



W2.7

DEPARTMENT OF
FIRE

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June 7, 1998

APPROVED
BY THE CITY COUNCIL

JUN 16 1998

OFFICE OF THE
CITY CLERK

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Advanced Life Support (ALS) Fee Adjustment

LOCATION/COUNCIL DISTRICT: Citywide

RECOMMENDATION:

This report recommends that the City's Fee and Charge Report be modified relative to the Fire Department's Advanced Life Support Service. Additionally, this report requests Council approve the establishment of a fee to provide paramedic training for students interested in obtaining paramedic certification.

CONTACT PERSON: Gary Costamagna, Fire Chief, 264-5268

FOR CITY COUNCIL MEETING OF: June 16, 1998

SUMMARY:

This report reviews the operational and financial results of the City's advanced life support program and requests that the ALS service fees be adjusted to cover the cost to replace existing ambulances and to offset increased operational costs. The fee adjustment is consistent with adopted Council ALS rate policy.

COMMITTEE / COMMISSION ACTION:

None.

BACKGROUND:

The City Fire Department has operated an emergency advanced life support program since January 1, 1994. Council directed staff to operate this program from service fees, with no subsidies from General Fund tax revenues.

Review of Emergency Medical Operations

- ▶ *Volume:* There were 43,839 medical dispatches (120 dispatches per day) from July 1, 1996 to June 30, 1997 with a total of 25,375 patients transported to local hospitals.
- ▶ *Average Response Time:* The current average response time from dispatch to emergency medical personnel arriving on scene is currently 5.0 minutes.
- ▶ *Performance Consistency:* Emergency medical personnel currently arrive on scene within eight minutes for 91% of the calls for emergency medical services. Area standards in other jurisdictions range up to a ten minute response time 90% of the time.
- ▶ *Enhancements:* The Fire Department purchased additional defibrillator and medicines to equip all fire engines and trucks. Firefighter paramedics working in fire suppression companies, now have the equipment and medicines to perform advanced life support prior to the arrival of an ambulance unit (currently averaging 60% of all fire engines and truck units can perform paramedic duties).

FINANCIAL CONSIDERATIONS:

Financial Results

- ▶ *Operating Results:* The last completed fiscal year (FY 97) showed improved operating results. Operating revenues exceeded marginal costs by approximately \$400,000 (See Exhibit 1).
- ▶ *No Direct General Fund Subsidy:* The direct costs of the City operated ambulance service are offset from user fees. As of June 30, 1997, accumulated revenues were in excess of marginal program costs by approximately \$560,000. Fee are not sufficient to help offset existing City overhead costs such as payroll, fire administration, etc.

Adopted Rate Policy

- ▶ City ambulance rates should be lower than other local providers given similar customer mixes.

- ▶ Rates must cover the direct additional costs of providing ALS services.
- ▶ Rates should ultimately cover both the direct and indirect costs.
- ▶ The rates should be set to maximize cost recovery for payments of government programs that do not cover the full cost of the service provided.
- ▶ Rate adjustments should occur at intervals to avoid large percentage rate adjustments.

Rate Comparisons

- ▶ *Rate History:* The emergency medical response rates have increased only once since the inception of the program on January 1, 1994 (approximately 3.5%). An increase of approximately 6% is proposed for Fiscal Year 1998-99. The combination of these two rate increases is equivalent to a 2.5% annual increase since inception of the program (See Exhibit 3).
- ▶ *Area Market Rates:* The current City rate structure is approximately 6%-8% (\$558 v. \$592) lower than the largest area provider despite serving a greater percentage of indigents and adhering to a more stringent performance standard (See Exhibit 4). The current rate is also lower than the Sacramento County Fire rate (\$586). A 6% increase would raise the City's current rate from \$558 to \$591.

Primary Rate Adjustment Factors

- ▶ *Summary:* To remain self supporting, a rate increase will be needed to cover the costs to replace older ambulances and to offset cost of living increases. The proposed rate increase will generate approximately \$200,000 (See Exhibit 2 for the 5 year forecast). Cost of living adjustments will be needed over the next five years to keep the program self supporting.
- ▶ *Vehicle Replacement:* Based on the volume of calls and other related factors, the ambulances will need to be replaced over a two year period starting in Fiscal Year 1998-99. The total cost to replace these vehicles would be approximately \$1.2 million.
- ▶ *Cost Increases:* Labor and supply costs have increased since the last ALS rate adjustment. Since the ALS program was introduced in FY 1993-94, the Consumer Price Indices have had a cumulative increase of approximately 9% while ALS rates have been increased on 3.5% over the same time period (See Exhibit 5).
- ▶ *Patient Mix:* Medical 27%, Medicare 23%, Insurance 22%, all others 28%. Government medical programs (Medical and Medicare) reimburse at a rate substantially less than the City's rates.

- ▶ *Paramedics in Fire Suppression:* As trained paramedic personnel transition into fire suppression units throughout the City, there is an increased ability to respond more quickly to advanced life support emergencies. Essentially for the marginal cost of a paramedic incentive, the City can further leverage their existing fire suppression units with trained paramedics in fire stations throughout the City. The cost of the paramedic incentive paid to fire suppression personnel is estimated to rise to approximately \$200,000.

ENVIRONMENTAL CONSIDERATIONS:

This report proposes no change in the existing EMS operations; therefore, there are no environmental considerations.

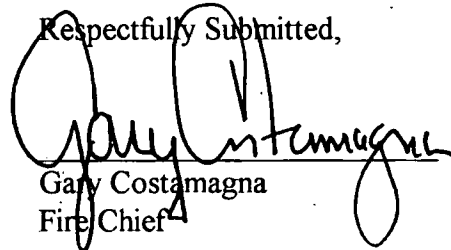
POLICY CONSIDERATIONS:

The rates meet all the guidelines set forth by the City Council as listed above.

MBE/WBE:

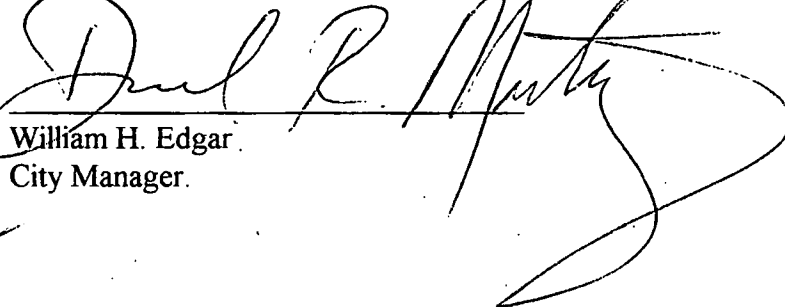
There are no goods or services being purchased as a direct result of this action.

Respectfully Submitted,



Gary Costamagna
Fire Chief

RECOMMENDATION APPROVED:



William H. Edgar
City Manager

for

**Exhibit 1
Sacramento ALS History
FY 94 to FY 98**

	1993/94 Actual	1994/95 Actual	1995/96 Actual	1996/97 Actual	Inception Thru 6/30/97
Revenues:					
Gross Ambulance License Service	1,140,535	2,617,026	6,419,765	6,836,569	17,013,895
Litigation Settlement	0	850,000	0	0	850,000
Miscellaneous	337	9,690	5,022	177	15,226
Total Revenues	\$1,140,872	\$3,476,716	\$6,424,787	\$6,836,746	\$17,879,121
Direct Operating Expenditures:					
Salaries and wages	757,447	1,289,848	3,031,671	2,886,008	7,964,974
Employee benefits	256,411	532,681	1,242,620	1,067,727	3,099,439
Incèntive Pay (not in ALS)	0	0	0	118,309	118,309
Billing administration fee	105,499	235,276	588,893	520,531	1,450,199
Medical supplies	211,178	214,736	326,694	308,374	1,060,982
Fleet rental - maintenance & repair	36,550	80,888	228,286	272,078	617,802
Maintenance and Repair	0	0	4,867	7,425	12,292
Liability insurance (2)	0	500,000	127,224	132,776	760,000
Professional services	25,162	63,692	85,302	157,573	331,729
Rent	0	0	18,240	18,906	37,146
Utilities	0	0	3,455	3,134	6,589
Computer and office supplies	19,241	24,477	6,068	3,582	53,368
Telephone/telegraph	3,888	7,846	13,051	14,277	39,062
Uniform Allowance	7,879	13,453	37,946	37,629	96,907
Miscellaneous	10,679	71,580	3,724	5,261	91,244
Purchases Discount	(2,592)	(5,650)	(6,171)	(6,220)	(20,633)
Total expenditures before equipment, debt service and depreciation	1,431,342	3,028,827	5,711,870	5,547,370	15,719,409
Operating income before equipment, debt service, and depreciation	(290,470)	447,889	712,917	1,289,376	2,159,712
Other financing sources(uses):					
Loan Proceeds	760,000	1,756,800	0	0	2,516,800
Capital Outlay	(490,041)	(1,716,937)	0	(258,008)	(2,464,986)
Interest on receivables	(30,465)	(45,878)	(97,509)	(97,639)	(271,491)
Debt service - principal	0	(231,736)	(349,920)	(374,647)	(956,303)
Debt service - interest	(24,700)	(109,558)	(153,311)	(128,280)	(415,849)
Net equipment and debt service	214,794	(347,309)	(600,740)	(858,574)	(1,591,829)
Revised Excess	(\$75,676)	\$100,580	\$112,177	\$430,802	\$567,883

**Exhibit 2
Sacramento ALS 5 Year Projection**

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual	Projected	Projected	Projected	Projected	Projected	Projected
Revenues:							
Gross Ambulance Revenues	6,836,569	6,872,249	6,872,249	6,872,249	6,872,249	6,872,249	6,872,249
Miscellaneous	177	0	0	0	0	0	0
Medicare (potential reduction)	0	0	0	0	0	(150,000)	(150,000)
Total Revenues	6,836,746	6,872,249	6,872,249	6,872,249	6,872,249	6,722,249	6,722,249
Direct Operating Expenditures:							
Salaries and wages	2,886,008	3,202,769	3,434,802	3,485,533	3,616,053	3,826,986	3,941,796
Employee benefits	1,067,727	1,097,215	1,112,844	1,128,473	1,177,164	1,259,171	1,296,947
Incentive Pay (not in ALS)	118,309	118,309	118,309	177,509	233,009	233,009	233,009
Billing administration fee	520,531	523,461	523,461	523,461	523,461	523,461	523,461
Medical supplies	308,374	320,709	330,330	340,240	350,447	360,961	371,790
Fleet rental - maintenance & repair	272,078	263,753	271,666	279,816	288,210	296,856	305,762
Maintenance and Repair	7,425	7,722	7,954	8,192	8,438	8,691	8,952
Liability insurance (2)	132,776	138,087	142,230	146,497	150,891	155,418	160,081
Professional services	157,573	115,000	118,450	122,004	125,664	129,434	133,317
Rent	18,906	18,906	18,906	19,473	20,057	20,659	21,279
Utilities	3,134	3,259	3,357	3,458	3,562	3,668	3,778
Computer and office supplies	3,582	3,725	3,837	3,952	4,071	4,193	4,319
Telephone/telegraph	14,277	14,848	15,294	15,752	16,225	16,712	17,213
Uniform Allowance	37,629	39,134	40,308	41,517	42,763	44,046	45,367
Miscellaneous	5,261	5,471	5,636	5,805	5,979	6,158	6,343
Purchases Discount	(6,220)	(6,220)	(6,469)	(6,663)	(6,863)	(7,069)	(7,281)
Total expenditures before equip. debt service and depreciation	5,547,370	5,866,149	6,140,914	6,295,018	6,559,130	6,882,355	7,066,131
Operating income before equipment, debt, and depr.	1,289,376	1,006,100	731,335	577,231	313,119	(160,106)	(343,882)
Other financing sources(uses):							
Loan Proceeds	0	0	0	0	0	0	0
Capital Outlay	(258,008)	0	0	0	0	0	0
Interest on Receivables	(97,639)	(60,097)	(84,457)	(100,376)	(113,936)	(134,946)	(146,973)
Debt service - principal	(374,647)	(401,128)	(401,128)	(276,453)	(296,859)	(156,548)	0
Debt service - interest	(128,280)	(101,474)	(101,474)	(47,993)	(27,587)	(5,674)	0
Debt Service - Replacement	0	0	(295,980)	(295,980)	(295,980)	(295,980)	(295,980)
Net equipment and debt service	(858,574)	(562,699)	(883,040)	(720,803)	(734,363)	(593,149)	(442,954)
Excess/(deficit) of revenues over direct expenditures	430,802	443,401	(151,705)	(143,572)	(421,244)	(753,254)	(786,836)
Accum. Excess (Deficit) without rate inc.	567,883	1,011,284	834,638	691,066	269,822	(483,433)	(1,270,269)
FY 99 Rate Increase Proceeds	0	0	200,000	200,000	200,000	200,000	200,000
2% increases FY 00 - FY 03	0	0	0	67,000	134,000	200,000	267,000
Accum. Excess with rate inc	567,883	1,011,284	1,034,638	1,158,066	1,070,822	717,567	397,731

**Exhibit 3
Sacramento ALS Rate History
FY 94 to FY 98**

Billing Schedule

	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>
ALS Rates	\$536.25	\$536.25	\$536.25	\$557.70	\$557.70
BLS Rates	\$486.25	\$486.25	\$486.25	\$486.25	\$486.25
Oxygen	\$50.00	\$50.00	\$50.00	\$52.00	\$52.00
Night Charge	\$55.00	\$55.00	\$55.00	\$57.20	\$57.20
Mileage	\$11.75	\$11.75	\$11.75	\$12.22	\$12.22
Other Medical Supplies	Variable				

**Exhibit 4
ALS Rate Comparison**

	City Fire Dept Existing	City Fire Dept Proposed	American River Private	Sacramento County
Rates				
ALS Rate	\$557.70	\$591.16	\$592.01	\$586.00
BLS Rate	\$486.25	\$515.43	\$592.01	\$477.00
Oxygen	\$52.00	\$55.12	\$53.05	\$45.00
Mileage	\$12.22	\$12.95	\$13.39	\$8.90
Night	\$57.20	\$60.63	\$58.28	\$55.00

Exhibit 5
Fee Increase v. CPI Increase

	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>
City % Fee Increase					
% Rate Increase		0.0%	0.0%	3.5%	0.0%
Cumm. Rate Increase		0.0%	0.0%	3.5%	3.5%
CPI-U All Urban Consumers - All Item					
San Francisco		1.9%	1.7%	2.9%	3.0%
Cumm. Rate Increase		1.9%	3.7%	6.6%	9.6%
US Average		2.8%	2.8%	3.0%	2.2%
Cumm. Rate Increase		2.8%	5.5%	8.5%	10.7%

APPROVED
BY THE CITY COUNCIL

JUN 16 1998

OFFICE OF THE
CITY CLERK

RESOLUTION NO. 98-276

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION AMENDING THE CITY OF SACRAMENTO FEE AND
CHARGE REPORT TO REVISE ADVANCED LIFE SUPPORT,
TRANSPORTATION AND TRAINING FEES

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO THAT:

1. The City of Sacramento Fee and Charge Report is amended to include the revised Advanced Life Support and transportation fees as identified on Exhibit 4.
2. City Fire Department paramedic training fee shall be established at \$600 per student.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____ 9