

DATE: August 26, 2008

TO: Mayor and City Council Members

FROM: Fire Department

RE: **RESOLUTION NO - 8357 A RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE A CONSULTANT SERVICES AGREEMENT WITH WITTMAN ENTERPRISES, LLC FOR AMBULANCE BILLING AND COLLECTIONS SERVICES WITH THE FIRE DEPARTMENT**

**BACKGROUND / ISSUE**

The Fire Department is recommending it outsource billing for medical treatment and transportation services for four compelling reasons: 1. The numbers of claims to be processed each month is outpacing the in-house capacity to keep up with workload; 2. Ambulance billing has become a complex and specialized industry requiring continual staff education and monitoring of industry trends and government regulation to ensure both regulatory compliance and maximum cost recovery; 3. The insurance industry has become increasingly proactive at reducing costs resulting in increased staff time to thwart these measures; and 4. An increasing number of patients are without any insurance and require large amounts of staff time to ascertain correct contact and billing information, compounding the Department's capacity concerns.

In 1996 the Folsom Fire Department began providing in-house ambulance billing. At that time staff was processing approximately 90 new claims for medical treatment and transportation per month. Today, staff processes on average 330 new claims per month. Additionally, most private insurance carriers require a co-payment; therefore unpaid balances are re-billed to a secondary insurance or to the patient. Staff estimates that over 1000 bills are processed each month, which includes delinquent notices on past due accounts. While the number of claims has risen consistently over the years, so have other financial accounting tasks within the Fire Department, yet staff has remained level.

During the past eight years several new laws have been passed that have had significant impact on the Department's ability to provide a cost effective ambulance billing program. The Paper Reduction Act of 1995 (took effect in 2003) required all medical providers to bill Medicare patients via an electronic clearing house. On the surface, this seemed like a straight forward law that would reduce the usage of paper products for those providing services to Medicare patients as well as simplifying medical billing. However, a subsequent regulation entitled the Health Insurance Portability and Accountability Act of 1996 (HIPAA) (took effect in 2003) was passed that required patients' rights be clearly identified and required a signature from every patient transported and billed. The HIPAA law also put in place a number of safe guards designed to

protect a patient's identity, but has resulted in delays in obtaining billing information from hospitals up to three weeks.

The second major impact on staff was the National Ambulance Fee Schedule. This federal regulation was passed to streamline the Medicare system and provide a standard fee for all ambulance transports throughout the Nation. One of the results of this regulation was a standardized set of codes used for billing. Unfortunately, private insurances have not adopted this standardized set of codes. Having two sets of codes requires billers to switch between the Medicare code system and the American Medical Association current procedural terminology system.

Staff has encountered an increase in claim denials from the larger health insurance companies. Claim denials are very time consuming and in some cases a single claim can consume staff hours from two months to a year to resolve. With only two staff members providing billing services as well as other accounting duties within the Department, some claims remain unresolved, open and often never paid. Billing industry literature state that denials are a business stall technique designed to buy time for the insurance companies.

Lastly, the Department has seen an increase in patients without insurance who do not qualify for medical assistance from State or Federal aid programs. These claims are the most difficult to collect because it requires time consuming person to person contact. In these cases, staff makes multiple contacts to resolve the claim. The majority of these patients never pay, creating an increasing number of delinquent accounts.

### **POLICY / RULE**

In accordance with Chapter 2.36 of the Folsom Municipal Code, contracts of \$41,750 or greater shall be approved by the City Council.

### **ANALYSIS**

Staff examined several options to improve medical treatment and transportation cost recovery billing and collections, including, efficiency of existing procedures, adding staff, outsourcing billing to a private billing agency and utilizing a collections agency and found that a strategy which included a combination of utilizing a billing contractor and limited use of a collections firm to be the most suitable option that would yield the best results for the City of Folsom.

Staff prepared and posted a request for sealed bid on May 20, 2008. The Department received three bids on or before the filling deadline of June 30, 2008. The three bidders were Wittman Enterprises, LLC, ADPI Intermedix Corporation, and Toomay Technologies, Incorporated. Wittman Enterprises, LLC and ADPI Intermedix Corporation met the minimum requirements.

After a thorough review of the RFP's submitted Wittman Enterprises, LLC was deemed the most qualified and responsive bidder.

## FINANCIAL IMPACT

Based on review of the past three years medical treatment and transportation cost recovery financials, staff estimates that Wittman Enterprise, LLC will improve the City's net collection rate by 10% or better within the first year. An increase of 10% to the net collections will provide an increase in revenue to the City of Folsom of \$262,483 for total net collections of \$2,096,427.

The fee paid to Wittman Enterprise LLC is 5.25% of the total net collections received by the City. Staff estimates the cost for service paid to Wittman Enterprise LLC to be \$110,062. The Fire Department has a new and approved budget line item for professional ambulance billing services to cover these costs. The Agreement with Wittman Enterprises, LLC and the City is a multi-year agreement with options for renewal, if agreed upon by both parties, at the first, second, third and fourth anniversary dates of this contract, unless earlier or otherwise terminated as set forth within provisions of the Agreement.

## ATTACHMENTS

1. Resolution No. 8357 - A Resolution Authorizing The City Manager to Execute A Consultant Services Agreement With Wittman Enterprises, LLC for Ambulance Billing And Collections Services With The Fire Department

## RECOMMENDATION/CITY COUNCIL ACTION

The Fire Department recommends that the City Council pass and adopt Resolution No. 8357 - A Resolution Authorizing The City Manager To Execute A Consultant Services Agreement With Wittman Enterprises, LLC for Ambulance Billing And Collections Services With The Fire Department

Respectfully submitted,

  
Dan M. Haverly D.J.A., FIRE CHIEF

**RESOLUTION NO. 8357**

**A RESOLUTION AUTHORIZING THE CITY MANAGER  
TO EXECUTE A CONSULTANT SERVICES AGREEMENT  
WITH WITTMAN ENTERPRISES, LLC FOR AMBULANCE BILLING AND  
COLLECTIONS SERVICES WITH THE FIRE DEPARTMENT**

**WHEREAS**, the Fire Department has determined the need to outsource ambulance billing services; and

**WHEREAS**, staff complied with the provisions of Folsom Municipal Code Section 2.36.120 Contracting for designated professional services; and

**WHEREAS**, the cost of outsourcing ambulance billing is 5.25% of the total amount of revenue collected, estimated at \$110,062; and

**WHEREAS**, sufficient funds are available to secure this contract in the Fiscal Year 2008-09 Fire Operating Budget (Fund 010); and

**WHEREAS**, staff reviewed and recommends acceptance of the bid received from Wittman Enterprise, LLC and

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Folsom that the City Manager is authorized to execute a consultant services agreement, in a form acceptable to the City Attorney, with Wittman Enterprises, LLC for ambulance billing and collections services with the Fire Department.

**PASSED AND ADOPTED** on this 26<sup>th</sup> day of August, 2008, by the following roll-call vote:

**AYES:** Council Members:

**NOES:** Council Members:

**ABSTAIN:** Council Members:

**ABSENT:** Council Members:

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Eric S. King, MAYOR

ATTEST:

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Christa Schmidt, CITY CLERK