

Running head: FEASIBILITY OF IMPLEMENTING AN AMBULANCE DISTRICT

Feasibility of Implementing an Ambulance District for the Douglas County Fire District No. 2 to

Provide Financial Support of the Ambulance Delivery System

Greg B. Marlar

Douglas County Fire District No.2

Roseburg, Oregon

Certification Statement

I hereby certify that this paper constitutes my own product, that where the language of others is set forth, quotation marks so indicate, and that appropriate credit is given where I have used the language, ideas, expressions, or writings of another.

Signed: \_\_\_\_\_

### Abstract

Douglas County Fire District No. 2's (DCFD2) current ambulance reimbursement fees do not provide adequate funding to maintain current levels of advanced life support (ALS) ambulances. Without additional secure revenue sources, the current ALS ambulance service levels will be reduced in the community. The purpose of this research is to develop a proposal plan, to submit to the board of directors, as to the feasibility of implementing an ambulance district within the ambulance service area that could support and sustain the current ambulance delivery system.

Evaluative and action research techniques were used to answer the following research questions: (a) what subsidy rate would need to be established in order to support and sustain the current fee for service structure?, (b) What are the advantages and disadvantages associated with implementing an ambulance district to partially fund an ambulance system?, (c) What elements need to be included in the formation of an ambulance district plan?

The information obtained in the review of literature used research from other emergency service providers and ambulance districts on the subject of the implementation of ambulance taxing districts for funding. Research revealed that the current assessed valuation in the proposed service area could produce a stable revenue stream if a permanent tax rate was successfully implemented. The research revealed that there are a lot of advantages to having an ambulance district to provide secure, consistent services for the public. Based on the information gathered, this author believes that formation of an ambulance district and implementation of a permanent tax rate is the best alternative available to maintain current service levels.

Table of Contents

Abstract..... 3

Table of Contents..... 4

Introduction..... 5

Background and Significance ..... 6

Literature Review..... 11

Procedures..... 17

Results..... 20

Discussion..... 28

Recommendations..... 33

References..... 36

Appendix A..... 39

Appendix B..... 41

## Introduction

Established in 1952, Douglas County Fire District No. 2 (DCFD2) began providing paramedic ambulance service in 1995 in conjunction with the local private provider. In November of 2007, DCFD2 became the primary provider of emergency and non-emergency ambulance transportation for the central Douglas County, Oregon area including the City of Roseburg and surrounding communities. The current reimbursement mechanism for ambulance transports is on a fee-for-services system. DCFD2 utilizes a third party billing service to bill Medicare, Medicaid, third party insurers, and patients directly for ambulance transportation services rendered.

The problem is DCFD2's current ambulance reimbursement fees do not provide adequate funding to maintain current levels of advanced life support (ALS) ambulances. Without additional secure revenue sources, the current ALS ambulance service levels will be reduced in the community. The purpose of this research is to develop a proposal plan, to submit to the board of directors, as to the feasibility of implementing an ambulance district within the ambulance service area that could support and sustain the current ambulance delivery system.

Most medical professionals and politicians agree that delivery of emergency medical services (EMS) are, like police and fire services, a basic right of the public. Few, however, agree on how this service should be funded (Swor, 1994).

Evaluative and action research techniques were used to answer the following research questions: (a) what subsidy rate would need to be established in order to support and sustain the current fee for service structure?, (b) What are the advantages and disadvantages associated with implementing an ambulance district to partially fund an ambulance system?, (c) What elements need to be included in the formation of an ambulance district plan?

## Background and Significance

DCFD2 is a fire protection district that was formed in 1952. DCFD2 is located in Douglas County Oregon, in a growing area that surrounds the City of Roseburg and neighboring unincorporated communities. DCFD2 has delivered paramedic ambulance service through a contract with MedCom Ambulance Authority (MedCom) since 1995 along with a local private ambulance provider Wilts' Emergency Service and Transportation (WEST). MedCom is an intergovernmental entity that provides the emergency ambulance services through a franchise agreement with Douglas County. The franchise agreement allows the provider to deliver the services themselves or to subcontract those services out to other providers. MedCom's franchise is for three ambulance service areas (ASAs) in the Douglas County area. ASA #4 includes the cities, town or unincorporated communities of Dixonville, Elagarose, Glide, Ideyld Park, Melrose, Oak Creek, Riversdale, Roseburg, Wilbur, and Winchester. ASA #5 includes the cities, town or unincorporated communities of Diamond Lake, Lemalo Lake, and Toketee. ASA# 7 includes the cities, town or unincorporated communities of Canyonville, Days Creek, Myrtle Creek, Riddle, Tiller, Wolf Creek, and Tri City. In total, MedCom covers approximately 2,600 square miles of urban, suburban and rural service area with an approximate population of 43,601(U.S. Census Bureau, 2000). From 1995 until November 2007, MedCom subcontracted the actual delivery of emergency ambulance services with DCFD2 and WEST ambulance.

In November 2007, WEST owners retired and DCFD2 acquired the assets and operations of WEST ambulance and became the main provider of emergency and non-emergency ambulance services for the central Douglas County area. MedCom now subcontracts emergency ambulance service delivery solely with DCFD2. The majority of communities listed above have

fire department first responders that are dispatched along with the paramedic ambulance on the majority of EMS calls.

During 2008, DCFD2 responded to a total 11,069 emergency and non-emergency ambulance calls, of those responses, they transported 7,814 (70.59%) to the hospital (Mutschler, 2009). DCFD2 provides the emergency and non-emergency ambulance services with a total of nine first due ambulances out of seven stations. There is one main local hospital within the community and one Veterans Affairs Medical Center which take the majority of all emergency calls. DCFD2 also transports many of its non-emergency calls to Eugene and Portland, which are 70 miles and 179 miles north respectively. Additionally, DCFD2 provides wheelchair services throughout the community. These services are provided with a fleet of 10 vans in which 6 have wheelchair lift capabilities.

DCFD2 contracts with a local specialized billing company to provide all billing services for their ambulance and wheelchair services. Southern Oregon Billing, Inc. is responsible for the entire billing system, including follow-up and collections. Payment for billing services is 8% of net revenue. DCFD2 is responsible for gathering all initial patient data which includes a patient care report, flow sheet, billing acknowledgement form, and the hospital face sheet.

DCFD2 is funded through two different funds. The fire service and medical first responder system is funded through a special district property tax which is assessed by the county on each property owner within the district boundaries. The ambulance services are predominately funded through an enterprise fund which receives all of its revenue from fee-for-service reimbursement. MedCom also participates in a state wide ambulance subscription program called FireMed.

FireMed is a program that provides coverage for any person at a subscribing address to receive medical treatment, along with transport, for emergency 9-1-1 calls for an annual fee. The subscriber's insurance is billed for transport, but the patient will have no out-of-pocket expenses for covered services. All of the FireMed providers throughout the state have a reciprocity agreement which will cover a subscriber wherever they are in the State of Oregon for a covered emergency. MedCom currently charges \$52 per household a year for its FireMed subscriptions and had 6,000 subscribers in 2008 (Marlar, 2009). The program runs from July 1<sup>st</sup> through June 30<sup>th</sup> each year with a renewal campaign that starts in April of each year. DCFD2 received approximately \$200,000 of the \$312,000 of revenue generated by FireMed during the fiscal year 2009 (Markovich, 2008). The remaining \$112,000 in FireMed revenue is used to fund MedCom administrative expenses such as dispatch fees, medical direction, advertising, etc.

During 2008, DCFD2's payer mix consisted of 46% Medicare, 18.9% contracts, 14.4% commercial insurance companies, 9.7% state Medicaid, 8.7% private paying patients, 2.5% auto insurance companies, and .7% workers compensation (Greer, 2009). Medicare has been and continues to be DCFD2's largest payer with nearly half of its fee-for-service reimbursement being received from them. Medicare spending on ambulance services is one of the quickest growing categories of expenses, even though it only accounts for roughly 2% of the Medicare budget (Brennan & Krohmer, n.d.). Obtaining Medicare reimbursement continues to be one of the biggest challenges facing ambulance agencies. The Centers for Medicare and Medicaid Services (CMS) oversee Medicare reimbursement for the federal government. In 1997, Congress required CMS to develop a national fee schedule for ambulance service reimbursement. The fee schedule was intended to include provisions to address costs containment. With the new focus and attention on the ambulance payment structure, an increased level of claims began to get

questioned and denied due to potentially not meeting “medical necessity”. Nationally, ambulance agencies were fighting to stay in business under Medicare’s new fee schedules. The industry as a whole was facing a serious financial crisis. Over a five year period beginning in 2000, ambulance providers were forced to decrease essential medical and first responder services in order to absorb declining reimbursement rates. In May 2007 a report by the Government Accountability Office (GAO) found rates under the Medicare fee schedule were on average 6% below the cost of providing ambulance services to patients (American Ambulance Association, 2006). The fee schedule was not based on the costs of providing services but rather they were calculated to be budget-neutral to the total costs of ambulance reimbursement in 1999 (Brennan & Krohmer).

Many other payers, including Medicaid, tend to follow the reimbursement trends established by Medicare thus frequently denying payment for transports deemed not medically necessary. In 2008, DCFD2 billed Medicare \$4,682,718 in gross charges, in which \$2,140,236.49 was written off as contractual allowances, *difference between covered charges and the plan benefit*, for a net charge of \$2,542,481.51 (Greer, 2009). Of the Medicare charges, DCFD2 is writing off nearly 46% of the gross charge before a claim is even submitted to Medicare for reimbursement. With Medicare’s new fee schedule rules, providers may not bill patients for any contractual allowances not paid other than co-payments. DCFD2’s other payers also have contractual allowances in place. Of the \$5,597,861.50 in gross charges billed to other payers in 2008, \$1,546,090.86 (28%) was net billed due to contractual allowances (Greer, 2009). In addition to contractual allowances, DCFD2 also had over \$644,000 in write offs, *account balances that are written off as bad debt and determined to be uncollectable*, in 2008 (Greer,

2009). DCFD2 writes off all accounts in excessive of 120 days outstanding. These are then sent to a collection agency depending on the account.

In total for 2008, DCFD2 had gross charges of \$9,091,345.75 of accounts receivable (A/R) in which payments of \$4,189,036.13 have been received. There is a balance still due of \$998,529.32 (Greer, 2009). Even if the entire balance is collected, DCFD2 is being reimbursed approximately 57 cents for every dollar billed. This reimbursement trend has continued to decrease over the past several years, while expenses such as wages and benefits, fuel, and equipment continue to increase. To further compound this problem the number of people aged 65-84 is projected to triple over the next fifty years which will make more users Medicare eligible which will further reduce reimbursement.

The current ambulance reimbursement fees do not provide adequate funding to maintain current levels of advanced life support (ALS) ambulances. Without additional secure revenue sources, the current ALS ambulance service levels will be reduced in the community.

This research project was completed in accordance with the applied research requirements of the Executive Leadership course of the National Fire Academy's Executive Fire Officer Program (EFOP). In addition, this applied research will be used to specifically meet one of the terminal objectives as covered in the Executive Leadership course. One of the enabling objectives covered was the need to develop oneself as a leader in the community and organization. It is then necessary to develop leadership skills that allow you to develop the concepts and skills necessary to look at a variety of funding avenues in order to sustain the financial viability of the organization and to continue to deliver the services to the public in the most cost effective manner (National Fire Academy, 2005). This author has become that

champion within the organization in regards to identifying the key elements that must be included in a plan to implement an ambulance district to maintain adequate service funding.

This research is also directly linked to the United States Fire Administration's operational objectives of responding appropriately in a timely manner to emerging issues. EMS services are a critical component of what fire departments provide to their communities. Many of those departments provide ambulance transportation as an additional service. Reimbursement for services has become a critical issue that is impacting ambulance agencies' budgets everywhere. Alternative funding mechanisms, besides fee-for-service, is a priority if fire departments are to continue in the ambulance business.

#### Literature Review

The information obtained in this review of literature used research from other emergency service providers and ambulance districts on the subject of the implementation of ambulance taxing districts for funding. The review for this project included: (1) what subsidy rate would need to be established in order to support and sustain the current fee for service structure?; (2) what are the advantages and disadvantages associated with implementing an ambulance district to partially fund an ambulance system?; and (3) what elements need to be included in the formation of an ambulance district plan? This information was studied, evaluated and prioritized as to its value to the research project.

#### *Subsidy*

Ambulance agencies are the only enterprises in the country that are required, through local, or state regulations, to provide service to consumers without any regard for the consumer's ability to pay (Dent, 1988). The American Ambulance Association (AAA) emphasizes that when developing the finance structure for any EMS system; particular focus should be placed on

the overall stability of the primary funding sources (American Ambulance Association, 1994). The costs of delivering ambulance services have increased over the years. Labor and equipment costs are two of the highest expenses incurred in delivering ambulance services to the public. The industry standard for calculating EMS service costs is the total cost of deploying a fully staffed vehicle per hour of actual service. This calculation has to include personnel, administration, fuel and maintenance, training, equipment, facilities and dispatch (Swor, 1994). In order to apply a justifiable charge to any service, administrators must understand the full cost of delivering their services and identify who the users of that service would be (Mullen, 1998).

Dent (1988) personally believed that, “The real cost of an EMS system is in the maintaining availability, not actually performing the service” (p. 18). Most fire departments that deliver ambulance services have some sort of tax revenues that help maintain and support that system. The majority of private ambulance services in the U.S. rely solely on user fees as the way they collect their revenue. The non-subsidized system is really a patient supported system and those patients have to pay for the entire community, including those that are only paying a portion of their bill or not at all (Dent, 1988). User fees are designed to be a limited form of cost recovery. They will not usually pay for the service entirely, but will allow the service to continue to offer service based on supplemental revenues (Watkins, 1998). Within this lies the problem. With declining reimbursement levels from Medicare and other payer’s reimbursements, user fees alone are not paying for the costs of delivering ambulance services to the public. Henry Hanf, a District Manager for a local ambulance district in Oregon stated that, “Medicare is the greatest expense to the public” (Ruttan, 2008, ¶ 6). Tax revenues allow a system to be in a state of readiness and allow for user fees to offset additional costs (United States Fire Administration,

1997). Recognition of the nonpayment factor and the increasing cost of service delivery lead most cities to anticipate some sort of subsidy of the EMS operation (Giard, 2003).

To properly assess the need of a subsidy payment, a rate methodology should be used to determine what the rate without the subsidy should be. An accurate projection can then be made to determine what revenue from services will offset costs and the revenue shortfall is then the amount of the subsidy needed. Rates need to be based upon the costs of availability of the service and not the number of responses (Dent, 1988). A typical U.S. city spends about \$25-\$30 per capita per year for police protection and between \$20 and \$25 per capita per year for fire protection. At the same time, the same city spends the equivalent of about fifty cents per capita per year on EMS. EMS allows the fire service to experience a higher visibility within the public (Page, 1978). Activities which produce substantial benefits beyond the principle recipient are not candidates for user charge finance. Taxes are a normal source of revenues used to provide public services (Mikesell, 1982). Many fire departments have made a commitment to maintain a balance between cost-effectiveness and quality of service. To effectively accomplish this commitment, there needs to be a certain amount of subsidy (Powers, 2005).

#### *Advantages and disadvantages of a taxing (ambulance) district*

A vast majority of DCFD2's 2,600 square miles of ambulance service areas is in rural settings. System readiness and responses to outlying communities are expensive. An ambulance provider alone should not bear the expense of responding to a remote part of its area on a pure fee-for-service basis (Dent, 1988). Many residents might not understand how you can receive tax revenues and also bill for services. It would be effective to explain that the tax revenues from the ambulance district help keep and maintain the system in a state of readiness, but those revenues alone do not cover the full cost of the services provided (Sachs, 1999). Special taxing districts

are a way to create revenue to offset expenses not covered through patient billing (Wingrove & Reinert, 2008). A big advantage of a dedicated property tax is that it produces revenues that are dedicated to EMS. That amount rises automatically with inflation of property values, as new assessments are made. Conversely, a disadvantage is that tax funds will decrease when property values decline. Another disadvantage is that you have to go to voters to authorize starting a tax, which could be difficult in certain economic times (United States Fire Administration, 1999). Tax limitations for some fire departments or entities are another advantage to forming an ambulance tax district specifically for EMS funding. Voters have passed tax limitations across the country that limit or prevent any future tax increases by local jurisdictions to existing taxes (Watkins, 1998).

During a personal interview with Pam Brink, the office manager of Glendale Ambulance, she discussed the many advantages and disadvantages that they looked at when first forming their ambulance district in 1988 and later implementing a property tax in 2008. Most importantly she stated it was a way to provide secure funding. It also limited the district's liability to \$500,000, which would keep the insurance rates lower by being a nonprofit corporation. She also stated it gave the board an option to later have additional operational tax levies or implementing a capital tax for equipment or buildings. The property taxes paid for the ambulance district were tax deductible for the citizens as well. Ms. Brink cited there were disadvantages as well with implementing an ambulance district. It required time and effort to establish the district as well as a time commitment from citizens to be board members. Board or budget committee members could not be Emergency Medical Technicians (EMT's) or drivers for the ambulance service. Implementing a tax base would increase taxes. Overall, she believed the advantages of

implementing an ambulance district in their area outweighed the disadvantages in order to provide a financial base (P. Brink, personal interview, November 3, 2008).

Implementing special taxing districts can be difficult to obtain because the beneficiaries of the EMS care, emergency patients, are often uninterested until ill or injured (Swor, 1994). Some elected officials in Eugene, Oregon believe that implementing an ambulance district would irritate taxpayers who think that public safety is something they get for their first tax dollar, rather than as an extra assessment (Levy, 2009). Another disadvantage to forming an ambulance district tax has been that many believe that the “users” of the system should pay for the system. A new or additional tax would force everyone to pay for the service, even if they do not use it. But others claim that by not having a tax, user fees allow individuals to escape paying for the system simply by foregoing consumption of the service (Mullen, 1998).

During a personal interview with the annexation specialist of Special Districts Association of Oregon Luanne Richey, she discussed that another advantage of a special district is that by becoming a public entity it improves your opportunities for grants and other funding mechanisms. She also stated what some may consider a disadvantage is that when establishing a permanent tax rate, elections may only be held in May or November of even numbered years (L. Richey, personal interview, February 10, 200).

#### *Ambulance District Plan Elements*

It has been said there is never a good time to tax. Formation of an ambulance district must follow state and county statutes and ordinances. There are many constraints that must be evaluated before a taxing district can be implemented. Those include local, county, state laws, economics and community related factors (Anderson, 2000).

Education of the public is a key element in the successful implementation of a taxing district. With the right information, the public would accept fees for certain services provided by the fire department with the knowledge that the fees are being used to offset the cost of providing that service (Bruegman et al., 1994). Findings have shown that education played a vital role in the successful implementation of an EMS tax rate (Smolsky, 2001). The type of funding source used in a particular community depends largely on the nature of that community, the purpose of the tax, the leadership characteristics, and the political climate of the community (Damrell, 1995). Consideration of market factors also come into play. Even with monopolistic protections for a public ambulance provider, price comparison can and will be made between public and private providers as well as other government agencies. Administrators should anticipate this and prepare themselves to justify any fees or tax rate not only on price but service quality and the surrounding community characteristics (Mullen, 1998). Mullen (1998) goes on to state that the public's acceptance or resistance to a new tax may depend on their previous feelings about current user fees, service quality, and the degree in which officials have presented a justifiable case.

Wingrove and Reinert (2008) said that before you seek to establish a district, these principles should be considered:

- Know exactly how you are going to use the money;
- Establish clear roles and responsibilities for advisory and taxing board members;
- Clearly communicate to citizens the need for the taxing district;
- Ensure you are maximizing your current revenue sources and minimizing your costs (¶ 10).

Other elements that must be considered to establish the level of local tax subsidy include: current user fee rate structure, socio-economic mix, collection practices, Medicare and Medicaid reimbursement rates, and the use of first responder programs, *fire departments or rescue organizations that provide initial response on medical calls, often arrive before the ambulance* (Stout, 1985).

Legal geographic boundaries need to be decided and drawn for the proposed district. In many cases existing service areas will be a good starting point. In Oregon, if any of the territory to be included within the proposed district is within the boundaries of a city, a certified copy of the city governing body's resolution approving the order must be obtained (Oregon Revised Statute, 2007). It needs to be determined if a permanent tax rate will be established at the same time as submitting for formation of an ambulance district or wait until after the district has been formed and is operational. Any tax rate proposed would have to go to an election of the voters of the newly formed district for approval (Oregon Revised Statute, 2007).

#### Procedures

Evaluative and action research was employed to determine the feasibility of implementing an ambulance district within DCFD2's ambulance service area that would provide secure financial support and to develop a proposal plan to submit to the board of directors. Research included a literary review of journals, DCFD2 documents, National Fire Academy Learning Resource Center (LRC), applied research projects related to alternative funding sources, internet and newspaper articles, assessed valuations, and from personal interviews conducted by the author with local ambulance district managers, the county clerk, local county planning special districts coordinator, and the annexation specialist for the Special Districts Association of Oregon.

The literature research was employed to answer the following questions: (a) what subsidy rate would need to be established in order to support and sustain the current fee for service structure?, (b) What are the advantages and disadvantages associated with implementing an ambulance district to partially fund an ambulance system?, (c) What elements need to be included in the formation of an ambulance district plan?

Information used for analysis was obtained from the Oregon Revised Statute (ORS) Chapter's 198 and 440 outlining the process for forming a special district and the authorization to establish a tax rate and the county assessor's office valuation of current parcels in existing ambulance service area (ASA) boundaries. Data analysis was comprised of a thorough review of the statutes relating to formation of special districts, the elements required, and the timing involved in forming a new district. Assessed valuations of the current ASA boundaries were analyzed to calculate what funding could be produced from different tax rates. In addition, DCFD2's financial ambulance data was used for analysis.

In addition, a survey was developed for this project utilizing a commercial internet based survey service. It was designed to gather information from existing ambulance districts in the State of Oregon regarding formation of their district. The electronic survey link was sent to all four ambulance districts in the State of Oregon. The selected ambulance districts surveyed were derived from a list provided by the Special Districts Association of Oregon. A copy of the web based created survey is listed in Appendix A.

### *Instrument*

The ambulance district survey link was emailed to four Oregon ambulance district representatives identified by the Special Districts Association of Oregon. Currently, there are only four ambulance districts established within the State of Oregon. The survey asked the

respondent to briefly describe their district's demographics, their current funding sources, including any tax rates, the advantages and disadvantages of having an ambulance district, and what key elements that they recommend need to be included in the formation of an ambulance district. Of the four surveys emailed out, all four were completed, for a return rate of 100%.

### *Personal Interviews*

Personal interviews were conducted with Pam Brink, Office Manager for the Glendale Ambulance District, Barbara Nielsen, Clerk for Douglas County, Gayle McKillop, Special Districts Coordinator for Douglas County Planning Department, and Luanne Richey, Information and Resource Manager with Special Districts Association of Oregon.

The interview with Pam Brink was conducted in person on November 3, 2008 and lasted approximately 30 minutes. The questions asked of Ms. Brink were intended to investigate what steps that their district recently took in obtaining their permanent tax rate and to provide input into the development of the ambulance district survey questions. The interview with Barbara Nielsen was conducted in person on February 5, 2009 and lasted approximately 20 minutes. The questions asked of Ms. Nielsen were intended to find out what elements were required by statute in the formation of a special district and what additional requirements, if any, were required in Douglas County. Ms. Nielsen also provided the approximate number of electors that were within the proposed boundaries of the ambulance district. The interview with Gayle McKillop was conducted by telephone on February 6, 2009 and lasted approximately 10 minutes. The questions asked of Ms. McKillop were intended to find out what the filing requirements were with the Douglas County Planning Department for district boundaries and petitions. The interview with Luanne Richey was conducted by telephone on February 10, 2009 and lasted approximately 20 minutes. The questions asked of Ms. Richey were intended to clarify specific questions relating

to ORS 198 and 440 on district formation and establishing a permanent tax rate, and what advantages or disadvantages she had experienced in district formations.

### *Assumptions and Limitations*

Most of the information found in applied research projects and journals from the LRC focused on alternative funding for fire services or the implementation of user fees in addition to already established tax rates. There was not as much information found on establishing a subsidy by forming an ambulance district. There was very little information on establishing a tax rate other than some models discussed for fire service funding.

A limitation to the study is that there are only four other existing ambulance districts in Oregon. This is out of a total of 900 special districts that have been established in Oregon. Although the other 900 special districts within Oregon have taxing capabilities, the formation of ambulance districts is not very common. There are unique differences to the formation of an ambulance district such as requirements under ORS 440 for implementation of user fees which are not required by other special districts. This author believed that it was important to focus the survey specifically on ambulance districts within Oregon since other states might have different laws and ordinances regulating their formation that would not be applicable. Another limitation to this study was that half of the districts surveyed had no permanent tax rate or any intention of establishing one.

### Results

One of the first things that needs to be examined in the formation of an ambulance district are what legal steps are necessary to form an ambulance district in the State of Oregon. ORS 198.720-825 outlines the required steps in the formation of a special district. ORS 440.365-403 gives the authorization for health districts, *an ambulance district is formed under and considered*

*a health district in the State of Oregon*, to charge user fees, authorize bonds, assess tax levies, and adopt an annual budget. There are three procedures that may be used to form a special district in the State of Oregon: a) filing a petition for formation, b) consent of all property owners within the area of the proposed district, or c) initiation and order of the county board. It was determined that for the formation of an ambulance district, under the current circumstances, that filing a petition for formation was the procedure that must be followed. Formation may take as long as 12-24 months, depending on the type of district and whether the district will assess property taxes (The Special Districts Committee of the Oregon Association of County Clerks, 2004). A district may be formed from contiguous or noncontiguous territory located in one or more counties. It may also include territory within a city if the city governing board consents to the formation. DCFD2's current ASA boundaries all lie within Douglas County and include territory within four incorporated cities or towns. Douglas County would be the principal county since it contains all of the assessed valuation of all the taxable property in the proposed district boundaries. A legal description of the proposed boundaries must be established including assessor plat map(s) of the subject area. The legal boundaries and plat maps have already been established and developed previously for ASA's four, five, and seven and are on file with Douglas County, so they would just need to be certified by the county as the proposed district boundaries. A prospective petition for formation must be filed with the county clerk. The petition needs to include the proposed boundaries, an economic feasibility statement, budget, and signed resolution of any city's governing body approving the petition (Oregon Revised Statute, 2007). The legal description and maps are also sent to the Department of Revenue for review and approval.

The feasibility study must be completed for the proposed district before circulation of the petition. This forms the basis for any proposed permanent tax rate. The feasibility statement needs to include a description of the services and functions to be performed by the proposed district; an analysis of the relationships between those services and functions and other existing or needed government services; and a proposed first year line item operating budget and a projected third year line item operating budget for the new district demonstrating economic feasibility. A proposed permanent tax rate sufficient to support the services and functions described in the economic feasibility statement and a declaration of the rate of taxation necessary to raise an amount of revenue equal to the proposed permanent tax rate must be included if tax revenues will be necessary. The rate, if any, must be expressed as a total dollar amount and the tax rate must be expressed as a rate per thousand of assessed value.

All taxing districts are limited in the amount of taxes they can impose by constitution and statute. New districts can ask their patrons to vote on a permanent rate limit for the district. A local taxing district is permitted to have only one permanent rate limit and this permanent tax rate cannot be raised (Oregon Department of Revenue, 2008).

In Oregon, a “double majority” of the voters is no longer required to approve a permanent rate limit. Until 2009, it was required to have a majority of affirmative votes at an election in which 50 percent of the registered voters cast ballots. In the November 2008 general election, Oregon ballot measure 56 was passed which made any property tax measure on the ballot in May or November elections of any year can be passed by a simple majority of those voting (“Nonpartisan Voters’ Guide“, 2008). Districts can additionally ask their patrons for a temporary tax known as a local option tax. This tax is limited to five years for operations and up to 10 years for capital construction projects. The last taxing authority option available to districts is to ask

their patrons to issue general obligation bonds to raise money for capital projects. If approved, the district can levy annually an amount sufficient to pay principle and interest for the bonded debt. Proceeds from a bond levy cannot be used for any other purpose other than the one stated in the ballot measure.

The petitioner then pays a \$100 formation fee and may pick up the certified petition packet. The petitioner may then start gathering signatures and all signatures must be gathered within six months from the date of the first signature (The Special Districts Committee of the Oregon Association of County Clerks, 2004). The petition must be signed by at least: 15% of the electors or 100 electors, whichever is more, registered in the territory to be included in the proposed district; or 15 landowners or the owners of 10% of the acreage; whichever is greater, within the territory to be included in the proposed district (Oregon Revised Statute, 2007). Based on the approximate number of electors within the proposed boundaries (ASA's four, five and seven) of 33,186, a signature requirement of 4,978 would be needed to meet the 15%. Once gathered, the petition and signature pages are reviewed and certified by the clerk's office. The county clerk has ten days to review the signatures and either certify them or return to the petitioner. If the petition includes a permanent tax rate for the proposed district, the petition must be filed not later than 180 days before the date of the next regular general election at which the petition for formation may be voted on.

A notice of public hearing must then be set and recorded at the clerk's office. The county board must set a date for the hearing on the petition and will give notice of the hearing by posting a publication as specified in ORS 198.730 and 198.800. The first hearing is held for the order of approving the boundary and setting the final hearing date. The second hearing date is set between 20 and 50 days from the first date of order. The final hearing is for the order calling for

the formation of district formation. If the petition is approved and it includes a permanent tax rate, an election is set. The question for the voters is whether the proposed district should be formed. If a permanent tax rate is proposed then the voters also are asked whether the permanent tax rate specified in the ballot title should be adopted as the initial permanent tax rate of the district. If the majority of the vote favors formation of the district, the board adopts an order creating the district. The county board must additionally order the appointment of the initial district board members.

The ambulance district survey (Appendix A) assessed valuation data, and interviews were used to answer these questions. Survey links were emailed out to the four ambulance districts in the State of Oregon. All four districts responded (100%) to the questions in the survey. Not all the questions were answered by all respondents.

1. What subsidy rate would need to be established in order to support and sustain the current fee for service structure?

Survey questions number two, three, and four were asked to see how many of the ambulance districts had a permanent tax rate, if so what that tax rate is, and if not are they considering one for the future.

Survey question two asked if their district had a permanent tax rate. Two respondents (50%) answered that their district did have a permanent tax rate established, and two (50%) stated they did not.

Survey question three asked what their permanent tax rate was. One respondent (50%) answered that their rate was \$1.70 per thousand of assessed valuation, and one respondent (50%) had a rate of .3198¢ per thousand. Two respondents skipped this question.

Survey question four asked if their district did not have a permanent tax rate, were they considering one for the future. Both respondents (100%) answered that they did not plan on implementing a permanent tax in the future.

The Douglas County Assessor's office provided a spreadsheet with a list of all of the parcels located within the proposed ambulance district boundaries (Lewis, 2009). This spreadsheet was reviewed to determine the assessed valuation of those parcels, the rate per thousand, and approximate revenue projections by using example tax rates. The assessed valuation for the listed parcels totaled \$3,873,231,178. Approximately \$38, 732 would be generated for every one cent (.01¢) per thousand of assessed value. For every twenty-five cents (.25¢) per thousand of assessed value, approximately \$1,000,000 in revenue would be generated. The subsidy amount that would need to be established would need to be able to provide sufficient revenue in order to cover the losses from contractual and write offs from reimbursement. The subsidy established would need to close the gap between the fifty-seven cents (.57¢) for every dollar of revenue currently reimbursed and dollar for dollar reimbursement. With Medicare being the largest payer source, reducing the \$2,140,236.49 (46%) in contractual allowance write offs would be the most appropriate. Based on the assessed valuation for the proposed boundaries a tax rate of fifty-six cents (.56¢) would generate approximately \$2,169,009 in revenue (rate per thousand of 3,873,231 x .56¢).

2. What are the advantages and disadvantages associated with implementing an ambulance district to partially fund an ambulance system?

Survey question nine asked what advantages there were to having an ambulance district partially fund the EMS system. Respondents were to select all the answers that applied. Three (75%) respondents answered that it limited their liability exposure, and three (75%) responded

that it reduced their insurance rates, two (50%) of the respondents answered that it allowed all citizens to pay for a base level of EMS coverage and that the taxes paid were tax deductible. One (25%) respondent answered that it helped reduce the impact for Medicare and Medicaid changes or reductions, one (25%) responded that it provide for a secure funding mechanism and allowed to float a local option tax or bond in the future.

Survey question ten asked what disadvantages there were to having an ambulance district partially fund the EMS system. Respondents were to select all the answers that applied. Three (75%) responded that it kept board or budget committee members from working or volunteering for the ambulance service, two (50%) answered that it created public record and budget law requirements that were hard to maintain, one (25%) responded that it upset constituents over the established tax rate, and one (25%) answered that it created yet other tax for the citizens.

During the personal interview with the office manager of Glendale Ambulance Pam Brink, she discussed the many advantages and disadvantages that they looked at when first forming their ambulance district in 1988 and later implementing a property tax in 2008. Most importantly she stated it was a way to provide secure funding. It also limited the district's liability to \$500,000, which would keep the insurance rates lower by being a nonprofit corporation. She also stated it gave the board an option of later having additional operational tax levies or implementing a capital tax for equipment or buildings. The property taxes paid for the ambulance were tax deductible for the citizens as well. Ms. Brink cited there were disadvantages as well with implementing an ambulance district. It required time and effort to establish the district as well as a time commitment from citizens to be board members. Board or budget committee members could not be Emergency Medical Technicians (EMT's) or drivers for the ambulance service. Implementing a tax base would increase taxes. Overall, she believed the

advantages of implementing an ambulance district in their area outweighed the disadvantages in order to provide a financial base

3. What elements need to be included in the formation of an ambulance district plan?

Survey question 11 asked what key elements need to be included in the formation of an ambulance district plan. Respondents were to select all the answers that applied. Four (100%) of the respondents stated that a district should be established first and to establish a permanent tax rate in the future, Three (75%) of the respondents answered that a good analysis of the costs to deliver services was necessary to establish permanent tax rate, three (75%) of the respondents answered that a method to determine a balance between a subsidy amount versus fee for service charge needed to be established, three (75%) respondents answered that a public education campaign on the need for a district and tax was a key element, and two (50%) of the respondents stated that political relationships were a key to the success of establishing a permanent tax rate.

A staff report was developed to present to the board of directors as to the feasibility of implementing an ambulance district within DCFD2's current service area. The report included the background of the problem, the current state of DCFD2's reimbursement, advantages and disadvantages of implementing an ambulance district, the approximate revenues that could be generated by establishing an ambulance district and permanent tax rate, and the author's recommendations for next steps. A copy of the staff report is listed in Appendix B.

The survey provided some unexpected finding as well. It was surprising to find that two (50%) of the existing ambulance districts in Oregon do not have a permanent tax rate established or any intention of establishing one. Most special districts in Oregon are formed in order to provide revenue for services provided to the public.

## Discussion

The survey results revealed that 50% of the ambulance districts currently had a permanent tax rate established for their district. The two districts that do not currently have a permanent tax rate established have no intentions of implementing one. All of the four districts surveyed charged a user fee for their services. The literature review showed the opposite of what two of the districts answered in regards to implementation of a permanent tax rate. The literature review revealed that the user fees alone are not enough to support an EMS system. Dent (1988) personally believed that, “The real cost of an EMS system is in the maintaining availability, not actually performing the service” (p. 18). The majority of private ambulance services in the U.S. rely solely on user fees as the way they collect their revenue. The non-subsidized system is really a patient supported system and those patients have to pay for the entire community, including those that are only paying a portion of their bill or not at all (Dent, 1988). User fees are designed to be a limited form of cost recovery. They will not usually pay for the service entirely, but will allow the service to continue to offer service based on supplemental revenues (Watkins, 1998). Within this lies the problem. With declining reimbursement levels from Medicare and other payer’s reimbursements, user fees alone are not paying for the costs of delivering ambulance services to the public. Based on the Douglas County Assessor’s office spreadsheet of all of the parcels located within the proposed ambulance district boundaries the assessed valuations were determined (Lewis, 2009). The subsidy amount that would need to be established would need to be able to provide sufficient revenue in order to cover the losses from contractual and write offs from reimbursement. The subsidy established would need to increase the fifty-seven cents (.57¢) of revenue currently reimbursed. With Medicare being the largest payer source, reducing the \$2,140,236.49 (46%) in contractual allowance write offs would be the most appropriate. Based

on the assessed valuation for the proposed boundaries a tax rate of fifty-six cents (.56¢) would generate approximately \$2,169,009 in revenue (rate per thousand of 3,873,231 x .56¢). The literature review showed that a report by the Government Accountability Office (GAO) found rates under the Medicare fee schedule were on average 6% below the cost of providing ambulance services to patients (American Ambulance Association, 2006). The fee schedule was not based on the costs of providing services but rather they were calculated to be budget-neutral to the total costs of ambulance reimbursement in 1999 (Brennan & Krohmer). The literature review revealed that many providers, including Henry Hanf, a District Manager for a local ambulance district in Oregon believed that, “Medicare is the greatest expense to the public” (Ruttan, 2008, ¶ 6). The literature further supported the need for a tax subsidy that creates enough to provide for a state of readiness and allow for user fees to offset additional costs (United States Fire Administration, 1997). Recognition of the nonpayment factor and the increasing cost of service delivery lead most cities to anticipate some sort of subsidy of the EMS operation (Giard, 2003). Activities which produce substantial benefits beyond the principle recipient are not candidates for user charge finance. Taxes are a normal source of revenues used to provide public services (Mikesell, 1982).

The survey showed that the majority of the respondents felt that reduced liability exposure, and reduced insurance rates were two important advantages of having an ambulance district. Additionally, half of the districts surveyed stated having a district allowed all citizens to pay for a base level of EMS coverage and that the taxes paid were tax deductible. Only one of the districts thought that having a district helped reduce the impact for Medicare and Medicaid changes or reductions. A vast majority of DCFD2’s 2,600 square miles of ambulance service areas are in rural settings. System readiness and responses to outlying communities are

expensive. The literature review revealed that the ambulance provider alone should not bear the expense of responding to a remote part of its area on a pure fee-for-service basis (Dent, 1988). Special taxing districts are a way to create revenue to offset expenses not covered through patient billing (Wingrove & Reinert, 2008). A big advantage of a dedicated property tax is that it produces revenues that are dedicated to EMS. That amount rises automatically with inflation of property values, as new assessments are made. During a personal interview with the annexation specialist of Special Districts Association of Oregon Luanne Richey, she discussed that another advantage of a special district is that by becoming a public entity it improves your opportunities for grants and other funding mechanisms. Pam Brink of Glendale Ambulance discussed one of the biggest advantages of establishing their tax rate was a way to provide secure funding. It also limited the district's liability to \$500,000, which would keep the insurance rates lower by being a nonprofit corporation. She also stated it gave the board an option of later have additional operational tax levies or implementing a capital tax for equipment or buildings. The property taxes paid for the ambulance were tax deductible for the citizens as well.

The survey results showed that the majority of the respondents felt that some disadvantages to having an ambulance district included keeping board and budget committee members from working or volunteering for the ambulance service, and created public record and budget law requirements that were hard to maintain. One district also answered that having an established tax rate upset citizens in their area. The literature reviewed tended to support the disadvantage of additional tax to the citizens. You have to go to voters to authorize starting a tax, which could be difficult in certain economic times (United States Fire Administration, 1999). In many communities, voters have passed tax limitations across the country that limit or prevent any future tax increases by local jurisdictions to existing taxes (Watkins, 1998). Implementing

special taxing districts can be difficult to obtain because the beneficiaries of the EMS care, emergency patients, are often uninterested until ill or injured (Swor, 1994). Literature reviewed showed even in the State of Oregon some elected officials believe that implementing an ambulance district would irritate taxpayers who think that public safety is something they get for their first tax dollar, rather than as an extra assessment (Levy, 2009). Another disadvantage to forming an ambulance district tax has been that many believe that the “users” of the system should pay for the system. A new or additional tax would force everyone to pay for the service, even if they do not use it. But others claim that by not having a tax, users fees allow individuals to escape paying for the system simply by foregoing consumption of the service (Mullen, 1998).

The survey results revealed that all of the respondents stated that a district should be established first prior to establishing a permanent tax rate in the future. The majority of the respondents answered that a good analysis of the costs to deliver services was necessary prior to establishing a permanent tax rate, as well as developing a good method to determine a balance between a subsidy amount versus fee for service charge. The majority of the respondents also reported that a public education campaign on the need for a district and tax was a key element, and that political relationships were also a key to the success of establishing a permanent tax rate.

There are many constraints that must be evaluated before a taxing district can be implemented. Those include local, county, state laws, economics and community related factors (Anderson, 2000). The literature reviews supported the survey results in regards to education and political relationships. With the right information, the public would accept fees for certain services provided by the fire department with the knowledge that the fees are being used to offset the cost of providing that service (Bruegman et al., 1994). Education plays a vital role in the

successful implementation of an EMS tax rate (Smolsky, 2001). The type of funding source used in a particular community depends largely on the nature of that community, the purpose of the tax, the leadership characteristics, and the political climate of the community (Damrell, 1995). Administrators should anticipate this and prepare themselves to justify any fees or tax rate not only on price but service quality and the surrounding community characteristics (Mullen, 1998). Wingrove and Reinert (2008) said that before you seek to establish a district, these principles should be considered:

- Know exactly how you are going to use the money;
- Establish clear roles and responsibilities for advisory and taxing board members;
- Clearly communicate to citizens the need for the taxing district;
- Ensure you are maximizing your current revenue sources and minimizing your costs (§ 10).

This author believes that the study results provided a definite framework that can be used to develop a proposal plan for implementing an ambulance district within DCFD2's ambulance service area. It was clear that DCFD2's current reimbursement stream will not continue to adequately fund current levels of services. This is a national problem for providers and due to the current economic environment it does not appear that it will change for the better anytime in the near future. Springfield Fire Chief Dennis Murphy said it best at a recent ambulance summit for elected officials that, "Medicare broke the bank. Period" (Levy, § 6).

The research results revealed that the current assessed valuation in the proposed service area could produce a stable revenue stream if a permanent tax rate was successfully implemented. The research also revealed that there are a lot of advantages to having an ambulance district to provide secure, consistent services for the public. Forming an ambulance

district is quite an involved process and will take a lot of thought and work. The author did not agree with the survey respondents that waiting to establish a permanent tax rate after the district had been formed was a good strategy. Forming the district was the mechanism in order to establish a secure revenue source to continue service delivery. The decision to form an ambulance district within DCFD2's service area is going to decide how the ambulance service will be operated in the years to come. Without a secure revenue source, the current ambulance service levels will be changed.

### Recommendations

Based on the information gathered in this applied research project, this author believes that formation of an ambulance district and implementation of a permanent tax rate is the best alternative available to maintain current service levels. As a result of the data collected, this author recommends that a staff report be developed and submitted to the board of directors outlining the feasibility of implementing an ambulance district and the recommended steps to do so. The report should include the background of the problem, the current state of DCFD2's reimbursement, advantages and disadvantages of implementing an ambulance district, the approximate revenues that could be generated by establishing an ambulance district and permanent tax rate, and the author's recommendations for next steps. A copy of the staff report is included in Appendix B.

Recommendations for DCFD2 in forming and implementing an ambulance district in their current service area include:

1. Present the board of directors with the staff report and recommendations to pursue formation of an ambulance district within DCFD2's current ambulance service area.

2. Based on board approval, form a committee made up of key staff personnel including the deputy chief, EMS battalion chief, finance director and office assistant.
3. Discuss and formulate a strategy and timeline to implement an ambulance district. This would include developing a budget necessary to support the process of forming an ambulance district. This would also include timing the submittal requesting an ambulance district formation with the election of the voters for a proposed permanent tax rate. Develop a marketing plan to educate and inform citizens and local elected officials on the need for secure funding in order to continue quality paramedic ambulance services.
4. Assign committee members to review and identify key requirements of ORS 198 and 440 that need to meet and outline a plan to meet each of those elements. This would include the finance director calculating the total cost of deploying a fully staffed vehicle per hour of actual service and measuring this against current revenues to determine the specific amount of required subsidy needed for a tax rate.
5. Meet with county officials to gather required data and assure all required documents are being produced.
6. Follow the steps required by ORS and the county for formation of an ambulance district.
7. Educate the public and key elected officials on the issues at hand and the need to form a district and a supporting tax for the service.
8. Update board of directors throughout project and upon final election results.

These recommendations would allow DCFD2 to attempt to secure the best revenue source available at the current time for continued funding of the ambulance service. Establishing

an ambulance district and permanent tax rate is the only viable option to be able to continue to deliver quality, timely emergency medical services to the community over the vast service area it serves.

Ambulance reimbursement continues to be a grave problem for all ambulance providers, public and private. The current economic conditions certainly do not warrant asking voters for yet another tax. The public needs to be educated about the EMS services they receive, how those services are currently funded, and what will happen if a subsidy is not implemented. With adequate information voters can make an informed decision as to what level of ambulance services they need, want and can afford. EMS subsidies may become the prominent funding mechanism for services across the nation over the next decade. Those communities that choose not to have a subsidy to fund the baseline service will find their EMS and ambulance services in a much different state in the future than they are today.

## References

- American Ambulance Association (2006). *2007 Federal legislative issues for ambulance service providers*. Retrieved October 11, 2008, from [http://www.the-aaa.org/capitol\\_hill/ride-along/2007%20Legislative%20Overview.doc](http://www.the-aaa.org/capitol_hill/ride-along/2007%20Legislative%20Overview.doc)
- American Ambulance Association. (1994). *Contracting for emergency ambulance services*. Sacramento, CA: American Ambulance Association.
- Anderson, R. E. (2000). *Alternative funding methods*. Emmitsburg, MD: National Fire Academy, Learning Resource Center.
- Brennan, J. A., & Krohmer, J. R. (Eds.). (n.d.). *Principles of EMS systems* (3rd ed.). Sudbury, MA: Jones and Bartlett
- Bruegman, R. R., Grover, G. F., Hoetmer, G. J., Lavoie, K. R., Lawton, J., & Rielage, R. R. et al. (1994). Funding fire protection, Part 1. *Fire Chief*, 38(8), 60-62.
- Damrell, L. A. (1995). *Alternative funding sources for the fire service*. Emmitsburg, MD: National Fire Academy, Learning Resource Center.
- Dent, L. W. (1988). *Making dollars and sense out of EMS*. Edmonds, WA: EMS Northwest.
- Giard, D. A. (2003). *Alternative funding sources versus cost reallocation*. Emmitsburg, MD: National Fire Academy, Learning Resource Center.
- Greer, L. (2009). [2008 Payor category charges]. Unpublished raw data.
- Levy, N. (2009). Ambulance service faces financial crisis. *The Register-Guard*. Retrieved January 28, 2009, from <http://www.registerguard.com/csp/cms/sites/web/news/6607261-46/story.csp>
- Lewis, W. (2009). [Parcels in Ambulance District]. Unpublished raw data.

Markovich, J. (2008, June 30). *Form LB-31* (Medcom ambulance authority budget report 2008-2009). Roseburg, OR.

Marlar, G. B. (2009). [2008 FireMed Membership]. Unpublished raw data.

Mikesell, J. (1982). *Fiscal administration: Analysis and applications for the public sector*. Harwood, IL: Dorsey Press.

Mullen, P. J. (1998). *Advanced Leadership issues in emergency medical services*. Emmitsburg, MD: National Fire Academy, Learning Resource Center.

Mutschler, T. A. (2009). [2008 Call and transport volume]. Unpublished raw data.

National Fire Academy. (2005). *Executive leadership-EL student manual* (5th ed.). Emmitsburg, MD: Author.

Nonpartisan Voters' Guide. (2008). *The League of Women Voters*, 38, 21.

Oregon Department of Revenue (2008). *How property taxes work in Oregon*. Retrieved October 12, 2008, from <http://www.oregon.gov/DOR/PTD/property.shtml>

Oregon Revised Statute (2007). *Chapter 198*. Retrieved February 4, 2009, from <http://www.leg.state.or.us/ors/198.html>

Page, J. O. (1978). *Emergency medical services* (2nd ed.). Boston, MA: National Fire Protection Association.

Powers, D. K. (2005). *Measuring the cost-effectiveness of South Ogden fire department ambulance service*. Emmitsburg, MD: National Fire Academy, Learning Resource Center.

Ruttan, D. (2008). Ambulance district seeks tax increase to meet rising costs. *Siuslaw News*. Retrieved October 12, 2008, from

[http://www.thesiuslawnews.com/V2\\_news\\_articles.php?heading=0&story\\_id1265&page=72](http://www.thesiuslawnews.com/V2_news_articles.php?heading=0&story_id1265&page=72)

Sachs, G. M. (1999). *Officer's guide to fire service EMS*. Saddlebrook, NJ: Fire Engineering.

Smolsky, M. (2001). *Advanced leadership issues in emergency medical services*. Emmitsburg, MD: National Fire Academy, Learning Resource Center.

Stout, J. (1985). Comparing ambulance rates. *Journal of Emergency Medical Services*, 10(7), 46-47.

Swor, R. (1994). *Prehospital systems and medical oversight* (2nd ed.). (A. Kuehl, Ed.). St. Louis, MO: Mosby, 76-79.

The Special Districts Committee of the Oregon Association of County Clerks. (2004). *Special district processes information manual* (). Oregon: Oregon Association of County Clerks.

U.S. Census Bureau, (2000). *Oregon by place*. Retrieved January 7, 2009, from [http://factfinder.census.gov/servlet/GCTTable?\\_bm=y&-geo\\_id04000US41&-\\_box\\_head\\_nbr=GCT-PH1&-ds\\_name=DEC\\_2000\\_SF1\\_U&-format=ST-7](http://factfinder.census.gov/servlet/GCTTable?_bm=y&-geo_id04000US41&-_box_head_nbr=GCT-PH1&-ds_name=DEC_2000_SF1_U&-format=ST-7)

United States Fire Administration, (1997). *Implementation of EMS in the fire service*. Emmitsburg, MD: The Administration.

United States Fire Administration. (1999). *Funding alternatives for fire and emergency services* (fa-141). Emmitsburg, MD: The Administration.

Watkins, K. R. (1998). *The "business" of user fees: A superior revenue source for fire and emergency medical service agencies*. Emmitsburg, MD: National Fire Academy, Learning Resource Center.

Wingrove, G., & Reinert, A. (2008, June 2008). Dude, where's the ambulance?. *EMS Magazine*, 37(6), 36.

Appendix A

Ambulance District Survey Tool

---

**How did other ambulance districts implement their Districts and what elements needed to be considered?**

Name of your Ambulance District \_\_\_\_\_

Name, telephone #, and email address of person completing this questionnaire (if further information or clarification were needed) \_\_\_\_\_

---

\_\_\_\_\_ Square miles of District

\_\_\_\_\_ Number of stations

\_\_\_\_\_ approximate number of citizens in your service area

**1. When was your ambulance District formed?**

\_\_\_\_\_

**2. Does your District have a permanent tax rate established?**

- a. Yes
- b. No

**3. If you answered yes to question # 2, what is your permanent tax rate?**

\_\_\_\_\_

**4. If your District does not have a permanent tax rate established, are you considering one in the future?**

- a. Yes
- b. No

**5. Does your District also charge a fee for service for your ambulance transports?**

- a. Yes
- b. No

**6. If you answered yes to question # 5, what is your fee for service rates?**

Base Rate \_\_\_\_\_

Mileage \_\_\_\_\_

Medical Aid/Non-Transport Rate \_\_\_\_\_

**7. What is your approximate net collection rate for your fee for service? (Gross charges minus contractual and write offs)**

\_\_\_\_\_

**8. Does your District have any additional alternative revenue sources? (Check all that apply)**

- a. Subscription Program
- b. Non Transport Fee

- c. Medical Aid Fee (treatment given but no transport)
- d. Auto Insurance Billing
- e. Hospital Contract
- f. Fund Raising
- g. Other \_\_\_\_\_

**9. What are the advantages of having the ambulance district partially fund your EMS system (Check all that apply)?**

- a. Secure funding mechanism
- b. Limits liability exposure/reduce insurance rates
- c. Ability to float local option tax or bonds for future projects
- d. Able to reduce users fees
- e. Reduced impact from Medicare/Medicaid changes or reductions
- f. Donations tax deductible
- g. All citizens pay for a base level of EMS coverage
- h. Other: \_\_\_\_\_

**10. What are the disadvantages of having the ambulance district partially fund your EMS system (Check all that apply)?**

- a. Another tax for citizens
- b. Double majority rule (prior to measure 55 passing 11/08)
- c. Public record, budget laws, forms and filing requirements
- d. Upset constituents over tax rate
- e. Compression
- f. Having a Board of Directors
- g. Board members/Budget committee cannot work or volunteer for EMS service
- h. Other: \_\_\_\_\_

**11. What key elements need to be included in the formation of an ambulance district plan? (Check all that apply)**

- a. Political relationships and buy in
- b. Good analysis of costs to deliver service to establish permanent tax rate
- c. Method to determine balance between subsidized amount vs. fee for service charge
- d. Public marketing/education campaign
- e. Establish district first and establish permanent tax rate in the future
- f. Other: \_\_\_\_\_

Appendix B  
Staff Report

- I. Issue: Ambulance District Formation** **Date: 4/18/2009**
- II. Initiator: Deputy Chief Greg Marlar**
- III. Contact Person: Deputy Chief Greg Marlar**
- IV. Background:**

The problem is our current ambulance reimbursement fees do not provide adequate funding to maintain current levels of advanced life support (ALS) ambulances. Without additional secure revenue sources, the current ALS ambulance service levels will be reduced in the community.

During 2008, our payer mix consisted of 46% Medicare, 18.9% contracts, 14.4% commercial insurance companies, 9.7% state Medicaid, 8.7% private paying patients, 2.5% auto insurance companies, and .7% workers compensation. Medicare has been and continues to be our largest payer with nearly half of its fee-for-service reimbursement being received from them. Nationally, ambulance agencies were fighting to stay in business under Medicare's new fee schedules. The industry as a whole was facing a serious financial crisis. Over the past several years, ambulance providers were being forced to decrease essential medical and first responder services in order to absorb declining reimbursement rates. In May 2007 a report by the Government Accountability Office (GAO) found rates under the Medicare fee schedule were on average 6% below the cost of providing ambulance services to patients. During 2008, we billed Medicare for \$4,682,718. Of those gross charges, \$2,140,236.49 was written off as contractual allowances for a net charge of \$2,542,481.51. Of the Medicare charges, we are writing off nearly

46% of the gross charges before a claim is even submitted to Medicare for reimbursement. In total for 2008, we had gross charges of \$9,091,345.75 in which payments of \$4,189,036.13 have been received. There is a balance still due of \$998,529.32. Even if the entire balance is collected, we are being reimbursed approximately fifty-seven cents (.57¢) for every dollar billed.

Forming an ambulance district within our current ambulance service area is a potential solution to produce a secure revenue source for our ambulance service. A vast majority of our 2,600 square miles of ambulance service areas are in rural settings. System readiness and responses to outlying communities are expensive. We cannot continue to provide services on a pure fee-for-service basis. An ambulance district is a way to create revenue to offset expenses not covered through patient billing. A big advantage of a dedicated property tax is that it produces revenues that are dedicated to EMS. That amount rises automatically with inflation of property values, as new assessments are made. During interviews with other ambulance districts within the state we learned that having an ambulance district was a way to provide secure funding for the service. It also limited the district's liability to \$500,000, which would keep the insurance rates lower. The property taxes paid for the ambulance were tax deductible for the citizens as well. There were also some disadvantages as well with implementing an ambulance district. It required time and effort to establish the district as well as a time commitment from citizens to be board members. Implementing a tax base would increase taxes. Some elected officials in Eugene, Oregon believe that implementing an ambulance district would irritate taxpayers who think that public safety is something they get for their first tax dollar, rather than as an extra assessment. Another disadvantage to forming an ambulance district tax has been that many believe that the "users" of the system should pay for the system. A new or additional tax would force everyone to pay for the service, even if they do not use it.

The Douglas County Assessor's office provided a spreadsheet with a list of all of the parcels located within the proposed ambulance district boundaries. This spreadsheet was reviewed to determine the assessed valuation of those parcels, the rate per thousand, and approximate revenue projections by using example tax rates. The assessed valuation for the listed parcels totaled \$3,873,231,178. This equated to a rate per thousand of \$3,873,231 of assessed valuation. Approximately \$38,732 would be generated for every one cent (.01¢) per thousand of assessed value. For every twenty-five cents (.25¢) per thousand of assessed value, approximately \$1,000,000 in revenue would be generated. The subsidy established would need to close the gap between the fifty-seven cents (.57¢) for every dollar of revenue currently reimbursed and dollar for dollar reimbursement. With Medicare being the largest payer source, reducing the \$2,140,236.49 (46%) in contractual allowance write offs would be the most appropriate. Based on the assessed valuation for the proposed boundaries a tax rate of fifty-six cents (.56¢) would generate approximately \$2,169,009 in revenue (rate per thousand of 3,873,231 x .56¢).

One of the first things that need to be examined in the formation of an ambulance district was what legal steps are necessary to form an ambulance district in the State of Oregon. ORS 198.720-825 outlines the required steps in the formation of a special district. ORS 440.365-403 gives the authorization for health districts to charge users fees, authorize bonds, assess tax levies, and adopt an annual budget. There are numerous steps that must be followed in establishing a new ambulance district, most of the same that were required to form our fire district. Formation may take as long as 12-24 months. Establishing a permanent tax rate would also require the proposal of an ambulance district and the proposed permanent tax rate to go to the voters for approval. Education of our citizens and key public officials within our service area on the need for an ambulance district and a tax rate is paramount. Even though we are currently the sole

provider of services, price comparison can and will be made between public and private providers as well as other government agencies. We will need to justify any fees or tax rate not only on price but service quality and the surrounding community characteristics.

**V. Possible Motion:**

To approve staff’s recommendations to proceed with developing an implementation plan to form an ambulance district and establish a permanent tax rate for the board’s future approval.

**VI. Recommendation from staff:**

That the board approves and direct staff to begin the process of forming an ambulance district within our current ambulance service area. In addition, staff recommends that a permanent tax rate be proposed that will provide the specific amount of required subsidy needed to maintain service levels. A committee of staff personnel will be formed, chaired by the deputy chief, to review and develop an implementation plan based on the relevant statutes and county requirements and a proposed budget required for this project. Staff will bring the board an implementation timeline and proposed tax rate for board approval. Staff will update the board on progress of the project plan monthly.

**BUDGET IMPACT**

EXPENDITURE REQUIRED:	AMOUNT BUDGETED:	APPROPRIATION REQUIRED:
Unknown	To be developed	Unknown