

## Secrets of Transcription Pricing: How to know what you're paying (and not get ripped off!)

By Rob Foley

*This report is intended for professionals from all industries who have a need for transcription service. Below, we talk about both medical and general transcription pricing considerations. These sections are clearly pointed out for your convenience, so that you may skip past that which does not pertain to you.*

When you see the largest transcription company in America get indicted for “systematically and secretly inflating customer bills to increase revenues and profit margins” (as stated in the indictment), you know that there is a problem with pricing in the industry.

True, other industries have been marred by similar accounting impropriety in recent years. But the – continued – problem with transcription pricing is that the ambiguity of transcription billing methods that permitted the company above to deceive their customers still remains today. The continued lack of – an accepted – standard pricing method in the transcription industry leaves rates largely – and sometimes deliberately – arbitrary and ambiguous.

*Education is what you get from reading the fine print.  
Experience is what you get from not reading it.*

### How cheap transcription service can prove costly (in time as well as money)

Some buyers of transcription services rely on price heavily, even exclusively. In turn, transcription companies, in their desire to attract this price sensitive business, aim to cut costs in order to attract this market. Smart business? Not always.

**The problem with cost reductions in the transcription industry is that they usually come at the expense of labor, technology or both.** Labor costs fluctuate depending on how/where in the world the actual transcription is performed and many transcription services take advantage of such cost savings. Some transcription work can be done well overseas; other work, not so much.

Transcription technology can either increase or decrease costs, depending on a number of factors that go beyond the focus of this report. Suffice to say that effective transcription technology, when properly implemented and managed, is designed to cut costs by improving operating efficiencies for both the transcription company and the buyer of the transcription services they provide.

#### **Good transcription technology brings the benefits of:**

- Data security
- Reliable delivery
- Start-to-finish file auditing
- Fast, convenient job submissions (for client)
- Automatic report delivery (to client)
- Easy billing
- Convenient access from anywhere
- ... and more

Some transcription companies operate their business – and marketing strategy in particular – around a low price objective, prominently displaying their rates on their website. Low prices can be found, but first, three important considerations must be carefully assessed:

1. What is the unit of measurement being used to get these transcription rates?
2. What level of service is delivered in terms of:
  - Accuracy
  - Turnaround time
  - HIPAA compliance and confidentiality
  - Convenience
  - Customer support
  - Service guarantees
  - Any other service feature that is important to your organization
3. What will be my final cost of job completion?
4. What service guarantees do I get?

*You get what you pay for... sometimes.*

Since transcription companies operate on a fairly level playing field in terms of the costs to properly deliver a transcribed report, there is little room to move price around without affecting the service offering either up or down.

Everyone wants – and deserves – a fair price based on their need. To this end, customers of transcription services must be able to assess all of their options on equal terms. The integration of a standardized pricing methodology for the industry would permit the organization to make informed purchasing decisions with reliable data that can be accurately compared.

*Why is it costing me more when my price is less?*

**Developing a clear understanding of the billing methods used by transcription companies will allow the organization to accurately evaluate current transcription costs – whether in-house or outsourced – and compare to all available options.** More importantly, developing a solid understanding of transcription rates will prevent being overcharged.

On the pages that follow, we discuss the most common billing methods used by transcription companies today. You will learn

- How to measure transcription rates being quoted by transcription companies.
- How to understand transcription pricing methods and how they differ.
- How to effectively compare transcription rates from multiple transcription companies.

## **Medical Transcription Pricing: A Step Toward Standardization?**

In 2007, The American Health Information Management Association and The Medical Transcription Industry Association (AHIMA/MTIA) came out with a joint recommendation to make the Visual Black Character the standard unit of measure for medical transcription of patient medical records.

The goal of the task force was to “implement a standard for content measurement that health information management (HIM) practitioners can use to evaluate in-house transcription staff and external transcription service suppliers. The task force’s recommendation is based on the assumption that the standard measure must be applicable to all types of medical reports and various technologies. The approach has been to identify the most common unit of measure methodologies and define them for purposes of comparison, taking into consideration historical

time frame, past and present technology, and the reasonable expectations of customers and service providers.”<sup>1</sup>

As sound as this recommendation may be, it is only useful to the extent that it is adopted in the transcription industry. It is likely that we will see the pricing ambiguity of the past continue. Much of this has to do with the challenge of educating the market on a new measure.

Anticipating a slow adoption of this recommendation – both by consumers and providers – the buyer of transcription services is well served to educate themselves on all available options for the management of their transcription. This includes pricing measures, but they also must consider the benefits of transcription outsourcing vis a vis doing it in-house.

- *Should we just do it ourselves?*

The costs and benefits of doing transcription in-house (office staff does the typing) versus hiring an outside (outsourced) professional transcription service should be compared carefully. Each has its own set of advantages and each poses its own unique challenges, both in terms of service output and determining real costs.

- *In-house Transcription*

The cost of transcription done by in-house personnel is often measured by salary or hourly wage, but rarely much else. Useful analysis also factors in the employment costs associated with such in-house personnel. Such costs include – but are not limited to – payroll taxes, benefits, disability, worker’s compensation and expenses to recruit, train and manage the in-house personnel. Additionally, one must also consider money spent on computers, peripheral equipment, software, electricity used and the value of the office space occupied by in-house transcription personnel.

- *Outsourced Transcription Service*

While transcription costs are easy to obtain when using an outside – “outsourced” – transcription service (just look at your invoice), it can be a bear to figure out what it all means. Comparing costs across transcription companies is even more difficult to do because of the limitless billing methods used in the medical transcription industry. There is no standard.

To effectively compare transcription costs, one must understand the units of measure that transcription companies use. Price comparisons must be done through the same unit of measure in order to for these comparisons to mean anything.

Without a standard basis to measure prices, transcription costing – whether done in-house or outsourced – is a complex task. How do you know whether or not there is a better option out there for you than your current solution? How do you measure the real costs of services across the spectrum of offerings when they all charge differently?

On the following page are the most common billing methods used by transcription companies today (unfortunately, this list could never be complete).

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<sup>1</sup> American Health Information Management Association and Medical Transcription Industry Association Joint Task Force on Standards Development, 2007.

## Pricing Measures for Medical Transcription (General Transcription follows)

- *Visual Black Character Line (VBC)*

The billing method recommended by The Joint Task Force, this method was agreed upon by a panel of experienced people in the transcription industry.

As defined by the Task Force:

**A VBC (Visual Basic Character) is a character that can be seen with the naked eye. Under this counting scheme, spaces, carriage returns, and hidden formatting instructions such as bolding, underline, text boxes, printer configurations, and spell checking are not counted in the total character count.**

**– AHIMA/MTIA, “A Standard Unit of Measure for Transcribed Reports”**

This method can be measured in MS Word.

- *The 65 Character line (often referred to as “The AAMT Defined Line” (note: AAMT is now AHDJ))*

Consists of 65 typed characters (letters, numbers and symbols) including spaces. Formatting keystrokes and carriage returns may also be included, depending on the transcription service provider. The American Association for Medical Transcription (AAMT) created this definition in 1990 but no longer endorses it, maintaining that it was never more than a recommendation any way.

Similar to the keystroke based line described above, there is discrepancy over what is and what is not included under this definition of a line. As a result, the measure can be ambiguous in and of itself - counts from multiple providers who allege to use this methodology can vary. More significantly, the validation of formatting keystrokes is near impossible,

This method can be measured in MS Word, provided that carriage returns and formatting keystrokes are not included.

- *ASCII Line*

A line is made up of all visible characters on a transcription document plus spaces and tabs. Formatting keystrokes such as bolding, underlining, text boxes, and printer instructions are not included in the final character count. Line count is calculated by counting all ASCII characters in the document and dividing by the total number of characters in the established line (usually 65, but can vary by transcription service provider). Text in headers and footers may or may not be included, depending on the transcription company.

- *Gross Line*

Straightforward way to measure; simply count the total number of horizontal lines in the document. The visible line could have one character in it or it could run the width of the page and it would still be counted as a single line.

Total billable line count is directly related to the formatting that is used in the report (particularly margins and font). This method can be tricky; if the transcriptionist uses a lot of indents or tabs in formatting the report (a ploy that many experienced transcriptionists know well and some use to their benefit), the gross line count will artificially increase without a corresponding increase in the number of characters typed, thus increasing total cost.

This method can be measured in MS Word.

- *Keystroke Based Line*

Based on total number of keystrokes, including formatting keystrokes (capitalization, bolding and underlining). Macros may also be included in this tabulation. Discrepancy exists concerning what is actually a billable keystroke (are keys pressed to run macros, run spell checkers, open up word processing programs included?). This method invites the promotion of deceptively low line rates because total line count ends up being higher than other line count forms of measure. Most software cannot accurately count all of these keystrokes (MS Word does not count formatting keystrokes), so accurate reconciliation on the client side is difficult to attain without additional aides.

- *ASmart Billing Method*

Billing by the number of kilobytes (units of 1024 bytes or characters) in an ASCII/ANSI text file. The transcription must be saved as an ASCII text file. Reconciling billable units is easy to verify.

## Pricing Measures for General Transcription

- *Page Count*

Simple method to follow; just count the number of pages in the report. Similar to the gross line method, formatting plays a major role in total billable count, leading to a poor correlation between work done and amount billed.

Billing reconciliation is very easy, but this method can be very costly as it is subject to the formatting used by the typist.

- *Minute Count*

Seemingly straight forward, but not always. How minutes are tabulated and more specifically, the handling of fractional minutes is an important issue when being billed this way. If fractional minutes are rounded up (i.e., 3 minutes, 15 seconds turns in to 4 minutes come billing time) then the cost per minute is understated, particularly if the rounding up is done on a per file basis.

It is important to find out if time and fees are calculated for each individual dictated file or done cumulatively over a period of time (perhaps over an entire billing period). In the latter scenario, total seconds for the billing period are added and then divided by sixty to come up with total billable minutes. Clearly, this method is preferable if rounding up is done in lieu of billing by fractional minute.

Discrepancy can exist because dictation systems can produce different audio times for the same dictation, making billable units hard to verify and reconcile. Also, silent air-time is billable, thus a slow dictator pays a higher relative fee than a fast dictator.

While most transcription companies have correlations between minutes and lines typed, since people speak at different speeds, these numbers can be skewed. Dead airtime (long speaker pauses) is billable time.

- *A final pricing consideration – audio quality*

Maybe the most arbitrary pricing model is the practice of charging based on audio quality level. Here, prices are established for excellent, good, fair and poor audio quality levels. Foreign accents can also incur additional fees. How these levels are determined varies by vendor and

keeping track of quality levels and corresponding prices for various dictations is complicated, to say the least.

### **Action item: how to evaluate pricing**

After narrowing down your search to a few vendors, compile a typical week's worth of reports and send them to each. Ask for a detailed quote to include billing method used, average cost per report and total cost. Alternatively, state the pricing method you want your quote to be in (VBC is recommended).

Make sure you send these reports in a HIPAA compliant manner. Sending to a secure ftp server is usually a good option for this purpose. Faxing will not work for a large quantity of reports since characters counts can not be automated this way.

Remember to add in any miscellaneous fees as well; set-up fees, telephone, faxing, etc.

Same Day Transcriptions offers quotes by any requested method. Please call 1-866-864-0507.

### **About the author:**

**Rob Foley** is Founder and CEO of EMR Transcription, Inc., a professional web-based transcription service for the medical providers. Mr. Foley is a Service Disabled Veteran and is an active supporter of related organizations. For more information, please visit [www.EMRtranscriptions.com](http://www.EMRtranscriptions.com)