC contracts	2%	4%
Reduce adoption of VBC contracts	0	3%

Key takeaways

Healthcare leaders' focus on revenue growth over the past two years has yielded results, according to Kaufman Hall,[1] as operating margins have improved significantly compared to 2022.

In 2024, leaders are focused on streamlining the prior authorization process and programmatically avoiding all preventable denials.

Innovators are prioritizing investments in electronic prior authorization, denials management and clinical documentation improvement to support overall revenue growth objectives.

Corporate Objective 2

Improving the Patient Experience

As financial stability within the market begins to normalize, leaders are shifting their attention to traditional growth strategies, including cultivating a superior patient experience and loyalty that will allow them to capture and retain a larger portion of overall patient visits.

Health systems reporting improving the patient experience as their top corporate objective

2024   **2023**

	$500M to $1B	$1.1B to $2B	$2.1B to $5B	More than $5B
2024	48%	63%	63%	70%
2023	43%	53%	32%	62%
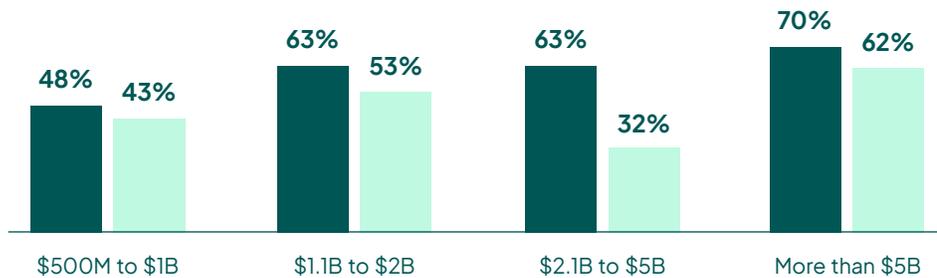
Last year, 48% of respondents were committed to improving the patient experience. That number jumped to 60% for 2024. While large health systems are pursuing patient experience improvements at nearly 2x the rate of small health systems, all respondents—even those experiencing tighter operating margins—report an increased focus on improving patient experiences.

As healthcare providers look for ways to compensate for still-flat patient volumes, building patient loyalty is a clear strategy. In healthcare, the lifetime value of a patient is around $1 million. For a hospital with half a billion patients per year, that could be millions of dollars in lost revenue over time if the organization loses just one-tenth of a percent of patients to a competitor.

> **"At Banner Health, we have and continue to seek new ways to improve the customer experience. Healthcare is very complex, but we are committed to making it as easy as possible – from finding the care you need to paying your bill. Providing a great experience allows our patients to focus on their health, not navigating the healthcare system."**
>
> — Alex Paraison, Executive Director, Revenue Cycle, Banner Health

Top strategies to improve the patient experience

Healthcare consumers have choices, and they'll select facilities that offer frictionless access and payment options, as well as personalized care. Meeting those demands requires providing a better digital experience.

Key initiatives planned to improve the patient experience

2024 **2023**

Initiative	2024	2023
Improve scheduling experience	60%	66%
Improve patient payment experience	55%	54%
Improve payment estimation accuracy	49%	49%
Expand EHR portal capabilities	29%	37%
Reduce surprise billing prevalence	18%	12%
Improve charity care screening process	16%	22%
Add/implement virtual intake technology	16%	20%
Introduce virtual care offerings	13%	17%
Implement SDOH risk management programs	11%	7%
Launch/expand patient navigator for cost and coverage	9%	12%
Introduce health system-branded health plan	7%	5%

Modernize scheduling options

Scheduling improvements were a high-priority focus area for financial leaders in 2023, and they continue to be so—shedding light on how difficult these improvements can actually be to realize. Health systems are implementing virtual self-scheduling, rescheduling, wait-time monitoring and virtual check-in capabilities to create an experience more aligned with what consumers have come to experience in their everyday lives outside of healthcare.

Balancing these consumer expectations with the realities of delivering care amid chronic provider shortages and increased requirements to secure prior authorization prior to services has proven to be a difficult challenge.

Reduce surprise billing

The most significant jump in initiatives that organizations plan to implement to improve patient experience is reducing surprise billing. While the No Surprises Act prevented 10 million surprise bills in 2023,[14] according to a new survey by AHIP and the Blue Cross Blue Shield Association, more work can be done, and more healthcare executives are prioritizing these initiatives.

After all, forcing patients to pay for uncovered charges and surprising them with large medical bills are quick ways to lose their loyalty.
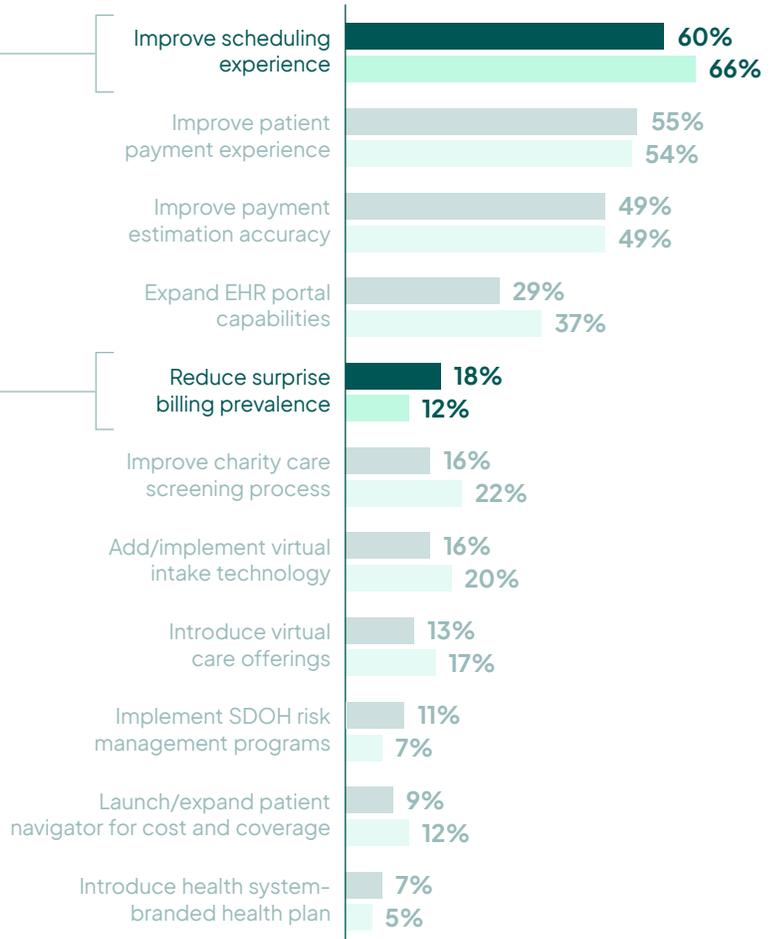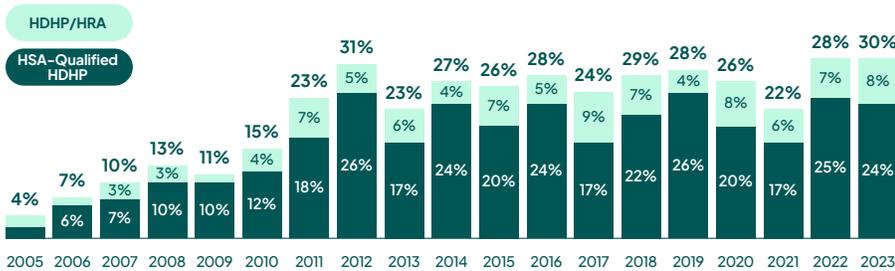
Improve the patient payment experience

Employers continue to shift cost to patients through increased use of high-deductible health plans, which have reached the highest levels seen in the last 10 years. As providers face the "patient is the new payer" reality, improving patient payment experiences has become more important than ever.

Health systems are implementing a broad array of solutions to support patients through the payment process, both pre- and post-visit. Today, health systems are incorporating price estimation and propensity-to-pay analytics in the pre-visit arena, followed by digital payment and payment plan enrollment options. AI is being leveraged to personalize digital communication strategies to optimize patient action, as well as to personalize payment plan terms to meet the unique needs of individual patients.

HDHP plans among firms offering health benefits

HDHP/HRA
HSA-Qualified HDHP

Year	HDHP/HRA	HSA-Qualified HDHP	Total
2005	—	—	4%
2006	6%	—	7%
2007	7%	3%	10%
2008	10%	3%	13%
2009	10%	—	11%
2010	12%	4%	15%
2011	18%	7%	23%
2012	26%	5%	31%
2013	17%	6%	23%
2014	24%	4%	27%
2015	20%	7%	26%
2016	24%	5%	28%
2017	17%	9%	24%
2018	22%	7%	29%
2019	26%	4%	28%
2020	20%	8%	26%
2021	17%	6%	22%
2022	25%	7%	28%
2023	24%	8%	30%

Source: 2023 Employer Health Benefits Survey from KFF.

Improve patient estimation accuracy

Larger health systems, in particular, plan to put a greater emphasis on improving the patient experience by monitoring and improving the accuracy of patient estimations. Patient estimation solutions have flooded the market in recent years, with wide variation in overall estimation accuracy. The estimation accuracy issue has drawn the attention of senior financial leaders, and in a 2022 FinThrive survey, patient estimation accuracy showed up as a top five key performance indicator (KPI) for health system CFOs.

While many vendors are bringing predictive modeling to the estimation space trained on historical claims data, these approaches are delivering less accurate estimates than those leveraging direct integration with contract management solutions where patient-, payer- and plan-specific data can be used to increase estimation accuracy.

Key takeaways

Health systems are aggressively advancing their patient loyalty programs with initiatives and technology investments focused on streamlining self-scheduling, virtual check-in and digital payment experiences.

The market is split on when to build patient experiences by leveraging core EHR capabilities versus when to bring in third-party providers.

Patient out-of-pocket estimation accuracy is becoming an emerging KPI to monitor for senior financial leaders.
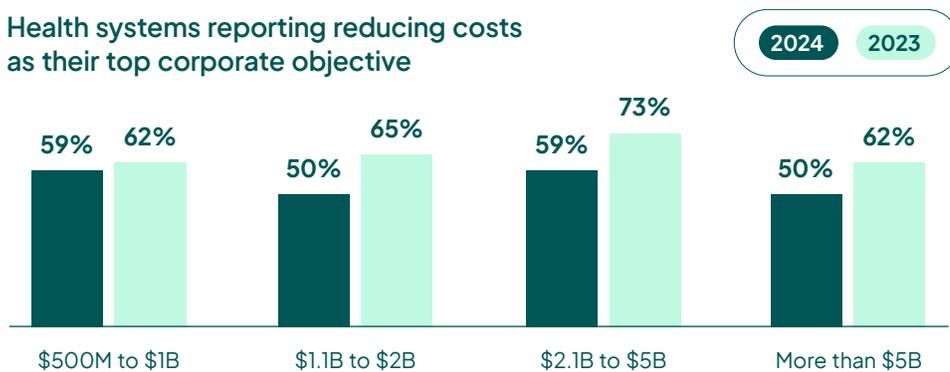
Corporate Objective 3

Reducing Costs

While reducing costs fell to the third priority this year, cost reductions are still a key focus area for healthcare leaders.

Health systems reporting reducing costs as their top corporate objective

2024   **2023**

	$500M to $1B	$1.1B to $2B	$2.1B to $5B	More than $5B
2024	59%	50%	59%	50%
2023	62%	65%	73%	62%

According to a report from Healthcare Finance,[15] in 2024, healthcare costs are projected to go up by around 7%, driven by ongoing shortages in the workforce, increases in drug prices and new agreements between payers and providers. This marks a more significant increase compared to the past two years, and executives are seeking ways to cut costs without sacrificing the patient experience.

For organizations with less than $1 billion in revenue, cost reduction is a bigger priority than larger organizations. For 2024, that is the only group still prioritizing cost reduction over improving patient experiences. This group is still the most economically fragile. According to Fitch Ratings, 2023 saw a disproportionately high number of downgrades for health systems in the below-$500 million net revenue range. Rating agencies have indicated that 2024 will likely be a "gloomy" year, with almost one in four hospitals receiving a negative outlook. Downgrade to upgrade ratios were also 1:3, a rate that has not been seen since the financial crisis of 2008.

Top strategies to reduce costs

As healthcare organizations of all sizes look to rein in costs in 2024, they'll look to make investments in technologies that help solve some of their most time-consuming tasks.
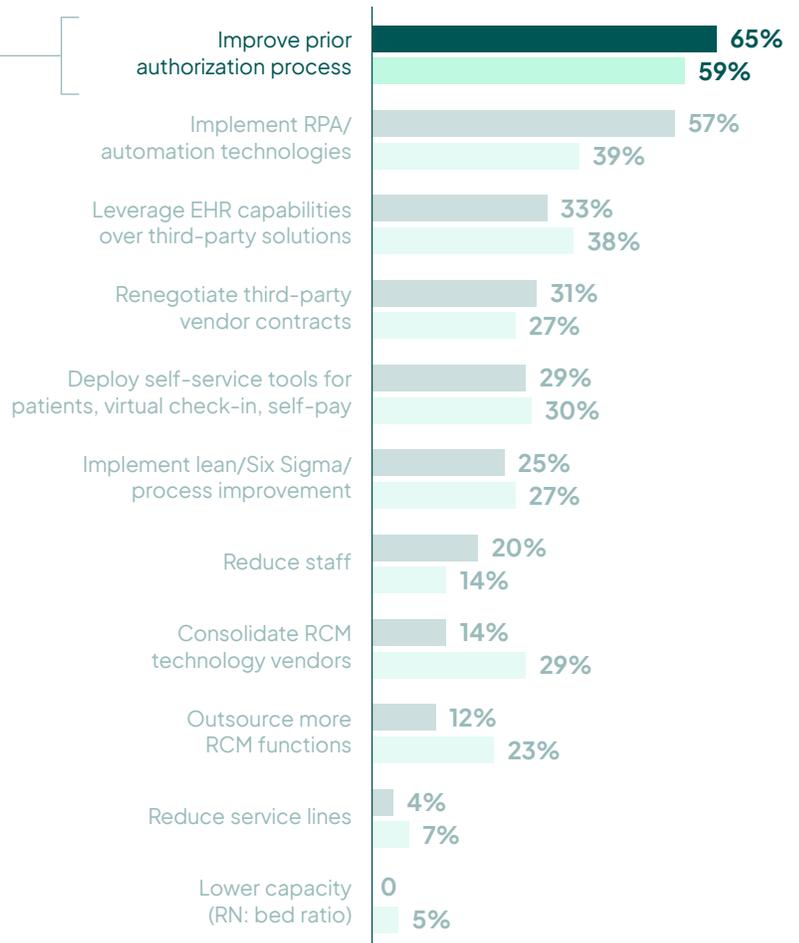
Improve PA process

For the second year, improving the PA experience to cut costs was the top priority, jumping up 6% (from 59% to 65%). Prior authorization shows up in both revenue-generating and cost-reduction plans because it impacts both top and bottom lines for health systems.

On the cost-reduction front, the labor expense associated with managing prior authorization requirements is immense. According to the 2023 CAQH Index® Report, shifting from a manual to an electronic prior authorization workflow has the potential to save $494 million annually. Providers leveraging electronic prior authorization could potentially save 11 minutes—**per transaction**—according to CAQH time studies, a crucial productivity booster at a time when staffing shortages are roiling the industry.

Key initiatives planned to reduce costs

2024   2023

Initiative	2024	2023
Improve prior authorization process	65%	59%
Implement RPA/automation technologies	57%	39%
Leverage EHR capabilities over third-party solutions	33%	38%
Renegotiate third-party vendor contracts	31%	27%
Deploy self-service tools for patients, virtual check-in, self-pay	29%	30%
Implement lean/Six Sigma/process improvement	25%	27%
Reduce staff	20%	14%
Consolidate RCM technology vendors	14%	29%
Outsource more RCM functions	12%	23%
Reduce service lines	4%	7%
Lower capacity (RN: bed ratio)	0	5%

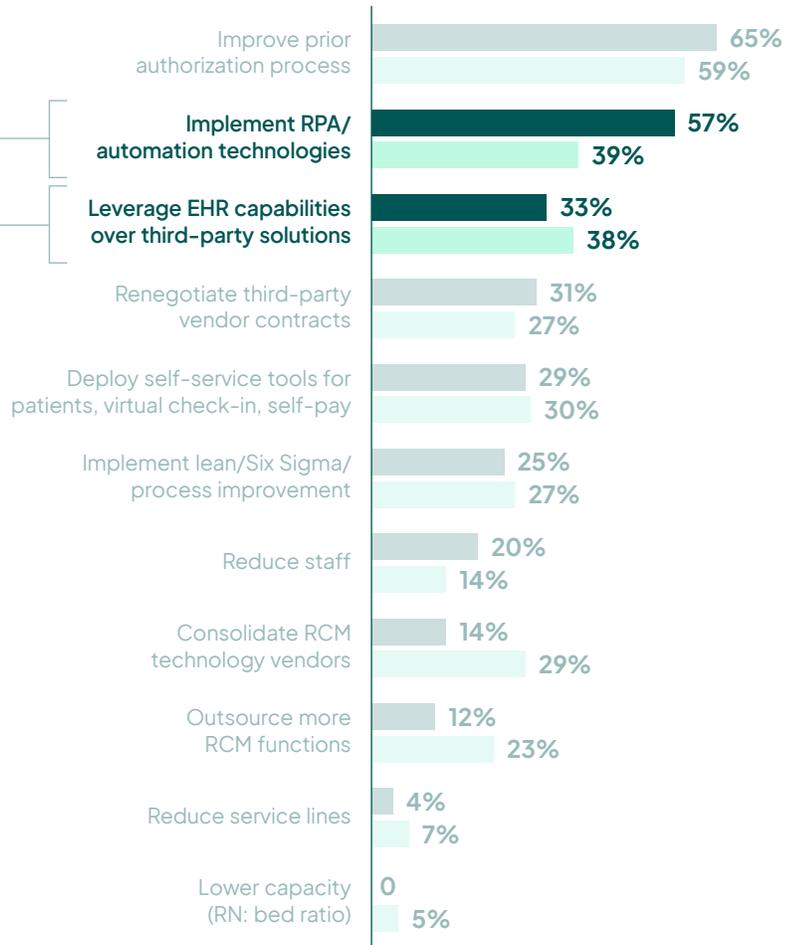## Implement RPA/automation technologies

Healthcare leaders are planning to increase investments in automation tools to reduce or eliminate manual processes from the revenue cycle, with early opportunities arising in status checking: claims, authorization and appeals statusing, as well as other high-volume transactional workflows. RPA deployments are cited as the number two priority for reducing costs in 2024. That represents an 18% increase (from 39% to 57%) since last year. The investment is a worthwhile one, given that RPA has the potential to deliver immediate savings of 25–40% in labor costs when deployed, says the Institute for Robotic Process Automation (IRPA).[16]

Leverage EHR capabilities over third-party solutions

Leveraging EHR capabilities again rounded out the top three priorities to cut costs in 2024, although it did fall 5% from its 2023 levels. EHR workflows are less mature than bolt-on equivalents from best-of-breed vendors, and as financial pressure begins to abate, it's not surprising to see the cost-benefit analysis starting to shift away from solely leveraging EHR capabilities and toward bringing in differentiated third-party solutions.

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2024 **2023**

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Key takeaways

Rising healthcare costs, driven by workforce shortages and drug costs, are prompting healthcare systems of all sizes to invest in technologies that increase efficiency and productivity.

Electronic PA could save significant time—and cash—when healthcare organizations need it most.

Significantly more organizations are prioritizing RPA/automation to combat worker shortages and lower costs.

Closing Thoughts

As healthcare organizations move into 2024, financial strategies are shifting from near-term financial recovery initiatives to long-term growth drivers. Pre-pandemic visit volumes show no signs of returning. As financial performance continues to improve for health systems, the focus is shifting from sheer financial survival to improving the patient experience and competing for patient loyalty and market share. Health system financial leaders need to establish a bold vision for how their organizations will delight patients and drive growth in this lean new market.

For those that respond to these market dynamics aggressively, 2024 has the potential to be a transformative year that establishes differentiated patient experiences, ongoing patient loyalty and expanded market share.

With this in mind, healthcare financial leaders should:

Increase revenue and reduce costs with targeted initiatives that also improve patient experiences.

Health system leaders are prioritizing a myriad of revenue-driving initiatives in 2024, but those that focus on accelerating prior authorizations, improving patient estimations and patient payments, and reducing denials will be driving top-line growth while simultaneously differentiating patient experiences and capturing increased market share.

Similarly to top-line growth initiatives, health systems have an opportunity to reduce costs with self-service patient tools that are seen as a win-win; empowering patients with self-scheduling, virtual check-in, wait-time alerts and wayfinding capabilities brings the digital front door to life for patients and reduces costs for providers.

Empower frontline workers with AI and automation aligned to proven use cases.

2023 was a hype-busting year for AI in RCM, as healthcare providers found many of the startups they were working with failed to deliver on their promises, leading to a record-breaking year of health IT startup bankruptcies. Though disappointing, an emerging heat map of consistent AI and RPA use cases is emerging. Providers are leveraging industry-standard RCM technology adoption models to guide investment decisions toward emerging technology use cases that have been shown to consistently deliver value.

Consolidate to a few strategic vendors while rethinking over-reliance on native EHR capabilities.

2024 will be a year of both vendor consolidation and, simultaneously, reductions in use of native EHR capabilities. Health system financial leaders are looking to reduce their overall vendor count, opting for fewer strategic partnerships with key vendors that address multiple areas of need.

At the same time, 2024 is gearing up to be a year where we see a reduced reliance on core EHR capabilities to drive RCM financial improvement. This shift is partially driven by more vendors integrating capabilities directly into EHR workflows, where leaders are more open to bringing in third-party tools. The shift away from over-reliance on native EHR capabilities is the recognition that improved patient experiences and financial returns can be realized with third-party options—an ROI calculation that is hard to ignore.

Overhauling RCM processes to align with the strategic growth initiatives reported by health system financial leaders will be an all-hands-on-deck effort. **For those that succeed, 2024 represents a real opportunity to fundamentally differentiate in the market, driving lasting patient loyalty and market share gains.**

For more information on how to rethink revenue management, visit finthrive.com.

About FinThrive

FinThrive is advancing the healthcare economy. Our 1,600-plus colleagues rethink revenue management to pave the way for a healthcare system that ensures every transaction and patient experience is addressed holistically. We're making breakthroughs in technology—developing award-winning revenue management solutions that adapt with healthcare professionals, freeing providers and payers from complexity and inefficiency, so they can focus on doing their best work. Our end-to-end revenue management platform delivers a smarter, smoother revenue experience that increases revenue, reduces costs, expands cash collections and ensures regulatory compliance. We've delivered over $10 billion in net revenue and cash to more than 3,245 customers worldwide. When healthcare finance becomes effortless, the boundaries of what's possible in healthcare expand. For more information on our new vision for healthcare revenue management, visit finthrive.com.

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