

DATE ISSUED: August 2, 2001

REPORT NO. 01-176

ATTENTION: Public Safety & Neighborhood Services Committee
Agenda of August 8, 2001

SUBJECT: Extension of Emergency Medical Services (EMS) Agreements

REFERENCE: City Manager Report 01-114, dated May 31, 2001

SUMMARY

Issues - 1) Should the Public Safety and Neighborhood Services Committee approve the continuation of paramedic services provided by San Diego Medical Services Enterprise, L.L.C. by formally extending an offer of extension to the current Emergency Medical Services agreements? 2) Should the Public Safety and Neighborhood Services Committee direct the City Manager to finalize contract language to extend the Emergency Medical Services agreements associated with the provision of paramedic services and return to Public Safety and Neighborhood Services Committee with final agreement language?

Manager's Recommendation - Approve the continuation of paramedic services provided by San Diego Medical Services Enterprise, L.L.C. by formally extending an offer of extension to the current Emergency Medical Services agreements. Direct the City Manager to finalize contract language to extend the Emergency Medical Services agreements associated with the provision of paramedic services and return to Public Safety and Neighborhood Services Committee with final agreement language.

Physician Oversight Board Recommendation - Extend the Emergency Medical Services agreements to continue services currently provided by San Diego Medical Services Enterprise, L.L.C.

Emergency Medical Services Oversight Board Recommendation - Extend the Emergency Medical Services agreements to continue services currently provided by San Diego Medical Services Enterprise, L.L.C.

Other Recommendations - Fire Fighters Local 145 and the Municipal Employees Association, who were participants in these discussions, also endorse this recommendation.

Fiscal Impact - None with this action. The City Manager will return to Public Safety and Neighborhood Services with the fiscal impact when the agreement extensions are returned for approval. This report contains our best estimates of the fiscal impact to the City of continuing the partnership with SDMSE for EMS transportation services.

BACKGROUND

In 1996, the City Council directed the redesign of the City's Emergency Medical Services (EMS) System. The direction of the City Council was to design an EMS system which had three guiding principles: 1) maintain appropriate clinical quality, 2) deliver services in a cost-effective manner, and 3) to assure that the changes recommended were implementable. This redesign project resulted in a system which was configured to provide optimal EMS service to citizens while establishing fiscal viability. The EMS system design envisioned paramedic first responder fire engines and ambulances staffed with one paramedic and one emergency medical technician (EMT) working together to provide rapid service delivery, and a tiered dispatch system to maximize resources while partnering with managed care organizations.

The City of San Diego conducted a procurement process and awarded the medical transportation component to a bid submitted jointly by San Diego Fire and Life Safety Services (FLSS) and Rural/Metro Corporation. San Diego Medical Services Enterprise (SDMSE), a limited liability company was created between the City of San Diego and Rural/Metro of San Diego, Inc. There are four specific components of the EMS system now in place: 1) the dispatch center where 9-1-1 calls are received and dispatch occurs; 2) the EMS medical transportation component is provided by SDMSE through four paramedic agreements (LLC Agreement, EMS Agreement, City Agreement and Rural Agreement); 3) the paramedic first responder component provided by FLSS engines, and 4) the medical oversight component through the agreement with the University of California, San Diego Medical Center for medical direction and oversight provided by Dr. James V. Dunford to ensure clinical quality of the entire system.

The regulatory oversight of paramedic services throughout the County of San Diego is the responsibility of the County of San Diego, EMS Division. The County has granted authority to the City to provide EMT-Paramedic services within the boundaries of the City through an agreement between the City and County of San Diego. The City/County EMS Agreement mandates the appointment of an individual to serve as liaison between the various agencies operating within the service area and to provide independent oversight of the EMS system. The administration and oversight of the Agreements with SDMSE, FLSS and the County are the responsibility of the EMS Program Manager, who is organizationally located in Financial and Management Services.

DISCUSSION

The current EMS Agreement (2.2) requires that “Each offer of extension shall be made to SDMSE by the City at least nine (9) months prior to the scheduled end of the term.” As such, the City must notify SDMSE, no later than September 30, 2001, whether the current agreements will be extended or that a Request for Proposals (RFP) to rebid the paramedic transportation system will be issued. If the decision is to issue an RFP, California state law requires that the entire paramedic medical transport system component must be included in the competitive bid process. FLSS would retain paramedic first responders, however the entire transportation, dispatch and clinical oversight portions would be included in the RFP.

The current EMS system has been reviewed by the EMS Oversight Board and the Physician Oversight Board as required by the EMS Agreement(2.2). The continuation of the services provided by SDMSE is highly recommended by both groups. In 1998, the County of San Diego, through its EMS Division, performed an audit of the entire EMS system in San Diego. This audit, required by the regulatory oversight delegated to the County by the State EMS Authority, found that the clinical quality assurance program and the clinical improvements made to the EMS system by SDMSE were “exceptional.” The County EMS Division is currently reviewing the response submitted by the City of San Diego to the County’s most recent audit process. Findings are anticipated to be returned to the City in late August or early September.

On June 6, 2001 the PS&NS Committee directed the Manager as follows:

“Return to the PS&NS Committee no later than August 8, 2001, with the negotiated terms and conditions of contract extension for review by the committee. At that time, the Committee shall consider the issue of contract extension. The following information should also be provided to the Committee and, as available, should also be conveyed to the negotiating invitees/participants:

- 1) An evaluation of the potential legal and/or financial barriers to the City of not renewing the SDMSE, LLC contracts including but not limited to, capital acquisition, SDMSE contracts outside the City of San Diego that extend beyond June 30, 2002, and “value” of the LLC that would have to be addressed by the City at the time of dissolution, and any “poison pills” that currently exist; 2) An evaluation of the financial condition/stability of Rural/Metro Corporation, including an analysis of the effect on SDMSE of a Rural/Metro bankruptcy; and 3) An analysis of the term of contract extension the Committee may consider.”

The negotiations have proceeded with representatives from the City Manager’s office, FLSS, Rural/Metro Corporation, SDMSE, Fire Fighters Local 145 (Local 145), Municipal Employees Association (MEA), and the City Attorney’s office. The three issues referred by PS&NS were discussed in detail during negotiations.

State law requires that the City, as well as any jurisdiction providing paramedic transportation services, use a competitive process to select its EMS transportation provider. Thus, if the contract with SDMSE is not extended, the City will have to issue an RFP. At the same time, the City and Rural/Metro would operate SDMSE in accordance with the LLC Operating Agreement. If SDMSE was not

the selected bidder in response to the RFP, assets would be valued, and the City would have to determine whether to retain the vehicles and equipment and compensate SDMSE as a part of the dissolution of the LLC Operating Agreement, or liquidate them to add to whatever distributable cash is available to be split between the City and Rural/Metro. In addition, the current Basic Life Support contracts (such as those with Palomar-Pomerado and Sharp) would have to be reviewed.

To proceed with the issuance of an RFP, conduct a formal evaluation process, and to negotiate a new EMS agreement would result in costs to the General Fund estimated to be \$300,000 to \$350,000. This cost estimate does not include any costs which would be incurred by FLSS if the Department chose to submit a bid. Further, issuance of the RFP would not guarantee the same level of service at the same cost currently provided by SDMSE, and could result in higher costs for the same or lower level of service. Deputy City Attorney McAteer evaluated the financial status of Rural/Metro Corporation and is satisfied with their financial ability to perform under the contract and with the financial protections for the City which are included in the contracts.

In addition to the issues identified by PS&NS, all parties in the negotiations were invited to identify issues for discussion. The negotiation sessions have resulted in consensus that the agreements should be extended under the following terms and conditions:

TERM - All agreements will be extended for a period of three years ending June 30, 2005, with the option for an additional three year extension through June 30, 2008. This represents no change in the current agreements, which contemplated two three-year options to extend. Given revenue uncertainties, such as medicare reimbursement reductions, the parties agreed it would be best to re-evaluate the program in three years.

SUBSIDY - City shall pay SDMSE a subsidy of \$650,000 per year, for each year of the extension. This represents the continuation of the annual subsidy at the current level.

MEDICARE REIMBURSEMENT REDUCTION OFFSET: City shall pay SDMSE an amount equal to the actual losses incurred as a direct result of the Federal Government's policy changes in Medicare reimbursement rates. 11.6.3 of the Rural Agreement currently provides for cost increases resulting from "other factors proved to the reasonable satisfaction of the City to have been beyond Fire/Paramedics' or Rural/Metro's control." SDMSE will provide detailed documentation after each annual audit to the EMS Program Manager showing the exact impact of revenue reduction resulting from 9-1-1 transports of Medicare patients. At that time, retrospective payment of the Medicare impact would be approved for payment. Until the Medicare fee schedule is implemented, estimated now to be January, 2002, the exact impact will not be known. Based on analysis of Medicare claims, the following chart reflects the estimated cost to the General Fund during the first three years.

Medicare Reimbursement Reduction Impact

FY 2003	FY2004	FY2005
\$120,000	\$360,000	\$600,000

AVERAGE PATIENT CHARGE: An increase in the average patient charge billed to users of 9-1-1 for medical transportation to \$652.00 effective July 1, 2003. The current agreements provide for annual adjustments to the average patient charges. This one-time adjustment, in addition to the current contract requirements represents an increase equal to approximately fourteen percent (14%), from \$571.00 to \$652.00. This increase is justified by the increasing costs of fuel, drugs and equipment required to provide quality service to the citizens of San Diego. This charge continues to provide the users of San Diego's 9-1-1 system costs lower than the average charge in California according to the California Ambulance Association. Attached is a chart showing comparable average patient charges from other California jurisdictions.

A recommendation to extend the agreements, rather than issue an RFP, is being presented to the PS&NS Committee at this time. Numerous other issues were discussed, and continuing discussions need to occur before final contract language can be drafted.

Other discussions included areas which have been identified as potential impacts to the City's General Fund budget. At the direction of City Council, there have been several additions to service levels over the past two years. To date, these enhancements have been provided at no cost to the General Fund. Based on revenue projections, SDMSE managers do not believe profits will sustain continuation of these enhanced services levels without increasing the direct subsidy by the City, or General Fund support to the FLSS operating budget, beginning in FY2003. While these additions to the program provide enhanced levels of service, they are not required to meet the contract compliance requirements of the City EMS agreements. In an effort to minimize the SDMSE subsidy (proposed to continue at \$650,000 annually) provided by the City of San Diego to the SDMSE, it is assumed that certain expenses described below related to these service enhancements will not be borne by SDMSE. While these issues are not germane to the issue of contract extension versus RFP, staff felt it important to identify these issues in this report. The issue of continuing these enhanced services levels and funding to sustain them will be part of the Fiscal Year 2003 budget request from FLSS. Following is a description of the service enhancements and the current costs associated with them.

Staffing of 2 + 2 Ambulances - In order to provide additional coverage in communities which were determined to be more difficult to serve by the prior paramedic contractor, ambulances were placed in the communities of Carmel Valley, Scripps Ranch, Tierrasanta, and Paradise Hills at the local fire station at the beginning of the contract with SDMSE. These ambulances were staffed with a firefighter and a firefighter/paramedic from the existing four-person station engine company crew. Medical responses resulted in the simultaneous dispatch of the engine and the ambulance utilizing the four-person crew to staff and respond in both apparatus. Upon assessment of the patient's condition, the station ambulance would transport the patient to the closest hospital if their condition was determined to be critical. If the patient's condition was not critical, the closest available system ambulance would be dispatched to complete the transport enabling the station ambulance to remain in the community. These ambulances became known as two-piece companies.

In the third year of the agreements, sufficient profit existed to fund additional positions (from four to six) at each station, enabling the ambulance to transport patients to hospitals without taking the first responder engine company out of

service. Funding for the additional EMT (3.3 positions) at Paradise Hills and an EMT and Firefighter/ Paramedic (6.6 positions) at the Carmel Valley station has been carried in the SDMSE Profit Account at a cost of \$543,000 per year. SDMSE agrees to fund this level of service in the extended contract in the regular Special Revenue Fund budget for SDMSE.

The EMT and Firefighter/Paramedic positions (13.2 positions) at Tierrasanta and Scripps Ranch and the Firefighter/ Paramedic (3.3 positions) at Paradise Hills are currently funded by the profits received from the City's share of the SDMSE profits, and are not budgeted in the Special Revenue Fund. The profit funds will no longer be sufficient to support these positions on continuing basis after Fiscal Year 2002.

The additional positions on these ambulances are not required to meet the compliance requirements. Therefore, if City Council desires to maintain staffing at the current enhanced level, this item will be brought back before City Council with the Fiscal Year 2003 budget request. The estimated cost of funding these positions is \$1,020,000 using 24-hour shift Firefighter/Paramedic positions. In addition, to continue the six person crews on 24-hour shifts, the Tierrasanta station will require remodeling and expansion to support the six person crew at an additional one-time cost to the General fund of \$150,000. The total estimated budget impact is estimated to be \$1,170,000.

Level Four Non-Emergency dispatch 75% "goal" - on June 6, 2001 the PS&NS Committee set a "goal" for Basic Life Support (BLS) ambulances (staffed by two EMTs) to respond to Level Four, Non-Emergency calls seventy-five percent (75%) of the time, with Advanced Life Support (ALS) ambulances (staff by one Paramedic and one EMT) to respond the other twenty-five percent (25%) of the time. In order to attempt to meet this goal, SDMSE managers added two BLS ambulances at an annual cost of \$330,000. It has since been determined that in order to more closely meet the seventy-five percent (75%) "goal", two additional BLS ambulances would be required at an additional cost of \$330,000. SDMSE has agreed to fund this additional cost of \$660,000 in the SDMSE Special Revenue Fund Base Budget in FY2003.

PS&NS has requested a report back in October as to how the SDMSE is performing regarding this 75% goal. If PS&NS and City Council determine to convert this 75% BLS response "goal" for Level 4 calls, to a mandate of the EMS agreements as a part of this proposed extension, additional funding for one additional 12 hour BLS ambulance at a cost of \$165,000 annually, plus implementation of an automated vehicle locator system (AVL) at a one time cost of \$100,000, will be required from the General Fund.

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The total potential impacts of the General Fund to continue the above enhancements to the system is estimated to be a total of approximately \$1,435,000 if provided in the current manner.

ISSUE	RECURRING ANNUAL EXPENSE*	ONE-TIME EXPENSE
Full staffing of 2+2 stations with six member/24 hour shift crews	\$1,020,000	\$150,000
Mandated BLS response 75% of time to Level 4 Calls	\$165,000	\$100,000
Total Costs to General Fund	\$1,185,000	\$250,000

(*These expenses would increase annually to reflect any future salary and/or other compensation increases granted by the Council to employees.)

Although additional negotiations will be required to finalize the details, the City Manager’s recommendation continues to be to extend the existing EMS Agreements. The consensus of the negotiating team, including Union representatives, is also to extend the agreements rather than go forward to issuing an RFP.

Another issue discussed was the role Local 145 should play within the SDMSE leadership. After discussions, the parties, including Local 145 agreed to the following: Local 145's role is to serve in an advisory capacity to the president and general manager of SDMSE. This role requires regular meetings with the officers to assist in the development and review of SDMSE’s programs, budgets and operational issues. Meetings are regularly scheduled, and as needed based on special circumstances. The meetings in which Local 145 actively participates are the Quality Council and the Leadership Team. The Quality Council reviews all programs associated with SDMSE such as quality assurance, training, workload and clinical innovations. The Quality Council makes recommendations to SDMSE’s officers. The Leadership Team regularly reviews SDMSE’s vital signs, strategic plans and budgets. This group also provides input to SDMSE’s officers to ensure overall program success. SDMSE’s officers will also consult with MEA on issues directly related to fire communications and dispatch.

SUMMARY

San Diego Medical Services Enterprise, L. L .C. is a unique and successful provider of emergency medical services and medical transportation. The service provided to the citizens of San Diego far exceeds that of any prior EMS contractor. The unique blend of public and private philosophies combine to bring out the best of both service delivery types. The dedication of every employee, whether from Rural/Metro or San Diego Fire, is the primary reason the current EMS system is successful.

Through an extension of the various agreements, the EMS system in San Diego will continue to improve the quality of care as well as to continue to keep San Diego’s EMS system on the forefront of technology and improving clinical quality and skills.

ALTERNATIVE:

1. Do not accept the recommendations and direct the City Manager to prepare an RFP to conduct a competitive selection process for the provider of EMS medical transportation. This is not recommended based upon the fact that SDMSE has exceeded the mandatory requirements in the current agreements for services, has provided a high level of service to citizens, has made improvements in the EMS service delivery system, the Physician and EMS Oversight Boards have also unanimously endorsed the renewal of the current EMS agreements as a result of the quality of the service provided, and issuance of an RFP would not guarantee any lower costs nor would it guarantee a higher level of service.

Respectfully submitted,

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Cathy Lexin Approved: P. Lamont Ewell
Human Resources Manager Assistant City Manager

LEXIN/NUÑEZ/PN

Attachment: EMS Average Patient Charge Comparison Chart

EMS AVERAGE PATIENT CHARGE COMPARISON
 Based on California Ambulance Association
 Rate Survey - 2000/2001

ALS RATES				BLS RATES			
	HIGH	MED	LOW		HIGH	MED	LOW
Base Rate	\$992.00	\$618.95	\$475.00	Base Rate	\$700.00	\$395.00	\$260.00
Mileage	\$20.27	\$13.45	\$10.00	Mileage	\$20.27	\$13.45	\$10.00
Night Call	\$88.85	\$61.00	\$30.00	Night Call	\$88.85	\$61.00	\$30.00
Oxygen	\$150.00	\$60.00	\$30.00	Oxygen	\$150.00	\$60.00	\$30.00
Total per Call*	\$1,233.00	\$760.15	\$565.00	Total per Call*	\$941.05	\$536.20	\$350.00
ALS Average Rate	\$852.73			BLS Average	\$609.08		
Combined Avg Rate							
*Charge per call							