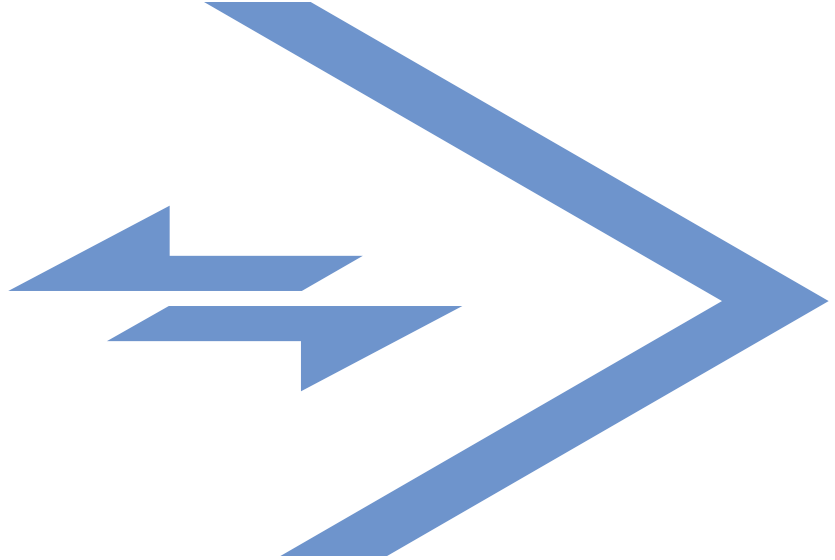


Service Categories:

- VOICE & SPEECH RECOGNITION
- WORKFLOW TECHNOLOGIES
- OUTSOURCED TRANSCRIPTION & CODING SERVICES

**MedQuist**<sup>TM</sup>

PATIENT # ID: CODE:



# Focus: Clinical Coding

Establishing excellence in health information management outsourcing partnerships

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# 1 Introduction

It's no secret that most healthcare organizations in the United States suffer from a severe shortage of experienced clinical coders. Preliminary data from the American Health Information Management Association's 2005 Technology in Coding survey reports that an average of 80 percent of hospitals have trouble finding qualified coders and 56 percent are currently short-staffed.<sup>1</sup> To exacerbate the situation, the U.S. Department of Labor and Statistics predicts a 49 percent increase in the need for health information workers, including coders, by the year 2010.<sup>2</sup>

To ease the burden, many health information management (HIM) departments have outsourced either part or all of their coding function. The business arrangements for these outsourcing services vary in format, duration and location. Some partnerships are short-term and some are ongoing. Some outsourced coders work as independent contractors, while others are part of an agency's team. Some travel to perform coding on site while others code remotely by accessing the organization's electronic record or using a remote coding system. Finally, some outsourcing partnerships involve the use of advanced technologies like computer-assisted coding, while others do not.

Regardless of the location, duration or technology used, savvy HIM directors can make the most of any outsourcing partnership by following a few simple guidelines. The purpose of this white paper is to lay out those guidelines and to help transform mediocre coding arrangements into best practice outsourcing partnerships. Primarily focused on clinical coding, suggestions provided in this paper may also be applied to other functional areas within HIM, such as transcription or release of information.

<sup>1</sup> AHIMA, Technology in Coding Survey 2005, final data to be published by AHIMA and MedQuist in 2006

<sup>2</sup> US Department of Labor and Statistics

## 2 Business process outsourcing: current state and where are you?

Business process outsourcing (BPO) has become a common buzzword in most of healthcare's ivory towers. In fact, recent surveys reveal that the United States market for business process outsourcing is growing at nearly nine and a half percent annually and is expected to reach almost \$175 billion by the end of 2007.<sup>3</sup> The most common areas outsourced in healthcare today include: food service, information technology, transcription, release of information and off-site record storage. Within HIM, complete outsourcing of transcription and release of information functions are the most common, with partial coding outsourcing occurring in a large majority of organizations.

The time is right for HIM professionals to learn new ways to improve their existing outsourcing partnerships and plan for new ones. The following steps should be taken before entering into any business processing partnership:

### **Step One:**

Assess your current situation and decide if BPO is right for you.

### **Step Two:**

Establish a business case for BPO and gain executive approval for your project.

### **Step Three:**

Develop your key criteria checklist to evaluate BPO companies.

### **Step Four:**

Create a short list of five or six potential outsourcing partners and rank them against your checklist. Meet with them in person.

### **Step Five:**

Narrow your choices down to two or three possibilities and conduct phone or in-person interviews, with references of similar clients from potential partners.

### **Step Six:**

Evaluate both the technology used by the BPO company and your technology options. Select your partner of choice.

Once you've identified your partner, there are additional steps, which are described later in this paper, that you can take to ensure the relationship meets your expectations. For now, let's explore what HIM professionals can do to ensure that steps one through six are successful when applied to outsourced coding partnerships.

<sup>3</sup> Disher, Chris, Vice President, Booz Allen Hamilton. Available through the International Association of Outsourcing Professionals.

## 2.1 Step One: Assess your current situation and decide if BPO is right for you.

Deciding if BPO for clinical coding is right for you takes a three-level approach. First, take a serious look at your coding needs, both short and long term. Secondly, take the pulse of your organization's senior management team with regards to outsourcing. What other departments currently outsource and to what extent? Finally, factor in any future changes that may occur for your staff, your technological environment and your organization.

Things to consider	Questions to ask yourself
Assess your coding needs	List your business "pains" and how long you've had them. Is this a short term – put out the fire – situation or a long-term business problem? Longer term relationships are more successful.
Take the pulse of your organization	What other departments outsource? To what extent – full, partial, short term or ongoing? What is the general, executive perspective on BPO?
What future changes can you anticipate?	At what point will all your records be electronic? What changes will this mean to your department? Do you have staff retiring within five years? Is your organization planning any mergers, acquisitions or expansion that will increase coding demands?

## 2.2 Step Two: Establish a business case for BPO and gain executive approval for your project.

During this step, take a comprehensive look at your coding costs and determine your current cost to code a medical record. Then do this for each type of chart (see Table 1).

As a general guideline, the average outsourcing agency will charge approximately \$17 per outpatient report <sup>4</sup> and anywhere from \$13 to \$25 per chart for inpatient records, depending on the length of stay and complexity of the case. Comparing this average to your per-chart cost is a good gauge to determine if BPO for coding makes sense for your organization. If your costs are greater than these ranges, outsourcing may be a viable, long-term alternative for your organization.

Equipped with the results of step one and step two, you are now ready to gain executive approval for your project. Since the majority of HIM directors report to the chief financial officer (CFO), here are a few tips on presenting your proposal to a financial buyer:

<b>1</b>	Display your findings in a table, bar graph or some other mathematical comparison.
<b>2</b>	List the pros and cons of making this decision (they will want to weigh both).
<b>3</b>	Reference other departments that have had success with BPO and include any dollar savings they have achieved.
<b>4</b>	Separate your tangible, "hard dollar" savings from your intangible, soft benefits.
<b>5</b>	Define your own goals for cost savings, productivity improvements, added capacity, etc.

**Table One:** Determine your per-chart coding costs. Your outsourcing partner should help you with this task. To get started, here are some costs to identify. Begin by identifying your annual costs for items such as:

Item	Inpatient	Outpatient	Emergency Department
<b>Total coder salaries</b>			
<b>Total coder benefits</b>			
<b>Space costs for in-house coders</b>			
<b>Overtime hours</b>			
<b>Etc.</b>			

Divide costs by total annual volumes for each record type to get your approximate per-chart cost.

<sup>4</sup> Medical Coding FAQs. Meditec.com., 1994 – 2005, available online at: <http://www.meditec.com/medical-coding-faqs.html#item4>

### 2.3 Steps Three and Four: Develop your key criteria checklist, create a short list of potential partners and meet with each.

<b>1</b>	Strong service level agreements with production guarantees and risk-sharing (penalties for non-performance).
<b>2</b>	Comprehensive, consistent monitoring and result reporting. Up-to-the-minute reporting at any time along with comprehensive feedback during regularly scheduled meetings.
<b>3</b>	A large supply of qualified, credentialed coders. How many are on staff and how many are available on a moment's notice? What are their credentials? Where are they located? Are coders available both on-site and remote?
<b>4</b>	Experience in like-sized facilities with similar business needs.
<b>5</b>	Strong adherence with documented policies and procedures for correct coding initiatives, continuing education, HIPAA privacy and security, etc.
<b>6</b>	Use of technology to support the coding process such as advanced encoders, remote coding software and computer-assisted coding tools.

2.4 Steps Five and Six: Narrow your choices down to two or three possibilities and conduct phone or in-person interviews with similar clients. Compare each vendor’s technology strategy and options. Then select your partner of choice.

Many outsourcing companies will look good on your checklist, but talking with other clients is how you can truly evaluate if the potential partner exceeds service excellence or will just barely meet your expectations. Look for these types of comments from clients:

“I just want to commend your coders for diligently working to get all the high dollar charts finished, there were quite a few. I really appreciate their help and willingness to tackle the tough ones!”

Medical College of Ohio, Ohio

“The company is doing a great job for us. The coders are wonderful. We have no complaints.”

Brighton Hospital, Michigan

“Things are going great. We really enjoy the coders’ quality, commitment and professionalism!”

Cleveland Clinic Foundation, Ohio

“Your coders are excellent, very professional and courteous. And they are very easy to work with. They always work when scheduled and accomplish a great amount of work during eight hours. They work very well with me and my staff.”

Oakwood, Michigan

Secondly, evaluate the various technologies that the outsourcing company offers. In this day of advanced Web applications, it is short-sighted to select a partner who does not use technology. In addition, a partner who uses technology can introduce new tools to your staff and your organization at very little risk and cost.

2.4 Steps Five and Six: Narrow your choices down to two or three possibilities and conduct phone or in-person interviews with similar clients. Compare each vendor’s technology strategy and options. Then select your partner of choice. **(Continued)**

Many organizations have found that by using technology through an outsourcing partner, they gain the momentum and experience to bring the same technology into their organizations at either a discounted fee or through an expedited implementation. When it comes to technology and outsourcing, the following best practice guidelines are well-recognized as strategies for long-term success:

Coding Technology	Who Can Use?	Can You Purchase?
Remote coding	Your coders, outsourced coders or both. Agency should provide help with scanning if needed.	You should be able to purchase directly if you want to send your own coders home.
Encoders	Everyone should have access regardless of location and encoder should be interfaced with abstracting system to reduce data entry errors.	Encoder should be owned by hospital organization and integrated with your abstract/HIS system.
Computer-assisted coding (natural language processing or other)	Your coders, outsourced coders or both. Agency should have standard interfaces to upload electronic files into the system.	You should be able to purchase for your own coders and other departments that can send electronic files to the system.

### 3 Creating a partnership of excellence contract for the long haul

With your partner of choice selected, it's time to enter the second phase of BPO success - contracting and deploying the service. In contracting, the two most important things to consider are the length of your partnership and the various services that will be provided. In general, you will have more leverage during contract negotiations if the agreement is for a longer term and includes additional services. And when you contract for a longer term, the partner will be more deeply invested in achieving mutual success.

For example, many HIM departments outsource the coding function only on a short-term, as-needed basis. When agencies sign short-term agreements, they tend to focus only on the specific task and have very little interest in more global, organizational goals. While this may put out the fire today, it does nothing to prevent emergencies in the future or establish a successful, long-term partnership. Look at your partnerships over the long-term to establish stronger and more fruitful relationships.

Similarly, if a business partner is serving your facility in multiple areas within your organization or within your department, they'll be motivated to deliver the best possible service in all areas they serve, such as coding, transcription, release of information, record conversion.

Part of your contract should also focus on deployment and on-going management of the outsourcing services. If multiple areas will be outsourced (either multiple record types, locations or additional HIM functions), a phased-in approach is probably best. Look for on-going management deliverables to include:

- > Comprehensive, consistent monitoring and feedback;
- > Easy-to-access updates and ad hoc reports on the partner's results;
- > Regularly scheduled face-to-face meetings with vendor representatives;
- > Tight management reporting;
- > Established escalation procedure for problem reporting; and
- > One key vendor contact to facilitate consistent feedback.

## 4 Maintaining the world-class relationship

If you've done a good job in setting expectations during contract negotiations, maintaining the world-class relationship is simple. Both parties live up to their agreements.

Like any relationship, one with your BPO provider relies on clearly documented expectations and on-going, open channels of communication. Communications should include:

- > Face-to-face meetings on a regular basis;
- > Weekly management reporting of results and outcomes;
- > Quality assurance reports with any corrective action taken;
- > Discussion and follow-up of any problems;
- > Established vendor response time for correction of identified problems; and
- > Established performance benchmarks.

Finally, it is human nature to avoid conflict – particularly for women. However, in business process outsourcing this is the first step towards failure. Regardless of how minor or seemingly insignificant, it's important that both parties share negative news, problems and frustrations. Small stumbling blocks can quickly turn into brick walls that divide individuals and destroy partnerships. Keep an open flow of communication – good and bad – to maintain a strong relationship.

## 5 Beyond coding: BPO of other HIM functions

Just as telephone companies now offer long distance, local, cellular and digital lines for one monthly price, outsourcing vendors offer better rates when multiple services are provided. When evaluating coding partners, it's smart to look for companies that can serve multiple functions within your department. You may not need the additional coverage today, but again, long-term thinking should prevail.

Finally, it's important to be sure senior administration understands that BPO may not mean total elimination or even reduction in FTEs. Although staff may be reduced through BPO, it is always important to maintain key management staff to oversee the BPO process. This is a critical factor for ongoing BPO success.

HIM directors are continually getting pulled into more strategic areas throughout their organizations. HIM involvement in establishing regional health networks, setting personal health record policy and implementing electronic records is commonplace. As you become more strategic, day-to-day management of the tactical areas becomes more difficult. Hiring additional personnel is usually not an option. During these times a strong, outsourcing company can be a true asset. And now that you've already established a world-class partnership, you're one step ahead!

## 6 Conclusion

Business process outsourcing in healthcare is gaining momentum every day. As HIM roles become more strategic in nature, the day-to-day tactical operations become prime candidates for outsourcing. This is particularly true for coding.

However, a practical plan must be in place for evaluating whether or not outsourcing is right for you. Specific steps can be taken to make sure that any outsourcing decision is a good one, for today and tomorrow. And once secured, an outsourcing partnership can be maintained and nurtured through open, honest communication, consistent measurement and reporting of outcomes.

Finally, contracts that support long term relationships covering multiple areas of service will lead to more rewarding, successful partnerships for everyone involved. By partnering with an agency, you'll gain access to expertise, technology and leadership that you may never have encountered on your own. And in the process, transform your status quo department into a world-class leader in HIM business process excellence.



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