

# Finance Investment Nomination and Personnel Committee June 2020



**“To serve our communities’ pre-hospital needs through value-driven, compassionate, and clinically superior care.”**

# Current State

	East	West
<b>Current Rate</b>	\$ 345	\$ 393
Avg Collection Rate	75%	75%
Net Amount	258.75	294.75
Amount paid to contractor	317.84	317.84
<b>Loss per Transport</b>	<b>(59.09)</b>	<b>(23.09)</b>

- Reimbursement rates from private payors are higher than EMSA's rates- *We Are Leaving Money on the Table*
- Currently losing money per transport after contractor is paid
- Significantly below fair market value based on study done in 2019
- OIG Requirements/Penalties



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# OIG Requirements

- The term “fair market value” (FMV) is generally defined as the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm’s length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts. *International Glossary of Business Valuation Terms*
- 42 CFR § 411.351 (as set forth by the Centers for Medicare and Medicaid Services (CMS) with respect to physicians’ referrals to health care entities with which they have financial relationships). Furthermore, this definition is consistent with similar fair market value guidance related to the Anti-Kickback Statute (42 U.S.C. § 1320a-7b) and with the definition relied upon by the Internal Revenue Service.
- Fee’s below FMV may be seen as an inducement for referrals. As part of the principle of FMV, a willing seller of management services should receive a reasonable rate of return, which is consistent with generally accepted valuation methodologies and the definitions of FMV under Stark II and the Anti-Kickback Statute.
- The Anti-Kickback Statute (AKS) is a criminal law that prohibits the knowing and willful payment of "remuneration" to induce or reward patient referrals or the generation of business involving any item or service payable by the Federal health care programs (e.g., drugs, supplies, or health care services for Medicare or Medicaid patients).
- Kickbacks in health care can lead to:
  - Overutilization
  - Increased program costs
  - Corruption of medical decision making
  - Patient steering
  - Unfair competition
- The Anti-Kickback Statute is a criminal statute, but it provides both criminal and civil penalties for violations. The criminal penalties include fines of up to \$25,000- and five-years’ imprisonment. In addition, the Office of the Inspector General (“OIG”) for the Department of Health and Human Services (“HHS”) can pursue civil penalties of up to \$50,000 per violation plus three times the amount of any government overpayment.



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# Proposed State

	East	West
<b>Current Rate</b>	\$ 900	\$ 900
Avg Collection Rate	37%	37%
Net Amount	333.00	333.00
Amount paid to contractor	317.84	317.84
<b>Income per Transport</b>	<b>\$ 15.16</b>	<b>\$ 15.16</b>

- *Changing the rate adds \$800K to the East and \$500K to the West over the course of a full year*
- *Median rate of other providers is \$1,124*
- *The average rate of other providers is \$943*
- *OIG Requirements/Penalties-Significant*



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# Budget Scenarios

## Rate Increased to \$900, December 1

Net Revenue with rate increase	6,918,955
Net Revenue without rate increase	<u>6,143,451</u>
Net impact of rate increase	<b>775,504</b>

## Rate Increased to \$900, Half December 1 / Half June 1

Net Revenue with rate increase	6,659,739
Net Revenue without rate increase	<u>6,143,451</u>
Net impact of rate increase	<b>516,287</b>



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	Eastern Division	Western Division	FY21 Consolidated
<b>Revenue</b>			
Total Emergency Transport	86,303,410	90,357,409	176,660,819
Total Non Emergency Transport	8,507,193	8,250,048	16,757,241
Mileage	9,281,869	9,718,131	19,000,000
Non Medical Transport	204,000	221,000	425,000
Total Patient Revenue	104,296,472	108,546,588	212,843,060
Total Contractuals & Deductions	(74,094,471)	(76,858,529)	(150,953,000)
Total Net Patient Revenue	<b>30,202,001</b>	<b>31,688,059</b>	<b>61,890,060</b>
Realization Rate	29.0%	29.2%	29.1%
Total Other Operating Revenue	6,083,000	6,612,000	12,695,000
<b>Total Revenue</b>	<b>36,285,001</b>	<b>38,300,059</b>	<b>74,585,060</b>
<b>Expense</b>			
Total Salary & Wages	1,766,169	1,913,349	3,679,518
Total Benefits	597,390	647,172	1,244,562
Total Professional & Contracted Services	28,190,647	29,546,199	57,736,846
Total Training & Development	58,599	63,483	122,082
Total Supplies	200,173	243,937	444,110
Total Repairs & Maintenance	709,433	779,933	1,489,366
Total Utilities	639,374	819,563	1,458,937
Total Rent	17,599	321,737	339,336
Total Insurance	121,415	118,617	240,032
Total Public Relations	48,701	52,759	101,460
Total Other Expenses	715,804	889,582	1,605,386
<b>Total Expense</b>	<b>33,065,305</b>	<b>35,396,330</b>	<b>68,461,635</b>
Total Non-Operating Income	33,600	36,400	70,000
Total Non-Operating Expenses	2,657,000	1,185,000	3,842,000
<b>Net Income</b>	<b>596,296</b>	<b>1,755,129</b>	<b>2,351,425</b>
<b>Cash Reconciliation</b>			
Net Income- Add Back Noncash	3,253,296	2,940,129	6,193,425
FY 21 Capital Purchases	2,320,000	2,743,600	5,063,600
FY21 Debt Service	875,031	196,375	1,071,406
<b>Net Cash- (after capital and debt service)</b>	<b>58,265</b>	<b>154</b>	<b>58,419</b>

# FY21 Departmental Budget

	Operations and Operations Support				Infrastructure			Administration			Consolidated
	Operations	Dispatch	Ops Support	Training	Patient Fin Service	IT	Facilities	Admin	Fin/HR	Comm/Public Relations	
Total Salary & Wages	-	-	-	90,000	1,574,920	441,793	70,000	1,502,805	-	-	3,679,518
Total Benefits	-	-	2,500	25,354	625,923	133,107	20,912	389,566	47,200	-	1,244,562
Total Professional & Contracted Services	55,640,000	20,501	1,001,805	6,500	522,000	247,508	-	210,008	78,516	10,008	57,736,846
Total Training & Development	-	-	-	13,500	16,750	18,000	-	50,850	15,558	7,424	122,082
Total Supplies	172,000	10,008	22,500	8,750	9,516	128,500	58,000	30,756	3,480	600	444,110
Total Repairs & Maintenance	371,595	84,306	570,122	16,150	148,255	91,009	189,501	7,924	10,504	-	1,489,366
Total Utilities	166,577	-	61,716	-	-	797,068	386,596	46,980	-	-	1,458,937
Total Rent	-	-	99,930	-	-	16,538	222,868	-	-	-	339,336
Total Insurance	-	-	37,500	-	-	-	78,000	124,532	-	-	240,032
Total Public Relations	-	-	-	-	-	-	-	-	-	101,460	101,460
Total Other Expenses	-	117,504	618,380	-	331,400	275,574	-	185,574	75,754	1,200	1,605,386
	<b>56,350,172</b>	<b>232,319</b>	<b>2,414,453</b>	<b>160,254</b>	<b>3,228,764</b>	<b>2,149,097</b>	<b>1,025,877</b>	<b>2,548,995</b>	<b>231,012</b>	<b>120,692</b>	<b>68,461,635</b>

## EMSA Budget Comparison

	<u>FY21 Budget Consolidated</u>	<u>FY20 Budget Consolidated</u>	<i>Actuals</i> <u>FY20 Annualized Consolidated</u>
<b>Revenue</b>			
Total Patient Revenue	212,843,060	210,412,600	223,830,603
Total Contractuals & Deductions	(150,953,000)	(150,317,600)	(160,811,822)
<b>Total Net Patient Revenue</b>	<b>61,890,060</b>	<b>60,095,000</b>	<b>63,018,782</b>
<i>Realization Rate</i>	29.1%	28.6%	28.2%
Total Other Operating Revenue	12,695,000	15,165,200	13,583,746
<b>Total Revenue</b>	<b>74,585,060</b>	<b>75,260,200</b>	<b>76,602,527</b>
<b>Expense</b>			
Total Salary & Wages	3,679,518	3,585,526	4,420,292
Total Benefits	1,244,562	1,220,098	1,178,061
Total Professional & Contracted Services	57,736,846	58,519,242	61,366,469
Total Training & Development	122,082	108,729	52,848
Total Supplies	444,110	382,292	450,382
Total Repairs & Maintenance	1,489,366	1,301,580	1,579,335
Total Utilities	1,458,937	1,453,300	1,610,648
Total Rent	339,336	561,792	560,168
Total Insurance	240,032	249,740	209,911
Total Public Relations	101,460	152,854	164,104
Total Other Expenses	1,605,386	1,263,141	1,675,387
<b>Total Expense</b>	<b>68,461,635</b>	<b>68,798,294</b>	<b>73,267,605</b>
Total Non-Operating Income	70,000	131,000	70,106
Total Non-Operating Expenses	3,842,000	3,929,202	3,470,789
<b>Net Income</b>	<b>2,351,425</b>	<b>2,663,704</b>	<b>(65,761)</b>
<b>Cash Reconciliation</b>			
Net Income- Add Back Noncash	6,193,425	6,463,704	3,405,029
Capital Acquisitions	5,063,600	4,275,000	2,005,000
Debt Service	1,071,406	1,156,070	1,156,070
<b>Net Cash- (after capital and debt service)</b>	<b>58,419</b>	<b>1,032,634</b>	<b>243,959</b>
<i>Revenue related to AMR</i>	-	2,500,000	-



# EMSA FY21 Summary Budget

	Eastern Division	Western Division	FY21 Consolidated
<b>Total Revenue</b>	<b>36,285,001</b>	<b>38,300,059</b>	<b>74,585,060</b>
<b>Expense</b>			
<b>Total Salary &amp; Wages</b>	<b>1,766,169</b>	<b>1,913,349</b>	<b>3,679,518</b>
<b>Total Benefits</b>	<b>597,390</b>	<b>647,172</b>	<b>1,244,562</b>
<b>Total Professional &amp; Contracted Services</b>	<b>28,190,647</b>	<b>29,546,199</b>	<b>57,736,846</b>
<b>Total Training &amp; Development</b>	<b>58,599</b>	<b>63,483</b>	<b>122,082</b>
<b>Total Supplies</b>	<b>200,173</b>	<b>243,937</b>	<b>444,110</b>
<b>Total Repairs &amp; Maintenance</b>	<b>709,433</b>	<b>779,933</b>	<b>1,489,366</b>
<b>Total Utilities</b>	<b>639,374</b>	<b>819,563</b>	<b>1,458,937</b>
<b>Total Rent</b>	<b>17,599</b>	<b>321,737</b>	<b>339,336</b>
<b>Total Insurance</b>	<b>121,415</b>	<b>118,617</b>	<b>240,032</b>
<b>Total Public Relations</b>	<b>48,701</b>	<b>52,759</b>	<b>101,460</b>
<b>Total Other Expenses</b>	<b>715,804</b>	<b>889,582</b>	<b>1,605,386</b>
<b>Total Expense</b>	<b>33,065,305</b>	<b>35,396,330</b>	<b>68,461,635</b>
<b>Total Non-Operating</b>	<b>2,623,400</b>	<b>1,148,600</b>	<b>3,772,000</b>
<b>Net Income</b>	<b>596,296</b>	<b>1,755,129</b>	<b>2,351,425</b>

# Line of Credit Renewal



\$2,000,000 LOC, has not been drawn on



*Renewed annually, board authorization required*



*Lender is Prosperity*



*Current rate is 5.5%, with a floor of 5.25%*



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