

George Grob
Deputy Inspector General
for Evaluation and Inspections

Medicare Payments for Ambulance Services--Comparison to Non-Medicare Payers
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See Addressees Below

This memorandum is a progress report on the Office of Inspector General's ongoing evaluation of Medicare ambulance services, policies, and costs. We are aware of the upcoming negotiations with the ambulance industry and other parties on the ambulance fee schedule as mandated in the *Balanced Budget Act of 1997*. To provide information that the Health Care Financing Administration might consider during the negotiations, we contacted a purposeful sample of payers including 10 commercial health plans, 4 Medicaid programs, the Department of Veterans Affairs, and TRICARE, the Department of Defense's new regional managed health care program for military personnel and their families. We compared Medicare payments to rates we obtained from these payers to assess the differences between their payment structures and Medicare's.

We were unable to draw any conclusions about differences in payment levels between these payers and Medicare. The payment rates are so varied that meaningful comparisons are not possible. Therefore, we cannot recommend that negotiations involving the Medicare fee schedule be based on the fee schedules of any other government agencies or the private sector. However, we were able to discern some broad patterns and issues which we believe are important to recognize and understand during the negotiated rulemaking process.

In summary, we found that:

1. Fee-for-service is the prevailing reimbursement method among commercial payers and other Federal payers.
2. Like Medicare, these payers pay different amounts for advanced life support (ALS) and basic life support (BLS) ambulances.
3. Emergency services are generally more expensive than nonemergency services, regardless of the type of vehicle.
4. Like Medicare, commercial health plans and other Federal payers base reimbursement on historical charges, not costs.
5. Historical charges do not appear to be related to the cost of providing ambulance services.

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6. Unlike Medicare, other payers sometimes negotiate lower rates, particularly for nonemergency transportation.

7. Medicaid, although increasingly a managed care program, offers examples of innovative approaches to reimbursement for its fee-for-service populations.

I have attached for your information a description of the various payment practices we encountered in this preliminary review.

Our work in this area continues. In an upcoming report, we will recommend alternative approaches to the Medicare fee schedule for ambulance services.

If you have any questions or would like additional information, please call me at (202) 619-0480 or have your staff contact Mary Beth Clarke at (202) 619-2481.

Attachment

Addressees:

Robert Berenson, M.D.
Director, Center for Health Plans
and Providers, HCFA

Kathleen A. Buto
Deputy Director, Center for Health Plans
and Providers, HCFA

Tom Gustafson
Director, Planned and Providers
Purchasing Policy Group, CHPP/HCFA

COMPARISON TO NON-MEDICARE PAYERS

Payment Policies Among Commercial Health Plans and Other Federal Payers

Sampled commercial health plans, lacking alternative ways to price ambulance services, use reimbursement methods similar to Medicare's. Although specific arrangements between commercial health plans and suppliers vary, the result is still fee-for-service or discounted fee-for-service, which includes fee schedules. The sampled plans typically pay different rates for ALS and BLS transport and may offer benefits that Medicare does not, such as critical care transport (CCT) and neonatal transport. CCT generally refers to an ambulance with a nurse or physician on board to treat the patient. The nurse or physician is in addition to the personnel operating the ambulance.

Some plans pay rates reflecting bundled charges for mileage; others pay separately for miles. Some plans receive discounts from suppliers; others pay a contract rate. Commercial health plans sometimes have no control over 911 emergency rates, which counties or cities may establish and impose on all payers. Although some commercial health plans have negotiated discounts, particularly for nonemergency transportation, they still reimburse suppliers based on historical charges rather than the actual cost of providing ambulance transportation.

Sample Fees for Nonemergency Ambulance Transportation

Payments for ambulance services vary greatly among commercial payers. We obtained fee schedules from 7 of the 10 commercial health plans we contacted. The three plans for which we have the most complete information are in Los Angeles and Orange counties in southern California. The fee schedules for two commercial health plans in the same geographic area show the broad range of rates for nonemergency ambulance transportation (see the chart below). Both of these plans operate in an area where the city or county sets rates for 911 emergency ambulance transport. These rates are nonnegotiable, and all payers must use the established rates.

Comparisons Between Two Commercial Health Plans for Nonemergency Ambulance Transportation					
Health Plan	ALS Base Rate	BLS Base Rate	CCT Base Rate	Mileage	Miles in Base Rate
Plan A*	\$125 - \$550	\$90 - \$421	\$260**	\$0 - \$12	0 - 15
Plan B***	\$300 or \$554	\$155 or \$351	\$400 or \$714	\$7	5
<p>Note:</p> <p>* The commercial health plan provided several contracts covering different geographic areas. Each location has a different rate, thereby explaining the range of rates for the same plan.</p> <p>** The commercial health plan negotiated a critical care transport (CCT) rate with one supplier only. The other contracts do not include this transport option with a separate base rate.</p> <p>*** The rates for this commercial health plan cover two counties only.</p> <p>Source: Office of Evaluation and Inspections analysis, 1998.</p>					

Commercial Health Plan A once had arrangements with 14 different ground ambulance suppliers; today, a large national ambulance corporation owns 4 of these companies, and the commercial plan currently is negotiating with the corporation to provide statewide coverage. Commercial Health Plan B's contract rates for nonemergency transportation cover all charges (e.g., base rate, supplies) with the exception of miles over the first 5 miles.

Mileage is one area where health plans successfully negotiated concessions from ambulance suppliers. Unlike Medicare, some of the health plans we contacted negotiated base rates that included a certain number of miles, typically 5 to 15.

Comparison of Rates for Emergency and Nonemergency Transportation

Like Medicare, commercial health plans and other Federal payers pay different rates based on the type of vehicle. We found that emergency (or unscheduled) services are more expensive than nonemergency (or scheduled) services, regardless of the type of ambulance. The average rates for one large, regional health plan show the impact of the type of service on rates.

One Plan's Average Rates for ALS and BLS			
Vehicle and Type of Service		Reimbursement	Percent Difference
ALS	Emergency	\$511	28.1%
	Nonemergency	\$399	
BLS	Emergency	\$441	78.5%
	Nonemergency	\$247	
Source: Office of Evaluation and Inspections analysis, 1998.			

Other Federal Payers

We contacted the TRICARE Support Office and the Department of Veterans Affairs to determine how their health care systems cover and reimburse ambulance services. TRICARE, the successor to CHAMPUS, pays for ALS and BLS and uses a reasonable charge methodology similar to Medicare's to adjudicate ambulance claims in different geographic locations. The program allows separate charges for supplies and mileage. TRICARE contracts with prepaid health plans to provide care to members electing managed care coverage. These plans may contract directly with ambulance suppliers (similar to managed care Medicaid programs).

The Department of Veterans Affairs, which serves 3.4 million beneficiaries, has regional contracts with varying rates for ambulance services. Local or regional medical centers have the option of contracting with ambulance suppliers or paying traditional fee-for-service rates through 911 or local suppliers. The Department generally pays flat rates for ambulance transport (i.e., BLS, ALS, and advanced cardiac life support) regardless of the mileage in a metropolitan area, but will reimburse mileage for transportation beyond the city limits or in a rural area. For example, the Department of Veterans Affairs Medical Center in San Francisco, California allows \$135 per BLS scheduled transport from the medical center with an additional \$6.75 per mile outside the city limits. If the transport is ALS or an emergency, an additional \$250 is added to the \$135 base rate. The Veterans Affairs Medical Center must pre-approve all nonemergency transports or the supplier will not receive payment.

Selected Medicaid Plans

Although most States are increasing their enrollment of Medicaid recipients in managed care programs, most States maintain fee-for-service plans for selected populations. We contacted Arizona, Oregon, Minnesota, and New York to find out how they cover and pay for ambulance transportation under their fee-for-service programs. We obtained information from all States except New York. The three States that responded have high managed care enrollment for their

Medicaid populations,* but maintain small fee-for-service ambulance programs. We reviewed these programs to determine how closely they resembled Medicare's ambulance benefit.

Oregon's fee schedule reflects a different approach to payment. The State's prepaid health plans may negotiate a subcontract with ambulance suppliers based on the State contract or use the State's rates, which were effective on March 1, 1998:

Emergency = \$166 base rate (includes the first 10 miles)

Nonemergency = \$137.60 base rate (includes the first 10 miles)

Mileage = \$3.44 per mile after the first 10 miles

Oregon's payment policy is unusual because the State does not base payment on the type of vehicle used. We learned that the State adopted the emergency/nonemergency distinction as the result of a compromise with the ambulance industry, which wanted the State to end prior authorization for emergency transport. The State agreed, provided that the industry accepted one rate for both BLS and ALS services. Oregon continues to subject nonemergency transportation to prior authorization.

In Minnesota, the State Legislature establishes the rates payable under Medicaid for ambulance transportation. The fee schedule mirrors Medicare's coding system but differs dramatically with respect to payment. The State has two rates: \$249.14 and \$85.75. The higher rate is paid only when there is an emergency transport in an ALS vehicle. All other services, even an emergency transport in a BLS vehicle, are paid at the lower rate.

Arizona's fee schedule contains separate charges for BLS and ALS base rates, mileage, and supplies. Unlike most payers, though, Arizona also reimburses suppliers that respond to an emergency call and treat patients at the scene without transporting them. The suppliers are eligible for reimbursement limited to the approved base rate and medical supplies.

*As of June 30, 1997, 81 percent of Arizona's Medicaid population and 83 percent of Oregon's Medicaid population were enrolled in managed care plans. Although the comparable figure for Minnesota is only 42 percent, effective January 1999, the State will enroll all but its disabled population in managed care plans.