Introduction: Why Cheap Revenue Cycle Costs More

Today we're going to talk about something that seems really practical on the surface, but has massive implications for your income, your stress level, and the long-term health of your practice.

And that is this. Why going cheap on your revenue cycle is almost always a mistake. Now, I want to start by saying this is not about criticizing any specific vendor or company.

This is about understanding how these systems actually work so you can make better decisions. Because revenue cycle is one of those areas in your business where what looks like savings on paper often turns into lost income in reality.

Welcome to Medical Money Matters, the podcast where you can find experts, answers, and resources so that you achieve mastery over the financial and business aspects of your practice.

Hello, everyone. I'm your host, Jill Arena. I began my career in accounting and finance and I have more than 30 years of experience running medical groups.

I own and operate a national healthcare consulting and revenue cycle company and am the author of Physician Heal Thy Financial Self. In 2020, I co-founded the Physician Leadership Project, and in 2025 I released Physicians Edge, the first of its kind CME accredited online business education for physicians.

My passion is to increase financial and business literacy for Physicians. Episode 175, The Hidden Cost of Cheap Revenue Cycle Management. Hello everyone and welcome back to Medical Money Matters.

Today we're going to talk about something that seems really practical on the surface, but has massive implications for your income, your stress level, and the long-term health of your practice.

And that is this. Why going cheap on your revenue cycle is almost always a mistake.

How Low-Cost Billing Models Lose Money

Now, I want to start by saying this is not about criticizing any specific vendor or company. This is about understanding how these systems actually work so you can make better decisions.

Because revenue cycle is one of those areas in your business where what looks like savings on paper often turns into lost income in reality. Let's talk about the very real temptation to go cheap.

And let's start with the obvious. Most of you are under pressure. Margins are a lot tighter than they used to be. Staffing is more expensive. Reimbursement is unpredictable at best.

So when someone comes to you and says, hey, we can do your billing for 3% instead of 6%, that sounds like a very compelling offer. And it feels responsible.

It feels like you're being a good steward of your business. Because on the surface, revenue cycle looks like commodity. Claims go out, payments come in.

How difficult could it really be? And this is where I see a lot of very smart physicians and administrators get themselves into trouble. Because the assumption is, billing is billing.

But that's not actually where the difference is. Let's talk about where real work happens. Here's the key idea for today. The difference in revenue cycle performance is not in claim submission, it's in everything that happens after

the first pass.

It's about what happens when things don't go perfectly. And in healthcare, things don't go perfectly all the time. So let's talk about what many lower-cost revenue cycle vendors are actually built to do.

They are very good at getting claims out quickly, posting payments, keeping things moving at a surface level. And that's important. But where they tend to fall short is in the hard work.

denial management, complex appeals, underpayment analysis, AR follow-up that requires persistence. Because all of those things are labor-intensive, and labor is expensive.

So if a vendor is offering you very low pricing, they have to make that up somewhere. And usually, where they make it up is by not doing the hard work.

I sometimes describe this as the one-and-done revenue cycle. A claim gets denied, it might get touched once, maybe resubmitted, and then it quietly disappears from any meaningful follow-up.

Not because anyone is trying to do a bad job, but because the business model doesn't support deep work. Their margin depends on speed, volume, minimal time per claim.

So anything that requires multiple calls to a payer, reviewing documentation, writing an appeal, or following up again and again, and that work often doesn't get done consistently or at all.

And over time, that creates what I call quiet revenue leakage.

What Great Revenue Cycle Management Looks Like

This is the money you never see. Here's the tricky part. This doesn't always show up immediately. Your collections might look okay. You reports might looks acceptable.

But underneath that, there's money being left behind every day. Let's say you have denied surgical claims, underpaid procedures, coordination of benefits issues, or timely filing edge cases.

Those are not easy claims. But they are very often high-value claims and if no one is really chasing them, you're losing money you never even knew you had.

And this is where the math gets interesting, because even a 3 to 5% revenue leakage in a multi-million dollar practice is a very big number. In a 5 million dollar practices, that's $150,000 to $250,00 per year.

So when someone says we saved 3% on billing, what we often see in reality is we lost 10% in performance. So going cheap is actually really expensive. And please also beware the vendor who promises you they have solved everything with AI.

While much of this can be automated, and I am a huge fan of AI and RPA, there are quite a few things that still require a trained human in the loop. make certain your partner is responsibly using AI and that they are achieving the KPIs you want them to.

More on that in a minute. But first, let's talk about where revenue cycle actually creates value. Here's a perspective shift that is really important.

The real value in revenue is not in the clean claims. Clean claims are important, but they're the easy part. The real value is in what I call the last mile.

It's the messy stuff. The claims that don't go through the first time. Denials that require thinking. Underpayments that requires someone to say, wait a second, this isn't what our contract says.

That's where great revenue cycle teams earn their keep. And that's also where lower cost models tend to fall apart. Because that work takes skill, persistence, systems, and time So now let's focus on what a good revenue cycle partner actually looks like.

Let's shift from problem to solution. If you're thinking, okay, so what should I be looking for? Let us make this very practical. You're listening to Medical Money Matters, a weekly podcast brought to you by Healthy Practices, A healthcare consulting and revenue cycle company dedicated to keeping our clients independent.

If you're looking for more ways to strengthen your business skills, check out Physicians Edge, our mini MBA online course designed to help physicians master the financial side of their practice.

You can find that and more about how we support practices like yours at healtheps.com. That's www.healtheps dot com. And don't forget to follow or subscribe so you never miss a new episode.

First, and this is more important than anything else, you want a partner, not just a processor. You want someone who is thinking with you, Not just clicking buttons for you.

There are several things to look for. Number one, depth of accounts receivable management. A good partner is actively working your accounts receiveable across all buckets.

Zero to 30, 30 to 60, 60 to 90, and 90 plus. And yes, especially the 90 Plus. If you ever hear, we mostly focus on recent claims. That is a red flag. Number two, real denial management, not just resubmitting claims, but categorizing denials, identifying patterns, and fixing root causes.

Key KPIs to Track Performance

A question you can ask to elicit information on this one is, what are our top five denial categories and what we are doing about them? If they can't answer that clearly, you don't have a denial-management system.

Number three, persistent follow-up. Great revenue cycle requires persistence. Not one call, not one resubmission, but a structured follow up process because payers are not designed to make this easy.

In fact, just the opposite. As we've said in previous episodes, the payors know that 65% of denied claims are never followed up because groups claim they don't have time or they do not have expertise.

or it doesn't pay the billing group well, so they move on to the easy stuff. Don't let that happen to you. Number four, underpayment analysis. This is one of the most overlooked areas.

Are you being paid according to your contracts? Many practices don't actually know, and many vendors don' check. this is a huge opportunity area. Number five, transparent reporting.

You should have clear, consistent visibility into accounts receivable aging, denials, collection rates, and trends over time. Because if you can't see it, you cant fix it.

Number six, integration with coding and front-end processes. Revenue cycle doesn't start at billing. It starts at scheduling and continues through registration, documentation, and coding.

A strong partner actively helps connect all of those dots. Number seven, communication. You should not feel like you're chasing your billing company. There should be regular meetings, clear updates, and proactive recommendations.

And this is where I'll say, very gently, firms that really understand physician practices and understand both the financial and operational side tend to perform very differently than companies that are purely transactional.

Let's shift and talk now about the KPIs you should know. This is a conversation about numbers, because you don't

need to be an expert, but you do need a dashboard.

Here are a few key metrics every group should now know about their revenue cycle. First is net collection rate. At minimum, that should be 95%. Best practice would have you between 97 and 99%. This number tells you are you collecting what you're actually owed.

Out of the money you should have collected after contractual write-offs, how much actually came in? The second KPI is days in accounts receivable. The target should be 30 days for most practices, and best practice would be 20 to 30. If this number is creeping up, something is off.

This metric asks the question, if I see a patient today, how many days from now will I be paid? We want that to be a short time period, preferably less than a month.

Our third KPI is accounts receivable over 90 days. Minimum would be under 10%. Best practice would to have this category under 5%. This is a big one because this tells the story of how many claims are languishing out there.

Unpaid, not followed up, Not collected until they are just never collected. And you just rendered a lot of care for free. Next is denial rate. At a minimum, we'd like this to be under 10%. Best practice would have this under 5%. This is how many claims are rejected on the first pass, and this number should be low and kept that way.

If denials are creeping up, it's time to analyze denial reasons and get after some root cause analysis. Then fix the systems or the workflows or do the extra training so you reduce your deniles.

Simple as that. The low-cost companies know it is much easier to handle when it goes through the 1st time.

Red Flags and Why Revenue Cycle Matters

Our next KPI is Clean Claim Rate. The target here is 95% or better. This is the inverse of the denials rate. Again, we want the vast majority to go through the first time.

We go into many groups where this number is only 80 or 85%, which is way too low. And lastly, a KPI is claim lag. Ideally, this is between 24 and 48 hours.

This is the amount of time between when a patient is seen and when their visit is documented, coded, and shipped out to the clearinghouse. Again, the shorter the better here.

And here's the key point. If your vendor cannot easily and clearly give you these numbers, that's a problem. Let's talk about red flags that you've gone too cheap, and let's make this very real.

Here are some signs we see all the time. Reports are vague or delayed. Everything is, quote, fine, but there's no detail provided. Your accounts receivable is slowly increasing.

You denials are not categorized. There are no proactive suggestions from your revenue cycle team. and you feel like you're the one doing all the thinking.

And this is my favorite line for this one. If you are doing the Thinking and they're just doing clicking, you don't have a partner. Why this actually matters more than you think.

This is not just about money, although it is about many. A strong revenue cycle means you can hire and retain better staff, you could invest in your practice, You can reduce chaos, and you make decisions with confidence.

And ultimately, healthier practices create healthier communities, which is really what this is all about. So let me leave you with this. Revenue cycle is not an expense to minimize.

It is a system to optimize. And yes, cost matters. But performance matters more. Because in this area, you almost

always get what you pay for. If this episode got you thinking, if you're wondering, are we actually performing the way we should be?

That curiosity is really a good place to start. If you haven't already, listen to more episodes of Medical Money Matters. We cover several areas of revenue cycle management to help you be more well-versed in this important topic.

Next, request your free RCM vitals check from our team at www.healtheps.com. After that, explore our resources and training, especially the front office revenue cycle education, where your front-office team could get two hours of on-demand training that will help them excel at their job and help reduce your denials.

And if you're ready to go deeper, we do offer full revenue cycle assessments and education programs designed specifically for physicians and medical groups.

Free Vitals Check and Revenue Cycle Support

You don't have to figure all of this out alone. you just need the right tools and the partners. Until next time. Before we wrap up, if today's conversation has you even a little bit curious about how your revenue cycle is actually performing, I want to offer you a very simple place to start.

At Healthy Practices, we offer a free revenue-cycle vitals check, where we take a quick but meaningful look at your key metrics, things like accounts receivable, collection rates, and denial patterns, to help you understand where you are and where there may be opportunities.

For many practices, that alone is eye-opening. And if those results warrant a deeper dive, we also offer a comprehensive revenue cycle assessment where we take a full, structured look at your system's workflows and performance, including your payment velocity.

That's where you can really identify what's working, what is not, and exactly how to improve it in a tailored revenue-cycle strategic plan. From there, we can support you in a couple of different ways.

If your AR needs attention now, We can step in short-term to help clean things up, improve cash flow, and get your revenue cycle back on track. Or, if you're ready for a more permanent solution, we can serve as your fully outsourced revenue cycle partner, bringing not just execution, but strategy, visibility, and accountability to the entire process.

Because at the end of the day, this isn't just about billing. It's about building a system that supports a healthy, sustainable, profitable practice. So if you're ready to take a closer look, you can find more information and request your free vitals check at healtheps.com.