

Fort Lauderdale Fire Rescue

Fee Increase Brief

Introduction:

Increasing charges for 911 emergency services provided to the citizens of your city can be a sensitive issue. At the same time, the City of Fort Lauderdale, along with other agencies in the State of Florida, are continuing to experience budget deficiencies due to regulatory changes and economic conditions impacting property taxes. In an effort to minimize the financial impact, Intermedix is providing recommendation for future charges within this document.

Sources of Revenue:

A clear understanding of the four sources of EMS billing revenue and their yield behavior related to charge increases is important. The four sources are Medicare, Medicaid, commercial insurance, and self-pay. The outcome of a charge increase will differ for each of these “pay classes”.

Medicare will pay a federally mandated reimbursement limit or your charge, whichever is lower. The reimbursement limit is based on a combination of level of service and geographic region. Medicaid has a state mandated reimbursement limit that is considerably lower than Medicare. The reimbursement amount varies with level of service, and does not include mileage. Commercial insurance will pay 100% of the charge as long as the charge is a “covered benefit” of the insured, which is usually the case for emergency transport. Self-pay includes those who are “self-insured”. Self-pay can be billed at the full charge amount, although an extremely low percentage of payers in this class actually pay the full, or any amount. This is where the biggest area of your outstanding AR will come from.

Two of the four pay classes put a downward pressure on your net collection rates when raising charges, due to the inability to actually receive the increased billed amount. That being said, while your collection rates may go down, the revenue you bring into the County will go up. For example, assuming your charges are set at, or above the Medicare allowable, the following outcomes are to be expected.

- Medicare – No additional revenue, contractual adjustments will increase, the gross collection rate will decrease, but the net collection will not be impacted.
- Medicaid – No additional revenue, contractual adjustments will increase, the gross collection rate will decrease, but the net collection will not be impacted.
- Commercial Insurance – significant additional revenue, contractual adjustments will increase if you have contracts established with commercial payers (most agencies do not). The NET collection % goes down for a couple of reasons. First, some commercial payers will continue to pay less than the amount charged (short pay). We appeal all short pays on behalf of our clients, but in many cases are unsuccessful in getting additional payments from the insurer. By increasing the charges, the gap between the charge and short pay amount becomes greater. Second, co-payment percentages are now

- calculated on a higher charge. This co-payment amount is a self-pay responsibility, and results in a lower NET collection % for the same reason explained below.
- Self-pay – Minor additional revenue, write-off's (bad debt) will increase, the gross collection rate will decrease, and the NET collection rate will decrease. The additional collections will not be in proportion to the amount of the charge increase; hence the net collection % will go down.

Setting Charges:

When setting your charges, we suggest following the guidelines outlined below. By following this approach, the financial burden of providing the service is shifted from the tax base to those who actually use the service.

- 1) Set charges in accordance with other agencies, including national trends. Look for agencies that have applied the rationale explained in this document.
- 2) Set charges to cover usage costs, including the cost of preparedness. The revenue allows you to provide excellent service with highly trained and qualified personnel, the best equipment, and low response times. Utilize the tax subsidy to fund expansion, new equipment, continuous training, etc.
- 3) Set charges above what the anticipated Medicare allowable rates will be at the time you do the next charge increase. Doing so insures maximum Medicare reimbursement is received.
- 4) Use the same charges for BLS, ALS1, ALS2. The basic cost of preparedness is very similar for each type of response.

Conclusion:

Emergency services such as 911 response have rapidly gained importance in recent years. With the increased threat of terrorism, pandemic illness, and disaster response. Accordingly, communities have a greater interest in ensuring adequate funding for such a valuable service. By increasing charges to an amount where collections will cover costs, the financial burden is shifted to those that use the service and most often have some form of insurance vs. the community tax base.

Ensuring that the tax base is not unduly burdened by charge increases is the area that produces the most concern among municipal leaders. The strategy chosen will largely depend upon the degree to which the municipal leaders are concerned about this issue. Intermedix has a great deal of experience in addressing this issue. We are happy to work with you to develop a policy that addresses any political concerns.

Analysis Components

Our collection forecast model utilizes real data from the billing application. It takes into account the measures and assumptions below to establish a foundation for “what-if” analysis. The analysis is base year is fiscal year 2016.

- Annual Transport Volume – 27,365. Annual increases anticipated to be 1.5%.
- Service Level Mix: Not anticipated to change in future years.
 - BLS – 32%
 - ALS1 – 67%
 - ALS2 – 1%
- Contractual Amounts:
 - Medicare: Sequestration has reduced payments by 2%. Annual inflation factor for 2017 is 0.70%, expected to stay the same for 2018
 - Mileage – \$7.29
 - BLS – \$370.39
 - ALS1 – \$439.84
 - ALS2 – \$636.61
 - Oxygen - \$0.00
 - Medicaid: No anticipated to change in future years.
 - Mileage – \$0.00
 - BLS – \$136.00
 - ALS1 – \$190.00
 - ALS2 – \$250.00
 - Oxygen - \$0.00
- Pay Class Demographic Mix: For the purposes of this business case we have not anticipated any changes in future years.
 - Medicare – 34%
 - Medicaid – 21%
 - Commercial – 19%
 - Self-Pay – 26%
- Pay Class Collection Rates: Not anticipated to change in future years
 - Medicare – 76% for FY16
 - Medicaid – 58% for FY16
 - Commercial – 73% for FY16
 - Self-Pay – 3% for FY16

Recommendations

Based on the charge setting guidelines explained in this document, we recommend setting your charges as follows:

Charge	Current Charges	Recommended Charges
Mileage	\$13.00	\$13.00
BLS	\$700.00	\$950.00
ALS1	\$700.00	\$950.00
ALS2	\$750.00	\$1,061.65
Oxygen	\$30.30	\$30.30

Collection Forecast Given the assumptions and charge recommendations above, we would predict a collection increase of nearly \$3.1 million over the next 4 years beyond what the City of Fort Lauderdale would collect if the charges remained at their current amounts. *Please note that these collections are based on calendar date of service.* A summary of our collection forecast model supporting this prediction is below.

Current Rates	2015	2016	2017	2018	2019	2020
Medicare	\$3,193,284	\$3,053,344	\$3,137,050	\$3,200,561	\$3,265,272	\$3,331,203
Medicaid	\$848,016	\$814,109	\$828,554	\$843,249	\$858,199	\$873,407
Commercial	\$2,586,942	\$2,483,508	\$2,520,760	\$2,558,572	\$2,596,950	\$2,635,905
Self-Pay	<u>\$106,742</u>	<u>\$102,515</u>	<u>\$104,053</u>	<u>\$105,614</u>	<u>\$107,198</u>	<u>\$108,806</u>
	\$6,734,983	\$6,453,476	\$6,590,418	\$6,707,996	\$6,827,619	\$6,949,321
Proposed Rates	2015	2016	2017	2018	2019	2020
Medicare	\$3,193,284	\$3,053,344	\$3,137,050	\$3,200,561	\$3,265,272	\$3,331,203
Medicaid	\$848,016	\$814,109	\$828,554	\$843,249	\$858,199	\$873,407
Commercial	\$3,430,618	\$3,293,451	\$3,342,853	\$3,392,995	\$3,443,890	\$3,495,549
Self-Pay	<u>\$141,554</u>	<u>\$135,948</u>	<u>\$137,988</u>	<u>\$140,057</u>	<u>\$142,158</u>	<u>\$144,291</u>
	\$7,613,471	\$7,296,852	\$7,446,444	\$7,576,863	\$7,709,519	\$7,844,450

Notice

Intermedix provides model projections that are reasonable estimates based on historical data and known regulatory settings. The projections can change in unforeseen ways and are limited in accuracy. As a result, Intermedix cannot guarantee the actual outcomes. Also, the final charge recommendation is determined and executed by the client, not Intermedix.