



SELECTING THE RIGHT OFFSHORE CODING VENDOR

You've made the decision to outsource. You believe a vendor with offshore capabilities is worth investigating. How to analyze options and make the right selection?

By Michael von Grey

Like transcription before it, a growing volume of coding for US healthcare providers is being done in offshore locations like India. Users of such services perceive benefits from a more stable workforce, a high educational level, complementary time zones and better value for money.

There is no doubt that offshore coding is gaining momentum and increased market visibility. One simple metric is to look at the membership of the American Academy of Professional Coders (AAPC.) The AAPC now boasts over 300 members who live outside of the US. In India alone, ten local AAPC chapters have been established in the past three years to enforce professional standards, provide a "community" for continuing education and to promote a recognized credential (CPC or CPC-H).

If a hospital CFO, physician practice manager or HIM Director accepts that offshore coding is a credible option for meeting coding demands, how can these executives best approach the identification, selection, contracting and management of an offshore vendor?

Recognizing the need and forging consensus:

A number of circumstances may give rise to the decision to outsource coding. Has your facility or group used contract coding labor in the past? Have you suffered recurring instances of un-coded backlog? Has the wage level for coders in your area been rising continuously? Have you specifically considered and discarded the possibility of "growing your own" pool of coders?

If any or all of these factors exist in a given facility or group, then the outsourcing decision probably makes sense. Exploring offshore options is particularly useful to achieve specific objectives:

- New processes. Coding offers rich opportunities for process redesign. For example, incomplete documentation may be reviewed and released more frequently. Doctors and nurses can be given educational feedback about ways of improving chart completeness. Procedure coding may be mapped more thoroughly to chargemaster items. Offshore coding staff can often absorb these "value added" new duties without raising coding costs. And the high educational level of staff in places like India means they can adopt new, more sophisticated processes relatively quickly.
- Volume variations. As a rule, coding manpower is less expensive and can be retained more reliably in offshore locations. This allows vendors to staff an account with more people than would be economical in the US. Higher staffing levels allow greater flexibility to meet volume peaks, reducing unbilled backlog.
- Quicker turnaround: One benefit of offshore services is that they are generally not based in the same time zone as the client. "Normal" working hours in locations like India or the Philippines occur during the US night. Coding can be done overnight, once charts are assembled and ready.

It is important to generate consensus about the merits of these various business objectives, plus their relative priority. If your objectives can be more readily achieved by using offshore manpower, then the offshore outsourcing decision can be approached based on business logic and reason, rather than emotion or hearsay. Since few hospital executives will

experience in working with vendors operating outside of the US, the offshore service concept may be new to many members of your team.

Identifying potential vendors:

Once you agree on the prospective benefits of outsourcing to an offshore vendor, the next logical step is to identify potential vendors. There is no “official” list of vendors, so the search will depend somewhat on your resourcefulness. Here are some tips:

1. Search the Web. The list of vendors that can offer an offshore coding capability is growing. Some will be more mature and established than others. The Web is a useful starting point to build a large pool of candidates.
2. Contact the AAPC. The American Academy of Professional Coders has been progressive in working with offshore vendors to promote high educational standards and recognized credentials (CPC and CPC-H). They can make introductions to coders or organizations that employ credentialed staff.
3. Look for thought leadership. Offshore vendors with a strong commitment to the US market will periodically speak at conferences or publish in HIM journals.

Use referrals liberally:

It can be valuable to harness the experiences and wisdom of other healthcare providers who are using an offshore vendor. They can describe the vendors they considered, their reasons for choosing a given vendor and their experiences since launching. Do not simply ask “Are you satisfied?” Instead, seek project specifics. It is particularly useful to identify common themes between another provider’s experience and your own organization’s priorities – for example, if your priority is inpatient coding and another organization has only used a vendor for radiology work, their experience may not be directly transferable.

Internal preparations:

While building a list of potential vendors, there are several preparatory steps you can take to ready your organization for the project. An earlier For the Record article (“A Framework for Outsourcing Coding”, 28 March 2005) described many of the steps you can take to prepare your organization for successful outsourcing. Remember that forging consensus within your hospital can sometimes take time, because benefits will generally arise from operational changes – a behavior that does not always occur naturally in hospitals or physician practices!

It may be easier for the organization to accept offshore outsourcing if the decision is delayed into its more tactical components:

- o What facets of the operation should be outsourced first? Look for areas where you have traditionally used contractors or suffered labor turn-over. Is there a history of uncoded backlog? Or are there coding quality problems?
- o What business benefits are being sought? Cost reduction? Revenue gain? Lower administrative hassles? Greater staffing continuity?
- o Think about how you will measure progress against your objectives. For example, AR may be monitored through weekly Discharged, Not Final Billed (DNFB) reports. Coding quality can be measured with periodic audits.
- o Highlight success stories from elsewhere. When you encounter positive case studies of other providers that have successfully used offshore vendors and delivered solid improvement, make sure to share this information with colleagues.

Vendor screening and selection:

You will wish for the vendor selection process to be objective and auditable – it helps ensure a higher quality outcome, while also making the process more transparent to your organization. I recommend the following approach:

1. Prepare a matrix of selection criteria. Weight each component to reflect its relative importance to the others. These criteria should be based on attributes that are most likely to deliver your intended business benefits.
2. Generate a shortlist of qualified vendors. Constraining the list to two or three vendors makes the process more manageable, while still offering choice.
3. Request proposals. Generate a Request for Proposal that deals with the core issues facing your organization. This should be a way for qualified vendors to explain their capabilities relative to your selection criteria. In most circumstances, key criteria will include volume capacity, accuracy, turn-around times and technical integration.
4. Ask vendors to reply in writing. Firms will frequently be more precise in writing, when compared with allowing a freewheeling sales person to “ad lib” a reply.

5. Conduct interviews and request demonstrations. For example, explore what technologies the vendor will use. Get to understand their approach to project management. Is the vendor quickly able to diagnose the nature of your operational challenges? Does the vendor have proven expertise in your specialty areas? Do you perceive that they will provide thought leadership during your project or instead use it for on-the-job training?
6. Request bids from vendors. Bidding should be conducted against a set of concrete criteria, including volumes, service levels, technical integration, etc.
7. Select a preferred vendor based on this evaluation. Once you select your preferred vendor, you can commence detailed planning and work out final contractual terms.

Common pitfalls:

When navigating the vendor selection process, be aware of several potential traps. Firstly, the lowest price is not always the best value, particularly in the offshore world. Experience from the transcription industry suggests that some offshore vendors will propose unrealistically low prices to try to win an initial project – aiming to learn at your expense. In this sector, if the price appears too good to be true, it probably is.

In many circumstances, higher service quality (which can lead to cash flow acceleration or higher billable revenue) may offer greater financial rewards than simple cost savings. As an illustration, saving \$.50 per chart in Emergency Department coding cost is inconsequential if a competing vendor's superior processes might generate \$10 in new revenue from such charts. Think about overall financial gain, rather than simple cost savings.

Don't overlook the impact that improved workflow can bring to coding efficiency and managerial peace of mind. This can be tricky, because HIM staff generally have little prior experience in managing workflow technologies or electronic tools for inventory reconciliation. Don't just look for assurances about turn-around time or chart deficiency reporting – try to understand the concrete tools the vendor will use for this purpose, to confirm their viability.

Be careful not to simply shift old, broken processes to your new vendor. Moving the coding function to a new vendor can be a catalyst to invent new processes. If you have selected well, your vendor should be able to contribute to the design and implementation of these improvements.

Contractual considerations:

Having selected your preferred vendor, it will be important to design a contract that helps guarantee the project's success. The use of a vendor with offshore staffing adds an extra dimension to the range of issues. Here is a brief checklist of items to consider when negotiating the contract.

- Performance targets. Since your original business case for this project included the pursuit of specific objectives, make sure the contract describes those in measurable terms. Examples of key performance metrics include turn-around time, coding accuracy and revenue per case. How will these be measured? Who will measure and report them? How frequently?
- Activation sequence. Both the provider and the vendor organization will learn during the early stages of the deployment. For this reason, it is wise to consider a phased activation – such as one chart type at a time. Ensure that each phase of the rollout is predicated on success in earlier phases.
- Termination clause. Request the right to “Terminate for Convenience”, without penalties. In other words, if the provider concludes that the service is not meeting expectations, it should have the right to organize an orderly exit from the contract.
- Risk-sharing. Where possible, structure contracts so that each party bears both risks and rewards from the contract. For example, if turn-around time and DNFB reduction are key objectives, include a bonus for reaching these objectives or a penalty for failing to reach them.
- Clarify the “chain of trust.” In any outsourcing arrangement, it is important for the provider to understand how access to Protected Health Information will be controlled. Standard Business Associate Addendum language is generally appropriate, but you should also consider a requirement for the vendor to brief you periodically on the specific flow of information within their organization.

Managing the project:

Once the vendor is selected and you sign service contracts, the rewarding work begins. The first step is to select an appropriate person as project manager. Consider identifying a person who is a strong communicator, respected by peers, technically competent in coding and ideally has visibility of related topics like registration, chagemaster or compliance. If your vendor expects the project manager to deal with foreign staff, select a manager who is culturally sensitive.

So that both vendor and client have shared expectations, map the project's deployment plan into a structured format such as a Gantt chart. Describe objectives at each phase, along with key dependencies. Have a mechanism in place to correct problems as they arise and to adjust plans quickly as you absorb more data about what is working and what is not.

An outsourced coding project of any sort will require technology assistance. This will frequently involve document imaging and workflow software, plus integration with the hospital's registration, abstract and charging systems. The provider's project manager should be given formal access to IT manpower to assist with specification, testing and deployment processes. Since provider IT organizations are frequently stretched thin, try to get IT manpower scheduled fairly early in the project. Also find ways for your vendor to minimize impact on internal IT manpower, where possible.

Anticipate timescales by which key objectives can or should be achieved. For example, by what date will the vendor seek to achieve a given DNFB target? Similarly, once the service appears to be running smoothly, don't forget to "harvest" benefits that accrue from no longer managing the project in-house. For example, can office space be redeployed? Can encoder licenses for provider staff be curtailed? Might in-house coders be trained to perform different functions?

Allow the relationship to evolve. The main business objectives that exist at the point of launching a new offshore service won't remain static over time. For example, your organization may implement a new information system that requires process changes by the vendor. Or the vendor's portfolio of services may evolve, allowing you to consider integrating their services with other functions like transcription or chargemaster reviews. One way for your vendor relationship to evolve over time is to require in-person review meetings periodically – perhaps once per quarter.

Conclusions:

The growing shortage of coders is being felt by providers across the country. In this labor-constrained market, providers now have access to a growing array of vendors with non-US manpower. This affords the opportunity for more continuous staffing levels, plus new process design. If a provider starts its project with an agreed set of business objectives, selects its preferred vendor using logical, auditable criteria, puts into place prudent contractual terms and manages the project thoroughly, the results can be both positive and lasting.

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