TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER
DATE: NOVEMBER 14, 2005
DEPARTMENT: FIRE
CMR: 404:05

SUBJECT: APPROVAL OF CONTRACT WITH ADVANCED DATA PROCESSING WEST, INCORPORATED FOR 7 PERCENT OF NET COLLECTED REVENUE FOR ALL ADVANCED LIFE SUPPORT (ALS) AND BASIC LIFE SUPPORT (BLS) AMBULANCE TRANSPORT SERVICES FOR A ONE YEAR TERM THAT CAN AUTOMATICALLY RENEW FOR TWO ADDITIONAL ONE YEAR PERIODS

RECOMMENDATION
Staff recommends that Council approve and authorize the Mayor to execute the attached contract for a one year period with Advanced Data Processing West, Incorporated (ADPI) in the amount of 7 percent of net collected revenue for patient billing services when Advanced Life Support (ALS) and Basic Life Support (BLS) is provided by the Palo Alto Fire Department. This contract will automatically renew for two additional one year periods.

DISCUSSION
Service Description
The work to be performed under the contract is for patient billing services when ALS/BLS transport is provided by the Palo Alto Fire Department. The need for a billing services contractor was necessitated by several factors:

- Insurance industry reporting changes require unique expertise in the field of patient billing. At current staffing levels, it is impossible to cope with increasingly complex billing and coding changes each year.
- Medicare’s flat rate billing process requires significant additional documentation and accounts receivable processing. Current billing software utilized by the City does not incorporate ever-changing mandated data requirements, such as insurance codes and Medicare rate calculations.
- Inter-facility scheduled transport billing requires significantly unique documentation and highly detail oriented accounts receivable processing.
- Average revenues for the program over the last three fiscal years (02-03, 03-04, and 04-05) were $1.6 million. The City’s experience with outsourcing medical billing to a third party administrator has demonstrated a significant increase in revenue generation.
Selection Process
Staff seeks to award this contract to ADPI as the firm offers a wide-range of services that will best meet the City’s overall needs. ADPI will provide the City with a comprehensive package of billing, collection, follow-up, account posting, accounts receivable reconciliation, financial accounting, receipts management and reporting services, including the capability to extrapolate data from a lap-top based computer system. In addition, ADPI will provide Palo Alto Fire Emergency Medical Services with customized financial, demographic, volume, acuity, performance, response, and productivity reports on demand. All services are to be provided on a contingent fee basis with fees paid on a percentage of collections.

The City of San Bernardino conducted an extensive Request For Proposals (RFP) process for patient billing services in April 2003. ADPI was selected by them due to the vendor’s experience and qualifications in municipal ambulance billing with specific regard to the insurance industry’s changing policies and procedures and due to its favorable level of fees. The City of Palo Alto proposes to share in this contract given the following:

- San Bernardino chose ADPI out of a broad range of vendors.
- The vendor agreed to provide to the City of Palo Alto the same basic scope of work for the same rate as was offered to the City of San Bernardino. The percent offered is a half percent less than the previously negotiated contract.
- The vendor offered an impressive fifteen-year track record of providing EMS billing and collection services to cities around the Bay Area including Berkeley, San Rafael, Sacramento, and others.
- ADPI’s Oakland-based operation currently bills over 200,000 responses per year, with a staff of 55. It has the resources to maintain both the expertise and appropriate implementation of medical billing.
- ADPI has proprietary software and technology for paperless, automated billing.
- ADPI offers extensive and customized reporting capabilities, ensuring the City will have access to accurate information with which to monitor the program.

RESOURCE IMPACT
Contract language stipulates that 7 percent of net collected revenue for patient billing services will be the established fee base. In fiscal year 2000-01, the City’s gross billings were approximately $1.33 million, with collection rates ranging from 55-60 percent. Staff can report that ADPI has been able to increase the City’s collection rate to 65-70 percent for fiscal year 2003-04 due to the following:

- ADPI has increased the net revenue for all of its clients over fifteen years in the emergency medical services billing business.
- The average collection rate for ADPI’s twenty current comparable customers is 68 percent. (This includes only customers performing emergency medical transport services.)

POLICY IMPLICATIONS
This recommendation is consistent with existing City policies.
**ENVIRONMENTAL REVIEW**
This contract is not a project under the provisions of the California Environmental Quality Act.

**ATTACHMENTS**
Attachment A: Contract Between the City of Palo Alto and Advanced Data Processing West, Incorporated for Ambulance Billing and Collection Services.
Attachment B: Request for Proposal for Paramedic Services Billing and Collection, City of San Bernardino, San Bernardino Fire Department.

PREPARED BY: Acting Deputy Chief Dan Lindsey

DEPARTMENT HEAD: ____________________________
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Fire Chief

CITY MANAGER APPROVAL: ____________________________
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