



CITY COUNCIL AGENDA REPORT

MEETING DATE: **APRIL 18, 2017**

ITEM NUMBER: **NB-2**

SUBJECT: AMBULANCE TRANSPORTATION FOR THE CITY OF COSTA MESA

DATE: APRIL 4, 2017

**FROM: THOMAS R. HATCH, CITY MANAGER
DANIEL A. STEFANO, FIRE CHIEF**

PRESENTATION BY: DANIEL A. STEFANO, FIRE CHIEF

**FOR FURTHER INFORMATION CONTACT: JASON PYLE, DIVISION CHIEF
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RECOMMENDED ACTIONS:

The Fire Chief and City Manager recommend that the City Council approve the following recommendations as it pertains to a policy decision involving Emergency Medical Services (EMS) ambulance transportation within the City of Costa Mesa.

1. Review and approve the recommended and updated option of the public/private partnership ambulance transportation model (e.g., 2017 consultant report supplement - option #3).
2. Approve and authorize the City Manager to allocate an amount not to exceed \$100,000 for the comprehensive administration and facilitation of the Request For Proposals (RFP) processes for both ambulance and billing services, respectively.
3. Approve and authorize the City to annually utilize the billing rate structure that is consistent with and replicates the most current maximum emergency ground ambulance rates that are identified through Orange County Health Care Agency (OCHCA) EMS Policy and Procedures (e.g., #700.00 Section; 714.00 - #715.00) and approved through formal resolution by the Orange County Board of Supervisors.

BACKGROUND:

The delivery of fire, rescue, emergency medical, and community risk reduction services is a core component of maintaining the life, property, and environmental health safety needs of the community. These priorities consistently rate high in terms of importance to the residents, businesses, and community of Costa Mesa. The Costa Mesa City Council has recognized this and has consistently invested in maintaining a well-equipped and highly-trained Fire and Rescue Department. As a result, the cost of these services is 18.02% of the City's total general fund appropriations in the adopted FY 2016-17 budget. Further, with emergency medical services/rescue related calls now accounting for approximately 70% of the Fire and Rescue Department's calls for service and in light of ongoing fiscal challenges facing public agencies throughout the nation, the direction for a more effective and efficient public safety model was brought forward.

In May 2013, the City Council unanimously approved the City Manager's recommendations for the reorganization of the Fire & Rescue Department, inclusive of the "Alternative Model" Restructuring Plan. A key part of the City Manager's alternative plan was that it be implemented in a two-phase approach as it related to ambulance transportation, along with a comprehensive list of 17 recommendations related to various operational and administrative components of the fire department. For example, the new deployment model required building modifications to Fire Station 4; alterations to apparatus; selecting, procuring, and placing six rescue ambulances into service; and significant (initial and on-going) training for personnel.

The two-phase approach allowed the first phase of implementation to be very strategic and methodical, thus providing valued time to thoughtfully execute and evaluate the various dynamics of the plan, each step of the way. While there was no question that our highly trained and professional staff had the ability to quickly adapt to change, the change in the new deployment was arguably the most significant change in the history of the organization and as such, the additional time to transition was critical to this process.

As a simple overview, the first phase was focused on preparing the new deployment infrastructure, personnel training, and operational changes. In perspective, it focused on transitioning our fire apparatus resources to include rescue ambulances, thus creating a more efficient model while ultimately providing more resources to be available for emergency response. Due to the magnitude of the change, the two-phase approach was the correct course of action.

In July of 2015, the second phase of the Reorganization Plan was initiated and the services of a consultant were retained to complete an analysis related to identifying options for ground ambulance transportation and the utilization of the City's rescue ambulances (e.g., patient transport options, pros/cons, financial implications, etc.).

The formal consultant's report, *2015 CMFD Ambulance Service Feasibility Study* (Attachment 2), was conducted by AP Triton, LLC consultants. It was first introduced at the December 1, 2015 City Council meeting and made available for City Council and public review immediately thereafter. It provided an objective review of the four deployment options for patient transport via ambulance vehicles that were considered to be most viable at that point in time, specifically relative to department staffing and within the Orange County EMS system. While staff recognized that there were (and are) a number of variations of each of the four transportation models identified, it was evident that the core elements of these models clearly represented the fundamental application, deployment, and operational consistency options for effective implementation.

It is important to acknowledge that prior to and following the receipt and review of the consultant's report, City staff conducted research and met with a range of stakeholders, including, but not limited to: members of the Costa Mesa Pension Oversight and Financial Advisory Committees; Dr. Samuel J. Stratton – Orange County EMS Agency Medical Director, members of the CARE Ambulance management team; members of the Orange County Fire Chiefs; members of the Costa Mesa Firefighters Association Board of Directors; and community members.

At the January 19, 2016 City Council meeting, the aforementioned ambulance transportation options were presented for consideration and the City Council voted (3-2) to continue to utilize the services of a private ambulance provider for ambulance transportation without modification. As a result of that policy decision and thereafter, at the June 21, 2016 City Council meeting, a fifth and final amendment to extend the contractual agreement for ambulance transportation services was approved, which will be discussed further in this staff report hereafter. Additionally, the Fire Chief was given direction to continue to explore future alternative solutions, inclusive of public/private partnerships.

At the January 3, 2017 City Council meeting, the City Council voted (3-2) to formally authorize and approve the Fire Chief's recommendation to keep Fire Station #6 open and to authorize and approve six additional sworn positions to support that endeavor. In addition, the Fire Chief was directed to bring back an updated recommendation on ambulance transportation for City Council to reconsider a policy decision. Thereafter, the Fire Chief directed the consultants to prepare a report on an updated recommendation, which focused on utilizing the best elements of all of the previous options presented and took into account the updated staffing platform of six fire stations.

At the February 7, 2017 City Council meeting, the Fire Chief provided a status update on ambulance transportation and requested formal approval for a part-time EMS Coordinator to assist in the coordination of the Department's EMS ambulance transportation program and support of the comprehensive EMS program. Further, a timeline was identified for an April study session on the reassessment of the city's EMS ambulance service transportation options, followed by a May City Council meeting to review the updated recommendation. Subsequently, the City Council voted (3-2) to approve the part-time EMS Coordinator position and to forego a study session, in order to bring a more expeditious recommendation directly for City Council consideration.

The City of Costa Mesa, pursuant to Section 1797.201 of the California Health & Safety Code (Division 2.5, Chapter 4, Article 1), has maintained, prior to and continuously after June 1, 1980, its sovereign and complete authority and power over the provision, administration, and operational control of all prehospital emergency medical services within its jurisdiction including, but not limited to, the continued provision of emergency ambulance response and patient transport services at both the Basic Life Support and Advanced Life Support levels.

In accordance with its Section 1797.201 powers, on November 20, 2007, the City initiated a competitive process by issuing a "Request for Proposals," coordinated by the Fire Department, in which qualified ambulance companies were reviewed, analyzed, and compared. The Fire Department chose to use the competitive process consistent with the format outlined in California Emergency Medical Services Authority Publication #141 due to its efficiency, rather than developing a new format.

On July 1, 2008, after a comprehensive and competitive selection process, the City Council accepted the proposal submitted by Care Ambulance Service, Inc., and authorized the Department to negotiate an agreement for the provision of emergency ambulance and patient billing services. The City and Care Ambulance Services entered into an agreement effective on September 1, 2008, that allowed for extensions of the term not to exceed more than ten years. Following the initial agreement period, the City and Care Ambulance Services entered into subsequent agreements. The final extension of the agreement was approved on June 21, 2016 and runs through September 1, 2018 (e.g., Amendment Number Five; Attachment 9). To that end, the City will need to pursue a new competitive process for ambulance and billing services to be implemented prior to September 1, 2018. In accordance with the terms and requirements of the original Ambulance Services Agreement, the City of Costa Mesa reserves the right and privilege of canceling, suspending, or abandoning the execution of all or any part of the agreement, with or without cause, at any time, by providing written notice to the Contractor (Section 5.3).

At this point, a policy decision on patient transportation via ambulance vehicles is necessary. Immediately following the City Council policy decision, a Request For Proposals (RFP) process seeking bids for private providers to conduct ambulance billing services for the City will be developed and released to coincide with a separate RFP process seeking bids for private providers to transport patients, consistent with the final policy direction.

ANALYSIS:

The supplemental 2017 CMFD Ambulance Service Feasibility Study Addendum (Attachment 1) was conducted by AP Triton, LLC consultants, as directed by the Fire Chief. Specifically, it builds directly from their original 2015 report, with narrative information and projections which remain consistent, reasonable and attainable.

In the original 2015 report, an objective analysis and review of four deployment options for patient transport via ambulance vehicles was presented at that point in time, with the understanding by staff that a number of variations of each of the four transportation models were viable. Following the subsequent City Council decision to continue with the current deployment model and the more recent decision to keep Fire Station #6 open, the intent from staff was to provide an updated and viable option for consideration. Staff worked diligently on utilizing the most functional, effective, and efficient elements from all of the models previously identified and what ultimately followed was an updated public/private partnership model.

Moreover, this updated public/private model affords the greatest flexibility, taking into account the evolving and dynamic EMS environment, locally, regionally, and statewide. As an example, within Orange County, the various fire departments are utilizing a number of different ambulance transportation model variations.

In terms of the specifics within the updated public/private model, the consideration would be for the Department to deliver 100% of the ambulance services as the provider of record for all 9-1-1 emergency services using a private contractor providing primary transport services. This deployment model provides for a very similar provision of services that is currently in use today with the exceptions of the revenue stream and expanded resource controlled deployment. Where the current model uses a private contractor to provide ambulance services, the provider also conducts all billing and collections for transport services. As part of the current arrangement the ambulance provider also bills for and collects for the ALS services that are provided by the department.

Under the recommended model, the Department would become the ambulance provider of record and would secure a third party billing company to handle billing and collection on their behalf. The City would enter into a contract with the provider for a fixed cost of providing unit hours of service and formalize a surge plan for when needed. Additionally, this model would then allow the City to establish their ambulance billing rate structure consistent with the emergency ground ambulance rates that are identified through the Orange County Health Care Agency (OCHCA) - EMS Policy and Procedures (e.g., #700.00 Section; 714.00 - #715.00) and approved through formal resolution by the Orange County Board of Supervisors.

As such, staff has streamlined the assessment and provided an overview from the updated consultant's analysis of our current model (Model #1) and an overview of our updated recommendation (Model #3 – updated public/private partnership) as follows, inclusive of the pros and cons and the financial overview (e.g., cost recovery) of each:

- **Model #1 – Current Model**

**Continuation of the existing deployment strategy of sending a fire department apparatus (e.g., an engine or truck) and a rescue ambulance along with a private ambulance to be the transportation component of all Emergency Medical Services calls for service (e.g., ALS & BLS).*

Pros

- *Requires no changes in current deployment*

- *Reduced financial risk to the city*
- *Potential surge capacity from provider*
- *Fixed rate of reimbursement for ALS services provided*

Cons

- *Less control of the system*
- *Potential reduced cost recovery for the city*

Total (Annual) Realized Cost Recovery

\$709,907

• **Model #3 – Updated Public / Private Partnership**

** Costa Mesa Fire & Rescue engages in a partnership with a private contractor to provide ambulance personnel staffing for ambulance transport services.*

Pros

- *Requires limited changes in current deployment*
- *Provides the highest level of flexibility and opportunities to concurrently explore in an evolving local, regional and statewide EMS landscape*
- *Creates potential new pathway for developing future career fire and rescue personnel*
- *Provides for the expected number of units needed in the system to handle typical peak load demands and an overall increase in the daily Unit Hour Utilization “UHU” over the 24-hour operational period*
- *Financially self-sustaining, with greater cost recovery revenue retained by the City*

Cons

- *Requires contracting for staffing service with outside provider*
- *There is a financial cost to partnering with a private provider*
- *Requires additional workload and oversight for Management and Supervisory staff*

Total (Annual) Realized Cost Recovery

\$1,985,871

**\$709,907– current cost recovery revenue*

***\$1,275,964 – total new net cost recovery/revenue*

In consideration of all of the information and data provided in the (2017) CMFD Ambulance Service Feasibility Study Addendum and the original (2015) CMFD Ambulance Service Feasibility Study, as well as the subsequent analysis, the recommendation is to approve the updated public/private partnership ambulance transportation model (updated option model #3), which has been identified as the most viable for the City of Costa Mesa. Specifically, a partnership with a private contractor to provide ambulance personnel staffing for ambulance transport services.

This recommendation is grounded in the effort to provide the most effective and efficient service to the community, while maintaining the highest quality of patient care, enhancing the City’s cost recovery revenue, and providing the most flexible ambulance transportation model to adapt to an evolving EMS landscape.

ALTERNATIVES CONSIDERED:

The City Council could decide to direct staff to continue the existing deployment strategy or could direct staff to reevaluate the previously identified options presented in the original 2015 consultant's report.

FISCAL REVIEW:

It is understood that the consultant's cost recovery projections could vary within a reasonable margin above/below the projections identified. Additionally, the consultant's cost recovery projections are in line with similar municipal agencies that currently provide some or all of the ambulance transportation services within their jurisdiction (Attachment 8). To that end, the city's Finance Department has reviewed the consultant's updated (2017) report, as well as the original (2015) report and confirms that the cost recovery projections appear reasonable and attainable.

LEGAL REVIEW:

The City Attorney's office has reviewed the 201 rights issue with respect to the provision of ambulance services and is representing the Fire Department in asserting and maintaining these rights. The City Attorney's office has also reviewed the current Ambulance Service Agreement and the existing extensions thereof and has approved them as to form.

CONCLUSION:

Based on the information and data provided in the (2017) CMFD Ambulance Service Feasibility Study Addendum and the original (2015) CMFD Ambulance Service Feasibility Study, as well as the subsequent analysis, the Fire Chief and City Manager recommend approving the updated public/private partnership ambulance transportation model (updated option model #3). Specifically, a partnership with a private contractor to provide ambulance personnel staffing for ambulance transport services.

This recommendation is grounded in the effort to provide the most effective and efficient service to the community, while maintaining the highest quality of patient care, enhancing the City's cost recovery revenue, and providing the most flexible ambulance transportation model to adapt to an evolving EMS landscape.

In addition, to ensure that the City is meeting or exceeding cost recovery expectations, an initial six-month evaluation to review the cost recovery projections would be initiated, followed by another six-month evaluation and then subsequent regular quarterly evaluations.

DANIEL A. STEFANO
Fire Chief

THOMAS R. HATCH
City Manager

STEPHEN DUNIVENT
Interim Finance Director

THOMAS DUARTE
City Attorney

Attachments:

- 1) [2017 Supplemental Report to the 2015 Consultant Ambulance Study Report](#)
- 2) [2015 Consultant Ambulance Study Report](#)
- 3) [Fire Department Reorganization Report](#)
- 4) [City of Costa Mesa Paramedic/Ambulance Billing \(2012-2016\)](#)
- 5) [OCHCA EMS Maximum Ground Ambulance Rates](#)
- 6) [Los Angeles County Survey on California Ambulance Transportation Rates](#)
- 7) [Orange County Ambulance Transportation Cost Recovery/Rate Comparatives](#)
- 8) [Orange County Fire Department Ambulance Transport Service Comparatives](#)
- 9) [Copy of the Ambulance Transportation Agreement with Care Ambulance](#)
- 10) [Copy of the ALS Cost Recovery Agenda Report and Resolution](#)
- 11) [Memorandum Regarding Private Paramedic Cost and Review](#)
- 12) [Costa Mesa Fire & Rescue Pay Structure Detail \(2017\)](#)
- 13) [Resolution adopting Ambulance Rates](#)