

**EMS System Oversight Committee Meeting
April 24, 2008 (Reconvened from 4-15-08)
EOC Conference Center**

Members/Liaisons Present: Faye Barefoot, Tom Czaplinski (conference call), Jack Cote, Jimmy Garris, Kyle Willis, Chuck Owens, David Lusk, Ted Delbridge, MD, Jack White

Staff Present: JoAnne Burgdorff, Noel Lee, Scott Elliott, Melonie Bryan, Janis Gallagher, Phil Dickerson

Absent: Duane Holder, Juan March, M.D

Open: Chairman David Lusk called the meeting to order. The meeting from April 15 was recessed. Scott Elliott reported that he and the Management Team have talked with Mitch and his presentation should clear questions about the non-emergency services.

Mitch Babb distributed a handout, "Non-Emergency Service Financial Assumptions". See Below:

**Pitt County Emergency Management
Non-Emergency Service Financial Assumptions
Pitt County, North Carolina**

Several questions were asked regarding how existing non-emergency providers can potentially obtain a profit in non-emergency medical transportation, if the County cannot.

Reasons existing for-profit providers can potentially produce a positive profit margin in non-emergency medical transportation include the following:

1. Covered Cost

The for-profit non-emergency providers operate regional services which help off set the cost of providing services throughout their business, *including Pitt County*. Call volume in other counties help to reduce overall per call cost. Examples of costs that are spread out over the business operations include:

Billing and Collections Purchasing Human
Resources Training Legal Administration
Maintenance Accounting

2. Non-Emergency Business Model

For-profit non-emergency providers do not provide emergency services. This allows for increased efficiencies in scheduling since delays are often not critical. In turn this provides a considerably higher transport utilization ratio which results in a lower cost per transport and in-turn can potentially affect financial return.

3. Wage and Benefits

The assumption would be that a County operated non-emergency service would provide wages and benefits similar to other County employees. This approach is different from for-profit services where a varying degree of wage and benefit packages exist.

Committee members requested amplification and further explanation for the financial assumptions in the report. The assumptions and tables below will outline financial projections listed within the report.

A. Can the County compete with existing non-emergency ambulance providers?

1. *What would it take to obtain a 10% market penetration?*
 - Aggressive marketing strategy, supplemented with at least a 0.5 FTE (EMT minimum)
2. *How many vehicles are required to conduct a 10% penetration? (Based on an even distribution of call volume over a 24-hour period. Peek BLS call volume traditionally occurs Monday through Friday during the day. In the absence of peek call volume data, a detailed projection was unable to be determined. Greater than one ambulance would be necessary to meet peek demand.)*

10% penetration equals: 1,075 transports

 - Unit hours required to complete 10% volume: 3,359 unit hours (0.32 transport utilization)

Ambulance required: **equivalent of 1**
3. *What is the potential revenue?*
 - 10% market penetration: **\$276,326**
4. *What are the expenses?*

Unit hours required to complete 1,075 transports: 3,359 unit hours
1 staffed ambulance 24/7 requires: 8,760 unit hours/year
Fully loaded cost per unit hour: \$75.00
Projected expense: **approximately \$657,000**
5. *What would be the potential net profit/loss?*
 - Projected Revenue – Projected Expense = **approximately (-\$381,000) loss**

B. Could the County become the sole provider of non-emergency services?

1. *How many vehicles are required to conduct 10,750 transports? (Based on an even distribution of call volume over a 24-hour period. Peek BLS call volume traditionally occurs Monday through Friday during the day. In the absence of peek call volume data, a detailed projection was unable to be determined. Greater than five ambulances would be necessary to meet peek demand.)*

Transport Utilization of 0.30

Unit hours required to complete 10,750 transports: **equivalent of 4**
Additional ambulance for rotation: **approximately 1**
Total ambulances: **equivalent of 5**

Transport Utilization of 0.32

Unit hours required to complete 10,750 transports: **equivalent of 3.8**
Additional ambulance for rotation: **approximately 1**
Total ambulances: **equivalent of 4.8**

2. *What is the potential revenue?*
 - Based on Medicare and Medicaid allowable rates. Insurance and private pay are estimates based upon collection performance in similar markets:
Potential Revenue: **approximately \$2,763,258**
3. *What are the expenses?*

Transport Utilization of 0.30

Unit hours required to complete 10,750 transports: 35,833 unit hours

1 staffed ambulance 24/7 requires: 8,760 unit hours/year

Fully loaded cost per unit hour: \$75.00 Projected expense: **approximately \$2,687,475**

Transport Utilization of 0.32

Unit hours required to complete 10,750 transports: 33,593 unit hours

1 staffed ambulance 24/7 requires: 8,760 unit hours/year

Fully loaded cost per unit hour: \$75.00 Projected expense: **approximately \$2,519,475**

4. What would be the potential net profit/loss?

Transport Utilization of 0.30

- Projected Revenue – Projected Expense = **approximately \$75,000**

Transport Utilization of 0.32

- Projected Revenue – Projected Expense = **approximately \$243,727**

Table 1: Revenue Determination

Revenue was estimated for payers groups using the Medicare fee schedule and Medicaid rates. Insurance and private pay patients were estimated based upon collection performance for similar markets.

Payer Mix	Percentage of Payer Mix	Transports	Allowable or Charge	Mileage Allowable or Charge	Collection Percentage	Total Collections
		10,750		\$12.00		
Medicare	52%	5,590	\$226.69	\$77.04		1,697,851
Private Insurance	21%	2,258	\$300	\$99.60	90%	811,887
Medicaid	15%	1,613	\$72.19	\$37.08		176,198
Self Pay	12%	1,290	\$300	\$99.60	15%	77,323
						2,763,258

Table 2: Cost Determination (Recurring)

Expenses were estimated based upon a unit hour utilization of 0.30 and 0.32 transports per unit hour and fully loaded unit hour cost of \$75.00/unit hour.

0.30	
Transports	10,750
Unit Hour Utilization	0.30
Total Unit Hours Required	35,833
Cost/Unit Hour	\$75.00
Recurring Cost	\$2,687,475

0.32	
Transports	10,750
Unit Hour Utilization	0.32
Total Unit Hours Required	33,593
Cost/Unit Hour	\$75.00
Recurring Cost	\$2,519,475

Table 3: Start-Up Cost

5 Months Cash on Hand*	\$1,049,781
5 Ambulances**	\$600,000
Miscellaneous***	\$100,000
Total:	\$1,749,781

* 5 months cash on hand: $\$2,519,475/12 \text{ months} \times 5 \text{ months}$

** 5 Ambulances based on average BLS cost of \$100,000 each

*** Miscellaneous includes; legal fees, license, marketing, A/R set-up

Table 4: Equivalent Ambulances Required to Operate 10,750 Non-Emergency Incidents

0.30

Total Unit Hours Required*	35,833
Total Unit Hours/Year**	8,760
Equivalent Ambulances***	4.0
Additional Ambulance for Rotation****	1.0
Total Equivalent Ambulances	5.0

*Total Unit Hours Required: Total Transports 10,750/ 0.30 Unit Hour Utilization

** Total Unit Hours/Year: 24 hours * 365 days/year

*** Total Equivalent Ambulances: Total Unit Hours Required 35,833/8,760 Total Unit Hours/Year

**** Rotation includes: Maintenance, Unexpected events

0.32

Total Unit Hours Required*	33,593
Total Unit Hours/Year**	8,760
Equivalent Ambulances***	3.8
Additional Ambulance for Rotation****	1.0
Total Equivalent Ambulances	4.8

On page 33 of the report, it is stated that the risk of entering into the non-emergency ambulance market far outweigh the nominal financial benefit. In addition to the financial risk, other risks exist that should be strongly considered.

- Non-emergency medical transportation has a traditional higher denial rate
- Increased scrutiny from state and federal agencies. Examples include the repetitive transports such 3 times per week dialysis center trips, hospital discharges, and cancer treatment trips.
- The need for detailed documentation including the incorporation of documents such as ABN and PCS.
- Facility contracts with hospitals and nursing facilities

- o DRG Transports
- o Part A Skilled Nursing Facility
- The need for additional billing and collection and dispatch personnel to handle increase work load

FLOOR OPENED FOR QUESTIONS

Scott Elliott: On the .32 and .30 explain how you arrived at the utilization factor.

Mitch Babb: .32 is just under 1 transport every 3 hours.

David Lusk: I do not see billing and collections, HR, legal, purchasing, etc. as an additional cost as the county has some of these services in place. Is \$75/unit hour a true cost for a fully loaded system when these services are in place?

Melonie Bryan: On the E-side when you talk about a \$3.6 mil system it is actually more like \$4.6 mil by the time you add back in the services that are given to the system like Noel's supervision, financial services, etc. Social Services charge back for indirect costs. To determine the profitability of the business you would need to charge back to the system. Under a trust cost accounting system if you want to know the cost of a service, it is not just the direct costs, there are a lot of other factors that need to be considered.

Scott Elliott: Of the 5 non-e franchises there are a total of 28 ambulances. If 80-90% of call volume is between 7 a.m. – 8 p.m. do you truly have enough vehicles if you only have 5 vehicles? PATS does a lot of wheelchair calls. However there are 6,000-8,000 wheelchair transports that would have to be picked up in addition to the non-e transports.

Motion: Commissioner Garris made the motion to recommend to the County Commissioners that Pitt County does not get involved as a sole provider or competitor of non-emergency services. Kyle Willis seconded the motion. Motion passed. Tom Czaplijski-Abstained.

Scott Elliott: Staff went back and compared the report to the original Scope of Work on page 18 and agreed that Fitch had not answered the question, "What type of system would you recommend?" Fitch has agreed to do the Demand Utilization overlay and make recommendations. The questions will be added to the study and will be published in the final report.

List of questions have been entered into the minutes. (Reference the attached list of Questions and Answers.)

Scott Elliott: Recommend to let Fitch complete the emergency side of the report and then come back and meet with the committee. There will still have to be a joint meeting with the county commissioners.

Kyle Willis: Will there be more county funds spent on the additional information.

Scott Elliott: No, the additional information is still included in the original scope of work.

Faye Barefoot: What squads did not respond to the Information Data Request (IDR)?

Scott Elliott: Would it be better to have the names of the squads who did not respond noted in the minutes instead of in the final report. Mitch will report at the next meeting the names of the squads.

Ted Delbridge: In reference to my questions on page 7, is further information going to be included in the report? Mitch responded that the information will be in the final report.

Motion: Commissioner Jimmy Garris made the motion to adjourn the meeting. Jack Cote seconded the motion. Vote was unanimous.

Respectfully submitted,

Helen Bryant
Secretary