



Cutting Medical Transcription Costs

John Forsman
Partner
GFO CFO Group LLC
jforsman@gfocfo.com

Looking for ways to cut costs has become second nature to healthcare providers. One area often overlooked as a substantial cost-saving opportunity is medical transcription. At one time, most medical transcription was performed by in-house employees. Then a trend toward outsourcing began. John Forsman, a Partner with the GFO CFO Group, has significant experience as a health care finance executive. While serving as the Corporate CFO of Saint Barnabas Health Care System (SBHCS), he directed them in reducing their costs by bringing medical transcription back home.

Saint Barnabas Health Care System (SBHCS), the largest integrated healthcare provider in New Jersey, was challenged to reduce expenses and efficiently use revenue to ensure high-quality patient care for its more than million patient visits each year. In 2000, SBHCS began a comprehensive evaluation of the cost-effectiveness of its transcription services. Three of the system's largest acute care medical centers were enrolled in the National Medical Transcription Benchmarking Study, codeveloped by a consulting firm and a leading not-for-profit group purchasing organization. At the time, the three facilities--the 602-bed Newark Beth Israel Medical Center, the 620-bed Saint Barnabas Medical Center in Livingston, and the 528-bed Monmouth Medical Center in Long Branch--were outsourcing their health information management (HIM) medical transcription.

The benchmarking study evaluated transcription quality, turnaround time, productivity, and, most importantly, all-inclusive costs over the previous 12 months. The study provided a comprehensive statistical breakdown of all transcription costs and production and procedural information, and determined the key comparative bottom-line statistic, total cost per transcribed character. The study's final report compared each facility with the study average and the three best facilities in the study that have similar demographics.

The study results for SBHCS showed the three facilities were paying 28 to 36 percent more than necessary when compared with a best-practice model. Yet the facilities were receiving legitimate physician complaints about quality and turnaround time. Fortunately, the study identified best practices to cut an estimated \$2.8 million over five years. Equally important, the best practices promised to improve quality, reduce turnaround time, and return control of information to each facility. SBHCS immediately began converting the facilities' medical transcription operations from an outsourced function to one that employs home-based, production-based medical transcriptionists.

Beginning six months after implementation at each of the three facilities, cost savings were thoroughly audited and reconciled. The cost analyses showed more dramatic cost savings than originally projected. After using the model for two years, the facilities were achieving savings of 33 to 38 percent. The savings were expected to surpass \$3.2 million over the next five years.



Heads or Tails

Previously, the two primary options for medical transcription were to operate an internal department of medical transcriptionists and supervisors or outsource the function. Each option offered distinct advantages and inherent deficiencies.

Internal departments, when run efficiently, provide limited cost advantages over outsourcing and allow an organization to control information and turnaround time. Also, because departmental transcriptionists become familiar with an organization's processes, procedures, and medical staff, they achieve a higher degree of accuracy, consistency, and quality. However, high costs of physical space and constant upgrades for transcription equipment, as well as hiring, training, and retaining qualified transcriptionists and supervisors, had pushed the industry toward outsourcing.

Organizations had turned to traditional outsourcing to ease their internal management responsibilities, lock in predictable annual costs, and reduce their physical space requirements and equipment expenses. However, rising outsourcing costs, sometimes -unsatisfactory quality, and lack of control over information and turnaround times were drawbacks of traditional outsourcing.

The linchpin of any solution embraced by SBHGS had to be significant annual cost reductions, although other considerations also would weigh heavily. First, using the results of the benchmarking study as a statistical foundation, SBHCS conducted comparative analyses of various medical transcription models and examined the average total cost per character for:

- > Total department outsourcing
- > Full-time employees based on site (in-house)
- > Part-time employees on site and/or at home
- > Independent contractors
- > Home-based, production-based full-time employees

SBHCS found that home-based, production-based transcription costs were nearly 37 percent less per character than total department outsourcing and 31 percent less than full-time department-based transcription. Additionally, the productivity of home-based transcriptionists was 39.4 percent higher than that of office-based transcriptionists, further expanding the bottom-line savings by producing the same amount of work with fewer employees.

There's No Place Like Home

SBHCS chose the home-based, production-based model as the most efficient means to achieve its goals of lower costs, better quality, faster turnaround times, the return of total control of medical transcription information to each SBHCS medical center, and compliance with the security measures of OMS and HIPAA regulations.



The transcriptionists, who were full-time employees of the respective facilities, were paid a straight per-line rate and performed their work via a secure, proprietary Internet-enabled network. A consultant recruited, hired, and trained the transcriptionists for SBHGS and provided ongoing administration and management of the program, so there was no additional workload on the part of the HIM directors or their in-house staff.

The model delivered efficiencies that included:

- * Lower costs by eliminating the outsourcing vendor's labor-related profits and improving workload calculation methods
- * Lower technology costs and no technology obsolescence because an application service provider (ASP) model was used for dictation and transcription (with no annual service/maintenance contracts)
- * No office space requirements for home-based transcriptionists, further reducing costs
- * Better quality work from dedicated full-time employee transcriptionists
- * Faster turnaround times, with these times controlled by the organization, not by a vendor
- * A seamless transition for facility staff and physicians who dictate
- * Full compliance with CMS and HIPAA security and accountability requirements

Bringing the Idea to Life

Responsibility for implementation rested with a team of transcription consultants with expertise in administration, HIM, human resources, payroll, risk management, technology, and transcription management. The team also included liaison members from each facility's staff.

Creating policies. The team developed and documented comprehensive transcription policies and procedures specific to home-based, production-based transcription for each medical center. These experts worked directly with the directors of HIM and human resources at each SBHGS facility, customizing policies to the facility's requirements.

Recruiting. After determining the optimum staffing level, the consultant recruited nationally for qualified applicants, who were then further tested in medical terminology, anatomy and physiology, Microsoft Word[R]and Windows[R] applications, and the work types in use at the facility, such as history and physical, operative report, consultation, and discharge summary. The best applicants then were hired according to each hospital's normal procedures.

Training. Newly hired transcriptionists received 120 hours of paid training, which included familiarizing themselves with the medical center's policies and procedures, specific applications, and previously transcribed reports dictated by medical center staff. Each new transcriptionist was given a 90-day orientation period, consistent with the policies of the respective medical centers.



Scheduling. Peak dictation times were determined for each SBHCS medical center. Each transcriptionist was assigned four core hours each workday, ensuring that critical high-volume periods were covered while providing 24/7 availability for rush work. Each transcriptionist also selected an additional four flex hours each day, resulting in increased productivity compared with straightshift scheduling. Each transcriptionist worked a 40-hour week with overtime only as authorized by the HIM director. Schedules were revised to address workload changes or unusual events, such as impending visits by the Joint Commission on Accreditation of Healthcare Organizations.

Management. The remote transcription manager, who was the consultant's staff, monitors turnaround time and quality daily. For the 90-day initial employment period, all transcriptionists' work was reviewed for accuracy. As transcriptionists met quality expectations, the remote manager shifted to randomly reviewing work during each pay period. Also, the manager monitored quality-controlled productivity daily to ensure that standards of 150 lines per hour, 6,000 lines per week, and 24,000 lines per month were being met. Transcriptionists who produced more than 6,000 lines per week received additional incentive pay.

Technology. Physicians dictated exactly as they did with the outsourcing system, using the same access numbers and control codes, but their voice files were encrypted, compressed, and distributed to home-based employees via the Internet technology. The employees transcribed and returned the completed documents, which then were automatically printed to the hospital (and optionally uploaded into the hospital's clinical repository and auto-faxed to the physicians).

Transition. As productivity of the home-based transcriptionists ramped up, work was shifted to them from outsourcing until, over a few weeks, outsourcing was totally eliminated.

Results

Implementation of the transcription model was completed within 120 days. The five-year, post-implementation projected cost savings, after all one-time cost considerations (including reengineering fees), were 33.2 percent for Monmouth Medical Center, 38.1 percent for Newark Beth Israel Medical Center, and 38.3 percent for Saint Barnabas Medical Center. Over this five-year period, the system would save more than \$3.2 million by replacing traditional outsourcing with the home-based medical transcription model. Without creating a new revenue stream, these cost savings would allow the medical centers to reinvest substantial dollars toward their primary mission: providing exceptional care to patients.

CONVERSION FROM TRADITIONAL OUTSOURCING TO HOME-BASED MODEL FOR TRANSCRIPTION

	Monmouth Medical Center	Newark Beth Israel Medical Center
Transcription Costs		
Traditional Outsourcing		
Historical annual cost	\$576,761	\$374,854
Five-year projected cost	\$3,346,316	\$2,174,867
Hybrid Transcription Solution		



Five-year projected cost (before implementation)	\$2,414,078	\$1,454,171
Five-year projected savings (\$)	\$932,238	\$720,696
Five-year projected savings (%)	27.9%	33.1%
Five-year projected cost (after implementation) *	\$2,234,892	\$1,347,297
Five-year projected savings (\$)	\$1,111,424	\$827,570
Five-year projected savings (%)	33.2%	38.1%

Transcription Costs	Saint Barnabas Medical Center	Totals
Traditional Outsourcing		
Historical annual cost	\$573,842	\$1,525,457
Five-year projected cost	\$3,329,379	\$8,850,562
Hybrid Transcription Solution		
Five-year projected cost (before implementation)	\$2,127,498	\$5,995,747
Five-year projected savings (\$)	\$1,201,881	\$2,854,815
Five-year projected savings (%)	36.1%	32.3%
Five-year projected cost (after implementation) *	\$2,052,633	\$5,634,822
Five-year projected savings (\$)	\$1,276,746	\$3,215,740
Five-year projected savings (%)	38.3%	36.3%

* Costs and cost savings were recalculated six months after implementation.

AVERAGE TOTAL COST PER CHARACTER FOR TRANSCRIPTION, BY PERFORMING GROUP

	Average Total Cost per Character
Overflow Outsourcing	0.00365
Total Dept Outsourcing	0.00280
Full-Time Dept-Based	0.00268
Part-Time Dept-Based & Home-Based	0.00247
Full-Time Home-Based (Incentive)	0.00205
Independent Contractor	0.00203
Average	0.00273

Source: National Medical Transcription Benchmarking Study

Note: Table made from bar graph

PRODUCTIVITY FOR HOME-BASED, INCENTIVE-BASED TRANSCRIPTION AND OFFICE-BASED, HOURLY-BASED TRANSCRIPTION

Average Total Average Net



	Characters Transcribed per Hour *	Lines Transcribed per Day
Office-Based, Hourly-Based (Full-Time)	8,269	1,018
Home-Based, Incentive-Based (Full-Time)	11,533	1,419
Home-Based versus Office-Based	3,264	401

* AHIMA/MTIA definition of a character

Based on an AHIMA/MTIA 65-character net line and 8.0 paid hours in a work day

Source: National Medical Transcription Benchmarking Study

About the author

John A. Forsman, Jr., is a Partner at GFO CFO Group LLC. Please click [here](#) to read John Forsman's bio.

Questions or comments regarding this article may be sent to the author at jforsman@gfocfo.com.