

LOS ANGELES FIRE DEPARTMENT



NOV 17 2009

MILLAGE PEAKS
FIRE CHIEF

November 9, 2009

BOARD OF FIRE COMMISSIONERS
FILE NO. 09-129

TO: Board of Fire Commissioners

FROM: Millage Peaks, Fire Chief *MP*

SUBJECT: APPROVAL OF THE RECOMMENDATIONS FOR A FIELD DATA CAPTURE SYSTEM AND A EMERGENCY MEDICAL SERVICES BILLING AND COLLECTION SYSTEM AND APPROVAL OF THE PROPOSED CONTRACTS FOR THE TWO SYSTEMS

FINAL ACTION:	<input type="checkbox"/> Approved	<input type="checkbox"/> Approved w/Corrections	<input type="checkbox"/> Withdrawn
	<input type="checkbox"/> Denied	<input type="checkbox"/> Received & Filed	<input type="checkbox"/> Other

Recommendations: That the Board:

- 1) Approve the recommendation that Scan Health, Inc., dba Sansio be selected as the contractor for a field data capture system.
- 2) Approve the recommendation that the emergency medical services billing and collection system be fully outsourced to Advanced Data Processing, Inc.
- 3) Approve the proposed contract with Scan Health, Inc., dba Sansio for a field data capture system, subject to approval of the City Attorney as to form. (Attachment A) (Note: The City Attorney's Office is currently reviewing the proposed contract. The attached draft contract may be subject to technical changes, and will be substituted out with a different version.)
- 4) Approve the proposed contract with Advanced Data Processing, Inc. for an emergency medical services billing and collection system, subject to approval of the City Attorney as to form. (Attachment B) (Note: The City Attorney's Office is currently reviewing the proposed contract. The attached draft contract may be subject to technical changes, and will be substituted out with a different version.)
- 5) Direct the Commission Executive Assistant II to forward the recommendations and the two proposed contracts to the Mayor's Office, in accordance with Executive Directive No. 3, and the City Council for review and approval.
- 6) Recommend to the City Council that the proposed contracts be exempt from the Resolution adopted on May 18, 2009 (Council File 09-0600-S8), and the Department be authorized to enter into the subject agreements.

- 7) Subject to the approval of the City Attorney, the Mayor's Office and the City Council, authorize the Fire Chief to execute the attached contracts with Scan Health, Inc. dba Sansio and Advanced Data Processing, Inc.
- 8) Recommend to the Mayor's Office and the City Council that instructions from the City Attorney's Office be followed for compliance purposes regarding the regulations governing the Health Insurance Portability and Accountability Act.
- 9) Recommend to the Mayor's Office and the City Council to authorize by Regular employment authority the following five (5) new positions, and that the Department be authorized to fund and fill those positions in order to administrate the two contracts:

	<u>No.</u>	<u>Code</u>	<u>Class Title</u>
	1	1223-1	Accounting Clerk I
	1	1223-2	Accounting Clerk II
	1	1523-1	Sr. Accountant I
	1	1597-1	Sr. Systems Analyst I
	1	9171-1	Sr. Management Analyst I
Total:	5		

- 10) Recommend to the Mayor's Office and the City Council to authorize by Regular employment authority the following Resolution Authority position, and that the Department be authorized to fund that position in order to administrate the two contracts:

	<u>No.</u>	<u>Code</u>	<u>Class Title</u>
	1	1597-2	Sr. Systems Analyst II
Total:	1		

- 11) Recommend to the Mayor's Office and the City Council to authorize the Controller to appropriate from the Reserve Fund to the Department, Fund 100, Department 38, to pay for the salaries and related costs of the five new positions as follows:

<u>Account</u>	<u>Title</u>	<u>Amount</u>
1010	Salaries General	\$344,068

- 12) Recommend to the Mayor's Office and the City Council to authorize the Controller to appropriate from the Reserve Fund to the Department, Fund 100, Department 38, to pay for the wireless data service and costs and services under the agreement with Scan Health, Inc., dba Sansio as follows:

<u>Account</u>	<u>Title</u>	<u>Amount</u>
3040	Contractual Services	\$632,946

- 13) Recommend to the Mayor's Office and the City Council to authorize the Department to process payment to Advanced Data Processing, Inc. through a Revenue Refund document, from the revenue collected under the emergency medical services system in Fund 100, Department 38, Revenue Source 4091.
- 14) Instruct the Department to work in conjunction with the City Administrative Officer to determine the feasibility of establishing a Special Fund to sustain the field data capture system and emergency medical services billing and collection system, and if it is determined to be feasible, to establish such a fund.

Summary:

Background

On December 18, 2002, the Mayor directed the Office of the City Administrative Officer (CAO) to assemble teams of Department heads and CAO staff to study ways on how to improve City services through more efficient and cost effective processes. The Los Angeles Fire Department (LAFD) ambulance billing and collections process was selected for this study.

On July 9, 2003, the City Council adopted a recommendation proposed by the Public Safety Committee instructing an outside review by a consulting firm, BearingPoint, Inc., of the LAFD's ambulance billing and collections process. (Council File 03-0814) The scope of review in the study included:

- Review the Efficiency of the Ambulance Billing Process
- Perform a Cost Assessment and Fee Schedule Analysis
- Assess Outsourcing Opportunities

BearingPoint Study Findings and Recommendations

The LAFD provides the public with emergency medical response services. Paramedics (Paramedics/EMS) responding to an emergency manually enter data on a patient in the Department's 902M form. This form collects information which includes the patient's billing information and medical treatment rendered. The 902M forms are manually collected from the field, and delivered to the LAFD's Emergency Medical Services Billing Unit (EMS Unit), a revenue generating unit that bills and collects for emergency medical services. This Unit manually enters the data to generate an invoice. When bills are not paid after an initial billing, follow-up is required by the Unit in order to investigate and pursue payment.

As discussed in detail in a CAO report dated November 17, 2004 (Attachment C), recommendations based on the BearingPoint study included strategies for improvement of the LAFD ambulance billing and collections process. These recommendations and how the improvements have been addressed by the LAFD are outlined below.

<u>Problems and Recommendations</u>	<u>Improvements Addressed by LAFD</u>
1. Transport Fees – Increase ambulance billing fees because rates do not cover costs of service.	1. Ambulance service rates have increased based on actual costs of service.
2. Collection of Billing Information – Process of capturing incident and patient information is paper based, causing delays in billing due to: -The manual collection of data -Incomplete, inaccurate, or illegible 902M forms -Misplaced or lost 902M forms -Taking 2-4 weeks for the 902M forms to arrive at the EMS Unit	2. Staff has been assigned to collect, review and conduct quality assurance of the 902M forms on a daily basis. An electronic field data capture system has been researched to reduce delays in the billing process. (See discussion below.)
3. Bill Issuance – Reduce the time to generate an invoice from an average of 90 days due to a data entry backlog of 902M forms.	3. The time to generate an invoice has been reduced to an average of 17 days. An electronic field data capture system and an account management system have been researched to improve the process and accelerate billing. (See discussion below.)
4. Collections Follow-Up – There is no clear bad debt and write-off policy.	4. City policy on collecting from delinquent self-pay accounts has been addressed through the amendment of Los Angeles Administrative Code Sections 22.210.2 and 5.181.
5. The LAFD should develop an RFP for an electronic field data capture system and an updated account management system.	5. An RFP for an electronic field data capture system and an account management system was released. (See discussion below.)

RFP

On October 26, 2005, the City Council instructed the LAFD to prepare and release an RFP for the ambulance billing process and technology improvements as identified in the November 17, 2004 CAO report.

On August 22, 2007, the LAFD released an RFP for a Field Data Capture System (FDCS) and Emergency Medical Services Billing and Collections System (EMSS). The RFP contained two parts where proposals could be submitted for either one or both of the following: 1) An electronic FDCS to replace the paper-based 902M form and 2) A replacement emergency medical services billing and collection system.

The LAFD received six proposals for a FDCS and two proposals for an EMSS.

A Selection Committee was formed with representatives from the CAO, Information Technology Agency (ITA), and LAFD. After a detailed assessment of the proposals, oral presentations, cost comparisons, reference checks, and assessments by field personnel of practical usability of the hardware and software for the FDCS, a full outsource was recommended, with ScanHealth, Inc. dba Sansio (Sansio) selected for the FDCS and Advanced Data Processing, Inc. (ADPI) selected for the EMSS. The evaluations of the proposers are detailed in BFC 08-131 (Attachment D) and the Selection Committee recommendations are set forth in Attachment E.

Field Data Capture System

Sansio's electronic FDCS provides for the creation of an electronic patient care record (PCR) with a completely secure and encrypted electronic transmission of the PCR to its servers. Use of the FDCS would:

- Eliminate paper-based 902M forms by the Paramedics/EMS
- Eliminate the misplacement of 902M forms
- Improve overall patient care during an incident
- Improve data collections and billing accuracy
- Allow the capture of additional patient symptom data
- Ensure the privacy and security of patients' health information

The FDCS would operate as follows:

- When an incident is called into LAFD's dispatch system, basic information (e.g., time, location, and nature of incident) is entered into the Fire Command and Control System (FCCS). This basic information is called a shell which will be captured by the FCCS.
- The shell information will be transmitted in real time to the Sansio database (HealthEMS) by way of a T1 communication link (digital communications link) between the FCCS and the HealthEMS.
- When the Paramedics/EMS arrive at the scene and start up the Toughbook tablet PCs, it will link up wirelessly to the HealthEMS. After logging into HealthEMS, they will be able to see the shell information on the incident that has already been entered into the FCCS.
- While treating the patient, the Paramedics/EMS enter the patient's information into the electronic PCR in the Toughbook tablet. The PCR will be linked to area hospitals through the Hospital Association of Southern California's Reddinet system, which will allow the hospitals to prepare for the patient's arrival by viewing the HealthEMS database showing the PCR for that patient. The monitors in the emergency rooms in the more than 80 Los Angeles area hospitals will show the PCRs in progress.
- After delivering the patient to the hospital, a PCR is printed for the hospital.
- The EMS Captain will give an electronic final approval to the PCR. Once the PCR is finalized in HealthEMS, the data is electronically transmitted directly to the medical services billing and collections vendor (ADPI) for processing and payment.
- If the link to HealthEMS should ever go down, information can still be entered into the tablet, and will not be lost. If necessary, the Paramedics/EMS can send the information from the fire station through the internet.

Sansio offers both a lease and a purchase option for the Toughbook tablets, and was the lowest cost of the four FDCS vendors. An issue concerning the purchasing of the hardware is what to do with the equipment after the contract term expires or the equipment becomes obsolete. The vendor of the Toughbook tablets requires a six year term if the hardware is leased, but will replace the tablets every three years. It appears that it will be more cost effective to lease the tablets. (See discussion under Fiscal Impact.)

Emergency Medical Services System

ADPI is a billing and collections company who has the ability to host the LAFD's emergency medical services billing and collection system through its computerized billing and accounts receivable system that can track and report on each phase of the billing process. Use of ADPI's system will result in:

- Reduction of the billing cycle
- Improved efficiency in the accounts receivable process
- Increased operational efficiency
- Increased revenue
- Improved audit trail
- Ability to create ad hoc reports

ADPI has offered both a partially-hosted and a fully-hosted solution. Under a fully-hosted solution ADPI offers:

- Certified medical coders who are qualified to make accurate medical determinations through their expertise and training
- A fully automated billing and collections process
- An exhaustive hospital patient database and collections methodologies for patient follow up and support
- Automated interfaces to insurance providers
- Electronic interfaces with financial institutions for electronic commerce for insurance providers and individuals
- Increased revenue from the self-pay accounts.

ADPI is proposing a no-cost up front pricing model, with the payment based on a percentage of the net collections. In return, they will provide all the software, hardware, and billing services. For a full outsource, the cost is 5.5% of the net collections. (See discussion under Fiscal Impact.)

Health Insurance Portability and Accountability Act of 1996 (HIPAA) and American Recovery and Reinvestment Act of 2009 (ARRA)

The Privacy Rule under HIPAA was established to assure that individuals' health information is properly protected while allowing the flow of health information needed to provide and promote high quality health care. HIPAA protects all individually identifiable health information held or transmitted by a covered entity or its business associate, in any form or media, whether electronic, paper or oral. Because emergency medical services providers are included under HIPAA's definition of a "health care provider," the LAFD is considered a covered entity, and subject to the security and privacy requirements under HIPAA regarding maintenance and transmission of the protected health information. HIPAA also requires that the LAFD obtain reasonable assurances that all of its contractors, with whom the Department shares the protected health information, comply with the security and privacy requirements. These assurances are usually required to be in a contract, and will be included in the proposed agreements. (Business Associate Agreements, Exhibit D in Attachments A and B.)

Originally, HIPAA was enacted in 1996, and has always covered the LAFD and a few other City departments. On February 17, 2009, HIPAA was amended under ARRA (Title XIII, Health Information Technology for Economic and Clinical Health [HITECH] Act) to provide for increased civil penalties, new criminal penalties, new breach reporting requirements and new requirements for contractors to report violations to the United States Health and Human Services Department (HHS). Additionally, HIPAA can now be enforced by both the state and the federal governments. As a result of the new amendment, the City Attorney and staff have reevaluated the City's and the LAFD's HIPAA compliance measures. For compliance purposes, the City can be either HIPAA compliant as a whole or designated a Hybrid Entity. The City Attorney advises that the Department recommend that the Mayor and City Council take such steps as are necessary to designate the City as a Hybrid Entity for HIPAA compliance purposes. HIPAA provides that a legal entity, like the City of Los Angeles which performs multiple HIPAA covered functions and multiple non-HIPAA functions, may designate itself a Hybrid Entity for HIPAA compliance purposes. This designation would allow the LAFD to be treated as a Separate Entity from the other covered City departments, and would afford the greatest level of protection from HIPAA liability in the most efficient manner while allowing the Department to operate that is consistent with past practice.

The amended HIPAA provisions provide that the goal of the HITECH Act is to establish electronic health records for every person in the United States by the year 2014. This means that paper PCRs must be converted to a electronic PCR software. The electronic protected health information must be encrypted so as to render it unusable, unreadable or indecipherable to unauthorized individuals. HIPAA does not impose a requirement to encrypt the protected health information, but failure to do so according to the United States Health and Human Services Department (HHS) will subject covered entities to the mandatory notification requirements should a breach occur. Encrypting the data is the only way to secure the protected health information. The only way to truly secure the protected health information contained in the paper 902M forms currently used by the LAFD is by either locking them up or shredding them. It appears that under the current HHS guidelines, paper PCRs cannot ever secure protected health information under these standards. By implementing the electronic FDCS and EMSS, and encrypting the data, the City will meet the standards that will secure the patients' protected health information. Failure to secure the protected health information and comply with the mandatory notification requirements may subject the City to possible litigation, civil monetary penalties, and public embarrassment.

As of September 23, 2009, the City and the LAFD are subject to the mandatory breach notification requirements under ARRA. Effective February 17, 2010, Business Associates will also be subject to these requirements. A Business Associate's discovery of a breach of unsecured protected health information will be imputed to the covered entity, who is responsible for giving notice to the affected individuals. The Business Associate Agreements that will be entered into between the City and the contractors will provide for the City to be indemnified by the contractors for losses associated with any breaches by the contractors.

The goals for the electronic health records are to improve the quality of health care, improve health care coordination, and reduce medical errors. As a result of the new HIPAA requirements, the LAFD will be required to convert its paper-based 902M forms into a secured electronic record in order to protect patients' health information, and this will be accomplished through the systems provided by Sansio and ADPI.

Analysis

The LAFD has analyzed different options, and recommends that the best solution for the City is to fully outsource both the FDCS, as well as the EMSS. An internal development and implementation of both an in-house FDCS and an enhanced EMSS have been determined to be impractical from a cost and knowledge basis. It is difficult to predict how long it would take to develop an in-house system, as well as estimate the costs that would be incurred. Responses to the RFP revealed that both systems that meet the LAFD's requirements are available from multiple vendors. It was noted in the BearingPoint study that an internal FDCS should be implemented only in the event that outsourcing companies are not able to provide such a system. Additionally, linking an electronic FDCS with the current billing and collections system is not feasible since the existing system is over 20 years old. It would be impractical and costly to link and maintain the FDCS to the aging system. As a result, it is more cost effective to contract out the two systems as opposed to developing an internal system.

The current data collections consists of a paper-based 902M form that is used by the Paramedics/EMS for recording an incident, and then delivered to the EMS Unit for billing and collections. The LAFD is currently using a COBOL billing system that is over twenty years old, and is running on a mainframe that is maintained by ITA. Under this system, the paper forms continue to be at risk for being misplaced. The forms may also contain illegible writing which affects the data entry, and ultimately, leads to a delay in the billing process. Additionally, the LAFD will eventually need an electronic PCR software to replace the aging system in order to meet the HIPAA goal of establishing electronic health records for everyone by 2014.

Instituting the new systems will be a change in how the LAFD conducts its emergency medical services billing and collections process from a paper-based process to an electronic process. Because the data entry function will be taken over by the Paramedics/EMS when they create an electronic PCR, the current staff in the EMS Unit will no longer need to perform this task.

After the agreement with ADPI is executed, all new invoices will be created and processed by ADPI. While the FDCS is in the process of being implemented, ADPI will temporarily perform the data entry from the paper 902M forms. Existing LAFD staff would continue to process invoices that are in the current billing system. Over time, a gradual decrease in the workload of the billing and collections in the existing system will allow for a decrease of staff in the EMS Unit. This will allow for the phasing-in of the redeployment of LAFD staff, starting with the employees who work on data entry.

In order to address the General Fund deficit for Fiscal Year 2009-10, the City Council adopted a resolution on May 18, 2009 (Council File 09-0600-S8) which prohibits City departments from entering into any new personal services contracts to perform work that would have been performed by City employees subject to furloughs, layoffs, or other position reduction measures. The resolution, however, noted that exemptions shall be included. In the present situation, an exemption should apply to the EMSS agreement. The EMSS work can be performed more feasibly and cost effectively by a contractor. Because of recent changes to HIPAA, it is imperative that the health information in the 902M forms be secured. Failure to secure the protected health information may subject the City to litigation and significant civil monetary penalties. By contracting out the EMSS, the City will be in compliance with the new requirements under HIPAA. Additionally, ADPI will provide certified medical coders who have been trained to make more accurate medical determinations when preparing and submitting claims for payment

from Medicare, Medi-Cal, and other insurance providers, thus substantially increasing revenue to the City.

Staffing Plan

A 1022 Determination was not required for the FDCS because the program is proprietary, and the contractor's staff must install, maintain and service the program. The 1022 Determination for the EMSS has found that the proposed work can be performed more feasibly by a contractor. As a result, the staff in the EMS Unit will be reduced by forty-nine (49) members. However, three (3) staff members in the Legal Unit will be retained to continue their responsibilities since that cannot be delegated to a contractor. Those responsibilities include reviewing requests for low income exemptions, working on accounts affected by court orders and bankruptcies, responding to subpoenas and requests for documents, as well as acting as the liaison with law offices. Uncollectible accounts will be separately identified in ADPI's billing system, and returned to the LAFD for handling and referral to the City's collections agencies.

The EMS Unit currently has 52 positions, consisting of the following:

- 22 Resolution Authorities
- 26 Regular Authorities
- 4 Substitute Authorities

Under the proposed demobilization plan, the twenty-two (22) Resolution Authority positions will be eliminated as of December 31, 2009 pursuant to the 2009-10 Adopted Budget. It is proposed that these positions be absorbed within the Department. Thereafter, twenty-three (23) Regular Authority positions and four (4) Substitute Authority positions will be eliminated during Fiscal Year 10-11 through a budget reduction package. Three (3) members of the Legal Unit will be retained, along with six (6) positions that will be needed to operate the Unit. The proposed staffing plan will be as follows:

Class Title	Class Code	# Staff	FY 09-10 # Deletions	FY 10-11 # Deletions	Remaining Staff
Current:					
Sr. Clerk	1143	1	0	1	0
Pr. Clerk	1201	2	0	2	0
Acct. Clerk I	1223-1	2	2	0	0
Ch. Clerk	1253	1	0	1	0
Clerk Typist	1358	25	10	13	2
Sr. Clerk Typist	1368	20	9	10	1
Mgmt Analyst	9184-2	1	1	0	0
Total:		52	22	27	3
Proposed:					
Acct. Clerk I	1223-1	1	0	0	1
Acct. Clerk II	1223-2	1	0	0	1
Sr. Acct. I	1523-1	1	0	0	1
Sr. Systems Analyst I	1597-1	1	0	0	1
Sr. Systems Analyst II	1597-2	1	0	0	1
Sr. Mgmt Analyst I	9171-1	1	0	0	1
Total:					6
Grand Total:					9

Although the LAFD will be demobilizing staff in the EMS Unit, staffing will be needed to administer the agreements with ADPI and Sansio, as well as to assist in the auditing of the systems and oversee HIPAA compliance requirements. It is recommended that the following new positions be added to the LAFD staff as Regular Authority positions:

- Accounting Clerk II and Accounting Clerk I
 - Process cash receipts.
 - Reconcile daily deposits against the bank lockbox deposit.
 - Process and maintain refund requests and mandated adjustments, and forward the processed documents to the contractor for posting to the individual accounts.
 - Record and reconcile past due accounts nine months after the invoice dates that have been referred back by the contractor, and refer such accounts to the collection agencies.
 - Process Bad Debt Write-offs for accounts deemed uncollectible by the collection agencies.
 - Accept EMS payments at the public counter, and deposit directly to the bank lockbox.
- Senior Accountant I
 - Reconcile daily and monthly payment postings to individual accounts.
 - Reconcile monthly receivables and prepare summarized entries for interfacing with the City's Financial Management System.
 - Reconcile refunds and adjustments processed by the LAFD against the contractor's system.
 - Calculate and reconcile fees against contractors' invoices.
 - Prepare monthly financial reports.
 - Prepare year-end reporting in accordance with accounting standards.
 - Oversee the audit resolution process.
 - Supervise one Accounting Clerk II and one Accounting Clerk I.
- Senior Systems Analyst I
 - Liaison with the contractors in the implementation and integration of all components in the electronic field data capture system and emergency medical services system.
 - Departmental HIPAA Compliance Officer in conjunction with the Senior Management Analyst I to formulate security plans for the FDCS and EMSS, secure the transmission of data, and provide HIPAA training to sworn and civilian staff.
 - Direct staff and contractors in the support of all aspects of the emergency medical services equipment, including automated defibrillator devices.
- Senior Management Analyst I
 - Departmental HIPAA Compliance Officer in conjunction with the Senior Systems Analyst I to oversee the HIPAA regulations to ensure compliance, develop and enforce departmental policies, and provide HIPAA training to sworn and civilian staff.
 - Liaison with the City Attorney's Office (e.g., HIPAA issues; uncollectible accounts).
 - Supervise the Legal Unit.
 - Prepare monthly progress reports.

It is recommended that the following filled Resolution Authority position become a Regular Authority position:

- Senior Systems Analyst II
 - Contract Administrator for the two contracts, as well as for the contract with the Hospital Association of Southern California.
 - Will continue to provide systems administration and oversight to the program.
 - Liaison with the contractors in the implementation and integration of an electronic field data capture system and emergency medical services system.
 - Establish an interface with the City's financial management system for up-to-date and accurate revenue information
 - Formulate and implement security plans for systems access based on HIPAA standards.
 - Develop and maintain an annual budget on expenses associated with the FDACS and EMSS.
 - Supervise the Senior Systems Analyst I and Senior Management Analyst I.

Fiscal Impact:

A cost analysis conducted by the LAFD supports a full outsource of the FDACS and EMSS. (Attachment F) Both agreements will have a term of six (6) years, with six (6) 3-year options to renew. (Note: Although the initial terms for both agreements are for six (6) years, the cost analysis has a span of seven (7) years since the contracts will begin in the middle of the fiscal year. Both Fiscal Years 09-10 and 15-16 only cover six (6) months of costs.)

Under the Full Outsourcing Option:

FDACS

Sansio has offered options to either lease or purchase the Toughbook tablets that will be used by the Paramedics/EMS. The lease will be for a term of six years, with the tablets replaced every three years. A comparison of the costs is as follows:

Estimated FDACS Costs for 6 Years

	<u>FY 09-10</u>	<u>FY 10-11</u>	<u>FY 11-12</u>	<u>FY 12-13</u>	<u>FY 13-14</u>	<u>FY 14-15</u>	<u>FY 15-16</u>	<u>Total</u>
Purchase	\$2,453,917	\$668,400	\$682,800	\$3,030,517	\$711,000	\$724,200	\$1,144,573	\$9,415,407
Lease	\$575,706	\$1,579,811	\$1,594,211	\$1,608,012	\$1,622,412	\$1,635,612	\$822,306	\$9,438,070
Lease %	\$580,377	\$1,633,687	\$1,645,670	\$1,661,277	\$1,678,428	\$1,695,720	\$735,130	\$9,630,289

Under the lease option, the costs for Sansio are estimated at \$9,438,070 for six years whereas the costs under the purchase option are estimated at \$9,415,407. Although leasing the hardware will cost slightly more than if it was purchased, the issue that arises is that if the City opts to purchase the hardware, then it will have the burden of disposing the equipment and purchasing upgrades as opposed to having the devices automatically upgraded every three years under a lease. Sansio offered a lease option with payment of the hardware based on 2% of the net collections, but that option is not cost effective to the City (estimated \$9,630,289 for six years).

LAFD Costs

In order to implement the Toughbook tablets, the LAFD will incur costs for the wireless data service. An air card that is a gobi modem will be installed in the tablets, but a wireless data carrier is needed for the Paramedics/EMS to access and transmit the data. For Fiscal Year 2009-10, the wireless data service will cost an estimated \$57,240.

The LAFD will also incur costs to pay an outside company to audit both the FDCS and EMSS. No costs are anticipated for Fiscal Year 2009-10, but approximately \$100,000 will be needed to pay a City contractor for auditing services in the next fiscal year. The terms of the agreements require the City to audit the systems.

For Fiscal Year 2010-11, the LAFD costs for the wireless data service and auditing service will total approximately \$328,960. The LAFD will address this matter in a budget submission for that fiscal year.

A comparison of the City costs for 6 years is as follows:

Estimated City Costs for 6 Years

	<u>FY 09-10</u>	<u>FY 10-11</u>	<u>FY 11-12</u>	<u>FY 12-13</u>	<u>FY 13-14</u>	<u>FY 14-15</u>	<u>FY 15-16</u>	<u>Total</u>
<u>Current</u>								
Staff/Costs	\$4,202,544	\$4,207,494	\$4,328,694	\$4,453,454	\$4,581,881	\$4,714,083	\$2,425,086	\$28,913,236
<u>Lease</u>								
Existing	\$3,442,067	\$1,434,032	\$388,279	\$400,142	\$412,597	\$425,694	\$219,753	\$6,722,564
Staff/Costs								
5 New Staff	\$344,068	\$515,909	\$531,386	\$547,328	\$563,747	\$580,660	\$299,040	\$3,082,138
Wireless Svc	\$57,240	\$228,960	\$228,960	\$228,960	\$228,960	\$228,960	\$114,480	\$1,316,520
Auditing Svc	-	\$100,000	\$103,000	\$106,090	\$109,273	\$112,551	\$57,963	\$588,877
Total:	\$3,843,375	\$2,278,901	\$1,251,625	\$1,282,520	\$1,314,577	\$1,347,865	\$691,236	\$12,010,099

Under a lease agreement for the hardware, the costs to the City are significantly lower than if the City were to continue with its current data collection and medical billing system. The City would expend approximately \$12,010,099 for the initial six year term of the agreement compared to over \$28 million in costs for the current system over the six year period.

In order to plan for the payment of any costs that may arise in the future, the LAFD recommends that it be authorized to work in conjunction with the CAO to determine the feasibility of establishing a Special Fund to maintain this program by allowing a portion of the revenue generated from this operation to be added to the fund in order to offset the annual ongoing costs that will be incurred by the LAFD. In the event that the findings show that a Special Fund is feasible, then the LAFD will report back with a status on the fund and how it will be administered. A Special Fund would allow this program to be self-sufficient without burdening the General Fund for its operation.

Until such a Special Fund can be established, payments to Sansio and the costs that will be incurred under that agreement will need to be made by reducing the collectibles. Funding will need to be appropriated from the Reserve Fund in the amount of \$977,014 for the following:

Staffing costs for the five new positions:	\$344,068
Wireless data service:	\$57,240
Sansio services/costs:	<u>\$575,706</u>
Total:	\$977,014

EMSS

ADPI will receive a compensation of 5.5% of the net collections. For the initial six year term of the agreement, City will pay ADPI an estimated \$20,337,125.

Estimated ADPI Compensation for 6 Years

	<u>FY 09-10</u>	<u>FY 10-11</u>	<u>FY 11-12</u>	<u>FY 12-13</u>	<u>FY 13-14</u>	<u>FY 14-15</u>	<u>FY 15-16</u>	<u>Total</u>
ADPI	\$1,613,965	\$3,468,735	\$3,496,882	\$3,548,802	\$3,608,127	\$3,668,569	\$932,045	\$20,337,125

The LAFD will be establishing a minimum threshold as a collection performance standard for ADPI. For the initial year of the agreement, the minimum threshold will be based on an average of net collections per transport for the fiscal year ending on June 30, 2009. Each year thereafter, the minimum threshold will be adjusted to be equal to the actual average collection per incident over the preceding twelve month period. If the actual average net collection per transport for any measurement period is less than the minimum threshold, then ADPI will incur a Performance Guarantee Penalty. (Attachment G)

The LAFD requests that it be authorized to pay ADPI through a Revenue Refund from the revenue that is collected. This will be implemented temporarily, in order to allow ADPI to receive payment during the time the LAFD sets up a Special Fund. Once a Special Fund is established, then the Revenue Refund process will cease, and payment to ADPI will be made from the Special Fund.

After implementation of the FDACS and EMSS, the increase in revenue is estimated as follows:

Projected Revenue for 6 Years

	<u>FY 09-10</u>	<u>FY 10-11</u>	<u>FY 11-12</u>	<u>FY 12-13</u>	<u>FY 13-14</u>	<u>FY 14-15</u>	<u>FY 15-16</u>	<u>Total</u>
<u>Current</u>								
Revenue	\$58,146,807	\$56,136,471	\$60,050,569	\$61,025,697	\$62,016,660	\$63,023,715	\$32,023,561	\$392,423,481
Costs	\$4,202,544	\$4,207,494	\$4,328,694	\$4,453,454	\$4,581,881	\$4,714,083	\$2,425,086	\$28,913,236
Adjusted Rev.	\$53,944,264	\$51,928,976	\$55,721,875	\$56,572,243	\$57,434,779	\$58,309,632	\$29,598,475	\$363,510,244
<u>Lease</u>								
Revenue	\$58,689,630	\$63,067,909	\$63,579,677	\$64,523,667	\$65,602,309	\$66,701,246	\$33,892,561	\$416,056,999
Costs	\$6,033,046	\$7,327,448	\$6,342,719	\$6,439,333	\$6,545,115	\$6,652,045	\$2,445,588	\$41,785,294
Adjusted Rev.	\$52,656,584	\$55,740,461	\$57,236,958	\$58,084,334	\$59,057,194	\$60,049,201	\$31,446,973	\$374,271,705

Under a full outsource, the net revenue is expected to steadily increase. Under the current system, it is estimated that the adjusted net revenue for six years will be approximately \$363,510,244. After implementation of the FDACS and EMSS systems, the adjusted net revenue under the lease option is projected to be approximately \$374,271,705 during the initial six year term of the contract. This amount will be an increase of approximately \$10,761,461 from the current adjusted net revenue.

Conclusion:

By implementing the proposed electronic FDACS, the LAFD will eliminate paper-based 902M patient care reports, and update the billing and collections process. . Based on the LAFD's analysis, a full outsourcing of the FDACS and EMSS is the most efficient and cost effective option to improve the emergency medical services billing and collection process.

Approval of these recommendations and the two proposed contracts with Sansio and ADPI will allow the LAFD to generate a substantial increase in net revenue. More importantly, the Department will be compliant with recent changes in electronic records keeping and other goals under the provisions governing HIPAA .

Board report prepared by Lauren Nakasuji, Management Analyst II, of the Administrative Services Bureau.

Attachments

- Attachment A – Sansio Agreement
- Attachment B – ADPI Agreement
- Attachment C – CAO Report, November 17, 2004
- Attachment D – BFC 08-131
- Attachment E – Selection Committee Recommendations
- Attachment F – Cost Analysis
- Attachment G – Performance Guarantee Penalty Matrix