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FEATURE STORY

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the “write” choice: a primer on outsourcing transcription services

Deciding whether to outsource transcription services and then, if you do, picking the right vendor are not decisions to be taken lightly. The consequences of a too-hasty decision can affect the entire revenue cycle.

Face it, medical transcription is not “sexy.” It’s definitely not an area that’s topmost on the minds of most hospital administrators. But it is a cornerstone of hospital, physician office, and clinical operations, and if the quality of a hospital’s medical transcription services declines, it can cost the organization millions of dollars and create dissatisfaction among physicians.

The question hospital financial leaders need to be asking is, “How can we manage medical transcription services in a way that helps us minimize costs and capital expenditures, speed the revenue cycle, and improve physician satisfaction?” For many facilities, the answer may be to outsource transcription services. To determine if this approach is right for your organization, you should consider the following points, which constitute a primer for healthcare executives who are beginning to explore the outsourcing options.

Transcription Services Today

Certainly, hospitals need healthy accounts receivable and positive cash flows. So it is important that the transcription processes be optimized to enable efficient billing. Interviews with a number of hospital administrators from across the country regarding the impact of medical transcriptions on their operations provided some insight into the status quo in the nation’s hospitals with respect to this area.

Three findings were particularly noteworthy:

- > The administrators typically want to move toward automated processes to expedite the billing process, increase payment, and reduce employment expenses, but they lack confidence that current technology is up to the task.
- > Typically, the transcription department reports to the CFO, and even when it reports elsewhere, the finance department is involved in monitoring the transcription services.

AT A GLANCE

- > In the absence of universal quality standards that can be applied to all transcription service outsourcing vendors, different vendors are best compared on the basis of their transcriptions and billing practices.
- > Key factors that should be considered when assessing the current state of an in-house program include cost, turnaround time, quality, physician satisfaction, and technology.

a. Fitch Ratings, *Health Care Special Report: 2002 Median Ratios for Nonprofit Hospitals and Health Care Systems*, August 7, 2002 (www.fitchratings.com). Based on median of sample hospitals in 2001.

> Backlog was the only dashboard indicator being used by all hospitals. Few have calculated the impact of turnaround time on the revenue cycle.

Other concerns mentioned by the administrators were problems integrating with existing IT systems, physician satisfaction, and transcription quality.

The Transcription Marketplace

By some accounts, there are nearly 2,000 medical transcription companies in the United States, ranging widely in size and composition. Some are small organizations that were developed specifically to serve the needs of the local hospital (usually by former employees), while others are national and international corporations that provide transcription services as just one of many types of service offerings.

Although all have some unique qualities, the larger, better-capitalized companies appear to be in the best position to take advantage of some of the emerging trends.

Improvements in technology also have expanded the marketplace. Through the use of the Internet and digital and telephone dictation, transcriptionists no longer need to be in close proximity to the hospital. As a result, some companies with newer equipment are employing transcription staff overseas to take advantage of both lower labor costs and the time zone differences, which enable these staff to produce reports for U.S. hospitals virtually "overnight."

Quality Measures and Differentiation

Although each transcription company will invariably tout its quality assurance practices and staff expertise, there are no industrywide standards for transcription training or quality review. Therefore, the best way to compare different companies is not on the basis of their various

claims, but on the quality of their results, including billing practices as well as actual medical transcriptions.

The sheer number of transcription companies means there is considerable variation in how the companies operate, including how they bill. In fact, a class action lawsuit was filed against one of the nation's largest transcription companies for deliberately misrepresenting its billing procedures in its contracts. Although this case may provide an impetus for the industry eventually to adopt standard billing practices, for now, it is important when evaluating a possible outsource partner to understand the company's billing practices and to verify that the company can provide regular reports detailing what it is charging the hospital.

If outsourcing medical transcription places a hospital at risk of losing control over the process, why should the hospital want to do so?

The quality and accuracy of transcription will affect the rework required by physicians and staff. One method for checking the accuracy of the transcription is to read through a sampling of reports while listening to the original dictation. The standards set by the American Association for Medical Transcription are an overall rate of 98 percent accuracy and a 100 percent avoidance of certain critical errors.

Why Consider Outsourcing?

Medical transcription is an essential part of a sound revenue cycle. Thus, if outsourcing medical transcription places a hospital at risk of losing control over the process, why should the hospital want to do so? Not surprisingly, it is largely a question of economics.

Improved financials. Some hospitals have seen an improvement in the bottom line due to faster throughput of the revenue cycle and the reduced costs that come from outsourcing.

Shortage of workers. As with other professionals, a shortage of workers has begun to inflate salaries and increase competition for qualified transcriptionists.

Avoidance of capital expenditures. Many believe that the future of medical transcription lies in voice recognition technology; however, many hospitals do not currently trust the quality of current technology and are waiting before investing.

Improved physician satisfaction. Meanwhile, an outsourcing vendor can provide access to current technology, allowing physicians to access transcription services from remote locations without the need for the capital investment by the hospitals. Such access increases physicians' freedom—and thus improves their satisfaction—by eliminating their need to be on-site at the hospital for dictation. Instead, they can dictate using handheld devices and/or dictate and sign charts electronically at a secure computer at any location. It remains to be seen if this increased freedom actually decreases the time it takes to get charts signed, but it certainly will cut back on the available excuses.

Short-term needs. Outsourcing transcription on a short-term basis to deal with "overflow" transcription needs can become necessary because of a backlog in the transcription department and the need for a quick remedy.

Reasons Not to Outsource

A number of disadvantages of outsourcing transcription services have been described in the literature and were cited by the interviewed administrators. Here are the major concerns.

Potential loss of control over quality. Hospitals should be aware that by choosing to outsource transcription services, they are giving up a

certain degree of control over quality, the importance of which should not be discounted. Indeed, under some circumstances, outsourcing can lead to decreased quality, particularly if there are few triggers to break the contract and the outsource partner lacks sufficient incentives to ensure the highest level of quality.

Potential increase in costs. Some hospitals have claimed that by bringing transcription back in-house, they have reduced costs. Hospitals that have this perception, however, may be basing it upon paying for only small quantities of work to be outsourced (such as "overflow" outsourcing). Organizations considering outsourcing should determine what the true costs of the current department are versus the true cost of outsourcing the full services the in-house department provides.

Potential decrease in speed for critical situations. Outsource transcription vendors may charge more for, or be less prompt in turning around, critical transcription orders that are needed immediately. Hospitals should be aware of the number of such "stat" orders they currently receive, and look at any extra charges the outsource vendor might add for such orders. An option to consider is to keep some transcription in-house for stat situations.

Privacy and security concerns. The opportunities created by transcription technology and outsourcing also make compliance with the privacy and security regulations under the Health Insurance Portability and Accountability Act more challenging. The potential problems are exemplified by an incident that was reported in 2003, in which an overseas medical transcriptionist threatened to publicize a health system's patient information. Although HIPAA violations also occur in the United States, it is easier to enforce the law on American citizens.

How to Evaluate an Existing Transcription Department

The first step in evaluating outsourcing as an option is to first understand the current state of

the hospital's in-house program. Key issues that should be considered are described below.

Cost. A "fully loaded" cost analysis should include items typically in the monthly departmental reports, including:

- > Direct staff salaries
- > Education and travel
- > Supplies
- > Outsourced work

The cost analysis should also include items not typically found in financial reports, such as:

- > Depreciation and interest.
- > Indirect salaries—Estimate the time spent by supervisors monitoring the department. (Assuming, for example, that a manager has 10 direct reports, and monitoring each report requires about 1 percent of the manager's time, then about 10 percent of the manager's salary and benefits should be used in the calculation.)
- > Benefits and taxes (generally 20 percent to 24 percent of salaries)—These expenses are not typically reported by hospitals in the departmental financials.
- > Cost of space—Use rent expense or, if other departments are paying rent for outside space, take that average cost per square foot times the footprint of the department.
- > Turnover—Take the average turnover for the previous three-year period and the costs associated with the turnover (e.g., search firm fees, signing bonuses, training expenses).

The total cost should be divided by the number of lines transcribed per year to obtain a cost-per-line estimate. This estimate can be used to compare different vendors' costs of production with the cost of keeping the program at the hospital. If a hospital compares its cost per unit of production with that of an outside agency's, however, it is important that the executives know exactly how the production is being measured. Some agencies count pages, some count lines, others count gross characters produced, and still others count the number of characters typed (the difference between the last two being the use of "macros,"

which allow standard language to be transcribed with a few keystrokes).

Days (and dollars) in transcription. Dictation and signature wait times represent a significant cost to the revenue cycle. The simplest way to calculate this cost is to look at the hospital's average collections per business day and multiply that number by the number of days of typical transcription turnaround time. The result of this calculation describes the value of a department's backlog, especially if bills are not being issued while the billing department is waiting for the complete record. This calculation provides a means to identify the one-time benefit that can be gained from improving the speed of the program.

Quality. The quality and accuracy of transcription will affect the rework required by physicians and staff. As with checking the quality of a potential vendor, one method for checking the quality of your transcriptions is to read through a sampling of reports while listening to the original dictation.

Physician satisfaction. The quality of dictation services can play a role in physician satisfaction. Checking the most recent physician satisfaction surveys will allow you to assess current transcription ratings and compare them with those of other facilities.

Technology. Transcription systems should interface well with the rest of a hospital's IT network. Hidden costs, such as the additional time and expense of having to load reports manually into the existing IT system, need to be considered.

Other issues. Other key issues to consider when assessing the status quo include:

- > HIPAA compliance—How confident are you that you are compliant?
- > Report generation and distribution—Are the right reports getting to the right people in time?
- > Availability of qualified staff—Can you efficiently hire, or is your market getting tight?

Evaluating Transcription Companies

A variety of issues can be examined when selecting a transcription vendor, and no one list of questions will be applicable for evaluation of all vendors. The interviews with hospital leaders and review of the literature disclosed that accountability is a highly prized attribute of outsourcing vendors. Few vendors, however, appear to make accountability a key selling point. Some organizations claim to provide reconcilable billing statements and others tout their high-quality, timely reports. But few go so far as to guarantee performance or describe the reports they would regularly provide to the hospital's management.

Because there are so many potential providers of transcription services, a hospital may want to undertake a two-step Request for Qualifications and Request for Proposal process. The initial list of RFQ recipients should be developed by soliciting recommendations from other facilities or the hospital's group purchasing organization, if it has already negotiated rates with a transcription service provider.

Three questions are important to ask in the RFQ process:

- > Can the vendor prove the program's HIPAA compliance standards meet the hospital's internal standards?
- > Are the vendor's reports compatible with the hospital's existing and potential IT systems, in terms of both input and output?
- > Can physicians access the dictation system by phone, digital recorders, or existing hospital equipment, and can they sign the record electronically?

Once the RFQs have been returned and some have been eliminated, the following questions can be addressed in the RFP.

How does the vendor bill? Most vendors bill based upon the number of lines transcribed, but the exact parameters of what constitutes a line and the number of characters per line depends on items such as the margins of the page. Vendors

should be asked to provide answers based on the hospital's parameters and methods for proving the results. For example, the hospital should consider submitting a file with some of its previous transcriptions and asking the vendor to indicate how much it would charge to transcribe the file.

What is each vendor's cost and guaranteed turnaround time? These two issues need to be discussed together because it should be possible to receive reduced charges in return for longer turnaround time. The benefit to the hospital should be relatively easy to calculate, using the same cash flow cycle methodology detailed above.

How do the vendors measure quality, and what is the guaranteed quality rate? Vendors should guarantee quality and should have reports available to prove it. They also should be able to provide agreed-upon definitions of "critical errors." They should track how often physicians need to be contacted to provide clarification.

Do the vendors have references that can be called or case studies that can be examined? Questions that the hospital should ask reference organizations include:

- > How well has the vendor performed overall, and have any problems arisen?
- > How were the problems dealt with?
- > How has the total turnaround time been affected? Has the time from dictation to transcription increased or decreased, and how has the time from transcription to the physician signing the record been affected? (Answers should be compared with the previous revenue cycle calculations.)
- > How accurate have the vendor's reports been, and are they helpful?
- > How do physicians feel about the system?

Also, the vendor should be asked to provide the names of two dissatisfied clients. A vendor that is willing to allow potential clients to talk with former clients that discontinued the outsourcing relationship, acknowledge the reasons for these clients' dissatisfaction, and discuss what has

been done to remedy the situation may be a company that is actually willing to hold itself accountable.

Is it possible to test the vendor's system? With current technology, vendors may be able to accommodate by transcribing 25 to 50 files, free of charge. The hospital should ask two to five physician champions to dictate a few charts and provide the charts to each of the vendor candidates. The goals of these tests should be to:

- > Solicit feedback from the physicians about the ease of use
- > Evaluate the quality of the transcriptions
- > Check the vendor's compatibility with the hospital's IT
- > Give the billing department an opportunity to review the files

The vendors also should be asked for mock bills and quality reports on the records submitted. Factors to consider are whether these bills and reports are easy to interpret and reconcile with reports previously received, whether the reports are comprehensive, and whether they relate to each of the areas regarding which the vendors made promises.

If a test is not possible, the vendor should have an online demo that allows physicians to familiarize themselves with the system and become confident that the decision to outsource will not create added burdens.

Value the Scribe

Medical transcription is among the most overlooked and undervalued aspects of a hospital's operations. Facing so many demands to both reduce costs and invest in new technologies, hospitals may find that transcription services are a prime candidate for outsourcing because such an approach would obviate the need for the additional capital investment in state-of-the-art transcription technologies.

However, hospitals also should be aware that not all transcription firms operating today are alike: some are excellent, and others are sub-par. To ensure excellent performance, vendors should be selected with care. ●

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