

City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 4, 2006

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER *J*

SUBJECT: PROPOSED INCREASE IN AMBULANCE TRANSPORT FEES BASED ON THE TYPE OF SERVICE PROVIDED

ISSUE: Consideration of an ordinance to adopt a fee structure which will increase ambulance transport fees to rates based on the level of service provided. These new rates would be identical to the fees adopted by the Counties of Arlington and Fairfax.

RECOMMENDATION: That Council pass the ordinance on first reading and schedule it for public hearing, second reading, and final passage on Saturday, May 20. The Alexandria Emergency Medical Services Council endorsed the fee increase at its meeting on May 1, 2006. The ordinance would become effective July 1, 2006.

BACKGROUND: As part of the FY 2007 Approved Operating Budget, Council tentatively approved an increase in ambulance transport fees, and applied the \$700,000 projected increase in fee revenues to increased EMS staffing increases and EMS operating costs, as well as to improving the EMS cost-recovery ratio. Since the 1930's, the Alexandria Fire Department has provided ambulance service to sick and injured citizens needing medical assistance. For many years, all pre-hospital emergency care was provided by on-duty firefighters who were trained to provide basic first aid. Only limited medical services were provided to severely injured and extremely sick individuals, who were transported as quickly as possible to local hospitals for lifesaving medical care.

Thirty years ago in 1976 City Council upgraded the City's ambulance service and created the civilian EMS program that is in place today. By the 1980's, improvements in emergency care included the introduction of advanced life support services and new medical technologies that could be transported by vehicles. During the same period, the City implemented advanced training and testing for ambulance personnel (provided mostly by hospitals and community colleges), while the Commonwealth began mandating statewide EMS standards and certifications. The City provides high quality emergency medical services.

Since 1969, the City's ambulance transport fee has been increased four times. In 1975, the rate was increased from \$15 to \$35; in 1981, the rate was increased to \$50; in 1990, the rate was raised to \$100; and in 1999, fees were increased to \$200 for residents and \$250 for non-residents. Alexandria's EMS division responds to approximately 12,000 EMS calls per year, but less than 7,000 patients are actually transported to local hospitals and billed; therefore, only six out of every ten patients receiving EMS services are billed once they are transported by ambulance.

DISCUSSION: An objective in the City's 2004 Strategic Plan is to expand and diversify City tax and non-tax revenue base, which includes user fees and charges for services such as ambulance transport.

Over the past four decades the cost of providing ambulance service has exceeded the amount charged for the service. When ambulance transport fees were raised to \$200 and \$250 in July 1999, the true cost of an EMS call was \$483, therefore the fees covered approximately 44% of the cost. In FY 2005, due to rising costs of staff and equipment, the cost of an EMS call was \$647, which has now reduced the cost recovery ratio to about 31%. Staff recommends that ambulance transport fees be increased to a three-tiered structure (as described below), with rates of \$300, \$400, and \$550, in order to increase cost recovery to about 57% and begin interjurisdictional billing with Fairfax and Arlington Counties by matching the fees that are currently being charged by our neighbors. As discussed below, it is extremely important that our fees be the same as those in Arlington and Fairfax so that all mutual aid ambulance responses are covered by the same fees.

The ordinance provides definitions of Basic Life Support; Advanced Life Support, Level 1; and Advanced Life Support, Level 2. The definitions of these three levels of care are found in the National Emergency Medicine Services Education and Practice Blueprint, which is a nationally recognized publication about EMS standards of care. Alexandria's EMS Division receives medical oversight from Dr. James Vafier, an emergency physician in the INOVA Alexandria Hospital Emergency Department. The City EMS Division provides a high level of patient care.

The proposed fee schedule is as follows:

Basic Life Support (BLS) (PROPOSED FEE - \$300): BLS service is the transportation by ground ambulance vehicle and the provision of medically necessary supplies and services *without* Advanced Life Support intervention.

Advanced Life Support, Level One (ALS-1) (PROPOSED FEE - \$400): ALS-1 service is the transportation by ground ambulance vehicle and the provision of medically necessary supplies and services including the provision of an ALS assessment and at least one ALS intervention.

Advanced Life Support, Level Two (ALS -2)(PROPOSED FEE - \$550): ALS-2 is the transportation by ground ambulance vehicle and the provision of medically necessary supplies and services including: (1) at least three separate administrations of one or more

medications by intravenous push/bolus or by continuous infusion; or (2) ground ambulance transport and the provision of at least one *very advanced* ALS procedure.

For all transports a charge of \$7.50 per mile would also be charged based on the number of miles the patient is transported to a medical facility.

Comparison of Rates for Ambulance Transport. As shown in the Chart 1, Alexandria’s current fees of \$200 and \$250 are lower than our immediate neighboring jurisdictions Arlington and Fairfax Counties, and are among the lowest when compared with jurisdictions in the metropolitan area, primarily Northern Virginia and Washington, D.C., that charge for this service. Fire departments in the counties of Loudoun, Prince William, and Montgomery impose no charges for patient transports to hospitals. All these counties have both volunteer and paid EMS units.

**Chart 1. SURVEY OF EMS TRANSPORT FEES
WASHINGTON METROPOLITAN AREA JURISDICTIONS**

EMS Service Provider	Jurisdiction	Fee(s) Charged	Loaded Per-Mile Charge*
Alexandria Fire Department	City of Alexandria, VA	\$200-Resident; \$250 Non-resident	No Fee(s)
Arlington County Fire Department	Arlington County, VA	\$300-BLS, \$400-ALS1, & \$550-ALS2	\$7.50
Fairfax County Fire and Rescue	Fairfax County, VA	\$300-BLS, \$400-ALS1, & \$550-ALS2	\$7.50
Prince George’s County Fire and Rescue	Prince George’s County, MD	\$200-ALS No charge for BLS.	No Fee(s)
Washington, DC Fire Department	District of Columbia	\$268-BLS & \$471-ALS	No Fee(s)
Prince William County Fire and Rescue	Prince William County, VA	No fee(s).	No Fee(s)
Loudoun County Fire and Rescue	Loudoun County, VA	No fee(s).	No Fee(s)
Montgomery County Fire and Rescue Services	Montgomery County, MD	No fee(s).	No Fee(s)

* The “loaded per mile charge” is based on the number of miles the patient is transported to a medical facility (e.g., the patient is not charged for miles the ambulance travels before picking up the patient).

According to the ambulance billing ordinance, Sec. 3-2-131 of the City Code, not all transports are billable since no charges are imposed on indigents, persons in the custody of the Police Department or Sheriff’s Office, City employees who are ill or injured during working hours, or

persons affected by a natural or man-made disaster. Staff recommends that two additional exemptions be added to the ordinance: 1) fees for victims of violent crimes when requested by the Commonwealth's Attorney; and 2) fees for children 18 years of age and under who are picked up at a school during school hours or after-school activities (during FY 2005, 18 children were transported from Alexandria's public schools to local hospitals). Arlington County's ordinance exempts children transported from schools. The proposed ordinance includes these two changes.

The Impact of New Fees and Interjurisdictional Billing. Since FY 2004, representatives from the fire departments in Alexandria, Arlington, and Fairfax have met quarterly to discuss the possibility of interjurisdictional billing. Based on the information provided, if ambulance transport fees were increased, the City could collect revenues to cover about 57% of the cost of EMS calls. In addition, the new fees would match rates already charged in surrounding jurisdictions, and allow interjurisdictional billing to begin--across borders--among Alexandria and the Counties of Fairfax and Arlington. Altogether, the three jurisdictions will collect approximately \$250,000 in additional revenue as a result of interjurisdictional billing.

Interest among Northern Virginia's jurisdictions in interjurisdictional billing increased in early 2004 after the release of an opinion from the Federal Department of Health and Human Services Office of Inspector General (OIG), which provided the leeway for jurisdictions to write-off insurance co-payments (co-pays) for residents with private insurance or Medicare and to waive fees for uninsured residents at their discretion.¹ Non-residents, however, would be billed the ambulance service co-pay when insurers do not cover 100% of the fee. In addition, no fee waivers would be offered to non-residents.

The standardization of fees between the three jurisdictions will allow Alexandria to collect revenue for Arlington and Fairfax patients transported by Alexandria. Chart 2 below shows the volume of this activity. Waiving the co-pays in Alexandria will reduce revenues by approximately \$130,000, but this reduction will be partially offset by the additional \$92,000 the City will receive from 400 patients transported annually from Arlington and Fairfax Counties as part of the Northern Virginia Mutual Aid Agreement.

¹ Co-pays are the balances patients and secondary insurers pay after their primary insurers pay. The OIG's rationale for this opinion was expressed as follows: Residents pay for ambulance transport service (already) through local taxes, such as the property tax or other local fees, which would cover the cost of ambulance transport service partially or fully.

Chart 2. Aid Given and Aid Received—Alexandria, Fairfax, and Arlington

		FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Aid <u>Given</u> By Alexandria (to Fairfax & Arlington)	Arlington and Fairfax Patients Transported by Alexandria	95	152	284	364	438
Aid <u>Received</u> By Alexandria (from Fairfax & Arlington)	Alexandria Patients Transported by Arlington & Fairfax	38	202	371	389	361

Fee increases in Alexandria are not expected to materially impact insurance premiums, since ambulance transport represents only a small fraction of total medical costs. In addition, the proposed fees are based on Medicare’s fee schedule and are much lower, and therefore have less of an influence, than (higher) rates charged for ambulance transport by private ambulance service providers.

Financial Impact of Fees on Patients. *The proposed fee structure, including revenue increases from insurance company payments, co-pay write-offs, and higher fees for non-residents actually tends to export the burden of the fee away from Alexandria residents.* The proposed Alexandria fee structure, strategically beginning at \$300 for BLS service, is slightly above the current Medicare allowable of \$281.32.² To maximize revenues, fees must be above the Medicare allowable fee, and the proposed fees for ALS-1 and ALS-2 service meet this criterion.

Although fees for ambulance service will be higher, most residents will pay less (out of pocket after insurance reimbursement and waiver of co-pays) for ambulance transport under the proposed fee structure (\$300 BLS, \$400 ALS1, and \$550 ALS2) than the current fee structure (\$200 for residents and \$250 for non-residents).

Chart 3 shows how the proposed three-tiered fee structure will increase revenues for the city while minimizing out-of-pocket expenses for most Alexandria residents. The chart compares the impact of the current \$200 non-resident fee with the proposed \$400 ALS2 fee, since the majority of transported patients are residents and receive ALS service under the current fee and would be ALS1 patients under the proposed fee structure.

² Allowable amounts for ambulance transport are referenced in Medicare’s National Fee Schedule.

Chart 3: Fee Revenue

	Current Fee Fiscal Impact Alexandria Resident (\$200)		Proposed Fee Fiscal Impact Alexandria Resident (\$400)	
	<u>Paid by Insurer</u>	<u>Paid by Resident</u>	<u>Paid by Insurer</u>	<u>Paid by Resident</u>
Medicare	\$160	\$40	\$320	WRITE OFF
Insurance Covers 100%	\$200	\$0	\$400	\$0
Insurance Covers 80%	\$160	\$40	\$320	WRITE OFF
Medicaid	\$75	\$0	\$75	\$0
Self-pay	\$0	\$200 (OR WAIVE)	\$0	\$400 (OR WAIVE)

During FY 2005, the City collected less than 28% of fees billed to self-pay patients, and this collection rate is expected to decline if the proposed three-tiered fee structure is approved for FY 2007 and beyond. Patients who could afford a \$200 fee may not be able to afford a \$550 fee or even a \$300 fee. When self-pay patients are uninsured and unable to pay, fee waivers or payment plans, with no interest and no penalties, will be available upon request and handled with each patient on an individual basis.

The ordinance provides that for Alexandria indigent and uninsured persons transported that income eligibility will be determined either by INOVA Alexandria Hospital or by using Level 1 of the eligibility scale used by the Health Department.

FISCAL IMPACT: The FY 2007 Approved Budget includes an estimated total of \$1.1 million in General Fund revenues from ambulance transport fees, which represents an increase of \$700,000 from FY 2006 projected revenue. Staff's estimate for FY 2007 assumes a delay in payments at the new fee rates by insurers, or a longer time frame for insurers to approve higher rates. After the first year, however, revenues are expected to increase to \$1.2 million if the collection rate remains at 55%. Attachment 1 provides additional details on the revenue impact.

In addition, due to higher revenues, expenditures to cover the cost of the ambulance billing contractor will increase from \$99,099 to approximately \$112,200. To cover this additional contractual cost, \$13,101 was added to the Fire Department's FY 2007 approved operating budget. An attachment provides additional detail on the FY 2005 experiences of the City in collecting revenues for ambulance billings under current rates and practices and the anticipated revenue projections for FY 2007 and FY 2008.

ATTACHMENTS:

- Attachment 1. Revenue Impact Calculations
- Attachment 2. Proposed Ordinance

STAFF:

Bruce Johnson, Director, Office of Management and Budget

Gary Mesaris, Fire Chief

Vince Whitmore, Assistant Fire Chief

Virginia Lester, Fiscal Officer, Fire Department

Michele Evans, Deputy City Manager

REVENUE IMPACT CALCULATIONS

To establish a baseline, Chart 4 also summarizes ambulance fees billed and collected for each type of payer during FY 2005, based on information provided by the City's contractor for ambulance billing and collection, ADPI³. The collection rates vary by source of payment due to the maximum amounts reimbursed by the different insurance providers. The data provide important information about the patients who are receiving the service and about the contractor's performance. First, 75.5% of patients transported were covered by some type of insurance, and the largest percentage were covered by Medicare (31%) and Private Insurance (28%). Also, 524 patients, or 7.7%, were non-billable (patients' addresses were not found), which reveals that ADPI found addresses and sent invoices to over 92% of patients transported by Alexandria's ambulances.

Chart 4. REVENUES COLLECTED—FY 2005
Resident and Non-resident Transports

<u>PAYER</u>	<u>PATIENT TRANSPORTS</u>	<u>INVOICED</u>	<u>REVENUE COLLECTED</u>	<u>PERCENTAGE COLLECTED BY PAYER</u>
Private Insurance	1,880	\$407,300	\$242,836	77.3%
Insurance Co-Pay			72,000	
Medicare	2,105	432,250	237,177	68.3%
Medicare Co-Pay			58,000	
Medicaid	735	151,550	23,198	15.3%
Self Pay	1,533	329,900	92,105	27.9%
Non-Billables	<u>524</u>	<u>111,050</u>	<u>0</u>	<u>0%</u>
TOTALS	6,777	\$1,432,050	\$725,316	50.6%
	COLLECTION RATES	Accounts Receivable:	50.6%	
		Billable Collection Rate:	54.9%	

Contractual fees are based on annual revenues collected: 14% up to \$300,001, 12% from 300,000-\$600,000, 9% from \$600,001-\$900,000, and 7% from \$900,001 and over.

The lowest collection percentage among the payors was by Medicaid, which is due to a reimbursement rate of only \$75 per transport (the rate is low because patients are transported, on average, just 2.5 miles). Finally, the self-pay collection percentage, shown at 27.9%, is considered acceptable due to Alexandria's "soft-billing" approach (i.e., unpaid accounts are not sent to collection agencies). The burden on "self-pay" patients, however, cannot be clearly defined, since

³ On April 1, 2004, Advanced Data Processing, Inc. (ADPI) became the City's new contractor for ambulance billing and collections, a service contracted out by the Fire Department since FY 1988. Each day monies are collected through a lockbox in Alexandria and deposited into the City's General Fund, and each month ADPI submits an invoice to the Fire Department for providing this service. Under the contractual agreement, fees charged begin at 14% and decrease to 7% as revenues increased over the year. The contract also notes that if the Alexandria City Council were to increase transport fees, ADPI would be willing to renegotiate its fee and charge a lower percentage.

“self-pay” patients are those who pay their transport fees directly to the City and may subsequently seek reimbursement on their own from insurance companies. Over the years, using this “*soft-billing*” approach has allowed Alexandria to collect ambulance transport revenues and ensure that a person’s ability to pay is not a consideration when calling 911. Ambulance transport service in Alexandria is considered a fundamental government service that should not be compromised by ambulance transport billing practices.

Revenue Projections–FY 2007. The City’s estimated revenues for FY 2007 and FY 2008 are shown in Chart 5 with the proposed three-tiered rates broken down by type of service provided. Patient care reports document service and medications provided on EMS calls, and patients’ charges will be based on this information. As shown in Chart 5, Advance Life Support Service (ALS) is provided for 63% of EMS’s transports, a statistic also reflected in the FY 2007 budget. The majority of EMS service will be either BLS or ALS-1, while ALS-2 service is provided to the most seriously ill or critically injured patents, or to about 4% of the patients transported in Alexandria.

In addition to the medical-service fees shown below, adjustments were made for insurance co-pays, for the \$7.50 per-mile charge, and for transports provided to neighboring jurisdictions.

**Chart 5. AMBULANCE TRANSPORT REVENUES PROJECTED FOR FY 2007
Based on Fee Increases—\$300 for BLS, \$400 for ALS1, and \$550 for ALS2**

<u>PAYOR and TRANSPORTS (Estimated)</u>	<u>Service Provided</u>	<u>Est. PERCENTAGE of TRANSPORTS by Service Provided</u>	<u>NUMBER OF TRANSPORTS (Estimated)</u>	<u>ESTIMATED REVENUES</u>	<u>TOTAL REVENUES PROJECTED--FY 2007</u>
Insurance 1,880	BLS	37.0%	696	\$260,850	
	ALS1	59.0%	1,109	\$415,950	
	ALS2	4.0%	75	\$28,200	
				Sub-total	\$705,000
Medicaid 735	BLS	37.0%	272	\$101,981	
	ALS1	59.0%	434	\$162,619	
	ALS2	4.0%	29	\$11,025	
				Sub-total	\$275,625
Medicare 2,105	BLS	37.0%	729	\$273,476	
	ALS1	59.0%	1,163	\$436,084	
	ALS2	4.0%	79	\$29,565	
				Sub-total	\$739,125
Self-Pay 1,533	BLS	37.0%	355	\$133,200	
	ALS1	59.0%	566	\$212,400	
	ALS2	4.0%	38	\$14,400	
				Sub-total	<u>\$360,000</u>
Non-Billables <u>524</u>					
Total 6,777				Accounts Billable (to Patients)	\$2,079,750
				Adjustment: Billables Collected @ 54.9%	\$1,141,783
				Less: Co-pay Write-off – Residents Only	-\$130,000
				Add in: Mileage @ \$7.50 Per Mile	\$127,000
				Add In: Revenues from Arlington & Fairfax	<u>\$92,000</u>
				EST. REVENUE – FY 2008	\$1,230,783
				EST. REVENUE – FY 2007	
				Estimated Contractual Fees	(\$112,200)

Introduction and first reading:	05/09/06
Public hearing:	05/20/06
Second reading and enactment:	05/23/06

INFORMATION ON PROPOSED ORDINANCE

Title

AN ORDINANCE to amend and reordain Section 3-2-131 (IMPOSITION; EXCEPTIONS) of Article J (SERVICE CHARGE FOR CITY AMBULANCE SERVICE), Chapter 2 (TAXATION), Title 3 (FINANCE, TAXATION AND PROCUREMENT) of The Code of the City of Alexandria, Virginia, 1981, as amended.

Summary

This ordinance amends the city code section governing fees that may be charged for ambulance transports, in order to make the city's charges identical to the fees being charged by surrounding jurisdictions in Northern Virginia. Currently, the city charges \$200 per transport for city residents and \$250 per transport for non-residents, regardless of the level of service provided. In addition, the city imposes a mileage charge of \$.50 per mile. Under the new fee structure imposed by the ordinance, the City will charge \$300 per basic life support transport, \$400 per advanced life support (level 1) transport and \$550 per advanced life support (level 2) transport. In addition, the city will charge a flat \$7.50 mileage charge.

Sponsor

Staff

Deputy Chief Vince Whitmore, Alexandria Fire Department
George McAndrews, Assistant City Attorney

Authority

§ 2.07, Alexandria City Charter

Estimated Costs of Implementation

None

Attachments in Addition to Proposed Ordinance and its Attachments (if any)

None

ORDINANCE NO. _____

1
2
3 AN ORDINANCE to amend and reordain Section 3-2-131 (IMPOSITION; EXCEPTIONS) of
4 Article J (SERVICE CHARGE FOR CITY AMBULANCE SERVICE), Chapter 2
5 (TAXATION), Title 3 (FINANCE, TAXATION AND PROCUREMENT) of The Code of
6 the City of Alexandria, Virginia, 1981, as amended.

7
8 THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

9
10 Section 1. That Section 3-2-131 of The Code of the City of Alexandria, Virginia,
11 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

12
13 Sec. 3-2-131 Imposition; exceptions.

14
15 (a) The following words and phrases, when used in this section, shall have the meanings
16 set out below:

17
18 (1) Basic Life Support (BLS): Medical treatment rendered to, or procedures
19 performed upon, a patient as defined by the "National Emergency Medicine Services Education
20 and Practice Blueprint" for the medic – basic (EMT-Basic).

21
22 (2) Advanced Life Support, Level 1 (ALS-1): Medical treatment rendered to, or
23 procedures performed upon, a patient beyond the scope of an EMT-Basic level, as defined by the
24 National Emergency Medicine Services Education and Practice Blueprint.

25
26 (3) Advanced Life Support, Level 2 (ALS-2): Advanced life support treatment
27 rendered to a patient that includes one or more of the following medical procedures:

- 28
29 (A) defibrillation/cardioversion,
30 (B) endotracheal intubation,
31 (C) cardiac pacing,
32 (D) chest decompression,
33 (E) intraosseous line, or
34 (F) the administration of three or more medications.

35
36 (4) Ground Transport Mileage (GTM): Distance traveled, measured in statute
37 miles, from the location of the incident to a hospital or other facility to which a patient is
38 transported.

39
40 (b) Except as hereinafter provided, there is hereby imposed a service charge of \$200
41 \$300 per BLS transport, \$400 per ALS-1 transport, \$550 per ALS-2 transport, plus a GTM
42 charge of \$7.50, for persons who are residents of the city, and \$250 per transport for persons who
43 are not residents of the city, plus fifty cents (\$0.50) per mile each way for each mile or fraction
44 thereof operated outside the corporate limits of the city; on each person being who is transported
45 by ambulance service by the emergency medical services division of the City of Alexandria Fire
46 Department. The funds received shall be paid into the general fund of the city to aid in defraying
47 the cost of providing such service.

1 (c) No charge shall be imposed on persons in the following instances:

2
3 (1) Persons in the custody of the police department or the office of the sheriff of
4 the city;

5
6 (2) Persons determined to be medically indigent according to (i) the eligibility
7 determination made by the hospital to which the person is transported, or (ii) Level A of the
8 income level scales established by the health department of social services of the city for the
9 purpose of determining eligibility for health services;

10
11 (3) ~~Persons confined in the police department lockup or the correctional center of the~~
12 city Victims of violent crime, as identified by the commonwealth's attorney for the city;

13
14 (4) Persons affected by fire, flood, storm, natural or man-made calamity or disaster, or by
15 widespread public disturbance or disorder when ~~the rescue squad~~ an emergency rescue vehicle of
16 the city responds as a matter of policy without call;

17
18 (5) City of Alexandria employees who become ill or are injured during working hours
19 while carrying out work-related duties; or

20
21 (6) ~~Persons transported pursuant to the City of Alexandria's no-charge mutual aid~~
22 agreement with the Counties of Fairfax and Arlington Children eighteen (18) years of age or
23 younger who require emergency medical service and transport while attending school or a
24 school-related activity.

25
26 Section 2. That this ordinance shall become effective July 1, 2006.

27
28 WILLIAM D. EUILLE
29 Mayor

30 Introduction: 05/09/06
31 First Reading: 05/09/06
32 Publication:
33 Public Hearing:
34 Second Reading:
35 Final Passage:
36

37
38 N.B. Underlining is not part of the ordinance but denotes material that is new or
39 amended. Strike-outs or dashes are not part of the ordinance but denote
40 material that is being deleted.
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