

Thursday, June 9, 2005

Honorable Mayor and Members of
the Hermosa Beach City Council

Regular meeting of
June 14, 2005

AMBULANCE TRANSPORT PROGRAM

BACKGROUND

During 2004-05 budget deliberations, staff recommended that ambulance transport services be analyzed to determine if there were ways to increase fire service to the community without decreasing net income from the ambulance transport service we provide now. Preliminary analysis indicated that the City might be able to increase fire services by privatizing ambulance transport and shifting personnel to staffing of a second engine company for fire response. At its regularly scheduled meeting on December 14, 2004, Council directed staff to solicit proposals for private ambulance transport service.

There were two respondents to the request for proposals. We thank both Gerber Ambulance Service and Westmed Ambulance Inc. for delivering their proposals to us.

ANALYSIS

Both respondents essentially proposed identical "pass-through" monies using the maximum allowable Los Angeles County general public ambulance rates. Gerber Ambulance Service did further propose to collect from the City a 6% service fee plus postage costs beginning with the second year of the contract. Using our fiscal year of 2003/04 as a base for patient transports, it is estimated that approximately a net revenue of \$117,819 from a private provider could be realized by outsourcing the ambulance transport service.

Currently, the City bills non-residents \$561 and residents \$281 for ambulance transport. The City is indirectly subsidizing insurance companies by not billing the maximum rate payable by insurance coverage. The most recent draft User Fee Study recommends a charge of \$773 for all patient transports, resident and non-resident alike. Staff recommends the adoption of the new user fee. Staff also recommends that billing should be handled by a third-party billing firm. Both Manhattan Beach and El Segundo use a private billing company who is expert in the field, thereby increasing collections and increasing productivity by relieving

staff to do other work. Wittman Enterprise has advised that they will offer us the same rate as they do the City of El Segundo which is a 6.5% fee for billing services even though we have less annual transports. Wittman charges Manhattan Beach 7.5%.

Using the recommended user fee of \$773 for all patient transports and outsourcing the billing to a third-party, it is estimated that the City's own operated ambulance transport program would net approximately \$310,804 based on the fiscal year 2003/04.

Privatization of ambulance transport services would eliminate the need for the City to continue vehicle charges and maintenance costs on the ambulances, and elimination of the Reserve Firefighter Program could also be considered. These costs are \$66,862 annually which could be saved. Shifting of personnel to staff a second engine would result in promotions to Captain of three personnel with an added cost of \$34,553 for the first year. This analysis has shown that it is not cost effective to outsource the ambulance transport program and it is not recommended to do so.

The Firefighters' Association also approached Council at the December 14, 2004, meeting to consider the addition of 3 new positions of Firefighter/Paramedic to add staff to the fire department. A first year cost of \$284,346 was associated with these additions. It is not recommended to add the expense of new personnel at this time.

RECOMMENDATION

Staff recommends that Council:

- 1) Continue with the City's own ambulance transport program.
- 2) Increase the ambulance transportation billing rate to the recommended User Fee Study of \$773 for both residents and non-residents.
- 3) Authorize the purchase of two new ambulances.
- 4) Authorize the third-party billing services of Wittman Enterprises
- 5) Revisit additional staffing request after one full year of experience with new rates and billing services.

Respectfully submitted,

Concur:

Russell Tingley
Fire Chief

Stephen Burrell
City Manager

Viki Copeland
Finance Director

AMBULANCE SERVICES PROPOSAL

RESPONDENTS:

GERBER AMBULANCE SERVICE

\$328 pass-thru
23 supplies
\$351

407 x \$351 = \$142,857
276 x = (max. MediCare + supplies)
10 x 23 = 230 (supplies)

Gerber 2nd year less 6% fee
plus postage charges

Based on 03/04
693 total invoices:
407 other
276 MediCare
0 MediCal

WESTMED AMBULANCE, INC.

\$328 pass-thru
23 supplies
\$351

407 x \$351 = \$142,857
276 x 94 = 25,944 (max. MediCare + supplies)
10 x 23 = 230 (supplies)
\$169,031

Net collectible approx. \$117,819

Privatization of Ambulance Services:
Eliminate Reserve Firefighter Program \$41,000+
Savings on Ambulance Charges \$9746 x 2 = \$19,492
Savings on Ambulance Maintenance \$6370

Add cost to promote 3 Captains to staff E-12:
\$34,553 first year; \$56,981 third year

HBFD AMBULANCE TRANSPORT PROGRAM

407 x \$773 =	\$314,611	(recommended new user fee)
276 x 440 =	121,440	(avg. MediCare payment)
10 x 118 =	<u>1,180</u>	(MediCal)
	\$437,231	
	<u>-28,420</u>	(Wittman billing service charges of 6.5%)
	\$408,811	(gross invoices)

Wittman Enterprises advises an approx. collection rate of 68% which is applied to the 407 transports gross invoices, and a 79% collection rate applied to the MediCare and MediCal net invoices

HBFD Ambulance Transport Program net approx. \$310,804

Based on 03/04
693 total invoices:
407 other
276 MediCare
0 MediCal