Cover Story

Low reimbursement rates are causing an EMS emergency

Ambulance companies are being driven out of business

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Ken Davidson spends more time than he'd like explaining ambulance bills to customers who are upset and sometimes irate.

JEFF FUSCO
Assistant Chief Ken Davidson at the Second Alarmer's Association and Rescue Squad in Willow Grove.

"People complain about a bill for transporting them a quarter-mile," said Davidson, assistant chief of the Second Alarmer's Association and Rescue Squad in Willow Grove. "But it's not just the quarter-mile. We took you in an ambulance that cost $200,000 to $220,000 and had another $90,000 worth of equipment on it. There's also the expertise of the paramedic and EMT [emergency medical technician] and having them ready to go 24/7. There is a cost for that readiness."

The overriding issue Pennsylvania ambulance companies like Second Alarmer's are struggling with today is adequate reimbursement for their services. Emergency transportation providers say payments by private health insurers and government health programs fall well below actual costs. At the same time, they say the use of collection agencies — who keep a portion of the money they recover to collect unpaid customer bills — has increased.

Such payments problems, the companies say, are already claiming victims and threatening the long-term viability of others.

Heather Sharar, executive director of the Ambulance Association of Pennsylvania, said reimbursement woes combined with staffing challenges have resulted in the closing of about 150 basic life-support service providers and about a dozen advanced life-support providers statewide over the last five years. That has also resulted in the loss of more than 10,000 jobs statewide.

The decline continued during the first half of 2018 with 44 EMS and ambulance companies closing or disbanding, resulting in the loss of another 1,100 jobs, according to figures provided by the Pennsylvania Department of Health. The state, at the midpoint of the year, had 1,222 providers employing 42,453 workers.

"The reimbursements are low and the requirements for licensors to have certain equipment and medical supplies continue to expand," Sharar said. "The reimbursement rates have not kept pace with the technology. Licensors have to staff 24 and 7, but they can't pay the staff what they are really worth. It's really a vicious cycle."

Pennsylvania residents in need of ambulance transportation are served by a mix of nonprofit, for-profit, municipal-run and hospital- and health system-based transport providers.

No one type, Sharar said, is immune from financial pressures.

Some examples in southeastern Pennsylvania include:

• In August, Morrisville entered into a contract with Capital Health System to become the Bucks County borough's new emergency services provider after its previous provider, Morrisville Ambulance Squad, announced it was shutting down because of mounting financial losses. This summer, leaders of the Morrisville Ambulance Squad told the Borough Council that the nonprofit had more than $1 million in outstanding debt on its books despite aggressive efforts to collect unpaid bills. Those efforts included taking patients to court for bills not paid after 90 days. At the time of its closing, the squad had an annual operating budget of about $460,000, but it was only generating about $260,000 in revenues with the shortfall blamed primarily on patients not paying for services rendered.

• The Community Ambulance Association of Ambler took over the Springfield (Montgomery County) Ambulance Association's EMS responsibilities in April. Springfield Ambulance officials blamed lower insurance company reimbursement rates for several years of losses. The nonprofit, which had been providing ambulance services since the mid-1950s, has been losing money for several years and owed the township more than $300,000.

• At the start of this year, Penn Medicine Chester County Hospital Medic 91 discontinued operations and ambulance coverage in nine Chester County municipalities, which have since switched to Good Fellowship Ambulance. Hospital officials said the action was prompted by a combination of the declining reimbursements rates, the difficulty in getting paid for services and the availability of a competing ambulance service that could take over.

• Last year, the Warminster Volunteer Ambulance Corps dissolved after being in business for more than 50 years. The nonprofit company blamed its financial problems on EMS customers keeping reimbursement checks sent to patients by insurance companies instead of forwarding the payments to the ambulance service. The company had to hire three debt-collection companies to go after money owed to the ambulance squad, but each kept a percentage of the money it was able to recoup for its fees. In 2016, the Warminster Volunteer Ambulance Corps estimated about $400,000 of its $2.2 million in gross revenues was not collectable. Central Bucks EMS contracted with Warminster, Warwick and Ivyland to take over EMS coverage in those municipalities.

Sharar said the Pennsylvania Ambulance Association is working to increase the reimbursement rates paid to EMS providers.

This year, the EMS providers successfully lobbied for an increase in the rates paid by the state's medical assistance program — the first increase in 14 years and only the third in 40 years. The increases, which go into effect Jan. 1, will take payments for basic life support to $180 from $120 per transport and for advanced life support to $300 from $200.

"That's huge because the medical assistance population has increased, but it doesn't solve all our problems," she said, noting Medicaid patients on average comprise about 30 percent of an EMS provider's call volume.

Sharar said another battle ambulance companies have fought for years is health insurers not paying for services provided by ambulance squads unless patient are transported to a hospital. Help is on the way on that front.

Pennsylvania Gov. Tom Wolf last month signed into law legislation that requires insurance companies to reimburse ambulance companies when they provide medical care but do not transport the patient to a hospital. The reimbursement is contingent upon the ambulance being dispatched by a county 911 center.

The bill signed into law was first proposed six years ago by state Rep. Steve Barrar, a Republican whose district covers parts of Chester and Delaware counties. The bill passed the House three times, but was stuck in committee in the Senate until it finally passed last month.

"It's been extremely frustrating," Barrar said. "It was a good bill and it deserved to move forward. It allows the ambulance companies to render services at the scene and get paid. Unfortunately, I think the insurance industry had it tied up."

Barrar said health insurers should have supported the measure from the onset because by allowing patients to be treated at the scene of an accident or injury when appropriate, prevents patients from unnecessarily being taken to a hospital emergency department where the cost is the highest.

"It's a shame this wasn't approved sooner," he said. "We lost some good ambulance companies over the years. This will be a huge financial lifeline to our ambulance companies."

Second Alarmer's in Willow Grove, which has 50 full-time employees and a $5 million operating budget, is not counting on a fix coming from Harrisburg.

"We've passed deficit budgets here the last three years," said Davidson, adding that the practice is not sustainable.

Davidson said to bring more funding stability to the organization, Second Alarmer's is lobbying the municipalities it covers for a dedicated tax to support ambulance services. He noted EMS is typically lumped together with fire and police as municipal services, but fire and police traditionally get dedicated funding from the taxes property owners pay.

"Of the three, we are the only one that can bill for our services," Davidson said. "There's always been the assumption we can be self-sustaining, and in the 1980s and '90s that was true, but it's not true anymore. Back then, most people had traditional indemnity insurance that paid for most of our costs. Ambulance companies would do a fund drive to make up for any shortfalls. During the past 10 to 15 years we've seen a decline in reimbursement from insurance companies.... The insurers are paying us less for the services we provide, while at the same time charging us more in health insurance premiums.

Davidson added Medicare only pays about 70 percent of their costs, and while EMS providers got a Medicaid increase in Pennsylvania, Medicaid rates still were less than 40 percent of costs this year. "The Medicaid increase translates to another $30,000 to $40,000," he said. "It helps, but it's a drop in the bucket."

The Philadelphia region's two largest health insurers said they have positive relationships with area ambulance companies.

"We are fortunate to work with a network of ambulance providers who care for our members in emergent and non-emergent situations," said Donna Crilley Farrell, vice president of corporate communications at Independence Blue Cross. "We reimburse these providers, who offer a critical service to the communities we serve, at rates that are competitive to other payers in the market."

Farrell said Independence supported the Barrar's "treat-no-transport" bill that requires insurance reimbursement for all reasonably necessary costs associated with emergency medical services provided to a patient even when a transport to a hospital does not occur.

Remy Richman, vice president and executive director of Aetna's Pennsylvania and Delaware markets, defended the health insurer's interactions with ambulance companies.

"Aetna has a fairly extensive network of contracted ambulance providers and [we] aren't aware of any concerns received from them," Richman said. "We always try to negotiate the best contracts that we can that balances our customers' needs for low premiums with fair reimbursement for our providers. We believe that is helped by the fact that we cover medically necessary services rendered by an EMT even if the member isn't transported to a hospital. However, in a situation where a provider doesn't have a contract with us and we have no obligations to

each other, Aetna's priority is in making sure that our member is taken care of. That can mean we cover medically necessary services, reimburse for services rendered, or assist with balance bills."

Farrell at Independence said the company has processes for handling payments to ambulance companies in emergency situations.

"We recognize that in emergency situations, members may not get to choose whether they use an ambulance provider that participates in the Independence network. Therefore, in situations where commercial members have to utilize services provided by an out-of-network provider, we pay the member directly – in accordance with their benefits plan," Farrell said. "For Medicare Advantage members, out-of-network providers must be enrolled in Medicare and emergency services are covered regardless of whether the out-of-network provider is in the Independence network. In these situations, the out-of-network provider is paid directly and is required to accept the federal Medicare payment as payment in full."

Davidson at Second Alarmer's said few ambulance companies sign network provider contracts with managed care companies because they think the reimbursement rates are too low, and because if they agree to be an in-network provider they must accept that rate as payment in full — and can't balance bill patients for the remainder of their fee.

Last year, Davidson said Second Alarmer's tried to negotiate a deal with Independence Blue Cross that would have shaved a couple hundred dollars off the fee it charges for ambulance trips, but its overtures were rebuffed by the health insurer. Farrell said Independence Blue Cross "negotiated in good faith" with Second Alarmer's in Montgomery County in 2017, but was unable to come to an agreement.

"We are open to future discussions with them regarding an agreement," she said. "Network ambulance providers are reimbursed based on Independence's ambulance fee schedule, which we believe are competitive to other payers in the market."

Davidson thinks most benefit plans cover 911 ambulance calls in full, after co-payments and deductibles are met. Instead of sending a payment to the ambulance company, he said, they will send a partial payment to the patient and tell them to forward the money to the ambulance company.

That creates several problems, he said.

"People pocket the money," Davidson said. "They go on vacation or buy a new TV. Insurers say if we become part of their network they will pay us directly, but we'd lose $250,000 a year under what they are willing to pay."

Additionally, he said, the managed care company will imply the ambulance company will accept the amount on the check as payment in full. Davidson said that is not the case and they will advise people to go back to their insurer and tell them the bill they got is for more than that amount. Few go to that trouble.

Second Alarmer's has tried a tactic used by other nonprofits by selling memberships where if people donate at a certain level they won't be billed should they require ambulance services.

Davidson said the net result is minimal. "We may solicit 50,0000 households and get responses from 5,000 people," he said. "We may raise $375,000 from people, but the fund drive could cost us $100,000."

Both Sharar and Davidson said with more people turning to high-deductible health insurance plans that include high co-payments and deductibles patients are being asked to pay a far greater share of ambulance services — making such membership deals fiscally unsound.

For now, Second Alarmer's continues to talk to the municipalities it covers hoping for more funding. "If we don't start to see municipal funding," Davidson said, "you will see more EMS agencies shuttering."

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