



2018 US HOSPITAL RCM ACCOUNTS RECEIVABLE TECHNOLOGY: MARKET SHARE INSIGHTS



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Overview

This report highlights the significant and unprecedented market opportunities that currently exist in hospital revenue cycle management, specifically technologies for managing accounts receivable.

The insights in this report should be used to help investors as well as healthcare and non-healthcare vendors make more informed strategic decisions as well as capitalize on the areas that are most ripe for business development and expansion while avoiding areas of inferior opportunity.

Revenue Cycle is Complicated

Hypothetically, revenue cycle *should* be easy to improve — investors, service providers, and technology vendors who have successfully addressed collections issues in other industries should be able to adapt their solutions for the healthcare vertical easily.

In that same vein, healthcare vendors with existing solutions should easily be able to expand horizontally into the revenue cycle side of healthcare technology.

In reality, healthcare revenue cycle is complex, creating challenges for private investors, healthcare-native companies, and new entrants in establishing a clear view of the opportunity within this market.

Key challenges include:

- **Maintaining Margins:** Hospital margins are razor thin, but due to the nature of the industry, financial performance often ranks behind clinical care.
- **Prioritizing Purchasing:** Technology purchases that can increase collections often get pushed to the back burner behind new clinical equipment. Additionally, hospitals are often a major employer in the communities they serve, so technology solutions that significantly reduce headcount or move positions offshore are not always desirable despite an attractive ROI.
- **Closing the Skill Gap:** Skill levels at hospitals are very basic for some positions with hospitals often lacking the talent to identify trends and root causes.
- **Fixing Tech Lag:** Finally, technology in healthcare, with mainframes still prevalent, lags behind other industries.

These factors all contribute to the complexities of understanding the true opportunity for entry into and expansion in, the healthcare revenue cycle market.

How to Use This Report

Based on the numerous requests we have had from vendors and investors, we know that white space and market share data for point solutions within revenue cycle is challenging to identify.

This report is a tool to help our clients and the many financial service companies, healthcare technology businesses, and investors make more informed decisions. This report is the first in a series which will examine revenue cycle services and pre-services technologies.

This report was designed specifically to answer the questions for the following readers:

- **Healthcare Technology Vendors:**
 - Which solutions have significant growth potential for portfolio expansion?
 - What is the landscape of revenue cycle solutions by vendor?
 - Which vendors have the most market share by product?
 - How satisfied are hospitals with their current vendor/solution?
 - What are hospitals' major pain points?

- **Banks and Other Financial Services Companies:**
 - How much opportunity is there in traditionally bank-offered solutions such as lockbox?
 - What other solutions can be sold with lockboxes?
 - How big is the market for services that are complementary to lockboxes?

- **Non-Healthcare Vendors:**
 - Is there enough opportunity to invest in revenue cycle point solutions?
 - Who are the competitors that are currently winning for a particular solution?

- **Investors (e.g., Private Equity or Venture Capitalists)**
 - Is there growth in the revenue cycle solution considered for the portfolio?
 - Who are the key players in the market?
 - How satisfied are hospitals with their current technology solutions?

Executive Summary

Tremendous opportunity exists within revenue cycle technology, specifically the Accounts Receivable Management or “Back-end” portion of Hospital Revenue Cycle Management. While the market for revenue cycle core solutions, specifically patient accounting and Claims Management systems, is saturated, Remits Management and ancillary point solutions represent a significant opportunity for new entrants or new product development by established vendors or banks. This study finds that:

- **Outside of Patient Accounting Systems and Claims Management, white space is significant with ranges as high as 81% for Audit Management solutions.**
- **Patient Statements has the least white space with only 18% of hospitals having no vendor in place.**
- **Most solutions are highly fragmented with no dominant vendors.**
- **Hospitals are actively purchasing new solutions.** In the past 3 years, hospitals have installed new vendors for as much as 45% for Denials Management.
- **Solutions for Remit Management (which enable payments to be posted) remains significantly undersaturated.** Hospitals cite many pain points with how remits are currently processed ranging from the need to properly split remits across different locations to the need to match a remit to an electronic funds transfer.
- **Consolidation is having a significant impact on saturated markets:** Patient Accounting Systems and Claims Management.

While white space within hospital Accounts Receivable Management is significant, the actual opportunity identified in this report is under-represented. Many hospitals use their Patient Accounting system for various Accounts Receivable Management functions such as Denials Management, Contract Management, AR Analytics or Patient Statements. The net result is suboptimal collections that can be improved with better technology.

Looking Ahead

We anticipate:

- Hospitals will continue to purchase and implement vendor or bank offered solutions.
- Patient Accounting System vendors will continue to enhance their Accounts Receivable Management modules.
- New entrants will continue to develop better solutions, and existing players will continue to expand their portfolios.
- Continued consolidation in the revenue cycle technology market over the next decade.
- Value-based contracts will continue to gain traction in hospitals, increasing the need for new or more advanced technologies to manage the revenue cycle.
- Patient responsibility will continue to challenge hospital revenue cycle teams which have been designed to collect from health plans.

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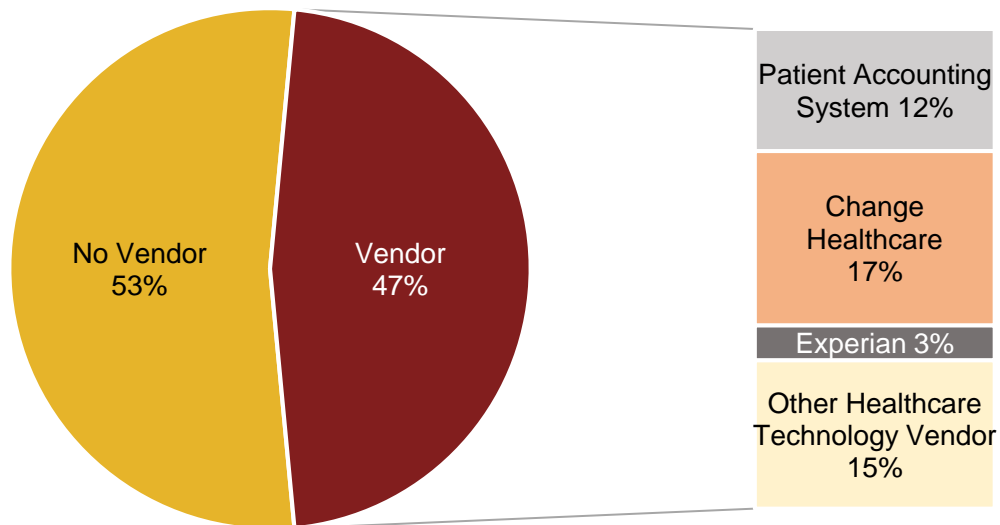
SAMPLE RCM Technology Solution

Solution Description

Market Share

Less than half of hospitals surveyed use a vendor for the Sample RCM Technology Solution. Of those that do have a vendor, the market share is comprised of Patient Accounting System and the Claims Management vendors (Change Healthcare, Experian, and Other Technology vendors). Hospitals using Allscripts have the highest adoption of Sample RCM Technology, and yet 100% of Allscripts hospitals that are using a solution use a non-PAS vendor. Hospitals on CPSI and MEDITECH have the lowest adoption of a vendor.

Chart 1: White Space & Vendor Market Share for SAMPLE RCM Technology Solution



Vendors in the "Other Healthcare Technology" category for Claim Status EDI (276/7) include Ability, Availity, Davincian, HealthcareIP nThrive, Optum360, Recondo, SSI, The Cirus Group and Waystar.

Chart 2: White Space & Vendor Market Share for SAMPLE RCM Technology Solution by Patient Accounting System

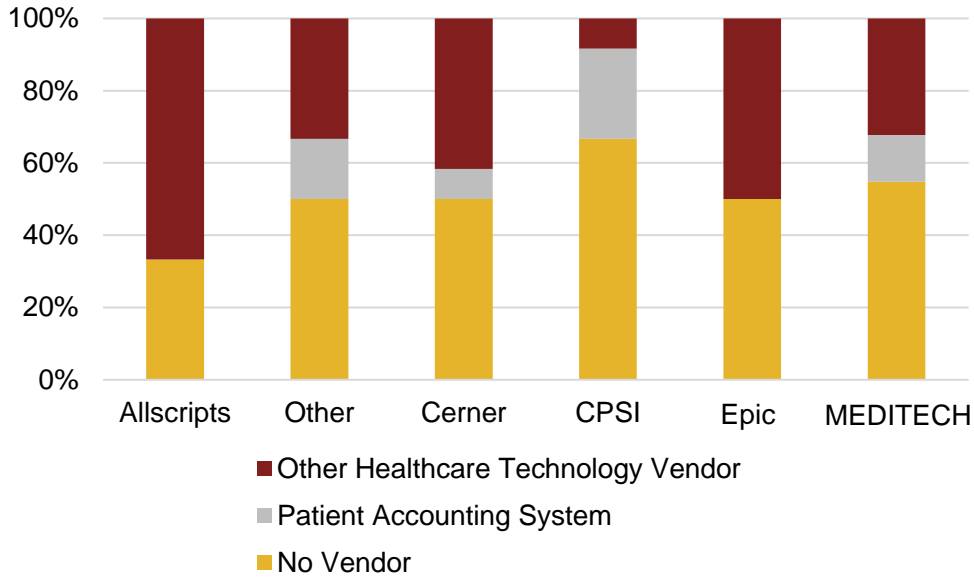
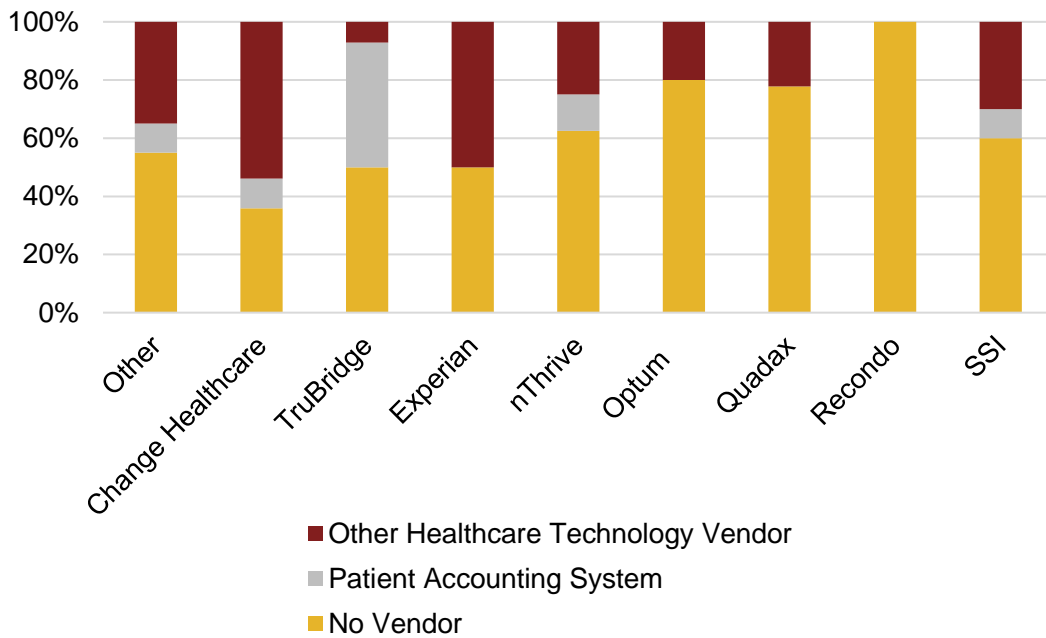


Chart 3: White Space & Vendor Market Share for SAMPLE RCM Technology Solution by Claims Management Vendor



Vendor Tenure

Over a third of hospitals surveyed have been with their current vendor for three years or less. 58% of new deals are going to Claim Management/Other Technology vendors (including Change Healthcare) while the remaining 42% are going to Patient Accounting Systems, showing that Patient Accounting Systems are gaining traction in this market.

Chart 4: Years Using Current SAMPLE RCM Technology Solution Vendor

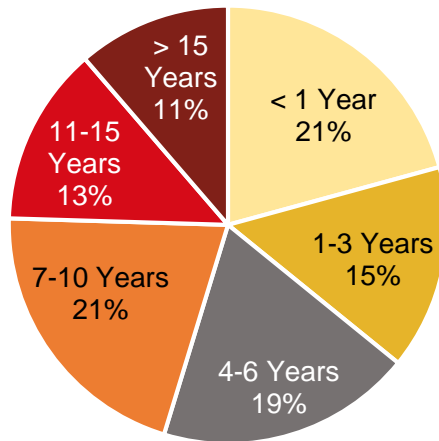
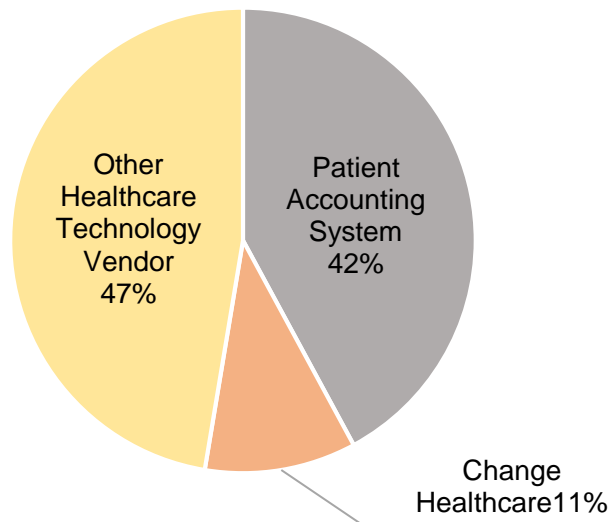


Chart 5: Vendor Share of Hospitals with 3 or Fewer Years with Current SAMPLE RCM Technology Solution Vendor



Vendor Satisfaction

The majority (58%) of hospitals surveyed are highly satisfied with their vendor. All hospitals using Experian and 88% of hospitals using their Patient Accounting System are highly satisfied.

Chart 6: SAMPLE RCM Technology Solution Vendor Satisfaction

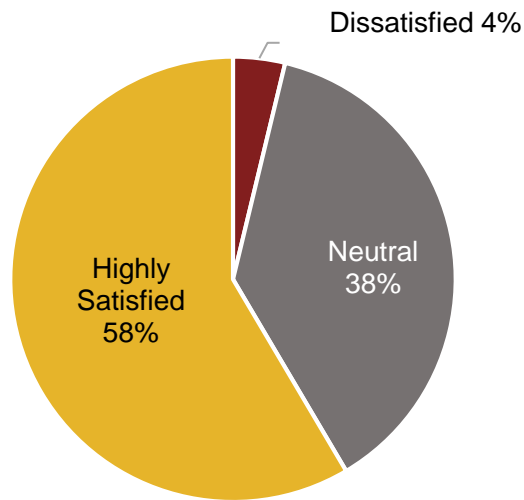
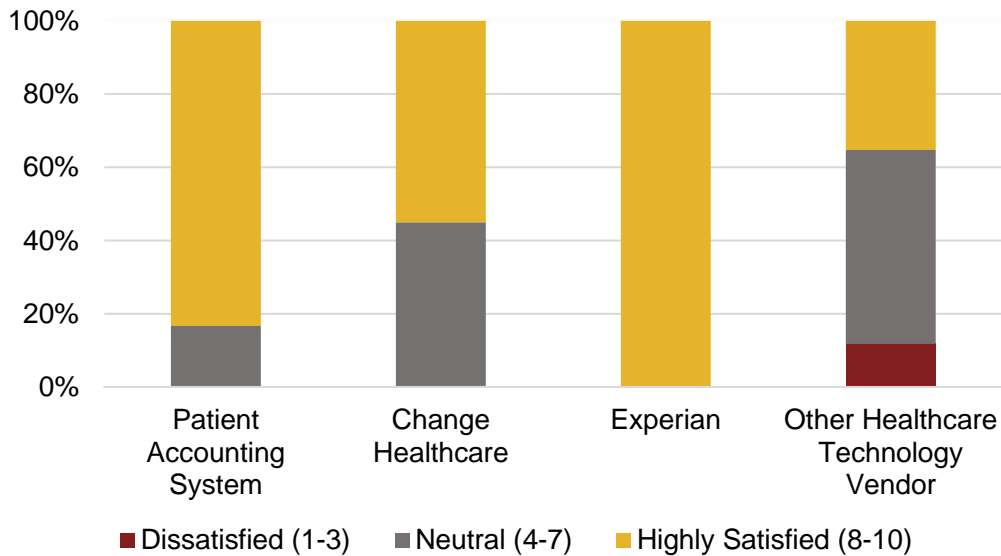


Chart 7: SAMPLE RCM Technology Solution Satisfaction by Vendor



Market Insights & Opportunity

As health plans and, providers.....adoption will increase. Both Claims Management and Patient Accounting System vendors will continue to be the best-positioned vendors to win this new business.