



## BENICIA FIRE DEPARTMENT MEMORANDUM

**Date:** August 29, 2016

**To:** Steve Salomon, City Manager

**From:** Jim Lydon, Fire Chief

**Re:** Response to questions related to First Responder Fee

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At the July 5<sup>th</sup> City Council meeting, I made a presentation on the concept of implementing a First Responder Fee for our Emergency Medical services. This is a cost recovery fee that follows the guidelines of the Center for Medicare/Medicaid with respect to medical insurance billing practices. The proposed fee would be collected from the medical insurance providers for those individuals to whom we provide first responder services related to medical assessment and treatment. The fee is a flat rate per incident that is intended to cover the cost of our response to such an incident. The fee does not include any transportation services or additional treatments that may be provided if we transfer care of the patient to another provider.

During the City Council Discussion several questions were raised. In addition, an anonymous letter was submitted that contained a series of questions related to the fee. The purpose of this memo is to provide feedback to many of the questions in the letter and from the meeting.

1. What occurs with individuals who are in a situation that they call for service a number of times?
  - a. We are required under the billing guidelines to treat each occurrence the same. In other words, we are required to submit a bill for services on each occasion. This is very similar to visiting your medical professional for the same issue on several occasions. There is a bill generated to the insurance company for each visit.
  - b. We do have certain facilities within the community that generate a number of calls for service. However, our anecdotal analysis reveals that this is not related to a specific patient, rather it is related to the volume of individuals with various medical conditions that frequent these facilities. Due to the security of information as required by HIPPA we did not do an analysis of names/patients that we see at these facilities.
  - c. Currently when we respond to the same individual a number of times we will do an assessment of the situation. In some cases, we will reach out to various resources, including the individual's medical providers, to work on potential solutions to the situation. Often times there is an identified need for in home assistance or other services that result in the individual no longer relying on emergency services.

2. Is there a correlation between the fees and increasing insurance rates? Have fees increasing over time had an impact on rates?
  - a. We reached out to some individuals who have been very active with this issue at the State level for the fire service. Their feedback was that there has been no direct relationship between the first responder fee and increased insurance rates. The insurance premiums are adjusted by the various plans on an annual basis based on the total risk within their pool, not necessarily a specific item or fee that is charged by a provider.
3. How will billing notices be presented?
  - a. In the largest majority of our incidents the insurance coverage and billing information will be collected while we are present with the patient. This will then be electronically transferred to the billing service, who will bill the insurance company directly. The patient will then receive an Explanation of Benefits from the insurance company indicating the payment that was made. We would consider the financial hardship for those individuals that do not have insurance or whose insurance does not cover the fee. In these cases, we would be able to waive the pursuit of any further fee collection so as to minimize the potential for financial hardship.
4. What services must be rendered for the fee to be applied
  - a. The fee will be charged whenever a person is medically evaluated and treated by paramedics on a first responder unit. It will not be charged if an individual declines medical evaluation or treatment by paramedics.
5. How is billing handled when providing services in adjoining communities or when other agencies respond to incidents in Benicia?
  - a. We will not be billing for services that we provide under mutual aid to other incidents. This would likely cause confusion for the patients if they are receiving billing from an agency outside of their community when they likely felt the services were provided by the agency of their community.
  - b. We will not be billing for those calls which are handled by outside resources during coverage assignments in Benicia, as we were not actually providing the services at the time. We are only able to bill for services that we actually provide.
6. Will non-residents be billed the fee for service?
  - a. Yes. All individuals that are provided first responder medical services by our staff will be put into the billing process, regardless of their place of residence.
  - b. As previously mentioned, it is our intent to exercise a compassionate billing process, where the City would not pursue collections. The City could decide to only apply that process to the residents of Benicia. This would result in the pursuit of full cost recovery from those individuals that receive services who are not residents of Benicia.
7. Procedure for non-collection of fees?
  - a. We would be submitting bills directly to the insurance providers. Our billing provider would be responsible to conduct the necessary follow up with the insurance providers to receive payment of the fee. For individuals with a financial hardship, such as no insurance or an insurance provider that does not cover the fee, we would waive pursuit of additional collections.

8. How will lift assists be handled?
  - a. These incidents are generally related to someone who has fallen, is uninjured, but still needs assistance getting back up following the fall. We often see these types of incidents involving the elderly or others with mobility issues.
  - b. These are generally a public service call that would not meet the criteria established by the Centers for Medicare and Medicaid Services to be eligible for the First Responder Fee.
  - c. In some instances, these lift assists evolve into a medical incident requiring some level of treatment and possibly transportation to a medical facility. In these cases, they would be deemed to be a medical incident and the First Responder Fee would be applied.
9. Will a person be charged if no service was provided or the response was cancelled?
  - a. No. Based on the established criteria for the fee, if we provide no service related to the medical assessment and care of the person, we are then not able to pursue collection of fees. We can only collect for services that are actually provided.
10. What will be done with the fees collected?
  - a. The fees are a general fund revenue source.
  - b. The City has identified critical unmet needs in the Fire Department. Some of these include addressing issues related to the oversight of Emergency Medical Services and training within the department. The department's hope is that this new revenue source will provide additional general fund revenue to address some of these identified critical unmet needs.
11. Does the increase in costs/expenses over the past 5 years justify the proposed fee?
  - a. The use of property taxes was designed to fund fire suppression and basic medical care only. Over time, local fire department services have expanded well beyond traditional fire suppression services generally supported by property taxes. The change in balance from fire suppression to medical services has shifted financing of many fire departments statewide from primarily property taxes to a combination of property taxes and user fees. Communities have come to expect paramedic (advanced) level of care and it is considered an essential public service.
  - b. We have seen significant changes in equipment and service capability over the past several years. Many of these elements have required the department to locate necessary revenues (grants) to implement. In addition, there is a significant amount of training required of paramedic/firefighters. The department's budget has not increased over the years to address some of these additional costs of this service.
  - c. With the increased costs of services and equipment, the challenge is to insure that revenue sources match the increased expenses. This is an opportunity to add a new revenue stream based on costs of the specific service in order to better meet the ability to fund expenditures. Without a sustained revenue source, the ability to continue to deliver these services and to maintain the latest technology related to the delivery of medical services will be hampered.
12. Provide details with respect to actual fee and billing process to move forward
  - a. The fee is based on the average hourly rate of personnel and fire apparatus, as well as an administrative cost. The foundation of this fee is the cost for personnel, fire

apparatus, and administrative services as established with Cal OES. These are the rates that the State reimburses us for providing assistance during certain emergency response situations.

- b. Once the concept is approved by Council, we will secure the services of a vendor to provide the billing and fee collections services. We are currently discussing the potential for the various parties involved in the Public Private Partnership to incorporate this service into the partnership. This will likely result in a number of efficiencies in the billing procedures, as well as limit potential confusion occurring with the involvement of multiple billing services.
13. By choosing to collect only from insurance companies, are we creating two classes of customers where the insurance industry could file a complaint against the City for only collecting costs from their clients?
- a. No. It is the opinion of the City Attorney's office that such a "hardship waiver" is permissible. The distinction between insured and non-insured is not the type of "suspect classification," like race or sex, that typically will face a constitutional challenge. The ordinance is an economic regulation and needs only a rational basis to survive judicial scrutiny. Staff recognizes the potential financial hardships that could result for individuals without insurance or those whose insurance does not cover the full costs of the service. It would be in recognition of these financial hardships that staff would not pursue the collection of the fee as to reduce the potential for increased financial hardship. Moreover, this type of compassionate or hardship waiver is done by the medical industry. Insurance companies who get paid to cover medical expenses have not raised this as an issue.

#### Discussion of alternatives/efficiencies for EMS response

One of the comments made during the Council meeting was with respect to exploring ways in the future to address potential alternative service delivery models or develop efficiencies in the system. There have been a number of models introduced and tested in various organizations. Some of these have included tiered response patterns and the use of smaller vehicles, often times with less personnel. In many cases these have proven to be beneficial changes to delivery systems. In other cases, they have not worked as well resulting in a return to the previous method or seeking additional alternatives. In some organizations they have been able to make adjustments in the deployment of staffing in order to facilitate the use of rapid response vehicles, without significantly reducing the available staffing on fire companies. This can be a challenge in smaller organizations with limited staff resources.

Certainly one area for consideration is the implementation of tiered responses. In this concept we would be able to better evaluate the information available at the receipt of the call, which is then used to determine the level (number of resources/personnel) and mode (lights and sirens or not) of the response. In order for this type of system to be implemented we would need to establish procedures for the use of an Emergency Medical Dispatch program. There are national industry standards for such systems which are supported and implemented in many communities throughout the nation. These systems allow the dispatch personnel to evaluate the nature of the emergency and then initiate an appropriate response based on that information. They also provide the opportunity for the dispatch personnel to provide directions in the administration of emergency life saving measures in certain

critical emergency situations. The pursuit and implementation of such a program would be a good initial step toward looking at system changes to develop efficiencies within our EMS delivery services.

Hopefully this information has been beneficial in providing you with a better understanding of the First Responder Fee proposal and how it will be implemented. Please feel free to contact me should you have further questions or desire additional clarification of the information contained within this document.