

Ambulance Feasibility Study

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Background

Bankruptcy of Rural Metro in August 2013

Department of Health Services

Certificate of Necessity (CON) application



Feasibility Study

Awarded the contract in February to the James Vincent Group through an RFP process

Work closely with the vendor and began data collection in late February and received frequent updates

Important for the vendor to look at all models available to include

- Advanced Life Support (ALS) and Basic Life Support (BLS) emergency transport models
- ALS emergency transport model with Basic Life Support emergency being done by private vendor.
- Maintaining status quo.

Units would be staffed with civilian EMT and Paramedic employees.



Feasibility Study

True costs of ambulance services for City

Scope of Work

- Understand insurance payer mix, collection rates, transport fees, and provide a cost/benefit analysis of a transport service owned and operated by the Fire Department.
- Gather and compile start up and operating costs, projected transports, and make recommendations on the feasibility and sustainability of this project.
- Comparison of the economic pros and cons between recommended options and in maintaining the status quo.
- Develop a comprehensive 5-year financial outlook of adding this proposed service to the City.
- Attend public and state Certificate of Necessity (CON) meetings to defend the financial analysis (ARCR) for a potential Certificate of Necessity Application.

Current Regulatory Environment

Certificate of Necessity (CON), is a fully regulated ambulance industry

Bureau of Emergency Medical Services regulates ambulance service

Currently two vendors hold CON authorization to operate in Goodyear

- Southwest Ambulance/Rural Metro
- American Medical Response (AMR)

House Bill 2588 was introduced in this years First Regular Session

- Allows Cities, Towns, and Fire Districts to obtain a CON in 30 days
- Bill was not passed, still interest in modifying the current process
- Current process can take upwards of 450 days.

Financial Modeling

Ambulance rates are regulated by Bureau of EMS

Current insurance payer mix in City of Goodyear is strong in comparison to other Cities in the Metro Phoenix area.

Medicare/AHCCCS sets its own reimbursement schedules

- Medicare is a fixed amount.
- AHCCCS is currently at 68.59% of the state approved rate.

Financial modeling looked at last five years to develop and accurate trend in call volume.

Goodyear providing ALS and BLS Service

Provide 24/7 operations to the City of Goodyear with 2 ambulances and use 2 peak demand ambulances on a 12 hour/7 day a week service.

Would hire 19 new employees to staff the vehicles to include an EMS manager to oversee the program.

A fully equipped ambulance would be \$200,000 per ambulance.

12 Month Pro Forma ALS/BLS model

City of Goodyear Ambulance Service Revenue:					Ambulance Operating Expenses:			
	Rate	No. of Runs	Billable Miles	Total Revenue				
ALS Runs	\$ 983.19	2,518		\$ 2,475,181		Bad Debt		\$ 820,632
BLS Runs	\$ 914.43	1,019		\$ 931,347		Personnel Costs		\$ 1,435,296
Mileage	\$ 18.26		24,222	\$ 442,286		Billing Service		\$ 186,852
Medical Supplies				\$ 309,105		Ambulance Supplies		\$ 92,577
(Rate reflected is the current approved rate for CON#66.)						Other Operating Expenses		\$ 115,699
Total Ambulance Service Operating Revenue						Interest Expense		\$ 55,469
		Less:				Total Operating Expenses		\$ 2,706,525
		AHCCCS settlement		\$ 239,080		Ambulance Service Net Income		\$ 449,752
		Medicare Settlement		\$ 762,562		Net Operating Margin		10.82%
			Net Revenue	\$ 3,156,277		Allocation for City Support Services		\$ 438,279
						Net Income after Allocations		\$ 11,473
						Net Margin after Allocations		0.28%

ALS only model

Model would provide 24/7 ALS only coverage for the City through 2 24 hour ambulances and 1 peak demand unit 12 hour ambulance.

Would hire 17 full time employees to staff the units, which would include 1 EMS manager to oversee the program.

The BLS emergency transports would be done by a private provider to help support the system.

12 month Pro Forma ALS only model

City of Goodyear Ambulance Service Revenue:					Ambulance Operating Expenses:		
	Rate	No. of Runs	Billable Miles	Total Revenue		Bad Debt	\$ 594,132
ALS Runs	\$ 983.19	2,518		\$ 2,475,181		Personnel Costs	\$ 1,072,707
BLS Runs	\$ 914.43	-		\$ -		Billing Service	\$ 135,279
Mileage	\$ 18.26		17,245	\$ 314,891		Ambulance Supplies	\$ 65,911
Medical Supplies				\$ 220,072		Other Operating Expenses	\$ 86,351
(Rate reflected is the current approved rate for CON#66.)						Interest Expense	\$ 45,197
Total Ambulance Service Operating Revenue						Total Operating Expenses	\$ 1,999,577
		Less:					
		AHCCCS settlement		\$ 173,083		Ambulance Service Net Income	\$ 285,544
		Medicare Settlement		\$ 551,939		Net Operating Margin	9.49%
		Net Revenue		\$ 2,285,122		Allocation for City Support Services	\$ 330,169
						Net Income after Allocations	\$ (44,624)
						Net Margin after Allocation	-1.48%

Maintaining Status Quo

Contract with Rural Metro/Southwest Ambulance provides for Paramedic ride in fee any time that a Goodyear Fire Paramedic rides in with the patient to the hospital

Payments over the last two fiscal year averages \$145,000.


Summary and Findings

Maintaining the current level of services allows Goodyear to receive some revenue however limits the control over the deployment or utilization of coverage that Goodyear receives.

Providing Ambulance service allows

- Tailor the approach to providing ambulance service to the citizens
- Continue to provide quality care to the citizens

Owning an ambulance service offers many challenges and opportunities for the City.



Paying for Next Steps

Phase I (Application)

- Community Needs Assessment (\$30,000 to \$50,000)
- Ambulance Revenue and Cost Report (\$8,000 to \$10,000)
- Preparation of Full CON (\$10,000)

Phase II (Administrative Hearing)

- Outside Legal Counsel (\$100,000 to \$350,000)
- Expert Consultant Fees (Unknown)

Funding the application process

It will take time to determine whether or not we want to move forward:

- Time the application so that Phase 1 is completed during FY 16
- Fund Phase 1 costs from City Manager Contingency
- Fund Phase 2 costs from FYI17 budget.

Startup Costs

	ALS & BLS	ALS Only
Ambulance Purchase	\$ 1,200,000	\$ 1,000,000
6 months Salary Cash Outflow	\$ 680,148	\$ 536,354
6 months Vehicle Expense	\$ 36,641	\$ 26,269
6 months Other General Admin Expenses	\$ 11,028	\$ 8,170
Total	\$ 1,927,817	\$ 1,570,793

Start Up Financing-Options

Ambulance Purchase

- Outside Financing
- Loan from General Fund
- Consider One Year Deferral on Backup Ambulance

Six Months Working Capital

- Loan from General Fund
- One Time Expenditure of General Fund

Questions
