

Office of the City Auditor

CONSENT CALENDAR
June 12, 2007

To: Honorable Mayor and
Members of the City Council

From: Ann-Marie Hogan, City Auditor

Subject: Audit: Fire Department Ambulance Billing

RECOMMENDATION

Request the City Manager to report back before September 2008 regarding the implementation status of each of the City Auditor's recommendations in the attached report, and every six months thereafter, until all recommendations have been implemented.

SUMMARY

A Fire Department Ambulance Billing Audit was performed to determine whether:

1. All billable emergency medical service (EMS) dispatches are billed.
2. Services, supplies, and medications provided to patients are billed using authorized fees.
3. Collection efforts are sufficient and effective.

Audit fieldwork began on October 18, 2006, and concluded on January 23, 2007. After the April 23, 2007, exit conference additional fieldwork was conducted, which concluded on April 26.

The audit report has seven findings and 23 recommendations. The audit found neither the Fire Department nor the Finance Department provided sufficient oversight and direction to the outside contractor charged with ambulance billing and collection, and neither sufficiently monitored the contractor's performance. Additionally, neither took a sufficient leadership role in ambulance billing and collection operations. Concerns with City procedures in the areas of billing, waiving of fees, collections, and the write-off of uncollectible accounts are discussed in the report.

Although only 12% of Berkeley residents between 18 and 64 are reportedly uninsured, the rate of uninsured among users of the ambulance service appears closer to 30%. Approximately \$1.8 million of the nearly \$5.7 million ambulance billings in fiscal year 2006 were for presumably uninsured patients.

FISCAL IMPACTS OF RECOMMENDATION

Care was taken to make audit recommendations that appeared to be cost effective to implement.

CURRENT SITUATION AND ITS EFFECTS

Concerns identified during the audit are as follows:

- Although the billing contractor was performing some collection efforts, neither Finance nor Fire were performing any, nor was an outside collection agency used. Neither Finance nor Fire were proactive in exploring and implementing new ways to increase collections and reduce the number of accounts that cannot be billed due to a bad address or insufficient information. (Finding 1)
- Fire Department procedures allowed a small number of billable ambulance trips (estimated at 3%) to go unbilled. (Finding 2) Procedures were also not in place to help ensure the billing contractor input all billable trip documentation provided by Fire into the billing system. (Finding 2)
- A small amount of fees were waived without formal criteria or sufficient oversight. (Finding 3)
- Annually more than a million dollars in ambulance billings was written off as uncollectible without Council being notified. (Finding 4) It should be noted that it is not uncommon for jurisdictions to write off a large percentage of billed ambulance fees as uncollectible.
- Neither Finance nor Fire was actively monitoring the billing contractor's performance or providing them with City approved collection guidelines as called for in the contract. (Finding 5)
- Some fees the billing contractor was asked to charge had not been authorized. Mileage charges were sometimes excessive. (Finding 6)
- The Fire Department's written policies and procedures for ambulance billing were insufficiently detailed, and the process for accounting for payments in FUNDS was outdated. (Finding 7)

We noted a high rate of uninsured ambulance users. Uninsured residents are most likely using ambulance services more than the insured, because they have less access to outpatient and preventative care. Any efforts the City can make to partner with other stakeholders and to support proposals for expanding health coverage such as Medi-Cal could positively impact not only the fiscal health of the City and workload of City staff, but the health of the community. Implementation of the recommendations in our audit are aimed at decreasing risks and increasing revenue to the City.

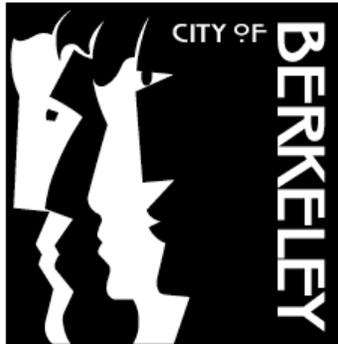
CONTACT PERSON

Ann-Marie Hogan, City Auditor, (510) 981-6750

Attachment:

1. Fire Department Ambulance Billing Audit Report

City of Berkeley



Fire Department Ambulance Billing Audit

Prepared by:

Ann-Marie Hogan, City Auditor, CIA, CGAP
Teresa Berkeley-Simmons, Audit Manager, CIA, CGAP
Frank Marietti, Senior Auditor, CIA, CGAP, CFE

Presented to Council on June 12, 2007

2180 Milvia Street, Berkeley, CA 94704 ♦ Tel.: (510) 981-6750 ♦ Fax: (510) 981-6760

Fire Department Ambulance Billing Audit
Table of Contents

Section No.	Section Title	Page No.
I.	OBJECTIVES OF THE AUDIT	1
II.	SCOPE AND METHODOLOGY	1
III.	BACKGROUND	2
IV.	RESULTS OF AUDIT	4
V.	FINDINGS AND RECOMMENDATIONS	6
	Finding 1: Billing and Collection Efforts Could Be Improved.....	6
	Large Percentage of Billings Not Being Collected	
	Collection Efforts Could Be Improved	
	Efforts To Obtain Missing Billing Information Could Be Improved	
	Finding 2: Trips That Should Be Billed Are Not Always Billed.....	10
	Finding 3: No Formal Criteria for Waiving Fees.	12
	Finding 4: Account Write-offs Occurring Without Council Approval.	13
	Finding 5: Oversight of ADPI Collections Could Be Improved.	14
	Finding 6: Charges: Some Fees Were Not Authorized; Mileage Charges Were Sometimes Excessive; CPI Adjustments Were Not Made Annually	15
	Unauthorized Fees	
	Overstated Mileage	
	Annual CPI Fee Adjustments	
	Finding 7 Insufficient Written Policies and Procedures for Ambulance Billing....	17
VI.	CONCLUSION	18
Attachment A	Schedule of Ambulance Service Fees Not Authorized By City Council	

I. OBJECTIVES OF THE AUDIT

The objectives for this audit were to determine whether:

1. All billable emergency medical service (EMS) dispatches are billed.
2. Services, supplies, and medications are billed using authorized fees.
3. Collection efforts are sufficient and effective.

This audit was initiated by the Auditor's Office and was scheduled to be performed as part of the fiscal year 2007 audit plan. The 2007 audit plan was presented to City Council on June 20, 2006.

II. SCOPE AND METHODOLOGY

The scope of this performance audit was limited to the ambulance billing and collection efforts that the Berkeley Fire Department (BFD) and the City's Finance Department were responsible for during the period July 2005 through December 2006. An audit of Advanced Data Processing, Inc. (ADPI), the City's ambulance billing contractor, was not included in the scope of this audit. Fieldwork for this audit began on October 18, 2006, and concluded on January 23, 2007. After the April 23, 2007 exit conference, some additional fieldwork was conducted which concluded on April 26.

The information used to complete this audit was obtained primarily from:

- A walkthrough of City performed ambulance billing, payment processing, and collecting operations.
- Discussions with City and ADPI staff.
- A review of the City's contracts with ADPI and the County of Alameda.
- A review of ambulance service billing, collection, and payment records and reports prepared by the City or ADPI.

As part of this audit, billings prepared by ADPI were reviewed to determine if authorized fees were used and services, supplies, and medicines billed were sufficiently documented. However, the accuracy of the information in the ADPI monthly reports was not tested for reliability.

The audit procedures performed during this audit were not designed specifically to detect fraud; however, they were designed to identify weaknesses in policies and procedures that could allow

fraud or abuse to occur and go undetected during the normal course of business. Audit work was performed in accordance with Generally Accepted Government Auditing Standards and was limited to those areas specified in the scope and methodology section of this report.

III. BACKGROUND

General Information

The Fire Department provides advanced life support (ALS) ambulance service within Berkeley. The Fire Department's ambulance service is provided under contract with the County of Alameda. This contract establishes the fees that the Fire Department can charge for ambulance services, supplies, and medications.

Since 1987 the City has contracted with Advanced Data Processing, Inc. (ADPI), formerly known as Allied Information and Services Corporation, for ambulance billing and collection services. Effective April 1, 2006, the City entered into a new contract with ADPI for these services. ADPI's fee for service is 4.95% of the collected revenue.

Billing

Each time a Fire Department ambulance is dispatched, Police Department dispatchers record the activity in the Computer Aided Dispatch (CAD) system. An incident number is assigned to each incoming call. An ambulance response is referred to as a "trip". According to the Assistant Fire Chief, there is a \$60 fee for an ambulance response if a patient initiates a 911 call and subsequently refuses transport. The fee for Basic Life Support (BLS) Base Emergency transport is \$599. The fee for Advanced Life Support (ALS) Base Emergency Transport is \$930.40. Patients are charged the base fees, \$20 per mile for transport, and additional fees for supplies and medicines.

Each time Fire Department paramedics respond to a request for emergency medical service (EMS) that involves contact with a patient, they complete the following forms:

- **Prehospital Care Report (PCR):** Legal record of care given to a patient by Berkeley Fire Department paramedics.
- **EMS Billing Sheet:** Identifies the Alameda County EMS Field Manual policies followed, as well as the services provided, and the supplies and medicines used.

When an individual refuses all EMS services one or more of the following forms are completed:

- **Prehospital Care Report (PCR):** Used when patient assessment is performed.
- **Refusal of Care Form:** Completed if patient refuses care and no ALS assessment was required.
- **Refusal of Service Log:** Used for multiple patients.
- **First Responder Form:** Completed by first responder when an ambulance is cancelled prior to arrival on the scene.

Paramedic Supervisors are responsible for reviewing the PCRs for completeness. Once

reviewed, PCRs and EMS Billing Sheets are provided to an Accounting Office Specialist III (AOSIII). The AOSIII is responsible for comparing the PCRs to the CAD reports and verifying the incident number, date, location, and dispatch time before providing them to ADPI. ADPI uses this information to prepare the billings. ADPI provides the Fire Department with billing and revenue reports monthly. ADPI plans to upgrade to a new billing software called Intermedix during May 2007. According to ADPI management, the new system will make more information available to Berkeley, and information will be available online.

In fiscal year 2006, ADPI reported billing or attempting to bill \$5.7 million in ambulance fees. They also reported receiving payments totaling \$2.5 million (before service fees paid to ADPI), which is a 44% collection rate. However, it is important to note that a large portion of the total fees ADPI billed or attempted to bill can't be collected by law. For this reason, in fiscal year 2006, ADPI adjusted the accounts receivable downward by \$1.7 million (about a third of the billable fees) for fees Medicare, Medi-Cal and insurance companies were billed that, by law, could not be collected. After this downward statutory adjustment, the net collection rate for fiscal year 2006 was 63%. Conversely, the City did not receive payment for 37% of the billable services provided (or 26% of the total fees ADPI billed or attempted to bill). This equates to \$1.5 million during fiscal year 2006.

A very large portion of the \$1.5 million consisted of self-pay patients (uninsured). It is important to note that of the fees that were billed but not paid, ADPI reports showed most of the unpaid fees were attributable to self-pay, with a collection rate of only 12%. In other words, approximately a third of the fees that were billed or could be billed during fiscal year 2006 were not collected, and most of the amount not collected was from the self-pay category.

The Assistant Fire Chief stated that the Fire Department receives approximately 8,000 emergency medical service calls annually. For fiscal year 2006, ADPI reported that they received 5,634 PCRs from the Fire Department.

Collections

The City's contract with ADPI stipulates that ADPI will provide ambulance billing and collection services. Additionally, Fire Department representatives stated that each month Fire provides Finance – Revenue Collections with an ADPI report that identifies the accounts receivable written-off by ADPI during the prior month. The City's Finance Department – Revenue Collection Division has only periodically provided collection services. According to the Finance - Revenue Collection Manager, the reports prepared by ADPI were provided so that Finance could perform additional collection efforts, as well as annually develop and book in FUNDS, the City's computerized financial system, an allowance for uncollectible accounts.

ADPI billing and collection services include a minimum of one telephone call, a payment plan offered to self-pay clients, and the following:

ADPI database	The ADPI database is examined to determine if a patient has been billed before and if ADPI has a good address on file.
Skip trace	The online database from a company called Accurint is used to perform skip traces. Patient names and other known patient information are used to try to identify the home address of patients ADPI needs to bill.
Cascading	A company called Zirned contacts the largest insurance companies in the area that offer online eligibility checks. This process is used to identify the insurance companies for the patients ADPI wants to bill.
Billing Statements	The monthly billing statements are sent out. They include verbiage with increasingly strong language intended to encourage the patient to pay or contact ADPI.

IV. RESULTS OF AUDIT

Audit Objective 1: Are All Billable EMS Dispatches Billed?

In our audit sample, about 3% of the billable trips (ambulance runs) had not been billed because the Fire Department had not provided the outside billing contractor (ADPI) with the PCRs and EMS Billing Sheets. Also, the Fire Department was not monitoring the monthly billing reports to identify trips ADPI may have failed to input into their billing system. Billable trips that ADPI did not input would result in lost revenue to the City. (Finding 2)

Billings were waived by the Fire Department without approved criteria for the waivers, or a higher authoritative level of secondary review and final approval. As a result, it appears billed fees could be inappropriately waived and this activity would go undetected. For the twelve-month period ending October 31, 2006, fees totaling \$13,949 were waived. (Finding 3)

Audit Objective 2: Are Services, Supplies, and Medications Billed Using Authorized Fees?

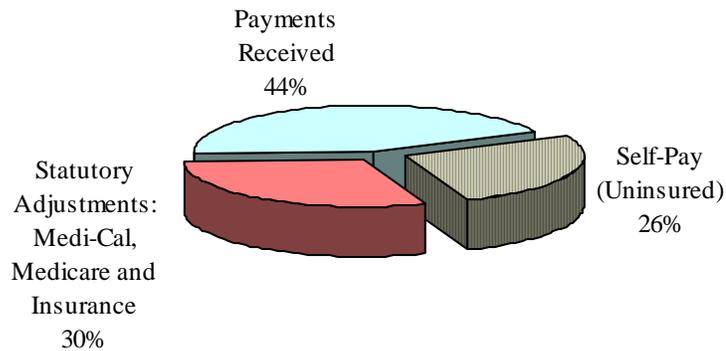
The fees being charged for some services and supplies had not been formally approved by the City Council, and in one instance, the County of Alameda, as required. (Finding 6) Additionally, the City had not increased fees annually for inflation using the Consumer Price Index as allowed for in the City’s ambulance provider agreement with Alameda County. Not adjusting fees annually resulted in lower fees being charged than what was allowable. (Finding 6)

On occasion, there was overcharging for ambulance transport mileage. In our audit sample of 18 invoices which included fees for mileage, 3 had mileage overcharges ranging from 3 – 5 miles or \$60 - \$100. (Finding 6)

Objective 3: Are Sufficient and Effective Collection Efforts Being Performed?

During fiscal year 2006, the City did not receive payment for approximately 37% of the ambulance services subject to billing (after statutory adjustment), or \$1.5 million. Although ADPI is not considered a professional collection agency, they do perform some collection activities. However, once ADPI discontinued collection efforts on an account, Fire and Finance performed no additional collection efforts. The uncollected accounts were also not sent to a collection agency. As a result, the City was not following up on any potential revenues from accounts because they were being written-off. The high percentage of reportedly uninsured individuals using the ambulance service also suggests further efforts to support proposals for expanding health insurance coverage for uninsured individuals could be considered. (Finding 1)

Fire Ambulance Billings For FY 2006



Additionally, each year more than a million dollars in ambulance billings are written off as uncollectible without Council approval. Because write-offs are taking place at ADPI¹ and not in the City’s FUNDS\$ accounting system, Fire and Finance have not been obtaining Council approval for these write-offs in accordance with the City’s write-off policy, Administrative Regulation 3.1. (Finding 4)

¹ Once ADPI discontinues collection efforts on client accounts, usually after 180 days, these accounts are documented as written-off by ADPI in the reports provided to the City. However, ADPI does not write-off these accounts on their books.

V. FINDINGS AND RECOMMENDATIONS

Finding 1 Billing and Collection Efforts Could Be Improved

During fiscal year 2006, the City did not receive payment for approximately 37% of the total billable ambulance services provided (after statutory adjustments to billings), or \$1.5 million. Statutory adjustments are defined below. Although ADPI is not considered a professional collection agency, they did perform some collection activities. However, once ADPI discontinued collection efforts on an account, Fire and Finance performed no additional collection efforts, and the uncollected accounts were not sent to a collection agency. As a result, the City did not follow up on any potential revenues from unpaid accounts because they were being written-off.

Large Percentage of Billings Not Being Collected

ADPI reported they billed or attempted to bill \$5.7² million in ambulance fees during fiscal year 2006. ADPI received \$2.5 million in payments, a 44% gross collection rate (before 4.95% service fee paid to ADPI). However, it is important to note that a large portion of the total fees that ADPI billed, or attempted to bill, could not be collected by law. In fiscal year 2006, ADPI adjusted the accounts receivable downward by \$1.7 million (about a third of what was subject to be billed) for fees Medicare, Medi-Cal, and insurance companies were billed that could not be collected by law. After this downward statutory adjustment, the net collection rate for fiscal year 2006 was 63%³.

Conversely, the City did not receive payment for 37% of the billable services provided after statutory adjustments to billings or 26%⁴ of the total billable services provided before statutory adjustments to billings. This equates to \$1.5 million during fiscal year 2006 that was not collected. It is important to note that of the fees that were not paid, most (\$1.6 million⁵) was attributable to self-pay patients (uninsured) according to ADPI reports.

² ADPI is unable to bill some patients for various reasons; for example, a good mailing address is not available.

³ \$2.5/(\$5.7-\$1.7) dollars are in millions.

⁴ \$1.5/\$5.7 million

⁵ The apparent contradiction of some of the data in ADPI's reports does not affect the statement in finding 1 that a very large portion of the uncollectible patient accounts are patients who are uninsured. ADPI provides the Fire Department with monthly summary reports that identify what was billed and what was collected by major classifications, such as the self-pay classification. The ADPI Regional Director – West stated that these reports could be used to identify total fees billed and total payments received during fiscal year 2006 for the self-pay classification. He acknowledged that these reports would not include account reclassification activity; for example, when a patient was subsequently found to have insurance and moved from the self-pay classification to an insured classification. However, he stated the monthly reports used by the auditor would provide materially accurate self-pay billing and collections information. A report that would provide a more accurate number was not readily available.

Collection Efforts Could Be Improved

Once ADPI discontinued collection efforts on an account, Fire and Finance performed no additional collection efforts, and the City did not use a collection agency to follow-up on outstanding ambulance billings. ADPI billing and collection reports indicated that the self-pay classification comprised the largest portion of the uncollected fees.

ADPI representatives stated the monthly BFD – Old Accounts Cancellation Report they provided the City identified all the accounts for which ADPI had discontinued billing and collection efforts. However, the report did not appear to provide enough information for Fire and Finance to effectively monitor collections and perform or oversee additional collection efforts. For example, the report did not identify or summarize account activity by account type, such as self-pay.

During fiscal year 2006, approximately \$1.8 million was billed and approximately \$220,000 or 12% was collected from the category identified as self-pay (uninsured). In other words, approximately a third of the fees that were billed, or could be billed, during fiscal year 2006, after statutory adjustments, were not collected and most of this uncollected amount was from the self-insured patient category. ADPI representatives stated that the self-pay category always has a much lower collection rate than the insured category. ADPI representatives further stated that only a 2-3% increase in the overall ambulance billing collection rate could be expected if accounts were sent to a collection agency. However, ADPI recommended that at the end of a billing cycle, accounts that have not had any responses be sent to an outside collection company. ADPI cautioned that the cost of a collection agency could be significant and the use of a collection agency's aggressive tactics could result in bad public relations for the City.

Currently, the City is not formally offering discounts to the self-insured. Some other organizations appear to be offering large discounts to the uninsured to encourage prompt payment. For example, Alta Bates has begun offering large discounts to their uninsured patients for hospital inpatient charges (60% discount) and outpatient charges (44%). Additionally, Alta Bates is offering the self-insured a 20% prompt pay discount if accounts are paid in full within 30 days of the bill date.

The high number of ambulance users in the City who appear to be uninsured is cause for concern. However, there are also possible opportunities for action to reduce the number of calls for service from this group by improving City residents' access to health care. According to the City of Berkeley's Health Officer, data from the California Health Interview Survey in 2001 says that only 12% of adults between 18 and 64 in Berkeley are uninsured. She said "it is true that people who are uninsured are more likely to use ambulance services because they don't have access to outpatient care and so they are more likely to get sicker before they ask for help. The County just received money from the state to improve access for the uninsured, but it is unclear how those funds will be used."

As ADPI updates their computer system and is able to provide Fire with reports that identify the profiles of exactly who makes up the self-insured, there could be possible opportunities for the County, Alta Bates, UC Berkeley, and City staff in other departments, such as the Health Officer in Health and Human Services, to perform coordinated community outreach to get the uninsured whatever insurance they are entitled to, including Medi-Cal and Medicare

Efforts to Obtain Missing Billing Information Could Be Improved

It appears significant fees were not billed due to bad billing address information or incomplete information. ADPI reported \$421,462 in fees could not be billed during calendar year 2006 for these reasons. ADPI provided the Fire Department with a detailed monthly report that identified the accounts ADPI could not bill due to bad address or incomplete information. However, the Director of ADPI- West stated that ADPI continued to review these accounts and bill them if possible. For this reason, this report was not sufficiently useful for the City to follow-up on collection efforts.

Regarding incomplete billing information, it appears Fire staff did not always request patient billing information. In a survey taken by Fire Department staff as part of our audit, approximately 25% of the survey takers reported that between 5% and 15% of the time, staff did not attempt to obtain billing information. Approximately 76% of the Fire staff (92) direct responders who routinely respond to emergency calls took the survey. According to Fire management, billing information may not always be obtainable depending on the severity of the patient's condition.

The Assistant Fire Chief provided documentation that Fire staff had received a three hour medical documentation class offered in March and April 2006, and explained that this class covered the proper completion and routing of the PCRs.

The relationship with Alta Bates Hospital and other hospitals that the BFD transports to could be improved. ADPI representatives stated ADPI has not had an exchange of information with Alta Bates for about a year. When there was an exchange, ADPI representatives stated a significant amount of billing information was obtained. This stopped due to a staff change at Alta Bates and a staff change at ADPI. ADPI uses Zirmed to do cascading with the largest health insurance companies in the area that offer online eligibility checks.

City Manager's Response

Fire and Finance agree with the finding.

Recommendations for the Fire and Finance Departments

- 1.1 Fire should work with Finance to determine if the City and the billing contractor should perform additional pre-collection efforts to increase the City's EMS revenues. Fire should report back to Council with the results of their study. Pre-collection efforts to consider include the following:
 - Have EMS front line staff review PCRs that could not be billed due to incomplete or inaccurate information to see if they can provide or readily obtain the required information.
 - Request the Health and Human Services Department provide Medi-Cal and Medicare enrollment outreach and assistance.
 - Have Finance use the State DMV database (access already available to the City) to obtain billing address information that could not be obtained by other means used by ADPI (if permitted by the State).
 - Establish an EMS membership program⁶.
- 1.2 Obtain monthly reports from the billing contractor that identify all the trips (accounts) not billable because of missing / incorrect information that the contractor is no longer pursuing. Reports should include the information the City needs to perform desired analysis, follow-up, and billing, and Fire and Finance should use this information for this purpose. Fire and Finance should review these trips and make a reasonable attempt to obtain the information required to bill them.
- 1.3 Obtain monthly reports from the billing contractor that identify all the trips (accounts) collection efforts were discontinued on. These reports should provide the information the City or our collection agency need to perform desired analysis to identify the accounts and account groupings (self-pay, insured, etc.) where collection efforts will generate the most revenue. Finance or an outside collection agency should perform Council approved collection efforts when cost effective to do so. Collection efforts to consider include reporting bad debts to credit reporting bureaus, obtaining court judgments, and property tax liens.
- 1.4 Look into whether or not it would generate more revenue for the City, and decrease the financial burden on the self-insured, if ambulance service fees for uninsured patients were heavily discounted. Report results of this study to Council and obtain Council and Alameda County approval for discounts if it is determined that this is the best course of action.

⁶ Berkeley citizens that join the EMS Membership program would be guaranteed to pay nothing for BFD ambulance service. To become a member, citizens would be billed a nominal annual membership fee.

Recommendations for Fire Department

- 1.5 Continue providing the Firefighter / Paramedic staff with periodic training regarding how to best go about obtaining required billing information, and the importance of always attempting to obtain this information.
- 1.6 Fire should work with the billing contractor and re-establish relationships with local hospitals whereby they agree to provide the billing contractor with patient information required to bill insurance companies, Medicare, etc. for Berkeley ambulance transports.

City Manager's Response

Fire and Finance agree with the recommendations and will fully implement them by June 2008.

Finding 2 Trips That Should Be Billed Are Not Always Billed

The Fire Department does not take adequate steps to ensure that ADPI receives a PCR and EMS Billing Sheet for every billable trip. As a result, a small number of billable trips (estimated at 3% based on our sample) are not being billed.

A review of all the City's Computer Aided Dispatch (CAD) reports for the one-week period ending September 16, 2006, identified four transported patients who should have been billed but were not. They received care and were transported to a hospital, but were not billed. For all four patients, the Fire Department was not able to provide PCRs or EMS Billing Sheets. By law, a PCR is required when a paramedic has contact with a patient. The estimated annual revenue lost from Fire staff not providing ADPI with forms needed to bill transported patients is \$97,000. See computations below:

<p>4 patients x 52 weeks a year x \$1,092 avg. fee* = \$227,136 estimated fees not billed annually</p> <p>\$227,136 x 43% collection rate** = \$97,668** estimated fees not collected annually</p> <p>* = Average fee for a patient transported to a hospital during October 2006</p> <p>** = Collection rate for the 12 month period ending October 2006</p>

Additionally, for the same week ending September 16, 2006, the Fire Department could not provide PCRs or "refusal of care" forms for seven patients that were not transported. Although required forms were not completed or properly retained for these trips, it appears only one trip might have resulted in a billed amount of approximately \$60.

Because the Fire Department did not have procedures in place to help ensure that all PCRs were

provided to ADPI for billing, it appeared several Fire staff would have had the opportunity to intentionally prevent a PCR from being submitted to ADPI for billing. The Assistant Fire Chief stated that Fire staff periodically receives training regarding the proper completion and routing of PCRs, and that the most recent classes were three-hour trainings titled “Medical Documentation” provided during March and April 2006.

The Fire Department also did not have a procedure in place to help ensure ADPI input all the PCRs it received from Berkeley into the billing system. As a result, PCRs that ADPI did not input into their billing system for the City would have been undetected, and billable services provided would not have been billed.

According to ADPI management, the total count of records in the monthly billing register report should equal the total count of PCRs that Berkeley submits monthly. One of the PCRs in our test group was billed for the first time months after EMS service was provided. This may have been caused by ADPI or untimely submission by the City. Timely submittal of PCRs by Fire to ADPI in conjunction with timely input of PCR information by ADPI is required for the Fire Department to effectively perform this reconciliation.

City Manager’s Response

Fire agrees with the finding.

Recommendations for the Fire Department

- 2.1 Reconcile the EMS dispatches in the Computer Aided Dispatch (CAD) system with the PCRs to make sure there is a PCR for each billable EMS dispatch (trip) with disposition code numbers 1 (transported) or 2 (not transported). Exclude disposition code number 2 dispatches from the reconciliation if it is found not to be cost effective, since there is often no fee, or only a minimal fee, associated with them.
- 2.2 After performing recommendation 2.1, obtain missing PCRs and submit them to the contractor for billing.
- 2.3 Each month a Fire supervisor should approve the reconciliation (recommendation 1.1) and sign-off on the accuracy of the PCR count before the PCRs are provided to the billing contractor. Monthly, also reconcile the total number of PCRs provided to ADPI with the trip count in the ADPI provided billing register report. Fire Department staff should follow-up with ADPI regarding any variances.
- 2.4 Management should continue to periodically reiterate to Fire EMS staff the policy that paramedics are to always prepare a PCR when they have contact with a patient, and that the original and copies are to be properly filed and retained.
- 2.5 Recommendations 2.1 – 2.4 should be incorporated into the Fire Department’s written and

approved EMS policies and procedures.

City Manager's Response

Fire agrees with the audit recommendations. Fire has already implemented several of these recommendations. Recommendation 2.1 was implemented during December 2006, recommendation 2.2 and 2.3 were implemented during April 2007, and recommendation 2.4 was implemented during February 2007. Recommendation 2.5 will be implemented by June 2008.

Finding 3 No Formal Criteria for Waiving Fees

During the twelve-month period ending October 31, 2006, the Assistant Fire Chief waived ambulance fees totaling \$13,949. The waiving had not been reviewed or approved by his supervisor. Furthermore, the City did not established formal criteria for the waiving of these fees.

Some patients who received an ambulance billing called the Assistant Fire Chief and asked if their bill could be waived because they did not have the financial means to pay it. The Assistant Fire Chief evaluated each request, and if he deemed it appropriate, approved the request for waiver. He then emailed ADPI, instructing them to waive the billing.

On September 25, 2001, Fire presented an information item to Council outlining the EMS billing policies and procedures. Included in the item was the statement, "The Berkeley Fire Department is sensitive to those who are facing great financial hardship and does extend fee waivers or reduced payments to those who show financial need." Clearly, Council was informed of the Fire Department's policy to waive fees. However, criteria had not been established to ensure that fee waivers were fairly and equitably applied.

The current procedure could result in fees being waived that Council does not want waived or fees being waived inequitably or inconsistently. That is, the current procedure provides little assurance that individuals in the same situation will be treated the same. Additionally, due to a lack of formal review, it appears the current procedure would allow fees that were inappropriately waived to go undetected.

City Manager's Response

Fire and Finance agree with the finding.

Recommendations for the Fire and Finance Departments

- 3.1 If the City desires to waive all or a portion of an ambulance billing under certain circumstances, the criteria should be pre-approved by City Council.
- 3.2 Waived billings should be reviewed for compliance with policies and procedures and

approved in writing by the reviewer's supervisor. Consider having patients apply for a waiver by completing a waiver form and submitting it with specific documentation to support their low-income status. Next, Council approved criteria would be applied to determine if all or a portion of the billing can be waived.

- 3.3 Policies and procedures covering waiving of fees should be formally approved and documented in writing.

City Manager's Response

Finance and Fire will work together to determine the best way to implement recommendations 3.1 through 3.3 and will implement them by June 2008.

Finding 4 Account Write-offs Occurring Without Council Approval

Annually, more than a million dollars in ambulance billings are written off as uncollectible without Council approval.

Monthly, ADPI provided the City with a BFD Old Accounts Cancellation Report that identified all the patient accounts written off for the month. Accounts that had been written off were also removed from the accounts receivable ADPI maintained for the City. ADPI provided the City with the BFD Old Accounts Cancellation Report so the City could pursue additional collection efforts. At year end, the City recorded the ADPI provided accounts receivable balance as of June 30 in FUND\$, the City's accounting system.

Because write-offs were taking place at ADPI and not in the City's FUND\$ accounting system, Fire and Finance had not been obtaining Council approval for these write-offs in accordance with City policy, Administrative Regulation 3.15.

City Manager's Response

Finance agrees with the finding.

Recommendation for the Finance Department

4. Update the City's write-off policy, A.R. 3.15, or draft a new administrative regulation to address how Council is to be kept informed of City accounts receivable write-offs made by a third party.

City Manager's Response

Finance will either update A.R. 3.15, or draft a new administrative regulation, to address how Council is to be kept informed of City accounts receivables write-offs made by a third party by June 2008.

Finding 5 Oversight of ADPI Collections Could Be Improved

The Finance and Fire Department are not actively monitoring ADPI's collection performance or providing them City approved guidelines.

Fire Department management stated that it was the Finance Department's responsibility to monitor ambulance billing collections and to perform collection efforts beyond those performed by ADPI. The Finance - Revenue Collection Manager stated she notified the Fire Department's management in July 2003 that Finance did not have the staff to perform ambulance billing collection efforts, or to monitor ADPI collections. She now states that she has more staff and Finance might be able to resume additional collection efforts.

The City's contract with ADPI states:

- "Contractor shall only use collection methods that are reviewed and approved by the City for conformity with City policies and procedures."
- (ADPI) "Attempt to assess the debtor's ability to repay the debt and, if necessary, extend time payments, which shall be subject to guidelines approved by the City."
- (ADPI) "Meet or exceed mutually agreed upon collection targets."

The City failed to provide adequate direction, review, or approval to ADPI. For example, the City had not formally approved or disapproved collection efforts to be used by ADPI nor formally provided or approved payment plan guidelines to be used by ADPI. In addition, collection targets were never established. ADPI was given no formal guidance, and it appears they largely were autonomous. The former Director of ADPI – West stated that although collection methods used by ADPI had not been approved in writing by the City, ADPI representatives had spoken with Fire Department staff and identified the collection procedures they would be performing. During the audit, no ADPI billing or collection policies or procedures came to the attention of the auditor, which in the auditor's judgment, were inappropriate. However, when the City does not specify what they want a contractor to do, or not do, there is an increased risk that tasks will not be performed as the City or Council wants them performed.

City Manager's Response

Fire and Finance agree with the finding.

Recommendations for the Fire and Finance Departments

- 5.1 The City and the billing contractor should establish and document in writing the agreed upon collection methods that the billing contractor will perform. Agreed upon collection targets for the billing contractor should also be established annually.

Recommendation for the Fire Department

- 5.2 Monitor the collection efforts performed by the billing contractor and Finance, and timely follow-up when a concern is identified.

City Manager's Response

Fire and Finance agree with the recommendations and will work together to determine the best way to implement recommendations 5.1 through 5.2 and will fully implement them by June 2008.

Finding 6 Charges: Some Fees Were Not Authorized; Mileage Charges Were Sometimes Excessive; CPI Adjustments Were Not Made Annually

Billings in general appeared to be materially accurate; however, we noted unauthorized fees were charged for a few EMS services and supplies. In addition, mileage charges were sometimes excessive.

Unauthorized Fees

The Fire Department directed ADPI to charge some EMS fees that had not been approved by City Council as required. See Attachment A for a list of these fees. The Fire Department also directed ADPI to charge two different fees for a nasal airway, \$21.92 and \$6.98. ADPI charged the higher fee, which was not the fee most recently authorized by Alameda County or City Council. The higher fee had been the previously authorized fee for this supply.

Another fee not approved by Alameda County or Council was a \$60 non-transport fee, a fee for service. The Assistant Fire Chief stated that the other fees in question were for disposable supplies, with the exception of restraints, which he stated was a multiple use supply. The allowability of a fee for service is questionable under the terms of the City's ALS Ambulance provider agreement with Alameda County. In section 12.2.1 of the agreement it states, "The City may bill for disposable supplies or medications not listed by the County in Exhibit D⁷, based on fees charged for similar items or medications at local hospitals." Services do not appear to be included.

According to the Assistant Fire Chief, the \$60 non-transport fee is a charge for an ambulance response if a patient initiates a 911 call and subsequently refuses transport. This fee did not appear allowable since it was not a disposable supply or medication and was not included in Exhibit D of the provider agreement. However, according to ADPI management, charging a non-transport fee is common industry practice and most jurisdictions charge everyone that receives service, but is not transported to the hospital, a non-transport fee. ADPI representatives said that most of the cost of providing emergency medical response service has already been incurred before transport. They also stated the City's \$60 fee is probably the lowest they have seen in the nation, with the average non-transport fee for their clients being \$250, and sometimes itemized supplies are additional. Berkeley charges a non-transport fee only if a patient initiates a

⁷ Exhibit D in the City's contract with Alameda County contains the Alameda County approved EMS fees the City can charge.

911 call and subsequently refuses transport. Berkeley also charges for supplies and medicines.

Regarding some of the smaller fees in Attachment A of this report, the Assistant Fire Chief stated that although these fees had not been authorized by Council individually, some had been authorized as part of a group of supplies. However, the Fire Department provided no documentation that would permit the auditor to confirm the fees in question had been formally authorized.

Overstated Mileage

Seventeen percent (3 out of 18) of the September and October 2006 billings reviewed were billed for mileage significantly higher than what Mapquest.com⁸ indicated. The former Director of ADPI – West stated ADPI used Mapquest.com to identify billable mileage. For these three trips, it appeared the mileage billed should have been four miles each. The mileage billed by ADPI was seven miles for two trips and nine for the third trip. It appeared overcharges ranged from \$60 - \$100 for these trips. One of these trips was billed incorrectly because paramedics recorded an incorrect dispatch address on the PCR. Actual mileage to the hospital was often not documented by paramedics on the EMS Billing Sheet in the space provided and was not provided for the three trips discussed above.

Annual CPI Fee Adjustments

Fees the City can charge patients for EMS services, supplies, and medicines were not being adjusted every October by the Consumer Price Index – All Consumers (San Francisco, Oakland, San Jose) as allowed for in section 12.1 of the City’s ALS ambulance agreement with Alameda County. The fees remained unchanged since July 1, 2004. As a result, the fees charged are less than they could be. It should be noted that higher fees will often not result in higher payments from patients or higher revenues. For example, Medi-Cal and Medicare payments are fixed. According to the Assistant Fire Chief, fees are set to capture the maximum allowable of Medicare and Medi-Cal payouts.

The unauthorized fees, overstated mileage charges, and lower than allowable fees due to the lack of annual CPI adjustments, appear largely due to Fire Department staff not sufficiently monitoring ambulance billing activity. The Assistant Fire Chief stated there was insufficient Fire staff to effectively monitor ambulance billing.

City Manager’s Response

Fire agrees with the finding.

Recommendations for the Fire Department

6.1 Authorize the billing contractor to only charge ambulance service fees that are authorized

⁸ Website that can be used to provide directions and mileage from point A to point B.

by Alameda County and the Berkeley City Council. If it is unclear whether a fee is allowable under the contract terms, clarification should be obtained in writing from Alameda County.

- 6.2 If Alameda County authorizes the City to charge a non-transport fee, determine whether it would be in the best interest of the City to charge all patients that received ambulance service, but were not transported to the hospital, a non-transport fee, and whether this fee should be significantly increased to more closely reflect the non-transport fee charged by other jurisdictions.
- 6.3 Adjust the ambulance service fees in schedule D of the City's contract with Alameda County by the CPI index annually (in October) in accordance with the contract terms.
- 6.4 Monitor billings prepared by the contractor to ensure they are accurate and complete. Document the completion of this monitoring step. Take timely corrective action as needed.
- 6.5 Incorporate recommendations 6.1 – 6.4 into the Fire Department's written policies and procedures.

City Manager's Response

Fire agrees with the recommendations and will implement them by June 2008.

Finding 7 Insufficient Written Policies and Procedures for Ambulance Billing

The Fire Department's written policies and procedures for ambulance billing are insufficiently detailed and the process for accounting for payments in FUNDS (the City's automated accounting system) is outdated. Use of these procedures by new, but qualified employees, would provide insufficient direction for them to perform the billing and deposit activities as management wants them performed. During the audit, the new Accounting Office Specialist III involved with billing and payment processing, including the accounting of payments received in FUNDS, stated she had started preparing written policies and procedures for her responsibilities.

City Manager's Response

Fire agrees with the finding.

Recommendation for the Fire Department

7. Develop written policies and procedures that identify how management wants staff to

perform all ambulance billing and payment processing tasks. These policies and procedures should be approved in writing by management and be sufficiently detailed so that a new, qualified employee can use them to perform all the significant billing tasks as management wants them performed.

City Manager's Response

Fire agrees with the recommendation, which has been partially implemented. The new Accounting Office Specialist III has started preparing written policies and procedures for her responsibilities. Additional policies and procedures will be developed and the recommendation will be fully implemented by June 2008.

VI. CONCLUSION

Neither the Fire Department nor the Finance Department have taken a leadership role in ambulance billing and collection operations. Also, neither provided sufficient oversight and direction to the outside contractor charged with ambulance billing and collection, and neither sufficiently monitored the contractor's performance. When the City does not specify expectations and oversee performance, there is an increased risk that tasks will not be performed as the City or Council wants them performed.

Current procedures have resulted in some billable trips not being billed, some problems with the fees being charged, some fees being waived with no formal criteria, and more than \$1 million dollars being written off as uncollectible annually without Council notification. The audit also found neither Finance or Fire had been proactive in exploring new ways to increase collection rates. It also found the Fire Department's written policies and procedures for ambulance billing were not sufficiently detailed.

Opportunities exist for the enhancement of the City's ambulance billings and collections. By increasing the gross collection rate by just four percent for fiscal year 2006, from 44% to 48%, revenues to the City would increase by approximately \$228,000.

Audit findings in this report were made known to Fire Department management during the course of the audit. In a large number of instances, Fire staff used this information to initiate or implement corrective action before this report was issued.

Ambulance Service Fees Not Authorized By City Council*

Supply / Medication / Service	Fee Charged
Non-transport*	\$60.00
T.B. Mask	\$1.60
Nasal Cannula	\$1.50
Nonrebreather Mask	\$5.00
CPR Lifeband	\$187.50
Suction - V. Vac / tip	\$40.60
Suction - Wall Mount / tip	\$29.78
Needle cricothyrotomy kit	\$32.85
Restraints	\$38.00
Defib pad/Defib/Pacing	\$147.97
Asherman chest seal	\$1.00
Dressings, minor (bandaids)	\$4.00
IM,SQ, med draw, safety needle, syringe	\$5.00
IntraNasal (IN) Mucosal Atomizer	\$5.00

* = This fee may not be allowable under the terms of the Alameda County Contract because it is for a service. In section 12.2.1 of the contract it states, "The City may bill for disposable supplies or medications not listed by the County on Exhibit D, based on fees charged for similar items or medications at local hospitals".

