University of Colorado Denver

HEALTH ADMINISTRATION RESEARCH CONSORTIUM
Research Brief

Volume 10 Issue 2
Fall 2025

AI IN REVENUE CYCLE MANAGEMENT (RCM) AND MEDICAL CLAIMS PROCESSING

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ABSTRACT

Revenue Cycle Management (RCM) represents the financial backbone of healthcare delivery, encompassing every step from patient registration to the final payment of medical bills. For patients, it determines how easily they can access care without financial confusion; for providers, it dictates whether services are reimbursed accurately and in a timely manner; and for payers, it serves as the mechanism to adjudicate claims efficiently and detect fraud. Despite its centrality, RCM is riddled with inefficiencies—complex prior authorization rules, high denial rates, administrative burden, and fraud risk all undermine both patient access and provider financial sustainability. Artificial intelligence (AI) offers new pathways to address these challenges by automating coding, predicting claim denials, optimizing payment workflows, and enhancing fraud detection. Emerging frameworks indicate that AI can increase reimbursement accuracy by up to 25% and reduce the average number of days in accounts receivable by 15–30% when implemented strategically. This research brief highlights the intersection of AI and RCM, focusing on the relationships among patients, providers, and insurers. It identifies friction points in claims processing and prior authorization, and highlights the governance approaches necessary for the responsible implementation of AI in RCM.

INTRODUCTION

Revenue Cycle Management (RCM) is the financial foundation of healthcare organizations, encompassing all administrative and clinical functions that capture, manage, and collect patient service revenue. In basic terms, RCM is the "behind-the-scenes" system that determines how providers are paid, what portion of costs insurers cover, and how much patients are required to pay out of pocket. It begins when a patient schedules an appointment, and their insurance eligibility is verified, and it ends when all payments—from insurers, government programs, or patients—are collected and reconciled (1,4).

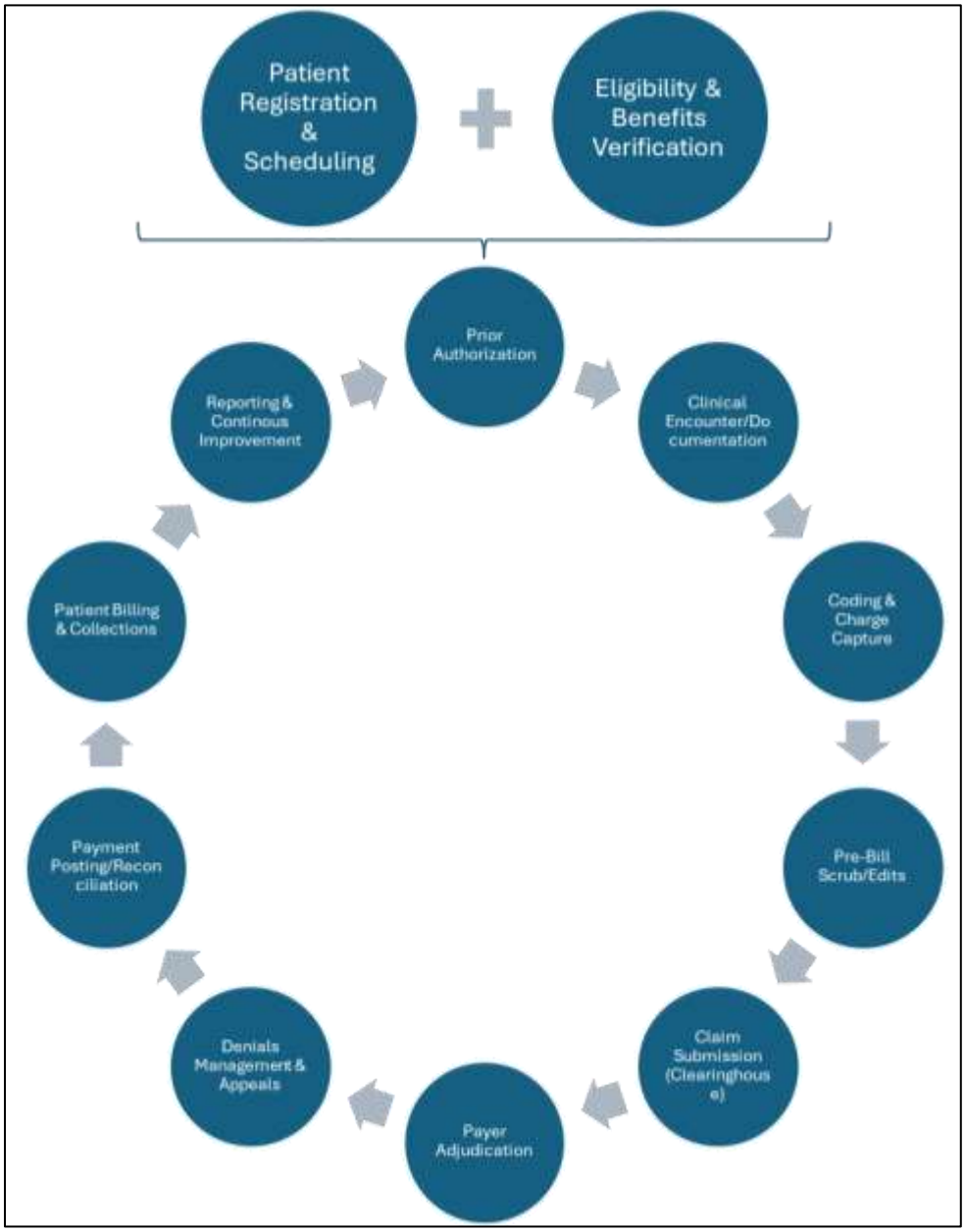
Despite its importance, RCM remains one of the most inefficient and costly aspects of the U.S. healthcare system. Administrative complexity and billing inefficiencies consume an estimated $496 billion annually, representing nearly 25% of total healthcare spending (4). Billing and insurance-related activities alone account for almost $265 billion each year, and for hospitals, the average cost to collect a single dollar of patient revenue ranges from $0.08 to $0.11 (4,5). Studies show that up to 30% of healthcare expenditures are linked to administrative processes that could be automated or simplified through the integration of AI and RPA (6,7). Denials have also increased sharply since the COVID-19 pandemic, with investor-owned health systems reporting 10–15% increases in denial rates, resulting in billions of dollars in delayed or lost revenue (1). Each denied claim can cost providers an average of $118 in rework, and roughly two-thirds of denied claims are never resubmitted (1,6). Prior authorization continues to be a key bottleneck—94% of physicians report care delays due to prior approval, and one in three report serious adverse events as a result (4,9). For patients, this means longer waits and greater financial stress; for providers, lost productivity; and for payers, administrative inefficiency and member dissatisfaction (2,3,9).

These inefficiencies also perpetuate inequities. Smaller or rural health systems, often lacking robust back-office infrastructure, are disproportionately affected by claim denials and compliance burdens. Patients with low health literacy or language barriers struggle to navigate billing and insurance communications, further widening access gaps (6). Payers spend heavily on fraud and abuse detection systems that often produce false positives, straining relationships with providers and increasing operational costs (3,7). AI offers tangible solutions to address these inefficiencies. Machine learning can predict denials before submission and optimize documentation workflows (5,7). Natural language processing (NLP) can extract structured data from clinical notes for automated coding and documentation (7,8). Generative AI is emerging to automate patient communications and create personalized cost estimates in real time, improving financial transparency and satisfaction (5,8). For payers, AI can significantly enhance fraud detection accuracy by identifying anomalous patterns across large datasets while reducing false positives (3).

Technology alone is not sufficient. AI adoption in RCM demands governance, transparency, and alignment among patients, providers, and payers. Without shared frameworks for accountability and fairness, even the most sophisticated AI tools risk deepening mistrust and inefficiency. The question, therefore, is not whether AI can transform RCM, but whether health systems can govern and deploy it in an equitable and strategic manner (2,6,9).

STAKEHOLDERS AND THE RCM LIFECYCLE

RCM can be viewed as the "financial journey" of a patient encounter, encompassing multiple stakeholders with distinct objectives. Patients prioritize access and affordability; providers focus on accuracy and timely reimbursement; payers aim to ensure compliance, control costs, and prevent fraud (1,2). AI technologies can be strategically deployed across the RCM lifecycle to align these objectives.



At the front end, AI supports patient access and eligibility verification, automatically confirming coverage and estimating out-of-pocket costs in real time (8,9). During prior authorization, NLP can expedite approvals by auto-generating justifications from clinical notes, while predictive analytics anticipate payer rejections before submission (7,8). In coding and documentation, AI converts unstructured EHR text into structured billing data, reducing manual error (6,9). Claims submission benefits from AI "scrubbing" that detects missing or inconsistent data preemptively, increasing first-pass acceptance rates (8). For adjudication and denials, machine learning enhances accuracy in fraud detection while reducing false positives (3,7). Finally, payment and collections are being transformed by AI-driven chatbots and payment portals that personalize outreach and predict patient payment behavior (5,8). This end-to-end RCM framework, which maps patient, provider, and payer roles with AI opportunities at each stage of the revenue cycle, is presented in the table at the end of this page.

Benefits and Efficiency Gains

The practical impact of artificial intelligence (AI) on revenue cycle management (RCM) is becoming increasingly evident across the U.S. healthcare landscape. Beyond automating repetitive administrative tasks, AI-driven RCM initiatives are producing measurable improvements in cash flow, workforce efficiency, claim accuracy, and patient experience. Studies from both the Health Administration Research Consortium (HARC) and the Healthcare Financial Management Association (HFMA) confirm that health systems integrating AI and robotic process automation

(RPA) have achieved 15–30% reductions in days in accounts receivable (A/R) and 20–40% improvements in clean claim rates, directly translating to stronger financial performance (1,4,5,8).

Operational Efficiency and Cost Reduction: Administrative complexity has long been a hindrance to healthcare efficiency, accounting for nearly a quarter of total U.S. healthcare expenditures (4,5). Health systems spend billions annually on manual billing, coding, and denial management—costs that AI can directly mitigate. For instance, AI-based "claim scrubbing" tools can detect missing or inconsistent data in real time before submission, reducing denial rates by as much as 35% (7,8). Predictive analytics allow revenue cycle teams to prioritize high-risk claims for early intervention, saving staff time and cutting rework costs that average $118 per denial (1,4).

Hospitals such as HCA Healthcare and Tenet Health have reported significant efficiency gains after deploying AI-enabled tools for billing and claims adjudication. At HCA, automated coding assistance reduced manual coding labor by 30%, while Tenet saw a 12% increase in first-pass claim acceptance rates after implementing AI validation checks (1, 6, 8). These outcomes highlight how automation not only reduces cost-to-collect ratios but also frees human staff to focus on higher-value functions, such as appeals management and patient financial counseling.

Accuracy and Compliance: AI also enhances the accuracy and compliance of documentation and coding, a critical factor in reducing revenue leakage and regulatory risk. Natural language processing (NLP) systems can extract structured data from clinician notes, improving the specificity of diagnostic and procedural coding (7,8). When trained on current procedural terminology (CPT) and ICD-10 data, such models can identify potential coding discrepancies before claim submission, preventing downstream audits and denials. A 2024 HFMA analysis found that hospitals using NLP-assisted coding improved coding accuracy by up to 22% and reduced compliance violations by 18% (4, 5, 7).

Furthermore, AI-supported audit tools can continuously monitor for anomalies that suggest upcoding, underbilling, or missed charges, ensuring documentation aligns with payer requirements and CMS regulations (4,6). This level of proactive compliance monitoring strengthens payer relationships and reduces costly audit cycles that can delay reimbursement.

Denial Prediction and Prevention: Denial management remains one of the most resource-intensive functions in RCM, with roughly one in ten claims initially denied and up to 65% never resubmitted (1,4). AI offers preemptive solutions to this long-standing issue. Machine learning models can analyze historical claim data to identify patterns associated with denials—such as missing modifiers, invalid patient data, or payer-specific coding nuances—and flag these before submission.

Kaiser Permanente's pilot of an AI-driven denial management platform, for instance, reduced initial denial rates by 17% within six months, primarily by identifying mismatches in payer eligibility and missing clinical documentation (5,8). Similar outcomes were observed in AdventHealth's adoption of RPA-assisted claims validation, which shortened denial rework cycles by nearly 30% (7). These improvements directly enhance financial performance, with fewer lost dollars and faster revenue capture.

Enhancing Patient Financial Experience: AI's benefits extend beyond the back office to the patient front end of RCM. Patients often experience confusion about their bills and out-of-pocket costs, leading to dissatisfaction and payment delays. Generative AI and conversational chatbots are now being utilized to simplify these interactions—

Stakeholder	Patient Role	Provider Role	Payer Role	AI Opportunities
Patient Access & Eligibility	Delays due to prior authorization, billing confusion	Verifies coverage; estimates costs; manages scheduling & referrals	Confirms eligibility & benefits	Predictive eligibility checks; automated cost estimates; AI chatbots for patient access inquiries
Prior Authorization	Waits for approval; may face delays to treatment	Submits clinical justification; manages delays	Reviews necessity; applies utilization criteria	NLP-based automation of submissions; predictive approval models; patient risk stratification
Coding & Documentation	Limited direct role	Codes diagnoses & procedures; ensures accuracy in EHR	Validates coding accuracy	NLP to extract codes from clinical notes; automated compliance checks
Claims Submission	No direct role	Prepares & submits claims; monitors acceptance	Receives claims for adjudication	Automated error detection; AI scrubbing for clean claim rates
Adjudication & Denials	May face delays or unexpected bills	Responds to denials; appeals rejections	Adjudicates claims; manages fraud & utilization	Machine learning to predict denials; anomaly detection for fraud; automated appeals support
Payment & Collections	Pays co-pays, deductibles, balances; seeks payment plans	Collects payments; manages outstanding accounts receivable	Issues payments to providers	AI-driven patient payment portals; dynamic payment plan recommendations; predictive analytics for collections

providing real-time cost estimates, explaining billing line items, and offering personalized payment plans (5, 8, 9).

Health systems utilizing AI-driven payment engagement platforms, such as Sutter Health and Geisinger, have observed increases of 15–20% in self-pay collections and notable improvements in patient satisfaction scores (5,9). Predictive modeling also allows systems to identify patients at high risk of defaulting and proactively offer financial assistance or structured payment plans. This not only improves collection rates but also builds patient trust by reducing billing-related anxiety.

Workforce Optimization: AI's automation capabilities are especially valuable in light of ongoing workforce shortages in healthcare administration. Many health systems report staffing vacancies of 20–25% in revenue cycle departments, leading to backlogs in coding, billing, and claims processing (2,4,6). By automating repetitive functions—such as eligibility verification, data entry, and reconciliation—AI reduces the need for overtime and contract labor, saving high operational costs.

Machine learning in claims processing helps to reduce average claim processing time by 40% without compromising accuracy (3). HFMA's 2024 survey noted that hospitals using RPA for repetitive revenue cycle tasks saved 1,500–3,000 staff hours annually, freeing teams to focus on higher-level analysis and patient engagement (4,5).

Financial Sustainability and ROI: Perhaps most importantly, AI-driven RCM has shown a clear link between digital adoption and financial sustainability. Health systems that strategically implemented AI in RCM functions realized ROI within 12–24 months, primarily through improved cash flow and reduced cost-to-collect ratios (4,5,8). The HARC (2021) analysis of investor-owned health systems during the COVID-19 pandemic further underscores this potential: systems that digitized claims adjudication and denial management recovered from revenue disruptions 25% faster than peers relying on manual workflows (1).

AI is thus emerging as both a financial stabilizer and a strategic differentiator. In an era of shrinking margins and escalating payer scrutiny, the ability to process claims accurately, quickly, and transparently is a source of competitive advantage. When paired with robust governance and stakeholder collaboration, AI-driven RCM enables hospitals to improve efficiency, compliance, and patient experience simultaneously—key pillars of value-based, financially sustainable healthcare.

Challenges and Risks

While AI holds substantial promise for enhancing efficiency and transparency in revenue cycle management (RCM), its implementation presents a range of operational, technical, ethical, and organizational challenges. These pitfalls—if not anticipated—can erode trust among patients, providers, and payers, and undermine the potential return on investment that automation seeks to achieve.

Data Fragmentation and Interoperability Barriers: RCM relies on the accurate and timely exchange of data between disparate systems, including electronic health records (EHRs), billing software, payer portals, and clearinghouses. Yet data fragmentation remains a persistent obstacle. Nearly 60% of hospital executives report that lack of interoperability between EHR and billing systems is a major impediment to RCM efficiency (4,6). AI models trained on incomplete or inconsistent data can produce unreliable outputs, such as inaccurate eligibility verification or incorrect coding recommendations, which can trigger denials or compliance issues.

During the COVID-19 pandemic, fragmented data infrastructure was a key factor contributing to delayed reimbursement across U.S. health systems. HARC's 2021 analysis found that investor-owned systems with siloed data architectures saw revenue cycle slowdowns of up to 25%, largely due to breakdowns in claims documentation and communication with payers (1). Without standardized data pipelines and governance frameworks, even the most advanced AI tools will struggle to deliver consistent value.

Algorithmic Bias and Equity Concerns: AI systems reflect the data they are trained on—and healthcare billing and claims data often encode historical inequities. If these biases go unaddressed, AI-driven RCM can perpetuate or even exacerbate disparities. For example, predictive payment models trained on historical self-pay data might overestimate default risk among low-income or minority patients, resulting in more aggressive collection tactics or denial of flexible payment plans (7,9). Similarly, automated claim adjudication systems may incorrectly flag certain high-cost treatments or diagnoses more frequently in populations that historically faced underinsurance.

These dynamics have real implications for patient trust and access. Research indicates that patients of color are disproportionately affected by billing disputes and surprise medical bills, magnifying the burden of inequitable administrative processes (5,9). Governance mechanisms must therefore include routine bias audits and explainability standards to ensure that automation supports equity rather than undermines it.

Integration and Workflow Disruption: Even when technically sound, AI solutions can disrupt existing workflows if they are implemented without alignment with clinical and administrative processes. Health systems often underestimate the complexity of integrating AI into legacy billing systems or payer networks. Staff may find themselves toggling between multiple platforms, duplicating data entry, or second-guessing AI-generated outputs.

A 2024 HFMA report noted that over 40% of hospitals that adopted AI in billing or coding functions experienced temporary declines in productivity during the first six months due to workflow misalignment and insufficient training (4,5). For smaller or resource-constrained organizations, the initial learning curve and integration costs can outweigh early efficiency gains. The success of AI deployment, therefore, depends as much on change management and staff engagement as on algorithmic performance.

Trust and Accountability: A key challenge in AI-driven RCM is ensuring that clinicians, coders, and administrators trust the system's recommendations. Black-box algorithms—those that generate outputs without transparent reasoning—pose risks in regulated environments, such as healthcare finance. If an AI tool denies a claim or flags a fraud risk, users must be able to understand and justify the decision to regulators or patients (7,8).

Lack of accountability also creates medico-legal and compliance risks. The Centers for Medicare & Medicaid Services (CMS) and the Office of Inspector General (OIG) have both emphasized that healthcare entities remain legally responsible for errors made by automated systems (4,6). Without explainable AI and robust audit trails, organizations could face penalties for misclassification, overbilling, or noncompliance.

Cost and Return-on-Investment (ROI) Uncertainty: AI solutions in RCM require significant upfront investments in software licenses, data infrastructure, and staff training. For many health systems, particularly small and rural hospitals, these costs can be prohibitive. HFMA estimates that full-scale AI deployment across RCM functions can cost between $2 million and $5 million for medium-sized systems, depending on scope and vendor (4,5).

ROI timelines are often unpredictable because savings depend on model accuracy, data quality, and staff adoption. Moreover, unanticipated expenses—such as ongoing model maintenance or cybersecurity safeguards—can erode financial benefits. The most successful implementations have been those phased in gradually, targeting high-impact functions first, such as denial prevention or coding automation (3, 4, 7).

Cybersecurity and Data Privacy: As AI systems handle increasing volumes of sensitive financial and clinical data, the potential for data breaches and unauthorized access rises. The use of generative AI introduces additional vulnerabilities, as these models can inadvertently expose protected health information (PHI) through insecure prompts or model training data. A 2025 Deloitte report highlighted that cyber incidents in hospital RCM platforms rose by 38% year-over-year, largely due to misconfigured AI integrations (4). Compliance with HIPAA, HITRUST, and emerging AI-specific data security standards is thus paramount to maintaining public trust and regulatory compliance.

Human Capital and Skill Gaps: Successful AI integration requires not only technical expertise but also new skill sets in data analytics, process redesign, and algorithmic auditing. Many RCM teams, already stretched thin by staffing shortages, lack the capacity for continuous oversight. As a result, AI tools may be underused or misapplied. The U.S. Bureau of Labor Statistics projects a 7% annual increase in demand for healthcare data specialists through 2030, underscoring the workforce gap that must be addressed through training and recruitment (4,6).

AI-driven RCM, therefore, faces a paradox: the very systems designed to simplify healthcare finance can introduce new forms of complexity if deployed without proper governance and alignment. These challenges are not insurmountable, but they demand deliberate strategies, transparency, and cross-stakeholder collaboration.

Governance and Evaluation

Effective governance is the cornerstone of sustainable and trustworthy AI adoption in revenue cycle management (RCM). While technology drives automation and accuracy, governance ensures accountability, transparency, and ethical integrity across the entire claims ecosystem. Without strong oversight, AI-enabled systems risk amplifying bias, eroding patient trust, or triggering compliance violations that can outweigh any financial benefits. Governance in this context involves three interdependent dimensions—organizational, ethical, and regulatory—each addressing a different layer of responsibility for health systems, payers, and technology vendors (1, 3, 5, 9).

Organizational Governance and Oversight: Hospitals that treat AI-driven RCM as an ongoing, adaptive program—rather than a one-time IT implementation—achieve better operational outcomes and higher clinician trust (2,4). Successful organizations establish multidisciplinary RCM oversight committees, which include representatives from finance, compliance, information technology, clinical operations, and patient advocacy. These bodies serve as stewards, ensuring that decision-support algorithms are evidence-based, auditable, and aligned with both institutional strategy and payer requirements (5,6). Key governance activities include defining metrics for efficiency (such as cost-to-collect ratios, denial rates, and days in accounts receivable), monitoring algorithm performance, and maintaining version control for all AI tools used in billing or claims adjudication. For example, Intermountain Health and Mayo Clinic have implemented centralized "AI registries" to track the lifecycle of deployed models, including updates, performance audits, and clinician feedback (4,8). This proactive approach reduces the risk of model drift, a common problem where predictive accuracy

declines over time as payer policies and patient demographics evolve.

AI governance also requires a clear delineation of accountability. Even when tasks are automated, ultimate responsibility for compliance, billing accuracy, and patient privacy remains with the healthcare organization. This principle is reinforced by CMS and the Office of Inspector General (OIG), which hold providers accountable for any billing errors or overpayments resulting from automated processes (4,6). Governance committees must therefore document not only model decisions but also human oversight points—creating a defensible audit trail that demonstrates due diligence in the event of regulatory review.

Ethical and Equity Governance: Ethical governance focuses on ensuring fairness, explainability, and inclusivity in AI-driven RCM processes. Because billing and payment decisions directly affect patient access and financial well-being, fairness cannot be treated as an afterthought. Algorithms that inadvertently classify patients by socioeconomic status, race, or language proficiency may perpetuate existing healthcare inequities (7,9). For instance, predictive payment algorithms used to identify "high-risk" self-pay accounts can unintentionally penalize low-income patients by recommending stricter payment terms or automated collections outreach.

Ethical governance frameworks emphasize transparency and human review of such automated decisions. The Alan Turing Institute and HFMA have both proposed that AI models in healthcare finance undergo regular fairness audits, including dataset representativeness checks and bias testing, to prevent discriminatory outcomes (4,9). Hospitals are increasingly appointing AI ethics officers or embedding ethics subcommittees within revenue cycle governance structures to review new technologies before they are deployed. These bodies evaluate whether the systems are explainable to non-technical users and whether automated outputs can be overridden or appealed by human staff.

Patient trust is a central component of ethical governance. As AI increasingly handles sensitive financial data and interacts with patients, maintaining transparency becomes vital. Health systems should clearly communicate when AI is used in billing or payment processes, ensuring patients understand that recommendations or payment reminders are machine-assisted but human-reviewed. This transparency has been shown to increase patient satisfaction and decrease billing disputes by 15–20% in pilot programs at Sutter Health and Geisinger Health Systems (5,9).

Regulatory and Compliance Governance: Governance must also ensure compliance with a rapidly evolving regulatory landscape. AI-driven RCM systems interact with multiple layers of healthcare and data protection law, including HIPAA, the Health Information Technology for Economic and Clinical Health (HITECH) Act, and CMS reimbursement guidelines (4,6). As AI becomes more pervasive, new regulations—such as the forthcoming EU AI Act and proposed U.S. frameworks for trustworthy AI—are expected to introduce stricter standards for algorithm transparency, validation, and accountability in financial decision-making (8,9).

To prepare for this environment, leading health systems are implementing AI compliance dashboards that integrate audit data from billing and claims workflows. These dashboards track model accuracy, bias indicators, and performance drift in near-real time. In addition, they log all automated claim edits and payer interactions, creating a record of compliance that can be shared with auditors or regulators upon request (4,5). Such infrastructure not only minimizes regulatory risk but also builds credibility with payers, who increasingly demand transparency in automated adjudication and billing systems.

Financial governance is another critical layer. The cost of implementing AI in RCM can range from $2 to $ 5 million, depending on the system's size and scope (4,5). Governance mechanisms should therefore include ROI assessments and phased implementation strategies that align with organizational goals. Health systems that track ROI through well-defined benchmarks—such as reduction in denial rate, improvement in cash flow, or lower cost-to-collect ratios—report significantly higher success rates than those without structured evaluation frameworks (1,4,8).

Collaborative Governance: Perhaps the most complex aspect of governance in AI-driven RCM lies in coordinating stakeholders and aligning the interests of patients, providers, and payers, each with differing incentives. Patients seek affordability and clarity; providers aim for timely, accurate reimbursement; and payers prioritize fraud prevention and cost control (2,3). Without deliberate collaboration, these interests can diverge, creating mistrust and inefficiency.

To address this, some health systems are forming joint AI governance councils that include representatives from payers, patient advocates, and hospital leadership. These councils define shared data standards, establish protocols for explainability, and oversee performance metrics that strike a balance between payer scrutiny and provider autonomy. For example, Blue Cross Blue Shield of Massachusetts partnered with several hospital systems to co-develop AI-powered prior authorization tools that cut approval times by 40%, while maintaining human review for complex cases (7,8). Such models of shared governance not only foster transparency but also reduce administrative friction—turning AI from a source of contention into a catalyst for system-wide alignment.

Examples of AI-RCM Impact

The transformative potential of AI in revenue cycle management (RCM) becomes most tangible when viewed through the lens of implementation across real-world health systems. Each case illustrates how aligning technology, governance, and workflow design can deliver measurable financial and operational gains—while also exposing the pitfalls of inadequate integration.

Kaiser Permanente: Kaiser Permanente, one of the nation's largest integrated health systems, has been at the forefront of leveraging AI to improve claims processing efficiency. During the post-pandemic recovery period, Kaiser deployed a machine learning–based denial prediction tool trained on historical claims and payer-specific adjudication patterns (5,7). The system analyzed key variables—such as missing documentation, diagnostic code inconsistencies, and eligibility mismatches—to flag claims at high risk for denial before submission. Within six months of deployment, denial rates decreased by 17%, and the time required for appeals processing dropped by 22%, leading to a net increase of $9.5 million in recovered reimbursements (7,8).

The success of the initiative was attributed to Kaiser's robust data governance and its multidisciplinary review structure, which included clinicians, coders, and data scientists who jointly evaluated model outputs. Governance teams conducted monthly performance audits to ensure the model adapted to payer rule changes and remained compliant with CMS and HIPAA requirements (4,6). This cross-functional oversight exemplifies how strategic governance can translate AI potential into measurable outcomes.

HCA Healthcare: HCA Healthcare has pursued one of the most comprehensive adoptions of robotic process automation (RPA) and AI within RCM functions in the U.S. In collaboration with Optum and Microsoft Cloud for Healthcare, HCA automated core RCM workflows, including eligibility verification, charge capture, and payment posting (4, 5, 9). The RPA system was trained to perform repetitive administrative tasks such as reconciling remittance advice and validating claim data before submission.

Within its first year of implementation, HCA reported a 30% reduction in manual coding labor, a 20% improvement in clean claim rates, and a 15% acceleration in days in accounts receivable (A/R) (5,8). The automation also decreased error-related rework by an estimated $21 million annually. HCA's leadership underscored that these results were contingent on strong governance—particularly change management protocols that kept billing staff informed, retrained, and aligned with AI-supported workflows. Beyond efficiency, the initiative demonstrated resilience during crisis conditions. During COVID-19 surges, automated claims reconciliation enabled HCA to sustain billing operations despite staffing shortages, whereas comparable non-automated systems across the sector experienced productivity drops exceeding 25% (1,4,5).

Cleveland Clinic: Prior authorization remains a bottleneck in RCM, often delaying care and straining patient-provider relationships. The Cleveland Clinic addressed this challenge by piloting a natural language processing (NLP)–based prior authorization engine designed to automatically extract clinical data from electronic health record (EHR) documentation and match it to payer criteria. The AI model identified missing documentation before submission, generated justification summaries, and interfaced with payer portals for near-real-time authorization tracking (7,8). The pilot yielded remarkable efficiency improvements. Average authorization turnaround time dropped from 72 hours to under 24 hours, while denial rates for incomplete documentation fell by 28% (8,9). Clinician satisfaction also rose by 18%, as the system reduced manual paperwork and eliminated redundant submission cycles.

Crucially, the Cleveland Clinic's implementation exemplified responsible governance. A multi-stakeholder oversight committee, including payer liaisons and patient access leaders, reviewed algorithm performance quarterly to prevent automation bias and ensure compliance with payer-specific policy updates (4,6). HFMA cited the organization's ethical governance model as an industry example of equitable and transparent AI use in claims processing (4,5).

UnitedHealth Group / Optum: While most case studies emphasize provider-side automation, the payer perspective provides critical insight into how AI can improve adjudication fairness and fraud detection. UnitedHealth Group's Optum division utilizes AI-driven models to analyze over 1 billion claims annually across multiple payer networks, identifying potential cases of fraud, waste, and abuse (3, 5, 8). These models leverage anomaly detection and network analysis to identify unusual billing patterns while minimizing false positives that burden legitimate providers.

Between 2022 and 2024, Optum's AI-based adjudication framework helped reduce erroneous claim denials by 12%, cutting administrative rework costs across its payer network by an estimated $400 million (3,8). UnitedHealth's adoption of explainable AI models—those that provide interpretable rationales for claim rejections—also improved provider satisfaction metrics, as clinicians could view the basis of decisions and appeal accordingly.

Optum's governance approach includes an "AI fairness board" composed of data scientists, ethicists, and payer-provider liaisons tasked with monitoring algorithm bias and ensuring model transparency (4,6). This governance structure reflects the evolving recognition that RCM

innovation must strike a balance between efficiency, fairness, and accountability across all stakeholders.

Industry-Wide Lessons and Emerging Trends: The example collectively highlights several cross-cutting lessons. First, data quality and interoperability remain the single greatest determinants of AI success in RCM. Systems with well-structured, centralized data achieved faster and more reliable returns than those operating across fragmented EHR and billing infrastructures (1,4). Second, AI-driven efficiency gains depend heavily on governance maturity; organizations with strong oversight frameworks consistently report lower error rates and faster ROI timelines (4, 6, 8).

Third, patient experience must remain a guiding principle: AI that improves claims speed but confuses or alienates patients undermines overall value (5,9). The market trajectory suggests accelerating adoption. McKinsey's 2024 healthcare analysis projects that AI-enabled RCM could generate $100 billion in annual efficiency gains globally by 2030, largely through automation of administrative and payer-provider reconciliation tasks (4,9). In the U.S. alone, HFMA forecasts that 80% of large health systems will integrate AI into at least one RCM function by 2026 (5).

The examples underscore a central insight: AI's success in revenue cycle management is not purely technological—it is relational. True efficiency emerges when patients, providers, and payers share trust, transparency, and a governance framework that ensures AI supports—not supplants—human judgment.

Recommendations for Health Systems

The transition toward AI-driven revenue cycle management (RCM) is not simply a matter of adopting new technology—it requires a strategic rethinking of how financial operations, patient access, and payer relationships interconnect within a digital ecosystem. To capture the full value of AI while mitigating risks, health systems must take deliberate, evidence-based actions that balance innovation with oversight.

The first recommendation is to start with a defined problem statement and measurable ROI targets. Health systems should begin AI adoption by identifying a clear operational pain point—such as excessive denial rates, prolonged prior authorization times, or coding backlogs—and establish measurable benchmarks for improvement. Research shows that AI-driven RCM initiatives achieve the highest ROI when introduced in targeted pilot projects rather than being rolled out organization-wide (4,5). For example, focusing on a high-volume process, such as claim scrubbing or eligibility verification, allows institutions to demonstrate tangible gains—such as a 10–15% reduction in rework costs—before scaling. ROI evaluation should incorporate both financial and qualitative metrics, including staff workload reduction, improvement in payer relationships, and patient billing satisfaction (4,6). The HFMA recommends a structured AI performance dashboard that monitors outcomes across cost, efficiency, and compliance dimensions in near real time (4,5).

The second recommendation is to strengthen the foundations of data infrastructure and interoperability. AI models are only as good as the data that feeds them. Governance committees should prioritize data quality, consistency, and secure integration across clinical, administrative, and payer systems (4,6). Establishing standardized data exchange protocols, such as HL7 FHIR APIs, can significantly reduce the fragmentation that undermines predictive accuracy and claim integrity (4,8). Health systems that invest early in interoperable, cloud-based RCM platforms are better positioned to deploy scalable AI applications, including predictive denial models and natural language processing (NLP) for coding automation (5,7). For smaller hospitals or rural systems with limited IT capacity, shared cloud services or vendor-hosted AI platforms can provide access to advanced analytics without prohibitive infrastructure costs (2,6).

A third recommendation would be to build governance and ethics frameworks concurrently with deployment. Governance should evolve in tandem with AI implementation—not after. Each RCM-focused AI project should include an oversight structure encompassing data scientists, compliance officers, financial leaders, and patient advocates (1,4,5). This multidisciplinary team should monitor bias, fairness, and explainability through periodic model audits and documentation reviews (4, 6, 9).

Ethical transparency is particularly critical in patient-facing RCM functions. When AI chatbots or automated payment plans are utilized, hospitals should clearly communicate that computerized systems are being employed and maintain human review pathways for disputes or appeals. Sutter Health's pilot program demonstrated that clear patient communication improved billing satisfaction by 20% and reduced payment delays (5,9).

Fourth, health systems need to cultivate collaborative partnerships with payers and technology vendors. AI-driven RCM efficiency depends on alignment between providers and payers. Establishing joint governance councils or payer–provider data-sharing agreements can harmonize claim adjudication criteria, minimize rework, and build mutual trust (2,3,8). Cleveland Clinic's collaboration with major insurers on AI-assisted prior authorization reduced turnaround time by 66%, while maintaining transparency in payer decision criteria (7,8).

Technology vendors also play a critical role in co-developing AI solutions that adhere to interoperability standards and ethical guidelines. Health systems should negotiate contracts that require algorithm explainability,

continuous model validation, and compliance with emerging regulatory frameworks, such as the U.S. National AI Strategy and the EU AI Act (8,9).

Concurrently, health systems must empower the workforce through training and change management, which is a fifth recommendation. AI implementation will not succeed without staff engagement and capacity-building. Hospitals should invest in AI literacy training for revenue cycle and billing teams, focusing on how to interpret AI outputs, identify anomalies, and escalate issues to governance committees (4,5). Early user feedback loops help prevent workflow disruptions and ensure human-AI collaboration remains productive. The most effective health systems treat AI as an enabler rather than a replacement. Staff who understand the reasoning behind AI recommendations are more likely to trust the tools and use them effectively (6,9). Moreover, cross-training employees in both financial and data functions helps reduce dependence on specialized technical staff and fosters adaptive capacity for continuous improvement.

Sixth, health systems have to address equity and patient impact as core metrics of success. AI adoption in RCM must ultimately advance—not hinder—equitable access to care. Governance committees should track patient-level implications of automation, including billing errors, payment plan accessibility, and communication clarity across demographic groups (7,9). Algorithms that classify patients based on financial history or demographic proxies should be routinely audited for bias and adjusted when inequitable outcomes are detected. From a patient experience perspective, AI can be leveraged proactively to reduce financial anxiety. Automated cost estimators and personalized payment assistance tools have been shown to increase patient engagement and reduce bad debt by 15–20% in large health systems (5,9). By centering AI deployment on patient empowerment, organizations can improve both revenue recovery and public trust.

Finally, governance bodies should treat AI integration as an iterative process. Health systems should phase the deployment of RCM functions, starting with administrative automation (eligibility, coding, and billing) and then progressing to complex predictive analytics (denial prevention and fraud detection) (1,5,8). Each phase should include a post-implementation evaluation period to assess operational performance, staff adaptation, and patient outcomes. The HFMA recommends annual AI governance audits, incorporating stakeholder feedback and financial metrics to recalibrate systems over time (4,5). Institutions that embed continuous monitoring into governance not only sustain efficiency gains but also position themselves to adapt quickly to regulatory and market changes.

Future Outlook and Conclusion

The integration of artificial intelligence into revenue cycle management (RCM) represents one of the most promising—and complex—frontiers in healthcare administration. The financial stakes are enormous: U.S. health systems collectively spend more than $300 billion annually on administrative and billing processes, with RCM functions consuming roughly 8–11% of total operating costs and an average of $13 in administrative overhead per $100 collected (1,4,5). Labor shortages, payer friction, and fragmented workflows have exacerbated inefficiencies, particularly during and after the COVID-19 pandemic, when many systems experienced delayed reimbursements, surges in denials, and staff attrition rates exceeding 20% in revenue departments (1, 4, 6).

AI offers a structural response to these persistent inefficiencies. By automating repetitive tasks, predicting claim outcomes, enhancing documentation accuracy, and facilitating real-time communication with payers, AI-driven systems can reduce costs and accelerate cash flow, allowing human staff to focus on complex decision-making (3,5,8). Yet, the path to realizing these gains is neither purely technical nor linear. As this brief demonstrates, the sustainability of AI in RCM depends as much on governance, transparency, and cross-stakeholder trust as on algorithmic sophistication.

Looking ahead, several trends are poised to reshape the RCM landscape. One is that the next-generation RCM platforms will continuously learn from new payer data, appeal outcomes, and regulatory changes. This shift toward adaptive learning systems will enable AI to anticipate denials, dynamically update coding rules, and adjust workflows in real-time. The result could be a self-improving RCM infrastructure where manual interventions steadily decline, and compliance risk is minimized (5,8,9). Second, AI will increasingly bridge clinical and financial data, empowering patients with personalized cost estimates, payment plan recommendations, and benefit navigation tools. Hospitals that integrate patient access automation—such as pre-service eligibility checks, cost prediction, and preauthorization tracking—will likely experience higher patient satisfaction and reduced bad debt (2, 5, 9). However, this convergence also raises ethical concerns about privacy, algorithmic bias, and transparency in financial communications, demanding continued oversight through AI ethics committees and patient representation in governance structures (4,7).

As payers adopt parallel AI adjudication systems, misalignment between algorithms can create new inefficiencies unless both sides collaborate on shared standards. Emerging models, such as payer-provider joint AI governance councils, demonstrate that transparency and co-

validation of decision logic can significantly reduce friction, resulting in faster reimbursement and fewer disputes (2,3,8). The next frontier lies in expanding these councils to include regulators and patient advocacy organizations, thereby building a truly interoperable and equitable administrative infrastructure.

Federal and state regulators are beginning to define accountability standards for AI in healthcare finance. The U.S. National AI Strategy (2024) and the proposed Algorithmic Accountability Act are likely to shape reporting obligations for explainability, bias auditing, and data provenance (8,9). Health systems must proactively align their governance and documentation processes with these emerging expectations to ensure compliance and avoid reputational risks.

As automation expands, ensuring that AI does not reinforce structural inequities becomes a defining challenge. Hospitals that deploy fairness auditing, inclusive data sourcing, and transparent communication will not only mitigate risk but also strengthen community trust—an increasingly critical factor under value-based care models that reward patient satisfaction and equitable outcomes (5, 7, 9).

Ultimately, the evolution of AI in RCM is not just about efficiency—it is about reimagining how financial processes support equitable, sustainable, and patient-centered healthcare delivery. The systems that succeed will be those that integrate ethical governance, operational interoperability, and stakeholder collaboration as core design principles.

AI's value lies not in replacing human intelligence but in amplifying it—transforming administrative complexity into clarity, and financial friction into a catalyst for organizational learning. As U.S. health systems confront escalating costs, workforce challenges, and regulatory scrutiny, the responsible use of AI within RCM will become a defining marker of strategic resilience and digital maturity.

In the decade ahead, hospitals that view AI not as a technological add-on but as a governed, learning infrastructure will set the benchmark for value-based, efficient, and equitable healthcare. Those that fail to align governance, ethics, and interoperability may find themselves outpaced—not by technology itself, but by the systems that learned how to use it wisely. (4,5,8,9)

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CITE THIS RESEARCH BRIEF AS:
Simeon Petrov and Jiban Khuntia (2025). "AI in Revenue Cycle Management (RCM) and Medical Claims Processing, Vol. 10, Issue 2, pp. 1-10.