

To: Bryan City Secretary
 From: Councilmembers Southerland and Peña
 Subject: Agenda Item Titled: Ambulance Rates and Write-offs



Please place the following item on the Bryan City Council Regular Agenda for the regularly scheduled meeting of April 14, 2015:

Discussion, consideration, and possible action to:

Direct Staff to restudy the ambulance rates and write-offs in light of the attached "City of Bryan Report of Annual Ambulance Collections and Rates", dated Dec 16, 2014 and the actual billing system, examples attached. Return the results by the last meeting of May 2015.

Discussion:

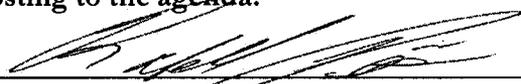
1. The rates are set by the City Council but in actual practice different categories of customers pay extremely different rates than that billed. 2. The billing system first bill to the client is about 4 months after the service date and does not include the total cost of the ambulance service nor does it reflect any credits or payments by insurance companies. Customers are called and told they are late before they get the first bill. 3. The billing company charges about \$100,000 per year for collections which may be better spent "in-house".

Primary Payer	# Transports	Total Billed	Adjustments Uncollected Contractual	Billing Net	Total Received Payment	Total of Rec Pmt Net % Billing	Billing Net Per Transport
FY 2013							
M/M/WC	3,598	3,187,354	1,809,654	1,377,701	1,319,364	95.77%	382.91
Insurance/Other	672	618,764	46,921	571,843	454,229	79.43%	850.96
Uninsured Patients	1,488	1,331,580	8,737	1,322,843	69,392	5.25%	889.01
Total	5,758	5,137,698	1,865,311	3,272,387	1,842,986	56.32%	568.32
FY 2014							
M/M/WC	3,657	3,140,283	1,843,032	1,297,251	1,206,776	93.03%	354.73
Insurance/Other	828	722,247	57,196	665,050	580,761	87.33%	803.20
Uninsured Patients	1,563	1,584,831	5,006	1,579,825	91,895	5.82%	1,010.76
Total	6,048	5,447,361	1,905,234	3,542,127	1,879,432	53.06%	585.67

Presentations: Councilmembers Peña, and Southerland

This agenda item placement is in accordance with the Bryan City Charter (j) (1) a. 2. Also the Texas Attorney General Opinion Number DM-228 (1993) states no policy can preclude a councilmember from placing an item on the agenda for public discussion.

Any changes to this agenda item must be approved in writing by both under signs prior to posting to the agenda.


Date: 4/7/2015
Rafael Peña, Councilmember, District 2, rpena@bryantx.gov, 979-402-9164


Date: 4/7/2015
Mike Southerland, Councilmember, District 4, msoutherland@bryantx.gov, 979-229-7805

Enclosures:

1. City of Bryan Report of Annual Ambulance Collections and Rates, dated Dec 16, 2014
2. Five pages of an actual costumer bill





MEMO

TO: Kean Register, City Manager

FROM: Joe Hegwood, Chief Financial Officer
Randy McGregor, Fire Chief

RE: **Ambulance Write-offs**

DATE: December 16, 2014

Each year, in accordance with Generally Accepted Accounting Principles (GAAP), Fiscal Services records the annual write-off amount on the City's financial statements for uncollectible ambulance billings. The recording of write-offs on the books recognizes the actual collections experience for the City. Write-offs are recorded on a two (2) year lag to allow for a reasonable amount of time for collection efforts to take place. This year's write off is for FY2012 in the amount of \$1,254,296. This is down \$358,125 from the prior year.

Attached is a brief report of the City's ambulance write off for FY2012 and historical write off trends.

Please contact me if you have questions regarding ambulance billing or write-off practices.

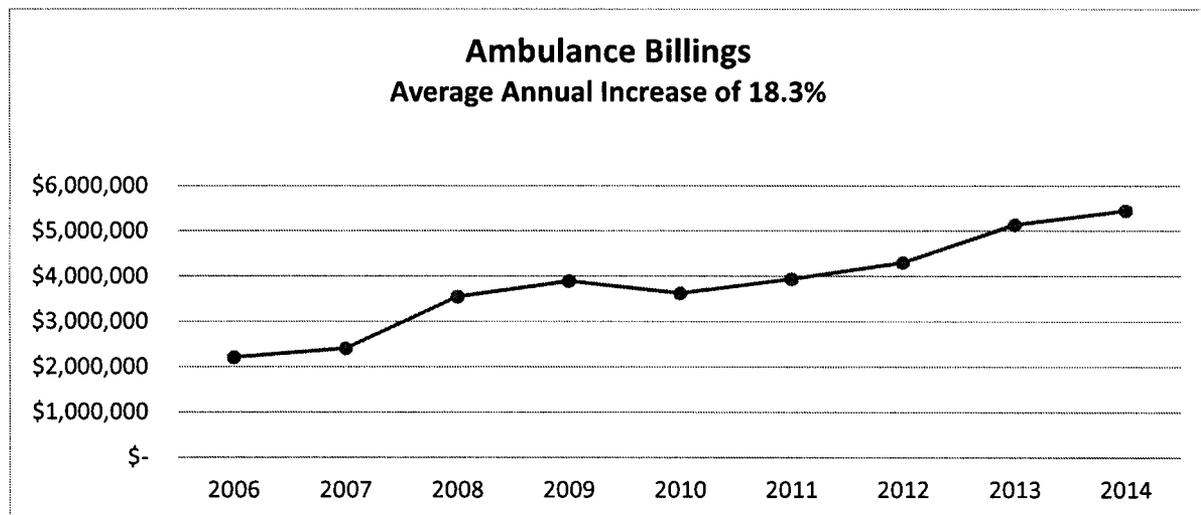
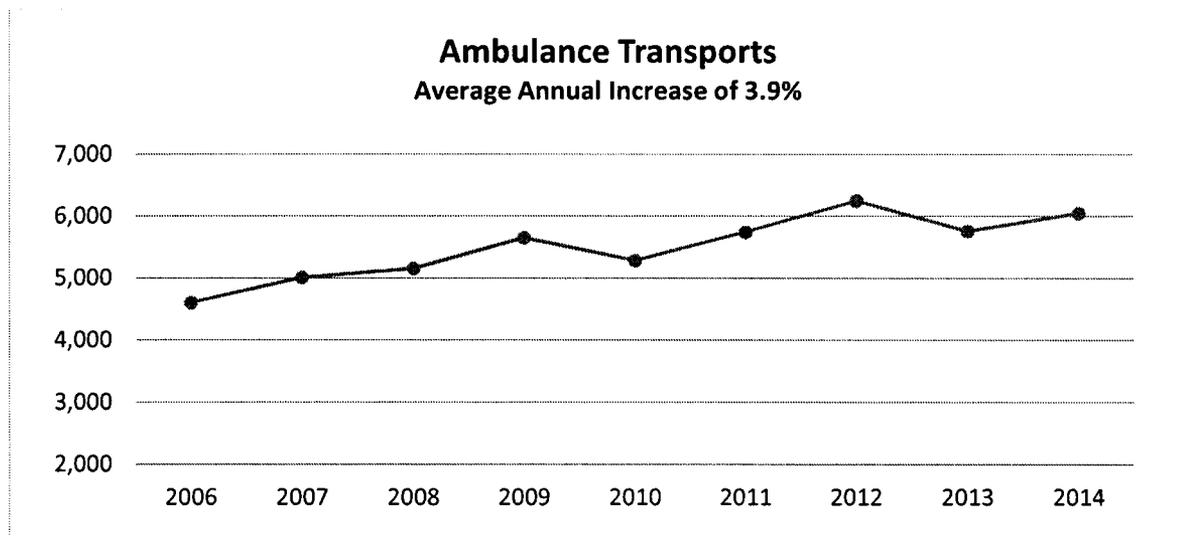
City of Bryan

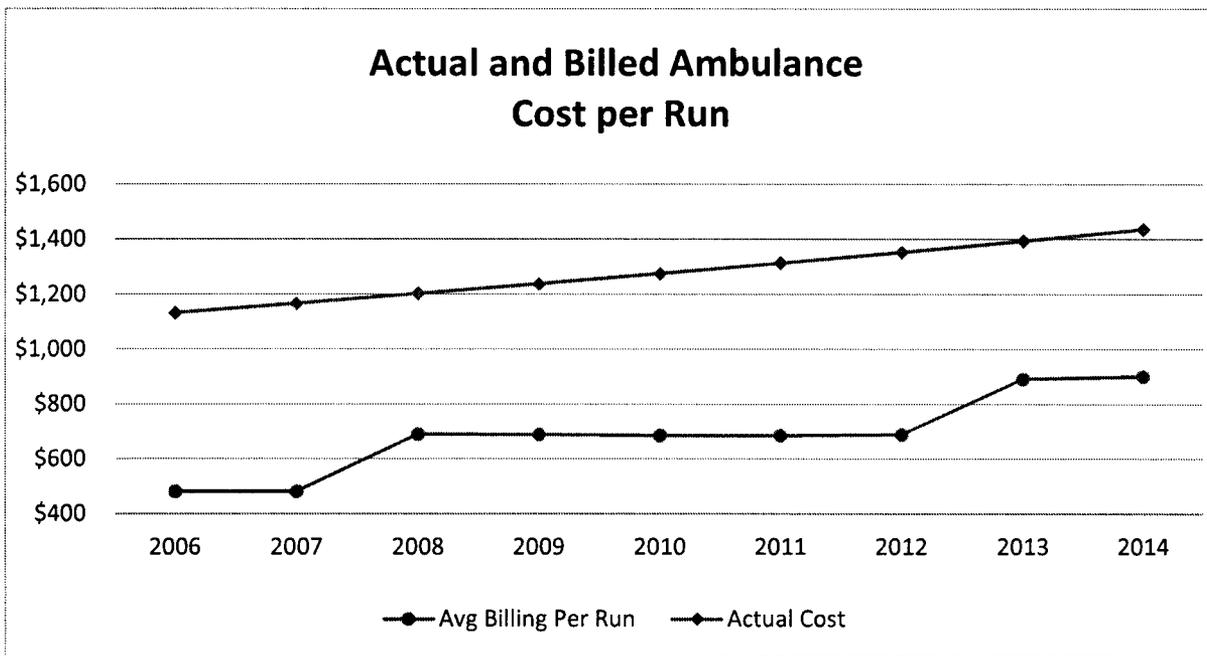
Report of Annual Ambulance Collections and Rates

The City of Bryan provides ambulance services for the citizens of Bryan and portions of the surrounding community. The Bryan Fire Department provides these services as a part of their normal operating function. Citizens that use ambulance services are billed in accordance with rates recommended by the fire department and approved by City Council. It has been the City's experience that not all those billings are collectible. This report discusses the City's ambulance collection process and current and historical costs and collections experience.

Services Provided

The number of ambulance transports, the total billed cost and the billed and actual costs per run have increased steadily over time. Below are graphs of the number of ambulance runs and billed costs over the last 9 years:



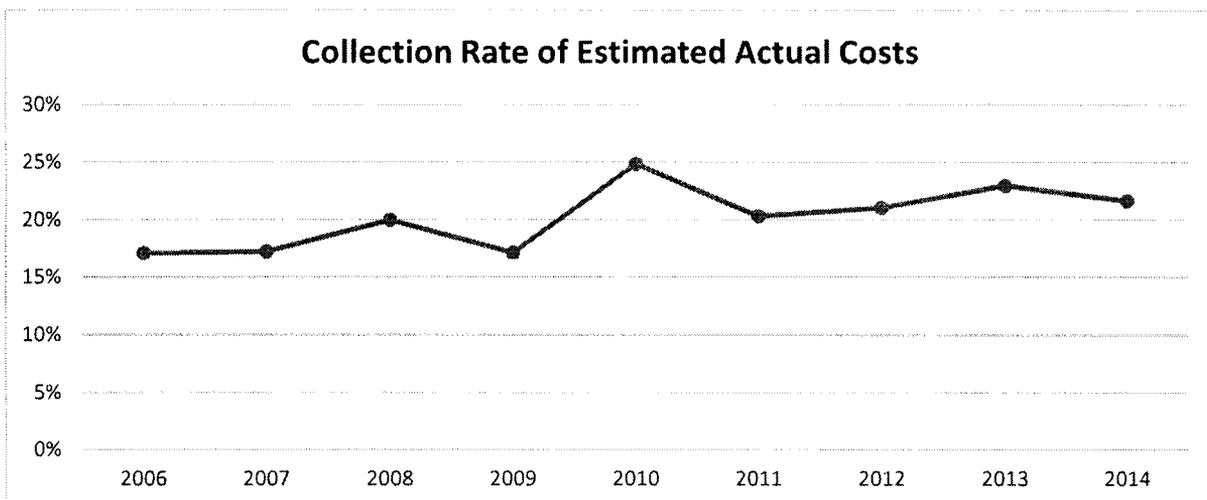


Note: The actual cost per run included in these calculations is the estimated FY13 cost of \$1,393, reduced by 3% each preceding year.

Historically, billed ambulance rates have not reflected the full cost of operating the City's ambulance system. Ambulance rates were adjusted in 2008 and 2013 and again in 2015 to better reflect the actual cost of operating the ambulance function. Any difference between the actual cost of runs and collections are funded by the City's General Fund through sales and property taxes.

Collections Experience

Over time, the City's collection percentage has increased as more effective collection contractors were utilized and as the City's billing rate has moved closer to the actual cost of ambulance services.



Collectible amounts can be broadly separated into runs covered by Medicare/Medicaid/Workers Comp (MMWC), runs covered by insurance and uninsured patients. MMWC collections are subject to reimbursement caps that are set by those programs. Digitech, the City's billing contractor is not allowed to attempt to collect above the MMWC caps. All other ambulance billings are paid by either the patient with insurance, by the patient as out of pocket expense or are not collected. The City of Bryan's collections experience related to these groups for the most current 3 fiscal years are shown below. Digitech took over ambulance collections in mid-2012, so annual detailed statistics prior to 2013 are not available. The prior collector, MCS was experiencing poorer collection rates.

To get a measure of the overall impact of collections on the City financially the tables show collections vs actual costs as opposed to collections vs billed costs.

Actual Collections vs. Actual Cost per Run

FY 2012

Primary Payer	% of Total Transports	Cost per Run Recovered	Cost per Run	Recovery %
MCS		\$ 221	\$ 1,353	16%
DIGITECH		\$ 303	\$ 1,353	22%
Total		\$ 283	\$ 1,353	21%

FY 2013

M/M/WC	62%	\$ 367	\$ 1,393	26%
Insurance/Other	12%	\$ 676	\$ 1,393	49%
Uninsured Patients	26%	\$ 47	\$ 1,393	3%
Total	100%	\$ 320	\$ 1,393	23%

FY 2014 - Estimated Costs

M/M/WC	64%	\$ 330	\$ 1,435	23%
Insurance/Other	14%	\$ 701	\$ 1,435	49%
Uninsured Patients	27%	\$ 59	\$ 1,435	4%
Total	100%	\$ 311	\$ 1,435	22%

The collection results for 2013 and 2014 are expected to improve over time as additional collections are made while no significant additional collections for billings from 2012 are expected.

Billed Rates vs Actual Cost

Setting a billing rate close to the actual rate improves overall collection results. While uninsured patients have not historically contributed significantly to collections, insured patients do. MMWC runs do contribute to collections but are less responsive to changes in the billing rate.

Billings and Collections \$

FY 2012

Primary Payer	# Transports	Total Billed	Uncollected Contractual Adjustments (1)	Total Payment Received	Remaining Balance
MCS	1508	1,035,071	346,626	333,534	354,911
DIGITECH	4734	3,265,172	931,303	1,434,484	899,385
Total	6242	4,300,243	1,277,929	1,768,018	1,254,296

FY 2013

M/M/WC	3598	3,187,354	1,809,654	1,319,364	58,336
Insurance/Other	672	618,764	46,921	454,229	117,614
Uninsured Patients	1488	1,331,580	8,737	69,392	1,253,450
Total	5758	5,137,698	1,865,311	1,842,986	1,429,401

FY 2014

M/M/WC	3657	3,140,283	1,843,032	1,206,776	90,475
Insurance/Other	828	722,247	57,196	580,761	84,289
Uninsured Patients	1563	1,584,831	5,006	91,895	1,487,930
Total	6048	5,447,361	1,905,234	1,879,432	1,662,695

(1) Uncollected Contractual Adjustments primarily represent amounts above Medicare and Medicaid payment limits.

Collections Process and Costs

The City contracts with Digitech Computer, Inc. for initial billing collections services. As a part of the contract Digitech coordinates with the patient, the City's fire department and fiscal services, insurance companies, Medicare, Medicaid and any other party involved in the billing of ambulance run costs. Digitech makes collection efforts for a period of 90 days before collections are handed over to collection attorneys, MVBA. If billings are not collected after two years, the City formally writes off those revenues in accordance with accounting requirements and Fiscal policy.

Digitech is paid 5.25% of all amounts collected from original billings. Annual costs for this service are approximately \$100,000 per year on average. FY14 Digitech payments totaled \$101,721.

MVBA is paid 17% of all amounts collected from delinquent billings. The City contracted with MVBA in May of 2014, therefore historical costs are unavailable. However, costs are estimated to be approximately \$5,000 per year. FY14 payments to MVBA totaled \$1,906

As described above, Medicare and Medicaid payments are capped which results in a significant loss of revenues. Recently, the City of Bryan Fire Department and Fiscal Services have begun work with consultant MED3000 on a program that would supplement the recovery of the unallowable costs associated with Medicaid patients. The Texas Ambulance Services Supplemental Payment Program is administered by the Texas Health and Human Services Commission and allows approved governmental ambulance services providers across Texas to receive supplemental payments associated with the cost of providing services to Medicaid beneficiaries and uninsured patients. MED3000 is paid 8% of amounts collected under this program.

Rates Presented in this Report vs. Other Collection Rates Presented

In prior Council presentation of ambulance write-offs, staff has focused on the collection percentages of total billed costs less unallowable Medicare and Medicaid costs. This net amount represents the amount that, after ninety days of failed collection by the primary billing contractor (Digitech), is sent to MBVA for final collection. Percent collections of this net amount will mathematically be higher than what is shown above because this report focuses on *total cost vs. total collection*. Collection percentages based on “net” billed amounts are as follows:

FY 2012

Primary Payer	# Transports	Total Billed	Uncollected Contractual Adjustments	Net Billing	Total Payment Received	Total Pmt Rec % of Net Billing
MCS	1508	1,035,071	346,626	688,445	333,534	48.45%
DIGITECH	4734	3,265,172	931,303	2,333,869	1,434,484	61.46%
Total	6242	4,300,243	1,277,929	3,022,314	1,768,018	58.50%

FY 2013

M/M/WC	3598	3,187,354	1,809,654	1,377,701	1,319,364	95.77%
Insurance/Other	672	618,764	46,921	571,843	454,229	79.43%
Uninsured Patients	1488	1,331,580	8,737	1,322,843	69,392	5.25%
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Uninsured Patients	1563	1,584,831	5,006	1,579,825	91,895	5.82%
Total	6048	5,447,361	1,905,234	3,542,127	1,879,432	53.06%

Costs of Ambulance Services

The actual costs of ambulance service are based on many different factors. The total costs include direct costs such as direct personnel costs, equipment supplies, and vehicle usage as well as indirect costs of buildings, staff and ambulance fleet on call, communication infrastructure, insurance coverage, and other expenses required to provide ambulance services to the citizens of Bryan and the surrounding area. The consulting firm McKesson has reviewed the City's ambulance operation and costs and calculated a cost per ambulance transport of \$1,393 based on FY13 data.

The City's average actual billed rate is slightly over \$900 per transport. This rate has changed over the years to keep parity with other local ambulance run billing rates and does not reflect the total cost of operating the City's ambulance service. Any difference between the actual cost of runs and collections are funded by the City's General Fund through sales and property taxes.