



HEALTH SERVICES DEPARTMENT

PUBLIC HEALTH DIVISION

Healthy People Living in Healthy Communities Throughout El Dorado County

Neda West, Director / Olivia C. Kasirye, MD, MS, Public Health Officer
931 Spring Street, Placerville, CA 95667 (530) 621-6156 / Fax (530) 626-4713

To: Board of Supervisors
Chief Administrative Officer

From: Neda West, Health Services Director

Date: May 24, 2010

Subject: **2010 Ambulance Rate Review**

On September 1, 2008 the Board of Supervisors approved the current Ambulance Rate Schedule for the County of El Dorado. In an effort to maintain a rate structure that, when combined with the current taxes and benefit assessments for emergency medical services, covers the cost of providing ambulance services in the County of El Dorado, the Health Services Department conducted the following rate analysis to determine if an adjustment to the County's ambulance rate schedule is needed. The 2008 rate review considered the annual change in Consumer Price Index for medical care (i.e., Medical Care CPI), and ambulance transportation rates for the surrounding region in the analysis. Our current analysis includes both of these indicators along with other factors. The Department's recommendations for increasing the County's ambulance rates are provided at the end of this analysis.

Background

The County of El Dorado has provided ambulance services using a public utility model since the early 1980s. In 2004 the County contracted with Maximus, a public sector consulting firm, to conduct a full cost-of-service analysis for county ambulance services. This resulted in recommendations by staff, with both JPAs concurring, to the Board of Supervisors in October 2004 and a new rate schedule became effective November 8, 2004. At the time, Public Health agreed to review the rates annually. Subsequent rate adjustments were approved by the Board of Supervisors effective July 1, 2006, August 21, 2007, and September 1, 2008.

Consumer Price Index Data

The Consumer Price Index for Medical Care (U.S. city average) has been used by Public Health staff to calculate two (2006 and 2007) of the last three rate adjustments approved by the Board of Supervisors. According to the Department of Labor, the 18-month change in Medical Care CPI for the period September 2008 – February 2010 was an increase of 5.6%.

Regional Rate Comparison Data

The 2008 review included ambulance rates for entities in the surrounding region. It is difficult to compare rates with other providers due to a lack of standardization of services and the manner in which charges are calculated. The entities selected for our current review are from fire-department-based ambulance service providers that receive subsidies from taxes or other sources, similar to the County of El Dorado ambulance provider agencies, rather than comparing rates to service providers that are entirely supported

by fees for service. For this review, provider rates for Advanced Life Support (ALS) 1 and ALS 2 services, oxygen charges, and mileage rates were collected. Table 1 summarizes the information:

Table 1. Comparison of Subsidized Ambulance Rates for El Dorado and Surrounding Counties

2009 Provider Study	County	Revenue other than fee for service (%)	ALS 1	ALS 2	Mileage	Oxygen
North Tahoe Fire Protection District	Placer	Subsidized; % unknown	\$906	\$1,266	\$20/mile	--
South Placer Fire Protection District	Placer	10%	\$1,430	\$1,430	\$29/mile	\$125
Forest Hill Fire Protection District	Placer	33%	\$1,430	\$1,430	\$35/mile	\$125
Sacramento Metro Fire District	Sacramento	60%	\$1,100	\$1,100	\$18/mile	\$65
Vacaville Fire Department	Solano	62.5%	\$869	\$869	\$21/mile	\$77
Consumnes Fire Protection District	Sacramento	40%	\$950	\$950	\$20/mile	\$40
Regional Average (for providers shown above)			\$1,114	\$1,174	\$24/mile	\$86
County of El Dorado		27% (CSA 3) 47% (CSA 7)	\$1,003	\$1,085	\$23/mile	\$87

Funding

In addition to ambulance fees for service, the County of El Dorado has revenue sources specific for emergency medical services that subsidize ambulance services. These sources include: a general property tax plus a special tax for CSA 7, a benefit assessment for CSA 3 (South Shore), and a special tax for CSA 3 (Tahoe West Shore). Currently, the combined revenue from these sources contributes approximately 27% of total revenue received for CSA 3 and 47% of the total revenue received for CSA 7.

Billing Data

In 2009, Wittman Enterprises, the ambulance billing contractor, billed \$16.7 million for all calls in the County of El Dorado. Table 2 shows a breakout of the billing data for 2009.

Table 2. County of El Dorado 2009 Ambulance Billing Data

Amount Billed	\$16,780,363	
Write Downs	<u>-\$7,180,346</u>	See reasons below
Net	\$9,600,017	
Bad Debt	-\$1,414,068	
Still Outstanding	<u>-\$21,085</u>	
Net Receipts	\$8,164,864	

Caps on payments available from Medicare, Medi-Cal, and some other payers such as Worker's Compensation and Veteran's Administration accounted for a 42.8% reduction in the amount billed in 2009; an additional 8.4% was lost to bad debt. The net receipts shown above represent 48.7% of the amount initially billed in 2009; \$21,085 (0.2%) of the net amount after known write downs remains uncollected at this time due to payment plans, disputed charges and/or delayed reimbursement from insurers.

Discussion

The direct impact of increasing ambulance rates is difficult to predict. The payer mix for Ambulance Services for the County in 2007 and 2009 appears below:

Table 3. Payer Mix for Ambulance Services in the County of El Dorado

	2007	2009
Medicare	47.1%	46.9%
Medi-Cal	13.7%	14.9%
Other Insurance	30.4%	29.2%
Private Pay	8.8%	9.0%

The combined percentage of Medicare or Medi-Cal recipients in 2007 was 60.8% and it remained relatively stable at 61.8% in 2009. Since reimbursement by these two government payers is fixed, any increase in our charges will result in no additional revenues from these two resources. In fact, while increasing rates will result in some net increase in revenues (assuming the number of calls and the payer mix remain constant), it will also result in a lower overall collection ratio (i.e., total charges vs. total collections) due to the fixed reimbursements from Medicare and Medi-Cal.

As stated previously, the County used the Medical Care CPI to adjust ambulance rates in 2006 and 2007. In 2008, rates were increased to 90% of the regional average, which included predominately non-subsidized providers. Since 2008, more fire-department-based ambulance providers have incorporated subsidies to fund medic units. Table 4 compares the current rates for the County of El Dorado to the subsidized regional average rates depicted in Table 1.

Table 4. Comparison of Current El Dorado County Rates to Average Regional Rates for Subsidized Ambulance Service Providers

Description	Subsidized Regional Average	Current EDC Rate	% Change Required to Achieve Regional Average
ALS Level 1	\$1,114	\$1,003	11.1%
ALS Level 2	\$1,174	\$1,085	8.2%
Mileage	\$24/mile	\$23/mile	4.3%
Oxygen	\$86	\$87	-1.1%

A recent report from Citigate Associates, L.L.C. indicated that the ALS Level 1 for the County of El Dorado is 28% lower than the average rates for Amador, Calaveras, Sacramento and Stanislaus Counties. In that survey, eight of the ten entities were non-subsidized, private providers whose rates would be expected to be higher than those charged by subsidized providers. We have attempted to compare like

entities in our analysis. It is also important to be aware of any limitations that make interpretation of data challenging. The limitations for this rate review include the following:

- This analysis is based on a sampling of fire-based ambulance service providers that receive subsidies in addition to fees for service.
- The subsidies reported by the other providers ranged from 10% - 62.5%; all of the factors impacting other providers' costs, calculation of the subsidies, and the various rates charged could not be ascertained.
- The ambulance services rates are the same for both slopes of the County of El Dorado despite the fact that the subsidy for CSA 3 is approximately 27% of expenditures while the subsidy for CSA 7 is approximately 47% of expenditures.
- The County of El Dorado charges an additional \$25 for non-residents who receive ambulance services. On the Western Slope, non-residents accounted for 975 (10.2%) of transports in 2009; on the Eastern Slope, non-residents accounted for 929 (40.2%) of transports in 2009. Of the six providers included in this analysis (see Table 1), only Vacaville Fire Department has different rates for residents versus non-residents (\$869 and \$1,397 respectively for ALS 1).

Options

Several comparative methodologies for establishing ambulance rates are available for consideration:

1. No Change – Consider no rate increase at this time. Review rates for subsidized providers in the region in spring of 2011 for analysis and potential increase in FY 11-12.
2. Full Cost-of-Service Model – Determine rates based on a complete analysis of ambulance service costs similar to the process conducted by Maximus in 2004.
3. Medical Care CPI Only – Adjust rates based on published Department of Labor data for change in Medical Care CPI for the period September 2008 – February 2010 (5.6%).
4. Regional Average Rate Plus CPI – Increase the current rate to 100% of the regional average rates for subsidized ambulance services providers included in this analysis. For other services not included in the regional data, apply the 18-month Medical Care CPI of 5.6%. An increase in the non-resident surcharge is also proposed.

With Option 1, No Change, the fees for ambulance services will most likely fall further behind the average rates charged by like entities in the region over the coming year. More importantly, total subsidies to the ambulance service providers in our County could decrease if property tax revenues decline. Conversely, expenses for the providers to deliver services are projected to increase. This would increase the need to utilize fund balance to balance the budgets in FY 10-11.

To implement Option 2, Full Cost-of-Service Model, the process would require contracting with an outside agency to conduct a comprehensive analysis of the numerous factors that affect the cost of providing ambulance services in the County of El Dorado. This would provide an opportunity to fully analyze the effect of the different subsidy levels for CSA 3 and CSA 7 along with the different elements that constitute those subsidies. The process could take six to nine months to complete and the cost of conducting this study would need to be determined and budgeted.

With implementation of Option 3, Medical Care CPI Only, the cumulative CPI for the past 18 months would need to be applied to the current rates since the last rate review became effective in September 2008. The increase in Medical Care CPI from September 2008 through February 2010 is 5.6%. Application of this CPI factor would still leave the County's ALS Level 1 and 2 rates below the regional average of the providers included in our current analysis.

With implementation of Option 4, Regional Average Rate Plus CPI, the County's ALS 1, ALS 2 and mileage rates would be consistent with rates for the other subsidized fire-based providers in our region that we reviewed. Other services not included in the regional data would be increased consistent with the

applicable CPI increase. Any resultant increase in revenue received from insurance and private payers could help offset whatever decrease in subsidies or increase in expenses that might occur over the next fiscal year. With this option, we are also proposing a change in the non-resident surcharge, as further discussed below.

Recommendations

The Department recommends Option 4, utilization of regional average rates to determine the proposed FY 10-11 Ambulance Rate Schedule for services included in our regional analysis and application of the 18-month CPI to services not included in our analysis. The Department also recommends increasing the non-resident surcharge to \$200. Our County's current surcharge of \$25 for non-residents receiving ambulance services is comparable to the annual Special Tax in CSA 7 and the base rate for the Benefit Assessment per single family unit in CSA 3. However, residents of the County of El Dorado pay the taxes and special assessments that subsidize the County's ambulance services annually, and yet may not need to utilize the services over the course of many years. It seems reasonable to assess a non-resident who does utilize ambulance services more than the amount equivalent to one year of the Special Parcel Tax or Special Assessment. CSA 3 would see the largest benefit from the increase in the non-resident surcharge since approximately 40% of their ambulance service calls are for non-residents. Any additional revenue will help lessen the fiscal constraints of providing ambulance services in CSA 3.

Establishing a rate schedule for ambulance services is a complex issue. In order to continue to provide these services into the future years, we have to evaluate the rates in the context of:

- The full cost of providing ambulance services in CSA 3 and CSA 7
- The offset of taxes/assessments to the cost of providing ambulance services in each region of the County
- A continued surcharge for non-residents

The Department will evaluate the need for a full cost-of-service analysis to be performed by an outside agency sometime after completion of the upcoming RFP process for CSA 3 and selection of the provider for that area. A new contract for services in CSA 3 must be executed by August 31, 2011.

Table 5 provides a comparison of the current rates to the proposed rates for the upcoming fiscal year, if the Department's recommendation is implemented. The rates in Table 5 apply throughout the County of El Dorado with the exception of any service calls handled by CSA 3 resources for Alpine County. Rates for such calls are set by the Alpine County Board of Supervisors.

Table 5. Current and Proposed Ambulance Rates for the County of El Dorado for FY 10-11

Description	Current Rate	Proposed Rate	% Change
ALS Emergency Base Rate ¹ – Resident	\$1,003	\$1,114	11.1%
ALS Emergency Base Rate – Nonresident	\$1,028	\$1,314 *	27.8%
ALS Non-Emergency Base Rate ² – Resident	\$1,003	\$1,114	11.1%
ALS Non-Emergency Base Rate – Nonresident	\$1,028	\$1,314 *	27.8%
ALS Level 2 ³ – Resident	\$1,085	\$1,174	8.2%
ALS Level 2 – Nonresident	\$1,110	\$1,374 *	23.8%
Mileage	\$23/mile	\$24/mile	4.3%
Facility Waiting Time (per 1/4 hour)	\$194	\$205	5.6%
Oxygen Use	\$87	\$87	No Change
Standby (Per Hour)	\$144	\$152	5.6%
Critical Care Transport ⁴ – Resident	\$1,560	\$1,648	5.6%
Critical Care Transport – Nonresident	\$1,585	\$1,848*	16.6%
Treatment – No Transport ⁵	\$300	\$317	5.6%
Medical Supplies & Drugs ⁶	Market Cost + 15%	Market Cost + 15%	No Change

¹ ALS Emergency Base Rate: This base rate is for all emergency transports for which the patient was transported to an acute care hospital or rendezvous point with an air ambulance at least 0.1 mile from the pick up location.

² ALS Non-Emergency Base Rate: This base rate is for non-emergency transfers from a private residence, convalescent care, skilled nursing facility, or hospital and does not require an emergency response (i.e., red lights and siren) to the pick up location.

³ ALS Level 2: This charge applies when there has been a medically necessary administration of at least three different medications or the provision of one or more of the following ALS procedures: manual defibrillation/cardioversion, endotracheal intubation, central venous line, cardiac pacing, chest decompression, surgical airway, or intraosseous line.

⁴ Critical Care Transport: This charge applies when a patient receives care from a registered nurse during transport from a hospital to another receiving facility.

⁵ Treatment – No Transport: This charge applies when the patient receives an assessment and at least one ALS intervention (i.e., ECG monitor, IV, glucose, etc.), but then refuses transport or is transported by other means (i.e., private car, air ambulance, etc.).

⁶ Medical Supplies & Drugs: Medical supplies and drugs are billed at provider's net cost plus a handling charge of 15% to cover the costs of materials, ordering, shipping and inventory control.

* Nonresident: \$200 additional charge applies to a patient whose home address includes a city, state or zip code located outside El Dorado County.