



**Contra  
Costa  
County**

To: Board of Supervisors  
From: David Twa, County Administrator  
Date: November 17, 2015

Subject: APPROVE AND AUTHORIZE CONTRACT FOR ALS AMBULANCE TRANSPORT SERVICES AND  
ADOPT RELATED ACTIONS

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## **RECOMMENDATION(S):**

### **Acting as the Board of Supervisors of Contra Costa County:**

1. APPROVE and AUTHORIZE the Health Services Director, or designee, to execute a contract with the Contra Costa County Fire Protection District to provide advanced life support (ALS) emergency ambulance services within Exclusive Operating Areas (EOA) I, II and V for the period January 1, 2016 through December 31, 2020.

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☒ APPROVE
 ☐ OTHER  
☒ RECOMMENDATION OF CNTY ADMINISTRATOR
 ☐ RECOMMENDATION OF BOARD COMMITTEE

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Action of Board On: **11/17/2015** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

#### **VOTE OF SUPERVISORS**

AYE: John Gioia, District I Supervisor  
 Candace Andersen, District II  
 Supervisor  
 Mary N. Piepho, District III  
 Supervisor  
 Karen Mitchoff, District IV  
 Supervisor  
 Federal D. Glover, District V  
 Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: November 17, 2015

David Twa, County Administrator and Clerk of the Board of Supervisors

By: June McHuen, Deputy

Contact: Timothy Ewell, (925)  
335-1036

## RECOMMENDATION(S): (CONT'D)

### **Acting as the Governing Board of the Contra Costa County Fire Protection District:**

1. ACKNOWLEDGE that the power to provide ambulance services by a California Fire Protection District is authorized by Health and Safety Code section 13862(e), pursuant to section 1797 of the Health and Safety Code.
2. APPROVE and AUTHORIZE the Fire Chief, or designee, to execute a contract with Contra Costa County to provide ALS emergency ambulance services within EOAs I, II and V for the period January 1, 2016 through December 31, 2020.
3. APPROVE and AUTHORIZE the Fire Chief, or designee, to execute a contract with American Medical Response West (AMR), in an amount not to exceed \$200,000,000 to provide ALS emergency ambulance services within EOAs I, II and V, on behalf of the District, for the period January 1, 2016 through December 31, 2020.
4. APPROVE and AUTHORIZE the Fire Chief, or designee, to execute a contract with Advanced Data Processing, Inc., in an amount not to exceed \$8,500,000 to provide billing and related services for the provision of first responder and ambulance transport emergency medical services for the period November 17, 2015 through December 31, 2020.
5. ADOPT Resolution No. 2015/449 establishing the “CCCFPD EMS Transport Fund” within the County Treasury.
6. AUTHORIZE the Auditor-Controller to make transfers from the CCCFPD Operating Fund (Fund No. 202000) to the new CCCFPD EMS Transport Fund, as necessary, to maintain appropriate fund balance available to pay expenditures secured by anticipated receivables from the provision of ambulance services.

## FISCAL IMPACT:

### **Citygate Independent Financial Review**

On July 21, 2015, the Board of Supervisors received a comprehensive presentation related to an independent financial analysis of the financial feasibility of the proposed “Alliance” service delivery model. The Report was commissioned by the Board, administered by the County Administrator's Office and conducted by Citygate Associates LLC. The Report concluded that, over the three-year period (CY 2016-18), the District could generate approximately \$7.2 million in retained earnings; \$2.0 million in CY2016, \$2.4 million in CY2017 and \$2.8 million in CY2018. For a business activity, the term retained earnings is defined as the amount of funds remaining after operating expenditures are deducted from operating revenues.

Following the Citygate presentation, the Board adopted a series of recommendations from Citygate, including financial risk mitigation strategies. Among those strategies is establishing a reserve equivalent to six months of operating revenues. Using the projected CY2018 operating revenues cited in the Report, this reserve amount would be approximately \$21.2 million. The strategy is prudent given the unknown landscape with regard to private and public health care insurance reimbursements over the next 3-5 years with the continued rollout of the Affordable Care Act nationally. It is expected that, absent other revenue sources, it would take in excess of ten years to fund a six month reserve. However, additional recommendations from Citygate include providing quarterly financial reports and annual audits to the Board to maintain transparency and the ability to react quickly to a potentially adverse financial situation during the period in which a sufficient reserve is being funded. The Report and related PowerPoint presentation are attached for reference.

It is important to note that the above financial review does not take into account Ground Emergency Medical Transport (GEMT) revenue, which could be available to the District, but was not included in the Alliance bid proposal. Due to the public private partnership model between CCCFPD and AMR being the first of its kind in the state, it was important to analyze whether the financial model could be viable absent the GEMT revenue stream, should the state not allow the District to draw on that revenue. GEMT revenue is made available to public providers only (i.e., governmental entities).

#### **Update on Cash Flow Metrics and Registration with Medicare and Medical**

If approved, ambulance service within EOA I, II, and V will officially transition from AMR to the District on January 1, 2016. While the service begins immediately, actual receipt of transport-related revenues will be delayed while provider applications are submitted and approved; claims are prepared and submitted by a billing service provider; and claim requests are processed by payers.

The current payer mix for ambulance transports, as reported in the Contra Costa County Request for Proposals, is illustrated in the table below:

<u>Payer</u>	<u>% of Transports</u>
Medicare	42.9 %
Medi-Cal	26.3 %
Insurance	14.4 %
<u>Private</u>	<u>16.4 %</u>
<u>Pay</u>	
Total	100 %

The District must be approved as a provider by the Centers for Medicare and Medicaid Services prior to being eligible to submit claims to Medicare and Medi-Cal (California's Medicaid program). Concurrently, the District will be responsible for making payments to its ambulance services subcontractor, AMR, upon receipt of an invoice at the end of each monthly billing cycle, and the District will be responsible for making payments to its billing service provider as a percentage of net cash collections for any payments received.

In consideration of the above, CCCFPD assembled a cash flow analysis for the period January through June 2016, which shows a net fund balance of approximately \$20,000 as of June 30, 2016. However, at the end of the first quarter (Jan.- Mar.) of CY2016, the District estimates a cash deficit of \$1.2 million. By the end of May 2016, that cash deficit is projected to shrink to under \$500,000, and by the end of June, the deficit is projected to be entirely eliminated. This analysis is based on annual transports of 68,532 (2015 AMR transport data), an average patient charge of \$2,505 per transport (Citygate Report), and a projected 24.6% net cash collections rate for 2016 (Citygate Report). A copy of the cash flow analysis is attached for reference.

During the first six months of ambulance service provision, the District will rely on its general operating reserve funds to bridge the revenue-expenditure gap. The District currently has a healthy fund balance in excess of \$20 million, and therefore, will be able to maintain its 10% fund balance reserve designation during this transition.

## BACKGROUND:

### Request for Proposals Process

On February 27, 2015 the Contra Costa County EMS Agency (CCCEMSA) posted the Board approved 2015 Contra Costa County RFP for Emergency Ambulance Service for EOAs I, II and V. On March 19, 2015 the CCCEMSA and RFP consultant Fitch and Associates conducted a mandatory bidder's conference with three (3) prospective bidders in attendance:

1. The Alliance: The contractor and subcontractor arrangement established between Contra Costa County Fire Protection District (CCCFPD) & American Medical Response (AMR), and approved by the CCCFPD Governing Board on May 12, 2015.

2. Falck Northern California

3. Medic Ambulance

The deadline for receipt of the emergency ambulance service proposals was May 21, 2015 in accordance with the requirements approved by the California EMS Authority

(EMSA). A single emergency ambulance proposal was received from the Alliance.

The Alliance bid was subsequently reviewed and scored by a multi-disciplinary proposal review panel. The panel consisted of four, out-of-county independent EMS professionals and one, local representative appointed by the Board. In addition two board appointed independent observers from the county were invited to observe during the two day panel review proceedings on June 4-5, 2015. The proposal review panel concluded with a presentation from the Alliance on June 5, 2015.

The findings of the proposal review panel were submitted to the Health Services Director and additional information was subsequently requested from the Alliance on June 22, 2015. This information was received prior to the request deadline of July 6, 2015. Concurrent with the RFP review panel process, a separate independent financial analysis and report was conducted by the County Administrator's consultant Citygate Associates, LLC as discussed above.

Links to key documents associated with this emergency ambulance procurement, award and contract can be found at:

[Summary of 2015 Contra Costa Emergency Ambulance Plan A RFP Requirements](#)  
[Contra Costa EMS RFP webpage: http://cchealth.org/ems/rfp.php](http://cchealth.org/ems/rfp.php)  
[Request for Proposals: Exclusive Operator for Emergency Ambulance Service Contra Costa County \(February 27, 2015\)](#)

Alliance Proposal and Supporting documents:

<http://cchealth.org/ems/pdf/RFP2015-ccfpd-amr-proposal.pdf>  
<http://cchealth.org/ems/pdf/RFP2015-ccfpd-amr-exhibits9.pdf>

Note: The above hyperlinks are provided in lieu of print attachments due to the voluminous document sizes.

### **Recommendation to Award to Contra Costa Fire and Negotiation of Contract**

On July 21, 2015 the Board approved the Health Services Director recommendation to award the contract to CCCFPD and directed staff to commence with contract negotiations between CCCFPD and CCCEMSA and return with a negotiated contract for final approval. Over the past four months, County Counsel has facilitated several all-hands contract negotiation sessions to discuss critical details of the proposed, new service delivery model. The negotiated contract supports opportunities to build efficiencies and support EMS stakeholder collaboration. Unlike emergency ambulance service contracts in the past, this agreement also provides the County with significant flexibility to adjust terms and conditions in response to external factors that may affect emergency ambulance services in the future.

The Alliance model, with a first responder Fire District as contractor and the private ambulance services provider (AMR) as subcontractor is an entirely new approach for providing emergency ambulance services not seen previously in California. The Alliance model has the potential to provide a Countywide EMS System with both benefits and challenges as described during the award presentation on July 21, 2015 and outlined in the Final Report from Citygate Associates LLC.

As a California Fire Protection District, Health and Safety Code section 13862(e) gives the District power to provide ambulance services as part of its general operations, pursuant to 1797. In the case of CCCFPD, the District did not previously provide ambulance services and, therefore, does not have the right to provide ambulance services under Health and Safety Code section 1797.201. In the future, the District will be required to bid on the provision of ambulance services during the County EMS Agency request for proposal process, should there be a desire to continue with those contract services.

### **Establishment of CCCFPD EMS Transport Fund and Authorization to the Auditor-Controller**

Following the presentation of the independent financial review by Citygate on July 21, 2015, the Board of Supervisors adopted several recommendations, including the establishment of a separate fund to track revenue and expenditures generated by the new, ambulance transport activity. Such a fund is being recommended as part of this action. This not only provides transparency for the Board and the public on the financial transactions associated with the new ambulance transport operation, but will make future evaluations of the financial viability of this function less cumbersome.

In addition, the Auditor-Controller is being authorized to make transfers from the CCCFPD Operating Fund to the new CCCFPD EMS Transport Fund to maintain an appropriate fund balance on an as needed basis. As with any new venture, initial working capital is necessary to fund operations for a period of time before newly established revenue sources become accessible. The District anticipates a period of negative cash flow (i.e., expenditures are greater than reimbursement revenues), which could result in a deficit in the new fund absent resources from the CCCFPD Operating Fund as discussed previously.

### **Fee Resolution and Collections Policy**

The District plans to return to the Board of Directors on December 8, 2015 with a proposed fee Resolution and Billing/Collection policy for consideration by the Board. Today's recommended actions include approval to contract with Advanced Data Processing, Inc., to serve as the District's billing and collections vendor following a competitive RFP process. The District plans to work with the vendor to establish the ability to invoice public and private health insurance carriers as well as develop the proposed billing/collection policy for approval by the Board to ensure that the District is

able to begin billing for services rendered on the January 1, 2016 transition date.

CONSEQUENCE OF NEGATIVE ACTION:

The emergency ambulance contract would not be approved. The county's current contract with AMR for emergency ambulance service ends on December 31, 2015. In order to continue emergency ambulance services to Exclusive Operating Areas I, II and V (which covers approximately 90% of the county emergency ambulance services) beyond December 31, 2015 the county would need to renew the current AMR contract to allow for sufficient time to go back out-to-bid for emergency ambulance services.

CHILDREN'S IMPACT STATEMENT:

Approximately 10% of EMS response involves children under the age of 15 years of old.

ATTACHMENTS

Resolution No. 2015/449

Service Contract: Contra Costa County and Contra Costa County Fire Protection District

Service Subcontract: Contra Costa County Fire Protection District and American Medical Response West

Service Contract: Contra Costa County Fire Protection District and Advanced Data Processing, Inc.

PowerPoint Presentation - Citygate Associates LLC, July 21, 2015

Final Report: Independent Financial Review of Elements Associated with the County's Ambulance RFP. Citygate Associates, LLC. July 2015

EMS Transport Enterprise Fund: January-June 2016 Projected Cash Flow