Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

Comparison of Ambulance Payments Between Selected Canadian Provinces and the United States

JUNE GIBBS BROWN
Inspector General

MARCH 1999
OEI-09-95-00414

OFFICE OF INSPECTOR GENERAL

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, is to protect the integrity of the Department of Health and Human Services programs as well as the health and welfare of beneficiaries served by them. This statutory mission is carried out through a nationwide program of audits, investigations, inspections, sanctions, and fraud alerts. The Inspector General informs the Secretary of program and management problems and recommends legislative, regulatory, and operational approaches to correct them.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) is one of several components of the Office of Inspector General. It conducts short-term management and program evaluations (called inspections) that focus on issues of concern to the Department, the Congress, and the public. The inspection reports provide findings and recommendations on the efficiency, vulnerability, and effectiveness of departmental programs.

OEI's San Francisco Regional Office prepared this report under the direction of Kaye D. Kidwell, Regional Inspector General, and Paul A. Gottlober, Deputy Regional Inspector General. Principal OEI staff included:

REGION

Deborah Harvey, *Project Leader*
Robert Gibbons
Cynthia Lemesh
Donald Loeb

HEADQUARTERS

Tricia Davis, *Program Specialist*
Linda Moscoe
Brian Ritchie
Barbara Tedesco
Stuart Wright

To obtain copies of this report, please call the San Francisco Regional Office at 415-437-7900.
Reports are also available on the World Wide Web at our home page address:

http://www.dhhs.gov/progorg/oei

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

Comparison of Ambulance Payments Between Selected Canadian Provinces and the United States

JUNE GIBBS BROWN
Inspector General

MARCH 1999
OEI-09-95-00414

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

MAR 11 1999

The Honorable Fortney Pete Stark
House of Representatives
Washington, DC 20515

Dear Mr. Stark:

Thank you for your continued support of our work to promote efficiencies and effectiveness in departmental programs and particularly to identify areas of potential overpayments in the Medicare program. As you commented in your December 1, 1997 letter about the Office of Inspector General's work plan, a significant difference may exist in ambulance payments between Canada and the United States. As part of an ongoing study comparing Medicare ambulance payments with those of other payers, we obtained ambulance rates for British Columbia, Ontario, and Quebec and compared the Canadian rates to the average Medicare payments for nearby States.

As you speculated, we found that the Medicare program pays up to 70 percent more for ambulance services than two of the three sampled provinces. We believe that the lower Canadian costs generally may be explained by two factors: (1) Medicare's payment is based on the traditional reasonable charge methodology rather than actual costs, and (2) Canada's labor costs are lower because personnel who staff ambulances are part-time and comparable to basic and intermediate emergency medical technicians in the United States. These factors are explained in more detail in this report.

If you have any questions, please contact me or have your staff contact Helen Albert, Director, External Affairs, at (202) 260-8610.

Sincerely,

June Gibbs Brown
Inspector General

Enclosure

cc: Nancy-Ann Min DeParle
Administrator
Health Care Financing Administration

Melissa Skolfield
Assistant Secretary for
Public Affairs

Richard J. Tarplin
Assistant Secretary
for Legislation

COMPARISON OF AMBULANCE PAYMENTS BETWEEN SELECTED CANADIAN PROVINCES AND THE UNITED STATES

Medicare Part B payments for ambulance services have increased rapidly. Medicare's allowed charges for ambulance services more than tripled between 1987 and 1996, when Medicare carriers, the contractors that process Part B claims, allowed an estimated $2 billion for ambulance services in 1996. In a 1997 report, the Office of Inspector General found that Medicare payments for ambulance services often appeared inconsistent and illogical. The report cited many examples, including cases where Medicare paid more for nonemergency basic life support transport than for emergency advanced life support transport.[1]

As part of an ongoing study on the comparison of ambulance payments between Medicare and non-Medicare payers, we contacted three Canadian provinces to gather ambulance rates. We compared the average payments for ambulance services in British Columbia, Ontario, and Quebec to the average payments for nearby States. We used the nearby States to maintain geographical comparisons to the provinces.

Medicare Pays up to 70 Percent More than Two of the Three Sampled Provinces

Like Medicare, Canada's national health care system covers medically necessary ambulance transportation. Payment for ambulance services in Canada is based on the average cost of providing services, and both the province and the patient pay a share of the cost (except in Quebec where the province pays the entire cost for patients aged 65 and over). In fact, patients in Canada are responsible for the entire ambulance bill if the trip is deemed medically unnecessary. Although Canada does not distinguish between advanced life support and basic life support, most of the ambulance transports in the sampled provinces are comparable to basic life support transport in the United States.

Medicare uses a reasonable charge methodology to pay for ambulance services. Medicare pays 80 percent of the reasonable, i.e., allowed, charge, and the beneficiary is responsible for the remaining 20 percent. Reasonable charge is the traditional payment method that Medicare has used since the program's inception. Under this methodology, payment is based on the bill from ambulance suppliers. Carriers, the contractors that process Part B claims, develop separate base rates for basic life support and advanced life support ambulances that reflect customary and prevailing charges[2] in an area as well as separate rates for ambulance suppliers' other charges, including mileage and supplies. For example, the maximum reasonable charge for mileage is the lowest of (1) the

---

[1]Office of Inspector General, *Medicare Ambulance Payments*, November 1997 (OEI-05-95-00300).

[2]The *customary charge* is the amount that a supplier typically charges. The *prevailing charge* refers to a charge that falls within a range of charges submitted by suppliers in a particular geographic area.

supplier's actual charge, (2) the supplier's customary charge for mileage, or (3) the prevailing charge for mileage in the area. The Health Care Financing Administration authorizes carriers to raise or lower the reasonable charge based on the concept of "inherent reasonableness." For example, if charges are inflated because of lack of competition or the charges are significantly higher than acquisition costs, carriers may lower payment.

The table below compares rates in three Canadian provinces to Medicare's allowed amounts in areas of the United States that are nearby or comparable in size to the three provinces. Because Canada does not base rates on the type of vehicle, we averaged Medicare allowed amounts for advanced life support and basic life support in the following chart. Medicare pays considerably more than British Columbia and Ontario, but slightly less than Quebec.

Rate Comparison between Three Canadian Provinces and Medicare

Canadian Province	Average Canadian charge*	Average Medicare allowed amount**	Difference from Canadian charge
British Columbia	$186	$317	70.4%
Ontario	$163	$246	50.9%
Quebec	$299	$291	-2.7%

Note:

* We converted the rates for Canadian residents to U.S. currency. The conversion factor was $1 Canadian = $0.68032 U.S. (rate on April 21, 1998)

** U.S. jurisdictions near the Canadian provinces or comparable in size include the State of Washington for comparison to the province of British Columbia; the States of Michigan, Wisconsin, Minnesota, and New York for comparison to Ontario; and the States of Vermont, Maine, New Hampshire, Massachusetts, Connecticut, Rhode Island, and New York for comparison to Quebec.

Source: Office of Evaluation and Inspections analysis, 1998.

Lower Canadian Costs May Be Explained by Different Staffing Requirements

Labor costs are the largest part of ambulance fixed costs. In British Columbia, for example, approximately 55 percent of the personnel on ambulances are part-time and comparable to basic and intermediate emergency medical technicians in the United States. Less than 5 percent of the full-time Canadian staff are comparable to a paramedic, the highest-trained level of prehospital personnel. In the United States, ambulances

typically are staffed with one emergency medical technician and a paramedic, and most ambulance suppliers in urban areas employ two paramedics, thereby increasing personnel costs.

In Canada, the mileage payment is bundled into the base rate, while most ambulance suppliers in the United States bill separately for the base rate, mileage, and supplies. Since Medicare does not reimburse suppliers at a standard national mileage rate, payment varies widely across the country.[3]

[3]Office of Inspector General, *Medicare Ambulance Payments*, November 1997 (OEI-05-95-00300).