

**SANTA BARBARA COUNTY  
BOARD AGENDA LETTER**



Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Agenda Number:**  
**Prepared on:** 11/24/04  
**Department Name:** Public Health  
**Department No.:** 041  
**Agenda Date:** 12/14/04  
**Placement:** Departmental  
**Estimate Time:** 60min  
**Continued Item:** YES  
**If Yes, date from:** 11/23/04

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**TO:** Board of Supervisors

**FROM:** Roger E. Heroux, Director  
Public Health Department

**STAFF CONTACT:** Nancy Lapolla, Director  
Emergency Medical Services Agency  
681-5274

**SUBJECT:** Contract for Advanced Life Support (ALS) Ambulance Services

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**Recommendation(s):**

That the Board of Supervisors:

- A. Execute the Contract with American Medical Response (AMR) for Advanced Life Support (ALS) ambulance services within the Santa Barbara County Exclusive Operating Area (Service Area 1) and the Lompoc Area (Service Area 2). The Contract Term is for seven years, commencing on January 1, 2005 through December 31, 2011 with the potential for two (2) three year extensions based upon performance.
- B. Authorize the Public Health Department to adjust the ambulance rates annually according to the provisions in the Contract allowing for such increases based on a blended Consumer Price Index (CPI) as well as additional increases to mitigate the impact of any reduction in reimbursement from Medicare for ambulance transportation.
- C. Authorize the Public Health Department to adjust the ambulance rate accordingly if/when a fire services subcontract is implemented.

**Alignment with Board Strategic Plan:**

The recommendation is primarily aligned with Goal No. 1. An Efficient Government Able to Respond Effectively to the Needs of the Community and Goal No. 2. A Safe and Healthy Community in Which to Live, Work, and Visit.

**Executive Summary and Discussion:**

**BACKGROUND**

At the direction of your Board on September 9, 2003, the Public Health Department convened a project team of EMS System participants and County departments to study the current EMS System, explore opportunities for system enhancement, and make recommendations to the EMS Agency on a new contract for ambulance services with the current provider, American Medical Response (AMR). The Project Team included

representation from Public Health, County Fire, County Fire Chiefs' Association, Sheriff, County Counsel, Purchasing, and the County Administrator's Office. (Attachment A)The Public Health Department retained the services of Chris Carlson, PhD, of the Carlson Group. Dr. Carlson's expertise of California EMS Systems enabled him to facilitate the project team and guide it with relevant scientific and legal data.

### **PERTINENT LEGAL AUTHORITY**

The local Emergency Medical Services (EMS) Agency is charged with the development, implementation and evaluation of local EMS systems, pursuant to the California Health and Safety Code, Division 2.5, Chapter 4, Sections 1797.204, 1797.206, 1797.281, 1997.222, and 1797.224. EMS Agencies may develop Exclusive Operating Areas (EOA) and shall contract for the provision of ambulance transportation services. Pursuant to the California Health & Safety Code, Div 2.5, Chapter 4, the authority for oversight of a County EMS System, including contracts for ambulance services, rests with the County through the local EMS Agency. The EMS Agency provides such oversight and the ultimate authority within the EMS System is the EMS Medical Director.

County Counsel concurred with the legality of extending the current ambulance services contract per California Health & Safety Code, Div 2.5, Chapter 4, Section 1797.224. This section stipulates that if the County suspends existing ambulance services or at its discretion decides to utilize an RFP process, then an RFP process must always be utilized in the future when the current contract expires or is otherwise terminated.

### **PROJECT TEAM PROCESS**

127 EMS stakeholders (see Attachment B) were invited to a kick-off meeting in September 2003 to explain the intended inclusive process and to solicit individuals to participate in a telephonic survey. Thirty-five stakeholders (city managers, physicians, nurses and other EMS providers) participated in the survey and provided feedback on strengths and weaknesses of the current emergency medical services system. Fire service agencies provided input through two fire service representatives on the Project Team and identified their improvement needs in a position paper submitted to the EMS Agency. The survey results were presented to the project team during its first meeting. The following represents the top three responses from each category:

<b><u>Strengths</u></b>	<b><u>Weaknesses</u></b>
System integration	The number of paramedics compared to the low volume of EMS calls cause challenges in maintaining clinical competency and expertise
Provider relationships	EMS Dispatch system
Single ambulance provider	Difficulty in obtaining Fire/EMS dispatch data

The Project Team reviewed the results of the survey and formulated mechanisms/options for system improvement through the ambulance contract. The EMS Agency closely evaluated the available Computer Aided Dispatch (CAD) data regarding geographical areas where AMR clearly meets response times and others where it remains a challenge. The project team met from October 2003 through September 2004. Over a 12-month period and in 10 meetings, the team reviewed:

- Stakeholder survey results
- Relevant scientific data regarding EMS System response times
- Clinical interventions that improve patient outcomes
- Existing service levels of dispatch
- Fire EMS services
- AMR ambulance transportation services

- Comparisons to benchmark counties on EMS performance and system costs
- Legal approaches to first responder compensation
- Other elements of system improvement

The project team identified the following opportunities for improvement:

1. Establish seven EMS response zone compliance areas for greater accountability of response times and more effective means of evaluating contract compliance (from one county-wide EMS response zone currently).
2. Allow AMR to subcontract for Advanced Life Support (ALS) First Response with a county fire consortium for four areas: Carpinteria-Summerland, Montecito, West Goleta/Ellwood, and Orcutt.
3. Require AMR to place into service a ground Critical Care Transport Unit (CCT) for interfacility transport of critically ill and injured patients between hospitals.
4. Require AMR to equip, deliver and maintain an Electronic Patient Care Record (E-PCR) system to the entire EMS System.
5. Provide a new EMS Computer Aided Dispatch (CAD) system to the Public Safety Dispatch Center.
6. Establish and support a new countywide 240-hour paramedic apprenticeship program.
7. Provide an annual audited financial report to the County.
8. Provide a \$ 1,000,000 performance security bond.
9. Provide for a 33% additional peak staffing of ambulances during system overload and disasters.

As a result of the system enhancements and other requests, AMR will be required to significantly increase financial support to the EMS System. The following reflects the approximate relative impact of each system enhancement to the ALS base rate:

<b>Support</b>	<b>Current Contract</b>	<b>New Contract</b>	<b>Base Rate Impact</b>
Dispatching Services	\$ 120,000.00	\$ 970,585.00	\$ 122.95
Dispatch Equipment	\$ 0.00	\$ 533,000.00*	\$ 38.45
EMS Data Fund	\$ 80,000.00	\$ 0.00	\$ (11.56)
EMS Agency Oversight	\$ 78,000.00	\$ 180,000.00	\$ 14.74
Electronic Patient Data System	\$ 0.00	\$ 176,000.00	\$ 25.44
EMS Communication System	\$ 0.00	\$ 80,000.00	\$ 11.56
Migration to a 7-zone system	-	\$ 560,000.00	\$ 80.95
Additional Fire Support / Compensation **	\$ 0.00	\$ 290,000.00	\$ 45.00
<b>Total Enhancement Costs</b>	<b>\$ 278,000.00</b>	<b>\$2,789,585.00</b>	<b>\$ 327.53</b>
<b>ALS Base Rate</b>	<b>\$702.08</b>	<b>\$984.00 w/out Fire Compensation</b>	
		<b>**\$1029.00 If Subcontracting with Fire Services.</b>	

\* Will be paid in two installments of \$266,500.00 over Fiscal Years 04/05 and 05/06.

## **EMS DISPATCH**

One area of concern expressed by survey participants and the project team is improvement of the EMS dispatching system. At the direction of the County Administrator, a separate project team was assembled to explore opportunities for improvement in 911 Dispatch. The team included representation from EMS, Fire (County and County Chiefs), Sheriff, hospitals, Alcohol Drug and Mental Health Services, General Services, and AMR. ( Attachment C) The team met and developed 13 possible options for 911 Dispatching. These options included improving the current dispatch center, directing AMR to provide separate EMS dispatch services, and contracting with Ventura County Fire, among others. The project team reviewed performance and service capabilities, costs, implementation timeframe, and political ramifications of each option.

Through an exhaustive review, the team recommended two options to the Executive Team that would meet the needs of the system and be fiscally and politically viable. These two options were (A) improving the current dispatch system with technical enhancements, shared governance, and a separate budget for the Public Safety Dispatch Center and (B) direct AMR to establish a new EMS Dispatch Center and provide countywide Emergency Medical Dispatch (EMD). The executive team determined that all disciplines (EMS, Fire, and Law Enforcement) would benefit from improvements to the current dispatch system. An implementation team was established. EMS Dispatch Performance Measures will be incorporated in to an MOU between the Public Health Department EMS Agency and the Sheriff's Department.

## **RESPONSE TIME COMPLIANCE**

Historically and while under review of the Contract Compliance Committee, AMR has met their response time compliance in the one current response zone. As a mechanism of improving sensitivity and performance in all localities, the seven-zone configuration will be implemented in the new contract. AMR will now be required to be 90% on time in each of the seven zones. Six of these are in the Exclusive Operating Area (EOA) (Service Area #1) and one in the Lompoc Valley (Service Area #2). In order to meet this new compliance, AMR has indicated that they would need to add two additional ambulance units to the system. These would be one additional 12-hour (flex) ambulance in each of the North and South County areas, seven days a week. The cost of the additional ambulance coverage AMR would need to deploy is \$560,000.

## **FIRE SERVICE COMPENSATION THROUGH SUBCONTRACTING**

AMR will be allowed to subcontract for limited services with a fire collaborative to meet response times as identified. The total dollars available to the fire service for first responder compensation to adjust AMR response time is \$560,000. Through that mechanism, AMR can pass on the savings of not having to add additional ambulance coverage hours in the system to the fire service for meeting AMR's contractual obligations. AMR may also need to provide an additional \$290,000 to the fire service for physician medical direction, a clinical quality improvement program, and participation in the electronic patient care (EPCR) program. The subcontract for services between AMR and the Fire collaborative will need to ensure the payment provisions meet all legal requirements related to health care finance and Medicare reimbursement criteria and is approved by the EMS Agency.

During the Project Team meetings, the County Fire Chiefs Association and the agencies they represent expressed a desire to enter into a cooperative agreement and subcontract with American Medical Response (AMR) for advance life support first responder services in 4 of the 7 response zones. If this subcontracting agreement is implemented, AMR will provide financial support and pay a fire collaborative up to \$850,000 (\$560,000 and \$290,000 as noted above) for meeting response times in the identified EMS zones and providing other services. Since it is not anticipated that this subcontract will be in place by the January 1, the additional \$45.00 per ALS transport for fire support services will not be incorporated into the initial ambulance rate of \$984.00 until such subcontract agreement is implemented. Once implemented, if the

Board of Supervisors concurs with Recommendation C, the EMS agency will adjust the ambulance rates for ALS transport a proportionate amount (up to \$45.00 for an adjusted ambulance rate of \$1029.00).

The Ambulance Service Agreement contains language, which requires that when a fire entity enters in to a subcontract with AMR, that AMR as the Contractor must retain primary responsibility for compliance with the Agreement and for evaluating subcontractor’s compliance. All subcontracts will be subject to approval by the EMS Agency.

AMR is responsible for ensuring that all Subcontractors will be held to the same performance criteria as the primary Contractor with respect to:

- Quality Improvement Activities
- Medical Control
- Continuing Education
- Penalties for non-compliance

Subcontractors will not be required to obtain or maintain Automated Vehicle Locators (AVL). A subcontract between an ALS provider and or Fire Collaborative (a group of fire agencies that includes ALS fire services and BLS fire services) and AMR would allow for the subcontractor to meet the required 8 minute response time and as a result, receive appropriate compensation for “stopping the clock”. AMR would then be required to arrive on scene within two minutes (at 9 minutes 59 seconds). In some cases, late responses will be exempted from penalties as described in the Agreement when substantial factors cause an excessive response time (for example, unusual system overload; inability to locate address due to non-existent or inaccurate address; unavoidable delay caused by traffic congestion as a direct result of the incident; weather conditions that impair visibility.)

In the event that a fire entity or fire collaborative does not enter in to a subcontract with AMR, the Contractor is still responsible for meeting all required response times within each of the 7 EMS zones in 8 minutes.

**PENALTIES**

The new contract contains penalty assessments for non-compliance with contractual obligations. AMR will pay all penalties directly to the Public Health Department Penalty Assessment Fund. If AMR’s subcontractors incur the penalty, AMR will pay the penalty directly to the Public Health Department prior to any other agency’s disbursement. The Public Health Department will place any collected penalties into the Penalty Assessment Fund to be used for community EMS outreach projects such as public access defibrillation and injury prevention, subject to concurrence by the Contract Compliance Committee and as allocated by the Board of Supervisors.

Below are examples of penalties in the Contract:

<b>COMPLIANCE INFRACTION</b>	<b>PENALTY</b>
Response time compliance at 89.00% – 89.99% on-scene arrival	\$ 1000.00 (per zone per month)
Extended response >16 minute over limit	\$ 1500.00 (per incident)
Failure of ambulance crew to report their arrival time on-scene to EMS dispatch	\$250.00 (per incident)

### AMBULANCE RATES

The following reflects the ambulance rates necessary to support system enhancements with and without fire services compensation.

AMBULANCE RATE TYPE	CURRENT RATE	2005 RATES <u>WITHOUT</u> FIRE SUPPORT	2005 RATES <u>WITH</u> FIRE SUPPORT
BLS Base Rate	\$ 247.47	ELIMINATED	ELIMINATED
BLS-Emergency Base Rate	\$ 566.10	\$ 595.00	\$ 595.00
ALS-Base Rate	\$ 702.08	\$ 984.61	\$ 1029.61
Transport Mileage (per mile)	\$ 14.94	\$ 24.00	\$ 24.25
<b>AMBULANCE RATES (GENERAL)</b>			
Oxygen therapy	\$ 74.70	\$ 82.50	\$ 82.50
Ambulance Stand-by (per hour)	\$ 99.61	\$ 125.00	\$125.00

The Board is requested to authorize the Public Health Department EMS Agency to increase the rates according to the schedule above to accommodate a \$45.00 rate adjustment for fire services if a subcontract is implemented (Recommendation C).

The new rates will be for all transport providers. County Fire and UCSB, who also provide ambulance services, will benefit from this additional revenue without the financial burden of contributing to the new system enhancements. The Contract contains provisions for annual rate adjustment based on the Consumer Price Index (CPI). These CPI based increases will be approved by the EMS Agency and are capped at 5 percent. The current agreement provides for an annual CPI adjustment; historically the CPI has been between 2.5 and 3.5 percent per year.

Impacts on the ambulance base rate are calculated by a standard formula that respects the ratio of amount billed to patients to the actual amount collected by the transport provider (marginal collection rate), and applied to the number of transports per year.

### MEDICARE MITIGATION

In the Federal Balanced Budget Act of 1997, ambulance services reimbursement from Medicare was reduced according to a progressive schedule, beginning in April 2002. While the process represents an overall reduction of 1%, the new Medicare allowable rate structure for certain ambulance providers, particularly those in California, was lowered significantly in order to increase the rates of providers in other parts of the country.

The new Medicare Ambulance Fee schedule was implemented on April 1, 2002, and will be phased in over the course of the next several years. The phased approach uses a conversion schedule blending previously approved rates with the newly approved rates, achieving complete migration to the new Medicare Ambulance Fee Schedule by January 1, 2009.

In addition to the decrease in allowable billing rates, ambulance providers are required to accept assignment on all Medicare claims for service deemed medically necessary by the intermediary contracted to process Medicare claims. Ambulance providers in Santa Barbara County instituted this practice in April 2002. Because AMR now accepts assignment, they can no longer bill patients for the balance of the ambulance bill not covered by Medicare. This change to Medicare reimbursement has resulted in a decrease of net revenue

of approximately \$1.5 million per year. The County has not allowed AMR to mitigate the effects of these reductions on their revenue. Therefore, the new Contract contains a schedule of Medicare Mitigation incorporated as part of an annual ambulance rate adjustment.

<u>YEAR</u>	<u>ADD-ON TO BASE RATE</u>
2005	\$ 0
2006	\$ 80
2007	\$ 80
2008	\$ 60
2009	\$ 10
2010	\$ 0
2011	\$ 0

The Board is requested to authorize the Public Health Department, to increase the rates according the preceding schedule, when AMR’s required annual audited Financial Report justifies such increases and is in accordance with this schedule and in accordance with Agreement profit percentage limit at 8% post-tax.

**Mandates and Service Levels:**

The local Emergency Medical Services (EMS) Agency is charged with the development, implementation and evaluation of local EMS systems, pursuant to the California Health and Safety Code, Division 2.5, Chapter 4, Sections 1797.204, 1797.206, 1797.281, 1997.222, and 1797.224. EMS Agencies may develop Exclusive Operating Areas (EOA) and shall contract for the provision of ambulance transportation services.

**Fiscal and Facilities Impacts:**

**AMBULANCE RATES**

Because of cost increases and the reductions of reimbursement rates from Medicare that in the past helped subsidize ambulance services for the uninsured, this contract will contain ALS ambulance rate increases of 40% to 47% (from \$702 to \$984 or \$1,029), depending on the level of Fire Support incorporated. Based upon comparisons done with peer counties that have a similar system of ambulance service provision, these rates are commensurate and fall within the average (please see Attachment D - County Rate Comparison). In addition, the annual CPI formula used and the ability to allow for the mitigation of Medicare reimbursement reductions are also comparable to provisions that are allowed for in the comparable counties.

The current AMR contract allows for a post-tax net income of no more than 9%. The proposed contract is more restrictive and allows, but does not guarantee, AMR a pre-tax margin of 8% (4%- 5% post-tax); resulting in a 50% decrease. In addition, because of the unpredictable nature of healthcare and transportation costs, the contract contains a clause that will allow AMR to petition the EMS agency with a request to return to your Board for a rate increase, should unforeseen cost increases threaten their ability to provide for their performance of this service contract. In addition should market forces be more favorable than predicted, the EMS Agency can modify and adjust downwards the rate increases for Medicare mitigation.

**COUNTY/OTHER AGENCY SUPPORT**

The proposed contract and rates also provide for annual County and other agency support from AMR of **\$2,798,585**. This is an increase of **\$2,511,585** and is detailed as follows:

- **\$970,585** of operational cost to fully offset the EMS related county costs of the Public Safety Dispatch Center. This is an increase of **\$850,585** from the current contract.
- **\$533,000** of dispatch equipment to modernize and enhance our current Public Safety Dispatch Center.
- **\$260,000** to fully offset the costs currently incurred by the EMS agency for increased program oversight and monitoring, and to fund the enhancement of the existing radio system. This is an increase of **\$102,000** from the current contract.
- **\$560,000** for response time compliance, which will be paid to the Fire Agencies upon entering in to a subcontract with AMR for Advanced Life Support first responder services in four of the seven EMS response zones.
- **\$290,000** for other fire entities/agencies upon entering in to a subcontract with AMR for additional services. This will result in an additional **\$45.00** per ALS transport as noted in the Agreement and in Recommendation C of this Board letter.
- **\$176,000** for the development of an Electronic Patient Care Report (E-PCR). This is an EMS system enhancement, provided by AMR, with no funding to any agency.

After action by your Board, the affected departments and County Administrator will return with any necessary budget revision requests.

In addition, as stated in this Board letter, a project team has been formed to look at the process and impacts associated with the implementation of a new dispatch system in the Public Safety Dispatch Center. AMR's financial investment in the Public Safety Dispatch Center would be **\$970,585** for annual ongoing costs and one-time capital expenditures of **\$533,000**. These costs have been built in to the proposed ALS ambulance rates. Although this center was built specifically for this function, transition to a new CAD system will result in additional County costs of approximately **\$1.25 million** (to be paid over FY 04/05 and 05/06) for the new software and any technological enhancements. Funding alternatives will be reviewed and analyzed and presented to your board in an independent action from this contract execution.

**Special Instructions:**

Please execute 4 originals and return three (3) original contracts along with a copy of the minute order to PHD Contracts Unit, 300 North San Antonio Road, Building 8, Santa Barbara, CA 93110 **Attn: Margaret Granger (805) 681 5367.**

**Concurrences:**

Sheriff's Department  
County Administrator



## **Attachment List:**

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|---------------------|---|
| <b>Attachment A</b> | EMS System Project Team Members                   |
| <b>Attachment B</b> | Stakeholder Invitation List & Attendance List     |
| <b>Attachment C</b> | 911 Project Team & Executive Team Members         |
| <b>Attachment D</b> | Ambulance Rate Comparison with Benchmark Counties |