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Truckee Meadows Fire & Rescue
Financial Assessment
September 2021

Executive Summary

AP Triton, LLC was contracted to provide an extensive assessment of the current EMS operations of the Truckee Meadows Fire & Rescue Department (TMFR) to include a financial assessment, first responder fee projections, Ground Emergency Medical Transport (GEMT) reimbursement projections, and possible future expansion of EMS services. While that larger study is under way, the Department has found themselves in the position of potentially expanding their ambulance transport services as early as the beginning of 2022 and further expanding services as early as spring of 2022. This expansion of services is driven by several factors that must be taken into consideration. The first is the opportunity to formalize the ambulance operations through a cooperative agreement between the Regional Emergency Medical Services Authority (REMSA) and TMFR. This agreement would reduce wait times from the current ambulance provider in these areas located outside the core of the Regional Ambulance Services, Inc. (RASI) service area. Second, there is an opportunity to expand their current ambulance transport operations to formally include Spanish Springs and Sun Valley. This area lies outside the core area and has become more of a challenge for RASI, the current provider, to service due to decreased number of employees, which is a problem facing many EMS agencies throughout the country at this time. Expansion of the formal response area to be serviced by TMFR achieves some positive impacts to the overall service area. The positive impacts of having dedicated units for these areas include a better response in the core area by RASI and a reduction in wait times currently experienced by TMFR. Further, by expanding the transport system, TMFR will enjoy a greater economy of scale that allows for reduced costs in providing transport. The third driver is the current opportunity to receive grant funding to expand these services. The ability to draw down grant funding is a tremendous opportunity. It reduces or eliminates the need to fund start-up costs during the period of "dry-funding" due to the lag time between billing, collection, and GEMT revenue.

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As stated above, this “micro-report” is a condensed version of a much greater study that is in process. This report strictly focuses on the financial feasibility of expanding and formalizing a new transport model within TMFR operations. Therefore, this report will not address deployment options, tiered response, Mobile Integrated Health opportunities, etc.

Upon review of the documents provided by TMFR staff, we believe TMFR is in a positive position to pursue the ambulance expansion proposed. While we found the financial projections presented in the “*Service Level Improvement and Pro Forma Analysis for Ambulance Transport*” to be thorough, we also believe there is additional revenue that can be seen above what has been provided.

Based on our assessment we would advise the TMFR Board to accept the “*Service Level Improvement and Pro Forma Analysis for Ambulance Transport*” from staff, proceed with securing the grant funding opportunity, complete negotiations between REMSA and TMFR on the expanded services areas, and modify the current TMFR ambulance rate schedule to meet the maximum allowable charges for services.

Expenses

Personnel

TMFR provided a cost analysis of the proposed services to include Sun Valley and Spanish Springs in addition to the area they are servicing with the single unit. Based on the salaries and benefits provided, we agree the cost of services is accurate as proposed. It is common to find cost projections based on salaries and benefits, but often leave out the cost of back filling positions when personnel are on leave or are experiencing Work Comp issues. Staff did include the cost of back fill when calculating the expense of personnel.

In addition to the cost of staffing, there are costs associated with maintaining the paramedics and EMTs that will need to be hired over the next year. Staff has proposed a total of 18 new firefighters to staff the expanded services. As we did not review the current collective bargaining agreement (CBA) between TMFR and Local 2487, we are not able to

determine if recertifications, CEUs, and other costs to maintain certification and licensure would be part of the overall operating costs for these new employees. If Local 2487 and TMFR management agree to cover those costs, they should be included in the overall annual cost.

Rolling Stock

Rolling stock for this report includes ambulances, gurneys, monitors, and any other non-durable goods required to facilitate the mission. Upon reviewing the costing of these units, the prices quoted are in line with current pricing as seen across the country. Therefore, the projection is reasonable as stated. However, it should be noted that the availability to secure new ambulances is currently unknown. The lack of computer microchips that are required in new vehicles are not readily available and has created a dramatic reduction in the availability of new cars, vans, and trucks globally. Compounding the problem is the production of ambulance- compliant chassis is on hold, creating a back log of production that won't start up until the availability of microchips begins to return to normal. As such, many ambulance builders are not able to fulfill orders for new units. In speaking with Braun, one of the nation's largest ambulance builders, they stated that orders for new units received at the beginning of August, 2021 have a projected delivery of March, 2022. It is highly recommended that staff immediately begin the review of the current ambulance specifications to determine if changes are needed and begin the process of securing units. While the projected start date is 2022, it is a real possibility that new ambulances may not be delivered until late spring 2022.

Operating costs

Staff projected operating costs of $8,000 per unit. This falls in line with typical costs seen on the west coast and TMFR does have experience with their current unit. As found in the "*Service Level Improvement and Pro Forma Analysis for Ambulance Transport*" proposal from staff, it points out that, in some cases, the units will be new and under warranty. This is a benefit in reducing some maintenance costs; however, there may be some lag time between operational start up and delivery of new units that are under warranty.

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Revenue Projections

The staff report provided a projection of $1,392,592 for revenue based on transports across the entire payer mix. It is assumed that these numbers are using the maximum allowable average rate from REMSA of $1,517.66. Using the REMSA allowable rate compared to revenue projected, we believe this is an accurate revenue projection, but it does not consider the maximum collectible amount that is possible. Medicaid reimbursement is capped and balance billing is not allowable, so no additional revenue can be expected for this cost center. Medicare is also capped at 80% of the covered benefit, meaning if the covered benefit is $600, Medicare pays 80% and the patient is responsible for the remaining 20%. Commercial Insurance varies according to the plan the patient has; however, it is common that most Insurance covers 80% of the charges with the remaining 20% being covered by the patient in the form of deductibles or co-pays.

Based on the projection provided in the staff report, we believe this estimate is reasonable. However, depending on TMFR billing and collection policy, this revenue could increase. The table below illustrates the difference between staff's projections and the maximum reimbursement. It should be noted that staff's projections should be considered the "floor" or minimum, while "revenue-possible" is based on a maximum 100% collection to billed amounts. The maximum collection is not realistic but is provided to suggest any revenue based on this payer mix of this amount is not possible. If TMFR adopts a different rate, the revenue will increase from the projection.

Cost Center	Transports	Revenue - Staff	Revenue - Possible	Difference +/-
Medicaid	635	$187,325	$187,325	$0
Medicare	1,296	$594,864	$777,600	+$182,736
Comm. Ins.	486	$582,228	$737,583	+$155,355
Uninsured	175	$28,175	$28,175	$0
Total	**2,592**	**$1,392,592**	**$1,730,683**	**+$338,091**

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Non-Transport Fees

Staff's report suggests that an additional $150,000 can be realized with the addition of first responder fees, treat and release fees, and vehicle accidents. Again, this projection is well with in plausibility; however, we believe there is additional revenue in this category. Medicare does not reimburse for treat / non-transport, nor do they reimburse for first responders. Conversely, commercial insurance does reimburse for these services. Because the vast majority of first responder fees and treat / non-transport fees are paid through commercial insurance, that is the demographic used for this calculation. Our firm is preparing a First Responder Fee (FRF) feasibility study that will be included in the expanded study currently underway. For discussion purposes, we will use a rate that is comparable to the TMFR operating cost. Using similarly sized agencies from several various states, a first responder rate of $427 would be conservative for this estimate. As this is primarily reimbursed from commercial insurance/auto, the reimbursement will be calculated at 80% of the billed amount (exact FRF rate to be determined in final study). The below rate provides for an increase of $63,500 above the proposed revenue.

First Responder Fee	Rate	Transports/Treat & Release/Motor Vehicle Accidents	Total Collection @80%
Commercial Insurance	$427	625	$213,500

In addition to the first responder fees discussed above, Nevada also reimburses for some community paramedicine services. These are not included in this report but will be addressed in the final study.

Ground Emergency Medical Transport (GEMT)

The GEMT program provides supplemental reimbursement based on cost incurred by public providers to Medicaid beneficiaries. This reimbursement is provided under Title IX of the Social Security Act. The determination of cost is based on a federally approved cost

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report that defines the cost incurred by a public agency for covered services. In reviewing the cost input in the estimated GEMT cost report as provided by staff, it appears they are following the rules provided within the cost report. However, without reviewing the source documents used to determine the data inputs, we cannot confirm the accuracy of the final settlement schedule. It would be unreasonable to think any delta between projected and actual would exceed 20%. Based on this number, it could be reasonable that GEMT be reduced by $345,405 to $1,381,618. This would still be a significant amount of revenue that can't be collected by the RASI, as they are not a governmental provider.

Summary

After review of the data provided by staff and completing a cost versus revenue assessment in relation to the proposed expansion of services, we believe TMFR would be exposed to little risk in moving forward with the proposed plan. The current maximum average billable rate is artificially low, which has led REMSA to seek a partner for transport outside the core service area. It's important to understand the greater the transport volume, the lower the operating costs. This is due to an economy of scale spread out over a larger demographic. The more rural the zone is, the smaller the number of transports. As an example, in an urban environment such as Las Vegas, Los Angles, Seattle, or Portland, a single ambulance would rarely transport less than 2,500 patients per year and be able to maintain profitability. Using a $900,000 annual staffing cost for a full-time ambulance, a per transport reimbursement of $390 would yield a break-even scenario. In a rural environment, it would require two units to transport the same number of patients to maintain capacity in the system, thus doubling the per transport cost. Based on these findings, we would suggest that the current average rate, which is due to expire December 31, 2021, be increased to a more contemporary rate for the rural environment.

In the absence of a significant rate change, we believe the system can support the proposed plan as presented by staff when combined with GEMT. Incorporating a rate increase would require less dependance on the GEMT program to ensure sustainability. This allows GEMT funds to be used to support other functions outside of EMS.