CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Study Session Worksheet

Presentation Date: 10/23/2012 **Approx Start Time:** 1:30 PM **Approx Length:** ~~30~~ 60 minutes

Presentation Title: Ambulance Services RFP – Recommendations

Department: Health, Housing and Human Services

Presenters: Cindy Becker, Rich Swift, David Anderson, Larry MacDaniels, David Shrader

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

We request the Board approve staff recommendations regarding the Emergency Ambulance Services RFP content

EXECUTIVE SUMMARY:

In January, the Board of County Commissioners extended the contract with American Medical Response through May 1, 2014.

The ambulance service plan has been revised, approved by the Board and the State. It is incorporated into County Code.

Members of the Board of County Commissioners have expressed a clear desire for increased participation to ensure transparency and inclusivity of the process. Toward that end the Board approved a phased approach using the services of Dave Shrader, from the Polaris Group, to work with County staff to develop a RFP responsive to community needs.

The process would also allow the Board to consider and include any policy changes or additions to the RFP. The RFP development and provider selection process will lead to selection of an ambulance service provider by March 2013.

Mr. Shrader met with, in person or by teleconference, emergency medical system (EMS) stakeholders and interested parties, and several stakeholders submitted written comments as well. This occurred the week of September 10, 2012.

Mr. Shrader has submitted a report of his findings and recommendations to staff in preparation for this study session. There are 10 recommendations. The report is attached to this document. The resulting staff recommendations are below.

RECOMMENDATION:

Based on the consultant's report staff recommend that the Board approve the following for inclusion in the Emergency Ambulance Services RFP:

1. The consultant recommends an initial contract term of five years with an "evergreen" structure. Staff agrees.
2. The consultant recommends that the RFP should require performance security in the amount of $2.5 million with preference given to an irrevocable letter of credit. Staff agrees.

3. The consultant recommends that the RFP should set proposed service rates at 20% of the total evaluation score. Staff agrees. Staff further recommends that proposers be required to show how their proposed rates were determined in order to be sure of a fair comparison in the scoring process.

   The consultant also recommends that the RFP should include a requirement that the successful proposer implement a membership program that is consistent with state and federal law. It should also cooperate with other membership programs to the extent that it is legally able to do so.

   Staff does not agree and recommends that the RFP should focus on the Clackamas Ambulance Service Area and that membership programs not be required of proposers.

   In recommendations 4 through 8 the consultant recommends integration in the following areas:

   - Deployment and Resource Use
   - Training and Quality Improvement
   - Equipment
   - Data
   - Communications

   These recommendations reflect what stakeholders would like to see the emergency medical system become. County staff believes that integration in these areas is good and needed in Clackamas County. However, these are system wide initiatives that require the participation of multiple partner agencies. It is not appropriate to hold the winning proposer responsible for successful development and implementation as they have no direct control of partners.

4. Deployment and Resource Use – The current contract requires the provider to coordinate with first responding agencies. Staff recommends that proposers must describe how they will do this in the RFP. Staff also believes that a mandatory level of commitment should be to continue the type of arrangement that is currently in place with the ALS Consortium.

5. Training and Quality Improvement – Staff recommends that the RFP require proposers to describe how they will maintain and improve the current programs for training and quality improvement. Staff does not support the recommendation that proposers demonstrate the degree to which they are willing to exceed that level of commitment with the greater commitments receiving more points in the RFP score. This creates the possibility of incomparable proposals.

6. Equipment – The current contract specifies extensive equipment requirements. This will continue in the RFP. In addition, staff recommends that we require proposers to describe how they will work with response partners to standardize equipment used across the system. The consultant recommends that we specify the desired integration and hold the winning proposer accountable for achieving integration deadlines. This involves the voluntary cooperation of response partners over whom neither the County nor the winning proposer have any control. County staff does not agree.

7. Data - Staff recommends that proposers be required to describe the electronic patient care reporting system they will utilize and to describe how data from that system can be integrated with other data sets. In addition, staff recommends that the RFP should address data integration as a system goal. The RFP should require the proposer to commit to participation in the process of developing and implementing the program with partner agencies.

8. Communications - The consultant recommends that the RFP should require that each proposer provide detailed information about its proposed communications plans. Staff agrees. We currently require that the service provider have an AVL system. This should continue in the RFP.

   The consultant recommends that we should require the winning proposer to provide an AVL infrastructure that would allow other agencies to join the system to allow closest unit response. Staff believes this is a good idea but this should not be part of the RFP. This involves an unknown cost and there is no way to require response partners to participate.

9. The consultant recommends that the County must enforce its own contracts without interference from subcontractors. Staff agrees.

10. The consultant recommends that ~~should~~ if the Board at some point decides to pursue "Top to Bottom" exclusivity, it should be undertaken within the context of a competitive procurement. Staff agrees.

Next steps:

- 10/31/2012 - Release Draft Request for Proposal (RFP) for public comment
- 11/21/2012 - End of public comment period
- 12/06/2012 - RFP advertised and issued
- 02/05/2013 - Proposals received by County purchasing
- 03/12/2013 - Notice of Intent to Award

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

Report of Findings and Recommendations From EMS System Stakeholders

Submitted to:

Cindy Becker, Director

Clackamas County Department of Health, Housing and Human Services

By

The Polaris Group

David Shrader, President

12 October 2012

Executive Summary

The Polaris Group was engaged by the County to assist in the preparation and implementation of a Request for Proposals (RFP) for ambulance service within the Clackamas Ambulance Service Area (ASA). This report is provided as part of the development of the RFP.

During the RFP development, it became apparent that direct communication with a variety of system stakeholders would make the process more inclusive and provide important information regarding desirable features for inclusion in the procurement document.

Staff contacted a long list of EMS System stakeholders. Those that chose to participate provided input. During the week of September 10, the consultant conducted a series of meetings and teleconferences with Emergency Medical Services (EMS) System stakeholders. Several stakeholders also submitted written comments. Each interviewee provided commentary specific to his or her own organization's self interest as well as general information related to the operation of the system as a whole.

This process resulted in ten findings and recommendations requiring input and approval by the Board because they involve matters of policy or influence the performance and cost of the EMS system. In each case information is provided regarding options so that the Board may make informed decisions about the recommendations. The direction given by the Board will be used to complete the draft RFP

A summary of the recommendations is included at the end of this report for the convenience of Staff and the Board.

ALS Consortium

The ALS consortium is mentioned several times in this report. It consists of three Fire Departments, Tualatin Valley Fire & Rescue (TVF&R), Lake Oswego and Clackamas Fire District #1. Since ALS Consortium Fire Department paramedics arrive on scene quickly, the ambulances are allowed longer response time requirements. Savings generated through the staffing of fewer ambulances is passed through to the consortium to supplement the operation of the Fire response.

Members of the ALS Consortium have indicated that individual departments, the Consortium or some combination of Fire Departments may participate in the RFP process as proposers.

Findings

There is a remarkable amount of consistency in the issues addressed by and the recommendations made by the interviewed stakeholders. The following findings and recommendations incorporate the collective input of the stakeholders.

Term and Renewals

The normal initial term of an EMS contract is 5 years. This term allows reasonable opportunity for the contractor to depreciate and amortize capital and startup funding. Renewal terms and conditions are usually more controversial.

Stakeholders, including Board members, staff, first responders and potential competitors, all expressed interest in so-called "evergreen" provisions that allow a contractor that exceeded minimum requirements to renew its contract with the County for extended periods of time, while also allowing the County to fire the contractor at any time for major breach of the contract.

Several versions of "evergreen contracts" have been tried in EMS. One gives the contractor a "right" to renewal if certain conditions are met. Essentially, if the contractor meets a few conditions, the County would not have the ability to *not* grant the renewal. Another arrangement allows the contractor to earn the renewal at the County's option.

Some "evergreen" EMS contracts begin reviewing and authorizing renewals after the first contract year. At the end of the first year, if renewal conditions are met, a sixth year is added to the contract. This allows the contractor to invest more resources at any time because it always has a 5-year term ahead of it. It also means that should the contractor *not* earn a renewal, the County could be stuck with them for another 5-years unless they commit a major breach of the contract. This can lead to long periods of uncomfortable contract administration.

An alternative is to establish a 5-year term and evaluate the renewal options after the third year of the contract. So, at the beginning of the fourth year, a sixth year may be added to the term. This still allows some opportunity for depreciation and

amortization of investments, but limits the lame duck period to about 2-years, which is approximately the right period of time to begin a new RFP.

Evaluation of the potential for contract renewal periods is usually based on three measures:

1. Did the contractor substantially meet the requirements of the contract and completely meet the core requirements?
2. Did the contractor meet and exceed the financial requirements of the contract? (Patient Fees, payments to subcontractors, commitments to the community, etc.)
3. Did the contractor score a "report card" of "B" or better from the Medical Director evaluating key clinical, training, certification, personnel management, quality improvement and related provisions of the contract?

Recommendation #1

The RFP should contain an initial term of 5-years with "evergreen" renewal provisions that provide for the addition of contract years at the end of the term, beginning after the third year, at the County's option. The evaluation should be based on a scoring system that evaluates compliance, financial terms and clinical issues.

Clackamas County staff agrees with the recommendation for an initial contract term of five years with earned additional years added to the contract following the third year if annual performance meets all evaluation criteria established in the contract and if approved by the Board.

Performance Security

Performance security in the form of liquidated damages is included in the current contract to protect the County from a major breach by or failure of the contractor. Among other protective provisions, the County has the right to take over operations during an emergency that might lead to an interruption of service. In order to provide funds to continue operations and pay the paramedics and EMT's an amount of liquidated damages approximating 3-4 months of operating net revenue is required.

To improve the fairness of the RFP process, a stipulated amount is established in the RFP. Performance security is usually provided in one of three forms. A performance bond is sometimes used, but often takes a long time to collect as the beneficiary (County in this case) fights a legal battle with an insurance company that has no interest except not to pay. Cash deposits are sometimes used, but are problematic in the event of contractor bankruptcy as they remain an asset of the company and other creditors have claim to them. Irrevocable letters of credit are the most secure form as they establish a simple sight draft for the full amount of the liquidated damages. As such, they are the most expensive and most difficult to obtain.

It is likely that liquidated damages in the amount of $2.5 million dollars would be required to adequately protect the County from a failure of the contractor.

MetroWest and the TVF&R have expressed some concerns about the size and form of liquidated damages. It is important to note that the structure, finances and capabilities of each potential proposer give it unique advantages and disadvantages. One provider may run more efficient operations or require less profit than another. Some providers can provide more performance security or insurance coverage. The County must run a fair process, but that does not completely eliminate market-based relative advantages and disadvantages.

Recommendation #2

The RFP should establish the amount of performance security, currently estimated at $2.5 million, and allow proposers to offer the form of security. The County should instruct proposal reviewers that the preferred methods are: 1) Irrevocable Letter of Credit, 2) Performance Bond, or 3) Cash Deposits.

Staff agrees with the recommendation for performance security in the amount of $2.5 million with preference given to an irrevocable letter of credit.

Price and Evaluation

Several stakeholders indicated a desire to see price as a significant, but not dominant component of the proposal score. One suggested 35% to 50% of the total score.

Each feature required or desired within an RFP is associated with a cost. Just getting plain vanilla ambulances to calls, without any integration of resources, reimbursement of County or first responder costs, community education programs, programs like Reach And Treat, Lifeguards at the Gladstone High Rocks and other essential and desirable features, uses a sizeable amount of collectible revenue. If price is weighted too highly in the scoring matrix, competitors will either trim programs that the County currently enjoys or decide not to participate at all.

For this reason most EMS RFP processes assign a weight of 20% to 30% to the price component of the score. At significantly higher levels the County would be inviting bare-bones and possibly low quality proposals.

Revenue from patient fees currently provides all funding for ambulance service within the Clackamas ASA. Healthcare reimbursement is complex with Medicare, Medicaid and under- and un-insured patients causing a dramatic shift in payments required of patients with insurance. "Contractual allowances, "which are mandatory discounts to Medicare and Medicaid, and low collection rates greatly distort EMS pricing. Bad debts are funds written off because patients or payers do not pay the bill.

When evaluating differences in proposed prices, it is important to consider that a large difference in retail price may be caused by a small difference in actual costs. Due to cost shifting, it is often necessary to raise the price by $100 to collect an additional $10. When scoring proposals, small differences in commitments may create differences in price that appear to be quite large even though most of the

difference ends up being written off as contractual allowances and bad debts. A price scoring calculation that considers both the costs and the price is likely to provide a more apples-to-apples comparison of proposals

One method of offsetting risks of increased out-of-pocket costs to patients is to establish a "membership" program. Two local Fire Department providers currently operate "FireMed" membership programs. AMR also operates a similar program called "ParaMed." At least one Fire Department has asked that the successful proposer be required to provide a membership program and that it operate with reciprocity of benefits with the FireMed programs.

Membership programs are an excellent tool to provide an opportunity for residents to effectively prepay co-insurance (patient paid portions of the bill) and annual deductible amounts of ambulance bills. They must be structured with care to avoid federal false-claims and anti-kickback violations. The Office of the Inspector General of the Department of Health and Human Services has provided a number of letters of opinion regarding the operation of ambulance membership programs.

It is clear that in some cases reciprocity, provided it is occasional, for calls that occurred in the membership jurisdiction as a result of mutual aid, is not a condition of referring calls and does not constitute a routine waiver of co-insurance and deductibles, would be unlikely to invite federal prosecution.

There is no barrier to requiring the successful proposer to implement a membership program. Doing so and requiring that it include reciprocity with FireMed programs as a condition of participating in the RFP, or in a manner that affects the scoring, may be construed as soliciting an illegal kickback in exchange for market rights.

Recommendations #3

The RFP should weight price at 20% of the total score.

The RFP should include provisions that consider actual proposed differences in costs and in price when scoring the price component of each proposal.

The RFP should include a requirement that the successful proposer implement a membership program that is consistent with state and federal law and that it cooperate with other membership programs to the extent that it is legally able to do so.

Staff agrees that the RFP should set proposed service rates at 20% of the total evaluation score. Staff further recommends that proposers be required to show how their proposed rates were determined in order to be sure of a fair comparison on the scoring process.

Staff does not agree with the requirement to implement a membership program. The RFP should focus on the Clackamas ASA and that membership programs not be required of proposers.

Deployment and Resource Integration

The current contract does not prevent the contractor from utilizing transport capable units from first responders to meet response time requirements. At times, Fire-based units are used to respond to and transport emergency patients. The contract does hold the contractor responsible for response times of units responding to calls within the ASA instead of its own ambulances.

The recommendation to more aggressively use the first response units is reasonable provided that the costs associated with any formal arrangement not increase the overall cost of ambulance service. Various arrangements may work better in some areas and with some agencies better than others. Common methods for accomplishing this sort arrangement include:

- Subcontracted response zones
- The purchase of unit hours for specific periods of time
- Ad hoc "drafting" of units during periods of high call volume or when they are closer to particular calls

Due to the relatively high full cost of staffing Fire Department ambulances, these methods are more likely to work when a marginal costing strategy is used to determine financial relationships between the contractor and the first responders. Restrictions on the use of subcontracted units can significantly increase the overall cost per call by limiting the usefulness of all units through increased specialization of resources. For instance if a unit provided by a Fire agency is only available for emergency calls and may not be posted outside of the Fire district, it is of less value to the contractor in offsetting its own unit hours since other resources have to cover move-ups and non-emergency calls.

Proposed payments to the ALS Consortium and other responders should be documented as resulting from calculations of projected savings by the contractor to avoid federal anti-kickback violations. Similarly, the amount of proposed payments should not be considered in the scoring process to prevent the appearance of a "pay-to-play" kickback arrangement.

Since the payments will be based on projected savings resulting from marginally reduced staffing, it is probable that a more productive, efficient and lower cost proposer will be able to offer less money to fund response time offsets while a more expensive and less efficient proposer will be able to offer more. Awarding points for higher payments may have the effect of encouraging lower efficiency and higher prices.

In recommendations 4 through 8 the consultant recommends integration in the following areas:

- **Deployment and Resource Use**
- **Training and Quality Improvement**
- **Equipment**
- **Data**

- Communications

These recommendations reflect what stakeholders would like to see the emergency medical system become. County staff believes that integration in these areas is good and needed in Clackamas County. However, these are system wide initiatives that require the participation of multiple partner agencies. It is not appropriate to hold the winning proposer responsible for successful development and implementation as they have no direct control of partners.

Recommendation #4

The RFP should clearly establish that the County is interested in seeing creative and efficient proposals that include cooperation with first responder agencies to improve service and cost. A minimum, mandatory level of commitment should be to continue the type of arrangement that is currently in place with the ALS Consortium. Additional points may be awarded to stronger commitments that more completely or effectively integrate first responder resources into the deployment and response system. Costing of payments should be based on contractor costs and scoring should not include the amount of such payments.

Deployment and Resource Use – The current contract requires the provider to coordinate with first responding agencies. Staff recommends that proposers must describe how they will do this in the RFP. Staff also believes that a mandatory level of commitment should be to continue the type of arrangement that is currently in place with the ALS Consortium.

Training and Quality Improvement Integration

All first responder and Medical Director stakeholders strongly urged that the current levels of joint and integrated training continue and be enhanced. New programs such as mobile critical skills and simulation labs would allow training programs to be brought to first responder stations, improving opportunities for participation.

Many stakeholders expressed a need for a standardized, system-wide database, placed under the control of the County, to document training, quality improvement activities, patient conditions and outcomes.

Recommendation #5

To establish the current level and types of integrated training and Quality Improvement as a mandatory minimums and ask proposers to demonstrate the degree to which they are willing to exceed that level of commitment with the greater commitments receiving more points in the RFP score.

Training and Quality Improvement – Staff recommends that the RFP require proposers to describe how they will maintain and improve the current programs for training and quality improvement. Staff does not support the recommendation that proposers demonstrate the degree to which they are willing to exceed that level of commitment with the greater commitments receiving more points in the RFP score. This creates the possibility of incomparable proposals.

Equipment Integration

Several Fire Departments and both Medical Directors interviewed see a need for standardization of clinical equipment and supplies. Standardization of items such as cardiac monitor-defibrillators would improve interoperability of equipment on scene and reduce the risk of patient care errors related to the use of incompatible or unfamiliar equipment.

As an example, three different brands of cardiac monitor-defibrillators are currently in use among providers in the County. Establishing and complying with a single standard is somewhat complicated by the price of this equipment (often in excess of $25,000 for a single unit), user and Medical Director preferences and providers, including the current contractor, that serve more than one County.

A committee has been established to establish a single monitor-defibrillator standard for the County. If it is successful, it is likely that, due to recent investments in different brands by various responders, it will take years to migrate all equipment to a single standard. If the committee is able to complete its work before contract implementation, this RFP process is an opportunity to make great progress in complying with the new standard.

If a new contractor is chosen, it will likely need to acquire all new cardiac monitors for implementation. If the incumbent contractor is successful, it would face an initial contract term that would allow for depreciation of new equipment. Any proposer may offer to manage purchasing of these and other items as well as the bio-medical maintenance of such equipment for all agencies. Standardization should also allow an opportunity for "system spare units" managed by the contractor, rather than each agency having to stock expensive spare equipment, thereby lowering overall acquisition and maintenance costs.

Similar opportunities for standardization and purchasing of other equipment and supplies offer similar benefits. A County-wide committee, including input from public and private providers and Medical Direction should establish clear standards, including brands and equivalents for all equipment, supplies and pharmaceuticals.

Recommendation #6

The RFP should contain information related to the desired equipment integration and require that the contractor participate in the Monitor Committee as well as a countywide committee to standardize equipment, supplies and pharmaceuticals. It should further require the successful proposer to supply its own units with the standard equipment, including cardiac monitor-defibrillators, provided the monitor committee establishes a standard in time for implementation. Proposers should specify the deadline for the development of the standard.

Equipment – The current contract specifies extensive equipment requirements. This will continue in the RFP. In addition, staff recommends that we require proposers to describe how they will work with response partners to standardize equipment used across the system. The consultant recommends that we specify the desired

integration and hold the winning proposer accountable for achieving integration deadlines. This involves the voluntary cooperation of response partners over whom neither the County nor the winning proposer have any control. County staff does not agree.

Data Integration

Multiple stakeholders expressed concerns about the need for greater integration of EMS system data. This includes data related to call taking, dispatch and times, patient care, electronic patient records, hospital records, patient outcomes, quality improvement, sentinel events, employee injuries and exposures, certifications and continuing education, accidents, reimbursement and many more items.

A number of software companies offer products that track each of these items. Several stakeholders suggested that the successful contractor provide the tools to accomplish this data integration and transfer ownership of the system, servers and software licenses to the County. It is possible that such systems may require additional personnel within the County to administer these systems. A contractor could provide funding for such EMS related expenses. Some of the items might be funded in part or in whole by EMS system improvement money currently on account with the County.

Recommendation #7

The County should include in the RFP a minimum requirement to address each of these issues and work with a committee of providers to set standards. Higher points would be awarded to the proposers with the most comprehensive proposals to address the issues. Funding should be related to specific EMS related initiatives and could be considered in the scoring as it serves the broad EMS objectives.

Data - Staff recommends that proposers be required to describe the electronic patient care reporting system they will utilize and to describe how data from that system can be integrated with other data sets. In addition, staff recommends that the RFP should address data integration as a system goal. The RFP should require the proposer to commit to participation in the process of developing and implementing the program with partner agencies.

Communications Technology and Integration

A number of stakeholders insisted on the consolidation of EMS dispatch through a single communications center. Unfortunately, various organizations had different visions of how this could happen. Several agencies indicated that the Clackamas County Department of Communications (CCOM) should handle all communications. Other agencies indicated that Lake Oswego Communications (LOCOM) and the Washington County Consolidated Communications Agency (WCCCA) are not going away anytime soon. Much concern is directed at the current contractor's use of the Multnomah based AMR dispatch center.

Currently, AMR, CCOM, LOCOM and WCCCA utilize a County interlink known as an "Enterprise Buss" to share information between the different systems. This server essentially serves as an interpreter between different computer systems.

Today, more than 5 communications centers direct the activities of various EMS responders in Clackamas County. While it is an appropriate long-term goal to reduce that number and eventually achieve complete consolidation, it is likely that the realization of this goal is many years away for the public responders, as well as the ambulance contractor. The communications centers use at least two different systems of Emergency Medical Dispatch Protocols (these include call-taking scripts, call classification and pre-arrival instructions). Even if the ALS Consortium were to win the RFP, its members are currently dispatched by multiple centers using incompatible systems.

Disadvantages to communications consolidation include diseconomies of scale for the contractor (depending on who that may be) and political issues among the public agencies. It is likely that consolidation of Clackamas and Washington Counties' communications centers will happen and pressures for economic efficiencies may include Multnomah County within the next decade. Nevertheless, this is hardly an item that will be completely decided during the currently contemplated RFP.

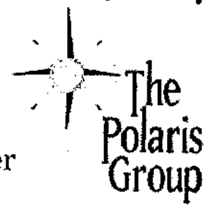
Several things are probably achievable during this process. CCOM agrees with the premise of consolidated dispatch, but had concerns about staffing, technology, responsibility for contractor performance, physical space and staffing requirements. CCOM specifically seems uninterested in non-emergency dispatch duties. A contractor with no other local presence might initially take advantage of this situation by using CCOM as a subcontractor for dispatch services. Future duplication of EMS dispatch for non-911 calls might influence costs in the mid- to long-term.

Multiple dispatch centers complicate efficient responses as different CAD, phone and radio channels are used to communicate. An Automated Vehicle Location (AVL) system that provides the location and status of each medical response unit would be helpful.

Control and integrity of the contractor's dispatch data is essential to evaluating performance. One method of achieving data security, known as a "data lockbox" is to use a third party organization to capture Computer Aided Dispatch data in real time. These organizations can then produce performance reports according to rules agreed upon by the County and the contractor. In most cases, the RFP requires the Contractor to pay for the implementation and reimburse the County for annual expenses, assuring that the County is the primary customer to the third party data lockbox organization.

Recommendation #8

The RFP should require that each proposer provide detailed information about its proposed communications plans. Information related to the availability of CCOM,



LOCOM and WCCCA as potential subcontractors should be included. Each proposer should divulge the operational and financial terms of any such arrangement. The specific financial terms should not be a bid variable. Minimum requirements should include participation in the Enterprise Buss and an AVL System provided to improve deployment and utilization of resources at contractor expense.

The contractor should provide an AVL infrastructure that would allow other agencies to join the system to allow closest unit response.

The RFP should include a requirement for a data lockbox.

Communications - The consultant recommends that the RFP should require that each proposer provide detailed information about its proposed communications plans. Staff agrees. We currently require that the service provider have an AVL system. This should continue in the RFP.

The consultant recommends that we should require the winning proposer to provide an AVL infrastructure that would allow other agencies to join the system to allow closest unit response. Staff believes this is a good idea but this should not be part of the RFP. This involves an unknown cost and there is no way to require response partners to participate.

Contract Compliance Integration

The Consortium recommended that they and the private provider be included in the evaluation of the system and the contractor. Since it is likely that either the Consortium or the contractor will contract with the County, with the other as a subcontractor, this is inappropriate.

Recommendation #9

The County must enforce its own contracts without interference from subcontractors.

Staff agrees with the recommendation that the County enforce the contract for emergency ambulance services.

Degree of Exclusivity

EMS markets function much like public utilities. The same market forces exist for EMS as do for power, water and cable utilities. This is true because most of the cost of these systems is spent on putting a network of resources in place before the first unit of service is delivered. With high fixed costs, each additional unit of service reduces the average cost of all services provided. Economies of scale can be gained through the addition of call volume through either geographic or vertical integration of services.

In EMS the addition of contiguous service area, through the expansion of exclusive market rights is a common strategy. Geographic consolidation combines service areas to achieve higher call volume that can be served on the margin with the existing resources and is limited primarily by physical barriers to service or areas

with low population density. The Clackamas ASA has likely reached and somewhat exceeded the limits of geographic economies of scale.

Vertical integration is the consolidation of product lines or services within exclusive market rights. When designing a system to serve 911 medical emergencies, it is a common strategy to include all non-emergency, interfacility and other ground ambulance services in the exclusive market rights of the contractor. This allows the provider to operate at higher levels of productivity, thereby lowering the cost of both the emergency and non-emergency services.

Staff and the consultant received direction to make necessary changes to the EMS system design to accommodate new ideas, population growth requiring the expansion of urban and some other response time zones, and possible future demands on the system. One of the most powerful tools to accomplish that goal is the vertical integration of services into what is known locally as a "top to bottom" system that assigns exclusive market rights for all ambulance calls within an ASA to a single contractor.

Many stakeholders have expressed that they do not like the "top to bottom" model for a variety of reasons. Some don't think that 911 and interfacility calls are related even though they consume the same types of resources are frequently clinically indistinguishable from each other, are paid for from the same sources and affect the total cost of the EMS system. Others stakeholders have commercial interest in either establishing or preventing such a system.

Input from Commissioners and Staff indicates that it is unlikely that the Board will wish to establish "Top to Bottom" market rights at this time. It is important that the Board is aware that this decision may result in higher 911 costs through decreased efficiency for the contractor.

Recommendation #10

Should the Board at some point reconsider this direction and decide to grant "Top to Bottom" exclusivity, it should be undertaken within the context of a competitive procurement. This will afford some protection from claims that the County has engaged in a "Constitutional Taking" of viable business from other providers or interfered in business arrangements and contracts. During a competitive procurement, every interested provider has the ability to compete *for* the market instead of engaging in less efficient competition *within* the market.

Staff agrees with the recommendation that an exclusive franchise for all ambulance services should utilize a competitive procurement process if the County were to ever, in the future, consider this option.

Summary of Recommendations:

1. **Contract Term and Renewal:** The RFP should contain an initial term of 5-years with "evergreen" renewal provisions that provide for the addition of contract years at the end of the term, beginning after the third year, at the County's option. The evaluation should be based on a scoring system that evaluates compliance, financial terms and clinical issues.

2. **Performance Security:** The RFP should establish the amount of performance security, currently estimated at $2.5 million and allow proposers to offer the form of security. The County should instruct proposal reviewers that the preferred methods are: 1) Irrevocable Letter of Credit, 2) Performance Bond, or 3) Cash Deposits.

3. **Price and Evaluation:** The RFP should weight price at 20% of the total score. The RFP should include provisions that consider actual proposed differences in costs and in price when scoring the price component of each proposal. The RFP should include a requirement that the successful proposer implement a membership program that is consistent with state and federal law and that it cooperate with other membership programs to the extent that it is legally able to do so.

4. **Deployment and Resource Integration:** The RFP should clearly establish that the County is interested in seeing creative and efficient proposals that include cooperation with first responder agencies to improve service and cost. A minimum, mandatory level of commitment should be to continue the type of arrangement that is currently in place with the ALS Consortium. Additional points may be awarded to stronger commitments that more completely or effectively integrate first responder resources into the deployment and response system. Costing of payments should be based on contractor costs and scoring should not include the amount of such payments.

5. **Training and Quality Improvement:** To establish the current level and types of integrated training and Quality Improvement as a mandatory minimums and ask proposers to demonstrate the degree to which they are willing to exceed that level of commitment with the greater commitments receiving more points in the RFP score.

6. **Equipment Integration:** The RFP should contain information related to the desired equipment integration and require that the contractor participate in the Monitor Committee as well as a County-wide committee to standardize equipment, supplies and pharmaceuticals. It should further require the successful proposer to supply its own units with the standard equipment, including cardiac monitor-defibrillators, provided the monitor committee establishes a standard in time for implementation. Proposers should specify the deadline for the development of the standard.

7. **Data Integration:** The County should include in the RFP a minimum requirement to address each of these issues and work with a committee of providers to set standards. Higher points would be awarded to the proposers with the most comprehensive proposals to address the issues. Funding should be related to specific EMS related initiatives and could be considered in the scoring as it serves the broad EMS objectives.

8. **Communications Integration:** The RFP should require that each proposer provide detailed information about its proposed communications plans. Information related to the availability of CCOM, LOCOM and WCCCA as potential subcontractors should be included. Each proposer should divulge the operational and financial terms of any such arrangement. The specific financial terms should not be a bid variable. An Automated Vehicle Location (AVL) System should be employed to improve deployment and utilization of resources.

   Additionally, all contractor units should primarily or secondarily have the ability to contact Fire and other EMS personnel on the radio channels, frequencies and talk groups upon they normally operate. The contractor should be required to participate in the Enterprise Buss and provide an AVL infrastructure that would allow other agencies to join the system to allow closest unit response.

9. **Contract Compliance Integration:** The County must enforce its own contracts without interference from subcontractors.

10. **Degree of Exclusivity:** Should the Board at some point reconsider this direction and decide to grant "Top to Bottom" exclusivity, it should be undertaken within the context of a competitive procurement. This will afford some protection from claims that the County has engaged in a "Constitutional Taking" of viable business from other providers or interfered in business arrangements and contracts. During a competitive procurement, every interested provider has the ability to compete *for* the market instead of engaging in less efficient competition *within* the market.