

Healthcare trends influence business and revenue cycle choices

Transcript

Adrianne Boylen

Welcome everyone. We're here talking today about outsourcing and insourcing within healthcare and what were the trends that we're seeing with our providers.

And so, I'm Adrianne Boylen. I'm a principal with Grant Thornton in our Healthcare Advisory practice, and with me I have John Summerlin. John, you want to give a quick intro?

John Summerlin

Yep, thanks so much, Adrianne. John Summerlin, I'm a managing director within Grant Thornton's Healthcare Advisory practice as well. I work with Adrianne and helping our clients with revenue cycle issues and process improvement. So, looking forward to the chat today, Adrianne.

Adrianne Boylen

Great. I'm excited about it as well. You know, John, one of the things that I wanted to start with – what are the challenges that you're seeing providers facing that may lead to the decision about outsourcing?

John Summerlin

Yeah, it's a great question, Adrianne, and it's a conversation that we've been having, frankly, in some ways for years. You know, so if I think about it, there's probably two dynamics that really drive a conversation about insourcing versus outsourcing and the first is kind of the financial pressures that providers face today. Obviously, coming out of COVID and for the last couple years, we've seen, you know, margin issues, including in 2024 we had stabilization around 4.9% operating margin. But in 2024, we had 40% of hospitals in the country operating in the red and 31% of rural hospitals at risk of closing due to financial challenges.

So, you know, yes, things are better since we've come out of COVID, but providers are still struggling with the cost increases that, you know, related to supplies, reimbursement issues that continue, either in the form of denials or kind of administrative burden or decreasing

reimbursement. So, you know, the fact of the matter is that the financial pressures that we've been talking about for the last 20 years are the same, and probably even getting worse, as costs increase and revenues and reimbursements continue to decrease.

I think the other thing about it that we have to acknowledge is that there are tremendous workforce issues in healthcare. And the fact of the matter is that I think, and rightly so, a lot of the attention for the last decade-plus has been on the clinical workforce. But the workforce issues apply in the non-clinical spaces as well.

With burnout, shortages of workforce, the administrative burden, again, all three of those negatives, from a workforce perspective, they impact clinical and non-clinical resources. And frankly, you know, what we've seen in coming out of the pandemic is even some out-migration from the hospital setting as workers look at a more secure setting where they don't have to run the risk of interaction with or coming across, say, COVID, which is what we've been experiencing for the last for the last five years.

So those things persist, right? We've been talking about them again for a decade-plus, and they're really kind of driving hospitals and other providers to think long and hard about what is the best strategy to deliver on the administrative and the back office processes that are required while also preserving the real true mission of providers, which is providing patient care.

Adrianne Boylen

I couldn't agree with you more. You know, one of the things I've started to see — I've seen some improvement. But what's your perspective from COVID in terms of those workforce pressures? Have they alleviated any?

John Summerlin

Yeah, they definitely have, you know, and you can see that in, you know, in the way that providers have taken a step back from travel nursing, for example, right? Nothing wrong with travel nursing, but it represented a major cost increase in COVID. We've seen a lot of our providers across the country being really successful at decreasing their reliance on travel nursing, for example. And so I think that that's, you know — that dynamic of getting away from contract labor, it is fairly universal, based on the providers that I speak to.

The problem from a workforce perspective is it still remains that we have an aging population who are high utilizers of care. And so, volumes again in 2023 and 2024, continued to grow. And some of the projections from different firms and different kinds of studies, you know, you could expect that volumes are going to continue to grow for the next 10 years,

again because of that aging population. And again, higher volumes are great in the sense that they create more revenue, but higher volumes also represent greater and greater strain on a workforce that isn't growing at the same pace.

I guess the question I'd ask you, Adrienne, is you know these challenges aren't new, but they are growing, and they are persisting. What have you seen providers do to tackle these challenges, to kind of mitigate some of the burden that the financial pressure and the workforce issues have created for them?

Adrianne Boylen

Yeah, and this is exactly where we're starting to see the outsourcing and the contemplation of whether that's the right tool to use and lever to pull.

You know, some projections are saying that there may be an increase even specifically for revenue cycle outsourcing as much as 10% over the next eight years. But we're not just seeing it in revenue cycle, we're seeing it in other areas like IT, payroll, accounts payable, customer service, et cetera. And, you know, it's kind of spanning what organizations are looking at and to really impact those challenges that you outlined just a moment ago.

John Summerlin

I'm curious from your perspective, Adrienne, you know you talked about some of the kind of business functions or the areas that are being outsourced. And you talked about some of the projected growth. I'm curious though, right, I think about sourcing as a cost play. Are there other reasons why providers are outsourcing some of these functions?

Adrianne Boylen

Some of the other reasons may even be the technology that the other firms have.

So if you think about it, organizations come with a set of capabilities, but they also come with a set of tools that can layer on top of your ERP or your EHR. Or they have the capabilities to optimize those systems to better utilize them, and more efficiently utilize them, so that you're really taking advantage of that and not just having a labor arbitrage, but also you're able to reduce the number of touches that it takes to do some of this work as we move forward.

John Summerlin

Gotcha, that that makes a ton of sense. So, it's not just about cost, right? It's about efficiency and it could be even about service.

I guess I'm curious, right? Because I think we've both seen this — that there's obviously, you know, our clients and the providers we work with have outsourced. But we've also seen some clients and some providers insource. Give me your perspective on the rationale for insourcing.

Adrianne Boylen

Yeah, with insourcing, what we've seen more happen when it's insource, an organization may make the decision to outsource, but then later change their mind. And oftentimes the reason for coming back and bringing insourcing is because when they initially did the outsourcing, the table stakes weren't set, and the agreements and SLAs weren't set to make sure that everyone's incentives are aligned and working in the same direction. And so that often causes organizations to bring it back in-house.

It may also be, you know, things like other organizations — a vendor, so to speak, doesn't really care about the bottom line as much as the hospital does. The healthcare system may have also, in that time of when they originally identified a vendor to now, have had advancements in technology. You know, with the advancements, say as an example in ERP and moving from servers on-prem(ise) to in the cloud and the efficiencies that have been gained there, that that's really a transformative process in moving to the new technology. But then it also means your operations can't transform and what you can handle in-house may be different.

Lastly, is patient experience. So just as much as it can be a patient experience enhancer for outsourcing, the inverse can also be true because those individuals who are — and teammates within the organization, really care about fostering that experience with the patient and fostering loyalty with them in a different way.

John Summerlin

Yeah, you know that that makes sense. We've always said that healthcare is fundamentally local, right, and to think about the people you interact with at your provider, be it the clinician or the non-clinical personnel, like, they need to be local as well, they need to care about you as a local patient, so that makes a ton of sense.

So, you mentioned that you're seeing some providers insource. And I'm just curious.

You know, we've seen that different digital tools are being adopted at a really rapid pace in the clinical environment. I'm curious to hear, you know, is that technology advancement ... how is that playing out and how is that kind of informing what health systems are doing with insourcing or outsourcing?

Adrianne Boylen

I think it gives opportunities for organizations to expand their services, potentially, like with patient monitoring or telehealth, right? They can expand and maybe even provide services to other health systems that don't have those capabilities. So, it really is across-the-board, even though we've been focusing on the business side for this conversation.

John Summerlin

Makes total sense. What are ... what do you think is the, you know, the more common trend, or what are you seeing your, you know, the providers you're talking to do in finance and in the revenue cycle arena, in specific, at this point? And what are the considerations that are driving them?

Adrianne Boylen

You know, I'm actually working with clients on both sides right now. Some are outsourcing and some are insourcing. I think the key, and where people have learned from over the years and when, first, people started to outsource more and more, is that they're learning from those experiences of — how do we set up the service level agreements so that all parties are invested in the health of the organization? That we have communication and channels back and forth between the teams, so that we're benefiting the organization as much as possible. It's things like that that I think we're giving a lot more consideration to than had been done in the past when, maybe, it was solely an efficiency play. And I think people have learned a lot over the recent events and experiences with both outsourcing and insourcing.

John Summerlin

Yeah, it's amazing, right? Because it comes down to goal alignment. And it can be, you know, a relationship with a payer, a relationship with another provider, or it could be a relationship with a vendor. But if you don't have that goal alignment, and those similar objectives then, you know, any single kind of endeavor can fail and that's maybe, you know, what we ... what you've talked about here with clients who have outsourced and then brought it back in, and even the ones that are successful in outsourcing, is they're driving that goal alignment. So ...

Adrianne Boylen

Couldn't agree with you more. It's been a great conversation, John. I really appreciate it and I'm excited to see how it continues to evolve over the next couple of years.

John Summerlin

Definitely. Thanks for having me on today and I look forward to chatting again about this, right. One of the great things about healthcare is that it's constantly changing.