



**ALLEXIAN**  
GLOBAL HEALTH CARE ADVISORS

## **Medical Transcription for Hospitals -- Strategic Weapon or Buggy Whip?**

**EHR "meaningful use" rules for hospitals and physicians are barely two weeks old. Some pundits thought that EHRs would be the end of medical transcription services for hospitals – converting a physician's dictation into an electronic medical record. In the 1940s naysayers thought that TV would bring an end to radio. They were wrong. Seventy years later radio is stronger than ever -- similarly medical transcription. Rather than being replaced by EHRs, transcription is a front-end enabler, a solution, for EHRs.**

**Larry Gerdes, CEO of Transcend (ticker: TRCR), a leading medical transcription and clinical documentation company, and his team have been working hard over the last five years helping hospitals make better use of EHRs and lower expenses. Today Transcend is helping hospitals deal with three big challenges: keeping more records, tracking more metrics, and doing more with less. We'll focus on how transcription is addressing these challenges.**

**Transcend, a publicly traded company, is on the forefront of clinical documentation and medical transcription. Over five years the company has grown revenues 36% annually, from \$15 million to \$89 million. Earnings have increased annually at 72%. Sue McGrogan, COO and Lance Cornell, CFO teamed up to bend the cost curve. They selectively shifted some transcription offshore to India and introduced digital speech recognition.**

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*"...helping hospitals make better use of EHRs and lower expenses. Today Transcend is helping hospitals deal with three big challenges: keeping more records, tracking more metrics, and doing more with less."*

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Last week Allexian discussed Transcend's success and strategy with Larry, Sue and Lance. In the same week they announced a new contract to provide HealthTrust's 1,400 acute care member-hospitals with medical transcription services, front-end speech recognition and Core Measure applications.

40-50% of hospitals outsource medical transcription. 100% of hospitals are facing pressures to keep more records, track more metrics, and do more with less.

#### **More Records**

On July 13, CMS released 'meaningful use' rules for EHRs. Compliance with 'meaningful use' allows hospitals to benefit from Medicare and Medicaid incentive payments. However EHR implementation and adoption, and meaningful use compliance are major challenges for hospitals and physicians. Some hospital chains have pushed physicians to use template-driven point-and-click EHR solutions for medical record keeping. An overwhelming 95% of physicians prefer dictation and transcription.

As much as two thirds of the medical documents required for meaningful use are generated by dictation and transcription. Transcend's services bridge the gap between hospital need for EHR 'meaningful use' and a physicians need for productivity and efficiency. Physicians can dictate records, as they always have, and the transcribed records become part of the EHR. These transcriptions are XML-tagged to be easily searched, mined and analyzed by the physician and hospital administration staff. Transcription companies provide a front-end solution to EHR implementation and adoption by physicians. These solutions provide mineable data, lower costs than in-house hospital solutions, and can result in new Federal incentive payments (with proper meaningful use compliance).

#### **More Metrics**

Hospitals are required to report on the National Hospital Quality Measures or "Core Measures" to the Joint Commission (JCAHO). There are twelve Core Measures including Stroke, Heart Attack, Heart Failure, Pneumonia, etc. Since 2005, and ahead of competitors, Transcend has coded all its transcriptions with XML tags, making it easier to mine this data and help hospitals comply with regulatory requirements.

New developments at Transcend are in operational pilots allowing Core Measures to be easily tracked and can provide real-time alerts (vs. retrospective). These alerts mean better patient care, e.g. physicians can set up alerts to flag any patient admitted with congestive heart failure and not given aspirin within 30 minutes of admission. Early indications also suggest that these alerts can help hospitals reduce sentinel events (an unexpected occurrence involving facility-acquired infection, death or serious physical or psychological injury or other serious adverse outcomes).

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*"Transcription is a strategic tool to lower costs, enable compliance with meaningful use for incentive payments and improve patient quality of care."*

**Allexian delivers operational improvement and strategy focused on bottom line and value creation.**

**As former CEOs we assist health care companies with planning and execution.**

**We are experienced in performance improvement, strategy, M&A due diligence, interim management and technology planning and organizational change.**

Transcription, once a tactical tool residing in hospital Medical Records is moving into the mainstream of hospital Quality departments. It is growing into a strategic weapon, helping hospitals with regulatory compliance.

#### ***More with Less***

Hospitals and physicians are under mounting pressure to do much more with much less. More patients from health care reform and aging baby boomers; more compliance to document patient treatments; less reimbursement from Medicare, Medicaid and private payers; and, less time.

Transcend's transcription solutions are a 'win:win' for hospitals and physicians. Physicians can efficiently dictate medical records without changing their habits, maintaining their reimbursable time. Fast, efficient and accurate medical record keeping can free up a physician's 'reimbursable time' increasing revenue potential. Hospitals typically lower expenses by 20% (and often more) when they shift from internal insourced transcription to outsourced services like Transcend.

#### ***The Future***

With Transcend's initiation and launch of all-digital speech recognition transcription services, physicians 'progress notes' can be transcribed economically. These previously handwritten 'progress notes' are transcribed into XML-tagged electronic medical records utilizing Transcend's *BeyondSpeech* and *BeyondAlert* platforms. This initiative will reduce error rates, thereby reducing risk and improving quality of care and helps hospitals comply with 'meaningful use'.

Today, transcription services are not considered part of revenue cycle management. XML-tagged transcribed clinical records bring Transcend a step closer to revenue cycle management. Computer assisted coding (CAC) automatically assigns billing codes based on XML-tagged transcriptions. CAC coupled with tagged transcriptions have the potential to improve billing code accuracy and generate faster reimbursement, directly from physicians' dictated medical records.

#### ***Afterword***

For decades, transcription of medical records has been a tactical, 'mom and pop' industry. Some had relegated transcription to the fate of the buggy whip. Today, with digital speech recognition, XML-tagging of progress notes and all reports in general, and the potential of computer assisted coding, transcription is leading the way. Transcription is a strategic tool to lower costs, enable compliance with meaningful use for incentive payments and improve patient quality of care.

We would like to thank Larry Gerdes, CEO, Sue McGrogan, COO and Lance Cornell, CFO of Transcend for their insights and time in helping Allexian develop this month's newsletter.

Please feel free to forward this email to interested colleagues. If you have trouble reading this, [click here](#) to download from our website.

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