

Revenue Cycle Management

REPORT | 2H 2025

What's Included:

01

Key Sector Themes: Drivers of demand for revenue cycle management solutions and their implications for the evolution of the sector

02

End Market Perspectives: Detailed analysis of select end markets exhibiting robust demand for outsourced revenue cycle management solutions

03

Sector Activity: Breakdown of recent and notable revenue cycle management transactions and their areas of investor interest

Revenue Cycle Management: Massive, Growing Market Ripe for Continued Innovation

Sector Opportunity Overview

- › **Revenue Cycle Management (RCM)** is a highly complex and vitally important process for healthcare providers to ensure they receive appropriate reimbursement for billed claims
- › There is a large and growing market of outsourced software and services vendors that help optimize various functions throughout the revenue cycle process and enable clients to effectively navigate a dynamic reimbursement environment
- › The revenue cycle is generally segmented into front-end, mid-cycle, and back-end functions, as well as specialty solutions such as complex claims management
- › Hospitals, physician groups, and other outpatient providers are increasingly outsourcing their revenue cycle processes, and may work with multiple vendors that specialize in specific areas within the cycle
- › Various tailwinds driving continued demand for RCM software and services include rising claim denial rates, reimbursement pressures, provider consolidation, federal policy changes, the prevalence of artificial intelligence, and more
- › These tailwinds are supporting strong growth in the sector and present significant opportunity for investors across a variety of solution types and healthcare end markets

Table of Contents

03	Key Sector Trends Driving Market Growth and Opportunity
05	Market Landscape and Solutions
07	Perspectives on RCM Opportunities Across End Markets
08	Specialty RCM Spotlight: Behavioral Health, Home Health, and Long-Term Care
11	Recent M&A Activity and Notable Transactions

Key Statistics

\$150B+Total Addressable Market¹**10%**

Projected CAGR

12%+

Average Claim Denial Rates

58%Of Insured Adults Encountered Insurance Issues²

Key Sector Themes

Market growth across the RCM landscape is being powered by several long-term, sustainable trends.



Increasing Complexity and Higher Denial Rates

Rising claim denials are a significant challenge, with denial rates reaching 10-15%¹ across the healthcare sector, primarily due to coding errors, incomplete documentation, and payer-specific requirements. The complexity of billing systems, driven by evolving payer rules and ICD-10 coding updates, is increasing administrative burdens and revenue leakage.



Reimbursement Pressures Driving Increased Importance of Cash Flow Management

Declining reimbursement rates, particularly from government payers, are pressuring healthcare providers to optimize cash flow. Hospitals are increasingly adopting RCM solutions to reduce accounts receivable days, reduce claims denials, and improve the consistency of cash inflows.



Evolving Regulatory Landscape for Federal Reimbursement

Regulatory changes, such as the No Surprises Act and updates to CMS reimbursement policies, are requiring providers to adapt quickly to avoid penalties. Compliance with evolving payer transparency mandates is driving demand for integrated RCM platforms that ensure adherence to federal guidelines.



Shifts to Value-based Reimbursement

RCM is becoming an area of strategic importance for provider organizations as VBC initiatives expand nationally and payment models evolve.

Key Sector Themes

Market growth across the RCM landscape is being powered by several long-term, sustainable trends.



Growing Prevalence of Complex Claims

Complex claims, such as those involving multiple payers or high-cost treatments, are becoming more common, leading to higher administrative costs and delays. Predictive analytics tools are helping providers identify trends and streamline the resolution process.



Rising Consumerism of Healthcare / Payments

High-deductible health plans are shifting financial responsibility to patients, increasing the need for patient-friendly billing systems and flexible payment plans. Providers are adopting patient engagement tools, such as online portals and automated payment follow-ups, to improve collections and enhance the patient experience.



Strong Opportunity for Automation to Deliver Efficiencies

Automation is transforming RCM by streamlining repetitive tasks such as eligibility verification, claims scrubbing, and payment posting, reducing errors and administrative costs. Providers using automation report significant reductions in accounts receivable days and faster reimbursement cycles.

Market Landscape: Solutions Addressing Challenges Across the Revenue Cycle

The market landscape of outsourced software and services vendors addressing pain points across the revenue cycle is very large and fragmented, with significant opportunity to drive ROI for customers in the revenue cycle at the front-end, mid-cycle, back-end, and through managing complex claims.



Front-End

Benefits Eligibility / Verification Credentialing / Enrollment Financial Counseling Patient Check-In / Registration

Patient Self-Pay Prior Authorization Scheduling

Select Market Participants



Select Trends

- › The use of artificial intelligence (AI) and robotic process automation is rapidly increasing to streamline front-end processes like patient registration, eligibility verification, and prior authorizations
- › Healthcare providers are increasingly adopting digital tools such as patient portals for pre-registration, scheduling, and payment



Mid-Cycle

Case Management Charge Capture Clinical Documentation

Coding Risk Adjustment

Select Market Participants



Select Trends

- › Organizations are investing in CDI programs to reduce claim denials and ensure compliance with payer requirements
- › With frequent updates to CMS and payer policies, organizations are leveraging real-time tracking tools and automated compliance systems to stay updated and avoid penalties



Back-End

AR Management Analytics & Reporting Audit / Compliance Billing & Claims Management

Clearinghouse Contract Management Payments

Select Market Participants



Select Trends

- › Organizations are moving from reactive denial management to proactive strategies, using predictive analytics to flag denial-prone claims before submission
- › Providers are outsourcing back-end RCM tasks like claims processing and denials management to third-party vendors to reduce administrative costs and improve operational efficiency



Complex Claims

AR Management Denials Management Multi-Payer Coordination

Specialized Claims Management Submission & Documentation

Select Market Participants



Select Trends

- › AI tools are being utilized to predict claim denials by analyzing patterns in historical claims data and payer-specific rules
- › API-enabled platforms are facilitating seamless data flow between clinical, administrative, and financial systems, ensuring accurate coding and faster claims submissions



End-to-End

Select Market Participants



Select Trends

- › Cloud solutions support real-time data access, scalability, and seamless integration with EHRs, enabling better interoperability and a reduction in administrative delays
- › Tasks such as eligibility verification, claims submission, and payment posting are increasingly automated, reducing turnaround times and operational costs

Revenue Cycle Management Solutions Detail

End-to-End RCM Solutions

Comprehensive front-end, mid-cycle, and back-end RCM software suites for provider generalist and specialty organizations

Front-End RCM Solutions

Benefits Eligibility / Verification	Credentialing / Enrollment	Financial Counseling	Patient Check-In / Registration	Patient Self-Pay	Prior Authorization	Scheduling
Front-end tools that audit patient eligibility for benefits to prevent denials on the back-end	Solutions that ensure providers are properly qualified and recognized by insurance companies	Software – often educational, and content-driven – that promotes the financial wellbeing of a patient	Solutions for patient access that ease the administrative burden associated with patient registration and intake	Software that increases transparency in required payments for services and the ability for the patient to pay	Technology solutions that reduce manual prior authorization processes	Tools that enable scheduling, patient engagement, and patient intake

Mid-Cycle RCM Solutions

Case Management	Charge Capture	Clinical Documentation Improvement	Coding	Value-Based Care / Risk-Adjustment
Tools that identify insurance coverage, ensure appropriate utilization of resources, and guide providers to cost-effective care	Software that streamlines the charge capture process – reading clinical notes, extracting billable charges, and reducing errors	Software and services aimed at enhancing the accuracy and completeness of patient medical records and coding	Solutions that review and convert clinical documentation into billable codes for insurers to process	HCC-coding software that ensures accurate risk adjustment by aligning provider documentation with appropriate coding under value-based contracts

Back-End RCM Solutions






AR Management	Analytics & Reporting	Audit / Compliance	Billing & Claims Management	Clearinghouse	Contract Management	Payments
Functions that ensure providers are paid in a timely manner and accurately on billed claims	Business intelligence and reporting capabilities that deliver revenue cycle insights to provider organizations	Software and services that ensure providers are in compliance with coding and billing standards	Solutions that generate, review, submit, track, and edit claims to ensure billing accuracy and payment	Organizations that review claims for errors and convert them to the specific format required by each payer	Services and solutions that help providers gain insights into – and optimize – payer contracts	Tools and services that streamline payments to providers from insurance companies or patients

Complex Claims Management Solutions

Solutions enabling claims management and data interchange with non-medical payers (e.g., workers' compensation; P&C insurance)

End Market Perspectives: RCM Outsourcing Is Growing Across Various Customer Types

Select End Markets with Strong Demand for Outsourced RCM Solutions

<h2>Health Systems / Hospitals</h2> <p>End Market There are various profiles of hospitals in the U.S., including large multi-regional health systems, regional systems, and more rural hospitals</p> <p>Key Outsourced RCM Demand Drivers Hospital M&A continues to rise, as health systems consolidate due to margin pressures, workforce constraints, and a dynamic reimbursement environment The introduction of artificial intelligence and analytics into outsourced revenue cycle services makes it a compelling option for health systems facing an aging population of administrative professionals</p> <p>Penetration of RCM Outsourcing</p> <p>Low High</p> 	<h2>Specialty Physician Practices</h2> <p>End Market Specialty practices include ambulatory physician groups, outsourced hospital medicine (radiology, anesthesia, ED, etc.), and other outpatient specialties</p> <p>Key Outsourced RCM Demand Drivers Outpatient care volume is projected to grow by 18% over the next decade¹, driven by aging populations, increased demand for cost-efficient care, and patient preference for less invasive procedures Unique billing codes, regulatory changes, varying payer requirements, and provider market fragmentation add complexities and opportunities to enhance RCM processes</p> <p>Penetration of RCM Outsourcing</p> <p>Low High</p> 	<h2>Behavioral Health</h2> <p>End Market Large, highly fragmented market including several specialties (substance abuse disorder, autism, psychiatry, etc.) that each have specific reimbursement nuances</p> <p>Key Outsourced RCM Demand Drivers High reimbursement complexity due to prior authorization requirements, coverage limitations, and a high uninsured population Significant PE investment into behavioral health is driving increased outsourcing of RCM to drive financial efficiencies Behavioral health claims are frequently denied due to documentation issues, medical necessity disputes, or lack of PA</p> <p>Penetration of RCM Outsourcing</p> <p>Low High</p> 	<h2>Home Health</h2> <p>End Market Includes Medicare-certified home health and Medicaid-focused personal care, which are large markets that have complex reimbursement dynamics</p> <p>Key Outsourced RCM Demand Drivers The transition to the patient-driven groupings model (PDGM) has increased the need for accurate coding, documentation, and compliance expertise Speed to intake is a competitive advantage for home health providers, which requires appropriate and efficient eligibility and insurance verification Increasing Medicare Advantage penetration and higher prevalence of payer audits</p> <p>Penetration of RCM Outsourcing</p> <p>Low High</p> 	<h2>Long-Term Care</h2> <p>End Market Long-term care encompasses skilled nursing facilities, assisted living, and other post-acute care services</p> <p>Key Outsourced RCM Demand Drivers Medicare and Medicaid are the primary payers in LTC, but their reimbursement processes are highly complex and vary by state, requiring specialized expertise to optimize collections Frequent audits, evolving CMS guidelines, and state-specific requirements create a high compliance burden that outsourced RCM providers can help manage</p> <p>Penetration of RCM Outsourcing</p> <p>Low High</p> 
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Specialty RCM Spotlight: Behavioral Health

Reimbursement Complexities and Opportunities for RCM Vendors



- › Pre-authorization requirements for behavioral health services have been a longstanding barrier, with 26%¹ of insured adults seeking mental health treatment reporting prior authorization issues
- › Delays in prior authorization can lead to a worsening of symptoms and/or an increased risk of repeat crises and hospitalizations



- › Due to rapid patient demand growth for behavioral health services, companies must constantly hire new providers to support their growth, which requires an effective credentialing process that RCM vendors can help expedite and optimize

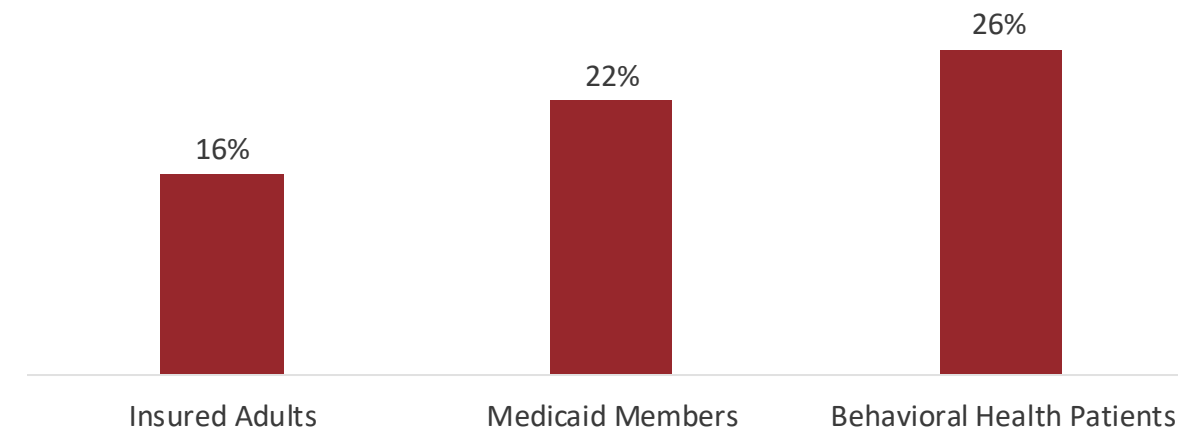


- › Inadequate billing systems, payer complexity, and high denials rates result in lost revenue, which in turn limits access to care
- › Sub-specialties within behavioral health, such as substance use disorder (SUD), applied behavioral analysis (ABA), and inpatient / outpatient psychiatry, have distinct reimbursement mechanisms, necessitating specialized revenue cycle solutions for each sub-specialty



- › Since the passage of the Mental Health Parity and Addiction Equality Act (MHPAEA) in 2008, and the Affordable Care Act (ACA) in 2010, behavioral health coverage has significantly expanded
- › Behavioral health services are more likely to be out of network compared to physical health services, with patients being 3.5 to 10 times more likely to seek out-of-network care for behavioral health²

Insured Adults Experiencing Denial or Delay in Care¹



Representative Behavioral Health RCM Providers



Specialty RCM Spotlight: Home Health

Reimbursement Complexities and Opportunities for RCM Vendors



- › Claim denials in home health are frequent, primarily due to missing documentation, unmet prior authorization requirements, and payer-specific guidelines
- › Across home health, reimbursement processes differ significantly; skilled home health is often covered by traditional Medicare and MA, and non-medical personal care is reimbursed by Medicaid, often through MCOs¹



- › Agencies that optimized OASIS documentation experienced up to a 25-30% increase in reimbursement when secondary diagnoses were accurately captured and coded
- › Proper documentation of functional impairments and comorbidities under the PDGM can lead to higher case-mix weights, directly boosting reimbursement rates

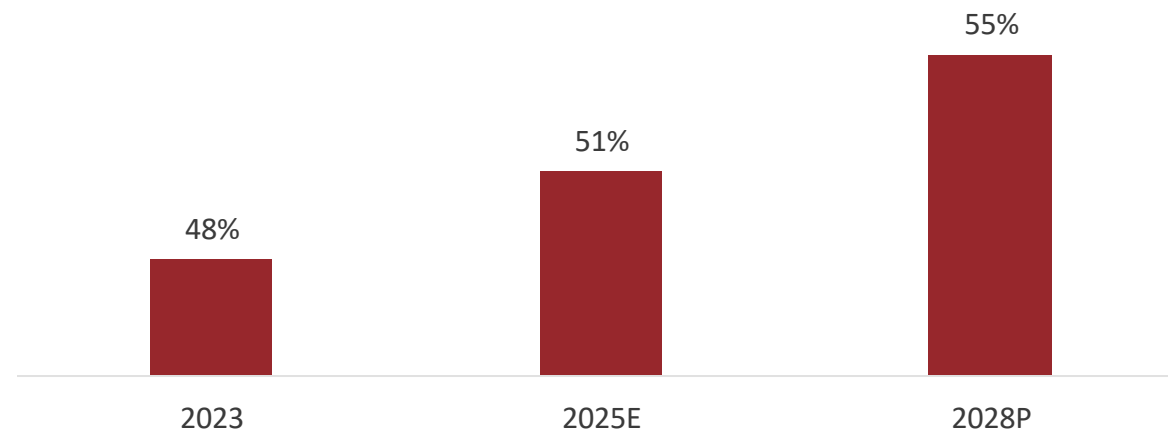


- › Home health providers often contract with multiple MA plans, each with unique billing requirements, prior authorization rules, and accounts receivable patterns
- › MA plans frequently demand detailed documentation and impose stricter timelines for claims submissions, increasing administrative workload



- › PDGM shifted the payment structure from a 60-day episode to two 30-day payment periods, effectively doubling the administrative workload for home health agencies

Insured Adults Experiencing Denial or Delay in Care¹



Representative Behavioral Health RCM Providers



Specialty RCM Spotlight: Long-Term Care

Reimbursement Complexities and Opportunities for RCM Vendors



- › Skilled nursing facilities provide a range of services, including skilled nursing, medical supplies, prescription drugs (under qualified Part A-covered stays), therapy, room and board, and more, which for some payers must be billed in a bundled claim, creating complexity and risk of errors



- › Skilled nursing facilities are reimbursed by a variety of payer types (even for the same patient) depending on the services provided; for example, Medicare Part A covers short-term post-hospitalization care and requires a 3-day qualifying hospital stay, and Medicare Part B covers select outpatient clinical services not covered under Part A, whereas Medicaid covers room and board should a patient require care past their Part A-covered stay



- › Medicare and Medicare Advantage covered benefits for care in LTC facilities are constantly evolving, with CMS frequently updating codes and different patients utilizing different Medicare Advantage plans with varying benefits

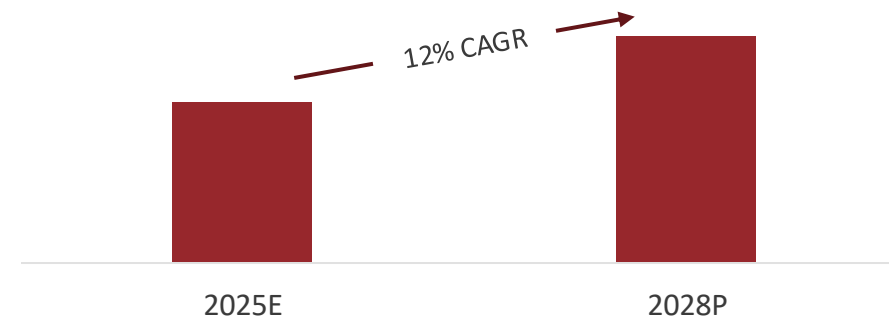


- › As penetration of Medicare Advantage continues to grow, LTC facilities must be adept at payer contracting and often do not have the in-house resources to do so



- › In order to appropriately manage margins and cash flow, there is significant value to LTC facilities' ability to effectively manage claim denials, DSOs, and payer audits

Insured Adults Experiencing Denial or Delay in Care¹

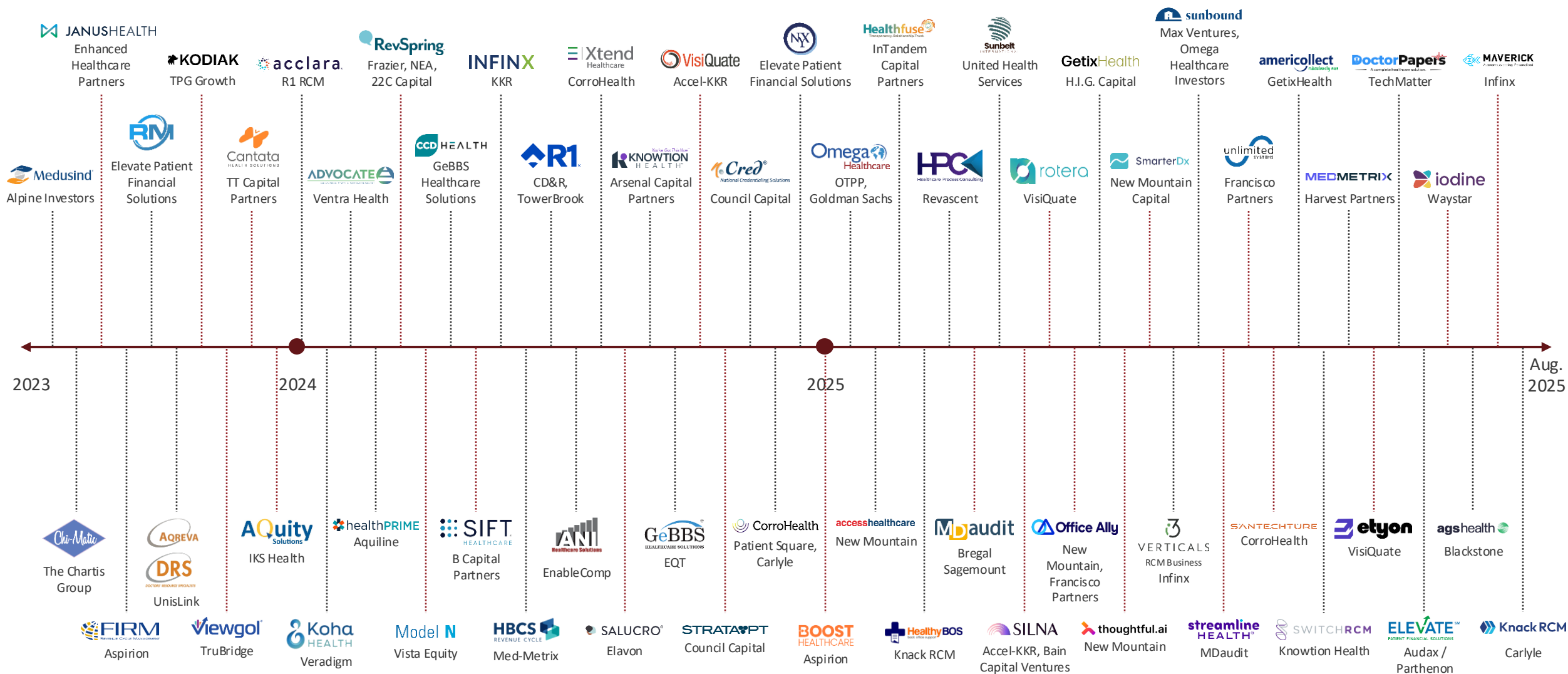


Representative Behavioral Health RCM Providers




- › To prevent denials, LTC facilities must submit complete and timely documentation for medical necessity, ensure patient coverage and eligibility, and ensure Part B providers are properly credentialed with the appropriate payers


Accelerating M&A and Investment Activity in Revenue Cycle Management



Recent Revenue Cycle Management Transactions

July 2025 (Pending)


 **agshealth**
Target


 **Blackstone**
Buyer

AGS Health Acquired by Blackstone

AGS is a provider of end-to-end revenue cycle management services for health systems, hospitals, and physician groups. AGS has invested significantly in new SaaS-based automation solutions, which excited buyers due to the cross-sell opportunities presented.

July 2025 (Pending)

 **iodine**
Target

 **WAYSTAR**
Buyer

Iodine Software Acquired by Waystar for \$1.3B

Iodine is a provider of clinical documentation integrity (CDI) software designed for clinicians and hospital administrators. The acquisition aims to enhance Waystar's AI capabilities in healthcare payments by integrating Iodine's clinical intelligence tools, reducing administrative costs, preventing claim denials, and expanding its total addressable market (TAM) by over 15%.

July 2025

 **ELEVATE™**
Target

 **Audax Group / PARTHENON CAPITAL**
Buyer

Elevate Patient Financial Solutions Acquired by Audax & Parthenon

Elevate is a provider of a variety of RCM solutions intended for health systems, hospitals, and physician groups, with a focus on front-end eligibility. The transaction provides Elevate with growth capital to continue to enhance its technology solutions and add scale within its core front-end offering.

June 2025


 **MEDMETRIX**
Target


 **HARVEST PARTNERS**
Buyer

Med-Metrix Acquired by Harvest Partners

Med-Metrix is a technology-enabled services platform that provides RCM solutions for health systems, hospitals, and physician groups. The investment will support further innovation and development of Med-Metrix's proprietary patient intake, revenue integrity, revenue collection, and business insights tech stacks.

April 2025

 **Smarter Technologies**
Target

 **NMC NEW MOUNTAIN CAPITAL**
Buyer

Smarter Technologies Formed by New Mountain Capital

New Mountain Capital formed Smarter Technologies through the strategic combination of Access Healthcare, and automated RCM point solutions providers SmarterDx and Thoughtful.ai. The combination creates a unified platform, leveraging Access Healthcare's RCM services and SmarterDx / Thoughtful.ai's automation tools to form an AI-enabled suite of software and services for over 200 clients globally.

February 2025

 **MDaudit**
Target

 **BregalSagemount**
Buyer

MDaudit Acquired by Bregal Sagemount

MDaudit is a provider of billing and coding compliance and revenue integrity software for health systems, hospitals, and physician groups. Bregal Sagemount's investment unites an innovative compliance and revenue integrity platform with a growth-focused healthcare IT investor, positioning MDaudit to accelerate growth and product innovation in a high-demand market.

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