

7 TRENDS REDEFINING HEALTHCARE ACCOUNTING



The pace of innovation in healthcare has never been faster than it is today.

In just the past decade, advances in genomics have enabled personalized treatments, while telemedicine has made it more convenient than ever to access care. Wearable devices that monitor vital signs have empowered patients to take charge of their own health, and artificial intelligence is transforming the way doctors diagnose diseases.

Despite all these advances, patients are increasingly dissatisfied with their healthcare.

Fewer than 50% of Americans rated the quality of healthcare they received as “good” or “excellent,” with the majority characterizing it as “fair” or “poor” in a recent Gallup poll.¹

Cost plays a significant role in their overall perception. More than three-quarters of Americans said they were dissatisfied with the total cost of healthcare, according to the poll.

While the onus for change rests in part on policymakers, payers, clinicians and other players, healthcare accounting and finance departments play an important part in restoring patients’ faith in the healthcare system.

The operating table, exam room and lab aren’t the only places where innovation has the potential to transform the healthcare industry, and these seven healthcare accounting trends prove it.



The rise of cloud computing

More than three-quarters of executives responding to a recent PwC survey² said they had adopted the cloud in all or most parts of their businesses.

The survey found organizations powered by cloud-based technology are far more productive and profitable than those that lag behind. Within the healthcare industry, the widespread adoption of electronic health records ensures every medical and billing professional has access to real-time information. For finance teams, cloud-based accounting solutions make it easier to centralize and automate invoicing, accounts payable and payment processing. They also improve transparency across the organization so everyone can see relevant details on inventory, purchase orders, or overall financial performance.

This has become critical for healthcare companies with many locations and shared expenses and vendors. The best cloud-based systems eliminate the need to enter a single shared expense in a dozen different databases, saving hours of time each week.

They also enable greater agility and flexibility for accounting teams still struggling with staffing shortages. With cloud-based systems, healthcare companies can meet employees' expectations for greater flexibility in the workplace while reducing the need for physical space and fixed assets.

The rise of cloud computing in healthcare also underscores the need for greater cybersecurity. In 2022, 45% of data breaches occurred within cloud-based software, according to IBM Security and Ponemon Institute's 2022 Cost of a Data Breach Report.³



The report also found the healthcare industry has the highest average data breach cost at more than \$10 million per incident.

Healthcare companies can reduce their vulnerability to cyber attack by adopting a zero-trust security model, which involves requiring multi-factor authentication to access company devices and software and using the principles of least-privilege access.⁴ Educating employees at all levels on the necessity of keeping their passwords secure and avoiding phishing scams is also important, as stolen or compromised credentials and phishing were the top two causes of data breaches in 2022.⁵

WHAT YOU CAN DO NOW

A third-party software vendor with lax security practices can unravel all of a company's efforts to protect itself from cyber attack. Companies can assess the risks associated with a software or cloud services provider by viewing their SOC 1 and SOC 2 reports.⁶ Healthcare companies have the additional responsibility of ensuring their third-party vendors are HIPAA-compliant. It may even be beneficial to have a written agreement regarding a vendor's security practices.

2

The use of artificial intelligence and machine learning

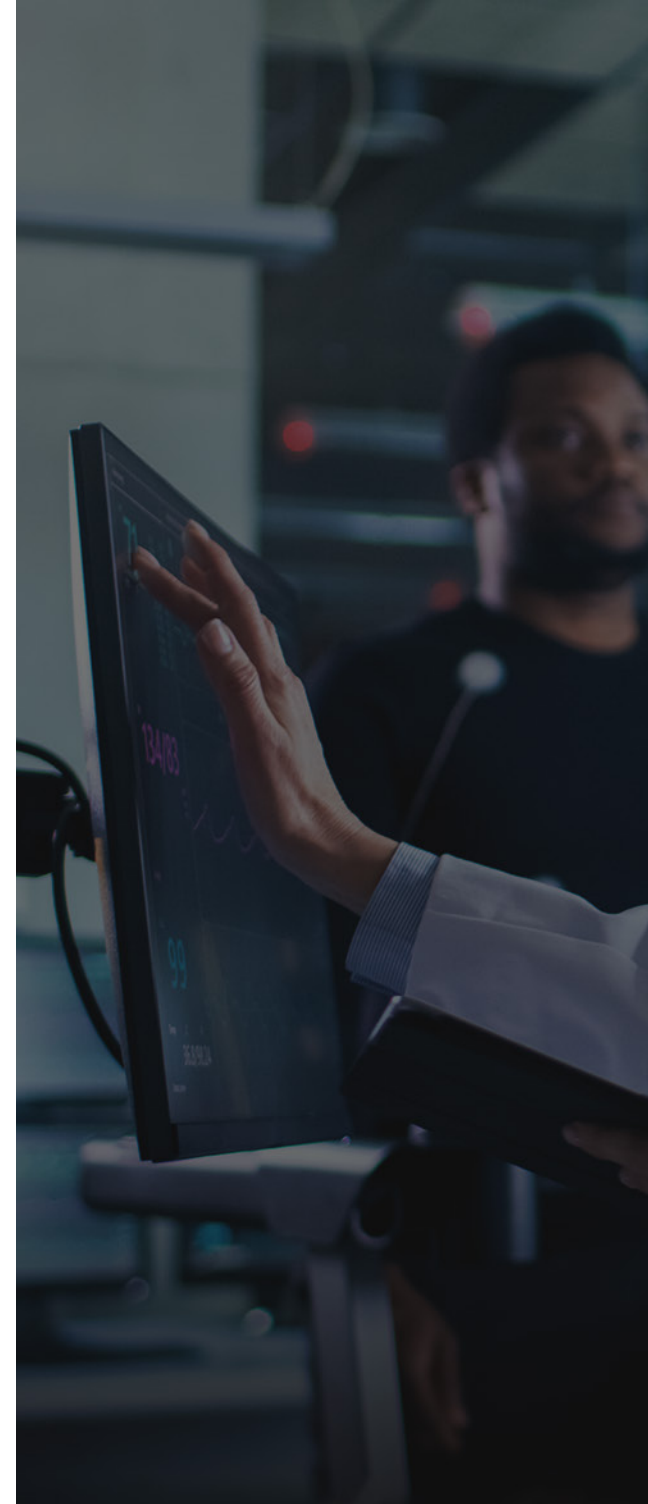
Cloud-based software has made it possible for healthcare organizations to process massive amounts of data, positioning them to take advantage of innovations in artificial intelligence and machine learning, a subset of AI.

With the rise of wearable devices and technology-assisted diagnostics, AI is poised to revolutionize healthcare from a clinical standpoint. Healthcare accounting implications include the potential to forecast supply and demand, possibly better than the market can, to better allocate resources.⁷

AI can transform the spaces where clinical work and financial concerns directly intersect. Predictive analytics and automation can assist clinical-side managers with scheduling nurses in a way that will make the most efficient use of staff,⁸ while advanced analytics and consumer segmentation can help drive patients to the least costly, most appropriate clinical setting, making the most efficient use of both human and facility resources.

In the revenue cycle, AI and machine learning can help identify fraud and improve financial reporting and analysis.

One of the most promising use cases is the potential to automate repetitive accounting processes like accounts payable. AP automation streamlines manual tasks like reading invoices and entering data. This can free up office administrators to have more meaningful interactions with patients, prioritize more strategic initiatives that can improve operations, and even reduce turnover by giving them more fulfillment in their roles.



WHAT YOU CAN DO NOW

To make the most of AI and machine learning opportunities, CFOs and other healthcare executives need to educate themselves about technologies in the marketplace and work closely with their IT teams to implement them. They will also need to evaluate processes to determine where they can achieve the biggest savings of time and money.

3 Widespread consolidation within the healthcare industry

Healthcare M&A activity hit a record high of \$19 billion in the second quarter of 2022⁹ and shows no signs of slowing down in 2023.¹⁰

Private equity investors are driving this shift, finding new opportunities to deliver more efficient, cost-effective care while adding new services. Physicians' groups, dental offices, fertility clinics and other outpatient service providers that had been independent are becoming part of larger groups, creating opportunities to streamline everything from accounting and administration to technology platforms.

For healthcare administrators at companies that have recently been acquired, demonstrating greater efficiency and continual innovation is crucial.

WHAT YOU CAN DO NOW

If your company is seeking an investment or a sale, it's a good time to re-evaluate current processes and technology, especially if you have multiple locations using disparate solutions. You may need to work with your IT department to list each platform or application and identify any redundancies. You'll also want to consider where there are gaps within your workflows. For instance:

- Are you processing invoices for multiple locations through a single platform, or are you entering them into different systems based on location?
- Can you easily process payments from multiple providers?
- Can you easily allocate payments that apply to multiple locations?
- Do customers who receive regularly scheduled services (such as chiropractic care) have a secure payment portal where they can see what they owe and schedule recurring payments?
- Can you review and reconcile multiple transactions at the same time?
- Do you have a way to manage inventory across multiple locations?
- Are you spending hours each month logging in and out of different systems to create consolidated financial reports?

These questions may uncover long-standing frustrations, but it's better to begin addressing them now and upgrade to a technology platform you've chosen than to wait until new ownership chooses for you.

The increasing importance of business intelligence

As healthcare companies look to achieve greater efficiencies following a merger or acquisition, we're seeing a greater emphasis on business intelligence solutions.

Having accurate data on cash on hand and the ability to forecast how operational changes at specific locations will impact revenue projections across the entire organization increases your company's resilience, boosts stakeholders' confidence and drives decision-making toward future liquidity. Important insights pertaining to cash flow include inflow data such as revenue and operating income as well as cash outflow metrics such as operating expenses, which encompasses labor, leases, equipment, and administrative costs.

For healthcare companies with many locations, it's important to keep tabs on cash inflow and outflow metrics for the enterprise as a whole as well as each individual entity. This ensures a healthy overall revenue or operating income isn't just a few well-performing entities masking the underperformance of others.

Closely monitoring cash on hand also allows healthcare company executives to be prepared to take advantage of new acquisition opportunities or adjust to changes in demand, as we saw during the COVID-19 pandemic when many patients put off routine or elective care.

Margins are another insight that act as a barometer for a company's overall health. Slim or shrinking margins are a canary in the coal mine, a signal that something needs to change. In most industries, revisiting pricing strategy would be a go-to method for improving margin. Considering that 75% of Americans give the U.S. a grade of "D" or "F" for healthcare cost¹⁸ and that one in four have skipped or delayed medical treatment because of expense,¹⁹ providers may want to look at other options for improving margin, such as renegotiating with suppliers or working to retain employees in order to save on recruitment and training.



WHAT YOU CAN DO NOW

To offer the most valuable insight the business intelligence solutions you use need to be integrated seamlessly with your accounting software and other systems. They should make it easy for your entire organization to create charts and graphs that compare each business entity and show important performance metrics, such as:

- Which locations have the highest volume of patients
- Which services are the most in demand
- Operational costs by location compared to revenue by location
- Which vendors or suppliers have had the most significant cost increases?

5 Revenue cycle management

If any part of the healthcare industry is ripe for redefinition, it's the revenue cycle, which includes managing claims processing, payment collections and patient billing. The numbers prove it: 42% of healthcare CEOs said if they stayed on their current paths, their businesses would be viable for 10 years or less.²⁰ Dozens of health systems throughout the U.S., many of which reported net gains in other years, reported net losses – some in the billions – for 2022.²¹ Continued lower patient volumes as a result of the COVID-19 pandemic and inflationary pressures are among the external forces affecting the healthcare revenue cycle, but there are other factors that are within a healthcare company's sphere of control.

While labor shortages in the revenue cycle tend to get less attention than turnover among doctors and nurses, they are pervasive; 82% of respondents to a Becker's Hospital Review-PwC survey said they were experiencing revenue cycle labor shortages.²²

The remedy for this, at least in part, is technology, with 63% of the Becker's-PwC survey respondents indicating that leveraging new or existing technology would drive the most impact when it came to the issues facing the revenue cycle.

This technology includes machine learning, AI, and automation. Promising among the offerings is AI-led automation that uses natural language processing to convert physician notes into billable code, not only streamlining the claims process but potentially reducing the documentation burden on physicians – a major contributor to clinician burnout. The technology can even identify and rectify errors in bills, according to PwC principal Anupriya Ramraj.²³



Preventing claims denials is a significant area in which the revenue cycle can be improved by technology.

“The ability to quickly identify denial issues, determine root causes, and develop solutions to reduce these denials through an iterative model that focuses on denial prevention is considered the key to addressing revenue cycle issues,” Healthcare COO Melvin Miller wrote on the American Institute for Healthcare Compliance blog.²⁴

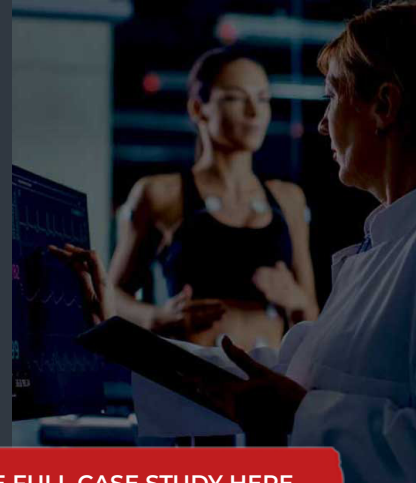
Billing staff can use past data to predict whether a claim will be rejected,²⁵ while other available technology can streamline the prior authorization process as a way of preventing denials.

WHAT YOU CAN DO NOW

Now is the time to invest in systems that automate manual processes, such as billing reminders and invoice processing. However, it's important to understand how these systems work and whether they will truly save your team time. The most common accounts payable automation systems today use optical character recognition, which needs to be trained to read vendor names in specific places. That means your team will need to expect a learning curve when using them and may need to take steps to standardize invoices so they can be more easily understood by automation systems. Emerging AI-powered solutions are becoming more sophisticated and able to process invoices in different formats.

MyDocPlus frees its finance team from manual tasks

MyDocPlus had a common challenge many fast-growing healthcare companies encounter. As it expanded to multiple locations, its finance team struggled to keep up in QuickBooks. Every location and physician had its own database, which meant their Controller had to log in and out of each one to log shared transactions. Financial reporting was also a tedious, time-consuming process. Moving to Gravity Software allowed them to manage multiple locations from a single database and generate consolidated financial reports in minutes, rather than days.



[READ THE FULL CASE STUDY HERE](#)

Healthcare reform and compliance

Since the Affordable Care Act of 2010, reforming the healthcare industry has taken on more prominence, both informally in terms of patient advocacy and formally with the passage of several pieces of healthcare-related legislation over the past decade and a half. Much of the legislation centers on two seemingly opposing themes: privacy and transparency. Healthcare companies must navigate between ensuring patients have greater access to information about their own health and the healthcare they seek while also preventing the misuse of patients' sensitive data.

Some recent healthcare regulations include:

The No Surprises Act

Signed into law on Dec. 31, 2020, and taking effect in January 2022, the No Surprises Act bans most types of surprise medical billing, most specifically pertaining to charges for out-of-network care. In the words of the Centers for Medicare & Medicaid Services (CMS), "The No Surprises Act protects people covered under group and individual health plans from receiving surprise medical bills when they receive most emergency services, non-emergency services from out-of-network providers at in-network facilities, and services from out-of-network air ambulance service providers." It also puts protections into place for self-pay patients.²⁶

Price Transparency Rules

As of January 2021, hospitals are required to publicly post a machine-readable file containing several standard charges for all services provided by the hospital, as well as a consumer- friendly display of at least 300 "shoppable" services – that is, procedures that can be scheduled in advance.²⁶ On the payer side, starting Jan. 1, 2023, the Transparency in Coverage Act requires health plans and group insurance issuers to post in-network and out-of-network cost information for items and services along with an internet-based comparison tool providing consumers with cost-sharing information for 500 items and services.²⁷

Cyber Incident Reporting for Critical Infrastructure Act

This legislation, signed into law in March 2022, requires companies in designated industries, including healthcare, to report “substantial cyber incidents that are likely to result in demonstrable harm to the national security interests, foreign relations, or economy of the United States or to the public confidence, civil liberties, or public health and safety of the people of the United States, as determined by the Secretary of the Department of Homeland Security” to the Cybersecurity and Infrastructure Security Agency (CISA) within 72 hours after the incident.²⁸

What these regulations have in common is that they are responses to other trends that have been gaining ground in the healthcare industry, namely, new technologies such as AI along with the increased use of data. Patients are increasingly seeing themselves less as passive recipients of healthcare and more as consumers with the ability to shop around. As such, they are demanding greater control over where they seek care as well as greater access to – and protection of – their health information.

At the same time, legislators are responding to technological advances that could render patient health data more vulnerable to being accessed by malicious actors or for commercial purposes, as in the case of the FTC’s February 2023 warning to Amazon and One Medical against using patient health data to advertise other Amazon products. The agency also tasked the companies with making clear how their services will comply with HIPAA regulations.²⁹



WHAT YOU CAN DO NOW

All of this equates to significant investment of time and funds on the part of providers, payers and adjacent businesses. To contend with this, companies can leverage more recently available technologies such as AI and robotic process automation to free up revenue cycle staff and IT teams to fulfill these new directives. It appears many are already beginning to do so, as CMS found that 70% of hospitals in 2022 had complied with both components of the Hospital Price Transparency Rule.³⁰ Healthcare leaders will need to continue to keep abreast of new developments in the continuously evolving regulatory landscape.

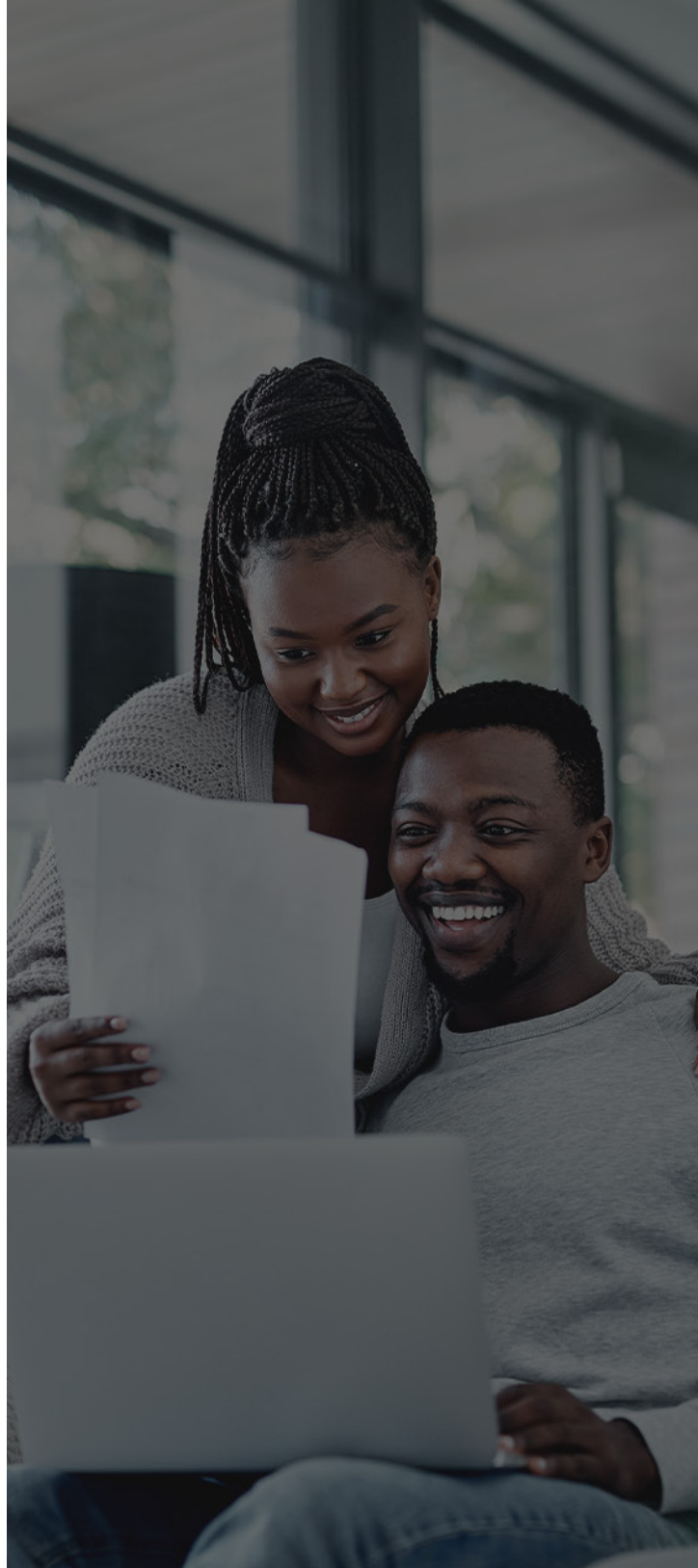
New payment options

In few places is the power of consumer demand to drive change in the healthcare industry more obvious than in the way care is paid for. Mobile payments, digital wallets and blockchain technology are already changing the way consumers pay for services in other industries, and they are increasingly expecting these options in the healthcare sector.

Healthcare companies are taking heed of consumers' preferences, with 49% of provider executives who responded to a PwC survey citing customer experience as a top priority over the next five years.³¹ Those companies that fail to respond to calls for a better billing experience risk losing patients: RevSpring's 2023 Voice of the Patient Survey found 56% of patients would likely switch providers after a poor billing experience.³² With the rise of retail providers, concierge providers and other alternatives to traditional care models, that's not an empty threat.³⁹

Offering patients a wider variety of bill pay options means accounting departments will need to work closely with IT departments to set up online payment portals, develop mobile apps and provide other digital infrastructure needed to meet patients' bill pay preferences. The tradeoff of this upfront work, however, is that offering more convenient payment options has the potential to reduce the burden on staff, Rectangle Health CEO Dominick Colabella told Forbes. When patients are able to pay for their care using the method most convenient for them, they may be more likely to pay on time, saving staff from the need to send multiple bills, call with reminders or otherwise chase down payments. Digital payments also save practices from the need to wait for and then manually enter checks.³³

"Decades in the healthcare space has also taught us that when providers don't have to worry about the business side of healthcare, they are able to focus more on delivering the highest quality of care," Colabella said.



WHAT YOU CAN DO NOW

Now more than ever, healthcare leaders should focus on giving patients multiple payment options, including the ability to log into a secure payment portal where they can manage payments and see their payment history.



Gravity Software helps healthcare organizations and investors stay ahead of the trends

With the increased presence of private equity in the healthcare market and economic volatility, we're seeing a greater emphasis on using technology to improve efficiency, reduce costs, and provide a better patient experience.

Gravity is a multi-entity accounting software, perfect for healthcare systems, private equity firms with healthcare investments or multi-practice organizations.

Built on the Microsoft Power Platform, Gravity is uniquely positioned to leverage the latest advancements in automation and artificial intelligence, making it easy to create automated approval workflows and save hours each month.

Gravity uses Microsoft Power BI to consolidate multi-entity financial data, giving finance teams and investors real-time access to the insights they need to make smarter decisions.

Gravity Software is built on Microsoft's Security Development Lifecycle, making it HIPAA-, SOC 2- and SOC 3-compliant. Your team can set role-based security access and have full visibility into every activity with a comprehensive audit trail. As a cloud-based solution, Gravity's security features are automatically updated to keep up with the latest regulations and best practices. Gravity also offers role- and entity-based security access along with a full audit trail into every transaction.

To learn more about how Gravity Software can transform your healthcare company's accounting,

visit gogravity.com

References

- ¹ Saad, Lydia, Americans sour on U.S. healthcare quality, 19 January 2023, <https://news.gallup.com/poll/468176/americans-sour-healthcare-quality.aspx>.
- ² PwC, PwC's 2023 Cloud Business Survey, <https://www.pwc.com/us/en/tech-effect/cloud/cloud-business-survey.html>.
- ³ IBM Security and Ponemon Institute, 2022 Cost of a Data Breach, July 2022, <https://www.ibm.com/reports/data-breach>.
- ⁴ Microsoft Corporation, Evolving Zero Trust: How real-world deployments and attacks are shaping the future of Zero Trust strategies, November 2021, <https://www.microsoft.com/en-us/security/business/zero-trust>.
- ⁵ Curtis, Kara M., Outside vendors: Protecting your data, 4 August 2021, <https://heinfeldmeech.com/outside-vendors-protecting-your-data/>.
- ⁶ IBM Corporation, SOC 1 and SOC 2, 7 December 2022, <https://www.ibm.com/docs/en/order-management?topic=compliance-soc-1-soc-2>.
- ⁷ Belokrinitsky, Igor (Host), Implications for the industrialization of healthcare (Season 3, Episode 47) [podcast episode], PwC Next in Health, 10 November 2022, <https://www.pwc.com/us/en/industries/health-industries/health-research-institute/next-in-health-podcast/implications-for-the-industrialization-of-healthcare.html>.
- ⁸ PwC, Consumer health behavior and the COVID-19 pandemic: What have we learned? <https://www.pwc.com/us/en/industries/health-industries/library/hri-insight-consumer-health-behavior-and-covid-19-pandemic.html>.
- ⁹ HealthTech, A Changing Landscape for Mergers and Acquisitions in Healthcare, 22 September 2022 <https://healthtechmagazine.net/article/2022/09/changing-landscape-mergers-and-acquisitions-healthcare>
- ¹⁰ Grant Thornton, Healthcare M&A Activity Predicted to Continue Into 2023, 27 February, 2023, <https://www.grantthornton.com/insights/articles/health-care/2023/healthcare-ma-activity-predicted-to-continue-into-2023>
- ¹¹ Belokrinitsky, Igor (Host), The history and future of the revenue cycle in healthcare (Season 4, Episode 3) [podcast episode], PwC's Next in Health, 10 January 2023, <https://www.pwc.com/us/en/industries/health-industries/health-research-institute/next-in-health-podcast/the-history-and-future-of-the-revenue-cycle-in-healthcare.html>.
- ¹² Ramraj, Anupriya, AI can ease the pain points in healthcare for patients, physicians and payers, <https://www.pwc.com/us/en/industries/health-industries/library/ai-in-healthcare.html>.
- ¹³ Miller, Melvin, Key Revenue Cycle Trends for 2022 and Beyond, 2 May 2022, <https://aihc-assn.org/key-revenue-cycle-trends-for-2022-and-beyond/>.
- ¹⁴ U.S. Centers for Medicare & Medicaid Services, No Surprises: Understand your rights against surprise medical bills, 3 January 2022, <https://www.cms.gov/newsroom/fact-sheets/no-surprises-understand-your-rights-against-surprise-medical-bills>.
- ¹⁵ U.S. Centers for Medicare & Medicaid Services, Hospital Price Transparency: Key provisions, <https://www.cms.gov/hospital-price-transparency/hospitals#key-provisions>.
- ¹⁶ U.S. Centers for Medicare & Medicaid Services, Plans and issuers: Key Provisions, <https://www.cms.gov/healthplan-price-transparency/plans-and-issuers>.
- ¹⁷ PwC, Cyber breach reporting to be required by law for better cyber defense, <https://www.pwc.com/us/en/services/consulting/cybersecurity-risk-regulatory/library/cyber-breach-reporting-legislation.html>.
- ¹⁸ Diaz, Naomi, FTC warns Amazon, One Medical to keep healthcare data private, Becker's Hospital Review, 2 March 2023, <https://www.beckershospitalreview.com/disruptors/ftc-warns-amazon-one-medical-to-keep-healthcare-data-private.html>.
- ¹⁹ American Hospital Association, Fact sheet: Hospital Price Transparency, February 2023, <https://www.aha.org/fact-sheets/2023-02-24-fact-sheet-hospital-price-transparency>.
- ²⁰ Diaz, Naomi, CMS, ONC propose new rules for payer data standards, Becker's Hospital Review, 1 March 2023, <https://www.beckershospitalreview.com/healthcare-information-technology/cms-onc-propose-new-rules-for-payer-data-standards.html>.
- ²¹ Burde, Howard, JD, The HITECH Act: An overview, AMA Journal of Ethics, March 2011, <https://journalofethics.ama-assn.org/article/hitech-act-overview/2011-03>.
- ²² EpicShare, Providers and health plans connect to fast track prior authorization, claims, and quality reporting, 23 May 2022, <https://www.epicshare.org/share-and-learn/payer-platform-success-stories>.
- ²³ Bruce, Giles, Mass General Brigham AI RCM spinoff lands \$55M, Becker's Hospital Review, 27 February 2023, <https://www.beckershospitalreview.com/innovation/mass-general-brigham-ai-rcm-spinoff-lands-55m.html>.
- ²⁴ PwC, Next in health services 2023, <https://www.pwc.com/us/en/industries/health-industries/library/healthcare-trends.html#content-free-4-cbba>.
- ²⁵ PwC, Customer experience in the New Health Economy: The data cure, <https://www.pwc.com/us/en/industries/health-industries/health-research-institute/customer-experience.html>.
- ²⁶ Cass, Andrew, 56% of patients like [11] to switch providers after poor billing experience, Becker's Health Review, 2 March 2023, <https://www.beckershospitalreview.com/finance/56-of-patients-like-to-switch-providers-after-poor-billing-experience.html>.
- ²⁷ Bain & Company, New models of primary care will capture 30% of the US market by 2030 as retailers, payer-owned providers and advanced primary care disruptors gain traction, 27 July 2022, <https://www.bain.com/about/media-center/press-releases/2022/new-models-of-primary-care-will-capture-30-of-the-us-market-by-2030-as-retailers-payer-owned-providers-and-advanced-primary-care-disruptors-gain-traction/>.
- ²⁸ Drenik, Gary, How payment technology is making healthcare more convenient for providers and patients, Forbes, 29 September 2022, <https://www.forbes.com/sites/garydrenik/2022/09/29/how-payment-technology-is-making-healthcare-more-convenient-for-providers-and-patients/?sh=1d80e9d7365b>.