

Mission Critical:

A Practical Guide to Revenue
Cycle Management for Rural
and Community Hospitals



CHC

Options **RCM**



INTRODUCTION

Why RCM is Attracting More Attention

For executives at rural and community hospitals, Revenue Cycle Management (RCM) has become a critical driver of financial stability. Recently, a variety of pressures, such as inflation, staffing shortages and challenging payer requirements, have raised the stakes even higher for optimizing RCM performance.

Breakdowns in the revenue cycle can result in delayed payroll or vendor payments, deferred capital investments, leadership distraction from strategic priorities, service elimination and even hospital closure. For facilities with limited financial and administrative resources, even minor RCM inefficiencies can have a significant impact. Industry estimates suggest that revenue cycle gaps can erode 3 to 5 percent of net patient revenue annually. These are losses rural and community hospitals cannot absorb.

As a result, RCM is now central to hospital resiliency. Executive teams that approach the revenue cycle as an operational priority are better positioned to stabilize cash flow, reduce administrative burden, and sustain access to care in the communities they serve.



UNDERSTANDING THE SCALE OF REVENUE CYCLE CHALLENGES

Before outlining practical RCM strategies and solutions, it is important to briefly frame the scope and scale of the revenue cycle challenges hospitals are facing. Key factors elevating the importance of RCM include:

- **Sustained financial pressure on rural and community hospitals.** Nearly 46% of rural hospitals are operating at a loss, and more than 430 are considered vulnerable to closure, according to the Center for Healthcare Quality and Payment Reform.
- **Rising payer complexity and claim denials.** A recent American Hospital Association (AHA) report found that 89% of hospitals and health systems have experienced an increase in denied claims, driving delays, write-offs, and additional administrative burdens.

- **Escalating labor and non-labor costs.** From 2021 to 2023, hospital labor costs increased by more than \$42.5 billion, with approximately \$51 billion spent on contracted staff in 2023 alone, according to the AHA. Non-labor costs also rose sharply, with drug and supply expenses increasing by double digits, according to Strata Decision Technology.
- **Growing administrative workload tied to claims processing.** An AHA survey of nearly 800 hospitals found \$6.4 billion in delayed or unpaid claims older than six months, with 95% of hospitals reporting increased staff time devoted to prior authorization and follow-up activities.
- **Limited automation in the mid-cycle.** Research indicates that up to 17% of claim denials originate during the mid-cycle phase, highlighting opportunities to reduce manual work and errors through targeted use of automation and advanced technologies.

SIGNS YOUR REVENUE CYCLE NEEDS ATTENTION

While industry pressures are widely understood, their impact on revenue cycle performance varies significantly from one hospital to another. That's why leaders must assess whether their revenue cycle is functioning as intended under today's pressures or if improvement is needed.

The following weaknesses are red flags:

- **Limited resources.** Resource constraints make it difficult to adopt process improvements, automation, or monitoring tools.
- **Staffing gaps and rising labor costs.** The accounts receivable staff lacks the training, experience, and knowledge to fully optimize your hospital's revenue cycle system. You're also facing increasing labor costs and excessive time spent on following claims.
- **Outdated or fragmented technology.** Legacy systems cannot quickly and accurately process third-party payments, leading to inaccuracies and delays.

- **Overreliance on manual processes.** Heavy dependence on human interaction and manual data entry slows workflows.
- **Payer processes outpacing internal capabilities.** As payers deploy more sophisticated rules, edits, and authorization requirements, hospitals without comparable tools face higher denial rates and delayed or reduced reimbursement.
- **Underperforming outsourced RCM support.** External vendors may lack the flexibility, alignment, or rural-hospital expertise needed to meaningfully improve performance.

Once revenue cycle weaknesses are identified, the next step is understanding where those issues originate and how targeted improvements can produce meaningful results.



HOW FRONT-END, MID-CYCLE, AND BACK-END IMPROVEMENTS WORK TOGETHER

Revenue cycle issues rarely exist in isolation. Breakdowns early in the process often surface later as denials, delays, and rework. Viewing the revenue cycle as an integrated set of front-end, mid-cycle, and back-end functions helps hospital leaders find root causes and improve performance across the system.

Front-end activities, including registration, insurance verification, and authorization, establish the foundation for accurate billing. Weaknesses at this stage are a primary driver of preventable denials and downstream inefficiencies.

The mid-cycle phase, including documentation, coding, and charge capture, directly affects both reimbursement accuracy and staff productivity. Streamlined workflows, automation, and targeted training reduce manual effort, improve consistency, and limit error-driven rework.

Back-end functions, such as billing, follow-up, and denial management, convert clinical services into cash. When upstream processes are functioning effectively, back-end teams can focus on resolving complex accounts and accelerating collections rather than correcting avoidable issues.

When improvements across all three stages are aligned, hospitals see fewer denials, faster reimbursement, reduced administrative burden, and more predictable cash flow.

TRANSFORMING THE REVENUE CYCLE WITH RIGHT-SIZED SOLUTIONS THAT WORK

The next step is to focus on how to intentionally address revenue cycle challenges and develop tactical solutions that deliver measurable, sustained improvement. This tactical approach means managing RCM with intentional oversight, clear priorities, and data-informed decision-making instead of reacting to denials, delays, or cash shortfalls after they occur.

Ongoing training for registration, coding, and billing teams strengthens accuracy and reduces preventable rework.

For CFOs and executive teams, this involves setting clear priorities, aligning resources to the highest-impact opportunities, and using data to guide decisions rather than responding after revenue has already been lost.

Effective RCM solutions should be tailored to the unique situation and needs of each hospital. The right solution may address the full revenue cycle or focus on specific pressure points. Regardless of scope, successful approaches share several core characteristics:

- **Address root causes, not symptoms.** Performance improvement begins with analyzing billing, payment, and denial patterns to identify recurring issues such as registration errors, authorization gaps, or coding inconsistencies; and targeting those areas for process improvement and staff training.
- **Protect revenue integrity and charge capture.** Regular charge master maintenance and strong alignment between clinical documentation and billing practices help reduce revenue leakage, support compliance, and improve reimbursement accuracy.
- **Apply resources where they create the most value.** Rather than attempting broad, simultaneous changes, it's helpful to first focus on high-impact issues such as denial management, contract modeling, or mid-cycle automation and then consider end-to-end solutions if broader structural support is needed.
- **Invest in staff development.** Even with advanced technology, revenue cycle performance depends on staff proficiency. Ongoing training for registration, coding, and billing teams strengthens accuracy and reduces preventable rework.
- **Use operational data to drive accountability.** Dashboards that track key performance indicators, such as denial rates, clean claim percentages, discharge not final billed (DNFB) days, and charge capture, provide visibility into performance and enable timely course correction.



“We have been using Options RCM for 6 months, and we have seen our Accounts Receivable drop almost 12% while our collections increased 6% year-over-year on less net revenue. Our denial write-offs went down more than 42%.”

Jennifer Azua, Chief Financial Officer
Freestone Medical Center

Freestone
MEDICAL CENTER

Checklist: How To Choose an RCM Vendor

When internal resources are not enough to address revenue cycle challenges, hospitals often turn to external support. Selecting the right RCM vendor or partner can have a meaningful impact on both financial performance and operational stability.

The following criteria can help guide that evaluation and ensure that your RCM resources can deliver lasting value that is aligned with the hospital's long-term goals.

- ✓ **Mission and goal alignment.** The vendor or partner should demonstrate an understanding and alignment with rural and community hospital priorities.
- ✓ **Relevant experience.** Look for demonstrated, dedicated experience in revenue cycle management, particularly with hospitals of similar size, structure, and payer mix.
- ✓ **Scalable offerings.** Effective partners offer options that match needs (rather than only one option of comprehensive outsourcing with unessential technologies and features).
- ✓ **Price transparency and return on investment.** Clear pricing models and measurable financial outcomes should be clearly defined and monitored.
- ✓ **On-shore vs. off-shore resources.** Understand where work is performed and how that aligns with your hospital's culture, communication needs, and expectations for responsiveness.

- ✓ **Vendor versus partner mindset.** Look for an organization that operates as an extension of your team, with dedicated support, clear communication, and shared accountability.
- ✓ **Electronic health record compatibility.** Seamless integration with your existing EHR is essential.
- ✓ **Balanced use of automation and human expertise.** The most effective solutions combine advanced technology with experienced professionals to manage complexity and exceptions.

Look for a vendor that operates as an extension of your team.



CONCLUSION

Rural and community hospitals have a meaningful opportunity to strengthen revenue cycle performance at a time when financial stability is increasingly difficult to maintain. The benefits of improved Revenue Cycle Management go beyond improved cash flow to help hospital leaders balance cost control with strategic growth necessary for sustainability.

There is no single RCM approach that fits every organization. Instead, a best practice is to take a coordinated approach that addresses root causes, aligns front-end, mid-cycle, and back-end functions, and focuses resources where they deliver the greatest impact. Over time, these efforts help reduce denials, speed reimbursement, and eliminate recurring issues that consume staff time and strain financial resources, while supporting long-term sustainability.

LET'S TAKE THE NEXT STEP

Drawing on its long-standing experience supporting rural and community hospitals, Community Hospital Corporation offers **Options RCM**. Options RCM provides flexible revenue cycle support, ranging from full-cycle outsourcing to targeted solutions for specific areas of need, allowing hospitals to improve performance without unnecessary disruption or cost. 🏥

To learn more about how Options RCM can help optimize your organization's revenue cycle, visit [CHC.com](https://chc.com) or contact:

April Wilson, RN, BSN
Director, IT Business Development
awilson@chc.com
972-943-1228

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972.943.6400

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