TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DEPARTMENT: FIRE

DATE: MAY 13, 2002

CMR: 252:02

SUBJECT: AWARD OF CONTRACT TO ALLIED INFORMATION AND SERVICE FOR 7.5 PERCENT OF NET COLLECTED REVENUE FOR ALL ADVANCED LIFE SUPPORT (ALS) AND BASIC LIFE SUPPORT (BLS) AMBULANCE TRANSPORT REVENUE COLLECTION SERVICES

RECOMMENDATION

Staff recommends that Council approve and authorize the Mayor to execute the attached three year contract with Allied Information and Service (AIS) in the amount of 7.5 percent of net collected revenue for patient billing services when Advanced Life Support (ALS)/Basic Life Support (BLS) is provided by the Palo Alto Fire Department.

DISCUSSION

Service Description

AIS will provide ALS/BLS patient billing services for the Palo Alto Fire Department. The billing service contractor is necessary for the following reasons:

- The insurance industry reporting and coding changes are becoming increasingly complex and require additional unique expertise in the field of patient billing.
- Effective April 1, 2002, Medicare has instituted a flat rate billing process that requires significant additional documentation and accounts receivable processing. The new Medicare billing process will require extensive staff training and additional implementation time. The City's current billing software does not incorporate mandated data requirements, such as insurance codings and Medicare rate calculations.
- Over the last three fiscal years (98-99, 99-00, and 00-01) average revenues for the paramedic transport program were $1.3 million. With the City’s present billing software inadequacies and the need for significant additional staff training, staff anticipates future revenues will drop unless the assistance of a qualified third-party vendor is retained.
AIS will provide a complete 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, AIS will provide customized financial, demographic, volume, acuity, performance, response, and productivity reports on demand to the Fire Department. All services are to be provided on a contingent fee basis with fees paid on a percentage of collections.

**Bid Process**

The City and County of San Francisco conducted an extensive Request For Proposals (RFP) process for patient billing services in September 2000. AIS was selected for its experience and qualifications in municipal ambulance billing with specific regard to the insurance industry’s changing policies and procedures, and its favorable level of fees (7.5 percent of collections). The industry fee average is 8 to 10 percent of collections. However, because of San Francisco's large call volume, AIS will allow the City to come under the lower collection percentage as well. The City decided to “piggyback” onto San Francisco's contract for the following reasons:

- San Francisco’s RFP process was more extensive, allowing a more exhaustive consideration of possible vendors than the City of Palo Alto, with its smaller billing volume, would have been able to conduct. San Francisco chose AIS out of a broad range of vendors.
- AIS agreed to provide the City of Palo Alto the same basic scope of work for the same rate as was offered to the City and County of San Francisco.
- The vendor offered an impressive twelve-year track record of providing EMS billing and collection services to cities around the Bay Area, including the City and County of San Francisco, Berkeley, San Rafael, Sacramento, and others.
- AIS currently bills over 200,000 responses per year, with a staff of 55 full time and additional part time assistance. It has the resources to maintain both the structure of fee expertise and appropriate coding requirements of medical billing.
- AIS has proprietary software and technology for paperless, automated billing.
- AIS offers extensive and customized reporting capabilities, ensuring the City will have access to accurate information to monitor the program.

**RESOURCE IMPACT**

Contract language stipulates that 7.5 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 believes that AIS will be able to increase the City’s collection rate to 60-65 percent based on the following:
• AIS has increased the net revenue for all of its clients over thirteen years in the emergency medical services billing business.
• The average collection rate for AIS’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 Allied Information & Services Corporation for Ambulance Billing and Collection Services
Attachment B: Request for Proposal for Paramedic Services Billing and Collection, City and County of San Francisco, San Francisco Fire Department, EMS Division

PREPARED BY: DAN LINDSEY
Battalion Chief

DEPARTMENT HEAD: RUBEN GRIJALVA
Fire Chief

CITY MANAGER APPROVAL: EMILY HARRISON
Assistant City Manager