

**CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS**

**Staff Presentation Worksheet**

Presentation Date: October 11, 2011                      Time: 1:30 pm                      Length: 30 minutes

Presentation Title:    Request For Amendment to Contract with American Medical Response Northwest to Increase Mileage Rate and Suspend Payments to the System Enhancement Fund

Department: Health, Housing and Human Services

Presenters: Cindy Becker, Larry MacDaniels

**POLICY QUESTION**

Does the Board agree to amend the contract with American Medical Response Northwest to suspend payments to the system enhancement fund and increase the mileage rate?

**ISSUE & BACKGROUND**

Representatives of American Medical Response Northwest (AMR) met with staff in December 2010 and August 2011 to present information about the financial condition of the AMR emergency ambulance operation in Clackamas County. A copy of their letter is attached.

AMR ambulances operate under a franchise contract with the County. AMR attributed the net losses each year since the contract was implemented to several factors: an increase in Kaiser disallowances by over \$750,000 each year beginning in 2007; an increase in contractual disallowances and reduced payments by other Medicare and Medicaid health maintenance organizations; a decrease in private insurance reimbursement and fewer requests for service. Based on a review of financial reports submitted to the County, AMR net losses equal \$1,877,059 through April 2011.

To offset continued losses, AMR is requesting the following:

- An increase in the mileage rate from \$17.33 to \$21.91 per patient-loaded mile, (an increase of \$4.58 per mile) to offset fuel costs and changes in Medicare reimbursement, and
- A temporary suspension of payments to the system enhancement fund.

Mileage:

Area mileage charges:

|                       |         |
|-----------------------|---------|
| AMR Multnomah County  | \$21.89 |
| Molalla Fire District | \$20.00 |
| Woodburn Ambulance    | \$20.00 |
| Canby Fire District   | \$18.00 |
| AMR Clark County, WA  | \$12.01 |
| Metro West Ambulance  | \$11.07 |

AMR received annual increases in rates and mileage of 6% in 2007, 2008, 2009 and 2010, as set forth in the franchise contract, and a 4% increase in rates and mileage in 2011 based on the Consumer Price Index. The franchise contract provides that the contractor may request the County to permit an adjustment to the rates in the event of circumstances beyond the contractor's control which cause substantial unforeseen increases in costs, or where there have been changes in health care legislation which affect payment for ambulance and life support services. Fuel costs have risen by more than twice the amount covered in the allowed increases for mileage. The allowed increase for mileage has been 31.3% while the cost per gallon of fuel has risen 65.9% from \$2.32 to \$3.85.

#### System Enhancement Fund

AMR pays approximately \$14,000 each month, \$168,644 annually, to the County to fund system enhancements. The system enhancement fund has a balance of approximately \$425,000. If approved, this change will not affect County or fire district revenue derived from payments other than those to the system enhancement fund. Payments to the system enhancement fund would be resumed if the fund balance drops below \$100,000, and in any event after April 13, 2013. If approved, these changes are projected to increase AMR's revenue by approximately \$250,000 annually.

### QUESTION(S) PRESENTED FOR CONSIDERATION

Does the Board approve amending the contract with American Medical Response Northwest to allow a temporary suspension of payments to the system enhancement fund and an increase in patient-loaded mileage rate to \$21.91.

### OPTIONS AVAILABLE

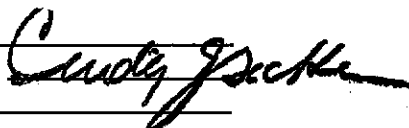
1. Amend the contract to allow a temporary suspension of payments to the system enhancement fund and an increase in patient-loaded mileage rate to \$21.91.
2. Amend the contract to allow a temporary suspension of payments to the system enhancement fund.
3. Amend the contract to increase the patient-loaded mileage rate to \$21.91.
4. Do not take any action

### RECOMMENDATIONS

Staff respectfully recommends Option 1 - approval of a contract amendment allowing temporary suspension of payments to the system enhancement fund through April 30, 2013, if the fund balance remains greater than \$100,000, and an increase to the patient-loaded mileage rate to \$21.91 to offset fuel costs and changes in Medicare payments.

### SUBMITTED BY:

Division Director/Head Approval \_\_\_\_\_  
Department Director/Head Approval \_\_\_\_\_  
County Administrator Approval \_\_\_\_\_



For information on this issue or copies of attachments, please contact Larry MacDaniels@ 503-655-8256

\*2/2008 Version