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A Call for Common Sense Coding Standards

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Industry surveys suggest that healthcare organizations that engage outsourced coding services have jumped from 15% to 60% of over the past two years (with an average of 30% of each site's volume being outsourced). Given such rapid industry growth and the continuing market momentum, there's no time like the present to define some ground rules to enable apples-to-apples comparison between vendors.

About a dozen years ago, there was a parallel lack of standards for transcription services that resulted in many contracts being written for lower line rates that resulted in higher bills due to how creatively some firms counted their line volumes. Consequently, I published an article titled "Whose Line Is It Anyway" to help educate the HIM buying community on how they could take ownership of that variable and better manage their contracts. That article became the foundation of the joint Medical Transcription Industry Association MTIA / AHIMA industry volume calculation white paper "A Standard Unit of Measure" and helped get the ball rolling for subsequent joint white papers on transcription quality and turn around time TAT. Now clear transcription process measurement standards for volume calculations, quality and TAT exist that can equally be applied against direct staff or outsourcing RFP efforts, contract language, and subsequent vendor management.

Unfortunately, today we are still in an uncontrolled pre-standards market for outsourced coding services with no organized vendor community to drive common cost, quality and TAT measurement tools for the benefit of service buyers. And even through there isn't the rampant manipulation of billing rates that existed in transcription years ago (that I'm aware of), it's still almost impossible to directly compare the cost, quality and TAT of one coding service vendor against the next since a common set of contract expectations and performance reporting simply does not exist.

Some coding service vendors bill by the chart while others bill by the hour (with or without minimum hourly productivity expectations). Quality is typically defined as identifying the proper DRG 95% of the time, which is certainly a reasonable expectation, but far from the full definition of quality. And discussions about TAT expectations seem to fall into extended deliberations about individual productivity, the ongoing real or perceived hangover of the ICD-9 to ICD-10 transition, and all the other variables that can influence expected results (EHR, encoder and CAC platforms, onshore/offshore labor source, physician pool documentation habits, coder experience, etc.).

Instead of falling into the trap of analysis paralysis (I participated on two back-to-back industry work groups dedicated to transcription quality standards that spanned three years before a final document was released), I'd like to offer some common sense recommendations to bridge the gap between today's uncontrolled coding services market and the eventual thorough and more precise measurement standards that certainly will follow.

Coding Costs

With minimal effort, potential buyers of outsourced coding services can find vendors who sell their labor force by the hour, ranging from \$12 per hour for 100% offshore resources to \$100 per hour for 100% domestic resources. Common sense suggests the quality and productivity expectations at both ends of that scale should be calibrated accordingly.

But given such a wide range of available per hour pricing, buyers understandably need to ask additional questions about the labor force they are considering to engage to ensure they are getting the best value for their money. Are the coders certified through AHIMA or AAPC, what is the average years of experience for the team that will be assigned to their account, what are the defined quality assurances (and penalties for non-compliance) included in the contract, and what type of productivity can be expected for the different case types?

Parallel to the early stages of the outsourced transcription service industry’s growth 20 years ago, more and more coding service vendors are switching from hourly rates to a volume based pricing model. Per chart pricing, based on chart type, eliminates the individual productivity variable and makes it easier for buyers to budget. Not only have major group purchasing organizations GPOs insisted on such per chart pricing, some vendors have already extended that business model to their staff, paying purely based on productivity with bonuses (or penalties) for meeting quality expectation prior to inherent QA stages.

When coding services are purchased “per hour” instead of “per chart” the buyer assumes the full risk of their vendor’s staff productivity. If the buyer tries to add per hour productivity expectations, you essentially end up with per chart pricing. On the other hand, if services are purchased per chart, the vendor assumes all risk for individual productivity. Consequently, per chart pricing should be the expected standard for such a business process outsourcing BPO activity. Fewer financial variables for the buyer, more measurable responsibility for the vendor. After all, isn’t that why you’re outsourcing?

Coding Quality

Also parallel to outsourced transcription services, quality for coding services need to be measurable, clearly defined in the contract, and consistent with industry expectations. If quality expectations are not met, there should be appropriate penalties incorporated into the contract.

Clearly defined quality expectations, such as 95% or better accuracy for DRG’s, 95% or better identification of CC’s and MCC’s, and meeting a defined target percentage of rejected claims should be standard. Any additional quality targets should comply with industry standard key performance indicators KPI’s such as are defined by CMS (see cms.gov/ICD10 for ICD-10 KPI’s at a Glance).

And as with TAT expectations, hitting strict quality targets with new clients can take a bit of time as vendors come up to speed on technology configurations, individual physician documentation habits, and any other site specific conventions. Pre-launch training, evaluation of measurement tools, and a thorough review of historical performance against defined goals will go a long way in managing through a successful transition.

**Common Sense
Coding Standards**

Recommended site
specific contract
conditions:

Cost:	
Per-chart pricing, based on chart type:	
InPatient 1-5 Days	Obstetrics
InPatient 6-10 Days	Neonatal IC
InPatient 11+ Days	Gynecology
Emergency Dept.	Gyne-Oncology
Trauma	Radiology
Cardiology – Surg.	Intervent. Rad.
Cardiology Non-surg.	Prof Services
Neurology	Emergency Med.
Anesthesia	Pathology
Transplant	E&M Coding
Etc., Etc., Etc.,	
Quality:	
Accuracy & compliance with KPI targets or appropriate penalties:	
95% or better with DRGs	
95% or better with CCs and MCCs	
TBD% of Claim Rejects	
Etc., Etc., Etc.,	
TAT:	
Maximum 2 Days DNFB after all required data is available or appropriate penalties.	

Coding TAT

Defining TAT expectations is a sticky subject for buyers and sellers alike, especially for vendors that are still selling their services by the hour, as that makes it impossible to break away from discussions about individual productivity and all of the other inherent environmental conditions that impact coder efficiency. (No one would expect a coder working with an antiquated low budget EHR and \$299 encoder with no CAC to have the same productivity as an equally experienced coder working with an efficiently configured EPIC EHR and a fully blown and integrated 3M encoder and CAC product package.)

Again, per-chart pricing models eliminate those discussions and place the TAT burden of responsibility fully in the hands of the outsourcing vendor. Once the outsourcing decision has been made, individual productivity should not be a concern of the buyer. As long as the charts are processed within the defined DNFB targets and meeting the quality expectations, it shouldn't matter if the vendor has a single shift team of five or three shift team of fifteen making it happen.

At the same time, DNFB levels clearly matter to the overall process and should be clearly defined and easily measurable by both the vendor and the buyer, allowing for requests for additional information or missing documentation.

But switching to a per chart pricing model doesn't mean individual productivity should be ignored by the outsourced vendor. Just the opposite. Individual productivity needs to be rewarded, provided quality is maintained. That's why some forward thinking vendors are already compensating their staff based on production. Staff who are both good and fast deserve to make more money and vendor's who are able to recruit and retain them should expect to earn better business margins.

Future Expectations

To remain competitive, vendors will begin to consolidate their operations onto their own technology to drive greater workforce efficiencies and gain true economies of scale (and as a by-product, eliminate the service buyer's encoder and CAC costs), further dropping market prices.

That same transition occurred in transcription over a twenty year period (hourly-based pay with client owned technology to production-based pay and vendor owned technology) resulting in a dramatic drop in market prices and the vast majority of the market being outsourced due to the dramatic cost savings enabled by vendor owned technology that truly delivers economies of scale. Given the dramatic two year 15% to 60% growth in use of coding services driven by the switch to ICD-10, I predict the same evolution will happen in coding at an accelerated pace over the next three to five years.

And also just like the transcription industry of years gone by where there were nearly 400 dues paying firms participating in the industry association, today's coding services market is dominated by small and medium sized firms. As the industry evolves with stricter comparison tools and a greater reliance on vendor owned technology to improve individual productivity and exploit economies of scale, the number of vendors who survive and the competitive market prices will inevitably drop dramatically.

As you evaluate potential vendors, identifying those who are willing to let you define how to measure your cost, quality and TAT will take you a long way towards a successful outsourcing relationship. Now that the ICD-10 transition panic is behind us, it's time for buyers to take control and begin writing their own contract conditions. If we wait for vendors to organize and agree on a set of standards to help buyers measurably differentiate between them, we'll be waiting for a long, long time.



About the Author:

Dale Kivi, MBA, is Vice President of Business Development for FutureNet Technologies Corporation and a frequently published author and speaker on outsourced transcription and coding services process improvement and vendor management. He is a member of For the Record magazine's editorial advisory board and served on the board of directors for the Clinical Documentation Industry Association where he helped develop the AHIMA transcription cost, quality and TAT standards. He is presently working with AHIMA representatives to establish cost, quality and TAT standards for the outsourced coding industry. Dale earned his Bachelors of Science in Communications from the University of Wisconsin and his MBA at the University of Richmond.