

FEE INCREASE BUSINESS CASE

**Introduction**

Increasing charges for 911 emergency services provided to the citizens of your community can be a sensitive issue. At the same time, Fort Lauderdale Fire Rescue Department, along with other agencies in the State of Florida, are experiencing rising costs due to inflationary pressures and changes in the economy. To minimize the financial impact, Digitech is providing an analysis of your current charges and providing recommendations for future charges within this document. In doing so, we would project that the City can expect to achieve as much as a \$900,000 improvement in collections over the next 3 years by increasing charges by 10%.

**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 lower than Medicare. The reimbursement amount varies with level of service and does not include mileage.
- Commercial insurance will pay based on the City’s charge as long as the charge is a “covered benefit”, which is usually the case for emergency medical transport.
- Self-pay typically includes those who are “uninsured” or where the patient is responsible for the remaining balance due after insurance payment.

**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 that utilize the service.

1. Set charges in accordance with customary charges of 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 expect to do the next charge increase. Doing so ensures that maximum Medicare reimbursement is received.

4. Use the same charges for BLS, ALS1, and ALS2. The basic cost of preparedness is very similar for each type of call.
5. Build in an annual charge increase. For example, tie your charges to the consumer price index or based on healthcare inflation, so that each year your charges are increased accordingly. Doing so allows you to set your charges correctly today and avoid the need to change them in the future.

### **Conclusion**

In today's world, emergency services like 911 response have become more critical than ever, driven by the increasing threats of terrorism, pandemics, and large-scale disasters. As a result, communities are placing greater emphasis on securing sustainable funding for these essential services. By adjusting service charges to align with actual costs, municipalities can ensure financial responsibility is placed on those who utilize the service—many of whom have insurance—rather than solely relying on the broader tax base.

**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 base year is calendar 2023 (fully mature).

Ground:

- Annual Transport Volume: 25,372
- Service Level Mix:
  - ALS EM –50%
  - BLS EM –49 %
  - ALS2 –1%
- Contractual Amounts:
  - Medicare:
    - Mileage – \$9.15
    - BLS – \$454.66
    - ALS1 – \$539.91
    - ALS2 - \$781.44
  - Medicaid:
    - Mileage - \$0.00
    - BLS - \$136.00
    - ALS1 - \$190.00
    - ALS2 - \$250.00
- Pay Class Demographic Mix:
  - Medicare –38 %
  - Medicaid –15%
  - Commercial Insurance – 25%
  - Self-Pay –22%
- Pay Class Collection Rates:
  - Medicare – 94%
  - Medicaid – 99%
  - Commercial Insurance – 68%
  - Self-Pay –3%

**Recommendations**

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

Charge Type	Current Charges	Option 1 (5% increase)	Option 2 (10% increase)
BLS	\$ 950.00	\$ 997.50	\$ 1,045.00
ALS1	\$ 950.00	\$ 997.50	\$ 1,045.00
ALS2	\$ 1,000.00	\$ 1,050.00	\$ 1,100.00
Mileage	\$ 13.00	\$ 13.65	\$ 14.30
Proj. Collections 2026	\$ 9,200,000	\$ 9,400,000	\$ 9,500,000
Proj. Collections 2027	\$ 9,500,000	\$ 9,700,000	\$ 9,800,000
Proj. Collections 2028	\$ 9,800,000	\$ 10,000,000	\$ 10,100,000

As projected above, the City could see collection increases by as much as \$900,000 over the 3 year period based on option 2.