

Return on Investment and Optimization of Efficiency Through the Utilization of Third-Party Medical Transcription Service Providers

Executive Summary

This study examines the cost-effectiveness and overall value of using third-party medical transcription services versus keeping medical transcriptionists on a medical office's payroll. The research completed to create this study analyzes the following attributes of contracting with medical transcription companies:

- 1) Cost efficiency
- 2) Productivity and timeliness
- 3) Accuracy
- 4) Compliance with government regulations

Analyses of several benchmarks, such as standard in-house transcription pay versus the costs of using third-party transcriptionist services, shows that medical practices, hospitals, surgical centers, and other entities can **expect a savings of approximately 41% by using third-party medical transcription services** (*see page five for a breakdown of this benchmark*).

Cost savings are reflected not only via hourly pay figures, but also through savings on investment in transcription equipment, employee benefits, payroll taxes, employee overhead costs, and other factors.

In addition, practices that use third-party medical transcription services don't face slowed reimbursement due to lack of transcribed documentation as often, since third-party medical transcription companies have backup transcriptionists on-hand to fill in at all times — this means that no time is lost over holidays or weekends, or due to sick days or vacation.

Medical practices that use third-party medical transcription services often find that they can concentrate more fully on the business of practicing medicine and administering quality patient care, while the skilled third-party transcriptionists handle the documentation side of their business. The synergy between the two entities can be carefully intertwined to eliminate communication breakdowns and optimize precision.

Cost Savings

Government payments to hospitals and physician practices are declining — and every time a government program (such as Medicare or Medicaid) decreases a payment, private insurers follow suit.

The natural outcome of this process is that medical organizations are always seeking ways to cut costs where they can, as long as it won't hurt their efforts to provide quality patient care. One effective way that these entities can save money is to use a third-party medical transcription service.

- **Hospitals are finding it imperative to cut costs while retaining valuable services**, according to a 2007 Veteran's Hospital Association (VHA) survey of 1,215 VHA medical executives.

The survey indicates that hospitals' "ability to keep up with new medical technology and service line development to meet the evolving health care needs of the community is greatly diminished" due to shrinking margins and challenges from treating the uninsured patient population. However, the report indicates, "by turning to outside suppliers to provide services not deemed as core competencies, members can focus on providing high-quality health care."¹

- **Medical practices and hospitals which employ in-house transcriptionists must invest in equipment, training, and management to oversee their transcription staff — over time, this can be costly.**

In addition, updating computer systems or dictation software to keep up with changing requirements can be difficult and expensive. Those practices that use third-party medical transcription services won't have to make these investments, because the costs are absorbed by the transcription company.

Other costs that can be saved by using third-party medical transcription services include employee benefits, such as health insurance, payroll taxes, medical office space, office equipment, and paid vacation time.

• **To optimize their chances of collecting government bonuses for electronic health records (EHRs), physician practices can turn to the experts — third-party medical transcriptionist services who are familiar with the nuances of EHRs and HL7 requirements.**

Medical practitioners are eligible for annual bonuses over a five year period if they use meaningful electronic health records (EHRs).² Over the five year period, this amount could total \$44,000,³ but some are finding it difficult to make the initial investment in the EHR technology. Not only can it be costly, but it can be confusing to determine which system to invest in.

Fortunately, medical transcription systems can be a useful springboard to EHR utilization, and healthcare enterprises that integrate their EHR systems with their transcription services will realize a smoother transition. Simpler transitions translate into faster adoption of EHRs — which in turn means a better chance of collecting government bonuses for EHR usage.

“Healthcare enterprises facing fiscal and/or worksite challenges in implementing large-scale, fully integrated EHR/EMR platforms can increase adoption by using existing electronic document exchange solutions found in medical transcription service platforms,” notes the Association for Healthcare Documentation Integrity. “Standardized healthcare documentation exchange practices will bolster the nationwide electronic exchange for health information in a secure, private, and accurate manner,” the association indicates.⁴

Because third-party medical transcriptionist services are familiar with electronic documentation, they can help medical practitioners transition to the EHR concept without hitting road blocks. The sooner a medical practice adopts EHRs, the sooner they can collect their bonuses — and the higher the bonus will be. In fact, those practices that wait until after 2014 will collect no bonus whatsoever, the government indicates.⁵

Since third-party medical transcription services deal exclusively with the field of transcription, they know the ins and outs of each type of transcription equipment, and can offer advice on which systems integrate with EHRs and which do not, helping hospitals and practices on the road to their \$44,000 bonuses.

Cost Analysis: Third-Party Medical Transcription Services Versus In-House Transcription

By using a third-party medical transcription service, a hospital or physician practice saves money on transcription equipment, employee benefits, and the overhead costs of having additional employees in the office. **The analysis below indicates that these savings could total over \$19,000 per year, or 41%.**

In-House Transcription Costs Incurred By A Medical Professional	
	In-House
Hourly wages at \$15.41 per hour ¹⁶	\$32,060
Benefit expenses at \$2.59/hour worked ¹⁷	\$5,387
Payroll/Medicare taxes: 2.1% of wages ¹⁸	\$673
Sick/vacation pay 14 days ¹⁹	\$1,726
Office rent at \$136 per month ²⁰	\$1,642
Tech. support/repair costs at \$75/month	\$900
Misc. office expenses at \$100/month	\$1,200
Dictation/Transcription equipment cost ²¹	\$90
Management ²²	\$3,333
TOTAL COST	\$47,627

Costs Incurred By Using A Third-Party Medical Transcription Service	
	Third-Party Transcription Service
Hourly wages at \$13.50 per hour ²⁴	\$28,080
Benefit expenses at \$2.59/hour worked ²³	\$0
Payroll/Medicare taxes: 2.1% of wages ²³	\$0
Sick/vacation pay 14 days ²³	\$0
Office rent at \$136 per month ²²	\$0
Tech. support/repair costs at \$75/month ²³	\$0
Misc. office expenses at \$100/month ²³	\$0
Dictation/Transcription equipment cost ²³	\$0
TOTAL COST	\$28,080
Money saved via using a third-party medical transcription service vs. in-house transcriptionist: \$19,547, or 41%.	
* These figures refer to medical transcription services performed in the United States; they do not apply to international third-party transcription services.	

Increase in Productivity and Timeliness

- **If an in-house transcriptionist is out sick, a practice is losing money.** Suppose an average medical practice bills approximately \$1,730 per day.⁶ If the practice employs an in-house transcriptionist who is responsible for transcribing dictations for those daily fees and the transcriptionist is out sick for just two weeks per year, the practice has delayed over \$17,000 in reimbursement over the course of a year.

If that practice uses a third-party medical transcription service, no delays occur because most third-party transcription companies have skilled transcriptionists on-hand 24 hours a day, 365 days per year, including holidays. Practices can continue to create their documentation and bill their services accordingly, allowing reimbursement to flow into the practice.

- **Medical practices consider medical record productivity to be a top concern, and using third-party medical transcription services can improve productivity.**

Because practices that use third-party medical transcription services don't have to spend any time on training, updating their transcription equipment, or hiring temporary employees to fill in when their transcriptionists go on vacation or get sick, they never have to worry about their productivity lagging. Third-party transcription companies can increase or decrease the number of transcriptionists assigned to a particular practice's workload if it fluctuates, ensuring that workflow remains steady and constant at all times.

Improvement in Accuracy

- **Dictating the wrong medication name on a patient's chart could be deadly for a patient** — but experienced medical transcriptionists can catch these errors — and they often do so, making their value to the physician team more than just financial. A 2009 study by the Medical Transcription Industry Association demonstrated that medical transcriptionists capture an alarming number of dictation errors that medical practitioners make. According to the study, the “medical documentation specialists identified 689 dictation errors in 2,051 dictations, an average of 0.33 errors per dictation.”⁷

Although one might argue that an in-house medical transcriptionist might understand the nuances of how their physician dictates, in actuality, a third-party medical transcription service can offer more consistency in catching errors, since these employees work on a variety of specialties and physician dictation types, so they are familiar with the many styles and nuances that can contribute to errors.

- **Third-party medical transcriptionist services can focus solely on creating accurate transcription, rather than sharing other responsibilities within a practice.**

A well-known catch phrase among medical information technologists is “If it wasn’t documented, it wasn’t done.” In other words, reimbursement is based on how accurately the physician’s documentation reflects what occurred during the medical encounter. “Without the work of the transcriptionist, everything else that occurs ‘downstream’ has an increased potential for breakdown,” according to a survey of medical transcriptionists created by the Bentley College Healthcare Documentation Production Project.⁸

According to U.S. Department of Labor statistics, in-house transcriptionists may share other responsibilities within their practices, “such as receiving patients, scheduling appointments, answering the telephone, and handling incoming and outgoing mail.”⁹ Because third-party medical transcription services are able to concentrate exclusively on the singular task of creating complete and accurate documentation, they don’t face similar distractions and are able to produce faster and more accurate transcription.

- **Over time, transcriptionists develop an “ear” for dictation, enabling them to complete their job more quickly and accurately.¹⁰**

“When transcribing for multiple doctors and hospitals, medical transcriptionists must learn a wide range of document styles and protocols (due to the lack of standardized reporting formats),” the Bentley College report notes.¹¹ Because third-party medical transcription services are familiar with so many types of dictation, they are very flexible in capturing the essence of a physician’s documentation, even if they have not worked with that physician before. When a new physician starts at a practice, an in-house transcriptionist might face a learning curve while distinguishing that physician’s transcription style, whereas a transcriptionist from a third-party service would be more likely to pick up the new style quickly, since they are familiar with various types of dictation.

Often, even physicians within the same practice will use different types of computers, dictation software, or EHRs — third-party medical transcription services are uniquely qualified to keep up with varying types of equipment.

Physicians who are trained on one type of dictation style or software may not want to switch to another, even if it makes consistency at the practice more fluid. In-house transcriptionists may have difficulty juggling multiple types of dictation systems and software within a single practice, whereas third-party medical transcription services aren’t committed to just one type of transcription style or equipment — they are comfortable working

in different formats and often have access to many dictation and transcription systems. Applying different types of technology across a practice or hospital system appears to be a driving force behind the outsourcing movement. The 2007 VHA survey notes that “the increased need for information technology services and capital services will drive more members to look for assistance from outside suppliers.”¹²

Compliance With Government Regulations

- **Government health plans, such as Medicare and Medicaid, are cracking down on physician compliance issues.** In 2008, the U.S. Dept. of Health and Human Services recovered over \$20 billion from health care entities, a large portion of which was recouped from physicians who billed the Medicare and Medicaid programs improperly.¹³

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) requires medical practices to meet specific privacy standards to protect a patient’s personal health information.¹⁴ Any security breaches must be reported to the government immediately.¹⁵

- **Third-party medical transcription services are fully trained and instructed on how to handle patient privacy and what to do if a medical entity performs something off the radar** — for instance, if a hospital emails them a patient record without password-protecting the patient’s health information or encrypting it.

- **Third-party medical transcription services usually set aside part of their budgets to focus on meeting the government’s ever-changing HIPAA guidelines, whereas small medical practices may not have the time or resources to train their transcriptionists on the regulations.** Plus, because third-party transcription companies offer their transcriptionists regular training seminars, the transcriptionists are always up-to-date on government guidelines. In-house transcriptionists may have difficulty identifying violations — due simply to lack of awareness since they are less likely to have a trainer on staff.

Conclusion

By using third-party medical transcription services, medical practices, hospitals, clinics, and other entities can save approximately 41% over in-house transcription, according to the cost breakdown in this White Paper. In addition, using third-party medical transcription services allows medical practitioners to have their documentation constantly updated because these services offer a pool of trained transcriptionists. This means no service lags over holidays, weekends, or at night, and no lost days when a transcriptionist is sick or on vacation. Consistent transcribing translates into more billable medical services, more reimbursement, and more complete documentation.

Notes

¹VHA, *2007 Services Contracting Survey*,

https://www.vha.com/Solutions/Contracting/Documents/scm_wp_LC0180607.pdf, page 11.

²Catuongno, George, *HITECH Act Promises EMR Funding to Clinicians With “Meaningful Use*, http://www.rbsten-tel.com/pdf/Article-transcription%20Impact_on_Meaningfu_Use.pdf), page 5.

³United States Senate and House of Representatives, *American Recovery and Reinvestment Act of 2009*, http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h1enr.pdf, page 354.

⁴Association for Healthcare Documentation Integrity, *Medical Transcription: Proven Accelerator of EHR Adoption* http://www.mtia.com/Downloads/White_Paper-Medical_Transcription-Proven_Accelerator_of_EHR_Adoption.pdf, page 1.

⁵United States Senate and House of Representatives, *American Recovery and Reinvestment Act of 2009*, http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h1enr.pdf, page 354.

⁶Medical Claim Care, *Business Case: The Economics of Outsourcing Billing Operations*, http://www.medicalclaimcare.com/uploads/11-07_Business_Case_for_billing_our_source.pdf, page 2.

⁷Daigh, Robin, et al, *Improving the Accuracy of Narrative Patient Notes*, Medical Transcription Industry Association, June 2009, <http://www.mtia.com/downloads/DictationErrorReportAbstract.pdf>.

⁸Bentley College Healthcare Documentation Production Project, *2007 Survey of Medical Transcriptionists*, page 10, <http://www.mtia.com/downloads/MTSurveyReport-Preliminary.pdf>.

⁹U.S. Department of Labor, *Occupational Outlook Handbook, 2008-09 Edition, Medical Transcriptionists*, <http://www.bls.gov/oco/ocos271.htm>.

¹⁰Bentley College Healthcare Documentation Production Project, *2007 Survey of Medical Transcriptionists*, <http://www.mtia.com/downloads/MTSurveyReport-Preliminary.pdf>, page 12.

¹¹Ibid.

¹²VHA, *2007 Services Contracting Survey*,

www.vha.com/Solutions/Contracting/Documents/scm_wp_LC0180607.pdf, page 11.

¹³Dept. of Health and Human Services Office of Inspector General, *Semiannual Report to Congress*, April 1 to Sept. 30, 2008, http://www.oig.hhs.gov/publications/docs/semiannual/2008/semiannual_fall2008.pdf, page 7.

¹⁴Centers for Medicare and Medicaid Services, *Overview of HIPAA*, <http://www.cms.hhs.gov/hipaaGenInfo/>.

¹⁵*Federal Register*, Aug. 24, 2009, <http://edocket.access.gpo.gov/2009/pdf/E9-20169.pdf>, page 12.

¹⁶Bureau of Labor Statistics, *Occupational Employment and Wages, Medical Transcriptionists*, May 2008, <http://www.bls.gov/oes/current/oes319094.htm>.

¹⁷Kaiser Family Foundation, *Employer Costs for Health Insurance*, March 2008, <http://www.kff.org/insurance/snapshot/chcm030808oth.cfm>.

¹⁸Urban Institute and Brookings Institution, Tax Policy Center, *Payroll Tax, Federal*, <http://www.taxpolicycenter.org/taxtopics/encyclopedia/Payroll-Tax.cfm>.

¹⁹Based on assumption that the practice will suffer a drop in productivity and have to hire a temp or pay overtime to other transcriptionists to fill in the gap when employees go on vacation.

²⁰Sandlon, Kristin, Colliers International, *U.S. Office Market's Slump Continues at the Close of Q2 2009*, <http://www.colliers.com/Corporate/News/2009%20Q2%20Office>, shows an average of suburban office rental at \$27.37 per square foot, assuming a medical transcriptionist requires approximately 5 square feet of office space.

²¹Based on investment of \$899 to purchase equipment and software, annualized over average life of equipment of 10 years.

²²Assuming a manager earns approximately \$50,000 per year to oversee a staff of 15 medical transcriptionists, split among the 15 employees.

²³These costs are incurred by the third-party medical transcription service, not the medical professional.

²⁴Based on U.S. Transcription's poll of medical transcriptionists whose average pay was \$0.09 per line and who were able to average 150 lines of medical transcription per hour.