

Performance Audit

Department of Emergency Medical Services Collection Practices

December 2008

Durham County Audit Department

INTRODUCTION

The Audit Oversight Committee expressed concerns about the Emergency Medical Services Department's (EMS) collection practices and procedures. The concerns focus on whether current EMS billing and collection practices optimized opportunities to bill and collect for the services it provide. To address those concerns we reviewed EMS' collection practices. Our objectives were to determine if:

1. EMS' process for gathering patient billing information is sufficient to obtain the required billing information.
2. Collection processes for accounts in good standing and for delinquent accounts are reasonable in comparison with other EMS jurisdictions,
3. Durham County's EMS collection rate is comparable to other jurisdictions, and
4. Improvements are needed to make the process more effective.

To conduct our review we obtained information from the EMS Director, the EMS Office Manager, and discussed collection practices with EMS representatives of 12 North Carolina counties. We reviewed EMS collection procedures and obtained financial data from the Finance Department. Much of our review focused on the reasonableness of EMS collection practices and how they relate to practices in other EMS jurisdictions. We did not test any of the processes to determine if they were being done as stated. For example, we did not test to determine if invoices are sent to patients in the timely manner that the procedures dictate, however, based upon the practices of other EMS jurisdictions, we determined if the procedures were reasonable in that regards. We took this approach throughout the review.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. I believe the evidence obtained provides a reasonable basis for the findings and conclusions based upon the audit objectives. The fieldwork was conducted from September 11, 2008 to November 14, 2008.

BACKGROUND

EMS' mission is to enhance the health and welfare of Durham County citizens by providing a comprehensive, coordinated pre-hospital health care delivery system. Currently, EMS provides service from nine locations. EMS responds to various emergency situations directed by Durham's 911 operations including accidents and health emergencies. EMS's fees are based upon the level of service it provides. The levels are classified into three groupings (1) Basic Life Support, (2) Advanced Life Support, level 1, and (3) Advanced Life Support, level 2. Appendix 1 provides definitions of the three levels of support. The fees for the various services range between \$525 and \$635. The fee schedule is shown below:

- Basic Life Support, \$525
- Advanced Life Support, level 1 \$610
- Advanced Life Support, level 2 \$635

The above rates are charged if the service call involves a transport to a medical facility. When the service does not involve a transport to a medical facility the rate for services beyond Basic Life Support is billed at a flat rate of \$250 to offset the cost of equipment, supplies, and special training. In fiscal year 2008, EMS billed patients for 384 service calls that did not result in a trip to a medical facility. The amount billed to these patients was about \$96,000. However, approximately 47.7 percent of EMS calls do not result in a charge to a patient because the level of service is at the basic level.¹

In fiscal year 2008, EMS billed customers approximately \$ 7.8 M and collected approximately \$5.1M.² Current collection information provided by EMS shows a collection rate of about 65 percent.³ During calendar year 2008 the rate has varied between 74 percent in February to the current rate of 65 percent in October.

EMS Has Various Tools for Obtaining Patient Billing Information

EMS' sources to obtain patient billing information are numerous. Sources include EMS technicians, fire department first responders, law enforcement personnel and records, hospital data systems, Employment Security Commission database, and insurance companies. Depending upon the circumstances surrounding an incident, information may be obtained via any of the above sources. For example, fire or law enforcement personnel gather as much information as possible from patients, family members, or bystanders in response to an accident. That information can be obtained and used by EMS. For health issue emergencies, obtaining patient billing information begins enroute to the hospital if the patient is stable, according to the EMS Director. However, the bulk of billing information is obtained from the hospital's data system as a result of the patient's registration.

Upon arrival at a medical facility, EMS personnel work with the patient, family, or hospital personnel to obtain as much information as possible. Required signatures for HIPAA, insurance claims data, and other financial responsibility information are obtained, if possible, from the patient or some other responsible family member or legal guardian when appropriate. According to estimates by the Director, EMS obtains billing information for most of the patients it serves. The Director stated that those patients whose billing information they cannot obtain are generally people that are indigent, do not have jobs or permanent residences, or are alleged identity thieves in some cases. We did not find instances in which EMS could not obtain billing information in the sample of 191 service call cases we reviewed during the previous billing audit.

¹ These results were based upon a survey of 191 cases during January, March, and April 2008.

² These 2008 collections do not directly correlate to billings because the collections may include collections for prior year bills.

³ See footnote number 2.

Durham County Collection Action is More Aggressive Than Several Other EMS Jurisdictions

Durham County is more aggressive in its collection activity than several other EMS jurisdictions in the state. We compared Durham's collection activity with 12 North Carolina counties to determine what resources they used to collect, the number of notices they send to patients and over what period, and how long accounts remain unpaid before collection action is taken. We found that of the three primary tools used for collection activity, Durham was one of four counties to use all the primary collection tools that are available.

State Statute authorizes counties to treat EMS debt as if it is a tax that is due, thus allowing EMS jurisdictions to use legal means to collect 90 days after service is provided. The primary legal means or tools are (1) the State's Debt Offset Program, (2) garnishment processes, and (3) collection agencies. Durham County uses all of those tools while other jurisdictions generally use one or two of them. Additionally, Durham potentially begins its collection activities before the other 12 jurisdictions. Exhibit 2, page 5, provides comparative information about collection activities in the 12 jurisdictions.

EMS bills for services the following day after it provides service. EMS bills Medicaid, Medicare, or private insurance companies directly while providing a courtesy copy to patients. If EMS does not have evidence of one of those forms of coverage, the patient is billed directly and given an opportunity to provide insurance information. Medicaid and Medicare directly reimburse the County while the majority of private insurance payments are sent to the patient who then forwards the money to EMS. One county representative I talked with said his jurisdiction has contracts with insurance companies and accept payments directly from them. Durham County does not have such contracts because insurance companies limit their payouts under these agreements. The Durham EMS director said the insurance limits would severely reduce EMS revenue. The representative from the other jurisdiction agreed that they forfeit revenue with the agreements but that they gain other advantages such as timeliness of payments and lack of collection efforts.

When a patient does not pay an invoice within 30 days of service, EMS sends the patient a notice. If the patient does not pay within 30 days of that notice, the patient is sent two additional notices at 30-day intervals. If the patient has not responded at the end of 90 days after service, EMS begins the "collection" process which can include any of the three tools mentioned above.

EMS reviews its overdue accounts monthly to determine the course of collection activity it feels will most likely result in collecting an overdue bill. If the patient owes \$50 or more and EMS determines that the patient has a social security number and a job, EMS will initiate garnishee action against the patient's salary or wages. In 2006, EMS began using the State's Debt Setoff program as well. If EMS cannot determine that the patient has a social security number and is not working, the account is forwarded to one of the three collection agencies. The collection agencies use the additional tool of reporting delinquent accounts to credit reporting agencies. As of October 16, 2008, approximately 49,197 accounts were being pursued by EMS' three collection agencies. In addition to these options, EMS will set up payment plans for patients that respond to notices and seek options for paying their accounts.

Durham County EMS Collection Rates Compare Favorable

During the fiscal year 2009 budget development cycle, the EMS director obtained information from 12 counties regarding their collection rates. We used those rates to compare how well Durham County did in comparison to those counties. We contacted EMS officials in those counties to obtain information regarding their collection processes. During our discussions the primary difference in collection processes was that some counties contracted out the billing and collection processes. The reasons they provided for contracting out varied. Some representatives told us they were trying to cut costs while others said they were attempting to gain collection effectiveness.

We did not attempt to determine which method provided the better results however each county that contracted out said they were satisfied with the process. The counties that did not contract also stated that they were satisfied with their processes. When we asked the Durham county EMS Director if he had considered contracting out, he said he had briefly considered it but found that the costs associated with the contracts would have significantly reduced revenue collections. The exhibit below provides insight into what we found during our discussions with other jurisdictions. The information in the exhibit is ranked in descending order by the collection rate.

EXHIBIT 2
EMS Collection Rates for North Carolina Counties at the end of February 2008

County	Collection rate	Out-source normal collection activity ⁴	In-house collection	Lapsed time between service date and collection activity ⁵	Use debt offset	Use garnishment	Use bad debt collection agency ⁶
Orange	74.6		√	210 days	√	√	
Durham	74		√	90 days ⁷	√	√	√
Nash	72	√		120 days	√	√	√
Gilford	70	√		120 days	√		
Person	70		√	365 days	√		
Gaston	68		√	110 days	√		√
Wayne	68	√		450 days	√		√
Wake	67	√		120 days			√
Harnett	60		√	120 days	√		
Cleveland	52	√		450 days	√	√	√
Alamance	52	√		105 days	√	√	
Granville	50		√	120 days ⁸	√	√	
Mecklenburg	40	√		120 days	√		√
Totals		7	6		12	6	7

Source: Durham EMS Director and EMS personnel in the counties included in the exhibit

⁴ Some counties out-source routine billing and collection functions. These routine collection activities take place up to and beyond the 90-day period after which legal action may begin.

⁵ This is the period from due date to legal collection action if a patient does not respond. If a patient responds during that period, for example with additional insurance information or a partial payment, some counties reset the clock and the notice period begins anew from the point of contact.

⁶ Several counties that out-source collection services use the contractor's bad debt collection agency services.

⁷ Durham County reviews aged accounts monthly. The actual age of some accounts that enter the 90 day period before the onset of the review process may be aged closer to 120 days because of the timing of the review.

⁸ Granville County assigns accounts aged between 90-120 days to its tax department for collection activity. The tax department use methods such as garnishment and withholding vehicle tags as collection tools.

Initial Invoice Notice May Influence Payment Urgency

Urgency to pay EMS bills may be influenced by the initial invoice. The invoice includes a statement informing patients that they have 90 days to pay the bill. The statement can be interpreted to set a payment due date at 90 days past the service date. The language appears to interpret the legal authority to act on an overdue bill and communicates it to the patient as a due date. For service organizations it is customary that a bill is due and payable at the time service is provided. Therefore, we believe the EMS invoice statement incorrectly sends the message that the bill is not due at the time the invoice is received. In our opinion the statement should not be included in the initial billing communication.

EMS’ objective is to send invoices to patients no later than the day after services are provided. Patients are separated into two groups, those with insurance and those without insurance. The invoices are distinguishable for the two groups by statements on the invoices. The statements that allow 90 days to pay are shown in Exhibit 1.

**EXHIBIT 1
Billing Invoice Statements**

Patient Billing Information	Invoice Statement ⁹
Invoice for Patients With Insurance	As a courtesy we have filed your ambulance bill with your insurance carrier. We allow 90 days from date of service to receive a payment on the account balance. You are ultimately responsible for claims payment. If you have any questions, please call (919) 560-8285.
Invoice for Patient Without Insurance	<p>This bill is for your ambulance service. If you have insurance, please turn form over, complete back side of form and return it back to us; and as a courtesy we will file your insurance. Some insurance companies pay the policy holder. If you receive payment you may forward it to us. You are ultimately responsible for entire account balance. We allow 90 days from date of service to receive payment either from you or your insurance. If you have questions, please call (919) 560-8285.</p> <p>§44-51.4 Attachment or garnishment for county or city ambulance service. – Whenever ambulance services are provided by a county, by a county–franchised ambulance service supplemented by county funds, or by a municipally owned and operated ambulance service and a recipient of such ambulance services of one legally responsible for the support of a recipient of such services fails to pay charges fixed for such services for a period of 90-days after the rendering of such services, the county or municipality providing the ambulance services may treat the amount due for such services as if it were a tax due to the county or municipality and may proceed to collect the amount due through the use of attachment and garnishment proceedings as set out in G.S. 105-368. (1969, c. 708, s. 1; 1973, c. 1366, s. 1; 1975, c. 595, s. 2.)</p>

Source: Invoice statements were provided by the EMS Department

According to the EMS Director, the reason for the statement is that patients with insurance generally wait for reimbursement from their insurance carriers before paying EMS for ambulance services. Although the state statute allows 90 days before the account is eligible for legal collection action, the payment is due at the time service is provided. Information informing patients that they have 90

⁹ The statement sent to self pay patients includes two statements, as shown in the exhibit.

days to pay potentially reduces the urgency of paying the bill in a timely manner as well as confuses the patient when subsequent notices asking for payment are sent at 30-day intervals. The 30, 60, and 90-day notices appear to contradict the initial invoice statement that allows 90 days for payment.

We believe the reference to 90 days to pay should not be included on the invoice. We also believe the statement that cites the statute regarding when legal collection action can be taken should be reserved for patients that receive 60 and 90-day late payment notices. Therefore, we recommend that the language in the initial bill be revised to communicate that the bill is due and payable upon receipt and the statute citation be limited to late notices.

CONCLUSION AND RECOMMENDATION

The County's EMS collection processes favorably compares to the 12 EMS jurisdictions we obtained information from. The EMS department begins collection activity as soon as all but one jurisdiction and uses more available tools than four others. Based upon discussions with representatives from other EMS jurisdictions, Durham County faces similar problems as theirs with preparing paperwork for Medicaid and Medicare billings, yet have managed to process their cases while many of them have found it necessary to out-source the billing and collection activities because they were not capable of getting it done timely and accurately with in-house resources. Additionally, several representatives expressed their opinion that collection rates in the mid-to high sixties is customary throughout the industry.

Although we believe EMS collection practices are sound, we believe an invoice revision may be warranted. We believe the current invoice statement has the potential to confuse readers and may decrease the urgency to pay timely. We believe the statement on the invoices should be revised to indicate that the bill is due upon receipt of the invoice statement. Additional information regarding the timing of collection activity should be reserved for late payment notices.

APPENDIX 1
SERVICE LEVEL DEFINITIONS¹⁰

Basic Life Support (BLS)

Basic Life Support is transportation by ground ambulance vehicle and medically necessary supplies and services, plus the provision of BLS ambulance services. The ambulance must be staffed by an individual who is qualified in accordance with State and local laws as an emergency medical technician-basic (EMT-Basic).

Advanced Life Support, level 1 (ALSI)

Advanced Life Support level 1 is transportation by ground ambulance vehicle, medically necessary supplies and services, and an ALS assessment or the provision of at least one ALS intervention. An ALS assessment is an assessment performed by an ALS crew as part of an emergency response that was necessary because the patient's reported condition at the time of dispatch was such that only an ALS crew was qualified to perform the assessment. An ALS assessment does not necessarily result in a determination that the patient requires an ALS level of service. An ALS intervention is a procedure that is beyond the scope of authority of a basic emergency medical technician.

Advanced Life Support, level 2 (ALS2)

Advanced Life Support level 2 is transportation by ground ambulance vehicle, medically necessary supplies and services, and the administration of at least three medications by intravenous push/bolus or by continuous infusion excluding crystalloid, hypotonic, isotonic, and hypertonic solutions (dextrose, Normal Saline, Ringer's Lactate); or transportation, medically necessary supplies and services, and the provision of at least one of the following ALS procedures:

- Manual defibrillation/cardioversion.
- Endotracheal intubation.
- Central venous line.
- Cardiac pacing.
- Chest decompression.
- Surgical airway.
- Intraosseous line.

¹⁰ Definitions provided by EMS Department

**APPENDIX 2
MANAGEMENT RESPONSE**



**COUNTY OF DURHAM
Emergency Medical Services
MEMORANDUM**



**TO: Richard Edwards, Auditor
County of Durham**

FROM: MIKE SMITH, DIRECTOR

DATE: December 3, 2008

**RE: Performance Audit Report
November 2008**

I have reviewed the Performance Audit Document and concur with your documentation. We are meeting with the printer this week in reference to the changes recommended for our departmental bills and invoices.

If you have any further questions or concerns, please feel free to contact me.

Cc: Mrs. Carolyn Titus, Deputy County Manager