

# The Impact of Revenue Cycle Management on Financial Stability in US Government Hospitals

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**Abstract:** Revenue cycle management RCM is essential for tracking patient bills and revenues in healthcare. This study aims to measure RCM potential in US governmental hospitals by examining financial management challenges and suggesting practical applications. Secondary data sources were analyzed to understand RCM and external hospital finance management issues. The study highlights the importance of integrating payment and information systems to address transparency challenges, vision uncertainty, accountability lapses, and staff resistance. It concludes that vision control, accountability, training, and comprehensive monitoring are crucial for RCM transformation, emphasizing patient benefits through inclusive participation. Future research should explore the transition from government-funded to self-operated institutions to identify emerging challenges and opportunities.

**Keywords:** Revenue cycle management, financial management, government hospitals, efficiency challenges, healthcare payment systems

## 1. Introduction

Decent revenue cycle management is crucial for healthcare organizations, since 25% of charity hospitals in the US lose money. Healthcare workers must enhance revenue cycle management RCM systems to ensure financial stability and provide quality treatment [1]. Study explored how revenue cycle management influences hospital profitability and stock capital. The number of patients who paid and the speed of payment were major financial considerations. These factors impact debt repayment [2]. Medical revenue cycle management (RCM) monitors potential invoiced events during a healthcare procedure and generates revenue. RCM handles patient billing from consultation to coverage, treatment, and payment [3]. ADT (Admission, Departure, and Transfer), scheduling, management of beds, health information management, and administrative and auxiliary systems gather data. We base clinical codes on illnesses and treatments, and review and deliver privileges to third-party providers. In addition to third-party payers, a national regulatory agency establishes payment and return regulations. Payments for the same service vary by supplier location, payback, and laws, making this procedure confusing [4]. Former RCM processes centered on billing and collecting money. People may focus more on front-end tasks thanks to online appointments, third-party payment platforms, and hospital information technologies like digital medical records and automated technology writing [5]. Automated charge-capturing and centralization may simplify invoices, reduce errors, increase revenue, and speed up payments [6, 7].

HCA Healthcare delivers US healthcare. Military and educational agencies offer health care to personnel and their families. A massive US health system revamp will increase care and efficiency. USA 2030 seeks a complete, integrated health system [8]. System restructuring will emphasize value-based healthcare. The new approach would emphasize preventative care and financial stability. In their Vision 2030 address [9], the nation emphasizes privatization to solve this challenge. Meanwhile, the healthcare system has struggled with overuse, rising costs, access and equity issues, and poor organization and

continuity [10]. Other study found elevated expenses and unequal access during this change [9]. About 50% of US healthcare expenditures originate from the private sector, yet growing prices have limited household spending. The government aims to privatize 290 hospitals and 2300 medical centers [11]. The success of Health Sector Transformation depends on outsourcing. The initiative seeks to renovate and expand basic care institutions nationwide, create new medical towns, and improve laboratory and imaging capacities via creative private sector partnerships. USA government-funded health care will depart global budgeting. In this plan, you pay a lump sum for health care over time. We will shift to financing methods that are based on results and activities, giving priority to financial planning. The healthcare system will utilize its money and resources better with this reform. Revenue cycle management (RCM) uses technology to monitor healthcare revenue. The paper adopts RCM implementation in government hospitals would be simple. RCM usage is similar in both public and private institutions.

### a) Purpose of the study

The purpose of this article is to explore the impact of revenue cycle management on the financial stability and efficiency of US government hospitals, identifying the challenges faced and proposing strategies for effective implementation and utilization of RCM systems.

### b) Significance of the study

This study is significant as it addresses the critical issue of financial management in US government hospitals. By evaluating the implementation of revenue cycle management systems, the research provides valuable insights into improving transparency, accountability, and financial performance in healthcare institutions.

## 2. Literature Review

RCM implemented the whole coding system (ICD-10 AM, ICD-10 PCS) in US private healthcare to simplify billing. Revenue collection is now more efficient [12].

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RCM is less important in free public health care systems, such as those in the United Kingdom [13]. Organizing payments to the private sector and explaining why they need to spend the money and distribute the budget might benefit countries like USA, which has a developing private sector. NPOs and government hospitals have different financial demands; therefore, "diversifying revenue streams" isn't always achievable [14]. RCM increased equity growth [2], improving US cash flow, equity capital, profit margins, and financial stability. RCM systems have compensated public hospitals more than private hospitals [15]. Indonesia, India, and Kenya [16, 17, and 18] have streamlined income sources via RCM. Several US research have examined how RCM systems handle clinical management data like managing beds or patient booking. These studies suggest that merging system data increases revenue [6].



Figure 1: Secondary data collection sources

A strong RCM system for healthcare payment in USA government hospitals is crucial for tracking activities, achieve results, justify budget allocation, and make money. The Ministry of Health (MOH), which controls corporate payers and providers, must carefully implement and pay attention to RCM activities. Clinical activity coding and documentation are essential for accurate monitoring, RCM, and government healthcare organization revenue. It is crucial to understand whether government hospitals are prepared for activity- and outcome-based funding. A comprehensive study of RCM in It's crucial to learn about the topic so you can recognize issues that might make the transition to activity-based planning difficult. We need to do more study to fully understand this big change and the things that might make the switch to activity-based planning less smooth. This study checks to see if revenue cycle management can be used in US government hospitals. For this to happen, key players need to take a close look at current ideas in RCM and financial management. Additionally, the research seeks to provide practical recommendations on RCM implementation and utilization.

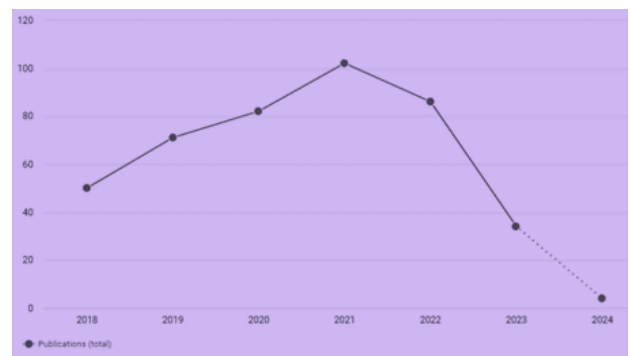


Figure 2: Articles published between 2018 and 2024

### 3. Materials and Methods

This research utilized secondary research approach to collect data from previous articles. To understand a subject, studies examine linkages between distinct components [12]. Business and management employ this strategy to characterize, outline, and evaluate publications and generate new research ideas [9]. The secondary investigation may identify research topics by comparing objectives like nations and phrases [4].

Current study adopted approaches from recent and rigorous literature review studies as [9]. Searched dimensions and Google scholar for revenue cycle management publications using keywords related to Table 1. The search utilized "title-abstract-keywords" to find articles published between 2018 and 2024.

For a reliable sample, we limited dimensions findings to English-language articles from peer-reviewed periodicals. Dimension sample includes 429 journal articles. Because of this, we limited dimensions search results to "Articles," "Early access," and "Review articles" from English-language peer-reviewed periodicals. The Google scholar sample includes 1,626 scientific publications. Article bibliographical data was saved as csv files.

Table 1: Search Terms

Search Terms
"Resource Capacity Management"
"hospital financial management"
"governmental hospitals"
"internal audit"
"financial sustainability"
"billing systems"
"accountability"

### 4. Results

Government hospitals need accountability, but several obstacles make it difficult. Government overspending and bureaucracy are major issues. The respondents highlighted that firms should disclose on their performance and profits to be responsible. These aren't priorities in government

hospitals. Internal audits assess how well and quickly the company uses its resources. Internal control includes control environment, risk assessment, control tasks, information and communication, and tracking. Two of seven hospitals have service-based businesses. They record expenditures based on the charge description master document. But hospitals' payment systems function independently of their computer systems. Table 2 in the appendix lists the study's themes and subthemes from significant sources.

**Themes 1:** The key informants' comprehension of RCM

Healthcare is struggling with growing prices, efficiency concerns, and a labor shortage. Healthcare facilities must manage the revenue cycle properly to process claims, get paid, and make money. This is crucial to healthcare administration since it involves identifying, regulating, and collecting patient service payments. The hospital payment procedure requires numerous crucial phases. These phases include pre-registration, registration, charge capture, claim filing, payment processing, and insurance company follow-up and patient collection. By implementing these things, healthcare institutions may streamline the payment process and increase revenue. A hospital's expenditure cycle includes capital and income expenses. Capital expenditures are large, one-time purchases of fixed assets that provide income over time. Revenue expenditures fund daily hospital operating expenses. 75% of healthcare expenditures are government-funded. Government hospitals may cost tens to hundreds of millions to operate, depending on their size. Healthcare companies must carefully plan and execute both forms of cost management to be financially viable.



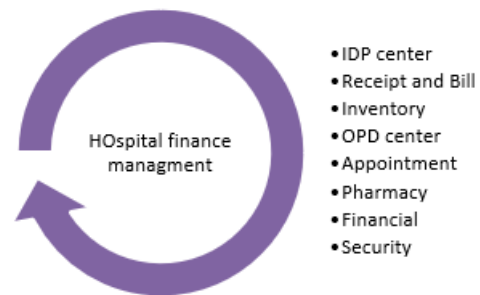
**Figure 3:** RCM cycle

**Themes 2:** Current hospital financial management

Healthcare has lesser profit margins than other service-based companies, and there are a number of standards that must be followed. Healthcare organizations, like government hospitals [25], need to make sure that their invoices and revenue management are right. To do this, staff needs to be trained, there needs to be a way to hold people accountable, and jobs in global healthcare management need to change [20].

The persons who took part in the survey discovered that their organizations' billing and revenue procedures were not always the same, even across geographies. This might

imply missed revenue and wasted time. Most facilities lose between 2% and 3% of their yearly profits to leaks that might have been prevented [25]. Underpayments, erroneous rejections, and other compensation difficulties are a serious concern for providers. They create a gradual but consistent loss of revenue that is frequently not recognized and doesn't appear to matter [22]. So, hospitals need to make their processes more consistent and get true information on how their income is performing so they don't lose money fixing payment differences that aren't necessary. But the discrepancies in how taxes are collected illustrate that various nations have distinct political aims and interests, even if all of them need to be successful and efficient. These disparities might have long-lasting repercussions that accumulate on top of one other.



**Figure 4:** Financial management

**Theme 3:** Obstacles encountered during the implementation of the RCM system

Healthcare has grown increasingly financialized due of two main dynamics. To stay in business, non-profit hospitals are turning to more and more non-healthcare-related income streams [21]. Meanwhile, investors have joined the market because they perceive it as an excellent way to generate money. It is extremely vital to underline the advantages of employing the correct RCM techniques and processes. The study found that state hospitals must make major changes to achieve speed and success. Rising demand, high service prices, uneven access, a dysfunctional e Health system, unorganized department exchanges, and a centralized management structure need fixing [23]. This survey confirms what participants believed about growing healthcare expenses and discriminatory access. The National Vision 2030 declaration believes privatization is the ideal solution, but standardized treatment and greater money for government hospitals are required [16]. US government hospitals have distinct skills. Concerns about provider engagement and contact were raised. Survival and taking advantage of chances when the supply chain breaks down or you buy something offline need adaptability.



**Figure 5:** RCM Obstacles

#### **Themes 4:** Recommendations on overcoming RCM implementation issues

They examine how US healthcare was updated to see whether market ideals and public services can coexist. The public health care system should be open to innovative management and service methods based on outside knowledge and capabilities. Public-private partnership funds and improves US healthcare. The goal of this research was to find out what various significant individuals felt about the present standards for financial management and RCM. After carefully reviewing the tapes, we noticed four primary themes. These subjects show US government hospital RCM education. Everyone recognized that implementing RCM would be beneficial, but senior management support was crucial. To navigate this major transition, you need a clear vision, project management tools, and immediate clinical and administrative involvement. Most individuals feel that staff skills and budget are major issues. To fix this, staff should be properly trained, held accountable, and encouraged to work with outside experts and organizations. These procedures aim to boost personnel capabilities and corporate efficiency. The study's recommendations may benefit USA government hospitals, but they should not be applied elsewhere. Healthcare institutions may vary in group growth, development, administration, and financing. Because they maintained small business centers, several respondents were anxious about their non-government revenue sources.

Since there are few privately owned hospitals, more research is needed on the changeover from government-funded to privately run. These studies should improve hospitals' vision, mission, organization, policies, and procedures and develop best practices. This thorough analysis will illuminate this transformation's problems and potential. Adaptability may describe how readily a company collaborates with others [25]. Long-term, it will require new partnerships like savvy mergers and acquisition.

## **5. Discussion**

The research investigated what key figures felt about money management and RCM systems in USA government hospitals. The first step collected information about current financial practices, RCM knowledge, and RCM implementation suggestions.

Government hospitals have struggled with budgeting and planning. Non-profit hospital systems in the US tried to make money from other sources, but rising costs and unpredictable government payment policies made it difficult [19]. The government also allowed nonprofits to form profit-driven companies tax-free. Some of their mergers and acquisitions hurt competition.

Structured government hospitals make accountability harder owing of internal difficulties. Despite its importance, bureaucracy and high government costs make fixing this problem difficult. Respondents stressed the importance of hospitals reporting on their ability to stay in business and fulfill their missions. Unfortunately, government hospitals don't prioritize these things. Thus, internal audit must be established to ensure the organization's resources are used efficiently. A good financial reporting system decreases mistakes and poor management and enhances financial performance, according to research. N. Donthu said money responsibility can improve financial success [20]. Wynn-Williams demonstrated that openness reporting, internal processes and benchmarking, and more open data increase the government's financial performance [21]. These findings suggest that strong accounting systems improve business finances. But since technology is always improving, the papers show that RCM works [25]. In this study, the goals and aims of the doctors and the managers were not the same. This backs up Goodair and Reeves (2021) study on cultural clashes that happen when healthcare groups, like government hospitals, change their financial methods and goals [12]. Different groups can become tense when healthcare workers have a lot of different interests, especially when they work in government hospitals [24]. Boards of directors and hospital officials may not have the same goals as doctors and patients [28]. Administrators of hospitals are in charge of keeping the institution's finances stable and growing its goals, such as giving healthcare to the community in addition to caring for patients, teaching, and doing research. Managers may feel obligated to prioritize the federal healthcare system, regulators, politics, local firms, insurance, or hospital board members above patients. This may lead them to make poor patient decisions [27].

## **6. Conclusion**

The evaluation of financial management and RCM in US government hospitals reveals significant challenges and opportunities. Despite the complexities, a clear vision, accountability, and staff training are essential for successful RCM implementation. This study recommends practical strategies to improve financial stability and efficiency, emphasizing the need for future research to explore the transition from government-funded to self-operated hospitals.

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Appendix:

Table 2 Themes and Subthemes developed from sources

Themes	Subthemes
The key informants' comprehension of RCM.	There is agreement on how the key informants understand RCM. Below are some answers:
	- RCM is a software-enabled process that aims to capture all bills within a single patient care episode.
	- RCM is the process of generating bills based on the provided services during the care process.
	- The process of RCM involves recognizing, overseeing, and gathering revenue for the services provided to patients.
	- A well-designed RCM system improves billing and collection cycles.
	- RCM incorporates patient demographic and administrative data into care.
Current hospital financial management	Challenges that exist:
	- External: Increase in demand, limited resources, and associated costs.
	- Organizational: Accountability and Internal Control System within government hospitals.
Obstacles encountered during the implementation of the RCM system	- Small scale business clinics.
	As of now, no hospital has fully implemented the RCM system. Obstacles include:
	- The RCM system lacks a clear vision.
	- Accountability and proper policies and procedures.
	- The staff's resistance.
	- The need for process redesign and proper system functionalities.
Recommendations to tackle any challenges mentioned for proper RCM implementation	- The importance of exercising project management.
	- Significant transformational processes, including vision, governance, and accountability.
	- Training.
	- Effective monitoring and evaluation processes.
	- Communication must also be emphasized.
	- Bringing patient perspective into focus.
- Bringing in all stakeholders can create direct and holistic benefits for patients.	