

FIRE DEPARTMENT

130 W. ST. PAUL AVENUE
WAUKESHA, WISCONSIN 53188-5172
TELEPHONE: (262) 524-3649 FAX: (262) 524-3670

Steven Howard, Acting Chief
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June 17, 2015

Mr. Joe Pieper, Chairman
Finance Committee
1011 W. Glenn Drive
Waukesha, WI 53188

**SUBJECT: APPROVAL OF EMS FEE INCREASE WITH THE ADOPTION
OF A SOFT COLLECTION POLICY FOR CITY RESIDENTS**

Dear Chairman Pieper:

At the May 12, 2015 Finance Committee Meeting, representatives of the Fire Department and Andres Medical Billing Services presented information regarding increasing our current EMS fees and implementing a soft collection policy for city residents.

The Department is now requesting that the Finance Committee and the Common Council approve the proposed fee increases included in Attachment #2 from the May 12, 2015 meeting, along with the implementation of a soft collection policy.

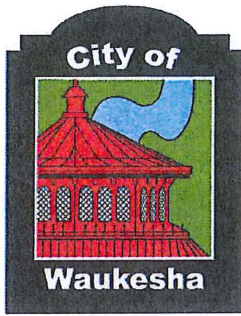
This item is being scheduled for the June 23, 2015 meeting. Representatives from the Fire Department and Finance Committee will be present to answer any questions and review the information presented on May 12, 2015.

Sincerely,

Steve Howard, Acting Chief

attachment





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May 4, 2015

Mr. Joe Pieper, Chairman
Finance Committee
1011 W. Glenn Drive
Waukesha, WI 53188

SUBJECT: CHANGES IN EMERGENCY MEDICAL SERVICES (EMS) COST RECOVERY & COLLECTION POLICY

Dear Chairman Pieper:

The Department is requesting that an item be placed on the May 12, 2015 agenda of the Finance Committee.

The Department would like to introduce for discussion to the Finance Committee a change in our billing rates. As our current structure is not affording us the ability to recoup the costs of delivering services, an adjustment would align our rates close to "reasonable and customary" charges that would be reimbursed by insurance companies. This would also create an opportunity to implement a "soft collection" policy for City residents. Ultimately, the increased revenue could be used to provide funding for unfunded Fire Department positions and would support the tax levy.

Fire Department and Finance Department staff has worked closely with Pat Mannix, the CEO of Andres Medical Billing Services, to evaluate revenue generated to offset the expenses associated with providing EMS to the community. This change in policy would allow us to maximize our reimbursements while eliminating out-of-pocket costs for City residents. Currently, the revenue generated is well below our actual costs associated with responding to medical emergencies. By implementing this adjustment, the City would still exceed its expenses.

Total budget 2215 Fire EMS*	\$2,293,564
Total payments received	\$1,346,223
Total projected payments	\$1,993,424
*Average Cost per trip	\$605
Current avg. payment per trip	\$355
Project avg. payment per trip	\$526

*This budget amount does not include: labor costs within Fire Suppression (2211) or Administration (2210), infrastructure costs (buildings, computers, software, purchase of vehicles, debt service office supplies...), EMS CIP expenditures, 9-1-1 dispatching, and support services from Finance Department, City Garage, Information Technology, Human Resources, or the City Attorney's office.



This matter is being presented at this time in order to allow the Department to prepare its 2016 operating budget request and revenue projections. The department is requesting an opportunity to begin the presentation with an overview of EMS provided to the community and the equipment utilized by the Fire Department to provide those services. The Department would then provide information regarding a proposed rate structure, projected revenue, and a modification of our current collection policies and practices.

"Soft Collection" Policy for City Residents

Since the implementation of billing for EMS in 1991, the City's elected officials have expressed a desire to implement a policy that would only collect reimbursements from insurance. This included the thought that city residents would not be responsible for deductibles and copays. This type of policy is commonly referred to as a soft collection policy. For the time period reviewed, City resident paid \$86,890 of out of pocket costs and uninsured residents paid \$29,865.

Based on information provided by past billing services, the Common Council was always provided with an explanation that this was not allowable due to Federal prohibitions on fraud and kickbacks. Interpretations from the Office of the Inspector General (OIG) of the U.S. Dept. of Health & Human Services stated that this type of policy would be in violation of Federal regulations. Several years back, the OIG issuing opinions that a municipality could differentiate collection policies for city residents versus non-residents and implement a policy where copays, deductibles and other charges not covered by a form of insurance was not pursued by the City. The rationale for this change in opinion was based on the fact that City residents support and pay for EMS through the payment of property taxes. This issue was researched by Assistant City Attorney Julie Gay.

A "soft collection" policy would only apply to city residents. Our billing company will only seek payments from primary and secondary insurance companies, Medicare and Medicaid. The payment of any deductibles or copays would not be pursued. City residents not covered by insurance would be required to provide basic demographic information and a statement documenting that they do not have insurance coverage for confirmation purposes. Non-city residents would still be required to pay our full rates, following our established billing and collection procedures. (It should be noted that the city does have a means to waive fees for persons with a true financial hardship. Due to the soft collection policy, the hardship process would only apply to non-city residents.)

Increasing Rates To "Reasonable & Customary" Charges

City staff has had ongoing meetings and discussions with Mr. Mannix regarding our rates, collection methods, patient demographics, and reimbursement sources. Using data collected from July 1, 2013 through June 30, 2014, it has been determined that our patients can be broadly classified into four categories. Medicare and/or Medicaid patients comprise 45.82% of our patients. Private insurance covered patients comprise 39.3% while 14.89% of our patients did not have insurance benefits and were responsible for paying their bill themselves (*please refer to Attachment #1*).

The reimbursement level the city is able to receive for patients covered by Medicare and Medicaid is limited to the following rates:

	<u>Medicare</u>	<u>Medicaid</u>
BLS	\$350.31	\$151.84
ALS 1	\$415.99	\$180.31
ALS 2	\$602.09	\$260.97

The reimbursement rate is periodically adjusted by the Federal Government and the City has no direct control of this rate. The City has no ability to increase the revenue.



Patients without insurance are a reality for all providers of EMS, despite the requirements of the Affordable Care Act. The gross charges for patients without insurance were \$478,000. Payments received from these patients totaled \$60,717, representing a collection rate of approximately 13%. An analysis of our reimbursements for these groups has shown that little, if nothing, can be done to increase payments from individuals covered by Medicare, Medicaid or from the uninsured.

For the time period analyzed, the average rate charged for services for residents and non-residents was approximately \$845, which is substantially below the reasonable and customary charges that would be reimbursed by insurance companies. Their analysis further demonstrates that our average rate could be increased to \$1,500 and still be within the reasonable and customary range for this area. Using our data from July 2013 through June 2014, and based on an average rate of \$1,500 (*please refer to Attachment #2 for proposed fees*), the City of Waukesha would have received an additional \$647,200 in payments, including the results of implementing a "soft collection" policy.

Increase in Reimbursements

If the Common Council decides to implement the proposed rate structure, a financial analysis shows the city would realize an increase of \$647,200 in payments. If the rates were increased on or about October 1, 2015, the Fire Department's revenue would reflect a total increase of \$500,000. If the rates were increased on January 1, 2016, the revenue would need to be decreased by approximately 20-25%, due to the 60-90 day lag time in the billing/payment process.

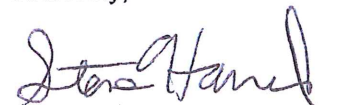
The \$647,200 increase in payments is based on our actual collections and payer mix from July 2013 through June 2014. Current activity continues to indicate modest increases in payments received. If the proposed rate adjustment and policy changes are approved, the Department would like to allocate a portion of the increased revenue to fund fire department positions currently unfunded.

The Department currently has three unfunded firefighting positions and one Chief Officer position. The increase in revenue would offset the salaries and benefits for reinstating these positions. Preliminary budget numbers have been developed; however, the issue is more complex due to the implications of levy caps and expenditure restraint legislation. It is the Department's intent to include funding in its 2016 proposed budget to replace the positions eliminated during previous budget cycles.

Pat Mannix of Andres Medical Billing Services and representatives from both the Fire Department and Finance Department will be present to introduce this item to the Finance Committee for discussion.

If you have any questions, please do not hesitate to contact me at 524-3649.

Sincerely,


Acting Chief Steve Howard

cc: Mayor Shawn Reilly
Kevin Lahner, City Administrator
Rich Abbott, Finance Director



Activity summary from 7-1-2013 to 6-30-2014

Resident

Payor	# Of Trips	% Of Trips	Gross Charges	WD's (contractual)	Net Charges	Rev Adj. (sent to collection)	Payments	Write Offs	Payment per trip
Medicare	1,231	32.49%	\$993,291.20	\$552,690.33	\$440,600.87	\$4,955.05	\$435,775.99	\$82.53	\$354.00
Medicaid	354	9.34%	\$286,732.80	\$22,132.86	\$64,599.94	\$103.96	\$64,269.73	\$226.25	\$181.55
Insurance	1,179	31.12%	\$961,991.20	\$377,275.91	\$584,715.29	\$64,539.36	\$511,118.38	\$8,074.25	\$433.52
Bill Patient	405	10.69%	\$318,196.80	\$3,205.41	\$314,991.39	\$251,114.60	\$29,865.11	\$31,080.64	\$73.74
Totals	3,169		\$2,560,212.00	\$955,304.51	\$1,404,907.49	\$320,712.97	\$1,041,029.21	\$39,463.67	

Non-Resident

Medicare	96	2.53%	\$101,232.00	\$64,699.92	\$36,532.08	\$382.33	\$35,710.92	\$350.67	\$371.99
Medicaid	55	1.45%	\$55,391.20	\$44,192.81	\$11,198.39	\$0.00	\$11,350.23	\$0.00	\$206.37
Insurance	310	8.18%	\$323,749.60	\$71,542.33	\$252,207.27	\$16,133.52	\$226,280.86	\$7,926.33	\$729.94
Bill Patient	159	4.20%	\$160,708.00	\$2,106.13	\$158,601.87	\$103,445.04	\$31,851.83	\$21,155.20	\$200.33
Totals	620		\$641,080.80	\$182,541.19	\$458,539.61	\$119,960.89	\$305,193.84	\$29,432.20	
TOTAL	3,789		\$3,201,292.80	\$1,137,845.70	\$1,863,447.10	\$440,673.86	\$1,346,223.05	\$68,895.87	
Avg. fee (res. and non-res)			\$844.89						

Projected summary using data from 7-1-13 to 6-30-14 and based on an average fee of \$1,500

Resident

Payor	# Of Trips	% Of Trips	Gross Charges	WD's (contractual)	Net Charges	Rev Adj. (sent to collection)	Payments	Write Offs	Payment per trip
Medicare	1,231	32.47%	\$1,846,500.00	\$1,405,899.13	\$440,600.87	\$0.00	\$435,775.99	\$4,824.88	\$354.00
Medicaid	354	9.34%	\$531,000.00	\$466,400.06	\$64,599.94	\$0.00	\$64,269.73	\$330.21	\$181.55
Insurance	1,179	32.00%	\$1,768,500.00	\$530,550.00	\$1,237,950.00	\$0.00	\$1,080,482.76	\$157,467.24	\$916.44
Bill Patient	405	10.68%	\$607,500.00	\$0.00	\$607,500.00	\$0.00	\$0.00	\$607,500.00	\$0.00
Totals	3,169		\$4,753,500.00	\$2,402,849.19	\$2,350,650.81	\$0.00	\$1,580,528.48	\$770,122.33	

Non-Resident

Medicare	96	2.53%	\$144,000.00	\$107,467.92	\$36,532.08	\$821.16	\$35,710.92	\$350.67	\$371.99
Medicaid	55	1.45%	\$82,500.00	\$71,301.61	\$11,198.39	\$0.00	\$11,350.23	\$0.00	\$206.37
Insurance	310	8.17%	\$465,000.00	\$93,000.00	\$372,000.00	\$47,318.40	\$324,681.60	\$9,300.00	\$1,047.36
Bill Patient	159	4.19%	\$238,500.00	\$4,212.26	\$234,287.74	\$193,135.00	\$41,152.74	\$35,143.16	\$258.82
Totals	620		\$930,000.00	\$275,981.79	\$654,018.21	\$241,274.56	\$412,895.49	\$44,793.83	
TOTAL	3,789		\$5,683,500.00	\$2,678,830.98	\$3,004,669.02	\$241,274.56	\$1,993,423.97	\$814,916.16	
Change form current billing rates			\$2,482,207.20	\$1,540,985.28	\$1,141,221.92	-\$199,399.30	\$647,200.92	\$746,020.29	

Ambulance Fees History/Comparison

Inception (1991) through Present

Attachment #2

Year	Non-resident						Resident					
	BLS	ALS	ALS2	No Treat/ No Transp	Mileage	Misc. Supplies	BLS	ALS	ALS2	No Treat/ No Transp	Mileage	Misc. Supplies
1991												
1994												
1996												
1999	\$425	\$450				\$25-\$28	\$200	\$225				\$25-\$28
2002	\$425	\$450				misc.	\$300	\$400				\$7 misc.
2005	\$510	\$590	\$770	\$300	\$8		\$375	\$500	\$650	\$300	\$8	
2009	\$610	\$700	\$850	\$300	\$12		\$475	\$600	\$750	\$300	\$12	
2010	\$800	\$900	\$975	\$300	\$14		\$593	\$712	\$845	\$300	\$14	
2012	\$850	\$950	\$1,100	\$300	\$20		\$650	\$760	\$925	\$300	\$20	
2013	\$900	\$1,000	\$1,200	\$300	\$24		\$700	\$800	\$1,000	\$300	\$24	
2015	\$945	\$1,050	\$1,260	\$300	\$25		\$735	\$840	\$1,050	\$150	\$25	
Proposed	\$1,400	\$1,600	\$1,800	\$300	\$25		\$1,400	\$1,600	\$1,800	\$0	\$25	

Note: 2009 adjustment effective 10/7/2009; 2010 adjustment effective 7/1/2010

Note: 2012 adjustment effective 9/1/2012; 2013 adjustment effective 3/1/2013 (approved by Council 8/7/2012)

Note: 2015 adjustment effective 1/1/2015

Timeline of Billing Companies

1991 - City of Waukesha

1994 - National EMS Billing

2002 - CPR

2003 - Diversified Ambulance Billing

2008 - Alexander Billing Consultants

2010 - Intermedix Technologies Inc. (purchased Alexander)

2012 - Andres Medical Billing