

Optimizing RCM in the ASC Marketplace



When compared to large hospital systems, ambulatory surgical centers (ASCs) experience leaner margins and smaller administrative teams, making efficient revenue cycle management (RCM) not just a priority but a necessity for financial longevity.

Operating in this growing and increasingly complex segment of healthcare presents several unique challenges that complicate the revenue cycle and make achieving optimal financial performance challenging.

As the former CEO of a multi-specialty ASC and RCM leader over the past 25 years, I've witnessed firsthand how industry headwinds can derail even the most detailed strategies, and how seizing – or missing – opportunities can be the difference between success and failure.

From Rising Labor Costs to Payor Complexities

There are six pressures facing ASCs today:

1. Rising Labor Costs and Staffing

While more than half of ASCs have experienced an increase in patient volume, nearly 70% are finding it increasingly difficult to recruit skilled operating room nurses, according to "ASCs' Labor Cost Predicament" by

Becker's ASC Review.

Staffing difficulties and labor costs are nothing new, and they are usually among the top three pain points everyone in healthcare faces. The American Hospital Association (AHA) reports in "America's Hospitals and Health Systems Continue to Face Escalating Operational Costs and Economic Pressures as They Care for Patients and Communities" that between 2021 and 2023, hospitals saw labor costs increase by more than \$42 billion. Considering that it makes up 60% of hospital expenses, you can easily see why this is a top priority for industry leaders.

ASCs contend with narrower financial margins than large hospitals, which makes attracting new talent and retaining existing staff tough. This puts pressure on leaders to operate at the height of their existing capabilities with what they have and requires staff to work longer hours with fewer resources.

2. Evolving Payor Landscape

The growing complexity of payor contracts and the

tightening of reimbursement policies have placed significant administrative burdens on ASCs. To secure timely payments, centers must navigate an increasingly intricate environment where payor rules are becoming more stringent and, at times, confusing.

A March report, titled "Health Systems Near Their Breaking Point," by the Healthcare Financial Management Association (HFMA) and Eliciting Insights, a healthcare strategy and market research company, showed that 82% of CFOs report a significant increase in payor denials compared to pre-pandemic levels. What does this mean? RCM departments must now dedicate additional resources to addressing these denials, appealing decisions, and ensuring billing processes align with payor policies. The use of RCM technology can significantly ease some of the burdens created by ever-changing payor policies.

3. Increase in Variety and Volume of Procedures

Driven by advances in clinical technology, many surgical procedures are shifting from hospital settings to ASCs, showing an increased demand for safe and more cost-effective care.

ASCs can now offer patients an expanded range of services, allowing them to capture a larger share of the outpatient surgical market. Procedure volume at these facilities is projected to increase by 21% over the next ten years, according to Sg2's 2024 Impact of Change report.

While increases in the variety and volume of procedures present an opportunity for substantial revenue growth, they also introduce significant challenges.

Unlike hospitals, ASCs often operate with leaner administrative operating protocols and may not have the necessary infrastructure to handle the complexities of a broader range of procedures and services. These intricacies in coding, billing, and compliance put strain on administrative staff, lead-

ing to higher claim denials, delays in reimbursement, and potential compliance issues.

4. Demand for Price Transparency

Patients are savvier and more cost-conscious than ever before. High-deductible health plans and regulatory pressures, such as the No Surprises Act, pose a significant challenge for ASCs as the demand for price transparency grows.

ASCs are in a unique position to provide cost-effective care compared to hospitals, but this advantage also comes with the responsibility of offering detailed and upfront pricing. The push for transparency requires ASCs to adopt advanced pricing tools and communication strategies that ensure patients understand not only the cost of procedures but also their financial obligations.

5. Difficulty With Patient Collections

The ongoing shift toward high-deductible health plans means that an increasingly large portion of revenue for ASCs will now come directly from patients, making upfront patient collections a vital component of the revenue cycle.

Much like payors, collecting payments from patients can be particularly challenging, and it's impacting healthcare providers' bottom line. Becker's Hospital Review reports in "Patient Collections Fall" that in 2022 and 2023, healthcare providers collected approximately \$500.5 million for services rendered – less than half of the amount owed.

Addressing these challenges requires implementing more robust collection processes, which may include offering flexible payment plans, enhancing financial counseling, and leveraging advanced billing and patient communication technologies.

6. Avoiding and Managing Denied Claims

The AHA reports in “Payer Denial Tactics – How to Confront a \$20 Billion Problem” that recent studies show that about 15% of all claims submitted to private payors initially are denied (including those pre-approved during the prior authorization process) and, as reported by Becker’s Hospital Review, that fighting denied claims costs \$19.7 billion per year. It’s safe to say that denied claims affect all facets of healthcare.

ASCs are particularly hard hit due to smaller size and increased case volume. Increasing denied claims can create an even more enormous administrative burden. Plus, reprocessing claims can lead to significant delays in cash flow.

Practical Insights for Optimizing RCM in ASCs

Given these challenges, ASC administrators need to adopt strategic approaches to optimize their revenue cycles.

The good news is that there are practical and proven steps that can be implemented to help your team maximize revenue, minimize denials, and ensure compliance:

1. Embrace AI and Automation

AI won’t stop being a hot topic in healthcare and technology any time soon. The rapid development of technology will continue to change and complement how the human workforce operates.

AI and automation may very well be the most effective ways to address rising labor costs and administrative burdens. For RCM, common applications include data entry, claims processing, and eligibility verification. With automation, ASCs can significantly reduce the time and effort required for these tasks and can help alleviate the burden faced by staffing shortages.

By augmenting staff and increasing the speed and accuracy of claim processing, AI can predict and prevent claim denials and reduce the need for extensive manual intervention. SYNERGEN Health highlights in “Transforming End-to-End Revenue Cycle to Fuel Accelerated Growth” how one organization absorbed more than 100,000 additional claims and reduced their aged receivables by 80%

with AI-driven technology.

2. Develop Strategic Payor Negotiations

Successful partnerships with payors require ASCs to be proactive in their approach to payor contract negotiations. Teams should develop strategies to negotiate contracts effectively, ensuring they align with the latest reimbursement models and quality metrics.

Investing in advanced data analytics can provide ASCs with valuable insights into payor trends and patient demographics. This data may also result in more favorable contracts that ensure ASCs are fairly compensated for their services.

3. Enforce Transparent Pricing Models

ASCs should embrace more transparent pricing models that leave little ambiguity surrounding the cost of care, including associated expenses such as anesthesia, facility fees, and any subsequent treatments.

Advanced software and tools can help reduce the incidence of billing disputes by providing detailed, accurate price estimates. This will ultimately lead to greater patient satisfaction.

4. Optimize Patient Collections

Advanced billing and payment technologies must be adopted by ASCs to streamline patient collection processes. Online payment portals, automated payment plans, alternate payment methods like Apple Pay or Venmo, and itemized billing make it easier for patients to understand what they’re expected to pay and for ASCs to receive those funds faster.

Accurate billing and coding provide patients with a full picture of the cost of their care, helping them prepare their finances accordingly. These patients will, in turn, report better satisfaction.

5. Focus on Denial Prevention and Management

Claim denials arise from various issues across the entire

RCM spectrum – coding inaccuracies, missing prior authorizations, or inconsistencies in the claim submission process.

Frequent denials can lead to revenue losses and disrupted cash flow. The time and effort spent managing denials take resources away from essential activities such as patient care and operational efficiency.

To address and prevent denials, a proactive and comprehensive approach that improves and maintains coding accuracy should be enacted. This approach ensures compliance with payor policies and verifies patient eligibility and authorization before services are rendered.

Advanced analytics and revenue cycle management tools can identify patterns in denials, allowing centers to address systemic issues and reduce future occurrences. Furthermore, it is crucial that staff receive ongoing training on updated billing practices and healthcare regulations to ensure that claims are submitted correctly and in a timely manner.

Prepare for 2025 With Optimized RCM Strategies

The unique challenges that ASCs face are complicated but not insurmountable. Rising labor costs, a changing payor landscape, and a growing volume of procedures underscore the importance of effective RCM services. Working with leaner margins and smaller administrative teams compared to larger hospitals means ASCs cannot afford inefficiencies in their RCM processes. As we look forward to 2025 and beyond, it is imperative for ASCs to embrace advanced RCM technologies like AI-driven automation to not only survive but thrive.

Patricia Smith

Patricia Smith, is the Director of Revenue Cycle Consulting at SYNERGEN Health. She has more than 20 years of experience leading RCM operations and ASCs with a wealth of experience and specific strategies that offer practical insights for administrators to maximize revenue, minimize denials, and ensure compliance. Founded in 2011, we are mission-driven RCM experts who deeply understand the uniqueness and nuances of specialty healthcare revenue cycles operating under the principle: we are better together.

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