Industry Review & Update
The Patient Protection & Affordable Care Act & other factors

Presentation by

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February 6, 2013

To the

El Paso County

Emergency Services Agency Board

PPACA

Patient Protection & Affordable Care Act

- Regulatory detail still developing
- Out of 2,700 pages of the Act, “EMS” appears only four times
- By 2019:
  - 39 million newly insured – 43% Medicaid & 57% Insurance Exchange
  - **$716 Billion in Medicare Cuts**

Evolving **M**edical **S**ervices

EMS TODAY

- **Unscheduled care**
- **Episodic**
- **ALS – one level/style of care**
- **When in doubt or if patient wants – we transport**

EVOLVING

- **More predictable**
- **Continuum of care**
- **Matching response to need, conserving finite resources**
- **Transport when needed, treat at home for others**

Fiscal Cliff – Still Hanging

- Only delays the 2% across the board Medicare cuts until March 1, 2013
- Cuts Medicare reimbursement for BLS non-emergency services for End Stage Renal Disease patients by 10% in October
- Requires HHS to seriously look at getting cost data from ambulance services
- Could lead to future changes in the ambulance fee schedule

Anti-Kick Back Statue (AKS)

- Only one narrow ruling in 2004 regarding contracted ambulance firms paying money to a government subdivision in association with providing ambulance services
- “Franchise Fee” would most likely be illegal under the Statue
- Reimbursement for dispatching or paramedic labor used from a fire first responder most likely OK
  - Done for almost 30 years in Arizona jurisdictions with no legal action
  - Conservative approach is to pay Fire Department IF & ONLY IF ambulance firm is paid; that is, bad debt not collected cannot be paid – Fire Department is equally at risk with ambulance firm

More on AKS

- “Franchise fees” are highly likely to draw Medicare OIG legal action
- May tend to generate over-utilization of services
- OIG Advisory Opinion 04-10 focused on per call referral fees as only partial compensation for the FD’s costs in providing first response services and would not result in “overpaying” the FD.
- A logical extension of this would be to charge paramedic assistance/reimbursement fees that exceed the cost of providing that FD medic for the labor time used (using an average labor charge pertinent to that workforce).

AKS and PPACA

- PPACA seeks to contain or otherwise drive down costs, reduce duplication or overuse of services
- **PPACA seeks to deliver services smartly and avoid unnecessary hospital stays**
- PPACA may reshape parameters of interpretation of the AKS.
- **FD and ambulance providers may find some partnerships with hospitals to deliver treat and release care, but the "abundant cash" theorized by some that is available due to being in the ambulance transport business or otherwise shaping some type of paramedic reimbursement has a poor financial horizon.**

Assumptions

- Are consumers getting a good price for ambulance service? Published rates may create the myth there is a lot of cash to be made in ambulance work.

- While only in a few parts of the U.S. are the 9-1-1 payments required by state law to be made at full rate, many others may be discounted in volume with contracts with major insurance payers. The industry is governed, in part, by what insurance carriers, along with Medicare/Medicaid, deem reasonable.

Value to the consumer

- **Simply multiplying the full current transport rates by the number of calls and believing an ambulance provider is receiving all those gross revenue dollars is not reality.**
  - **Reality – ambulance firms may have discounted rate agreements with major insurance payers in return to get expedited payment, thus less income than the full-rate. This has implications for both private and public providers of ambulance services.**

Illustrative cost challenges

- **Personnel & operations costs – Fire based ambulance service is simply more expensive**
  - **On average, the cost of personnel and general supply/maintenance of a private ambulance firm 9-1-1 responder unit on a 24/7 schedule is about $500,000 annually, and may vary with regional labor and fuel costs**
  - **Fire Department personnel example – The Phoenix Fire Department reports an annual manpower cost alone for one of its 24/7 ALS rescue ambulances is currently more than $631,000**
    - **Today, more than half of all Phoenix Firefighters have less than 10 years of service; and the more junior employees staff ambulances, meaning the manpower costs in later years can rise**
    - **Using full-cost accounting, the cost of maintenance, fuel, supplies and future replacement cost drives the cost up closer to $750,000 annually for one ambulance**
  - **Practically all fire department ambulance services are integrated into fire suppression response, reducing availability for EMS calls for service**
    - **Due to the 2-in/2-out and general goal of the IAFF to have 4-person fire engine staffing, fire departments will not typically use an on-duty engine crew to co-staff an ambulance**
    - **More likely to hire a separate FF crew, with higher labor costs than a private sector crew, even one under a labor contract**

AKS and PPACA – End result

- Public and Private ambulance providers need to find ways to contribute to the solutions needed in patient care in conjunction with ACOs.
- The future of EMS may include more treat and release home health care service than just an emergency medical transportation service.
- Select future ambulance transports my go to urgent care rather than ER

Situation Status Report

- Even if physician cuts are prevented, Medicare spending will continue increasing to unsustainable levels
- Even with PPACA, Medicare pays smaller percentage of beneficiaries' total health spending (74%) than FEHBP (83%) and typical large employer plans (85%).
- No Medicare expansion anticipated
- Cuts in provider payments coming – look for a blending or averaging of Medicare & Medicaid
- No bad debt, but smaller payments for ambulance services

Situation Status Report (more)

- Experimentation to incentive better, more efficient care via **Accountable Care Organizations (ACA),** global payment initiatives and reducing hospital admissions
- **$10 billion now being spent over next decade for Centers for Medicare & Medicaid Innovation**

“Follow the costs”

- **Emergency care providers drive 60% of the costs of their patients**
- **No overarching control or direction in growth:**
  - ***EMS responses grow***
  - ***ED visits grow***
  - ***Trauma center patient numbers grow***

Inefficient expenditures

- Emergency Departments (ED) have high cost structure
- No lower acuity model
- Tremendous variation of care givers
- Episodic care
- ED issues will drive needed EMS changes

Field EMS

- Victims of success
- Studies suggest as much as 42% of EMS calls do NOT need ambulance service
- Encourages frequent users
- 40% of EMS ambulance providers are fire based
  - Inherent strategy is to layer responses, grow response systems to meet call demand by deploying overwhelming force to control problem

Squashing the myths of Frequent Users aka “frequent flyers”

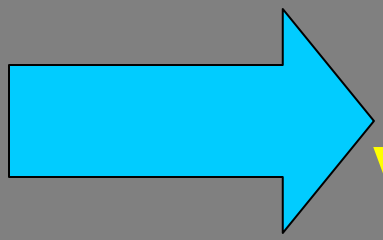
Frequent users comprise 4.5% to 8% of all ED patients, but account for 21% to 28% of all visits. Most frequent ED users are white and insured; public insurance is overrepresented.

Annals of Emergency Medicine, July 2010

What is changing

MOVING FROM

Fee Based



TO

Value Based

Value = Cost / Outcome

Needed for change in EMS

- Precise data driven model development
- Data collection electronically, from field encounter to ACO to hospital (if admitted) to discharge & follow-up – data systems have to match and/or integrate easily
- Cost Effective, Appropriate Utilization and Data Driven Outcome

Opportunity is knocking

- Go beyond “load & go” EMS
- More sophisticated concept of patient care outside the hospital, delivered to Mrs. Smith at her home, where she is most comfortable
- “EMS has a very important role as a provider of unscheduled care. This is our opportunity to identify the issues and parts of our practice that need to be reformed.”
  - *James J. Augustine, MD, FACEP, Director of Clinical Operations, Emergency Medicine Physicians, Canton, Ohio quoted in JEMS Oct. 2012 article*

Next for EPCO

- What works in El Paso County?
- Need extended conversation with ACOs – Hospital and EMS providers
- Find the gaps in transition care
- Money will be there to fill those gaps
- Go to providers with very specific findings/data and find where the benefits of evolving field solutions
- State law changes may be needed to allow ambulances to transport to urgent care for select patients

RFP or Renewal?

- **RFP Process – how long – 12-16 months**
  - **Need for finding data, discussions with ACOs, major health plan payers to define customer needs**
  - **Fed at the same time is running to fill in the blanks on rules and payments**
  - **2 months to RFP to retain consultant**
  - **3 months for study and talks**
  - **30-45 days for RFP development**
  - **30 days for approval & issue**
  - **60-90 days for response**
  - **45 days to read, evaluate and grade**
  - **45 days for parties to vote**
  - **30-60 days to negotiate contract and present to jurisdictions for final acceptance**

Is now a good time?

- *Augusta, Georgia considering putting their ambulance contract out to bid – the current provider is Gold Cross Ambulance*
- **"Given the changes in health care, it would be a prudent move at this time,"** *Frank Lindley, Gold Cross Chief Financial Officer commenting to WJBF TV 6 News Augusta on January 29, 2013, in response to their question about putting the contract back out to RFP now.*

Overall Observations

- **Overall assessment of ESA**
  - **Response time penalties – no large amounts being paid – system is generally working**
  - **Patient care – no significant problems found in medical control & review, no significant failures leading to compromise of patient quality of care**
  - **It is a good time to evolve the system**

Summary of changes in El Paso County since 2005

- Patient Protection and Affordable Care Act “Obamacare” is here
- More variations & models of ambulance service evolved by industry
- Multiple new national and regional ambulance service firms
- AMR and Rural/Metro went private
- Three licensed providers in El Paso County

Citations

- Gary Ludwig, Firehouse Column, Sep. 2012
- JEMS magazine, October 2012
- Emergency Medicine International Vol. 2012
- Solutions online journal, Buechner Institute for Governance, School of Public Affairs, University of Colorado, October 2012
- Annals of Emergency Medicine, July 2010
- European Journal of Emergency Medicine, June 2007
- Thanks to the:
  - *Arlington, Texas, Fire Department*
  - *Mesa, Arizona Fire & Medical Department*
  - *Tempe, Arizona Fire Department*
  - *Glendale, Arizona Fire Department*