May 2007

AMBULANCE PROVIDERS

Costs and Expected Medicare Margins Vary Greatly

GAO Accountability · Integrity · Reliability

Highlights

Highlights of GAO-07-383, a report to congressional committees

Why GAO Did This Study

In 2002, Medicare implemented a national fee schedule designed to standardize payments for ambulance services. The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) required GAO to study ambulance service costs. GAO examined providers' costs of ground ambulance transports in 2004 and factors that contributed to cost differences; average Medicare ambulance payments expected under the national fee schedule in 2010 and how those payments will relate to providers' costs per transport; and changes that occurred in Medicare beneficiaries' use of ambulance transports from 2001 to 2004. GAO estimated costs of ambulance transports based on a nationally representative survey of 215 ambulance providers that did not share costs with nonambulance services. Providers that shared costs with other institutions or services and could not report their costs for ambulance services separately, such as fire departments, were excluded because their reported costs appeared unreliable. GAO used its survey, Medicare claims, and other data for its analyses.

What GAO Recommends

GAO recommends that the Administrator of CMS monitor utilization of ambulance transports to ensure that Medicare payments are adequate to provide for beneficiary access to ambulance services, particularly in super-rural areas. CMS agreed with GAO's recommendation.

www.gao.gov/cgi-bin/getrpt?GAO-07-383.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Kathleen M. King at (202) 512-7119 or kingk@gao.gov.

What GAO Found

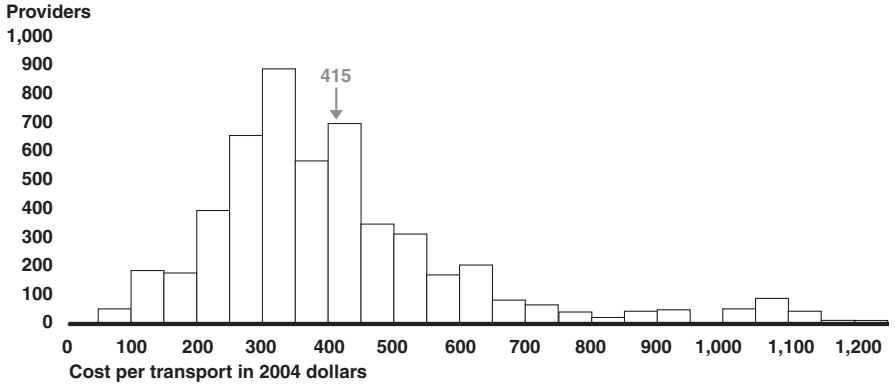
Costs of ground ambulance services were highly variable across providers that did not share costs with nonambulance services in 2004, reflecting differences in certain provider and community characteristics. Costs per transport among these providers varied from $99 per transport to $1,218. Providers without shared costs that had higher costs per transport typically had fewer transports per year, a greater percentage of transports in which more than a basic medical intervention occurred, more transports in super-rural areas (rural counties with lowest population density), lower productivity—measured as number of transports furnished per staffed hour, and a greater percentage of revenues from local tax support.

Average payments under the national fee schedule in 2010 are expected to be higher than historical payments, but providers' Medicare margins will vary greatly. GAO could not assess whether, on average, providers without shared costs would break even, lose, or profit under the national fee schedule, because the average Medicare margin for providers without shared costs was estimated to fall from negative 14 percent to positive 2 percent. However, GAO estimated that approximately 39 to 56 percent of providers without shared costs would have average Medicare payments above their average cost per transport under the national fee schedule in 2010.

From 2001 to 2004, utilization of ambulance transports per beneficiary increased 16 percent overall. However, use declined by 8 percent in super-rural areas.

Declining utilization coupled with potentially negative Medicare margins in super-rural areas, which could be exacerbated when the MMA temporary payment provisions expire, raise questions as to whether Medicare payments will be adequate to support beneficiary access in super-rural areas.

Distribution of Cost per Transport for Providers without Shared Costs, 2004



Source: 2005 GAO Survey of Ambulance Services.

Note: Based on a sample of 215 providers, weighted to represent more than 5,200 providers in the United States that did not share costs with nonambulance services.