

CITY OF PHILADELPHIA PENNSYLVANIA

OFFICE OF THE CONTROLLER

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PHILADELPHIA FIRE DEPARTMENT

Analysis of Collectability of
Ambulance Fees

March 2012



City Controller
ALAN BUTKOVITZ



CITY OF PHILADELPHIA

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ALAN BUTKOVITZ
City Controller

May 1, 2012

Mr. Lloyd Ayers, Commissioner
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240 Spring Garden Street
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Pursuant to Section 6-400(d) of the Home Rule Charter, the Financial and Policy Analysis Division of the City Controller's Office performed an updated analysis of the collectability of charges to individuals that have used the City of Philadelphia's 9-1-1 emergency medical care services (ambulance care). A synopsis of the results of our work is provided in the executive summary to the report.

Our analysis gave rise to a number of recommendations that, if implemented by management, will improve the collectability of ambulance care billings.

We would like to express our thanks to you and your staff for the courtesy and cooperation displayed toward us during the conduct of our work.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Alan Butkovitz".

ALAN BUTKOVITZ
City Controller

cc: Honorable Michael A. Nutter, Mayor
Honorable Darrell L. Clarke, President
and Honorable Members of City Council
Members of the Mayor's Cabinet



Philadelphia Fire Department

Analysis of Collectability of Ambulance Fees

Executive Summary

Why The Controller's Office Conducted The Analysis

Pursuant to Section 6-400 (d) of the Philadelphia Home Rule Charter, the City Controller's Office performed an analysis of the Philadelphia Fire Department's (PFD) charges for emergency medical services (EMS) with the objective of ascertaining whether the collectability of amounts billed has improved since January 2008, the last date we analyzed such charges. As part of this project, the City Controller's Office also desired to follow up on the implementation status of previously made recommendations involving ambulance charges.

What The Controller's Office Found

The PFD revised ambulance fees, but still collects less than 20 percent of the amount it charges for the service. Of \$179.7 million in gross EMS charges for fiscal year 2011, the PFD collected only \$34 million. A higher collection rate, coupled with a portion of the collected amounts being dedicated to EMS operations could improve the department's significantly underfunded operation. More resources could be devoted to acquiring additional ambulances and upgrading 9-1-1 technology. The city's 9-1-1 EMS response times to emergency medical calls in Philadelphia continues to take significantly longer than a nationally recognized response-time rate of under 9 minutes.

Three significant obstacles impede the PFD's ability to increase collectability of its EMS charges. These include:

- low Medicaid and Medicare reimbursement rates for ambulance services;
- inaccurate and incomplete billing information on file about transported patients; and
- an existing agreement with Independence Blue Cross (IBC) that reimburses the city for ambulance services at amounts only equal to Medicare rates.

To the degree the PFD can increase collections of EMS charges and to the extent that revenues generated from these charges become dedicated to the department's EMS operations, the PFD's mission of delivering high quality, pre-hospital emergency medical care and transportation will be better accomplished.

What The Controller's Office Recommends

Some of the more significant recommendations we are making include: 1) lobbying State and Federal legislators to increase Medicaid and Medicare reimbursement rates; 2) reviewing procedures to improve the accuracy of data collected for billing purposes; and 3) renegotiating the city's agreement with IBC to permit reimbursements for ambulance services at higher rates. These and other recommendations can be found in the body of the report.

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INTRODUCTION

BACKGROUND

In recent years, the Philadelphia City Controller's Office has performed two audits of the Philadelphia Fire Department's (PFD) 9-1-1 Emergency Medical Services (EMS) Program.¹ Our first audit, issued in December 2007, disclosed that ambulance response times² in Philadelphia were significantly slow — only 59.8 percent of ambulance runs occurred in less than nine minutes, as compared to a widely recognized gauge for measuring ambulance response time to medical emergencies, which recommends that response times be accomplished in under nine minutes for 90 percent of the ambulance runs.

The December 2007 audit report indicated that despite the commendable efforts of the PFD's EMS staff to respond timely, the system was overburdened, the result of too few transport capable ambulance units to handle the steady increase in demand. Compounding the high demand for services, and among many of the identified issues impacting response time, the department lacked technology that prioritized emergencies and could locate the nearest appropriate ambulance to respond to a request for emergency care. Deeply troubling and perhaps one of the most significant root causes for the department's poor response was that its resources had not kept pace with its changing needs. Between fiscal years 1999 and 2006 EMS runs per 100,000 citizens increased 52 percent, while fire runs per 100,000 citizens for the same period decreased by about 20 percent. Despite the change in service demand, on average 84 percent of the PFD's resources were committed to its fire-fighting operations, while only 16 percent were devoted to EMS services.

The December 2007 audit report provided the PFD with nineteen recommendations, which we believe will improve ambulance response times if implemented. However, a follow-up audit³ of EMS revealed that since the date of the original audit report, only two of those nineteen recommendations had been implemented or partially implemented. Moreover, ambulance response times had only marginally improved, and the demand for EMS ambulance care remained excessively high.

In response to the original December 2007 audit findings, as well as to the tragic death of Debra Payne who died during a one hour and forty minute wait for an ambulance to arrive at her home in the early morning hours on January 1, 2008, the Financial and Policy Analysis Division of the City Controller's Office conducted an analysis of a significant source for potential funding of the PFD's EMS Program — charges for ambulance usage and care. The findings of that analysis prompted City Controller Alan Butkovitz to issue a press release on ways that the PFD and the city administration could increase revenues for EMS related activities and help reduce the time it takes for ambulance units to arrive at the scene of emergencies.

¹ See the Controller's Office report titled Emergency Medical Services, Strained Resources Creating Major Impediments to Quick Response Time, December 2007; and Emergency Medical Services, Implementation Status of December 2007 Recommendations.

² Ambulance response time represents the time an emergency call is received at the 9-1-1 call center to the time an ambulance arrives on scene.

³ See the Controller's Office report titled Emergency Medical Services, Implementation Status of December 2007 Recommendations.

The Financial and Policy Analysis Division focused on three principal areas pertaining to charges for ambulance usage and care. These included: rates billed, collections, and reimbursements.

Rates Charged

In terms of charges for EMS services, analysts found that a number of comparable cities such as Pittsburgh, Miami, Phoenix, Cincinnati, San Francisco, and Boston all charged higher rates for ambulance care than did Philadelphia. In addition, most other cities examined charged a higher rate for mileage than did Philadelphia and were also charging for additional services such as extrication using the “Jaws of Life”.

Analysts noted that service charges varied significantly among jurisdictions and were affected by a variety of factors, including geographic and demographic peculiarities. Of nine cities surveyed, Philadelphia fell in the middle for charges per ambulance run. Philadelphia was the only city that did not charge a higher fee for advanced life support (ALS) services than for basic life support (BLS) services.

Additionally, the Financial and Policy Analysis Division observed that for a two-year period examined, the PFD failed to bill over 13,000 patients for the EMS provided to them. At the time of the analysis, it was unclear why these 13,000 patients were not billed for the services. According to the PFD’s records, for fiscal year 2006 alone, \$4.7 million had not been billed.

Collections

Analysts of the Financial and Policy Analysis Division also found that of the \$60.7 million⁴ that the PFD did bill in fiscal year 2006, it collected only 41 percent. This rate equaled Cincinnati’s and San Francisco’s collection rates, outpaced Baltimore’s by more than 13 percent, but lagged significantly behind Phoenix’s 71 percent collection rate. In fact, since fiscal year 2000, according to the PFD’s records over \$125 million in billings had been uncollected.

Reimbursements

Analysts also found that reimbursement amounts for the services rendered ranged from accepting the Medicare reimbursement rate in Florida to charging patients the full rate as done in Boston. Their inquiries revealed that Philadelphia had an agreement with Independence Blue Cross (IBC) that capped reimbursements to the city at the current Medicare rates. In addition, rates of \$200 for ALS service, \$120 for BLS services, and \$2 for each mile traveled were dictated by the Commonwealth of Pennsylvania as reimbursable amounts under Medicaid.

Of additional significance, analysts noted that for the last eighteen years, Philadelphia had contracted with Affiliated Computer Systems – State and Local Solutions Inc. (ACS) to bill and collect the city’s EMS charges. ACS received a flat 15 percent collection fee on all revenue collected with a maximum payment to ACS not to exceed \$4 million annually.

⁴ This sum represents net billings after allowances for unbilled amounts.

To increase the return on EMS charges and generate substantial added revenue, which in turn would enable the PFD to acquire additional ambulances and improve its 9-1-1 technology, analysts of the Financial and Policy Analysis Division made recommendations to the department and city administration that included:

- increasing the EMS rates and fees to better reflect industry-wide rates;
- lobbying the State legislature to increase the Medicaid reimbursement rate;
- revising or eliminating the agreement with IBC to allow the city to bill and be reimbursed for the fully chargeable rate, allowing for variables such as those individuals who have Blue Cross, but whose coverage does not include ambulance services;
- increasing efforts to collect amounts not paid by third party reimbursements;
- adding to billings the ancillary charges for extrication, road closings and clean-up;
- opening the third party billing contract to a competitive bidding process;
- restructuring the third party billing contract to add incentives for increased collection rates; and
- providing an incentive to maximize billing and collection efforts by establishing a dedicated PFD funding source using fees collected for emergency-related services instead of designating such fees to the city's general fund.

The City Controller's Office undertook this current analysis with the objective of ascertaining whether collectability of amounts charged for EMS services had improved since January 2008. In examining the current collectability of charged amounts, the Controller's Office also updated the implementation status of previous recommendations made to the PFD.

FINDINGS AND RECOMMENDATIONS

OPPORTUNITIES EXIST TO COLLECT MORE REVENUE FROM AMBULANCE FEES

Although there has been progress regarding fees charged to users of ambulance services provided by the PFD, the department collects less than 20 percent of the amount it charges for the services. Of \$179.7 million in gross EMS charges for fiscal year 2011, the PFD collected only \$34 million. Collecting a higher percentage of the amounts charged and dedicating a portion of the collected amounts to PFD's EMS operations, would go a long way toward improving the department's underfunded EMS operations. More resources could be devoted to acquiring additional ambulances and upgrading 9-1-1 technology, for instance. A recent City Controller's Office audit of the city's 9-1-1 EMS system again found that response time to emergency medical calls in Philadelphia continued to take significantly longer than a nationally recognized response-time rate of under 9 minutes.

Three significant obstacles impede the PFD's ability to increase collectability on its EMS charges. These obstacles include:

- low Medicaid and Medicare reimbursement rates for ambulance services;
- inaccurate and incomplete billing information on file about transported patients; and
- an existing agreement with Blue Cross that reimburses the city for ambulance services at amounts only equal to Medicare rates in effect at the time of the service.

In our opinion, to the degree the PFD can increase collections of EMS charges and to the extent that revenues generated from these charges become dedicated to the department's EMS operations, the PFD's mission of delivering high quality, pre-hospital emergency medical care and transportation will be better accomplished.

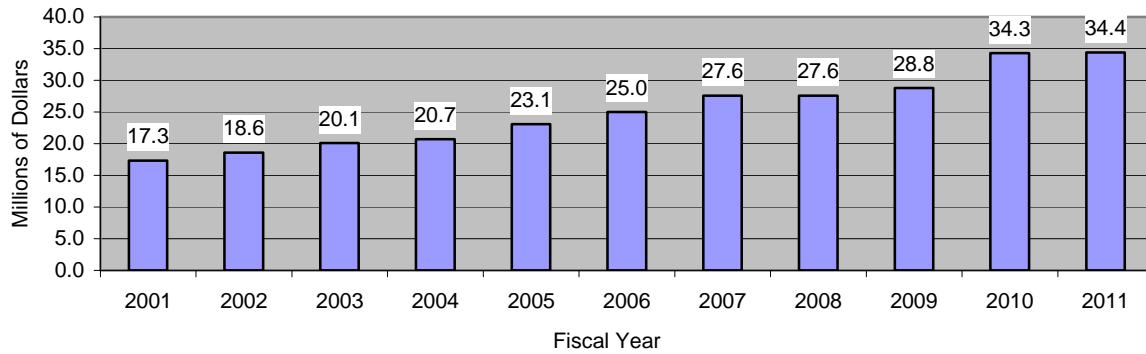
Some Positive Aspects About EMS Charges

There are a few positive features about the PFD's EMS charges that are worth noting. For instance, revenues from EMS charges have been increasing steadily. From fiscal year 2001 through 2011, for example, EMS revenues doubled — from \$17.3 million to \$34.4 million as shown in Figure 1 on the next page. Prior to charging for ambulance use, which began in the mid 1980's, the cost of providing the service was subsidized wholly with general fund tax dollars.

Despite the increase in revenues, however, the PFD reaps no specific direct benefit from these user fees. The fees are simply commingled with other general revenues to support appropriations for all city services. As such, the PFD has been unable to use any of the revenues to fund its EMS program, which a recent City Controller's Office audit report indicated was still struggling because of strained resources.⁵

⁵ See the City Controller's Office audit report titled Emergency Medical Services, Implementation Status of December 2007 Recommendations.

Figure 1: Steady Growth in Philadelphia EMS Revenues



Prepared by Office of the City Controller, Fiscal and Policy Analysis Division based on information provided by the PFD

A second positive aspect about the PFD’s EMS charges is that in response to our last analysis in 2008, the department increased rates for transport services. Whereas the PFD previously charged \$505 for both BLS services and ALS services, beginning in fiscal year 2010 the department increased fees to \$950 and \$1,050, respectively. Records indicate that when the rates were increased in fiscal year 2010, the PFD (and thus the city) experienced a \$5.5 million increase in EMS revenues

Philadelphia’s rate for transport services increased nearly 100 percent and better reflected the industry standards. Table 1 below shows that Philadelphia rates are now towards the upper end of the scale when compared to other cities across the country.

Table 1: Philadelphia’s Ambulance Fees Compared With Other Similar Cities

City	ALS Service ^a	BLS Service	Mileage (rate per mile)	Ancillary Service ^b
Washington, DC	\$508/735	\$428	\$6.55	Included in ambulance fees
Baltimore	\$600	\$420	\$6.74	\$25 - \$80
Pittsburgh	\$650/\$700	\$500	\$10.00	\$35 - \$70 ^c
Miami	\$600/\$800	\$500	\$15.00	\$30 each item
Cincinnati ^d	\$750/\$950	\$1,500/\$1,700	\$12.00	Included in ambulance fees
Phoenix	\$807	\$719	\$16.73	At Cost
Houston	\$1,000	\$1,000	—	\$.49-\$150
Philadelphia	\$1,050	\$950	\$10.00	\$40 - \$80
San Francisco ^e	\$1,642	\$1,642	\$31.00	\$23.00
Boston	\$1,375/\$1,870	\$935	\$11.55	Included in ambulance fees

^a Washington, DC, Pittsburgh, Miami, and Boston provide two levels of ALS services depending on the needs of the caller.

^b Ancillary services include, but are not limited to, oxygen, IV’s, injections and cervical collars.

^c Pittsburgh also charges \$350 for an extra attendant and \$700 if extrication is needed.

^d Different rates applied to residents and non-residents.

^e San Francisco has tied increases to their ambulance charges to changes in the Medical Consumer Price Index. San Francisco charges \$365 per call for treatment without transportation. This is the only city of those surveyed that levies this type of charge. In addition, by ordinance EMS can raise its fees without any further legislative action.

Prepared by Office of the City Controller, Financial and Policy Analysis Division based on information provided by EMS operations in the PFD and each city.

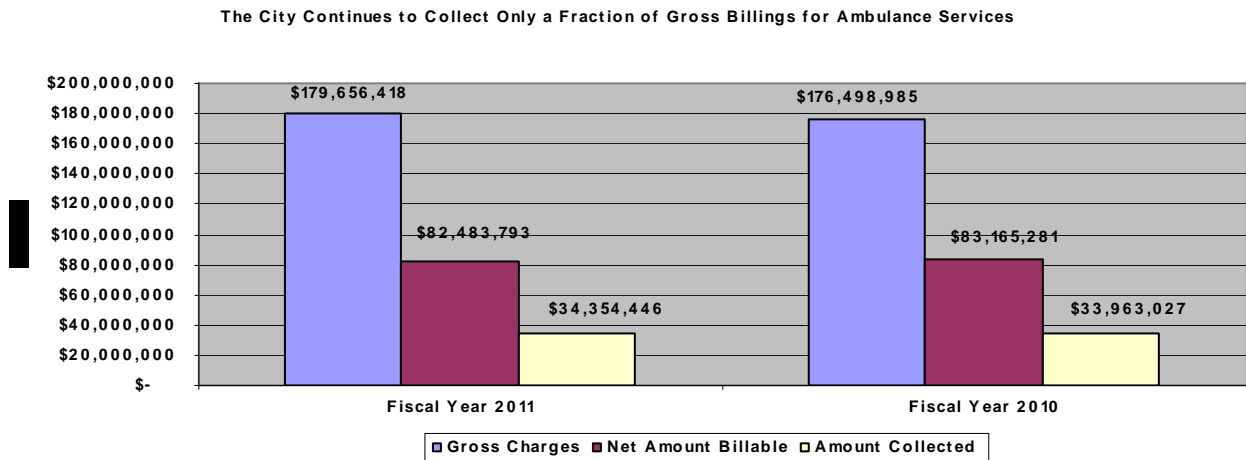
However, unlike Pittsburgh, Philadelphia still does not charge users for extrication. Neither does it differentiate between the fees charged to residents and those charged to non-residents such as the case in Cincinnati, Ohio.

A final positive point to be made about Philadelphia’s EMS charges is that in response to the Controller’s Office recommendation that the PFD open the third party billing contract to a competitive bidding process; the department did so. On Friday November 11, 2011, after having posted a request for proposals on the city’s *e-contract* website, the PFD announced its intent to award the EMS billing contract to another firm. We are encouraged by this action, as we believe competition for such services can lead to more economical and effective collection efforts. We are also hopeful that the newly awarded billing contract will be structured in a way that incentivizes the collection effort by the third party billing agent.

Significant Factors Impeding Higher Collectability of EMS Charges

As shown in Figure 2 below, Philadelphia continues to collect only a fraction of the charges for ambulance services. Of the fiscal year 2011 gross EMS charges that totaled \$179.7 million, for example, records show that the department collected only \$34.4 million. This equates to a collection rate of only 19 percent. A similar collection rate occurred for fiscal year 2010.

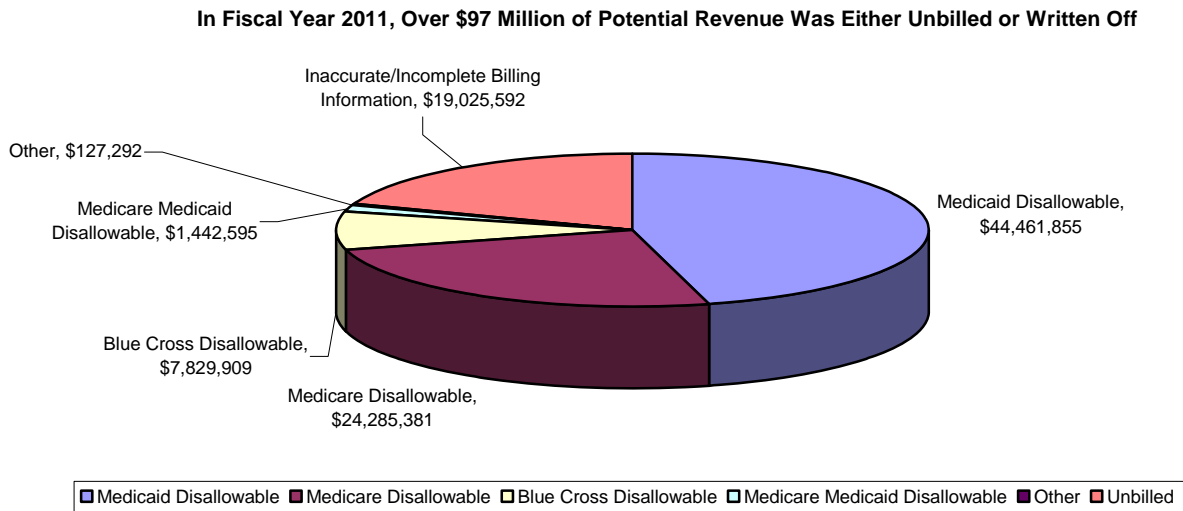
Figure 2: EMS User Fee Collections – Fiscal Years 2011 and 2010



Prepared by Office of the City Controller, Financial and Policy Analysis Division based on information provided by ACS

Of significant importance, our analysis showed that there is wide disparity between the PFD’s gross charges and the net amounts billed to users of the department’s EMS. For instance, of the \$179.7 million gross EMS charges for fiscal year 2011, only \$82.5 million (net amount billable) had the potential to be collected. The PFD either wrote off or was unable to bill \$97 million worth of services. While the reasons for the write-offs or unbilled accounts were numerous, our work focused on the three principal causes. These included: 1) low Medicaid and Medicare reimbursement rates for ambulance services; 2) inaccurate or incomplete billing information on file about transported patients; and 3) an existing agreement with IBC that reimburses the city for ambulance services at amounts equal only to Medicare rates. Each of these causes is discussed below, and Figure 3 depicts the dollar impact of the issues.

Figure 3: Fiscal Year 2011 EMS User Fee Write-Offs and Unbilled Amounts



Other represents write-offs or unbilled amounts pertaining to a variety of miscellaneous items such as billing errors and / or charges to crime victims, incarcerated individuals, and military personnel.

Prepared by Office of the City Controller, Fiscal and Policy Analysis Division based on information provided by the PFD

Low State Medicaid and Federal Medicare Reimbursement Rates

State Medicaid limitations on the reimbursement for ambulance services have a devastating effect on the city’s ability to collect anywhere near what is charged. For instance, while the PFD’s charge for ALS and BLS services are \$1,050 and \$950 respectively, under Medicaid regulations the city, by law, is mandated to accept only the Medicaid reimbursement amounts of \$200 for an ALS run and \$120 for a BLS run. Thus for every ALS run, the department can expect to receive only 19¢ on the dollar and for BLS runs, only about 13¢ on the dollar. Reimbursement limits are also placed on other charges such as mileage and ancillary services.

Compounding the limitations, by law, the PFD cannot actively pursue the unreimbursed amounts from users. As a result, during fiscal year 2011 the PFD wrote off nearly \$44.5 million in potential revenue collections, or nearly 25 percent of the gross charges.

Similarly, the federal government’s Medicare program also places a dollar limit on reimbursements for ambulance services. For fiscal year 2011, the cap for ALS runs was \$628 and for BLS runs it was \$365.⁶ Like its state counterpart, Medicare also places reimbursement limits on mileage and ancillary services. Collectively, these capped amounts caused the PFD to write off \$24.3 million for the year. Of the capped amounts, Medicare will reimburse the PFD 80 percent of the charge leaving the remaining 20 percent as the responsibility of the patient.

⁶ Federal Medicare rates are adjusted annually.

The PFD, through ACS, bills patients for the 20 percent remainder of the charges. It will dun patients up to five times before writing off the account balances that remain uncollected. However, neither the department nor ACS could provide us with data about who had paid and how much of this 20 percent amount was collected from patients. Without such data, it is impractical to determine whether more aggressive collection efforts are required, especially for patients financially capable of paying the remaining 20 percent of the charges.

Finally, with respect to Medicaid and Medicare, there are instances when a patient may have both Medicaid and Medicare coverage. In those instances, the PFD can only be reimbursed by one of the programs, and the remaining unpaid balance is written off. For fiscal year 2011, the PFD wrote off \$1.4 million worth of these accounts.

Inaccurate and Incomplete Billing Information

During fiscal year 2011, the PFD was forced to write-off another \$19.0 million in EMS billings because of inaccurate and incomplete information on file about transported patients. This sum represented close to 20,000 accounts. Our work for this analysis did not extend to reviewing PFD procedures for collecting information about patients that paramedics and emergency medical technicians collect during EMS transport runs. However anecdotal information collected during our analysis suggests that there may be a number of reasons for the inaccurate and incomplete information. For instance, EMS personnel may:

- fail to ask or obtain the patient's medical insurance cards, making it more difficult to collect the allowable amounts;
- obtain inaccurate or incomplete information about the patient billing addresses; or
- erroneously enter inaccurate billing data into their mobile data transmitters.

There may be any number of reasons that information about EMS patients is incomplete. However, the sum of \$19.0 million is significant — over 10 percent of the gross charges for fiscal year 2011 — and PFD management needs to study and ascertain the chief reasons so that it can develop a corrective action plan that will minimize write-offs due to inaccurate and incomplete billing information.

Blue Cross Agreement

The third significant obstacle impeding the PFD's ability to collect EMS charges is the department's negotiated agreement with IBC. Unlike Boston, MA, where city EMS officials have negotiated a full rate reimbursement for ambulance service, the PFD has agreed with IBC to receive maximum reimbursements equivalent to the current Medicare rates in place at the time the service is rendered. As mentioned on the previous page, during fiscal year 2011 the amount was \$628 for ALS runs and \$365 for BLS runs. These amounts were significantly less than the actual rates charged to users, which were \$1,050 and \$950 for ALS and BLS runs, respectively. Due to these capped amounts, the PFD wrote off another \$7.8 million in charges.

Conclusion

Past audit reports issued by the City Controller's Office on the PFD's response to medical emergencies have shown that the department's response to significant numbers of 9-1-1 calls is

too slow. In recent years, there have been several reported instances of individuals dying while waiting for an ambulance in Philadelphia. And while the City Controller's Office has made numerous suggestions for improving the PFD's EMS system, little has changed since we first reported on the subject in a December 2007 audit report.⁷

While there are many reasons for the PFD's overall slow EMS response — increasing demand for medical transports, too many non-emergency calls, and a shortage of ambulances and paramedics, to name a few — the root cause is that despite a change in needed services (firefighting services have declined, while EMS have increased), the budgeted dollars have continued to remain skewed towards firefighting. There remains an inverse correlation between funding and workload. Although EMS incidents account for 82 percent of the PFD's workload, dollars dedicated to EMS represent just 16 percent of the department's total budget, while firefighting accounts for 84 percent.

One solution that the City Controller's Office believes will help improve the city's EMS response time rests with dedicating a portion of ambulance service charges to fund appropriations of the PFD's EMS operation. These charges have climbed steadily over the past ten years; and, as demand for EMS service continues to grow, so too will the revenues. To the extent that EMS user charges can be dedicated to EMS operations, and to the extent that collections on these charges can be increased, the PFD's mission of delivering high quality, pre-hospital emergency medical care and transportation can be better accomplished.

Recommendations:

We recommend that the PFD management, with the support of the administration, take the following actions:

- Lobby State and Federal legislators to increase Medicaid and Medicare reimbursement rates. Although Federal Medicare reimbursement rates are adjusted upward annually, State Medicaid reimbursement rate have not increased since the early 1990's.
- Review procedures for collecting patient billing data during EMS runs to determine why patient information is inaccurate or missing. Develop a corrective action plan to address the conditions.
- Renegotiate the agreement with IBC to permit reimbursements for ambulance service at higher rates.
- Consider charging EMS users for ancillary services such as extrication, fire equipment, and highway cleanup. Also consider the merits of charging non-residents higher user fees.
- Consider more aggressive collection efforts for amounts not paid through third party reimbursements, especially for users that are more financially able to pay.

⁷ See the City Controller's Office audit report titled Emergency Medical Services, Implementation Status of December 2007 Recommendations