Health Services
LOS ANGELES COUNTY

Los Angeles County
Board of Supervisors

Hilda L. Solis
First District

Mark Ridley-Thomas
Second District

Sheila Kuehl
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

Mitchell H. Katz, M.D.
Director

Hal F. Yee, Jr., M.D., Ph.D.
Chief Medical Officer

313 N. Figueroa Street, Suite 912
Los Angeles, CA 90012

Tel: (213) 240-8101
Fax: (213) 481-0503

www.dhs.lacounty.gov

To ensure access to high-quality, patient-centered, cost-effective health care to Los Angeles County residents through direct services at DHS facilities and through collaboration with community and university partners.

www.dhs.lacounty.gov

September 15, 2015

TO: Mayor Michael D. Antonovich
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

FROM: Mitchell H. Katz, M.D.
Director

SUBJECT: **IMPACT OF MINIMUM WAGE INCREASE TO THE EMERGENCY AMBULANCE TRANSPORTATION SYSTEM**

On July 21, 2015, the Board instructed the Director of Health Services to have the Emergency Medical Services (EMS) Agency provide a report on the impact of the minimum wage increase to the Emergency Medical Transport System. This was item S-1 at the July 21, 2015 Board meeting.

BACKGROUND

The emergency ambulance transportation system is coordinated by the DHS/EMS Agency and the authority for this oversight and coordination is found in the California Health and Safety Code, Division 2.5, Chapter 4, Article 1, Section 1797.224. Prior to the enactment of the Emergency Medical Services System and the Prehospital Emergency Medical Care Personnel Act in 1980, Los Angeles County had developed an Emergency Aid Plan. Included in the plan was a description of the County's process to reimburse ambulance companies for the emergency transport of indigent and in custody patients.

In 1979, the cities of Lomita and Huntington Park filed a suit against the County to be relieved of the cost of ambulance services while requiring the County to continue to ensure the availability of ambulance service. Forty other cities later joined in the lawsuit. In October 1986, the Court of Appeal ruled in favor of the cities and imposed full responsibility on the County for the provision of emergency ambulance transportation services and instructed the County to pay the cities and determined that the County was responsible for the emergency transport of indigent patients. This final court decision is known as the *Lomita Decision*. The *Lomita Decision* stated that the County could meet its obligation by: 1. creating a separate County department to provide emergency ambulance service; 2. assigning the duty of providing emergency ambulance service to an existing County department; 3. contracting with the cities to provide necessary emergency ambulance services to the residents of the County found within those cities; or 4. contracting with private ambulance companies. A combination of the four options was also permissible. In response to the *Lomita Decision*, the County contracted with cities that were doing their own emergency ambulance transportation and were "*grandfathered*" under section 1797.224 and private ambulance companies for areas not covered by the "*grandfathered*" cities.

Section 1797.224 allows the County to create ambulance franchise zones or Exclusive Operating Areas (EOA) as long as a competitive process is used to select the providers of this service. Additionally, a competitive process is not needed if the EMS Agency develops or implements a local plan that continues to use existing providers operating within the County in the manner and scope in which the services have been provided without interruption since January 1, 1981. The Independent City EOA providers under the non-competitive process were "grandfathered" as exclusive under this provision. The EOAs that do not meet the 1981 criteria have been awarded through a competitive process using a Request for Proposal (RFP) and a ten (10) year contract period.

The EOAs covered by the competitive process are re-bid prior to the end of the existing contract period (every ten years) to ensure continued access and coverage for emergency ambulance transport. In designating the geographic areas covered by each competitive process EOA, the EMS Agency used contiguous geography, population and poverty rates to ensure each EOA would be financially sustainable for the awarded company. The EOAs under the competitive process cover the areas within Los Angeles County Fire District and also includes the cities of Santa Fe Springs, Monrovia, Compton, Montebello, Redondo Beach and La Habra Heights (Attachment II).

Prior to 1989, the County paid the ambulance companies to transport County responsible patients and also subsidized ambulance companies to transport patients in some areas with lower population density, such as Malibu. Over the last two contracting periods, the County sought a bid in which the ambulance companies provide their service at no cost to the County, with the County providing in-kind services, in exchange for being assigned the exclusive rights to emergency ambulance transportation in the EOA. The ambulance company bills the transported patient (and/or their insurance) and agrees to transport all patients accessing the 9-1-1 system. The ambulance company does not seek reimbursement from the County for indigent or County responsible patients.

The current EOA contracts expire May 30, 2016. The EMS Agency has been working on the new RFP and evaluating the EOAs to ensure they are financially viable and will support the provision of emergency ambulance transportation at no cost to the County. The EMS Agency anticipates releasing this RFP in the Spring 2016.

PAYMENT SYSTEM FOR EMERGENCY AMBULANCE TRANSPORT

In order for an ambulance company to remain financially viable, they must balance the cost of readiness for responding to emergency calls, which includes the number of available ambulances and staff needed to serve a specific EOA, the payor mix of the population they serve and their actual revenue, which is determined by the reimbursement for services provided.

The ambulance company billing and actual payment process is very complex and dependent on the payor mix served. For instance, Medi-Cal and Medicare pay a fixed amount for an emergency ambulance transport, regardless of the amount billed, of $120 and $240, respectively. Other insurance companies will base their payment on a percentage of total charges but determine that the difference of charges to their reimbursement rate is the outstanding balance or deductible and is the responsibility of the patient. Theoretically if an ambulance company was able to increase their charges, under this scenario they could potentially increase their total revenue. However, the County's Ambulance Ordinance, Title 7, Division 2, Chapter 7.16, amended in 2011, incorporates two approved methodologies that are used to determine the maximum rates that ambulance companies are allowed to charge for emergency ambulance transport thus individual ambulance company rates cannot exceed the County's approved maximums (Attachment III).

MINIMUM WAGE INCREASE IMPACT TO EMERGENCY AMBULANCE TRANSPORT

The EMS Agency contracts with four ambulance companies for emergency ambulance transportation services (American Medical Response (AMR), CARE, Schaefer, and WestMed/McCormick). These companies met with EMS Agency staff on July 8, 2015 to discuss their concern about the future financial impact caused by implementation of a minimum wage increase.

The impact is especially significant as the ambulance companies are reporting an increased loss of revenue following the implementation of the Affordable Care Act. Though more patients are insured, the ambulance companies are reporting a higher percentage of Medi-Cal patients and that they are seeing coverage with much higher deductibles. The insurance company is only paying a percentage of charges and the patient receives the outstanding portion of the bill and is unable to meet their deductible by paying the bill balance.

According to the analysis presented to the EMS Agency by the ambulance company management at the July 8 meeting, they requested an increase to the maximum allowable charges to compensate for the minimum wage increase beyond what the current methodology will allow. The current formula for changing the maximum is based on the transportation portion of the Consumer Price Index and not reflective of changes to minimum wage. In order to increase the maximum allowable ambulance rates that are reflective of the minimum wage increase the County would need to amend section 7.16.340 of the Ambulance Ordinance. Prior to amending the Ambulance Ordinance, a more thorough analysis of any change in the methodology used to calculate rate increases and impact on those rates would need to be completed.

While changing the methodology used to calculate the maximum rates chargeable is the most tangible action to address the increased cost of operations from the minimum wage increase, there are several other actions that would assist in mitigating the impact of the minimum wage increase. These include the following:

1. Amend the ambulance ordinance to carve out a maximum allowable rate for emergency ambulance transportation originating from a 9-1-1 call as the readiness cost greatly impacts the cost of this service.
2. Continue to work with the 9-1-1 receiving hospitals to decrease the length of time it takes to transfer patient care to hospital staff and equipment. This will result in the ambulance being back in service in a timely manner to respond to additional 9-1-1 calls and improve efficiency reducing the overall cost of operations.
3. Work with EMS stakeholders to change the ambulance destination policy (Reference No. 502 *Patient Destination*) to allow basic life support ambulances to travel further to a hospital emergency department that is not holding multiple ambulances and can accept the transfer of patient care in a timely manner.

CONCLUSION

The increase in the minimum wage coupled with changes in the payor mix and reimbursement may lead to a fiscal environment in which the ambulance companies are unable to provide emergency ambulance transport service without being subsidized by the County.

The EMS Agency will continue to monitor reimbursement for emergency ambulance transportation and evaluate changes to the methodology used to calculate rate increases and amend the Ambulance Ordinance Section 7.16.340 accordingly. While the County wants to insure that the approved ambulance rates provide an ambulance company with a reasonable rate of return on their investment, this must be balanced with ensuring that the cost is reasonable for the services provided. Additionally, the EMS Agency is committed to review the patient destination policy and work with our stakeholder committees to make appropriate changes while ensuring safe patient care practices.

If you have any questions, please contact me or Cathy Chidester, EMS Director at (562) 347-1604.

MHK:cc:

c: Chief Executive Office
County Counsel
Executive Office Board of Supervisors

Attachments

STATEMENT OF PROCEEDINGS FOR THE

REGULAR MEETING OF THE BOARD OF SUPERVISORS

OF THE COUNTY OF LOS ANGELES HELD IN ROOM 381B

OF THE KENNETH HAHN HALL OF ADMINISTRATION

500 WEST TEMPLE STREET, LOS ANGELES, CALIFORNIA 90012

Tuesday, July 21, 2015

9:30 AM

S-1. 11:00 a.m.

Discussion on an increase to the minimum wage in Los Angeles County. (Relates to Agenda Nos. 9 and 54-A) (15-2929)

This item was called up with Item Nos. 2, 4, 9 and 54-A.

Mayor Eric Garcetti, Councilmember Marqueece Harris-Dawson, Patricia Salazar, Victor Narro, Yanin Senachai, Holly Schroeder, Gary Toebben, Stuart Waldman, Kevin Korenthal, Sheila McClure, Tracy Rafter, Giovanni D'Egidio, Helen Hua, Bill Lentz, Carol Crosby and other interested persons addressed the Board.

Brian Stiger, Director of Consumer and Business Affairs, Cynthia Banks, Director of Community and Senior Services, and Barbara Halsey, Principal, Halsey Consulting, responded to questions posed by the Board.

Supervisor Antonovich requested a report back to the Board on the impact of the minimum wage increase to the Emergency Medical Transport System.

By Common Consent, there being no objection, Item S-1 was received and filed; and the Director of Health Services was instructed to report back to the Board on the impact of the minimum wage increase to the Emergency Medical Transport System.

Ayes: 5 - Supervisor Solis, Supervisor Ridley-Thomas, Supervisor Kuehl, Supervisor Knabe and Supervisor Antonovich

Supervisor Knabe made a motion to amend Supervisor Kuehl's motion (Item No. 9) to:

1. **Exempt social enterprises that provide transitional employment from the Minimum Wage Ordinance by establishing a Transitional Jobs Program Exemption;**

2. **Develop an approach to minimum wage increases beyond 2022 that is set by the Board as opposed to the Consumer Price Index; and**

3. **Establish a public-private partnership that focuses on job training, subsidized employment and business fees and regulations, that includes representatives from both business and labor as well as the Departments of Community and Senior Services, Public Social Services, and Consumer and Business Affairs. The partnership should look specifically at job training, subsidized employment and easing of regulations and fees and report back to the Board in 60 days with a comprehensive plan that fosters the creation of new, good paying jobs and enhances employment training programs that both helps businesses and increases employment.**

After discussion, on motion of Supervisor Knabe, seconded by Supervisor Antonovich, Supervisor Knabe's amendment failed to carry by the following vote:

Ayes:	2 -	Supervisor Knabe and Supervisor Antonovich
Noes:	3 -	Supervisor Solis, Supervisor Ridley-Thomas and Supervisor Kuehl

Supervisor Knabe made a request to bifurcate approval of Recommendation Nos. 1 and 2 of Supervisor Kuehl's motion (Item No. 9).

The Mayor ordered a division of the question.

On motion of Supervisor Kuehl, the Board took the following actions:

Directed the Interim Chief Executive Officer and Interim County Counsel to prepare and submit to the Board within 45 days a new Board Policy that will establish a minimum wage for employees of the County, the region's largest employer, with implementation of minimum wage increases for County employees to proceed on the following rollout schedule:

i.	**July 1, 2016**	**$10.50**
ii.	**July 1, 2017**	**$12.00**
iii.	**July 1, 2018**	**$13.25**

iv. July 1, 2019 $14.25
v. July 1, 2020 $15.00

Said motion was duly carried by the following vote:

Ayes: 4 - Supervisor Solis, Supervisor Ridley-Thomas, Supervisor Kuehl and Supervisor Knabe

Noes: 1 - Supervisor Antonovich

Directed the Interim County Counsel to prepare and submit a Countywide Minimum Wage Ordinance for the Board's review in 45 days, which will establish a Countywide minimum wage with the provisions outlined below, and the Countywide Minimum Wage Ordinance shall be applicable to employees of all agencies, including nonprofits and businesses, in the unincorporated areas of Los Angeles County, where the Board serves as the wage setting entity, as allowed under California law.

a. **Beginning in 2016, the minimum wage in the County will increase annually as follows for all employers (including nonprofits and businesses) with 26 or more employees:**

i. July 1, 2016 $10.50
ii. July 1, 2017 $12.00
iii. July 1, 2018 $13.25
iv. July 1, 2019 $14.25
v. July 1, 2020 $15.00

b. **Employers with fewer than 26 employees will have two years to prepare for the phase-in launch, and will then follow the rollout schedule below:**

i. July 1, 2017 $10.50
ii. July 1, 2018 $12.00
iii. July 1, 2019 $13.25
iv. July 1, 2020 $14.00
v. July 1, 2021 $15.00

c. **Beginning July 1, 2022, the minimum wage will increase annually based on the average Consumer Price Index over the previous 20 years. This rate will be determined by the County's Chief Executive Office and will be announced on January 1st of every year.**

Said motion was duly carried by the following vote:

Ayes: 3 - Supervisor Solis, Supervisor Ridley-Thomas and Supervisor Kuehl

Noes: 2 - Supervisor Knabe and Supervisor Antonovich

Supervisor Antonovich made a friendly amendment to Recommendation Nos. 2 and 3 of Supervisors Solis and Knabe's joint motion (Item No. 54-A) to instruct the Directors of Consumer and Business Affairs, Community and Senior Services, Planning, Public Works, Interim Director of Public Health, the Assessor, Agricultural Commissioner/Director of Weights and Measures, Treasurer and Tax Collector, Executive Director of the Community Development Commission, and other internal County Departments deemed necessary, to develop and <u>come back to the Board before implementing the Small Business</u> Initiative; and authorize the Director of Consumer and Business Affairs to serve as the Initiative's lead agency and convene a working committee comprising representatives from participating Departments who hold decision-making responsibility within said Departments and invite the participation of business leaders and prominent business-serving organizations, such as the Los Angeles Chamber of Commerce, the Los Angeles County Business Federation, and others as deemed appropriate by the Director <u>and the Board</u>.

Supervisors Solis and Knabe accepted Supervisor Antonovich's friendly amendment.

Supervisor Knabe also made a motion to amend his and Supervisor Solis' joint motion to instruct the Small Business Initiative workgroup to report back on the feasibility of establishing a Local Vendor Preference Policy and include their findings in the report due to the Board on January 12, 2016.

After discussion, on motion of Supervisor Solis, seconded by Supervisor Knabe, Item No. 54-A was approved as amended to:

1. **Establish a Small Business Initiative (SBI) charged with supporting small businesses through the wage increase transition period;**

2. **Instruct the Directors of Consumer and Business Affairs, Community and Senior Services, Planning, Public Works, Interim Director of Public Health, the Assessor, Agricultural Commissioner/Director of Weights and Measures, Treasurer and Tax Collector, Executive**

Director of the Community Development Commission, and other internal County Departments deemed necessary, to develop and come back to the Board before implementing the Small Business Initiative;

3. **Authorize the Director of Consumer and Business Affairs to serve as the Initiative's lead agency and convene a working committee comprising representatives from participating Departments who hold decision-making responsibility within said Departments, and invite the participation of business leaders and prominent business-serving organizations, such as the Los Angeles Chamber of Commerce, the Los Angeles County Business Federation, and others as deemed appropriate by the Director and the Board; and**

4. **Instruct the SBI working committee, under the leadership of the Director of Consumer and Business Affairs to:**

   - **Estimate the costs and/or fiscal impacts associated with each of the tools identified in Halsey Consulting's report dated July 15, 2015, or identified in the future, as well as to develop proposals, including cost estimates, by which the external partners participating in the SBI can use the resources at their disposal to enhance, augment, or supplement these tools;**

   - **Use the information gathered to evaluate and prioritize the proposals and tools and to report back to the Board by January 12, 2016 with a developed plan for funding, launching, and implementing a fully operational SBI by July 1, 2016;**

   - **Encourage the working committee to consider, though not report on, nationwide best practices, such as those described in the November 2014 report by the National Association of Counties entitled "Strategies to Bolster Economic Competitiveness-County Leadership in Action;" and**

   - **Report back on the feasibility of establishing a Local Vendor Preference Policy and include their findings in the report due to the Board on January 12, 2016.**

Ayes: 5 - Supervisor Solis, Supervisor Ridley-Thomas, Supervisor Kuehl, Supervisor Knabe and Supervisor Antonovich

Attachments: Video I
Audio I
Video II
Audio II
Video III
Audio III
Video IV
Audio IV
Report

The foregoing is a fair statement of the proceedings of the regular meeting held July 21, 2015, by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.

Patrick Ogawa, Acting Executive Officer
Executive Officer-Clerk
of the Board of Supervisors

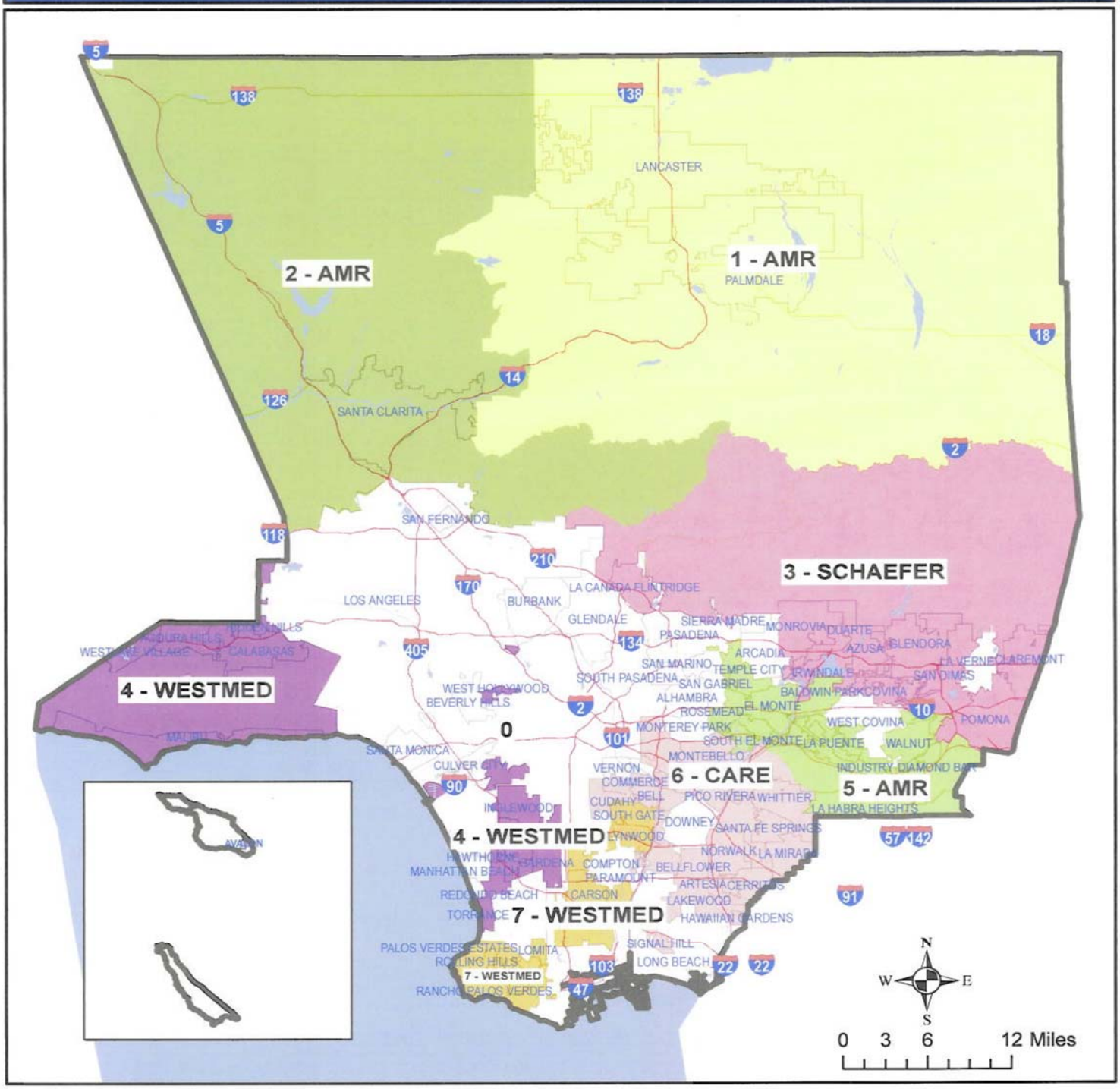
By Patrick Ogawa

Patrick Ogawa
Acting Executive Officer

ATTACHMENT II

LOS ANGELES COUNTY

9-1-1 AMBULANCE EXCLUSIVE OPERATING AREAS - 2006 - 2016



Legend

Exclusive Operating Areas		
0	AREA 4	Freeway
AREA 1	AREA 5	Highway
AREA 2	AREA 6	laco2000_V
AREA 3	AREA 7	LAC_OCEAN_BDRY
	cities2000	

Created on: 06/20'07
File: W:Production/Ambulance_061907a
Mxd: Ambulance032306a
By: PLN

COUNTY OF LOS ANGELES
GENERAL PUBLIC AMBULANCE RATES
EFFECTIVE JULY 1, 2015

Section 7.16.280 Rate Schedule For Ambulances

A. An ambulance operator shall charge no more than the following rates for one patient:

		Effective July 1, 2015
1.	Response to call with equipment and personnel at an advanced life support (ALS) level,	$ 1561.00
2.	Response to call with equipment and personnel at a basic life support (BLS) level,	$ 1012.75
3.	Code 3 used during response or transport, per incident,	$ 126.75
4.	Code 2 used during response or transport per incident,	$ 50.00
5.	Mileage Rate. Each mile or fraction thereof,	$ 18.50
6.	Waiting Time. For each 15-minute period or fraction thereof after the first 15 minutes of waiting time at the request of the person hiring the ambulance	$ 50.00
7.	Standby Time. The base rate for the prescribed level of service and, in addition, for each 15-minute period or fraction thereof after the first 15 minutes of standby time,	$ 47.75

B. This section does not apply to a contract between the ambulance operator and the County where different rates or payment mechanisms are specified.

Section 7.16.310 Special Charges

A. An ambulance operator shall charge no more than the following rates for special ancillary services:

1.	Request for service after 7:00 p.m. and before 7:00 a.m. of the next day will be subject to an additional maximum charge of	$ 82.25
2.	Persons requiring oxygen shall be subject to an additional maximum charge per tank or fraction thereof, of	$ 63.75
3.	Backboard, splints, KED	$ 49.75
4.	Traction splints	$ 90.00

5.	Transport non-company staff medical personnel - first one-half hour	$ 31.75
6.	Neonatal transport	$ 189.75
7.	Ice packs	$ 26.50
8.	Bandages, dressings	$ 26.50
9.	Oxygen cannula/mask	$ 26.50
10.	Cervical collar	$ 44.75
11.	Obstetrical kit	$ 48.75
12.	Burn kit	$ 48.75
13.	Nurse critical care transport - per hour	$ 226.25
14.	Volume ventilator	$ 170.75
15.	Respiratory therapist for the first three hours, and $113.75 per hour after the first three hours	$ 257.75
16.	Pulse oximeter	$ 86.00
17.	Infusion pump (per line)	$ 86.00
18.	Automated external defibrillator (AED)	$ 86.00
19.	Continuous positive airway pressure (CPAP)	$ 86.00

20. Where other special services are requested or needed by any patient or authorized representative thereof, a reasonable charge commensurate with the cost of furnishing such special service may be made, provided that the ambulance operator shall file with the Director of the Department of Health Services a schedule of each special service proposed and the charge therefore, which charge shall be effective unless modified, restricted, or denied by the Director of the Department of Health Services. Special services are defined as services provided to a patient that are unique and individual to a specific patient's needs, and are performed on a limited basis.

    Charges for special services provided to patients that are new services, but will become an industry standard, must be reviewed and a rate commensurate with the service developed prior to ambulance operators charging such rate to the general public. Such rates shall not be charged to patients until approved by the board of Supervisors.

B. This section does not apply to a contract between an ambulance operator and the county where different rates or payment mechanisms are specified.

Section 7.16.340 Modification of Rates.

The maximum rates chargeable to the general public as set forth in Sections 7.16.280 and 7.16.310 of this chapter shall be adjusted effective July 1, 1992, and on July lst of each year thereafter, to reflect changes in the value of the dollar. For each of the one year periods respectively beginning July 1, 1992 and July 1, 1993 such adjustments shall be made by multiplying the base amounts by the percentage change in the transportation portion of the Consumer Price Index for All Urban Consumers, Western Region, as compiled and reported by the Bureau of Labor Statistics for the 12-month period ending with the last day of the prior month of February. Beginning July 1, 1994, and on each July 1 thereafter, such adjustments shall be determined by multiplying the base amounts by the average of the percentage changes of the transportation portion and of the medical portion of the Consumer Price Index for All Urban Consumers, Western Region, as compiled and reported by the Bureau of Labor Statistics for the 12-month period ending with the last day of the prior month of February. The result so determined shall be rounded to nearest $0.25 and added or subtracted, as appropriate, to the rate. The Director of the Department of Health Services shall initiate implementation of these rate changes by notifying in writing each licensed private ambulance operator in Los Angeles County thereof, and any other individual or agency requesting such notification from the Director. Such notice shall be sent by first class mail no later than June 15 of the prior rate period.

7.16.341 Periodic Base Rate Review.

The maximum base rates for ALS and BLS services, as reflected in Section 7.16.280, shall be reviewed in accordance with the following procedures, and adjusted, if appropriate, effective first on January 1, 2005, and later, also if appropriate, on January 1 of every other year thereafter.

On or about July 1 of the year prior to the January 1 adjustment date, the Director of the Department of Health Services shall review the ALS and BLS ambulance rates of all other counties in California to determine the average rates for these services in effect for these counties as of the review date. If the Los Angeles County rates are equal to or above average, no adjustment to the Los Angeles County Code rates will be made under this provision. If one or both of the Los Angeles County rates are less than the average, then an appropriate adjustment to the rate or rates shall be made to bring it (them) to the average. Any required adjustment shall be rounded to the nearest $0.25.

The Director of the Department of Health Services shall initiate implementation of these rate adjustments by notifying in writing each licensed private ambulance operator in Los Angeles County thereof, and any other individual or agency who has requested such notification from the Director. Such notice shall be sent by first class mail no later than December 15 of the prior rate period.

Nothing herein is intended to prevent licensed ambulance operators from demonstrating that ALS and BLS rates in Los Angeles County fail to provide operators with a reasonable rate of return on their investment. A licensed operator at any time may submit to the Director of the Department of Health Services its cost and revenue data, and other pertinent documentation which the Director may require for this purpose.

If this information evidences to the Director's satisfaction that the ALS rate or BLS rate, or both, fail to provide the operator with a reasonable rate of return, the Director shall propose a different base rate structure to the board of Supervisors for consideration.

Rate decrease effective 7/1/15-6/30/16 = -2.98%