



ORANGE COUNTY FIRE AUTHORITY

ADVANCE LIFE SUPPORT (ALS) / MEDICAL SUPPLIES FISCAL YEAR 2013/14 PROPOSED RATES



**Orange County
Emergency Medical Care Committee (EMCC)**

**Presented By:
Jim Ruane, OCFA Finance Manager / Auditor
Bill Lockhart, OCFA EMS Battalion Chief**

June 28, 2013

OCFA Emergency 9-1-1 Providers





OCFA Advance Life Support (ALS) / Medical Supplies Fiscal Year 2013/14 Proposed Rates Table of Contents

List of Documents

Attachment

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Note: Upon approval by the Orange County Board of Supervisors, rates would be effective the following day.



FACT SHEET
OCFA ADVANCE LIFE SUPPORT (ALS) / MEDICAL SUPPLIES
FISCAL YEAR 2013/14 PROPOSED RATES



Annual Rate Increase:

As provided for in the 2004 and 2009 OCFA 9-1-1 emergency ambulance contracts, the maximum OCFA ALS billing and medical supplies reimbursement rates are updated annually for increases in costs, not to exceed the percentage increase in the Basic Life Support (BLS). For Fiscal Year 2013/14, the Orange County Emergency Medical Services Agency (OCEMSA) is proposing an increase of 2%. Additionally, the increase cannot exceed the cost of providing services.

OCFA's Paramedic Program Marginal Cost:

The following costs are included with the paramedic program marginal cost calculation:

- OCFA Emergency Medical Services (EMS) Section salary and employee benefit costs, OCFA Paramedic pay, and OCFA support staff costs.
- OCFA EMS Section services and supplies, and the auditing costs associated with the annual 9-1-1 contract compliance reviews and billing operations
- Purchase and maintenance of OCFA paramedic vans
- Maintenance and replacement of OCFA EMS equipment (including defibrillators)

Current and Proposed Rates (in addition to the BLS Rate):

Maximum Rates	OCFA Current	OCEMSA Proposed*	Change
ALS billing rate <i>(Requires approval by OC Board of Supervisors)</i>	\$379.75	\$387.35	\$7.60
OCFA maximum paramedic reimbursement rate <i>(Requires approval by OCFA Board of Directors)</i>	\$269.00, included with ALS Billing Rate above.	\$274.38	\$5.38
OCFA Medical Supplies reimbursement rate <i>(Requires approval by OC Board of Supervisors)</i>	\$30.05, included in Base BLS Rate	\$30.65	\$0.60

*Based on 2% increment in BLS rate

Validation of Rates:

OCFA validated the proposed rates through the following:

- A marginal cost recovery methodology was approved by the OCFA Board of Directors in 2004 and it is consistent with the Board approved fee study methodology. The proposed rates reflect adjustments based on current fiscal year's contractual required costs.
- Requested OCFA's Financial Auditors, Lance Soll & Lunghard, to review the Maximum ALS Rates and the OCFA Maximum Paramedic Reimbursement Rates. The calculated reimbursement rates did not exceed the OCFA's costs of providing the services.
- OCFA staff also compared the proposed maximum ALS billing rate to the rates of surrounding counties. The proposed maximum ALS rate appeared to be reasonable in comparison to those jurisdictions.

OCFA PROPOSED MAXIMUM ADVANCED LIFE SUPPORT (ALS) AND MEDICAL SUPPLIES RATES CALCULATIONS FOR FISCAL YEAR 2013/14

Background

Maximum Billing Rates

The County of Orange establishes the maximum county-wide billing rates for Advanced Life Support (ALS) and Basic Life Support (BLS) services. The Ambulance Association of Orange County presents the BLS rates and OCFA presents the ALS and medical supplies rates to the County's Emergency Medical Care Committee (EMCC). The Committee is comprised of members from the public, representatives from the County Board of Supervisors and various healthcare providers throughout Orange County. The EMCC reviews the rates and provides comments and recommendations to the EMS Staff to include in the report to the Board of Supervisors.

Since 2004, the rates have been updated annually at public hearings by the Orange County Board of Supervisors. The maximum billings rates are the maximum amounts that ambulance providers can charge patients for 9-1-1 emergency transportation services.

Reimbursement Rates

The County's Emergency Medical Services (EMS) Division determined that the OCFA's reimbursement (not billing) rates are specific to the OCFA and should not be combined with the countywide maximum billing rate. The County determined that any updates to the OCFA's paramedic and medical supplies reimbursement rates should be approved by the OCFA's Board of Directors, while the County will continue to determine the maximum emergency 9-1-1 ambulance transportation billing rates each year. The OCFA contracts with ambulance providers to establish the rates at which the OCFA will be reimbursed for paramedic services and medical supplies. Under the terms of the existing 2004 and 2009 9-1-1 Emergency Ambulance Contracts, those rates may be updated annually and are limited by the following:

- Reimbursement rates cannot exceed the OCFA's actual cost of providing the services.
- Reimbursement rates are limited by the annual percentage increase in the BLS maximum emergency 9-1-1 transportation billing rate as approved by the Orange County Board of Supervisors.

Methodology

Current and Proposed Reimbursement Rates (in addition to the BLS Rate):

Maximum Rates	OCFA Current	OCEMS Proposed*	Change
ALS billing rate <i>(Requires approval by OC Board of Supervisors)</i>	\$379.75	\$387.35	\$7.60
OCFA maximum paramedic reimbursement rate <i>(Requires approval by OCFA Board of Directors)</i>	\$269.00, included with ALS Billing Rate above.	\$274.38	\$5.38
OCFA Medical Supplies reimbursement rate <i>(Requires approval by OC Board of Supervisors)</i>	\$30.05, included in Base BLS Rate	\$30.65	\$0.60

*Based on 2% increment in BLS rate and rounded to the nearest quarter

Note: Maximum rates are subject to contractual caps (Medical/Medicare)

Maximum ALS and BLS Billing Rates

The maximum county-wide billing rates that ambulance providers can charge patients for 9-1-1 emergency transportation services are established by the County.

OCFA's Paramedic Program Marginal Cost

The following costs are included with the paramedic program marginal cost calculation:

- OCFA Emergency Medical Services (EMS) Section salary and employee benefit costs, OCFA Paramedic pay, and OCFA support staff costs
- OCFA EMS Section services and supplies, and annual auditing costs of ambulance provider records and billing operations
- Purchase and maintenance of OCFA paramedic vans
- Maintenance and replacement of OCFA EMS equipment (including defibrillators)

Maximum OCFA ALS and BLS (Medical Supplies) Reimbursement Rate

The ambulance providers reimburse a portion of the ALS and BLS charges to OCFA. The calculation of the maximum ALS reimbursement rate was based on the following costs:

- Marginal costs of the OCFA's paramedic program - additional direct costs to the OCFA in administering and providing its paramedic program
- Ambulance provider administrative and collection costs
- The cost calculation for the proposed update to the fee is based on OCFA's estimated costs and transports for fiscal year 2013/14.

Validation

OCFA validated the proposed maximum ALS reimbursement rate through the following:

- A marginal cost recovery methodology was approved by the OCFA Board of Directors in 2004 and it is consistent with the Board approved fee study methodology. The proposed rates reflect adjustments determined in an update based on current fiscal year data.
- Requested OCFA's Financial Auditors, Lance Soll & Lunghard, to review Maximum ALS Rates and the OCFA Maximum Paramedic Reimbursement Rates. The calculated reimbursement rates did not appear to exceed the OCFA's costs of providing the services.
- OCFA staff also compared the proposed maximum ALS reimbursement rate to the rates of surrounding counties. The proposed maximum ALS reimbursement rate appeared to be reasonable in comparison to those jurisdictions.

Cost Summary**OCFA PARAMEDIC ALS SERVICES****FY 2013/14 Proposed***Salaries and Employee Benefits:*

EMS Section – Direct	\$ 1,148,771
Paramedic pay	7,292,588
Support staff	62,439
Subtotal	8,503,798

Services and Supplies:

EMS Section – Direct	159,240
Auditing costs – Ambulance providers	25,000
Legal/quality assurance/ administrative costs	40,000
Subtotal	224,240

Equipment Replacement Costs

547,857

Subtotal – OCFA Salary & Employee Benefits, Services and Supplies, and Equipment Costs

9,275,895

Vehicle Costs:

Maintenance & Fuel	112,235
Replacement	431,540
Subtotal	543,775

TOTAL ALS COSTS

\$9,819,670

Estimated Annual ALS Transports

33,451

ESTIMATED OCFA ALS MARGINAL COSTS PER TRANSPORT**\$446.60 (1)**

PROPOSED OCFA MAXIMUM ALS REIMBURSEMENT RATE	\$274.38	(maximum allowable based on contractual limits)
2004 and 2009 Contractual factor for 9-1-1 ambulance provider administrative and collection costs	\$112.92	(2)
MAXIMUM ALS BILLING RATE	\$387.35	#
TOTAL OCFA ALS FULL COST PER TRANSPORT	\$559.52	(1) + (2)
TOTAL BLS SUPPLY COSTS	\$1,805,636	
Estimated Annual BLS Transports	48,391	
ESTIMATED OCFA BLS COSTS PER TRANSPORT	\$37.31	
MAXIMUM MEDICAL SUPPLIES RATE	\$30.65	(maximum allowable based on contractual limits)

Difference due to rounding and to be consistent with HCA rate sheet.

The proposed updated marginal ALS paramedic reimbursement rate is limited to the percentage increase in the BLS Base Rate set by the Orange County Board of Supervisors and cannot exceed the cost of providing the services. The BLS Base Rate increase for FY 2013/14 has been proposed as 2%. The County's proposed 2013-14 ALS rate for OCFA is \$387.35 representing an increase of 2%.

In order to recover OCFA's marginal cost, the reimbursement rate takes into account the various payer mixes, maximum Medi-Cal reimbursement rates, and maximum allowable ALS Medicare reimbursement rates. OCFA's reimbursement rates are tiered based on the payer mix and are contractually set. The 2013 ALS paramedic reimbursement rate for Medicare patients (estimated 11,528 transports) will be approximately \$76.25 per transport.

No ALS paramedic reimbursements will be made for Medi-Cal and other qualified "zero-pay patient" exemptions. All other transports (estimated 19,790 transports) will be reimbursed at the \$274.38 ALS paramedic reimbursement rate. The tiered rate structure is anticipated to recover a portion of the OCFA marginal paramedic program costs. **Not all marginal costs will be recovered** due to contractual agreements with Buena Park, San Clemente, Westminster and various mutual aid agreements, in addition to costs not fully covered due to limitations in the tiered rate structure and due to restrictions on the maximum annual increases.

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INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

Jim Ruane, Finance Manager/Auditor
Orange County Fire Authority
Irvine, California

The County of Orange ("County") establishes the maximum county-wide billing rates for Advanced Life Support ("ALS") and Basic Life Support ("BLS") services. Since 2004, the reimbursement rates have been updated annually at public hearings by the Orange County Board of Supervisors, in conjunction with the adoption of the County's maximum ALS and BLS billing rates. These rates are the maximum amounts that ambulance providers can charge patients for 911 emergency transportation services. The ambulance providers reimburse a portion of the ALS and BLS charges to the Orange County Fire Authority ("OCFA"). Each year, the OCFA calculates the ALS and BLS billing rates to be used for the forthcoming fiscal year. OCFA's paramedic and medical supplies reimbursement rates are approved by the OCFA Board of Directors at a public hearing.

We have performed the procedures enumerated below, which were agreed to by the management of the OCFA, solely to assist the OCFA in evaluating the ALS and BLS Cost Calculations (Calculations) for providing ALS and BLS services to ambulance companies. The calculations are to be used during the fiscal year ending June 30, 2014. The OCFA's management is responsible for the Calculations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the *American Institute of Certified Public Accountants*. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results of those procedures are as follows:

1. The County's Emergency Medical Services ("EMS") Division determined that the OCFA's reimbursement rates are specific to the OCFA and should not be combined with the countywide maximum billing rate. The County determined that any updates to the OCFA's paramedic and medical supplies reimbursement rates should be approved by the OCFA's Board of Directors, while the County will continue to determine the maximum emergency 911 ambulance transportation billing rates each year. The OCFA contracts with ambulance providers to establish the rates at which the OCFA will be reimbursed for paramedic services and medical supplies. Under the terms of the existing 911 Emergency Ambulance Contracts, those rates may be updated annually and are limited by the following:
 - Reimbursement rates cannot exceed the OCFA's actual cost of providing the services.
 - Reimbursement rates are limited by the annual percentage increase in the BLS maximum emergency 911 transportation billing rate as updated by the Orange County Board of Supervisors.



Jim Ruane, Finance Manager/Auditor
Orange County Fire Authority
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We obtained the ALS and BLS Cost Calculations to be used for the year ending June 30, 2014. We compared our understanding of the requirements of the Calculations to the formats used by the OCFA to calculate the billing rates.

Findings: We noted no exceptions as a result of our procedures.

2. The ALS Cost Calculation (Exhibit 1) included three sections: non-vehicle costs, vehicle costs and rate comparison. We obtained a copy of the proposed budget for the year ending June 30, 2014, to support certain costs in the non-vehicle section.

Non-vehicle costs reported in the ALS Cost Calculation included amounts for salaries and employee benefits (91.7%), services and supplies (2.4%), and equipment replacement costs (5.9%). For salaries and benefits, we compared those amounts reported on the Calculation to the OCFA's proposed budget for the fiscal year ending June 30, 2014. For services and supplies, we compared the amount reported on the Calculation for EMS Section - Direct to the budget. We noted that amounts reported for equipment replacement costs were for costs associated for cardiac defibrillators/monitors.

For the non-vehicle costs section, we recalculated the \$400.80 reported under the column "Cost per ALS Assessment Transport".

Findings: We noted no exceptions as a result of our procedures.

3. The vehicle costs section of the ALS Cost Calculation included amounts for maintenance and fuel costs and replacement costs.

The maintenance and fuel costs for the thirteen (13) paramedic vans ("vans") was calculated by taking the mileage driven for the year to arrive at the total mileage. The costs were then determined by taking the total mileage and multiplying it by the IRS 2012 mileage rate of \$0.555 to arrive at the maintenance and fuel costs for these vans. We compared the annual mileage reported to a paramedic van mileage log maintained by the OCFA. We ascertained the mathematical accuracy of the \$112,235 reported as maintenance and fuel costs.

The replacement cost was determined by taking the replacement cost of the fifteen (15) vans and dividing it by the estimated useful life of four years for each vehicle. We agreed the reported replacement costs to list of vehicles to be replaced. We ascertained the mathematical accuracy of the \$431,540 reported as replacement costs.

Findings: We noted no exceptions as a result of our procedures.

4. Reimbursement rates cannot exceed the OCFA's actual cost of providing the services. We compared the anticipated cost of OCFA providing these services of \$446.60 to the proposed OCFA ALS reimbursement rate of \$274.38.

Findings: We noted no exceptions as a result of our procedures.

5. The County establishes the maximum county-wide billing rates that ambulance providers can charge patients for 911 emergency transportation services. We compared the proposed County maximum ALS billing rate of \$387.30 to the proposed OCFA ALS reimbursement rate of \$274.38.

Findings: We noted no exceptions as a result of our procedures. The calculated reimbursement rate for ALS did not appear to exceed the OCFA's actual cost of providing the service.



Jim Ruane, Finance Manager/Auditor
Orange County Fire Authority
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6. The BLS Cost Calculation (Exhibit 2) included an amount for projected 13/14 BLS costs and a projection for the number of transports. It also included a comparison of the projected cost per transport to the maximum BLS billing rate allowed by the County.

For 13/14 BLS costs reported on the BLS Cost Calculation, we compared that amount to the OCFA's proposed budget for the fiscal year ending June 30, 2014. For the number of transports reported on the BLS Cost Calculation, we compared that number to an "Estimated Transports by Pay Category" worksheet prepared by the OCFA.

Findings: We noted no exceptions as a result of our procedures.

7. BLS reimbursement rates are limited by the annual percentage increase in the BLS maximum emergency 911 transportation billing rate as updated by the Orange County Board of Supervisors. That proposed maximum percentage increase of BLS Base Rate is 2.0% per year and the overall increase is 2.0% by the County.

We verified the mathematical accuracy of the cost per transport of \$37.31. We verified that the calculation of the maximum reimbursement rate of \$30.65 was mathematically correct. We verified that the cost per transport met or exceeded the maximum reimbursement rate calculated by the OCFA.

Findings: We noted no exceptions as a result of our procedures. The calculated reimbursement rate for BLS did not appear to exceed the OCFA's actual cost of providing the service.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to the OCFA.

This report is intended solely for the use of the OCFA's management and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purpose.

Brea, California
April 24, 2013

Exhibit 1

**Orange County Fire Authority
ALS and BLS Cost Calculation
For Fiscal Year 2013-14**

Prepared by the OCFA

	FY 2013-14 Proposed Budget	Cost per ALS Assessment/ Transport
Salaries and Employee Benefits:		
EMS Section - Direct	\$ 1,148,771	
Paramedic Pay	7,292,588	
Support Staff	62,439	
Subtotal	8,503,798	
Services and Supplies:		
EMS Section - Direct	159,240	
Auditing Costs - Ambulance Providers	25,000	
Legal/Quality Assurance/Admin Costs	40,000	
Subtotal	224,240	
Equipment Replacement Costs (Defibrillators)	547,857 *	
* annual replacement costs		
Subtotal - Non-Vehicle Costs	9,275,895	\$ 400.80 (1)
Vehicle Costs:		
Annual Mileage for 13 Paramedic Vans	202,226	
Average # of Miles per Vehicle	15,556	
Number of Operating Paramedic Vans	13	
Mileage Rate as Allowed by IRS (2012)	0.555	
Maintenance and Fuel Costs	112,235	
(Mileage for 13 Paramedic Vans x IRS Rate)		
Replacement - paramedic vans		
Per 09/10 - 11/12 Budget	1,726,160	
Estimated Life per Vehicle	4 years	
Replacement Cost	431,540	
Subtotal - Vehicle Costs	543,775	45.80 (2)
TOTAL COSTS	\$ 9,819,670	
OCFA ALS MARGINAL COSTS PER ASSESSMENT/ TRANSPORT		\$ 446.60
PROPOSED OCFA ALS REIMBURSEMENT RATE		\$ 274.38 (3)
Ambulance provider administrative and contractual write-off collection costs		112.92
PROPOSED MAXIMUM ALS BILLING RATE		\$ 387.30 (4)

- (1) Represents non-vehicle costs, net of \$879,014 (D-1) of Medicare recovery, prorated for the non-vehicle costs, divided by 21,072 (E-1 p.1) applicable ALS transports (billable non-Medicare transports, mutual aid transports and transports for Buena Park, San Clemente, Santa Ana, and Westminster)
- (2) Represents vehicle costs, net of \$48,676 (D-1) of Medicare recovery, prorated for the vehicle costs, divided by 10,809 (E-1 p.1) applicable ALS transports (billable non-Medicare transports and mutual aid transports). Transports in Buena Park, San Clemente, Santa Ana, and Westminster are excluded from this calculation because paramedic van services are not provided in these cities.
- (3) The proposed updated marginal ALS paramedic reimbursement rate is limited to the percentage increase in the BLS Base Rate set by the Orange County Board of Supervisors and cannot exceed the cost of providing the services. The BLS Base Rate increase for FY 2013-14 has been proposed as 2.0%. (F-2)
- (4) Proposed ALS Rate based on BLS increase of 2.0%

2013-14

2013 Medicare ALS1 Reimbursement Rate	\$ 76.25
Estimated # of Medicare Transports	11,528

Estimated Medicare Recovery Revenues	879,010
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Transports:

ALS Transports - Billable, non-Medicare and mutual aid transports, and transports for Buena Park, San Clemente, and Westminster	21,072
ALS Transports - Billable, non-Medicare transports, and mutual aid transports	10,809

**Orange County Fire Authority
Finance/Cost Accounting
Paramedic Program marginal cost
Medical Supplies Rates**

Exhibit 2

Prepared by the OCFA

		12/13		13/14		% increase	Max Reimb
		12/13 rate	% increase	BLS Base Rate	BLS Base Rate		
FY 13/14 costs:	\$ 1,805,636						
transports	<u>48,391</u>						
Per transport	<u>\$ 37.31</u>	\$ 30.05	24.17%	\$ 717.07	\$ 731.41	2.00%	\$30.65
Recoverable costs	\$ 1,141,785			Actual % of increase based on County's Proposed Rate			8.69%
Unrecoverable costs:							\$32.66
Mutual Aid	51,045			NOTE: The proposed updated marginal ALS paramedic reimbursement rate is limited to the percentage increase in the BLS Base Rate set by the Orange County Board of Supervisors and cannot exceed the cost of providing the services.			
Buena Park	118,943						
San Clemente	80,510						
Santa Ana	283,209						
Westminster	<u>130,137</u>						
Total	<u>1,805,629</u>						
Potential revenue	<u>1,141,785</u>						
Estimated subsidy	<u>\$ 663,844</u>						

	Emergency BLS Rate 2013	Emergency ALS Rate 2013
Santa Cruz	N/A	\$1,738.76
Santa Clara	N/A	\$1,149.35
San Mateo	N/A	\$1,905.69
El Dorado	N/A	\$1,299.14
Monterey	\$2,205.69	\$2,205.69
Butte	\$1,660.00	\$2,399.00
Alameda	\$1,650.26	\$1,650.26
San Luis Obispo	\$1,626.60	\$1,840.64
San Francisco	\$1,401.86	\$1,602.22
Santa Barbara	\$1,306.17	\$2,009.58
Stanislaus	\$1,202.07	\$1,742.49
Los Angeles	\$1,138.00	\$1,540.00
Merced	\$1,100.00	\$1,600.00
Shasta	\$1,028.01	\$1,529.45
San Joaquin	\$988.15	\$1,388.49
City of San Diego	\$971.00	\$1,275.00
Marin	\$931.29	\$1,290.88
Placer	\$890.34	\$1,599.14
Contra Costa*	\$885.99	\$1,424.88
Yolo	\$829.29	\$1,489.48
Ventura	\$829.29	\$1,588.00
Riverside	\$804.17	\$1,151.48
Solano	\$800.00	\$1,050.00
Sacramento	\$763.48	\$1,095.08
Orange	\$717.07	\$1,096.82
Sonoma	\$713.08	\$1,165.61
San Bernardino	\$702.36	\$1,221.34
Fresno	\$664.53	\$913.88
Kern	\$613.61	\$1,051.48
Tulare	\$609.13	\$1,091.33