



THE CITY OF SAN DIEGO
MANAGER'S REPORT

DATE ISSUED: October 31, 2003 REPORT NO. 03-223

ATTENTION: Public Safety and Neighborhood Services Committee

SUBJECT: Emergency Medical Services (EMS) Program -
Change in Average Patient Charge

SUMMARY

THIS IS AN INFORMATION ITEM ONLY. NO ACTION IS REQUIRED ON THE PART OF THE COMMITTEE OR THE CITY COUNCIL.

BACKGROUND

In 1996, the City Council directed the redesign of the City's Emergency Medical Services System. This redesign resulted in a system which was configured to provide optimal EMS service to citizens while establishing fiscal viability of the system to ensure continued service.

The EMS system consists of two primary providers of service – the transportation component provided by San Diego Medical Services Enterprise, LLC (SDMSE) and the first responder component provided by the San Diego Fire-Rescue Department (SDFD). Through the EMT-Paramedic Services Agreement, the County of San Diego grants authority to the City to provide EMT-Paramedic services within the boundaries of the City, and adjacent jurisdictions through mutual and automatic aid agreements. In addition, the Agreement requires the appointment of an EMS Program Manager 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, SDFD and the County are the responsibility of the EMS Program Manager who is organizationally located in Financial and Management Services.

DISCUSSION

SDMSE through the San Diego Fire-Rescue Department (SDFD) and Rural/Metro of San Diego work together to provide EMS services to the citizens of the City of San Diego. SDMSE is currently in its seventh year of operation.

The Second Amended and Restated Agreement between San Diego Medical Services Enterprise, LLC and the City of San Diego (City Agreement) and, the Second Amended and Restated Agreement between San Diego Medical Services Enterprise, LLC and Rural Metro of San Diego, Inc (Rural Agreement) went into effect on July 1, 2002. As part of these agreements, the maximum average fee or Average Patient Charge (APC) for medical transportation originating from the 9-1-1 service was set at \$652.00 (gross). On July 1, 2003, the average fee was adjusted to \$673.52 in accordance with Sections 10.2.2 of the City Agreement and Section 10.6.2 of the Rural Agreement, which allow for an annual CPI adjustment.

Section 10.2.3 of the City Agreement and Section 10.6.3 of the Rural Agreement allow for other adjustments to reflect increases in costs beyond the control of SDMSE. In Fiscal Year 2004, SDMSE has experienced significant uncontrollable cost increases in several areas.

Insurance - The cost of contractually mandated professional liability/auto coverage has dramatically increased by \$895,313 as a result of several factors, including but not limited to, 1) the state of the medical professional insurance marketplace, 2) the carrier's individual loss experience, and 3) the insured individual's loss experience. Of these three, the state of the insurance marketplace had the greatest impact on the increase in the premium. SDMSE is continuing to make every effort to identify a creative solution to contend with increasing insurance costs.

Fringe Benefits - In the Fiscal Year 2004 Budget, the City's fringe benefit rates were adjusted resulting in an increase of approximately \$280,056 to Fire-Rescue department classifications which perform work on behalf of SDMSE. The increase is attributed to increases in the areas of workers' compensation costs and retirement contributions.

Fingerprinting - SDMSE is required to comply with the new City security policy requiring all city contractors to fingerprint their employees. As a result, SDMSE will incur approximately \$21,385 of unanticipated expense to have their employees fingerprinted in accordance with Civil Service Commission direction.

Medi-Cal - The final Fiscal Year 2004 State Budget reflects a 5% reduction in Medi-Cal reimbursements. As a result of this reduction, SDMSE is expected to experience a revenue loss of approximately \$48,117 in Fiscal Year 2004.

The following is a breakdown of increased costs and/or revenue reductions for Fiscal Year 2004:

	<u>FY 04</u> <u>Impact</u>	<u>APC</u> <u>Effect</u>
Insurance Coverage	\$895,313	\$ 67.00
Fringe Benefit Rates	\$280,056	\$ 20.47
Fingerprinting	\$ 21,385	\$ 1.86
5% reduction in Medi-cal reimbursements	<u>\$ 48,117</u>	<u>\$ 3.73</u>
TOTAL	\$1,244,871	\$ 93.06

In an effort to support the additional uncontrollable costs, and the reimbursement reduction within the current fiscal year, effective November 1, 2003, the maximum average fee or APC for medical transportation originating from the 9-1-1 service will be increased to \$767.00 (fees may be higher or lower based on the level of service rendered). In accordance with the agreements, this increase has been reviewed and approved by the EMS Program Manager. No action is required by the City Council. This change represents an increase of approximately 13.9% and was made in accordance with Section 10.2.3 of the Second Amended and Restated Agreement between San Diego Medical Services Enterprise, LLC and the City of San Diego and, Section 10.6.3 of the Second Amended and Restated Agreement between San Diego Medical Services Enterprise, LLC and Rural/Metro of San Diego, Inc. These agreements allow for rate increases as a result of factors proved to the reasonable satisfaction of the City to have been beyond Fire/Paramedics' or Rural/Metro's control. Without the fee increase, SDMSE may be faced with financial hardship which potentially could affect its ability to continue to provide outstanding emergency medical service to the citizens of San Diego. San Diego's fees remain comparable to other cities and counties within California.

Respectfully submitted,

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Deputy City Manager

FRAZIER/DG