

**EMS Economics**  
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**A Key to Financial  
Success:**  
*Properly Measure  
Your Billing Performance*

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**Do You Know Your  
Collection Percentage?**

Gross Collection  
Versus  
Net Collection

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**Gross Collection Percentage**

- Total amount collected divided by total amount billed
- Does not consider the impact of contractual allowances

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**Gross Collection  
Calculation**

Gross Receipts  
Gross Charges

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**Gross Collection Percentage**

- Bear in mind that *gross* collection percentages can be completely artificial!
- Can be easily manipulated by adjusting your *charges* without a resulting impact in *revenue*

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### Example

Ambulance Service A   Ambulance Service B

- Collections = 67%
- Collections = 41%

Which ambulance service would you rather be?

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### Example

Ambulance Service A   Ambulance Service B

- Avg chg/trip: \$450
- Avg chg/trip: \$850
- Avg \$/trip: \$300
- Avg \$/trip: \$350
- Collections = 67%
- Collections = 41%

Ambulance Service A has a much higher *gross* collection percentage, but Ambulance Service B earns more *revenue* per claim!


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### Net Collection Percentage

- Takes all factors that impact billing and collection into consideration
- Average net collection rate for ambulance
  - Approximately 80% to 90%


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### Net Collection Calculation

Gross Receipts  
Gross Charges  
- Contractual Allowances  
+ Refunds/Overpayments


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### Net Collection Percentage

- Obviously, net percentage provides a much more accurate measurement of billing performance, because it looks at effectiveness in collecting the money you're ***allowed*** to collect


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### Example - The Effect of Contractual Allowances


- Charge: \$700
- Approved: \$300
- Allowed: \$240
- Pt Copay: \$ 60
- Diff Between Charge and approved am't \$400

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### Collection Percentages

- Look at collection percentages overall
- Monitor collection percentages by payor
  - Staff can respond to changes in rate of collection
  - Focus on the payors with least rate of collection




### Also . . .

- Look at average revenue per transport - another effective measurement to consider



### Revenue Drivers



EMS Transport Fee - Revenue Projections Year One	Total Projected Transport Volume	Est. % of Transports	Est. Medicare Transport Volume	Est. Medicaid Transport Volume	Est. Commercial Auto Transport Volume	Est. Self-Pay Transport Volume	Est. Medicare Approved Charge		Est. Medicaid Approved Charge		Est. Commercial Auto Approved Charge		Est. Self-Pay Approved Charge	
							Total Charges	Medicare Allowable	Total Charges	Medicaid Allowable	Total Charges	Commercial Auto Allowable	Total Charges	Self-Pay Allowable
<b>Payor: Medicare (42%)</b>	1%	300	180	\$ 47,881	100%	\$ 8,996								
RLS-E (A429)	42%	400	337.36	9,572	3,828,800	3,229,210	80%							
ALB-E (A426)	1%	350	293.02	2,381	788,350	577,138	80%							
ALB-E (A427)	56%	500	400.61	12,535	8,267,500	5,021,648	80%							
ALB2 (A433)	1%	700	579.84	228	158,800	132,204	80%							
SCT (A434)	0%	800	689.27	-	-	-	-							
Loaded Miles (A425) (Average/Trip)	5	5	6.42	113,855	911,640	731,581	80%							
<b>Payor: Medicaid (42%)</b>	1%	300	180	\$ 47,881	100%	\$ 8,996								
RLS-E (A429)	42%	400	337.36	9,572	3,828,800	3,229,210	100%							
ALB-E (A426)	1%	350	293.02	2,381	788,350	577,138	100%							
ALB-E (A427)	56%	500	400.61	12,535	8,267,500	5,021,648	100%							
ALB2 (A433)	1%	700	579.84	228	158,800	132,204	100%							
SCT (A434)	0%	800	689.27	-	-	-	-							
Loaded Miles (A425) (Average/Trip)	5	5	6.42	113,855	911,640	731,581	100%							
<b>Payor: Commercial Auto (20%)</b>	1%	300	180	\$ 47,881	100%	\$ 8,996								
RLS-E (A429)	42%	400	337.36	9,572	3,828,800	3,229,210	100%							
ALB-E (A426)	1%	350	293.02	2,381	788,350	577,138	100%							
ALB-E (A427)	56%	500	400.61	12,535	8,267,500	5,021,648	100%							
ALB2 (A433)	1%	700	579.84	228	158,800	132,204	100%							
SCT (A434)	0%	800	689.27	-	-	-	-							
Loaded Miles (A425) (Average/Trip)	5	5	6.42	113,855	911,640	731,581	100%							
<b>TOTAL</b>														

Payor: Self-Pay (28%)	Est. % of Transports	Charges	Est. Self-Pay Transport Volume	N/A	Total Self-Pay Charges	N/A	Estimated Self-Pay %	Total Self-Pay Cash Receipts
RLS-E (A429)	1%	300	180	\$ 47,881	100%	\$ 8,996		
RLS-E (A429)	42%	400	6,700	\$ 2,680,188	100%	\$ 208,020		
ALB-E (A426)	1%	350	180	\$ 59,837	100%	\$ 9,364		
ALB-E (A427)	56%	500	8,774	\$ 4,387,229	100%	\$ 428,720		
ALB2 (A433)	1%	700	180	\$ 111,675	100%	\$ 11,167		
SCT (A434)	0%	800	-	\$ -	100%	\$ -		
Loaded Miles (A425) (Average/Trip)	5	5	79,779	\$ 638,180	100%	\$ 63,816		
<b>TOTAL</b>								

GRAND TOTALS - CHARGES/APPROVED CHARGES \$ 28,008,320 \$ 15,251,444


GRAND TOTAL - PROJECTED CASH RECEIPTS - YEAR ONE \$ 14,095,667

OVERALL PROJECTED AVERAGE REVENUE PER TRANSPORT \$ 247


GROSS COLLECTION PERCENTAGE 49%

NET COLLECTION PERCENTAGE 92%

**Notes and Assumptions:**  
 Transport volume is based on volume estimates provided by client.  
 Estimated number of Medicare transports per level of service estimated based on comparable jurisdictions.  
 Increases in March peak amount (GPC) of .10 and annual increases of 2.5% for all payors except Medicaid and self-pay.  
 2008 Medicare rates based on 2007 rates, plus 2.7% inflation factor for 2008.  
 Revenue model assumes annual increases in charges of 5%.  
 ALB-E/RLS level of service estimates subject to implementation of appropriate dispatch protocols and ALB/RLS response determinants.  
 Assumes complete documentation necessary to support billing decisions, one documentation training recommended.  
 Patient pay collection rate of 10% reflects an "insurance only" billing policy for County residents.  
 Conservatively assumes zero deduction/discount collection, given that most Medicare recipients who utilize the ambulance will be County residents.  
 Billing for any health care service involves many variables that cannot be accounted for in a revenue estimate and that are beyond our control.  
 This is an estimate only and does not constitute a guarantee.



### A Few Words About Rates



## Setting Your Rates

- While many ambulance services labor over the details of proper ambulance *billing*, few pay close attention to *setting their rates*
- For most, it's only slightly more advanced than . . .



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## Rates

- Remember, Medicare limits what it will *pay*, NOT what you may *charge!*
- Other payors (commercial, auto, etc.) may pay 100% of billed charges

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## Rates

- In effect, the other payors "subsidize" the mandatory "contractual allowances" that you must take from Medicare

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## Rates

- Also, remember that Medicare pays the *lesser* of:
  - Your charges
  - The approved, fee schedule amount

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## Rates

- Therefore, if you charge Medicare less than your fee schedule amount, they will not automatically raise your reimbursement to the fee schedule amount!
- You leave that difference on the table!

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## Setting Your Rates

- Unless you in a rate regulated jurisdiction (more on this in a bit), you are free to set your rates as you see fit
- Should start with a thorough cost analysis of all fixed and variable costs

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### Some Examples of Cost Centers

- Personnel
- Equipment
- Supplies
- Maintenance
- Insurance
- Rent
- Utilities

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### Depreciation

- Don't forget that part of your rates must reflect the need to replace capital assets in the future
- Need capital reserves to be able to purchase vehicles and major equipment

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### Bad Debt

- Also, remember that a portion of your rates must also reflect the fact that you will not collect anywhere near 100% of your charges!

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### Non-Transports

- Decide if you're going to bill for:
  - "Treat, no transport"
  - Patient refusals
  - Response fees
- Just because these are not a *Medicare* benefit, doesn't mean you can't bill other payors
- A0998 code

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### Other Revenue Sources

- Also consider other steady, reliable annual sources of income that may exist for your organization:
  - Donations
  - Subscriptions/memberships
  - Fundraisers
  - Fees from non-ambulance services

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### Public vs. Private

- If you're a tax-subsidized, public-sector agency, setting your rates might not necessarily need to result in a "break even" proposition
- For a private company, "fee for service" is quite likely the only source of revenue

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## GAO Report

AMBULANCE PROVIDERS:  
Costs and Expected Medicare  
Margins Vary Greatly  
May 2007

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## GAO Report

- Long-anticipated "cost study" regarding the costs of providing ambulance services
- Many in the industry saw such a study as the first step in making the case for Medicare and Medicaid rate increases

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## Key GAO Findings

- "Among providers without shared costs, we estimated that the average Medicare margin, or the average percentage difference between these providers' Medicare payments and their costs, will be about negative 6 percent with a 95 percent confidence interval from negative 14 percent to positive 2 percent."

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### In English, Please!

- “Without shared costs” means providers who are not part of a larger organization that provides other services, such as hospitals or fire departments
- “Average Medicare margin” means *profit* – or “revenues over costs” on Medicare transports

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### In English, Please!

- “A 95% confidence interval from negative 14% to positive 2%” means:
  - 95% of ambulance services earn anywhere from a 14% loss to a 2% profit on Medicare transports
  - 6% loss is the average on Medicare transports

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### Key GAO Findings

- \$415 average cost per transport
- Range of \$99 to \$1,218 cost per transport
- Why such variation?
  - Volunteers in the sample – GAO estimates that, in 2004, two-fifths of the ambulance industry “relied substantially on volunteer staff”
  - Geography

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### Key GAO Findings

- Medicare shortfalls are particularly pronounced in rural and super rural areas

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### What To Do With This Information?

- Use to advocate for higher rates
  - Medicare rates – write your Congressman!
  - Medicaid rates – state associations and others can use to “make the case” at the state levels
  - Commercial payors

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### What To Do With This Information?

- Be sure to look carefully at your own cost data to make your case as well, especially if your margins are lower than the averages in the GAO report

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### GAO Report

- A complete copy of the report is on your "Supplemental Materials" CD
- Can also be downloaded on our website, [www.pwwemslaw.com](http://www.pwwemslaw.com)

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