

Feasibility Study for Ground Ambulance Service for the City of Goodyear, Arizona

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INTRODUCTION

It is clear that the City of Goodyear is continually striving to provide the highest level of service to its community in the most efficient and effective way possible. In this endeavor, the City of Goodyear has decided to investigate the feasibility of pursuing a certificate of necessity (CON) from the Arizona Department of Health Services (ADHS) for 9-1-1 advanced life support (ALS) and basic life support (BLS) ground ambulance service within their jurisdiction. For this project to be feasible, the City of Goodyear must meet the statutory requirements to operate a 9-1-1 ground ambulance. In addition, the proposed project must improve the level of service for the community, provide improved financial efficiencies and ultimately create an advantageous environment for the City of Goodyear and the community it serves.

The City of Goodyear understands that applying for a CON is a very complex and unique process and takes a high level of planning and niche focused expertise and therefore, engaged the James Vincent Group (JVG) to provide the three areas of expertise required during this project – Fire, EMS/Ambulance and Finance. Our team brings over 70 years of Arizona specific fire, ambulance and financial consulting experience and our experience in financial projection in the Arizona fire and EMS environment is unrivaled. We are actively involved with similar projects throughout Arizona and are unique in our ability to work with the City of Goodyear.

Throughout this project JVG has worked collaboratively with members of the Goodyear team to discuss and document the City's vision for the future and collect critical information needed to provide a detailed feasibility analysis. Our analysis has incorporated many different aspects of the feasibility of the City of Goodyear pursuing a CON for ground ambulance services within its jurisdiction. By working with the JVG team, the City is hereby provided with a document which will enable the City of Goodyear's leadership to make decisions regarding the feasibility of applying for a CON based on reliable, expert and independent information. We have broken this report into sections that consist of:

Current State

In this section we document the current environment. This is an important factor in evaluating the feasibility of applying for a CON. It is important to establish a baseline that can be used to compare potential models against.

Financial Modeling

This is a key aspect to this feasibility study. It incorporates all of the information we have gathered and provides multiple financial analyses of the current and future methods of delivery.

Regulatory Process

The regulatory process associated with applying for a CON is a very intricate and unique process. A detailed knowledge of the process is a critical component to any CON project. A key member of our team, Mr. Roy Ryals, CEP, has authored much of the current CON regulatory framework both at the legislative and administrative level and brings an intimate knowledge of the process and the administrative requirements of a successful CON application.

Cost of Application Process

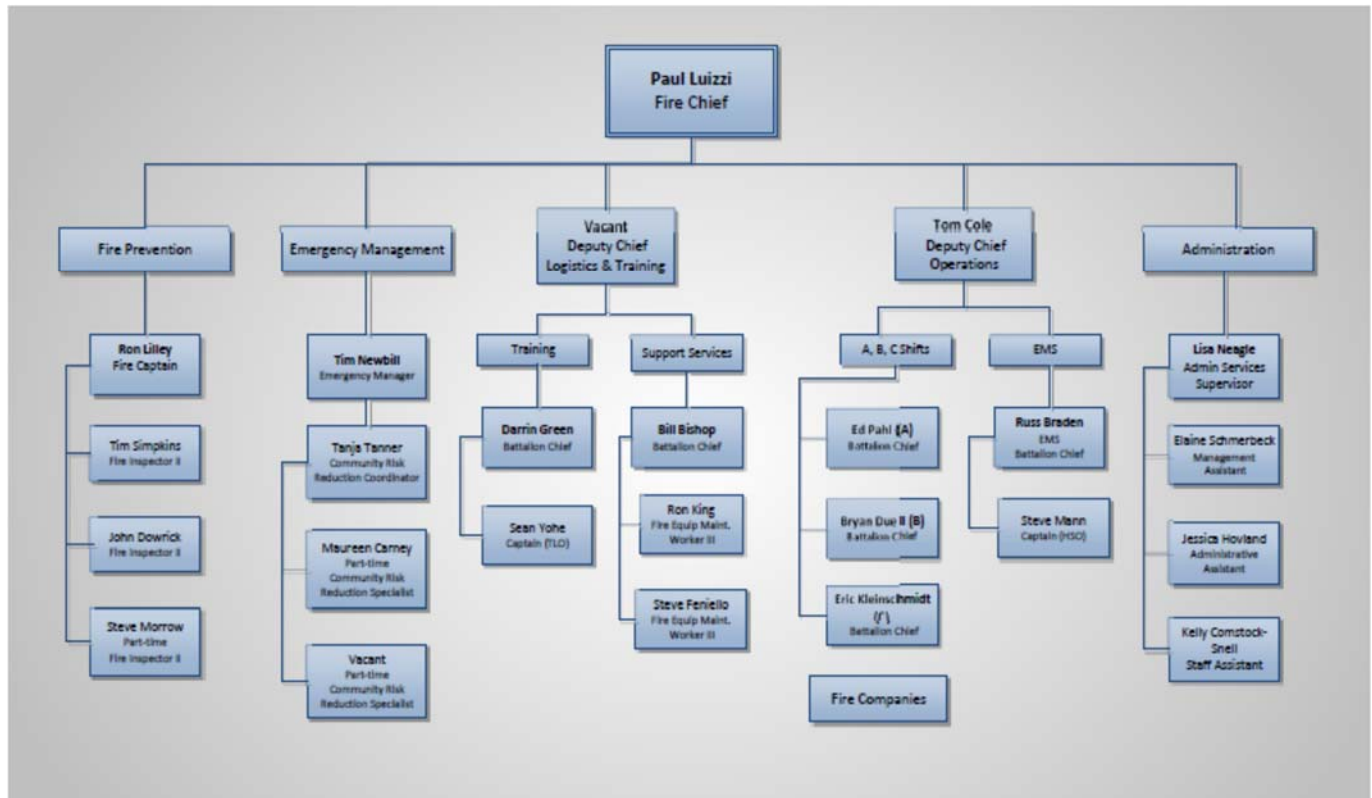
In this section we outline the different costs associated with applying for a CON. This includes the application development, ARCR development, filing costs, legal expense and needs assessment.

Summary

This section provides an overview of our findings and recommendations. It outlines the financial impact of three options – (1) remaining the same (status quo); (2) The City of Goodyear providing ALS and BLS 9-1-1 Transports; and (3) The City of Goodyear providing ALS Transports only.

CURRENT STATE

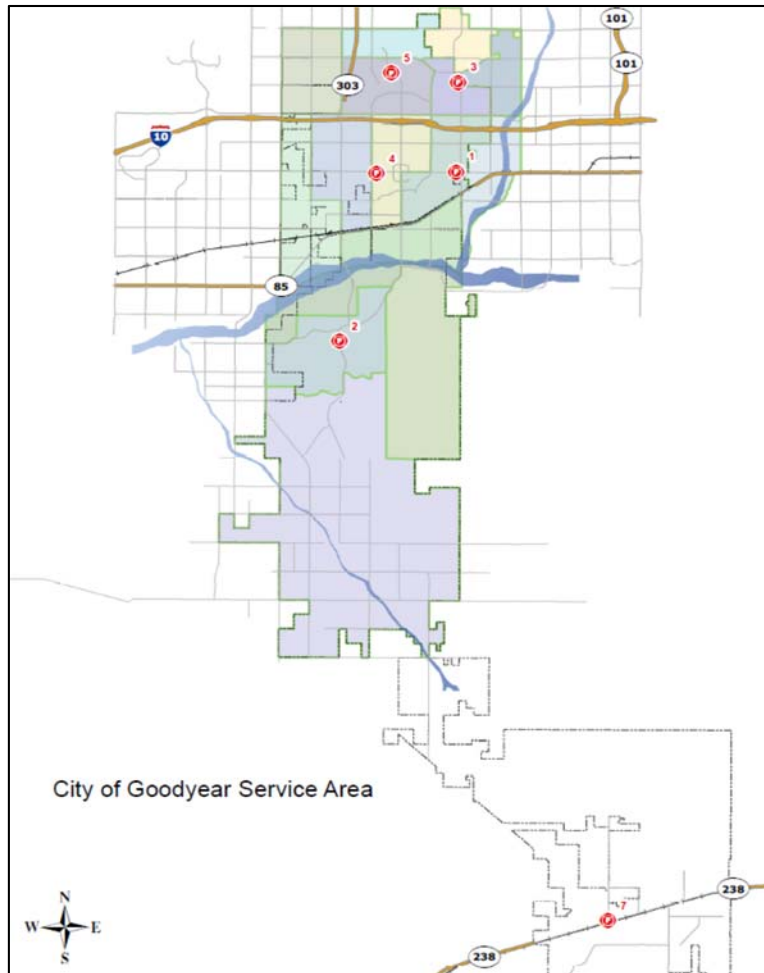
The City of Goodyear is located in Maricopa County, Arizona. The City is approximately 190 square miles and according to the 2014 U.S Census Bureau, was the 6th fastest growing City in the country. The City is home to the Goodyear Ballpark that attracts people from around the world during MLB spring training and which causes an influx of traffic and population. The Maricopa Association of Governments estimates Goodyear's population at 73,832 as of April 2014. The City of Goodyear Fire Department is focused on providing the City's permanent and seasonal community with professional and expeditious service in the most effective and efficient way possible. The Department is trained and equipped to meet the needs of their community and provides services that includes, but is not limited to, medical services, fire, hazardous materials, community education and emergency management. The image below provides a current organizational chart for the Fire Department.



The Goodyear Fire Department has jurisdiction over 933 lane miles or paved roadway which includes 84 electronically control intersections. Interstate 10, State Route 85, and the Loop 303 also run through Goodyear. The City of Goodyear Fire Department is currently dispatched by Phoenix Fire Dispatch Center and has 6 fire station locations throughout the City's service area.

- Fire Station 181 – 14000 W Yuma Rd. Goodyear, AZ 85338
- Fire Station 182 – 10701 S Estrella Pkwy. Goodyear, AZ 85338

- Fire Station 183 – 3075 N Litchfield Rd. Goodyear, AZ 85338
- Fire Station 184 – 16161 W Yuma Rd. Goodyear, AZ 85338
- Fire Station 185 – 15875 W Clubhouse Dr. Goodyear, AZ 85338
- Fire Station 187 – 42960 S 99th Ave. Mobile, AZ 85239



The City of Goodyear Fire Department currently runs approximately 5500 EMS/Rescue service related calls per year in response to its community's needs.

Medical transports are handled by Southwest Ambulance and Rescue of Arizona under CON #66, resulting in approximately 2500 residents being transported for Advanced Life Support and 1000 for Basic Life Support. Southwest Ambulance operates three ambulance stations in the area: two within the City limits of Goodyear and one in the City of Avondale.

- SWARA Station 182 - 17650 W Elliot Road #A-100, Goodyear
- SWARA Station 184 - 560 N Estrella Parkway #B-17, Goodyear
- SWARA Station 171 - 1050 N Eliseo C Felix Way #117, Avondale

Southwest Ambulance and Rescue of Arizona's CON covers all of the West Valley, hence, Southwest Ambulance and Rescue of Arizona operates its stations at the most optimal sites and locations to serve their entire CON, not specifically the City of Goodyear.

The current system is dependent on the financial stability, or instability, of the private provider and is dependent on trends in service delivery. The recent Chapter 11 filing (and recovery) by Southwest Ambulance and Rescue of Arizona and its parent entity, demonstrates the financial stresses private EMS providers are facing in the current healthcare environment.

CURRENT STATE REGULATORY ENVIRONMENT

The Legislature, through enactment of the Certificate of Necessity (CON) statutes, mandated a fully regulated ambulance industry. The Arizona Department of Health Services (ADHS), through the Bureau of Emergency Medical Services and Trauma Services (BEMSTS) regulates ambulance services in the State of Arizona, including the CON application process and the CON renewal process. *See* Arizona Revised Statutes (ARS) § 36-2232 through ARS § 36-2246.

Currently, the City of Goodyear has the following CON holders authorized to provide services to the geographic boundaries of the City, although some are limited in the scope of service, and others have only a portion of the City within their operating authority.

- Southwest Ambulance and Rescue of Arizona (SWARA) CON # 66. SWARA has full operating authority for both 9-1-1 and Inter-facility and Convalescent transports. SWARA is a wholly owned subsidiary of the Rural/Metro Corporation.
- SW General Inc. dba Southwest Ambulance (SW) CON # 86. SW has limited authority in the City of Goodyear; limited to Inter-facility and Convalescent transports. SW is a wholly owned subsidiary of the Rural/Metro Corporation.
- Rural Metro (Maricopa) (RM) CON # 109. RM has full operating authority for both 9-1-1 and Inter-facility and Convalescent Transports to the Northeast portion of the City of Goodyear, but does not cover the entirety of the City of Goodyear. RM is a wholly owned subsidiary of the Rural/Metro Corporation.
- Comtrans Ambulance CON # 46. Comtrans has operating authority for the entirety of the City, limited to behavioral patients. Comtrans is a wholly owned subsidiary of the Rural/Metro Corporation.
- American Medical Response of Maricopa (AMR) CON # 136. AMR is a newly certificated ambulance service. AMR has full operating authority for the entirety of the City of Goodyear for both 9-1-1 and Inter-facility and Convalescent transports.

Currently, the only private entities that have operating authority to provide 9-1-1 transports for the entire City of Goodyear are Southwest Ambulance and Rescue of Arizona (SWARA) CON # 66, and American Medical Response of Maricopa (AMR) CON # 136.

Proposed CON applications:

In addition to the above listed CON holders, the BEMSTS has an application on file from Priority EMS dba Maricopa EMS to gain operating authority for much of Maricopa County which would include the City of Goodyear. It is anticipated that Priority's hearing will occur in late 2015.

Proposed Legislation affecting CONs:

House Bill 2588 was introduced at the First Regular Session of the 2015 Legislature which would dramatically alter the CON process for cities, towns and fire districts within Maricopa County. While passage did not occur, the bill, as amended, would allow cities, towns and fire districts to obtain a CON within 30 days, without a hearing, providing that the city, town or fire district met certain criteria. The criteria required, in part, are:

- The applicant must have a contract with an existing CON holder for the provision of Community Integrated Paramedicine¹
- Submission of response, treatment and transportation data to BEMSTS
- Copies of a Department approved or proposed contract with the city, town or fire district with a Certificated Ambulance Service, if any
- A list of health care facilities, networks, systems, or organizations for use within the service area that affect the delivery of cost-effective health care and the continuity of care for the patient.

NOTE: House Bill 2588 failed to pass out of the Senate prior to adjournment of the Legislative session. The above information is provided to reflect that at the Legislative level, there is considerable interest in modifying the CON process and that similar legislation may be introduced in the next Legislative Session.

¹ As of the date of this study, Community Integrated Paramedicine has not been defined either in Statute or Rule.

FINANCIAL MODELING

Operating a financially sustainable emergency ambulance transportation system that increases levels of service, workforce efficiency and reliability to the City of Goodyear community is an essential component of the feasibility of this project. Throughout this project JVG collected critical financial information from various members of the Goodyear team including:

- Goodyear Fire Department financials for the last fiscal year and current year's budget
- Collection rates
- Transport fees
- Insurance payer mix
- City of Goodyear financials for the same period for Finance, Legal and HR
- Southwest Ambulance Contract
 - Total payments by Southwest to the City for the last two years (including the current fiscal)
- Total number of City employees
 - Total Fire personnel
 - Current Fire Department organizational chart
 - Anticipated FD organizational chart with EMS division
- Dispatch costs per call and Goodyear Fire Department's ongoing capital investment/maintenance cost of communication equipment

After collecting the pertinent financial information from the City of Goodyear, it was essential to collect information from the existing CON holder (Southwest Ambulance and Rescue of Arizona (SWARA) CON # 66). JVG requested and received an Ambulance Revenue and Cost Report (ARCR) from the Arizona Department of Health Services (ADHS) for SWARA. This report provided pertinent information on costs of an ambulance operation in the region as well as information to derive at an accurate payer mix.

Calculations were based on the existing approved rates of SWARA, effective April 16, 2014, for CON # 66. These rates were obtained from ADHS and are the most applicable because they are currently serving the jurisdictional area of the City of Goodyear. These rates are additionally relevant due to ADHS's desire to not increase the costs of services to patients.

- Advanced Life Support (ALS) - \$983.19 per trip
- Basic Life Support (BLS) - \$914.43 per trip
- Mileage charge - \$18.26 per mile
- Waiting - \$228.62 per hour

Under the current reimbursement structure for ambulance billings, it is crucial to establish an accurate payer mix. Patients covered under Medicare are paid at rates different than an ambulance providers approved ADHS rate. Additionally, Medicaid (also known as Arizona Health Care Cost Containment System (AHCCCS)) pays a rate that is statutorily discounted from the ADHS approved rate. In order to determine the payer mix for the City of Goodyear, census data as well as payer mix for CON holders with similar demographics to the City of Goodyear was analyzed. In addition the national insurance averages as it relates to average income, age, and level of education were compared to validate our findings. The analysis determined the following payer mix for the City:

- 33.9% of patients are covered under Medicare
- 18.3% of patients are covered under AHCCCS
- 47.8% of patients are self-pay or covered under a private health plan

As the City continues to grow, the existing population ages and the retirement communities within the City grow. According to the 2010 Census, 10.8% of the residents are over 65. Based on this and other historical census data the analysis assumes this number will grow by 0.5% every year and will increase the percentage of patients covered under Medicare.

While private insurance companies will generally reimburse at the approved ADHS rate, Medicare sets its own reimbursement schedule, and AHCCCS rates are statutorily discounted from the ADHS rate. Currently, the Medicare allowable is \$429.52 for ALS, \$361.70 for BLS and \$7.27 per mile. AHCCCS reimburses at 68.59% of the DHS approved base rate. In addition to settlements from Medicare and AHCCCS, a large percentage of ambulance revenue is uncollectable; this amount is reported as “bad debt” which is projected at 26%.

JVG recommends contracting with an ambulance billing service, to help insure the highest potential collection rates for the City of Goodyear, as the expertise to collect from Medicare, AHCCCS and other third party payers is specialized and not typically found within the existing expertise of cities. The current market rate for these services is 8% of net collection and was utilized in the financial pro formas.

The data analysis included 9-1-1 call data, ALS transport data, and BLS transport data. The analysis included the last five years to develop an accurate trend in call volume. Based on historical call volume statistics and five year trending, JVG established the projected call volume contained in this report.

In addition to the front line staff, the City of Goodyear will need to provide support functions and resources. Many of those resources are already covered by the City’s General Fund. For the purposes of our analysis JVG included the full allocation of those resources to the ambulance operation. This is crucial for the City’s stakeholders to understand the full impact of the ambulance operation.

From the information and data collected, JVG analyzed the financial feasibility of the City of Goodyear applying for a CON. Our analysis looked at three distinct options – Remaining the same (Status quo), The City of Goodyear providing ALS and BLS 9-1-1 Transport Services and The City of Goodyear providing ALS services.

THE CITY OF GOODYEAR PROVIDING ALS AND BLS SERVICES

Below is a summary financial pro forma of this analysis. It has been calculated based on operating four ambulances, 2 units are staffed 24 hours per day, 365 days a year, and the other 2 units will be staffed 12 hours per day (during peak call volume hours), 365 days a year.

It will take 18 FTE’s to staff the four units which will be staffed by a combination of non-sworn paramedics (CEPs) and emergency medical technicians (EMTs). In addition, there will be one EMS Manager for the team of 18 CEPs and EMTs. JVG recommends this full time position due to the unique expertise needed to operate an emergency ambulance service. In the financial pro forma below we have also incorporated the

cost of administrative support and supervisory personnel. The total expenditures included in personnel costs include wages, applicable payroll taxes, and current city benefits.

City of Goodyear				
2016 - Ambulance System Summary Pro Forma				
12 Month Period				
City of Goodyear Ambulance Service Revenue:				
	Rate	No. of Runs	Billable Miles	Total Revenue
ALS Runs	\$ 983.19	2,518		\$ 2,475,181
BLS Runs	\$ 914.43	1,019		\$ 931,347
Mileage	\$ 18.26		24,222	\$ 442,286
Medical Supplies				\$ 309,105
(Rate reflected is the current approved rate for CON#66.)				
Total Ambulance Service Operating Revenue				
	Less:			
	AHCCCS settlement			\$ 239,080
	Medicare Settlement			\$ 762,562
	Net Revenue			\$ 3,156,277
Ambulance Operating Expenses:				
	Bad Debt			\$ 820,632
	Personnel Costs			\$ 1,435,296
	Billing Service			\$ 186,852
	Other General & Admin			\$ 35,075
	Vehicle Expenses			\$ 73,281
	(Registration, Fuel, Maint, Etc.)			
	Ambulance Supplies			\$ 92,577
	Other Operating Expenses			\$ 7,343
	Interest Expense			\$ 55,469
	Total Operating Expenses			\$ 2,706,525
	Ambulance Service Net Income			\$ 449,752
	Net Operating Margin			10.82%
Allocation for City Support Services			\$ 438,279	
Net Income after Allocations			\$ 11,473	
Net Margin after Allocations			0.28%	

The City will have to make an initial investment into the ambulance operation for capital equipment and operating expense. Typically, a new ambulance service does not realize income from Medicare for the first 4-6 months of operations. The projected startup costs are included in the ALS and BLS model. The figure below details the costs and amounts required. With the proposed model running 4 ambulances standard practice requires a minimum of 2 additional ambulances to remain in reserve to account for preventative maintenance and repair of the field assigned units. The cost to acquire and equip the ambulances is estimated

at \$200,000 per unit. In the pro forma we assumed a 10-year amortization at 3% for repayment of the initial asset purchases and working capital. The annual debt service including principal and interest is \$224,366. This calculation does not include the cost for the application process and defending the application. This expense can range from \$15,000 to \$500,000 and would increase the startup costs.

Startup Capital Requirements (6 months)		
Ambulance Purchase	\$	1,200,000
6 months Salary Cash Outflow	\$	680,148
6 months Vehicle Expense	\$	36,641
6 months Other General Admin Expenses*	\$	11,028
Total	\$	1,927,816

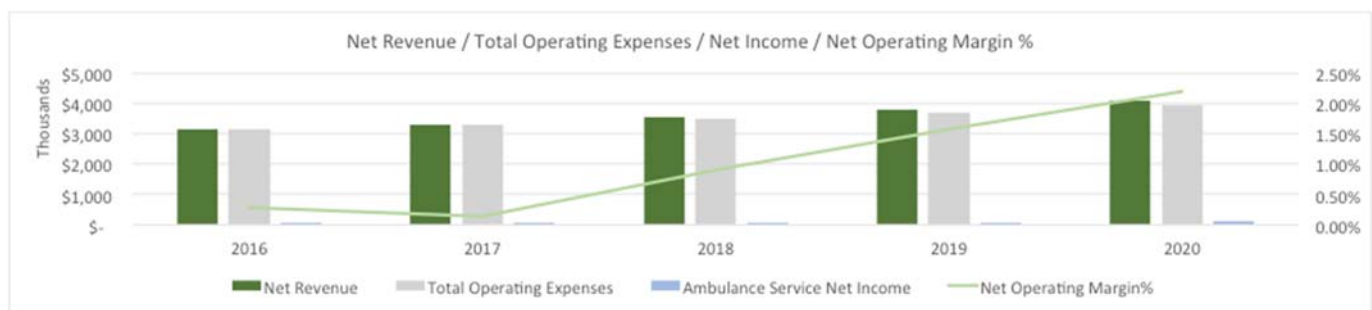
*General Admin expenses include supplies, insurance, telephone, etc.

Five Year Projections

	City of Goodyear Ambulance System Summary Pro Forma 5 year Period				
	2016	2017	2018	2019	2020
ALS Runs	2,518	2,647	2,783	2,925	3,076
BLS Runs	1,019	1,071	1,127	1,184	1,245
Mileage	24,222	25,468	26,777	28,147	29,596
ALS Revenue	\$ 2,475,181	\$ 2,654,261	\$ 2,846,299	\$ 3,052,230	\$ 3,273,060
BLS Revenue	\$ 931,347	\$ 999,208	\$ 1,071,773	\$ 1,148,652	\$ 1,232,404
Mileage Revenue	\$ 442,286	\$ 474,351	\$ 508,708	\$ 545,423	\$ 584,973
Medical Supplies	\$ 309,105	\$ 331,515	\$ 348,555	\$ 366,383	\$ 385,246
Total Ambulance Revenue	\$ 4,157,920	\$ 4,459,336	\$ 4,775,335	\$ 5,112,688	\$ 5,475,682
Less : AHCCCS Settlement	\$ 239,080	\$ 256,412	\$ 274,582	\$ 293,980	\$ 314,852
Medicare Settlement	\$ 762,562	\$ 884,732	\$ 947,426	\$ 1,014,357	\$ 1,086,375
Net Revenue	\$ 3,156,277	\$ 3,318,192	\$ 3,553,327	\$ 3,804,351	\$ 4,074,455
Ambulance Operating Expenses:					
Bad Debt	\$ 820,632	\$ 862,730	\$ 923,865	\$ 989,131	\$ 1,059,358
Personnel Costs	\$ 1,435,296	\$ 1,533,244	\$ 1,639,704	\$ 1,755,593	\$ 1,881,937
Billing Service	\$ 186,852	\$ 196,437	\$ 210,357	\$ 225,218	\$ 241,208
Other General & Admin	\$ 35,075	\$ 35,922	\$ 36,798	\$ 37,712	\$ 38,670
Vehicle Expenses (Registration, Fuel, Maintenance, etc)	\$ 73,281	\$ 76,899	\$ 80,697	\$ 84,671	\$ 88,876
Ambulance Supplies	\$ 92,577	\$ 99,289	\$ 104,392	\$ 109,732	\$ 115,381
Other Operating Expenses	\$ 7,343	\$ 7,792	\$ 8,262	\$ 8,762	\$ 9,298
Interest Expense	\$ 55,469	\$ 50,331	\$ 45,039	\$ 39,584	\$ 33,964
Total Operating Expenses	\$ 2,706,525	\$ 2,862,643	\$ 3,049,115	\$ 3,250,403	\$ 3,468,692
Ambulance Service Net Income	\$ 449,752	\$ 455,549	\$ 504,212	\$ 553,947	\$ 605,763
Net Operating Margin	10.82%	10.22%	10.56%	10.83%	11.06%
Allocation for City Support Services	\$438,279	\$449,308	\$460,914	\$473,129	\$ 486,018
Net Income after Allocations	\$ 11,473	\$ 6,241	\$ 43,298	\$ 80,819	\$ 119,745
Net Margin after Allocations	0.28%	0.14%	0.91%	1.58%	2.19%

Assumptions used in preparing the 5 year projection.

- 5.13% annual increase in ALS & BLS run volumes. This is based off the increase in the past 5 years of EMS/Rescue call statistics of City of Goodyear.
 - The City internally utilizes an estimated population growth of 4% per year. The larger assumption in call volume correlates to the aging of the existing population and growth of the retirement communities within the City boundaries.
- 6.6% average annual increase in personnel wages and benefits.
- 2% annual increase in ALS, BLS, mileage and waiting charges which is the historical increase in approved rates by ADHS.
 - In the event expenses outpace growth and ADHS automatic increases, the City has the ability to apply for a larger increase in rates charged.



- The Total Operating Revenue increases from \$4.157 million in 2016 to \$5.475 million in year 2020.
- The Total Operating Expenses increase from \$3.144 million in 2016 to \$3.954 million in 2020.
- The net profit increases from \$11,473 in 2016 to \$119,745 in year 2020.
- The net operating margin improves from 0.28% in 2016 to 2.19% in 2020.

THE CITY OF GOODYEAR PROVIDING ALS SERVICES

Below is a summary financial pro forma of this analysis. It has been calculated based on operating three ambulances; 2 units are 24 hour per day, 365 days a year, the other unit will be staffed 12 hours per day (during peak call volume hours), 365 days a year.


It will take 16 FTE's to staff the three units which will be staffed by a combination of non-sworn paramedics (CEPs) and emergency medical technicians (EMTs). In addition, there will be one EMS Manager for the team of 16 CEPs and EMTs. JVG recommends this full time position due to the unique expertise needed to operate an emergency ambulance service. In the financial pro forma below we have incorporated the cost of administrative support and supervisory personnel. The total expenditures included in personnel costs include wages, applicable payroll taxes, and current city benefits.

City of Goodyear				
2016 - Ambulance System Summary Pro Forma				
12 Month Period				
City of Goodyear Ambulance Service Revenue:				
	Rate	No. of Runs	Billable Miles	Total Revenue
ALS Runs	\$ 983.19	2,518		\$ 2,475,181
BLS Runs	\$ 914.43	-		\$ -
Mileage	\$ 18.26		17,245	\$ 314,891
Medical Supplies				\$ 220,072
(Rate reflected is the current approved rate for CON#66.)				
Total Ambulance Service Operating Revenue				
	Less:			
	AHCCCS settlement			\$ 173,083
	Medicare Settlement			\$ 551,939
	Net Revenue			\$ 2,285,122
Ambulance Operating Expenses:				
	Bad Debt			\$ 594,132
	Personnel Costs			\$ 1,072,707
	Billing Service			\$ 135,279
	Other General & Admin			\$ 28,525
	Vehicle Expenses			\$ 52,538
	(Registration, Fuel, Maint, Etc.)			
	Ambulance Supplies			\$ 65,911
	Other Operating Expenses			█ \$ 5,288
	Interest Expense			\$ 45,197
	Total Operating Expenses			█ \$ 1,999,577
	Ambulance Service Net Income			\$ 285,544
	Net Operating Margin			9.49%
Allocation for City Support Services			\$ 330,169	
Net Income after Allocations				\$ (44,624)
Net Margin after Allocations				-1.48%

The City will have to make an initial investment in the ambulance operation for capital equipment and operating expense. Typically, a new ambulance service does not realize income from Medicare for the first 4-6 months of operations. The projected startup costs are included in the ALS model. The figure below details the costs and amounts required. With the proposed model running 3 ambulances, standard practice requires a minimum of 2 additional ambulances to remain in reserve, to account for preventative maintenance and repair of the field assigned units. The cost to acquire and equip the ambulances is estimated at \$200,000 per

unit. In the pro forma we assumed a 10-year amortization at 3% for repayment of the initial asset purchases and working capital. The annual debt service including principal and interest is \$183,052. This calculation does not include the cost for the application process and defending the application. This expense can range from \$15,000 to \$500,000 and would increase the startup costs.

Startup Capital Requirements (6 months)

Ambulance Purchase	1,000,000
6 months Salary Cash Outflow 	536,354
6 mths Vehicle Expense	26,269
6 mths Other General Admin Expenses*	8,170
Total	1,570,792

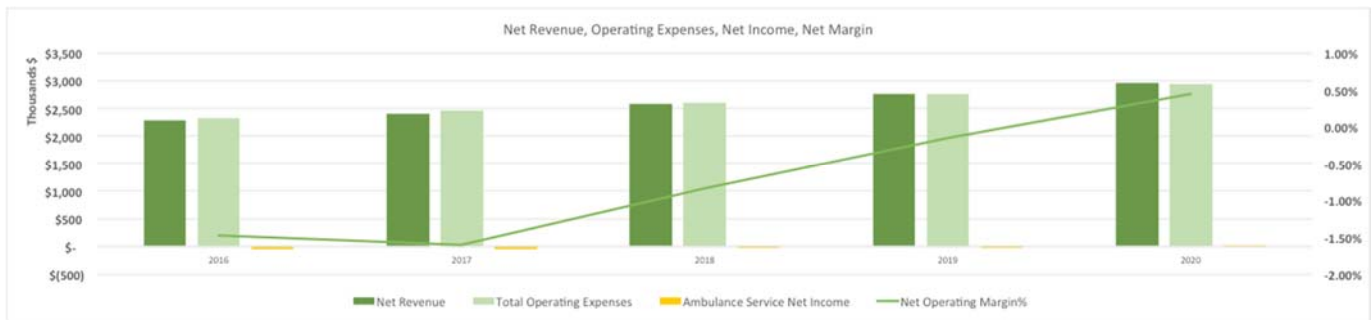
*General Admin expenses include supplies, insurance, telephone, etc.

Five Year Projections

	City of Goodyear				
	Ambulance System Summary Pro Forma				
	5 year Period				
	2016	2017	2018	2019	2020
ALS Runs	2,518	2,647	2,783	2,925	3,076
BLS Runs	-	-	-	-	-
Mileage	17,245	18,130	19,060	20,039	21,067
ALS Revenue	\$ 2,475,181	\$ 2,654,261	\$ 2,846,299	\$ 3,052,230	\$ 3,273,060
BLS Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Mileage Revenue	\$ 314,891	\$ 337,674	\$ 362,105	\$ 388,303	\$ 416,397
Medical Supplies	\$ 220,072	\$ 235,994	\$ 248,106	\$ 260,840	\$ 274,227
Total Ambulance Revenue	\$ 3,010,144	\$ 3,227,929	\$ 3,456,509	\$ 3,701,373	\$ 3,963,684
Less : AHCCCS Settlement	\$ 173,083	\$ 185,606	\$ 198,749	\$ 212,829	\$ 227,911
Medicare Settlement	\$ 551,939	\$ 640,421	\$ 685,771	\$ 734,352	\$ 786,395
Net Revenue	\$ 2,285,122	\$ 2,401,902	\$ 2,571,989	\$ 2,754,192	\$ 2,949,378
Ambulance Operating Expenses:					
Bad Debt	\$ 594,132	\$ 624,495	\$ 668,717	\$ 716,090	\$ 766,838
Personnel Costs	\$ 1,072,707	\$ 1,145,727	\$ 1,225,095	\$ 1,311,494	\$ 1,405,692
Billing Service	\$ 135,279	\$ 142,193	\$ 152,262	\$ 163,048	\$ 174,603
Other General & Admin	\$ 28,525	\$ 29,144	\$ 29,784	\$ 30,453	\$ 31,152
Vehicle Expenses	\$ 52,538	\$ 55,106	\$ 57,806	\$ 60,644	\$ 63,628
(Registration, Fuel, Maintenance, etc)					
Ambulance Supplies	\$ 65,911	\$ 70,680	\$ 74,308	\$ 78,122	\$ 82,131
Other Operating Expenses	\$ 5,288	\$ 5,612	\$ 5,951	\$ 6,313	\$ 6,699
Interest Expense	\$ 45,197	\$ 41,004	\$ 36,683	\$ 32,231	\$ 27,644
Total Operating Expenses	\$ 1,999,577	\$ 2,113,960	\$ 2,250,605	\$ 2,398,395	\$ 2,558,388
Ambulance Service Net Income	\$ 285,544	\$ 287,943	\$ 321,384	\$ 355,797	\$ 390,990
Net Operating Margin	9.49%	8.92%	9.30%	9.61%	9.86%
Allocation for City Support Services	\$ 330,169	\$ 339,857	\$ 350,230	\$ 361,342	\$ 373,251
Net Income after Allocations	\$ (44,624)	\$ (51,915)	\$ (28,846)	\$ (5,545)	\$ 17,739
Net Margin after Allocations	-1.48%	-1.61%	-0.83%	-0.15%	0.45%

Assumptions used in preparing the 5 year projection.

- 5.13% annual increase in ALS & BLS run volumes. This is based off the increase in the past 5 years of EMS/Rescue call statistics of City of Goodyear.
 - The City internally utilizes an estimated population growth of 4% per year. The larger assumption in call volume correlates to the aging of the existing population and growth of the retirement communities within the City boundaries.
- 6.6% average annual increase in personnel wages and benefits.
- 2% annual increase in ALS, BLS, mileage and waiting charges which is the historical increase in approved rates by ADHS.
 - In the event expenses outpace growth and ADHS automatic increases, the City has the ability to apply for a larger increase in rates charged.



- The Total Operating Revenue increases from \$3.010 million in 2016 to \$3.963 million in year 2020.
- The Total Operating Expenses increase from \$2.329 million in 2016 to \$2.931 million in 2020.
- The net loss in 2016 is (\$44,624), which results in a profit of \$17,739 in 2020.
- The net operating margin improves from (1.48%) in 2016 to 0.45% in 2020.

REMAINING THE SAME (STATUS QUO)

Currently, the City of Goodyear has a contract with SWARA, which provides reimbursement to the City for transports to the hospital in which Goodyear Fire Department firefighter provide patient care. Under the contract, the rate of reimbursement to the City is the difference between SWARA current ALS and BLS base rate. As of 3/31/15 the rate allowable under the terms of the contract was \$68.76, which is 6.2% of the \$1,108.27 charged by SWARA.

“Contractor agrees to pay City a fee equal to the difference between the current ADHS approved ALS/BLS rates and not greater than the differential in effect at the time service is rendered for each ambulance transport for which a City Firefighter provides ALS services during the transport. To provide for the transfer of responsibility for the care of such person or persons, City and Contractor hereby establish and agree upon the transfer procedures attached hereto and incorporated herein as Exhibit B. All transfer procedures may, from time to time, be amended by mutual, written agreement of City and Contractor, and following approval by ADHS. Contractor agrees to be responsible for returning City personnel to their respective stations.”

JVG’s review determined for years FY 13-14 total payments were \$180,633 and decreased in FY 14-15 by \$71,098 to \$109,353.

REGULATORY PROCESS

Statutory Requirements:

The Legislature, through enactment of the Certificate of Necessity (CON) statutes, mandated a fully regulated ambulance industry. The Arizona Department of Health Services (ADHS), through the Bureau of Emergency Medical Services and Trauma Services (BEMSTS) regulates ambulance services in the State of Arizona, including the CON application process and the CON renewal process. *See* Arizona Revised Statutes ARS § 36-2232 through ARS § 36-2246.

An entity that wishes to operate an ambulance in the State of Arizona may do so only after being granted a CON by ADHS. *See* ARS § 36-2233.

ARS § 36-2233 governs the issuance of a CON for the operation of ambulances in the State of Arizona and requires, in pertinent part:

- That a CON applicant must apply for a CON on forms prescribed by the Director of ADHS. *See* ARS § 36-2233(A). and:
- The CON applicant must demonstrate that the public necessity requires the proposed service of any part of the service. *See* ARS § 36-22-33(B)(2)² and:
- That the CON applicant must demonstrate that it is fit and proper to provide the service. *See* ARS § 36-2233(B)(3)³ and:
- The applicant has paid the appropriate fees pursuant to ARS § 36-2240.

The Director shall require a public hearing on any CON applications unless certain exemptions are met. The pertinent exemption for the City of Goodyear would be: *See* ARS § 36-2234(C).

- The Director noticed the hearing to every affected ambulance service in the affected area no later than fifteen days before the action.
- The Director notified other persons who the Director determines are interested in the proposed action no later than fifteen days before the action.
- The Director publishes the notice of the proposed action in a newspaper of general circulation in the affected region at least once each week for two consecutive weeks before the action is taken.
- The Director receives no requests within the fifteen day notification period for a hearing to be held on the proposed action.

A CON is not a franchise, may be revoked by the Director, and does not confer a property right upon its holder. *See* ARS § 36-2236(A).

Pursuant to ARS § 36-2232(A)(3), the Director may issue a CON to more than one ambulance in the same or overlapping service areas, provided there is a need for that service. In such instances, the Department refers to AAC R9-25-903(C) for the factors to be analyzed when considering whether there is a need for the proposed service.

The Director has the authority to determine, fix alter and regulate just, reasonable and sufficient rates and charges for the provision of ambulance services including rates and charges for Advanced Life Support (ALS) service, Basic Life Support (BLS) service, mileage, standby and waiting, subscription service contracts and other contracts related to the provision of ambulance services. *See* ARS § 36-2232(A)(1); ARS § 36-2239; AAC R9-25-1101, *et seq.*

² Public Necessity means “an identified population needs or requires all or part of the services of a ground ambulance service.” *See* Arizona Administrative Code R9-25-901(45). Public Necessity includes an inquiry into “need,” the primary focus of which should be on the best interest of the public.” *See* ADHS Guidance Document GD-099-PHS-EMS.

³ Fit and proper means “That the Director determines that an application for a CON or certificate holder has the expertise, integrity, fiscal competence and resources to provide ambulance service in the service areas.” *See* ARS § 36-2201(21).

Rule Requirements:

To apply for a Certificate of Necessity the applicant must submit an application packet in a Department approved format as well as an application fee of \$100.00. See R-9-25-902 (A-E). This packet encapsulates the minimum amount of information that the Department requires to begin the evaluation process.

The evaluation of the application hinges on the determination of “Public Necessity.” Accordingly, the criteria for that determination is codified in Rule as well in Guidance Documents and other Department communications to applicants. See R9-25-903 (A) and GD-099-PHS-EMS.

If the application is in an area where other certificated providers are authorized to provide 9-1-1 services, additional information is required by the Department. See R-9-25-903 (C).

If the applicant intends to charge for ambulance transportation, the applicant must establish an initial general public rate. In order to establish an initial general public rate the applicant must file additional information that allows the Department to evaluate the requested rates. See R9-25-1101 (A-B).

Time Frames:

The Department has statutory mandated time frames to evaluate and process a CON application. See R9-25-1201 A-F & Table 12.1. The overall time frame for adjudication of an Initial Application for a Certificate of Necessity mandated by law is 450 days. The applicant and Director may agree to extend the overall timeframe if requested by either party.

The evaluation process goes through several distinct phases. They are:

Administrative Review - Time Frame: 30 days: The Administrative Review determines if the application meets the minimum statutory and regulatory requirements of a complete application. If there are any questions or clarifications needed in the application, the applicant will be notified by the Department and requested to respond to the inquiry. The 30 day timeframe for Administrative Review is suspended until the response from the applicant is received by the Department.

Substantive Review - Time Frame 420 days: The Substantive Review consists of two phases. The first is further evaluation by the Department of the information contained in the application. A major focus is the financial information provided to the Department as well as the content of other portions of the application. During the Substantive Review, the Department is permitted to make one comprehensive written request for additional documents or information. The 420 day timeframe for Substantive Review is suspended until the response from the applicant is received by the Department. A supplemental request for additional information may be made with the written consent of the applicant. The Substantive review timeframe shall not extend by more than 25% of the overall timeframe.

The second phase is an Administrative Hearing on the application or, in the alternative, a Waiver of Hearing process. In practice, once the Department has made the determination that the application is both Administratively and Substantively complete, it will assess whether an Administrative Hearing is needed. The Director of the Arizona Department of Health Services (Director) may make that determination unilaterally, or a hearing may be requested by any party that has material interest to request a hearing. In most cases

requests for a hearing are made by existing CON holders that intend to object to the issuance of an overlapping CON. See ARS § 36-2234.

If a hearing is required, the case file will be transmitted to the Arizona Office of Administrative Hearings (OAH) and a Notice of Hearing will be sent to the applicant and any parties that the Director has determined may have an interest in the proceedings. The Hearing's conduct is governed by the Arizona Administrative Procedure Act. See ARS Title 41, Chapter 6. In practice, the length of the hearing is determined by the workload of OAH, the number of interveners, attorney schedules and the complexity and scope of the application. Given the current number of CON applicants pending with the Department, it is anticipated that any new applications would not be heard until sometime in 2016 at the earliest.

If the Director determines that a Waiver of Hearing is appropriate, it must notify all ambulance services in the affected region, as well as any other persons who the Director determines are interested in the proposed action. The Director must also publish a notice of the proposed action in a newspaper of general circulation in the affected region at least once each week for two consecutive weeks before the action is taken. See ARS § 36-2234 (C).

If the Director does not receive a request for Hearing within 15 days, the Director may make the final determination on the application without a Hearing. If a request for Hearing is received, then the Hearing process is initiated as described above. See ARS § 36-2234 (D).

COST OF APPLICATION PROCESS

This cost of application estimate is based upon a full CON application, that includes a comprehensive needs assessment, outside legal counsel integral to application preparation, preparation for and to include the administrative hearing process (if required). The cost of the CON application process varies depending on the level of support required, as well as the existence of an intervener(s) in the CON application. Given the unique nature of this endeavor, JVG recommends the City contract with outside experts to guide the City through the application and hearing process. The estimates below include all required components.

- A Community Needs Assessment developed specifically for the City of Goodyear by an independent consultant - who will support / testify to validity of the methodology and findings at hearing. The Community Needs Assessment will include community polling and benchmarking based upon the proposed ambulance service management and deployment plan. Estimated cost is \$30,000 to \$50,000
- Consultant preparation of a defensible Ambulance Revenue and Cost Report (ARCR) based upon the management and deployment plan. Estimated cost is \$8,000 to \$10,000
- Consultant preparation of a full CON application. Estimated cost is \$10,000
- Outside legal counsel retained by the City of Goodyear to facilitate the CON application and represent the City at any subsequent administrative hearings. Estimated cost is \$100,000 to \$350,000 not including expert consultant fees
 - Legal fees include hearing preparation / support / submittals / presentation at hearings.
- Time for hearing preparation / support / submittals / presentation at hearing to be determined (ADHS / OAH schedule dependent).

SUMMARY

Throughout this project the James Vincent Group has worked closely with the City of Goodyear to gather all essential information and analyzed three potential scenarios:

1. City provided ALS transport in partnership with private provider for BLS transports
2. City provided ALS and BLS transportation
3. Status Quo: Continue to contract out all transport services to private provider

Status Quo

This option allows the City of Goodyear to continue to contract with SWARA, current Certificate of Necessity (CON) holder, and receive reimbursements for transports to the hospital in which Goodyear Firefighters provide patient care. Under the current contract, the rate of reimbursement to the City is the difference between SWARA current ALS and BLS base rate. As of 3/31/15 the rate allowable under the terms of the contract was \$68.76, which is 6.2% of the \$1,108.27 charged by SWARA. This 6.2% is considerably lower than the amount we would expect to see given the amount of expense and highly qualified resources provided. However, this is the rate that ADHS has historically permitted for this service. For the year FY 13-14, JVGs review determined the total payments were \$180,633 and decreased in FY 14-15 by \$71,098 to \$109,353. Both amounts from FY 13-14 and FY14-15 are gross income and do not reflect any of the allocated expenses associated with the services provided. Due to the wide fluctuations in the level of reimbursement from the private provider, a 5 year projection is not feasible.

Choosing to remain the same allows the City of Goodyear to avoid making an initial investment (start-up cost) into the ambulance operations for capital equipment and operating expense and avoid any of the application costs associated with applying for a CON.

Choosing the status quo option will allow the City to continue to see some income from SWARA. The level of control of services provided to the City of Goodyear will remain low and the level of ambulance service provided to the City's residents will continue to be in the hands of the private provider. The City will have little control over the level of training, medical direction and policies and procedures utilized by SWARA. The City will also have little control over the deployment or utilization of ambulances covering the City of Goodyear and SWARA can continue to operate its stations at the most optimal sites and locations to serve their entire CON and not specifically the City of Goodyear.

City of Goodyear owned and operated ground ambulance service. This includes the option to provide ALS and BLS or to provide ALS only.

A city owned and operated ground ambulance service can facilitate an improvement in the continuity of care, response times, triage, and treatment for the Goodyear community. The following is a list of potential enhancements that demonstrate the benefits of obtaining a Certificate of Necessity (CON).

- The City of Goodyear proposed deployment model has four ambulances based out of Stations 182, 182, 183, and 184. This proposal significantly increases the number of ambulance units dedicated

to the area and creates an adaptive emergency medical delivery system specific to the citizens of Goodyear that will be managed by the Fire Department. This allows the City of Goodyear to tailor its approach to improve the level of service provided to the specific needs of the City of Goodyear residents.

- By owning and operating the ground ambulance service the City can implement policies, procedures training and human resource supervision aimed at improving the level of service. Not only can they be designed and implemented, they can also be refreshed, adapted, maintained and enforced through the model where the City owns and operates the ground ambulance service. It provides a single quality assurance mechanism and the ability to adapt to meet the citizen's needs.
- Since the governing authority is responsible for the health and welfare of the citizens within its boundaries, an important advantage to the single organization model is that the governing authority will have access to comprehensive data that will be instrumental in assuring the community receives quality care.
- With the City of Goodyear managing their own ambulance service, continuity of care is improved as patients will not have to be transferred from one entity's personnel to another as is currently experienced. One of the major draw backs of transferring or "handing off" of patients is a potential loss of vital patient information. This drawback is compounded each time a transition occurs. Potentially vital patient information may be lost or miscommunicated which can result in lower quality of patient care.

Although improving the level of service for the City of Goodyear's citizens is an essential component to this project it is also important to evaluate the financial impact and feasibility of owning and operating a ground ambulance service. We have pulled key indicators from our financial analysis and provided a comparison of them in the tables below.

Key Indicators for Year 1

	ALS & BLS	BLS
Ambulance Service Net Income	\$ 449,752	\$ 285,544
Allocation for City Support Services	\$ 438,279	\$ 330,169
Net Income after Allocations	\$ 11,473	\$ (44,625)

Key Indicators for Year 2-5

	Year 2		Year 3		Year 4		Year 5	
	ALS & BLS	BLS	ALS & BLS	BLS	ALS & BLS	BLS	ALS & BLS	BLS
Ambulance Service Net Income	\$ 455,549	\$ 287,943	\$ 504,212	\$ 321,384	\$ 553,947	\$ 355,797	\$ 605,763	\$ 390,990
Allocation for City Support Services	<u>\$ 449,308</u>	<u>\$ 339,857</u>	<u>\$ 460,914</u>	<u>\$ 350,230</u>	<u>\$ 473,129</u>	<u>\$ 361,342</u>	<u>\$ 486,018</u>	<u>\$ 373,251</u>
Net Income after Allocations	<u>\$ 6,241</u>	<u>\$ (51,914)</u>	<u>\$ 43,298</u>	<u>\$ (28,846)</u>	<u>\$ 80,818</u>	<u>\$ (5,545)</u>	<u>\$ 119,745</u>	<u>\$ 17,739</u>

Conclusion

The ground ambulance service landscape is rapidly changing in Arizona. These changes could potentially have an effect on the level of service provided to the City of Goodyear community, and it is, therefore prudent for the City to explore different methods of providing the highest level of service in the most efficient and effective way possible. In this endeavor, the City of Goodyear worked closely with the James Vincent Group to analyze three potential scenarios:

1. City provided ALS transport in partnership with private provider for BLS transports
2. City provided ALS and BLS transportation
3. Status Quo: Continue to contract out all transport services to private provider

Owning and operating a ground ambulance service can create numerous challenges and opportunities for any city. This document identifies many of these challenges and opportunities and provides the City of Goodyear with the information needed to enable the City of Goodyear to make decisions based on expert, comprehensive, reliable and independent information.

Thank you for the opportunity to do this analysis for the City of Goodyear. We will be happy to work with the City to clarify any items contained in this report.