

managing the margin

...strategies for generating new revenue and controlling costs

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Evaluating Your Transcription Service

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Medical transcription is one of the cornerstones of hospital, physician office, and clinic operations, but one of the most frequently ignored by administrators. Medical transcription is not sexy, but if the quality of the program declines, it can cost the organization millions and increase physician dissatisfaction.

Meantime, hospitals face mounting financial pressure and an increasingly competitive landscape. As a result, some facilities are examining outsourcing transcription as a way to reduce costs and capital expenditures, speed the revenue cycle, or improve physician satisfaction, but don't know whether outsourcing is right for them.

The first step in evaluating outsourcing as an option is to first understand the quality and productivity of the hospital's current program. Following are several key components of that assessment.

Cost

A "fully loaded" cost analysis should include items typically included—and items typically *not* included—in the monthly departmental reports.

Items typically found in financial reports include direct staff salaries, education and travel, supplies, and outsourced work. Items not typically included in financial reports include the following:

Depreciation and interest.

Indirect salaries. An estimate of the time spent by supervisors monitoring the department should be included. One method is to assume that each level of management has seven to 10 direct reports. If the manager has 10 direct reports, then about 10 percent of his or her salary and benefits should be used in the calculation. The manager's boss would apply 1 percent.

Benefits and taxes.

Hospitals do not typically report benefit expense in the departmental financials (generally 20 to 24 percent of salaries).

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 (headhunter fees, signing bonuses, training expenses, etc.).

The direct and indirect cost should be divided by the number of lines transcribed per year to obtain a cost-per-line estimation. This estimate can be used as a means to compare costs of production among vendors versus keeping the program at the hospital.

If a hospital compares its cost per unit of production with that of an outside agency's, executives should know exactly how the production is being measured. Some agencies count pages, some count lines, some count gross characters produced, and some count the number of characters typed. (In the latter two methods, the difference is in the use of "macros" that transform a few keystrokes into a paragraph of standard verbiage.)

Days (and Dollars) in Transcription

Dictation and signature wait times represent a significant dollar amount to the revenue cycle. The simplest way to calculate this is to multiply the hospital's

average collections per business day by the number of days the turnaround typically takes. The result is the value of the backlog sitting in the department, especially if any bills are not being issued while they wait for the complete record. This can also be used to calculate 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. One method for checking the accuracy of the transcription is to read through a sampling of reports while listening to the original dictation. The American Association for Medical Transcription standard is an overall rate of 98 percent accuracy and 100 percent for critical errors.

Physician Satisfaction

Dictation does play a role in physician satisfaction. Checking the most recent physician satisfaction surveys will allow you to assess current transcription ratings and compare with those of other facilities.

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Technology

Transcription systems should interface well with the rest of a hospital's IT network. If a company cannot cleanly load reports into the existing IT system (thus requiring manual entry, which creates further expense and time delays), that "hidden" cost needs to be considered.

Capital Expenditures

Hospitals today have multiple demands on their scarce resources. Spending money on transcription equipment can seem frivolous when there is not enough bed space to meet demand. The direct cost and the cost of capital need to be considered if new investments are needed in the next few years.

Looking Ahead

Medical transcription is one of the most overlooked and undervalued parts of hospital and physician practice operations. Hospitals looking to invest in new technology and reduce costs need to start assessing the hospital's current transcription services. ■

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