



Office of the Comptroller

August 5, 2005

Ald. Robert Puente, Chair
Basic Life Support Transports Policy Review Task Force
200 East Wells Street, Room 205
Milwaukee, WI 53202

W. Martin Morics, C.P.A.
Comptroller

John M. Egan, C.P.A.
Special Deputy Comptroller

Michael J. Daun
Special Deputy Comptroller

Dear Ald. Puente:

In response to your request, the Comptroller's Audit Division has performed an analysis of the feasibility of a City of Milwaukee dispatch fee for 911 calls. The purpose of this proposed fee would be to recover a portion of the Milwaukee Fire Department's dispatching costs. The fee would be charged on each 911 call dispatched to a private ambulance company.

Four private ambulance companies, Bell Ambulance, Paratech Ambulance Service, Curtis Ambulance Service and Medacare Ambulance Service, respond to Basic Life Support (BLS) 911 calls dispatched by the Milwaukee Fire Department. Each ambulance company has been assigned a designated area of the City in which it responds to 911 calls. Each ambulance company also responds to private (non-911) calls which are not dispatched by the Milwaukee Fire Department and are not restricted to designated areas. All of the ambulance companies have asserted that they would be unable to absorb a dispatch fee for 911 calls.

To test the ambulance companies' assertions, we requested that they provide us with specified financial information. Each company provided the requested information. We visited each company and verified that the financial information they provided agreed with their accounting records. All of the ambulance companies stated that they would not have provided the requested information without our pledge to keep it confidential. Therefore, we cannot report specific information about any individual ambulance company. All of the ambulance companies are closely held and do not issue audited financial statements.

The ambulance companies were unable to separate their costs of responding to 911 calls from their costs of responding to private calls. However, they were able to provide their total expenses and the number of 911 calls and private calls to which they responded, which allowed us to calculate the average cost per ambulance call.

The ambulance companies were able to separate their revenues received for 911 calls from revenues received for private calls, which allowed us to calculate the average revenue for each type of call. The companies also provided a breakdown of revenue for each type of call by type of payor.

Our analysis disclosed that revenue per call for Milwaukee 911 calls is less than the

average cost per call for all four ambulance companies. In contrast, revenue per call for private calls exceeds cost per call. This appears to be because there is a different mix of payors for 911 calls than for private calls. A significantly greater percentage of 911 call payments are paid by the Federal-State Medicaid program. A greater percentage of private calls are paid for by the Federal Medicare program and by commercial insurance companies. A greater percentage of 911 calls are billed to individual patients. A greater percentage of 911 calls result in no payment.

Chapter 75-15-14 of the Milwaukee Code of Ordinances prescribes the rates that ambulance companies may charge for 911 calls. However, average payments received for 911 calls are significantly lower than the prescribed rates. The Medicaid program pays a fixed amount for ambulance calls, which is significantly less than the amounts billed. The Medicare program also pays a fixed amount, although this amount is somewhat higher than Medicaid. Commercial insurance company payment policies vary. Some pay a fixed amount, some pay a percentage of the amount charged and some pay the full amount charged. Ambulance company representatives stated that individual 911 patients often have low incomes and are unable to pay for ambulance service.

The significant portion of payments for 911 service that are lower than the prescribed rates indicates that the ambulance companies do not have the pricing flexibility to increase rates to cover a City dispatch fee. The financial information provided to us indicates that the ambulance companies operate with low profit margins. Therefore, it appears that a dispatch fee would directly affect the companies' bottom line. The ambulance companies may have to reduce expenses in other areas to absorb a dispatch fee. Our analysis did not include an examination of the components of expenses to determine whether such reductions could be made.

If you have any questions about this matter, please contact me or Craig Kammholz, Director of Financial Services, at 286-2304.

Very truly yours


W. MARTIN MORICS
Comptroller

WMM:wde

Ref: WP-5182

cc: Terry McDonald, Common Council Staff

Basic Life Support Transports Policy Review Task Force

Mark Nicolini, DOA-Budget and Policy Division

Jennifer Meyer, DOA-Budget and Policy Division

Bell Ambulance

Paratech Ambulance Service

Curtis Ambulance Service

Medacare Ambulance Service