



CITY OF KIRKLAND
Fire & Building Department
123 Fifth Avenue, Kirkland, WA 98033 425.587.3000
www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: J. Kevin Nalder, Fire Chief
Mark Jung, Captain, EMS Officer

Date: September 20, 2012

Subject: Emergency medical services (EMS) transport fee revision

RECOMMENDATION:

Council approves the attached Ordinance amending the Kirkland Municipal Code (KMC) to authorize administrative adjustment of the EMS transport fee to reflect changes in the Consumer Price Index.

BACKGROUND DISCUSSION:

A recent staff review of the EMS transport fee program has concluded that the program is expected to meet its revenue target for 2012 and that program objectives are being met (Attachment A). However, staff has recommended revising the KMC to allow efficient administrative changes to the fee.

EMS transport fees are authorized in Section 5.75.010 of the Kirkland Municipal Code. The Code further establishes the fee at \$600 plus \$14 per mile, and reserves authority to change the fee for City Council.

The base fee has not been changed since it was established on March 1, 2011. While the fee has remained unchanged, the cost of providing EMS transport service has continued to rise. The cost of many important inputs has increased including, vehicles, maintenance, fuel, dispatching, support services, salaries and benefits. This increase in cost, without a corresponding increase in the fee, has resulted in a shift away from the cost recovery objective established by council in its original action.

Furthermore, when the fee was initially established, Kirkland's fee was near the average of its peers. Today, the fee is near the bottom when compared to Kirkland's peers in King County (figure 1).

Figure 1

BLS Transport Fee Survey (August 2012)							
	Bellevue	Bothell	Eastside	Mercer Is	Maple Valley	VRFA	avg
Base Fee	\$ 600.00	\$ 550.00	\$ 650.00	\$ 770.00	\$ 695.56	\$ 704.06	\$ 661.60
Per/mile	\$ 14.00	\$ 14.00	\$ 15.00	\$ 15.00	\$ 13.92	\$ 14.45	\$ 14.40
Rate change (past two years)	No ₁	Yes ₂	Yes ₃	Yes ₄	Yes ₅	Yes ₃	
	1. New tx fee program started February 1, 2012						
	2. Raised from \$400 to \$550 and added \$15/mi March 1, 2012						
	3. Rate adjusts with contract rate for private BLS ambulance						
	4. Added mileage February 2012						
	5. Rate increases 3% per year unless commissioners act to stop it						

Staff recommends revising the Kirkland Municipal Code to allow administrative adjustment of the base and mileage fees for EMS transport to reflect changes in the Seattle Consumer Price Index for Wage Earners and Clerical Workers (CPI-W).

This is similar to the way some City development fees are administratively increased. This creates flexibility as the authority allows the fees to be increased, but it does not require that fees be raised. As an example the City has not administratively raised its development fees for the past two years due to the Great Recession's impact on home building. But granting this authority will allow Kirkland to increase fees in proportion to increases in the cost of providing service, and it will allow fees to keep pace with our peers and private providers. If the current June-to-June Seattle CPI-W (2.7%) is used to adjust the fee, the resulting rate is \$616.20 plus \$14.38 per mile.

This proposal was reviewed by the Public Safety Committee and they unanimously recommended its adoption by the full Council.



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MEMORANDUM

To: Kurt Triplett, City Manager
Tracey Dunlap, Director Finance & Administration

From: J. Kevin Nalder, Fire Chief
Mark Jung, Captain, EMS Officer

Date: September 14, 2012

Subject: EMS Transport Fee Program Update

RECOMMENDATION:

City Manager receives staff report on emergency medical services (EMS) transport fee program.

BACKGROUND DISCUSSION:

The Kirkland City Council approved EMS transport fees (Ordinance 4287) in January of 2011, and began charging for EMS transports, by the Fire Department, on March 1, 2011. With eighteen months experience and the 2013/2014 budget preparation process underway, a review of the key policy and financial issues associated with the transport fee program was requested by the City Manager. This issue paper will:

- Review the staff assumptions used to make initial revenue estimates and explain adjustments to the 2013 – 2014 budget estimate.
- Review overhead components including the Professional services agreement for billing services and internal staff utilization.

Initial revenue estimate:

Considering the uncertainty associated with a new program of this magnitude, the initial revenue estimate has been remarkably close to actual revenue received. In addition to the large number of "routine" unknowns any organization of Kirkland's size would encounter rolling out a transport fee program, the City also completed a major annexation, and a nationwide overhaul of the electronic transaction standards for medical billing was implemented within months of the program launch. This continuousness of change in the EMS transport billing environment has created some difficulty in establishing baseline expectations and projecting future revenue.

Three elements determine transport fee revenue:

- Transport volume
- Collection rate
- Transport fee

Revenue				
	2011		2012	
	Budget (March – December)	Actual (March – December)	Budget	Actual (Year to Date)
Transports	2,026	1,867	2431	1845
Fee including 4 miles @ \$14 / mile	\$656	\$642	\$656	\$642
Collection Rate	53%	54.6%*	53%	51.2%**
Total Revenue	\$569,648	\$556,217	845,210	633,268

* Collection rate relates directly to charges by month and will not reconcile to reported revenue

**2012 collection rate based on accounts receivable aged >3 months

Transport fee revenue fell short in 2011 by \$13,431 (2.4%). However, 2012 revenue is currently tracking slightly ahead of budget after lagging behind throughout the first half of 2012 (figure 1). The source of consistently disappointing revenue through July 2012 is believed to be resolved, and the increased revenue trend that began in August is expected to continue through September and into October before settling near the revenue estimate for the remainder of the year (figure 2). A detailed discussion of this delayed revenue is covered in the collection rate discussion below.

Figure 1. Annual Transport Fee Revenue by Month (2011 – 2012)

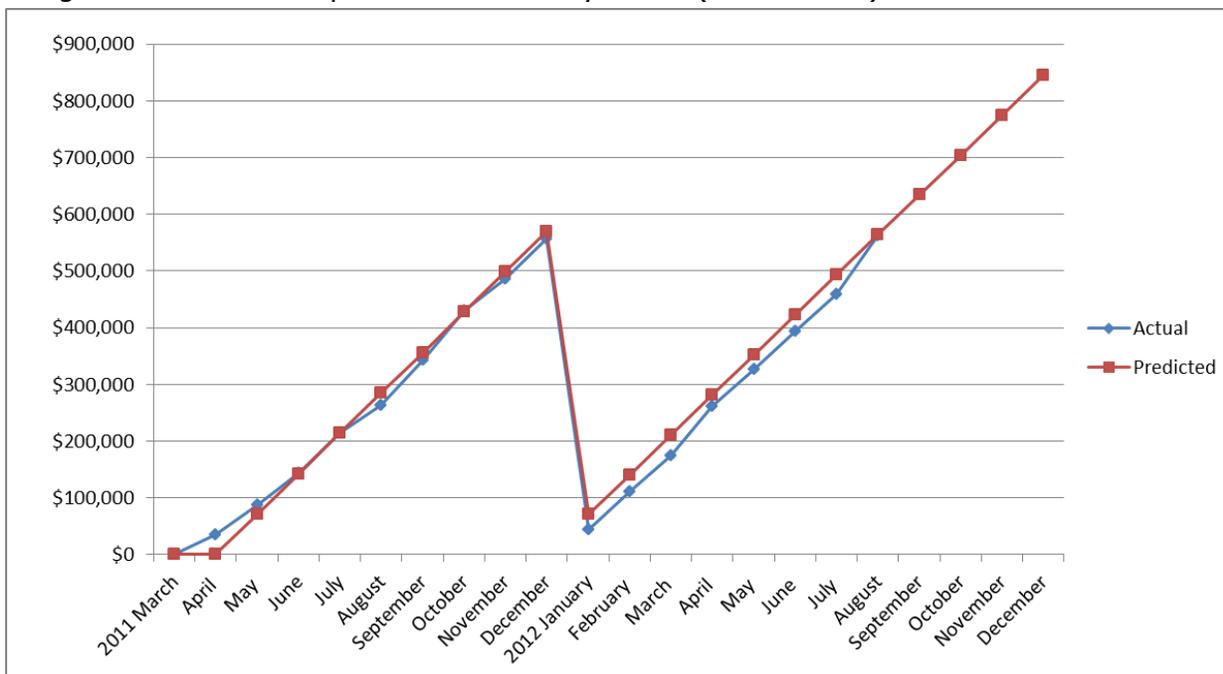
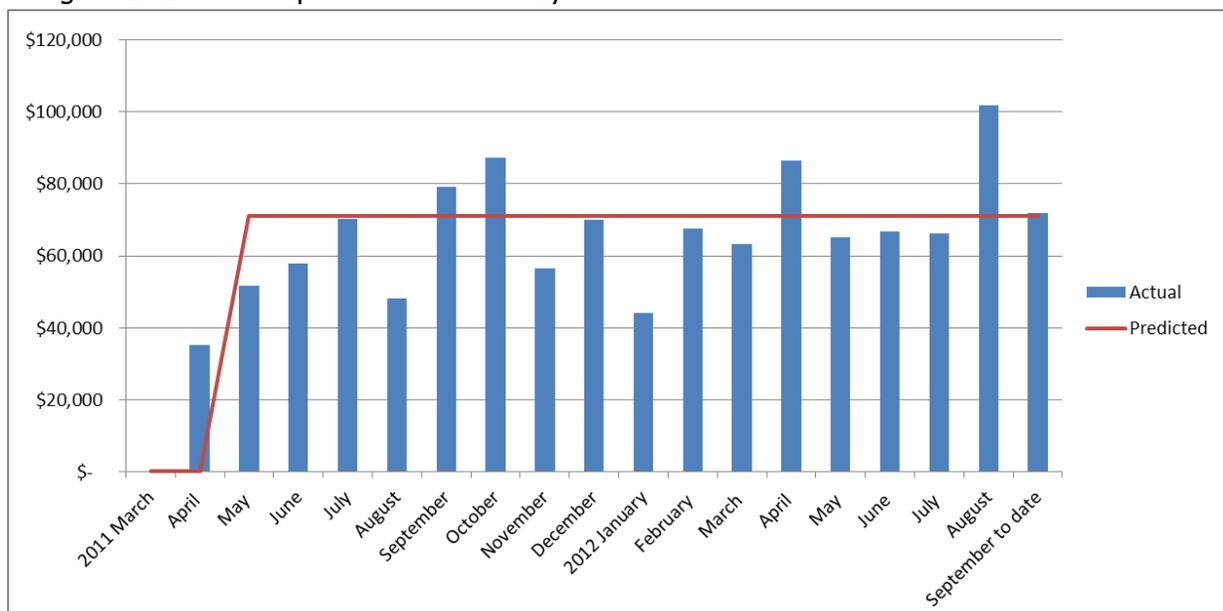


Figure 2. EMS Transport Fee Revenue by Month



Financial Assistance and Payer Mix: Kirkland staff typically process two financial assistance requests per month. Most are approved for 100% relief, and the overwhelming majority match the level of relief granted by the destination hospital.

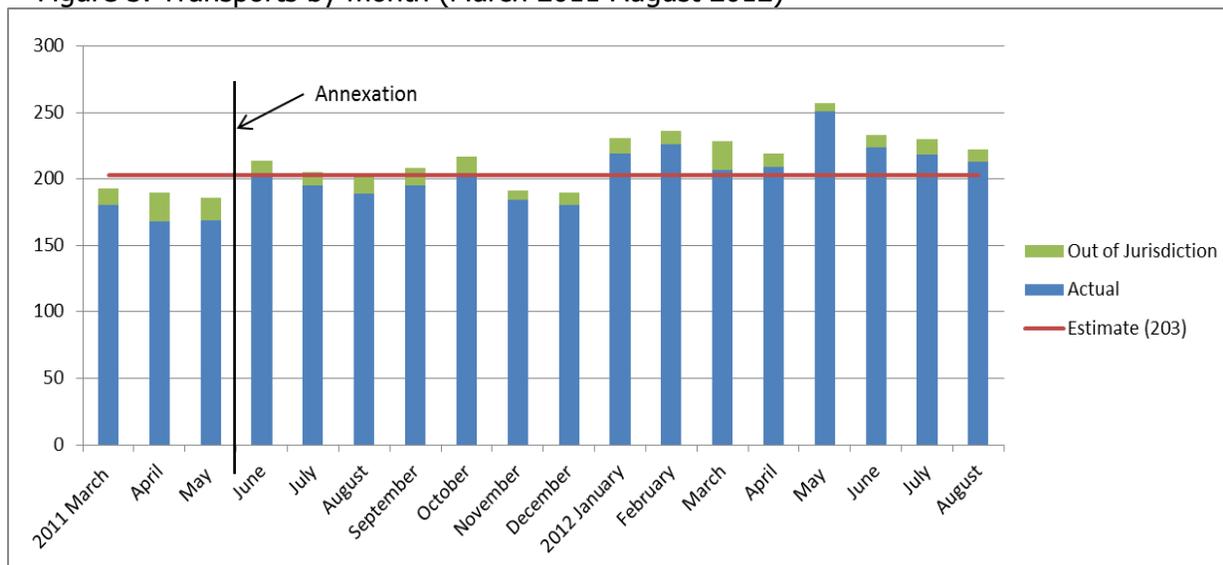
Over the eighteen month life of the EMS transport billing program, more than 3600 billable transports have been completed and more than \$1.1 million in new revenue has been collected. Through this experience, staff has confirmed that more than 90% of patients transported have some insurance, the financial assistance policy is working for people who do not have the ability to pay, and 96.4% of all revenue received has been paid by government or private insurance providers.

Transport Volume:

The initial estimate for volume was 203 transports per month (2431/yr). Volume was expected to fall short until annexation occurred; then it was expected to catch up over the remainder of the year (figure 3).

The transport volume estimates were never reached during 2011, and the year ended 159 transports short of the estimate (2026). The most significant factor contributing to the shortfall was the impact of not charging for transports originating outside Kirkland where the neighboring jurisdiction does not impose a transport fee. Staff concluded in the initial analysis that out of jurisdiction (OJ) transports would not materially affect revenue, and consequently underestimated the number of billable transports. In fact, an average of 12 (5.6%) OJ transports per month have been completed.

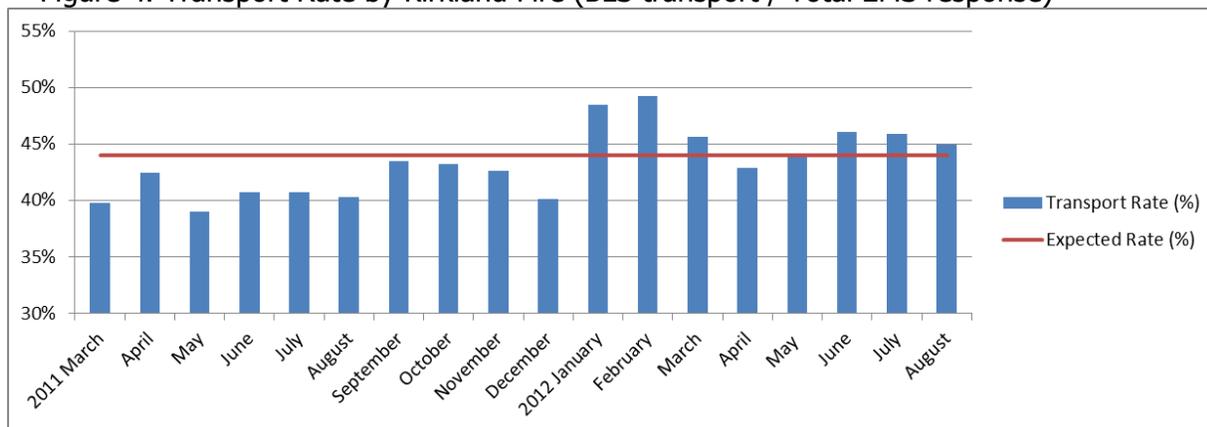
Figure 3. Transports by month (March 2011-August 2012)



In February of 2012, Bellevue began a transport fee program, and Kirkland started charging for transports originating in Bellevue’s response area. This has resulted in a reduction of only one OJ transport per month. Bellevue has two fire stations located near its border with Kirkland and is well positioned to respond to medical emergencies in the border area. As a general rule, both of these stations need to be committed to emergency responses before a Kirkland EMS unit is needed to respond into Bellevue. The overwhelming majority of OJ transports originate in Redmond and Woodinville’s response areas.

An additional factor contributing to the transport volume shortfall in 2011 was a slight and temporary reduction in the transport rate following the initiation of the transport fee. The Kirkland Fire Department has historically transported about 44% of all EMS patients. This fraction fell to around 40% between March and August of 2011. This reduction is assumed to have been associated with the new transport fee, but may have been coincidence. In either case, by fall of 2011 the reduction in transport volume abated and the fraction of transports returned to the historical norm (figure 4).

Figure 4. Transport Rate by Kirkland Fire (BLS transport / Total EMS response)

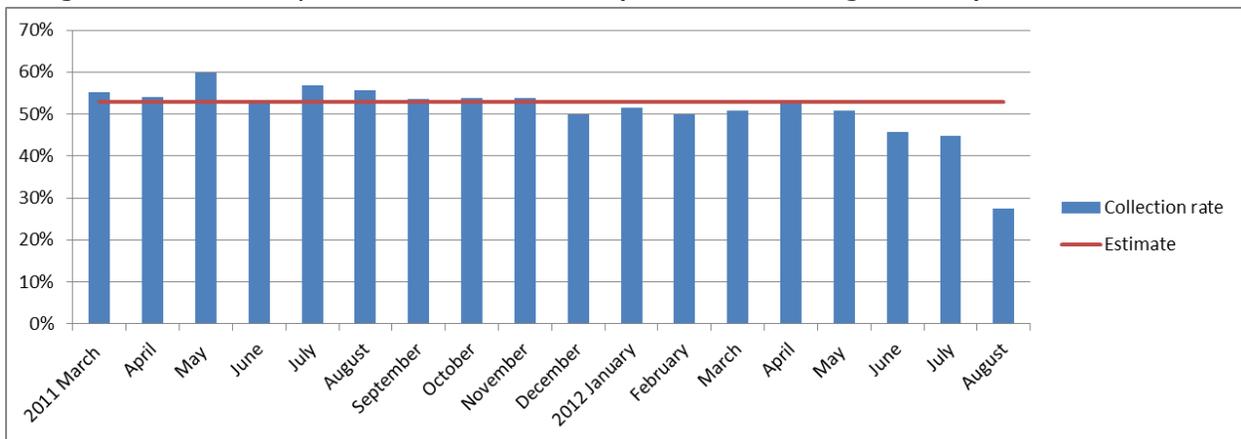


The return of a more typical transport rate and the expected increase in EMS responses associated with annexation has caused the average number of billable transports for 2012 (through August) to exceed the estimate (221 transports per month). Even with the obvious outlier (May 2012) removed, the average is 216.5 transports per month. **Staff believes the current transport volume is stable, and has revised the transport volume estimate to 215 transports per month (2580/year) for the 2013-2014 budget.**

Collection Rate:

While collection rate has generally exceeded initial projections, it has taken longer than expected to fully develop. Among accounts receivable aged greater than 9 months (March – November 2011), the collection rate target has been reached or exceeded in every month, and the average collection rate is 55% (figure 3).

Figure 3. EMS Transport Fee Collection Rate (March 2011 – August 2012)



Typically, it takes three months for collection rate to reach 45% to 49%, then the rate inches up over the next several months. Initially, staff estimated this process would take six months; it has turned out to take closer to one year. Payments are still being received on some accounts receivable after more than one year. This is primarily due to payment plans arranged with patients.

Staff has been watching collection rate carefully over the past several months. By late spring of this year, it was clear that collections were consistently falling below expectations. The mandated implementation of a nationwide overhaul of the electronic transaction standards for medical billing (Medicare version 5010) was expected to cause some delay in payments beginning in January of 2012. Initially it did (figure 2), but even more troubling was, by May of this year, it became clear that Kirkland's collection rate was stalling around 50%.

In June, staff initiated an investigation to understand the source of this reduction in collection rate. After working with our billing contractor, it appears that the 5010 upgrade created a backlog of non-routine accounts that were not getting the extra attention they require from both our billing contractor and insurance payers. Kirkland staff and our billing contractor have been working together in recent months to clear this backlog of accounts and the results are evident in the increased revenue received in August and September (figure 2).

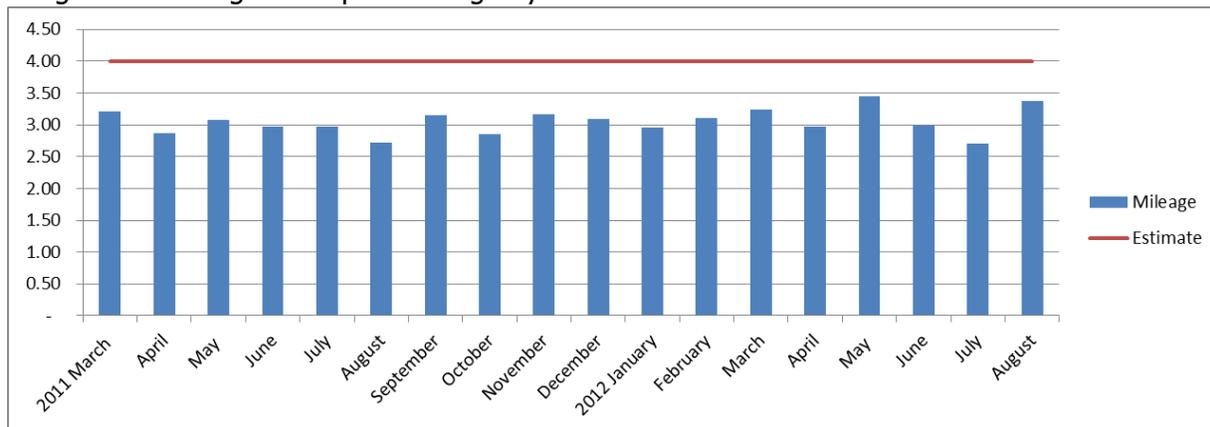
While there is potential for the overall collection rate to exceed the staff estimate of 53% in the future, current data does not support raising the collection rate estimate

until the effect of the 5010 conversion is fully understood and a less volatile baseline is established.

Transport Fee:

Council established the fee of \$600 plus \$14 per mile by ordinance. Staff initially estimated the average distance per transport to be 4.0 miles, and the average transport fee (including mileage charge) would be \$656. With more than 3,600 transports completed, average transport distance is 3.05 miles (Figure 5). **The average mileage has been revised to 3.0 miles per transport for the 2013 – 2014 budget.**

Figure 5. Average Transport Mileage by Month



The base fee has been \$600 since program inception. When the fee was implemented, Kirkland was near the average of its peers. Today, Kirkland’s transport fee is near the bottom when compared to its peers in King County. The ordinance authorizing transport fees requires council action to change the rate.

BLS Transport Fee Survey (August 2012)							
	Bellevue	Bothell	Eastside	Mercer Is	Maple Valley	VRFA	avg
Base Fee	\$ 600.00	\$ 550.00	\$ 650.00	\$ 770.00	\$ 695.56	\$ 704.06	\$ 661.60
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	3. Rate adjusts with contract rate for private BLS ambulance						
	4. Added mileage February 2012						
	5. Rate increases 3% per year unless commissioners act to stop it						

Staff recommends revising the transport fee ordinance to allow administrative adjustment of the base and mileage fees to reflect changes in an inflation index (CPI-W Seattle, Tacoma, Bremerton). This is similar to the way other City fees are administratively increased, it will allow Kirkland to increase fees in proportion to increases in the cost to provide service, and it will allow fees to keep pace with our peers and private providers.

Furthermore, this type of fee increase will help keep cost recovery at about 50% where it was established in 2011¹.

It is important to note here that a fee increase will result in an overall reduction in collection rate. This is because 8% of accounts receivable are uncollectable, 50% are already being paid at the statutory maximum (government and government insurance), and the remaining 42% of accounts receivable will only yield 85% of billed due to the resident copayment and deductible waiver. A coarse estimate is: every additional dollar billed, beyond the current rate, will yield 35 cents in new revenue.

Together, the revisions to the revenue estimate amount to an increase of \$32,660 before any rate increase that may be approved by Council.

Revenue Estimate (2013 – 2014)			
	2012	2013-14	Change
Transports	2,431	2,580	+149
Fee including mileage at \$14 / mile	\$656	\$642	-\$14
Expected Collection Rate	53%	53%	0
Expected Total Revenue	\$845,210	\$877,870	+\$32,660

Utilization of Staff:

EMS Officer: The EMS Officer is currently committing two thirds of his time to the day-to-day operation and administration of the transport fee program. The EMS Officer’s remaining time has been committed to providing staff support for planning Kirkland’s role in the upcoming King County EMS Levy. As the levy planning process has drawn to a close, it is clear that the upcoming levy will bring opportunities for Kirkland that will occupy the remainder of the EMS Officer’s time.

Fire Records Specialist: The Records Specialist was initially staffed as 0.5 FTE. The EMS Officer and the Records Specialist have worked together to refine the workflow and have reduced the required staff time to just 12 hours per week. Although implementation of an electronic patient care records system is expected to reduce the records specialist work by an additional two hours in 2014, 10 hours per week (0.25 FTE) will continue to be required on an ongoing basis. The full cost of the Records Specialist service package (\$24,716) is offset by additional revenue in the EMS transport fee revenue estimate above (\$32,660). This investment will assure that the EMS Officer is available to focus on strategic EMS issues including opportunities in the 2014-2019 King County EMS Levy.

Accounting Associate: The 0.25 FTE Accounting Associate is fully utilized reconciling statements received from the billing vendor against batch records, and supporting data collection and reporting projects.

Professional Services Agreement (PSA): The professional services agreement for billing services is properly in place through a cooperative purchasing agreement with the City of Everett. The

¹ A recent analysis, completed in 2011, showed Kirkland’s cost per transport is \$1359

terms are \$20.50 plus postage per record. The average cost per record has been \$20.90 in 2012, and the projected cost for the PSA is \$53,922 in 2013 and 2014. The current PSA expires at the end of the year, and staff will be working in the coming months to establish a successor agreement for billing services prior to expiration.

Conclusion:

The EMS transport billing program and staff have faced expected and unexpected challenges since the program launch in March 2011. Continuous change in the billing environment and longer than expected lag between service and payment have caused difficulty establishing baseline experience from which to project future revenue. With eighteen months of operational experience, 96.4% of revenue is being received from insurance providers, staff is efficiently and appropriately utilized, revenue targets are being met, and staff has conservatively increased revenue estimates for 2013 and 2014.

ORDINANCE O-4378

AN ORDINANCE OF THE CITY OF KIRKLAND AMENDING SECTION 5.75.010 OF THE KIRKLAND MUNICIPAL CODE TO PROVIDE FOR POTENTIAL ANNUAL INCREASES TO THE EMERGENCY MEDICAL SERVICES TRANSPORT FEE BY THE CITY MANAGER BASED ON THE CONSUMER PRICE INDEX.

WHEREAS, the Kirkland City Council adopted Kirkland Municipal Code Chapter 5.75 in 2011 to allow charging for emergency medical services; and

WHEREAS, at that time Council reserved to itself the ability to increase those fees as needed; and

WHEREAS, a more efficient procedure would be to authorize the City Manager to administratively make such increases if deemed necessary on an annual basis so long as the Consumer Price Index supports such an increase.

NOW, THEREFORE, the City Council of the City of Kirkland do ordain as follows:

Section 1. Section 5.75.010 is hereby amended to read as follows:

5.75.010 EMS transport fee imposed.

a. All persons receiving emergency medical services transport ("EMS Transport") by the City's Fire Department after February 28, 2011, shall be charged and billed an EMS Transport fee ("the Fee"). The initial Fee is set at \$600 per transport plus \$14.00 per mile. ~~The Fee shall be adjusted as necessary by resolution of the City Council.~~ The Fee will be reviewed annually, and, effective January 1st of each year, may be administratively increased by an adjustment to reflect the current published annual change in the Seattle Consumer Price Index for Wage Earners and Clerical Workers as needed in order to maintain the cost recovery objectives established by the City Council. The City Manager or his/her designee shall establish a procedure to bill and collect Fees.

b. A resident of the City, or an employee transported from his or her place of employment within the City, who supplies the City with the medical insurance information and documentation needed to bill his or her insurance provider for the Fee, and who assigns his or her insurance benefits for the same to the City, shall not be billed for that portion of the Fee that is in excess of amounts paid by his or her insurer(s).

c. A person who does not meet the criteria set forth above in subsection B, who supplies the City with the medical insurance information and documentation needed to bill his or her insurance provider for the Fee, and who assigns his or her insurance benefits for

the same to the City, shall be billed for that portion of the Fee that is in excess of amounts paid by his or her insurer(s).

d. A person, regardless of residence or status as an employee within Kirkland, who does not supply the City with the medical insurance information and documentation needed to bill his or her insurance provider or who fails to assign such benefits to the City because he or she is unwilling, or because he or she does not have any type of insurance coverage for such charges, shall be billed for the entire Fee.

e. The Fee herein imposed shall not apply to persons transported by the City's Fire Department from jurisdictions outside the City's boundaries so long as those jurisdictions do not charge an EMS transport fee.

f. The use of the term "insurance" or any variation thereof in this section shall include Medicare and Medicaid.

g. The use of the term "EMS Transport" in this section shall mean: Transportation by ground ambulance vehicle and the provision of medically necessary supplies and services, including BLS ambulance services as defined by the state (Chapter 18.73 RCW). The ambulance must be staffed by an individual who is qualified in accordance with state and local laws as an emergency medical technician basic (EMT Basic). Basic emergency medical technicians perform non-invasive, basic emergency treatment.

Section 2. If any provision of this ordinance or its application to any person or circumstance is held invalid, the remainder of the ordinance, or the application of the provision to other persons or circumstances is not affected.

Section 3. This ordinance shall be in force and effect five days from and after its passage by the Kirkland City Council and publication, as required by law.

Passed by majority vote of the Kirkland City Council in open meeting this ____ day of _____, 2012.

Signed in authentication thereof this ____ day of _____, 2012.

MAYOR

Attest:

City Clerk

Approved as to Form:

City Attorney