

Santa Clara County: \$7 million in relief sought for financially troubled ambulance provider Rural/Metro

By Eric Kurhi

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SAN JOSE -- Santa Clara County officials are poised Tuesday to approve millions of dollars in additional relief for troubled ambulance company Rural/Metro, but they also appear determined to seek new bids when the company's emergency response contract expires next year.

Under the county's proposal, the Board of Supervisors will cut franchise fees that the ambulance service pays the county, as well as fines paid by the company when ambulances don't meet response-time goals, while raising the rates it can charge patients and their insurers, saving Rural/Metro \$7 million over the next year.

The proposed contract amendments would be the second time the county has taken a significant step to help Rural/Metro, which took over ambulance service from longtime provider American Medical Response in 2011 after the county approved its low bid in 2010. After getting the job, Rural/Metro initially struggled to meet response times, and reorganized under bankruptcy protection. In late 2013, the county agreed to use \$2.6 million that Rural/Metro had paid in franchise fees and penalties to help pay Rural/Metro's bills while the company reorganized.

San Jose Mayor Sam Liccardo said it is unfortunate that residents are being asked to "subsidize a beleaguered EMT service provider."

"I hope that my colleagues at the county will choose to hit the 'reset' button," he said, "and work with all of the local fire departments to take a fresh look at the provision of emergency medical services, rather than persisting with an ambulance contract that has provided a Groundhog Day of bad news for our residents."

County Executive Jeff Smith, who recommends that the board seek new ambulance service bids when Rural/Metro's contract expires, acknowledged the ambulance deal hasn't worked out as he'd hoped.

"If I knew then what I know now," Smith said, "I would have thrown both bids away and started over."

Smith said the adjustment he's seeking on Tuesday is due to a contract "that is extremely difficult to comply with and be financially stable," and estimated that the company is losing \$8 million to \$10 million a year in Santa Clara County.

He said that allowing an additional 5 percent rate increase on top of the 5 percent already promised to the company still keeps Rural/Metro well below competitors and the Bay Area average. Smith added that the fines the county currently levies on Rural/Metro for slow responses aren't fair.

"Even if the company met all requirements and made response times 90 percent of the time, it still gets \$3 million in fines and fees because it's calculated based on every single response," Smith said. "When each individual time has a large penalty, in a large region you can meet expected response times but still get fined a significant amount. That was something that was not intended."

Under Smith's proposal, if the company makes its deadlines 92 percent of the time for calls in a particular zone, all fines for that area will be waived. Rural/Metro spokesman Michael Simonsen said that with the modifications, the company will be financially viable through the end of the contract in the summer of 2016.

A decision on whether to put a new contract out to bid will come before the board in the next few months.

Supervisor Cindy Chavez, who was not on the board when Rural/Metro was selected, said a new bidding process is the way to go to "make sure we're getting the highest quality service for the best price."

AMR also bid on the previous contract, with service that would have used San Jose fire units, but it was considerably higher priced than Rural/Metro.

Yvonne Ryzak, a lobbyist for AMR, said Rural/Metro "came in and convinced the county they could do it cheaper and faster than we could even though we were very clear that wasn't possible."

While acknowledging the Rural/Metro deal didn't pan out as expected, Smith maintained that the AMR proposal was unacceptably expensive and relied on a San Jose Fire Department that also has struggled to meet contractual emergency response time targets.

And despite Smith's misgivings, Supervisor Mike Wasserman, who joined Dave Cortese and former Supervisor George Shirakawa Jr. in approving Rural/Metro five years ago, insisted that on balance it's been a good deal for patients.

"I haven't heard any Santa Clara County residents complaining," he said. "They have benefitted greatly over the past four years, and at the end of the day, that's who we serve."

Alameda County Supervisor Carson puts brakes on ambulance company bailout

By Rebecca Parr rparr@bayareanewsgroup.com
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The county's 911 ambulance service is hemorrhaging millions of dollars, but Alameda County supervisors narrowly rejected a plan to slow the flow with an injection of \$5 million.

Alameda County staff wanted to take money from a reserve fund to help Paramedics Plus, but Supervisor Keith Carson voted no, killing the deal on a 3-1 vote. Four of the five supervisors had to vote yes for the measure to pass, and Supervisor Nate Miley recused himself.

Paramedics Plus has lost almost \$40 million in Alameda County in the past three and a half years. Like many ambulance companies throughout California, it was hit with a one-two punch: the number of commercially insured patients dropped, and the state cut Medi-Cal reimbursements.

"I do think Paramedics Plus has done a great job," Carson said before casting the no vote Tuesday. "This has been a real challenge for me."

The supervisor said the board gets requests each week for money that were not planned for or budgeted, and the county's debt is piling up. Carson also said he reviewed tapes of meetings during contract negotiations. At the time, a Paramedics Plus representative said more than once that any cost overages would be covered by the company.

Paramedics Plus representative Dale Feldhauser said he was taken aback by the rejection. The company can give the county 90 days notice that it is ending its contract, but it has no immediate plans to cease operations, he said.

"The ambulances will be out there tomorrow and the next day and the next," Feldhauser said. "But this puts us back at the drawing board."

Bidding for the current contract began in 2008. In 2010, Paramedics Plus won the county contract, which American Medical Response had held for years. American Medical accused Paramedics Plus of underbidding and filed a lawsuit, which it lost.

Both companies based their bids on historical data provided by American Medical, said Alex Briscoe, Alameda County Health Care Services Agency director.

For decades, 24 percent of Alameda County ambulance patients were covered by traditional private insurance, which subsidized the cost of transporting everyone else. Things have changed dramatically since 2008.

"The recession hit, and people lost their employer-based coverage. Commercially insured transports dropped to 12 percent. That has only come back up to 16 percent," he said.

When the Affordable Care Act came in, many Californians signed up. But most of those who enrolled in Alameda County qualified for Medi-Cal, health coverage for low-income residents. Medi-Cal only reimburses \$118 for an ambulance ride, which does not cover the full cost, Briscoe said.

Medi-Cal patients now make up 35 percent of Alameda County patients needing 911 ambulance service.

Compounding the problem is that insurance companies are reimbursing less for ambulance service.

"It's broke, it's broke, it's broke," Briscoe said of the 911 system.

Paramedics Plus' five-year contract runs through October 2016. Alameda County has hired a consultant to restructure the 911 system, and the ambulance service contract will be put out to bid.

"This is a difficult statewide issue," Supervisor Wilma Chan said of the ambulance company's situation.

In May, Santa Clara County allocated \$7 million to help its 911 ambulance company, Rural Metro, which has been losing at least \$9 million a year.

Santa Clara County is scheduled to put a revised 911 ambulance contract out to bid in August, and Contra Costa County is going through a similar process.

"Our job now is to redesign our program for post-reform health care system," Briscoe said.

Supervisors and county staff praised Paramedics Plus, which consistently exceeds its required response time

"These guys have been on time 96 percent of the time. They have outperformed their contract in a difficult financial situation," Briscoe said.

"Our emergency medical services have some of the best response times and clinical outcomes in the state. We're recognized as one of the premiere EMS systems in the state, if not the nation," he said.

County staff proposed the \$5 million one-time bailout to offset some of those losses while a consultant helps the county come up with a plan to fix the 911 system, he said.

"We wanted to make sure they didn't go broke or reduce services," he said.

Now, Briscoe said his department will talk with supervisors about ways to generate additional revenue to fix the problem.

"We will also continue to push state and federal officials to address the under-reimbursement to the 911 system. We work with the provider to help them be as efficient and cost-effective as possible, and we will continue our redesign," he said.