

Commission on Revenue Efficiency (CORE)



July 15, 2010

TO: Honorable Los Angeles City Council Members
FROM: Commission on Revenue Efficiency
RE: Emergency Medical Services Data Capture and Billing System (C.F. 10-1078)

Dear Honorable Council Members:

No department in the City has a higher total of uncollected debt than the L.A. Fire Department. Every dollar that we fail to collect translates into a loss of personnel, ambulances, and fire stations. Most importantly less money for these vital services costs lives.

The Commission on Revenue Efficiency (CORE) supports the recommendations of the Mayor, Controller, CAO and Fire Department to immediately move forward with the proposed data and billing agreements. The Council may want to concurrently consider the following recommendations to enhance benefits of these agreements.

A. Advanced Data Processing, Inc. (dba ADPI-Intermedix) Agreement

1. Performance guaranty – Sec. 10.0 of the proposed 2/23/10 DRAFT ADPI Agreement states that the Contractor will pay a Performance Penalty if it fails to achieve a Minimum Threshold of 95% or greater of the Average Net Collection per Transport. For the initial partial fiscal year, the Minimum Threshold is deemed to be an average of \$302 in Net Collections per billed transport. The Performance Penalty is a tiered percentage of “annual fee”. CORE recommends that Council request clarification of the otherwise undefined term “annual fee”, and also consider setting the Minimum Threshold at a sum in excess of \$302 per transport.

2. Term of the Agreement – Sec. 3.0 of the proposed 2/23/10 DRAFT ADPI Agreement sets an initial six-year term, with six additional options for LAFD to extend the term in three-year increments. The Council may want to consider a shorter initial term, or an option to reassess the Agreement at some earlier point than six years.

3. Capitated payment system -- While modernizing the current paradigm of individual billings, CORE also recommends pursuing negotiated bulk contracts with 3rd party payors such as Medicare, Medical, and private insurers -- vs. the current bill-by-bill approach. The recent healthcare reform legislation promotes the possibilities of such a capitated payment system through Accountable Care Organizations (ACOs) -- which may be structured to provide a fixed per capita fee to a service provider. Though it is premature to assess whether L.A. could successfully negotiate capitated payments from 3rd party payors, the Council may want to inquire into possibly adding a provision to the proposed Agreement that would give the City an option in the future to “pull” per-capita based payments from the scope of the Agreement.

4. City jobs – L.A. City workers are the backbone of the vital municipal services we all depend on. With ERIP and furloughs, it has been a tough time for our dedicated City employees. We encourage the Council to utilize additional revenues that will result from modernization of EMS billing to help save LA City jobs.

B. ScanHealth, Inc. (dba Sansio) Agreement

1. Extra charge for Accelerated Schedule -- Exhibit C of the 2/23/10 DRAFT ScanHealth Agreement adds a \$434,018 fee as “Extra charge for Accelerated Schedule”. This is on top of a \$507,000 fee for “Implementation Services”. Council may want to inquire as to the nature of the extra charge – and the possibility of excising it from the Agreement.

2. Sales Tax – Exhibit C of the 2/23/10 DRAFT ScanHealth Agreement details \$630,499 in sales tax to be paid by the City for lease of software and hardware. The Council may want to inquire as to whether there may be ways to minimize sales tax liability. If, for example, the billing services vendor was to take responsibility for providing the data capture devices, there might be a way for these devices to simply be a part of the service agreement (and, potentially, not subject to sales tax). It may or may not be possible to avoid the sales tax, but, we believe, the issue merits consideration.

C. Additional Considerations

1. Parties to the Agreements – Both the 2/23/10 draft ADPI and ScanHealth Agreements contemplate being made and entered into by the “City” of L.A., by and through the “LAFD”. Some rights and obligations under the Agreements reference the “City”, while others reference the “LAFD”. Insurance provisions in Sections 14.2 and 11.2 of the Agreements, respectively, reference liability coverage for “LAFD”, its officers, officials, employees or volunteers – but not the “City” per se. It may be advisable to clarify that all rights under the Agreements accrue to the “LAFD” and the full “City”.

Respectfully submitted,

Commission on Revenue Efficiency