

The purpose of this study was to evaluate the various options available for the efficient and cost effective delivery of Emergency ambulance transportation services for the City of Hermosa Beach

# Hermosa Beach EMS Study

A.P. Triton LLC

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Fire Chief Pete Bonano  
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Chief Bonano,

A.P. Triton LLC is pleased to provide you with the following feasibility study for consideration of providing ambulance transport service for the City of Hermosa Beach. In the preparation of this document, we took numerous factors into consideration, the most important being the collaboration between our company, you and your staff. The intent of the study is to provide you with pertinent and applicable information which will allow you to make the best possible decision for how to proceed in this matter. We feel that our knowledge in this arena is such that it will provide you with a full spectrum of ideas from which to choose. We look forward to continuing this process, assisting you with the selection of the best option for you and your agency, as well as implementing your selection in the near future.

Sincerely,

A.P. Triton LLC<sup>©</sup>

## Section 1: Executive Summary

The City of Hermosa Beach Fire Department is currently exploring options for the continuation of ambulance services within their jurisdictional boundaries. Currently the Department provides Advanced Life Support services (ALS) through their first response units and one transporting ambulance. Historically this arrangement has served the city well, and has met the expectation of the local community. However, the City is now taking a different direction with regard to fire protection and will be contracting with the Los Angeles County Fire Department beginning in 2018. While the change of services will continue to provide for the uninterrupted delivery of fire protection it does not provide for ambulance services. This places Hermosa Beach in a unique situation that offers opportunities with respect to emergency ambulance transportation services. The city enjoys a strong payer mix with better than average reimbursement for ambulance transport. While the payer mix is strong the transport volume remains slightly low with a corresponding overall reimbursement rate.

The City of Hermosa Beach is recognized within the State of California EMS Authority's July 14, 2017 Emergency Ambulance Operating Zones document as an "exclusive ambulance zone awarded without a competitive process under H&S Code 1797.224." Hermosa Beach has been designated as Ambulance Zone "Hermosa Beach" within the County of Los Angeles EMS Operating Plan. In addition to being a geographic zone, this area must also be analyzed in a revenue generating capacity based on the number of people who are able to pay for services in some capacity. This is referred to as a Payer Mix. In the case of Hermosa Beach, the payer mix revenue is relatively strong with a transport volume that is relatively low as previously stated.

As we move forward through this document, there are two primary questions that must be addressed by the City of Hermosa Beach:

- With the change in fire protection delivery to LA Co Fire, is it in the City's best interest to continue the provision of Emergency ambulance transportation services as a service provided by the City?
- If the City desires to continue to provide emergency ambulance transportation services what would be the best delivery model to do so?

The purpose of this study is to evaluate the various options available for the efficient and cost effective delivery of emergency ambulance transportation services for the City of Hermosa Beach. The aim was to determine the key factors that are important for the City in providing these services and determine the most appropriate delivery system to meet these objectives. It is the opinion of this consulting firm that the potential for the Exclusive Operating Area (EOA) to support a City based emergency ambulance transportation system is feasible with the potential to produce a level of cost recovery that offsets the cost of the service, supports the infrastructure and potentially generates additional revenue. Due to the challenges with regard to call volume, transports per year and resident population, the system delivery model for Hermosa Beach is much more limited than in larger systems. However, Hermosa Beach enjoys a better than average payer mix that has the ability to compensate for the lower call volume. It is our belief that the City of Hermosa Beach strongly considers the available options for providing emergency ambulance transportation service. We believe the risks to the City from a financial perspective can be managed and may be minimal when compared to the potential benefits that can be realized. We would encourage the City to evaluate

*The potential for the Exclusive Operating Area (EOA) to support a City based emergency ambulance transportation system is feasible with the potential to produce a level of cost recovery that offsets the cost of the service, supports the infrastructure and potentially generates additional revenue*

the various options as well as options that provide for greater levels of service and value to the citizens and visitors.

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## Section 2: City of Hermosa Beach Fire Department Formal Feasibility Study

The City of Hermosa Beach Fire Department, also referred to as the City or HBFD, contracted with A.P. Triton LLC<sup>®</sup> to provide a feasibility study for the assessment of providing emergency ambulance transportation operations. The scope of work was to determine the economic value of the system available for emergency ambulance transportation operations within the City limits, recommend the best method for Hermosa Beach to provide emergency ambulance transportation services, and determine the availability of additional reimbursement options. There are multiple options for providing emergency ambulance services that can be considered by the City. The first and possibly the easiest are for the City to simply remove themselves from all aspects of the transport delivery by subcontracting out the entire service to an outside agency. Another viable option is for the City to continue to be the provider of record and contract with an ambulance provider to provide services on the City's behalf. The third possibility would be to enter into an agreement between the City and another public provider of ambulance services through a contract or MOU. A fourth option but not recommended would be for the City to withdraw from the provision of ambulance services entirely by entering into an agreement with the County of Los Angeles to assume the provision of ambulance services with the current EOA.

With each scenario, this study will define a financial breakdown which will include: cost of development, cost of infrastructure, revenue received and profits to be gained. With the information provided in this report, the Department will have the information needed make a sound and objective decision as to whether the continued provision of ambulance services is in the best interest of the City, citizens, and visitors to Hermosa Beach.

When determining whether or not to provide emergency ambulance transportation services, perhaps the most difficult aspect is determining what criteria to use for evaluation. For the private sector, the decision is relatively simple; the goal is to provide the best patient care possible at the lowest cost in order to extract the

maximum amount of profit, or, at the very least, maintain a profit margin that sustains the operation. This formula is not necessarily concurrent with the goals of the public sector provider. In order to determine the best model for the provision of emergency ambulance transportation services, the City must first determine their objectives or reasons why they are looking to provide the service. Hermosa Beach is much different than most providers as they are currently providing the service but the infrastructure supporting that is changing and will no longer be available to continue in the same format. However, from the public perspective some of the primary reasons for directly providing ambulance services are; retaining local control of the delivery model, creating a revenue source to maintain a stable delivery system, insuring a standard of care and customer service that meets the community standard. While each of these goals is not mutually exclusive, and several of them may even be combined, each example necessitates a very different deployment strategy and thus a very different infrastructure, startup and operational cost. The measure of success is not always determined by the revenue received but rather by whether or not the objective(s) are met. If the objectives are to deliver a better level of patient care, shorter response times, and lower unit hour utilization than what is currently being delivered, and it is ascertained that the selected deployment model meets or exceeds all of these objectives, the program would be considered a success regardless of cost.

Although the fiscal impact is not the sole reflection of success in today's municipal delivery models, the rising cost of providing service is a reality, and revenue must be considered a factor. Service related industries rely on providing a needed service at a cost the public is willing or able to pay and maintaining a profit margin in order to be successful even if that profit is then reinvested into the business. The level of success is evaluated by how closely the end result is to meeting the needs and goals which were determined prior to the outcome and comparing this to the fiscal impact.



### Section 3: Minimum Requirements

Currently the City of Hermosa Beach on a daily basis operates a single ALS ambulance deployed 24/7. Using a factor of 24 hours a day x 365 days the City provides a total of 8,760 unit hours per year. Therefore, the minimum requirements established for this report will also be a single unit totaling 8,760 unit hours per year. This coverage level should be considered the baseline as it is consistent with the current deployment in terms of unit hours. As the various deployment models are considered and their related costs are analyzed, additional units can be factored in if increases in coverage are desired. It should also be understood that although the deployment models will be based on a single ambulances, the cost is broken down by unit hour. The unit hour cost can then be utilized for calculating alternate deployment models that can be adjusted for daily, weekly, special event, or even seasonal needs. The ability to modify deployment based upon system needs cannot be emphasized enough. By utilizing resources on an as needed basis, it is possible to increase unit hours during peak times and reduce unit hours when demand is less while still maintaining the overall number of yearly system hours.

## Section 4: Determination of Objectives

Initial discussions with the Fire Chief took place to determine what the objectives were in going forward. The primary focus was on three items, maintain the city's ability to protect their ability to retain administrative control of the city ambulance system, continue the standard of delivery that the community has become accustomed to; and provide the service in a fiscally sound manner. These objectives were then classified as the program's key elements. Determining how or if each one of these key elements will be or can be met will aid in the selection of the best model by the City to use in moving forward. Each of these elements have their own operational, financial, and administrative needs that must be addressed and considered for implementation of the new delivery model.

### Items identified as Key Elements by Hermosa Beach for the Consideration of Assumption of Ambulance Services

#### Continue the standard of delivery

Deployment of resources was identified as a major role in considering the transition to ambulance transport for the City. As Hermosa Beach explores the possibilities of direct provision of ambulance services apart from the fire department, the possibility of developing a well-coordinated EMS delivery system is not just a possibility but a necessity. This system could see a greater number of units serving the city in a manner that deploys resources based upon need and not just staffing requirements. There are numerous deployment models that can be utilized and integrated into the Department's operational needs. Each has its own positives and negatives and must be balanced with the key elements. In terms of efficient and effective deployment within the context of this report, the deployment must meet all of the current operational needs the City has become accustomed to and must be managed in a manner that is acceptable to the City as well.

#### Delivering a fiscally sustainable system

Healthcare financing particularly in the ambulance industry is relatively simple in that there are typically four primary payer mixes. A common misconception is that the private sector ambulance providers have an

advantage over public ambulance providers in collecting revenue from billing. The reality is there are no special secrets that the private industry has over public providers in obtaining maximum collection. No provider has an advantage over another in the potential ability to collect the existing revenue for the system. Within California, the majority of public providers use the services of third party billing companies for their ambulance and EMS services. This is the case with the City as they use Wittman Enterprises for their billing and collections. Wittman has the strong and well deserved history for providing ambulance billing services and the City appears to be served well by their current contract with them.

In the event that the City chooses to remain the ambulance provider and continue to bill and collect for those services they should consider the continuation of those services with the current provider or similar if there is a desire to change.

#### **Customer Service**

One of the highest concerns expressed was a desire to provide the highest quality of customer service possible. As this may sound simple and something that every provider should aspire to, it is ultimately within the control of the provider's own employees and culture. It is often overlooked that an EMS system is a service based business. Even when a private contractor is providing services to a public entity, the contract agency still may only have limited ability to influence the service delivery of their contractor. Customer service entails much more than just being friendly and courteous to patients. The ability to measure the quality of a system is determinant upon developing a solid Continuous Quality Improvement/Continuous Quality Assurance (CQI/CQA) program. This requires collection and interpretation of data and the reporting of findings in order to make positive changes in the system and to provide better services to stakeholders.

## Section 5: Determining the Value of the System

There are numerous factors that impact the value of an EMS system. The monetary value of the system essentially refers to how much money, in terms of revenue, can be garnered from the system. The fact of the matter is that there is no special or secret method for collecting revenue from an EMS system. In reality there is a fixed amount of money available to all providers regardless of their public or private status; this is often referred to as the cap. The reason there is disparity in the revenue collected amongst various providers is attributable to two main areas, **billing** and **collections**. The fact remains that some agencies are better at procuring monies in these areas than other agencies. Often times an agency's success is measured by its collection rate, but this is about as accurate as asking how red are your fire engines? Collection rates are just one key in successful management of a system. The key factors affecting the success of billing and collections are: billing policy, collection policy, transport rates, documentation, billing contractor's level of effort, and understanding the payer mix.

### Billing Contractor's Level of Effort

The billing contractor, or billing office, plays a major role in the collection rate. The level of effort demonstrated by the billing provider displays a direct correlation to the collections received. There are two common ways public providers conduct billing for ambulance services. The first is to use an outside third party billing company that conducts all billing on behalf of the provider. Their ability to collect depends on several factors, the largest being the billing policy. A relaxed or vague billing and collection policy will result in less collection of revenue. Most billing companies base their fees on a percentage of the amount they collect. If the provider has a billing and collection policy that allows a reduced amount to be collected, then the biller will likely charge the provider a higher percentage rate in order to meet the profit margin. Another method of billing and collections is to conduct all billing in-house. There are the same challenges with doing billing in-house as with using third party billers. The single largest obstacle in establishing in-house billing services is setting up the infrastructure. When considering an internal ambulance billing process, a provider must include: facilities

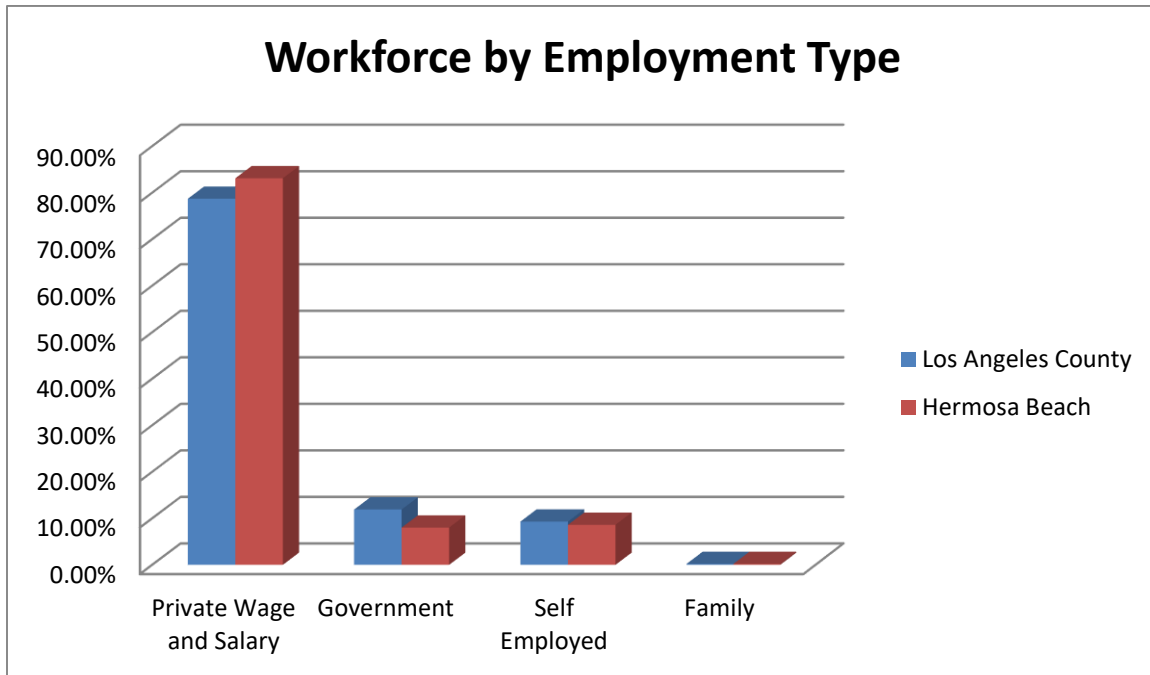
(office space), hardware, software, personnel, and training which could require capital outlay and time to set up prior to implementing an ambulance service.

It should be understood that even though there is a fixed and finite amount of money that is available in the EOA, there are numerous variables that influence a provider's ability to collect that revenue. Establishing policies, training of personnel, and close monitoring of the delivery system will pay forward in the collection of revenue. The advertised percentage of collections by billing companies is irrelevant because it does not address all the facets of successful billing.

### **Understanding Payer Mix**

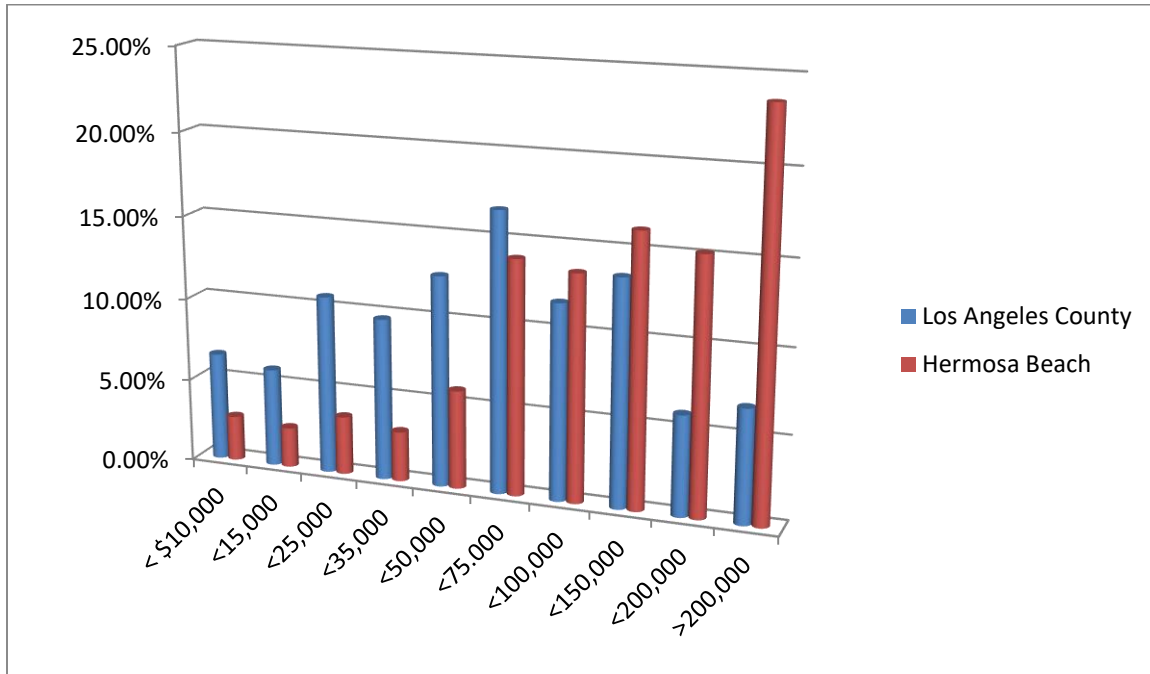
When billing for services in the healthcare arena, there are four main categories of payers; this is often referred to as the payer mix or payable cost centers. These cost centers consist of Medicare, Medi-Cal (both fee for service and managed care), private pay (uninsured), and commercial insurance. The most common sub-categories of these groups consist of patients covered under workers compensation and medical coverage under an automobile policy. An EOA's percentage of each of these categories varies widely depending on the demographics of that EOA. An EOA with a very high percentage of working age adults and higher percentage of larger businesses will typically have a higher percentage of commercial insurance, while an area consisting of a large population of seniors will have a higher rate of Medicare coverage. It should be noted that the percentage of transports for each payer mix is not directly related to the percentage of that population. For example, even though senior citizens may only represent 20% of the EOA population; their use of medical services increases with age and results in a higher usage of the EMS system compared to those working age adults with commercial insurance who may represent a larger percentage of the EOA population but due to less health issues use the system less.

Workforce by Employment Type Los Angeles County/ Hermosa Beach

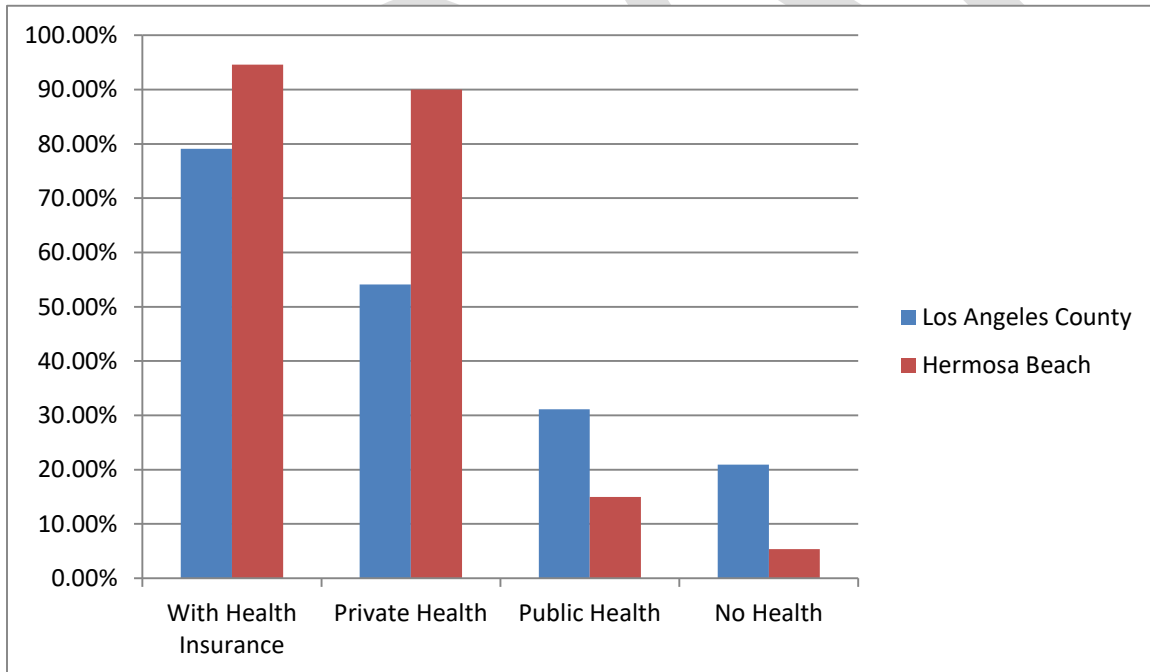


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Household Income Los Angeles County/ Hermosa Beach



Health Insurance Coverage



## Payer Mix

Using data provided by Wittman LLC for FY 16/17, the following breakdown has been developed for each payer category. This breakdown is based on 656 EMS transports for the City of Hermosa Beach with percentages rounded to the nearest whole number. It should be noted that included within this number are transports that originate from outside the City's jurisdiction. A reasonable estimate by Department personnel would be approximately 150 which drops the number of City generated transports to approximately 500.

### *Percentage by Payer Mix*

• Medicare/Medicare HMO	-	39%	-	256
• Commercially Insured	-	30%	-	197
• Private Pay/non-insured/other	-	16%	-	105
• Medi-Cal/Medi-Cal HMO	-	15%	-	98
•				

### *Number of calls by Incident Type*

• ALS1	-	438	67%
• ALS2	-	2	.003%
• BLS1	-	216	33%
• Total	-	656	

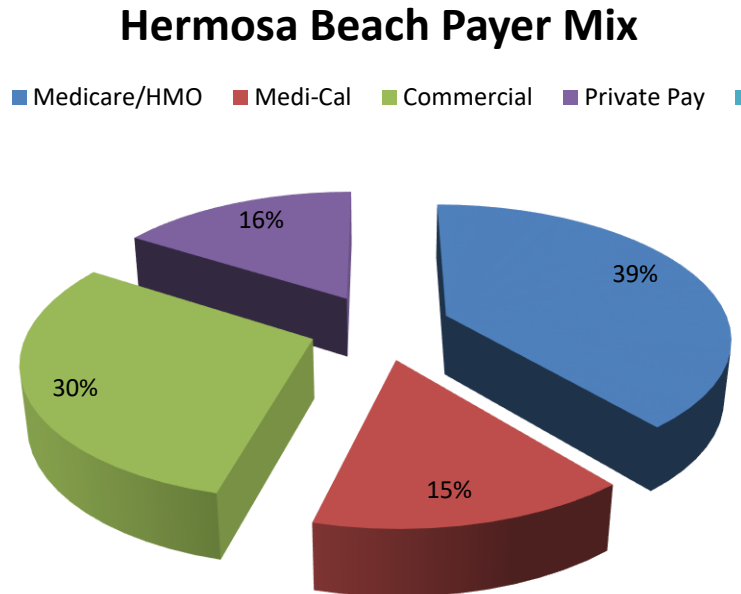


Total collections for Fiscal year 16/17 are at \$445,803. This rate is roughly a \$100,000 behind fiscal year 15/16 with nearly the same transport volume (660 v. 656). However, with ambulance billing full maturity of billing and collections can be up to 120 days with 90 being the norm. Therefore, while a direct comparison cannot be made to FY 15/16 it can be expected that revenue for the current fiscal year will likely fall within 5% of the previous year. This collection rate of \$500k+ represents an average reimbursement of \$762.19 per transport. This rate would be considered extremely strong and well within the top 5% of the statewide average collections. This is due to the payer mix of commercial insurance at or above 30% and Medi-Cal below 20% (15%). It is common across the state to find a complete inverse with Commercial insurance below 20% and Medi-Cal above 20%. This payer mix for the City places the City in a position to consider numerous options.

As the City's agreement with the County allows the City to fully administer their EMS delivery system, the City is in a position to change or modify rates as they see fit. This provides the City with the ability to make modifications that will contribute to financially stable system. As the City provides a relatively small ambulance deployment model there is less economy of scale thus a corresponding higher cost of service. Because of the higher cost of service to transport ratio the City may need to adjust rates on a more regular basis in order to insure that collections will keep up with costs without impacting the general fund.

In taking the above information into consideration and readjusting to a lower number of transports based upon the number of transports originating in the City the value of the system should be adjusted to an annual basis of \$380,000.

Figure 1



With a clear estimate of the value of the EOA, it is now possible for the City to explore various ways for participation in the system. Again, it should be noted that the above estimate, although very realistic, is based upon a usual and customary billing and collection model based upon the current Los Angeles County ambulance rates and does not include additional approved billing items. For the purposes of this document, the Los Angeles County base rate will be used when comparing cost vs. cost recovery.

## Impact of President Trump on the ACA

Prior to the election of President Trump, it was widely known that a major component of the Trump platform would be the abolishment of the ACA (Obama Care). This reversal would also result in a major overhaul of America's healthcare system and Medicaid in particular. With the election of President Trump, he began overhaul of healthcare as promised. At the time of this review the drive to dismantle the ACA was not successful and a vote to repeal was not taken. While the immediate future of healthcare will remain unchanged, it should be noted that the Trump Administration still plans for major changes in the country's health care system. There has been much discussion on the use of block grants, changes in the purchase of healthcare on the open market, etc. One thing that remains unchanged with regard to ambulance services within the City is the mandate and obligation to provide ambulance and EMS services under H&S Code 1797.201. Until the City chooses to enter into an agreement with the County to assume control of ambulance services, the City will continue to provide those services at the City's expense. Therefore, regardless of the future of healthcare and the changes that come with the Trump Administration's policies on health care, the City should monitor the changing environment and make adjustments as needed to financially sustain the delivery of ambulance and EMS services to the City.

## Section 6: Deployment Models

### Deployment Models

There are several deployment models for the Emergency ambulance transportation program that should be evaluated for operation in the City of Hermosa Beach. This section will look at three (3) alternatives that will meet the City's desire to provide for ambulance services while at the same time preserving their 1797.201 and agreement with the County for administrative control of services. Each option is also based on the cost of providing one fully staffed ambulances within the City. These deployment models should adequately handle system needs, as they reflect the model currently in place. All of the proposals meet the current ambulance and paramedic standards as established by the Los Angeles County Emergency Medical Services Agency.

In looking at each model, it is important to have an understanding of several terms used in these options:

- **Unit Hours:** Unit hours are based on deployment calculations for one week for staffing purposes and equal to 168 unit hours (1 ambulance x 24 hours x 7 days = 168 hours)
- **Yearly Unit Hours:** Yearly Unit Hours are based on total hours for a 365 day year for annual cost calculations equal to 8,760 hours (24 x 365 = 8,760)
- **Unit Hour Utilization:** UHU is the number of transports divided by the total unit hours as a percentage.
- **Workload Unit Hour Utilization:** WUHU is the number of EMS calls divided by the total number of yearly hours as a percentage.
- **Unit Hour Cost:** The fully encumbered hourly cost of providing the service. This includes personnel, capital assets (ambulances, gurney, monitors, etc.) billing, capital improvement/replacement, etc.

## Primary consideration for City managed program

The foremost consideration that the City must fully understand with regard to the “preservation” of their .201 status and rights are exactly what that encompasses. The single most significant issue for the City is that under .201 the city is fully responsible for both the financial and operational delivery of ambulance services. While this does not preclude the City from transferring the full responsibility to a subcontractor, the City is still responsible for all aspects of the delivery of services. With that being said, the city needs to take into consideration what their roll will be with administering the service. While many cities who are .201 providers sub-contract to private and public providers for the ambulance services, they are able to monitor and maintain oversight for those services through the city’s fire department. This is a natural form of management as the city’s fire department typically has an EMS division that is managing the day to day function of their EMS system. However, under a contracting scenario for the delivery of suppression activities and EMS first response it is not likely that the LA Co Fire Department is also being contracted to manage the City’s ambulance subcontractor. Therefore, with the loss of the city’s fire department there is also likely a loss of the staff that currently manages the ambulance portion of the current fire department. Should the City choose to maintain control of the City’s ambulance service via a subcontracting arrangement the City will need to determine who and what department the management and oversight will assume this new role.

## Deployment Model A

This deployment model would provide for the use of a sub-contractor providing a single 24hr unit to the City for a total of 8,760 unit hours per week. This model would essentially turn over all aspects of the ambulance delivery over to the sub-contractor while the City would still be maintaining the overall control of the system (see 1797.201). This means that the sub-contractor would be responsible for the deployment, staffing, maintenance, billing and collection of all revenue. In addition to the stated, the sub-contractor would also be subject to the parameters of the contract which could include response time requirements, employee uniforms, grooming standards, data collection and reports, vehicle standards, etc. The sub-contractor would provide the services requested by the City at no cost and would assume the risk of providing the services against the potential collections from transport services provided. The City could include as part of the contract a fee for the city's oversight and management of the sub-contractors compliance with the contract.

The benefits to the City are:

- No cost to the City for the continued provision of ambulance services.
- A contractual arrangement that insures compliance to meet the City's expectations
- Ability for the City to arrange for compliance and oversight of the contract either directly or via contracting with an EMS management firm
- Preserves the City's continued provision under .201 and is allowed under the current agreement with the County.

## Deployment Model B

This deployment model would provide for the use of a sub-contractor providing a single 24hr unit to the City for a total of 8,760 unit hours per year. However this model differs from the previous model (A) in that the City would continue to assume all aspects of the ambulance delivery model with the only change from the current HBFD delivery to the use of a private contractor. The City would continue to maintain all management of the system to include the billing and collections of transport revenue and compliance with the sub-contracting arrangement.

Under this model the City would secure a sub-contractor for the provision of the delivery of ambulance services. The City would purchase unit hours from the contractor and retain all revenue over the unit cost as “cost recovery” that would be deposited into the General Fund. Within this model the sub-contractor assumes no “risk” as they are under contract for a predetermined reimbursement rate while the City assumes the financial risk as well as any additional cost recovery benefits.

Ambulance service rates on a unit hour cost for the private industry vary across the state. Costs have been found to be as low as \$73 per unit hour (\$640K per year) up to \$151 per unit hour (\$1.3 million per year). Within Los Angeles and Orange County’s reports from providers have been stated to be as low as \$56 per unit hour (\$491k per year) but have not been confirmed by this consultant at the time of this report. Based upon the current transport percentages for Hermosa Beach Fire the transport percentages appear to be roughly 52% of total EMS dispatches. While not the lowest transport rate we have encountered this percentage of transports is on the low side for a public provider. Historically, public providers tend to have lower transport rates than their private counterparts. This could be argued that the private provider’s ability to generate revenue is based upon transport numbers thus there is an incentive to increase transports. However, the 52% transport rate would be considered low even for public providers. Our experience has shown that private providers typically transport at a percentage rate of approximately 70-80% while public providers run 60-70% with some public agencies as high as 86%. With this said, as exposure to litigation is reduced by transporting as opposed to releasing a

patient at the scene it is likely that sub-contracting to a private provider would see higher transport rates than the City has previously experienced. Should this play out as has been seen elsewhere, increase in transport revenue could be as high as \$455,000 in ambulance revenue. At this reimbursement rate the City should be able to contract for ambulance services with less concern for subsidizing the provider if this model were to be selected.

The benefits to the City are:

- The potential to generate cost recovery over and above the cost of delivery.
- A contractual arrangement that insures compliance to meet the City's expectations
- Ability for the City to arrange for compliance and oversight of the contract either directly or via contracting with an EMS management firm
- Preserves the City's continued provision under .201 and is allowed under the current agreement with the County.



### Deployment Model C

This deployment model differs from Deployment model B only in that the deployment of an ambulance unit maybe facilitated with existing resources in the system. While Deployment Model B assumes that a subcontractor would be required to provide a single unit in the system, the UHU for this model would be considered extremely low from a sustainability standpoint. Using the 500 transports that are currently originating within the City and dividing the yearly unit hours the UHU is .05. When evaluating optimum UHU's for ambulance transporters UHU's of .40 would be considered an acceptable point with many providers maintaining UHU's above .50.

With a UHU below .10 there exists opportunities to capitalize on the existing providers in the system to bid the services at a very low rate for either unit hours or a fixed rate for transports. Under this scenario the transport subcontractor maybe able to meet the demands of the city without introducing additional units or unit hours. This becomes extremely profitable for the subcontractor and allows the city to realize additional savings from this economy of scale.

## Infrastructure Supporting Transport Services

Should the department undertake the provision of providing Emergency ambulance transportation services, it is unrealistic to consider supporting a “third” service without considering providing a support structures for that service. Although the department currently has staff who have oversight for EMS, this will no longer be provided for by the new provider of fire protection. The three most logical solutions for providing support and oversight is the creation of a new position or assigning the new duties to a current position within the City’s current staff. The second option is to contract for management and oversight with an EMS management firm. The third option is to contract with another governmental agency who currently provides ambulance services and can include them into their current operational structure.

The oversight duties that would need to be provided for a sub-contractor while not all encompassing are as follows;

- Monitor on a monthly basis compliance with the terms of the contract
- Monitor billing and collections
- Be responsible for all interactions between the LEMSA and the EMSA on behalf of the City
- Insure that CQI/QA meet the city’s standards
- Insure contractor has been paid according to the contract

## Conclusions

We believe the City of Hermosa Beach has the potential to provide ambulance services in a sustainable manner from several different deployment models that would benefit not only the City but the citizens as well. Because of the relatively low transport rate the exposure to incurring a cost to the City's General Fund does exist. However, this also allows for potential for the sub-contractor to provide the services in a more efficient manner that would reduce or eliminate this exposure to the General Fund. The assumption that transport percentages would increase with the use of a private sub-contractor is fairly well established and we would expect a 10-20% increase in transport volume. As the number of transports increase there is a corresponding reduction to the City's exposure to subsidizing. In order to reduce the exposure, the City could allow the sub-contractor to bill and collect for their expenses which would result in a no cost arrangement. However, we do not feel that this arrangement is a necessity but only a consideration.

The City should move forward with the issuance of an ambulance RFP for a sub-contractor to provide ambulance services. The RFP should request proposals for both a unit hour cost as well as a per transport cost for services. The RFP should also contain performance requirements to insure compliance with the goals established by the City for ambulance deployment.

## Section 7: Analysis of Deployment Models

### Deployment Model A

The City would be expected to deliver 100% of the emergency ambulance services using a sub-contractor providing a total of 8,760 unit hours per year (24/7 x 365). The subcontractor would be subject to specific performance standards that would at the minimum provide for the same level of service as is currently being provided. The sub-contractor would bill for their own services and collect all revenue as their total compensation.

This arrangement would require the City to conduct a formal RFP for ambulance services and a subsequent contract for service.

#### Cost of Service

Cost based upon the level of infrastructure provided by the City for contract oversight. This cost could be eliminated by charging the sub-contractor for this service.

Cost Recovery based on proposed rate structure      \$0

Net cost Recovery      \$0

#### Pro's

Meets all of the key elements  
Preserves the City's .201 status  
Minimizes the City's risk to financial loss

#### Con's

May incur a cost for ongoing oversight

## Deployment Model B

The City would be expected to deliver 100% of the emergency ambulance services using a sub-contractor providing a total of 8,760 unit hours per year (24/7 x 365). The subcontractor would be subject to specific performance standards that would at the minimum provide for the same level of service as is currently being provided. The City would contract to purchase unit hours or pay a per transport fee to the contractor. This rate could be based upon multiple variables that provide advantages for both the City and the Contractor. The City would bill for their own services and collect all revenue. The City could see cost recovery above the cost of service being purchased from the sub-contractor as part of their total compensation.

This arrangement would require the City to conduct a formal RFP for ambulance services and a subsequent contract for service.

### Cost of Service

Determined by the successful bid;

Cost Recovery based on proposed rate structure      \$380k- \$455k

Net cost Recovery      contingent on bid

### Pro's

Meets all of the key elements  
Preserves the City's .201 status  
Provides a greater level of control

### Con's

May incur a cost for services

## Deployment Model C

The City would be expected to deliver 100% of the emergency ambulance services using a sub-contractor providing services as part of their existing ambulance deployment model. The subcontractor would be subject to specific performance standards that would at the minimum provide for the same level of service as is currently being provided. The City would contract to purchase unit hours or pay a per transport fee to the contractor. This rate could be based upon multiple variables that provide advantages for both the City and the Contractor. The City would bill for their own services and collect all revenue. The City could see cost recovery above the cost of service being purchased from the sub-contractor as part of their total compensation.

This arrangement would require the City to conduct a formal RFP for ambulance services and a subsequent contract for service.

### Cost of Service

Determined by the successful bid;

**Cost Recovery based on proposed rate structure**      \$380k- \$455k

**Net cost Recovery**      contingent on bid

### Pro's

Meets all of the key elements  
Preserves the City's .201 status  
Provides a greater level of control

### Con's

May incur a cost for services

## Section 8: Recommendations

- Initiate an RFP for ambulance services within the City
- Structure the contract so that bids are provided for both unit hour costs as well as per transport cost
- Create policy for routine and scheduled (annual) rate adjustments based on a healthcare cost index independent of the LA Co Public Rate.

DRAFT