



**CITY OF KIRKLAND**

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**MEMORANDUM**

**To:** Kurt Triplett, City Manager

**From:** Joe Sanford, Fire Chief  
Dave Van Valkenburg, Deputy Fire Chief  
Elijah Panci, Senior Financial Analyst, Public Safety

**Date:** September 20, 2018

**Subject:** EMS TRANSPORT FEE ANALYSIS

The City of Kirkland began charging for basic life support (BLS) transports to local emergency rooms in 2011. At the time, the recession had a significant impact on the City’s revenues requiring many departments to reduce services. Implementing a fee for emergency transport services allowed the Fire Department to maintain the same level of service throughout the recession. Kirkland was one of the last Departments in the area to institute transport fees. Only Redmond continues to not bill for transports. An outside study completed prior to implementation of fees projected revenues of \$845,000 annually from transporting to local hospitals. The EMS program is supported by an EMS Captain, .50 FTE administrative position to oversee billing functions performed in-house before they are sent to the contracted billing vendor that processes billings.

2011 Revenue and Expenditure Estimates					
Revenues	Expenditures				Net Revenue
Transport Fee	EMS Cpt, 0.25 FTE Accounting Support, 0.50 Admin	Billing Service	Supplies	Total	
845,210	202,954	50,905	1,250	255,109	590,101

With an improved economy, in mid-2016 Council approved reallocating transport fee revenue to increase Fire Department services in response to community concerns over the closing of Station 24 on Finn Hill. The increased services include a fourth position at Fire Station 25 (composed of five firefighters), in addition to the existing costs of the program.

The following is an analysis of how revenues have performed in comparison to the costs associated with the program and how they project into the next biennium.

## 2017-2018 Analysis

EMS Revenues and Expenditures 2017-18									
Year	Revenues		Expenditures					Total	Net Revenue
	Budget	Actuals	EMS Captain	Accounting Support - 0.25 FTE	Office Specialist - 0.5 FTE	Billing Vendor	4th Position at FS 25 (5 FF)		
2017	952,306	828,690	194,285	25,347	34,585	46,820	573,105	874,141	(45,452)
2018*	971,352	916,281	176,913	25,440	73,165	46,466	605,207	927,190	(10,909)

\*Projected

### Revenues

The City charges for emergency transports performed by the Fire Department through a base fee for each transport as well as a charge per mile driven to the hospital. Each year the Fee is inflated by the June CPI-W from the previous year. Insurance companies & Medicare cover the majority of these fees for patients. Below is a table of Kirkland's fees since 2015 and projected 2019 fees:

Historical Transport Fees					
Fee Type	2015	2016	2017	2018	2019
Base Fee	\$ 637.32	\$ 644.33	\$ 657.21	\$ 676.93	\$ 701.30
Per Mile	\$ 14.87	\$ 15.03	\$ 15.33	\$ 15.79	\$ 16.36

Revenues came in under budget in 2017 and are projected to do so again in 2018. This has to do with a decrease in the expected number of transports when the budget was set at the end of 2016. The table below shows that the City was performing around 2,600 transports annually between 2015 and 2016. However, starting late in 2016 a contract with private ambulance companies such as AMR was completed that provided for guaranteed response times from AMR. Once the contract was in place, AMR began performing a larger portion of the transports in Kirkland. The table below shows that Private Party transports between 2015 and 2017 increased from 145 annually to 428 with a decrease in 2017.

Total Transports						
Year	Kirkland	Private Party	Medic	Total	Kirkland %	Private Party %
2013	2,397	115	607	3,119	76.9%	3.7%
2014	2,494	172	558	3,224	77.4%	5.3%
2015	2,616	145	504	3,265	80.1%	4.4%
2016	2,545	219	525	3,289	77.4%	6.7%
2017	2,373	428	615	3,416	69.5%	12.5%
2018*	2,552	392	578	3,522	72.5%	11.1%

\*Projected

The use of private ambulances has increased due to a few factors:

- Crews need to leave the City more often to complete required training, resulting in fewer apparatus and firefighters available for emergency responses. Crews are using private ambulances to compensate for temporarily unavailable units.

- Most stations have “jump crews.” Stations staffed with “jump crews” have two apparatus -- an engine and an aid car, but only enough staff to operate one unit at a time. Operationally, the result is when an aid car is on an emergency response, the engine is not available for fire or subsequent emergency calls. When crews are dispatched in an engine, the aid car is unavailable. Crews often respond in their engine to aid calls due to being out of quarters at the time of the response. Engines are unable to perform transports, resulting in a private ambulance transport. Increasingly situations are arising in which multiple engines are the first unit out of a station and have to respond to a subsequent call before returning to the station to retrieve the aid car. These situations decrease the Department’s capacity to perform transports.
- There has been an increased focus on triaging the need for transports depending on the specifics of each aid call. This issue often arises on calls that involve mental health issues. A crew may identify that the emergency room is not an appropriate treatment option for the patient’s problem. Increasing focus has been placed on employing the services of mental health professionals to connect patients with services better equipped to solve their problem than an emergency room.
- Private ambulances are called to allow Kirkland units to get back in service more quickly. An analysis of EMS response data shows that Kirkland units average 10 minutes less per call when a private ambulance performs the transport. The table below shows the additional time in service generated by the use of private ambulances:

Estimated Additional Hours in Service Due to Private Ambulance Transports						
	2013	2014	2015	2016	2017	2018*
Private Transports	115	172	145	219	428	392
Additional Hours in Service	19.2	28.7	24.2	36.5	71.3	65.3

\*Projected

Due to the reasons outlined above, the downward trend in transports is not by itself a cause for concern. However, it is clear that the transport policy needs to be both intentional, and consistent across all units. Department policy has been developed that better articulates the use of private ambulance services (e.g. AMR) for supporting units for transports to local hospitals. Under most operating conditions, patients should be transported by KFD aid cars to local emergency rooms. Exceptions would be during periods of high call volumes, transport to out of area care facilities, and multiple units out of service due to training. As a result, the number of transports performed by the City is on the rise through the first six months of 2018. If the number of transports from July-December is equal to January-June, the City will be back to performing a similar number of transports as in 2016. If this trend continues beyond 2018 transport revenue should rebound to a level originally anticipated in the 2017-18 budget.

## Expenditures

The expenditures associated with transport revenue include:

- EMS Captain: Includes all salaries and benefits paid to this employee and any ancillary costs, excluding any overtime shifts they work for the Operations division.
- Office Specialist & Accountant: The administrative position processes patient information before forwarding it to the billing vendor and the accountant deposits, tracks, and reports on revenues. The expenditures include all salary and benefits paid to the

employees multiplied by the respective portion of each position dedicated to the Transport program.

- Billing Vendor: The City has a contract with a company, Systems Design, which bills transport patients and handles all administrative issues related to billing. The company charges the City \$19.50 for each bill sent out.
- 4<sup>th</sup> Position at Fire Station 25: Composed of five firefighters hired at the beginning of 2017 to provide necessary staffing for the 4<sup>th</sup> position, which was previously staffed exclusively with overtime. Beyond regular salaries and benefits, the costs include \$3,000 per year for uniforms, supplies, and training. It also assumes 179 hours of overtime per employee per year based on average overtime hours per employee in 2015-2017.

With the exception of the 4<sup>th</sup> Position at Station 25, the table above presents the City's actual expenditures for each category. Due to variance in hire dates for the 5 Firefighters, this category was costed assuming all five firefighters were hired on January 1, 2017. Costing the positions in this way provides more clarity for comparing the costs added with the revenue intended to support those costs.

## **2017-18 Summary**

Revenues are coming in below expectations in 2017 and 2018, with revenue about \$56,000 below expenditures for the biennium. Barring an unexpected increase in transport revenue, expenditures will continue to outpace revenues in the 2019-20 biennium. The five positions hired were much less expensive in the first two years as they were hired in at the lowest step. Step increases continue through their fifth year (2021), at which point cost growth for those positions will taper off to include only cost of living adjustments and increases in longevity pay. This and other ongoing changes to costs and revenues will be examined in the following section.

## **2019-20 Projections**

### **Revenues**

Transport Fee revenues in 2019 are projected to be at a similar level as 2018 projected actuals. Transports by Kirkland units in the first six months of 2018 suggest an increase from 2017 and on pace to be at 2016 levels. Regardless of the apparent increase in 2018, 2019-20 revenue projections are conservatively budgeted in 2019 at a similar level to 2018 projected actuals. 2020 Assumes a 2% increase from 2019.

### **Expenditures**

Assumed changes for each expenditure category include:

- The EMS Captain decreases slightly as a new employee is in this position starting late in 2018. There are two salary steps for this position, so they will spend the first year at a slightly lower salary than the previous EMS Captain.
- There is very little change for the Office Specialist & Accountant, just a small increase as they move up the pay scale.

- The Billing Contract costs assume 2,460 transports. This is about the midpoint between the 2017 total transports (2,373) and double the total transports from the first half of 2018 (1,276 x 2 = 2,552). The costs could be higher if the City provides more transports, but the additional revenue more than covers the additional cost.
- The cost of the 4<sup>th</sup> Position at FS 25 increases as the five firefighters move up the pay scale in their third and fourth year with the City.

EMS Revenues and Expenditures Budget 2019-20								
	Revenues	Expenditures						Net Revenue
Year	Transport Fee	EMS Captain	Accounting Support - 0.25 FTE	Office Specialist - 0.5 FTE	Billing Contract	4th Position at FS 25 (5 FF)	Total	
2019	916,281	180,810	23,609	38,616	47,970	656,585	947,590	(31,309)
2020	934,607	193,240	23,713	40,424	47,970	723,775	1,029,122	(94,515)

### 2019-20 Costs vs. Revenues

Current assumptions show expenditures outpacing revenues in 2019 and to a greater extent in 2020. Revenues are budgeted conservatively in 2019 and 2020 and the potential exists for the number of transports to increase sufficiently to cover the deficit. However, given the unexpected transport reduction in 2017, there is not enough certainty to project revenues to rebound to the levels assumed for the 2017-18 budget. Unless the number of transports increases, there will continue to be a deficit between transport revenue and the associated expenditures. In any event, any remaining deficit is covered by other General Fund revenues.