



REGULATORY/ MEDICAL HEALTH SERVICES
EMERGENCY MEDICAL SERVICES

March 7, 2017

To: Orange County City Managers
Orange County Fire Chiefs
Orange County Ambulance Providers

From: Tammi McConnell, MSN, RN
EMS Administrator 

Subject: Proposed Fiscal Year 2017-2018 Ground Emergency Ambulance Service Rates Adjustment

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In accordance with Orange County Emergency Medical Services Policy 715.00, *Orange County Ambulance Rules and Regulations Related to Ground Emergency Ambulance Service Rates Adjustment*, you are being notified of the proposed adjustment in the maximum allowable 911 emergency ground ambulance rate for Basic Life Support (BLS) services chargeable to a patient transported at the request of a public safety employee, by Orange County ambulance service providers for 2017.

The proposed rate increase (attachment) is based on the methodology used by the Board of Supervisors when rates were last adjusted on October 27, 2015. Specifically, the method calculates the percentage difference in the prior year's LA-Riverside-Orange County "all items" Consumer Price Index (CPI) rounded to the nearest tenth. The methodology also adjusts the maximum advanced life support (ALS) Paramedic Assessment and Transportation rate for Orange County Fire Authority (OCFA) jurisdictional areas (excepting San Clemente, Westminster and Buena Park). The proposed rate increase is attached.

The rate adjustment has been placed on the April 7, 2017 EMCC agenda for review.

- Meeting: Emergency Medical Care Committee
- Date / Time: Friday, April 7, 2017
- Location: Commission Hearing Room (333 W. Santa Ana Blvd., Santa Ana, CA 92701)

Any written comments on the proposed rate increase should be directed to my attention. Comments received prior to either meeting will be provided to the Emergency Medical Care Committee (EMCC) and forwarded to the Board of Supervisors. You are welcome to attend the EMCC meetings and address this agenda item if you so desire.

TCM:cc:#2909

Attachment



County of Orange/Health Care Agency
 Health Disaster Management
 Emergency Medical Services
 405 W. Fifth Street, Suite 301A
 Santa Ana, CA 92701



**PROPOSED FY 2017-18 RATES FOR
 ORANGE COUNTY AMBULANCE PROVIDERS
 CALCULATED RATE ADJUSTMENT**

Type of Charge	Basis for Charge	2015-2016		
		Current Rate	\$ change 1.9%	Proposed Rate
Emergency BLS (Basic Life Support) Base Rate	Applicable for urgent or Code III response at the request of a public safety employee	\$904.61	\$17.19	\$921.80
Mileage	Per patient mile or fraction thereof	\$16.87	\$0.32	\$17.19
Oxygen (includes mask or cannula)	Applicable when administered	\$82.74	\$1.57	\$84.31
Standby	Per 15 minutes after the first 15 minutes and any fraction thereof	\$40.83	\$0.78	\$41.61
Expendable medical supplies	Maximum per response or fair market value, whichever is least	\$32.66	\$0.62	\$33.28
OCFA Jurisdictional Areas Only: Emergency ALS (Advanced Life Support) Base Rate	Applicable for patients who have received ALS assessment by paramedics and are transported via BLS or ALS.	\$387.35	\$7.36	\$394.71

Consumer Price Index – “All Items” Los Angeles – Riverside – Orange County

<http://www.bls.gov/data>

2015 Annual: 244.632

2016 Annual: 249.246

1.886% rounded to nearest tenth = ↑ 1.9%

Ambulance Rate History
Prepared for Emergency Medical Care Committee
April 7, 2017

AUTHORITY

As specified in Division 9, Title 4, of the Codified Ordinances of the County of Orange (Ambulance Ordinance 3517), the Board of Supervisors establishes the maximum Basic Life Support (BLS) emergency ground ambulance rates applicable within the County's unincorporated area and cities that have agreed with the Ordinance for the provision of licensing and regulation of ambulance services. Ordinance 3517 also establishes the authority to adjust the maximum Advanced Life Support (ALS) Paramedic Assessment and Transport rate applicable for Orange County Fire Authority's (OCFA) jurisdictional areas, with the exception of three cities that establish their own ALS rate.

Orange County Emergency Medical Services (OCEMS) policy #715.00: Ground Emergency Ambulance Service Rates Adjustment identifies the process for annually rate adjustments. Over the past few years, the Board has considered alternatives and on September 13, 2013 passed Board Resolution No. 13-087 which approved the revision of the ambulance rates and adopted the recommended methodology for calculation and application of future annual adjustments. but not formally directed program to change the current process or methodology. **Annual adjustments are effective on July 1st of each year utilizing the annual percentage change in the annual Los Angeles-Riverside-Orange County "all items" Consumer Price Index (CPI).** Data is obtained from the US Dept. of Labor Bureau of Labor Statistics (www.bls.gov) to determine the percentage from the prior year and applied to current rate. The proposed rate adjustment, presented to the Emergency Medical Care Committee (EMCC) for review and comment, is forwarded to the Board for approval.

ORDINANCE HISTORY

The current Ambulance Ordinance 3517 primarily regulates the operation of ambulances within the unincorporated areas of Orange County and those member cities of OCFA. However, most non-member cities have adopted or minimally edited 3517 and integrated the same language into their city codes. Decades ago, there were two ambulance Ordinances 3022 & 3138. Ordinance 3022 established that ambulance licensees were not permitted to charge more or less than the rates set by the County for ambulance and convalescent services.

In the early 1980's, Ordinance 3517 was drafted at the direction of the Board by the Health Care Agency (HCA) and the Orange County Fire Department in conjunction with County Counsel based on the following principles:

- De-regulation of Non-Emergency Ambulance Services
 - The Ordinance accomplished this by requiring specific response areas in regard to emergency situations only. All other forms of ambulance transportation were not restricted & allowed for ambulance providers to solicit non-emergency business in any of the areas governed by the Ordinance.
- Setting Maximum Rates for Ambulance Responses
 - The partial de-regulation of ambulance services eliminated the [then] current pricing structure for emergency and non-emergency transfer responses. The resultant policy was designed to encourage competition among providers without County intervention by establishing only a maximum rate for public safety dispatched transports.
- Development of an Objective Competitive Mechanism Whereby Contracts for Emergency Response Areas may be Awarded
 - This was achieved through language in the Ordinance requiring a Request for Proposals (RFP) bid system.

Ambulance Rate History
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April 7, 2017

Section 4-9-13 of the Ordinance specifies that no ambulance licensee shall charge more than those rates approved by the Board for emergency ambulance services. Since one of the guiding principles in drafting the Ordinance was to deregulate to the extent feasible, the Ordinance was written to set a maximum allowable rate for emergency transportation only, allowing competitive prices for the minimum rates. A national index was used to establish the rate. Of note, the Ordinance does not make reference to whether emergency ambulance service is BLS, ALS or both services.

On 4/30/85 the Board passed and adopted Ordinance 3517 (repealing 3022 & 3138) and currently remains in effect. **In short, the intent of Ordinance 3517 was to establish general operating procedures and standards for medical transportation services operating within the unincorporated areas of the County in both emergency and other situations; provide a fair & impartial means of allowing responsible private operators to provide such services in the public interest; provide a means for the designation of emergency response areas; and establish maximum rates for public safety dispatched transports.**

RATE SETTING METHODOLOGIES

6/16/87: Board approved a rate increase for ambulance providers after an application was submitted & evaluated through HCA.

8/8/89: Board approved a rate increase for ambulance providers after an application was submitted & evaluated through HCA. The Board was advised that using a national index to measure the cost of overhead & labor did not fairly represent the cost to the ambulance companies. At that time HCA stated that it would begin utilizing the medical & transportation Consumer Price Index (CPI) values gathered from the greater Los Angeles area as well as other appropriate factors. The resultant rates: base rate \$150; emergency response \$40; Night Call \$30; Mileage \$8; Oxygen \$30; Standby \$22; Supplies \$10.

1989-2001: Relatively small adjustments with an important distinction in that the emergency response charge was combined with the base rate in 1991 & the night call was combined in 1994.

2000: Ambulance Association of Orange County (AAOC) reported that the service quality was affected by uncollectible bills & fixed Medicare, Medical & Indigent rates that did not cover costs; diminished revenues & increased costs. AAOC requested OCEMS to approve a one-time rate increase to bring the maximum rate into the median range of California counties and to develop a process to ensure that rate adjustments were fair. This proposal (a 43% increase over the then current base rate of \$220) was approved by the BOS on 6/19/01 and in order to ensure that emergency ambulance service continued to be financially viable and to prevent large increase requests in the future, OCEMS policy/Ambulance Rules & Regulations were revised to provide an annual review & possible rate adjustment by the Board.

7/16/02: Board approved an annual adjustment of base rate based on the median rates in effect for San Bernardino, LA Counties & the City of San Diego.

6/24/03; 4/27/04; 5/24/05: Board approved an annual rate adjustment utilizing the 2002 methodology.

2005: OCEMS convened a committee to review methodologies that could be employed for establishing future rate adjustments. The committee was put on hold to await a General Accounting Office (GAO) report on ambulance service costs that was anticipated by the end of 2005. The report was not issued until 2007.

6/26/06: Board approved an annual adjustment of base rate based on the 2002 methodology.

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In 2007, OCEMS evaluated the GAO report released in May 2007 that examined providers' costs of ground ambulance transports (from 2004) & factors that contributed to cost differences; average Medicare ambulance payments expected under the national fee schedule in 2010; how these payments related to providers' costs per transport; and changes that occurred in Medicare beneficiaries' use of ambulance transports from 2001-2004. The GAO estimated costs were based on a national survey of 215 ambulance providers that did not share costs with non-ambulance services. Providers that shared costs with other institutions or services and could not report their ambulance service costs separately, such as fire departments, were excluded because their reported costs appeared unreliable.

The study, with one recommendation, had limited findings; indicated that transport costs were highly variable & dependent on several factors including volume of transports, service area (urban vs. rural) and local tax revenues, etc. Nationally, the average cost per transport was reported to be \$415 (95% confidence interval \$381-\$450). The urban costs were lower at \$370 (95% CI \$326-\$414) due to efficiencies of scale & volume. The sole recommendation: continue to monitor utilization of ambulance transports.

Accordingly, OCEMS surveyed all of the Local EMS agencies throughout California for their rates & rate setting procedures. Responses varied but most counties tied rates to one of the Consumer Price Indices (CPI). The majority utilized the US Dept. of Labor CPI to make adjustments; some based increases on the Medical Care Index & others a combination of the Medical Care and Transportation Indices. Along with this information, the Board was presented with seven options to consider for determining the rate and process.

On 10/16/07, the Board approved an annual methodology for setting maximum ambulance rates: The annual change in the LA-Riverside-Orange County "all items" CPI multiplied by 150% to the nearest \$0.25. The multiplier was added to compensate for the cost-shifting of un/under-funded patients. Following this, rate adjustments were sporadically applied in order to explore alternate methodologies or not made due to unstable economic factors.

On 6/17/08, the Board approved an annual rate adjustment utilizing the 2007 methodology.

On 12/13/11, the Board approved an annual rate adjustment utilizing the LA-Riverside-Orange County "all items" CPI (without the multiplier).

On 7/24/12, and 9/10/13, the Board approved an annual rate adjustment utilizing the 2011 methodology.

On 10/27/15, the Board approved a one-time increase of \$173.20 to the Basic Life Support base rate only.

Advanced Life Support Fee

In 1998, the Board authorized OCFA to issue a Request for Proposal (RFP) for ambulance services in the unincorporated areas, including the collection of Advanced Life Support (ALS) charges and reimbursement for paramedic accompanied patients. The fee was established as a means to reimburse OCFA for its ALS services and was based on partial recovery of the incremental costs of the OCFA paramedic program and included a factor for collection and processing costs incurred by ambulance companies. The fee remains applicable to all of the OCFA jurisdictional areas, with the exception of San Clemente, Buena Park and Westminster which establish their own ALS rates.

In 2004, the Board approved an OCFA ALS rate adjustment equal to the BLS rate for emergency transports and directed the Health Care Agency to return annually to adjust the fee by the same percentage as the BLS rate, provided that the resulting rate did not exceed the actual costs of OCFA ALS service. Since then, HCA did return to the Board to adjust the maximum rate however, it has been identified that in 2007, the Board rescinded the directive to HCA to return annually to recommend maximum ALS rate adjustments and is therefore not being included in this year's recommendation to the Board.

Ambulance Rate History
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2017-18 Ambulance Rate Adjustment

Health Care Agency has had ongoing meetings with AAOC representatives and in detail, discussed the impacts of the effects of minimum wage increases, use of disposable supplies and the ALS supply rate. Health Care Agency has encouraged ongoing analysis of the ALS supply rate with OCFA to determine actual costs and at this time is supportive of rate increases to the base rate (\$904.61) based on the impacts to minimum wage & the additional use of disposable supplies. As to the remaining fees, HCA & AAOC support adjustments based on the 2015-16 Consumer Price Index (CPI) percentage change in “all-items” Los Angeles, Riverside & Orange counties.

2017 Ground Ambulance Rate Adjustment AAOC Recommendation								
CURRENT Rate		CPI 1.9%↑	Effects of Minimum Wage ↑	Epidemiology Recommendation (disposable sheets)	OCFA/ALS Supplies ¹	% ↑	\$ ↑	2017 ADJUSTED RATE after approval
\$904.61	Emergency Base Rate	---	\$48.79	\$11.65	\$66.00	14% ²	\$126.44	\$1031.05
\$16.87	Mileage, per mile	\$0.32	---	---	---	1.9% ³	\$0.32	\$17.19
\$82.74	Oxygen	\$1.57	---	---	---	1.9% ³	\$1.57	\$84.31
\$40.83	Standby, per 15 min.	\$0.78	---	---	---	1.9% ³	\$0.78	\$41.31
\$32.66	Expendable Supplies	\$0.62	---	---	---	1.9% ³	\$0.62	\$33.28

¹ HCA does not support the OCFA/ALS Supply adjustment

² HCA supports a 6.7% increase to emergency base rate (↑\$60.44)

³ HCA supports a 1.9% increase to mileage, oxygen, standby & expendable supply rates

2018 Ground Ambulance Rate Adjustment AAOC Recommendation¹						
2017 Rate		CPI 1.9%↑	Effects of Minimum Wage ↑	% ↑	\$ ↑	2018 ADJUSTED RATE after approval
\$1031.05	Emergency Base Rate	---	\$48.79	4%	\$48.79	\$1079.84
\$17.19	Mileage, per mile	\$0.32	---	1.9%	\$0.32	\$17.52
\$84.31	Oxygen	\$1.60	---	1.9%	\$1.60	\$85.91
\$41.31	Standby, per 15 min.	\$0.78	---	1.9%	\$0.78	\$42.09
\$33.28	Expendable Supplies	\$0.63	---	1.9%	\$0.63	\$33.91

¹ Assumes approval of 2017 OCFA/ALS supply increase

2018 Ground Ambulance Rate Adjustment AAOC Recommendation¹						
2017 Rate		CPI 1.9%↑	Effects of Minimum Wage ↑	% ↑	\$ ↑	2018 ADJUSTED RATE after approval
\$965.05	Emergency Base Rate	---	\$48.79	5% ²	\$48.79	\$1013.84
\$17.52	Mileage, per mile	\$0.32	---	1.9% ³	\$0.32	\$17.85
\$85.91	Oxygen	\$1.60	---	1.9% ³	\$1.60	\$87.54
\$42.09	Standby, per 15 min.	\$0.78	---	1.9% ³	\$0.78	\$42.88
\$33.91	Expendable Supplies	\$0.63	---	1.9% ³	\$0.63	\$34.55

¹ Assumes non-approval of 2017 OCFA/ALS supply increase

² HCA supports a 5% increase to emergency base rate (\$48.79)

³ HCA supports a 1.9% increase to mileage, oxygen, standby & expendable supply rates