

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF THE DEPARTMENT OF FIRE
AND EMERGENCY MEDICAL SERVICES'
ADMINISTRATION OF AMBULANCE
BILLING CONTRACTS**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



March 23, 2009

Dennis L. Rubin
Chief
Fire and Emergency Medical Services
1923 Vermont Avenue, N.W.
Washington, D.C. 20001

Natwar M. Gandhi, Ph.D.
Chief Financial Officer
Office of the Chief Financial Officer
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David P. Gragan, CPPO
Chief Procurement Officer
Office of Contracting and Procurement
441 4th Street, N.W., Suite 700 South
Washington, D.C. 20001

Dear Chief Rubin, Dr. Gandhi, and Mr. Gragan:

Enclosed is our final report summarizing the results of the Office of the Inspector General's (OIG) Audit of the Department of Fire and Emergency Medical Services's Administration of Ambulance Billing Contracts (OIG No. 07-2-31FB).

As a result of our audit, we directed 12 recommendations to the Chief, Fire and Emergency Medical Services (FEMS), 1 recommendation to the Office of the Chief Financial Officer (OCFO), and one recommendation to the Office of the Chief Procurement Officer (OCP) for necessary corrective actions to correct reported deficiencies. We received a response to the draft audit report from FEMS, on January 23, 2009. FEMS did not agree with Recommendations 1, 3, 12, 14; accordingly we request that FEMS reconsider its position on these recommendations.

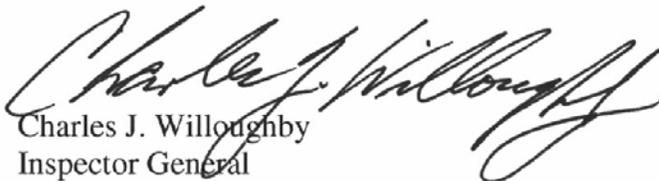
Additionally, FEMS partially agreed with Recommendations 2, 5, and 13. As a result, we request that FEMS reconsider its position on these recommendations and provide detailed information as to what actions FEMS has taken and/or has planned to correct the deficiencies. We request that FEMS respond to the open and unresolved recommendations, and to our request for additional details and actual and estimated completion dates for all of the recommendations within 60 days of the date of this report. We will continue to work with FEMS to reach final agreement on the unresolved recommendations. The full text of FEMS' response to the draft report is included at Exhibit D. The OIG provided detailed comments (Exhibit G) to FEMS' response to the draft report.

We also received OCFO's response to the draft audit report on January 23, 2009. We consider the OCFO's planned and/or taken actions to be responsive to our recommendation. The full text of the OCFO's response to the draft report is included at Exhibit E.

Lastly, we received OCP's response to the draft audit report on January 29, 2009. We consider the OCP's planned and/or taken actions to be responsive to our recommendations. The full text of the OCP's response to the draft report is included at Exhibit F.

We appreciate the cooperation extended to our staff during this audit. If you have questions, please contact William J. DiVello, assistant Inspector General for Audit, at (202) 727-2540.

Sincerely,



Charles J. Willoughby
Inspector General

Enclosure

CJW/lw

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**AUDIT OF THE DEPARTMENT OF FIRE AND EMERGENCY
MEDICAL SERVICES'S ADMINISTRATION OF
AMBULANCE BILLING CONTRACTS**

ACRONYMS/ABBREVIATIONS

| | |
|--------------|--------------------------------------------------------------------------------------|
| ADPI | Advanced Data Processing, Inc. |
| ALS | Advanced Life Support |
| ARS | Ambulance Reimbursement Systems, Inc. |
| BLS | Basic Life Support |
| CAFR | Comprehensive Annual Financial Report |
| CFO | Chief Financial Officer |
| COTR | Contracting Officer's Technical Representative |
| DCMR | District of Columbia Municipal Regulations |
| EMS | Emergency Medical Services |
| EMT | Emergency Medical Technician |
| FEMS | Fire and Emergency Medical Services |
| FY | Fiscal Year |
| GAO | Government Accountability Office |
| HHS | Health and Human Services |
| HIPAA | Health Insurance Portability and Accountability Act of 1996 |
| IT | Information Technology |
| MAA | Medical Assistance Administration (now the Department of Health Care Finance (DHCF)) |
| OAG | Office of the Attorney General for the District of Columbia |
| OCFO | Office of the Chief Financial Officer |
| OCP | D.C. Office of Contracting and Procurement |
| OIG | Office of the Inspector General |
| PCR | Patient Care Record |
| RFP | Request for Proposal |
| SOAR | System of Accounting and Reporting |

**AUDIT OF THE DEPARTMENT OF FIRE AND EMERGENCY
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**AUDIT OF THE DEPARTMENT OF FIRE AND EMERGENCY
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EXECUTIVE DIGEST

OVERVIEW

The District of Columbia Office of the Inspector General (OIG) has completed an audit of the Department of Fire and Emergency Medical Service's Administration of Ambulance Billing Contracts. This audit was requested by the Chief of the Fire and Emergency Medical Services (EMS) Department because of concerns about the administration of the Fire and EMS' (FEMS) ambulance billing contract.

Our audit objectives were to determine whether: (1) medical billing contracts were awarded in accordance with the District's procurement regulations; (2) FEMS is receiving the maximum allowable collection rate and reimbursement from the billing contractor; and (3) internal controls have been established to safeguard against fraud, waste, and abuse.

PERSPECTIVE

When the Chief of Fire and EMS requested this audit, he expressed concerns about the contracting actions taken and administered by the then Contracting Officer's Technical Representative (COTR) relative to the prior contract with Ambulance Reimbursement Systems, Inc. (ARS). The Chief also indicated that there were difficulties in the collection of and accountability for emergency transport billings, and he expressed additional concerns about the controls over patient care records (PCRs). We performed a thorough review of these areas and related internal controls over each of the processes involved in providing emergency medical services. Throughout the audit engagement, we advised the Chief and his management staff of the findings and recommended corrective actions to permit FEMS to quickly correct several serious deficiencies, which included: the lack of accountability over ambulance billing operations; poor internal control over PCRs that could result in potential fines and patient lawsuits; the need to use electronic billing; the lack of sufficient training of the ambulance EMS workforce; and the need to integrate and adequately manage FEMS business processes.

Additionally, our benchmarking and comparison of the District's EMS rates with fees charged by other comparable jurisdictions showed that the District's emergency transport rates, unchanged since 2003, were far lower for all categories of services. We believe our benchmarking efforts were instrumental in providing the needed impetus for rate changes that came to fruition during the audit when the Mayor issued a Notice of Final Rulemaking that increased the reimbursement rates for all service levels.

While FEMS has taken and continues to take positive action on many of the problems noted in this report, we remain concerned that FEMS will not take the needed actions to adequately integrate its business processes; fully coordinate future procurements with OCP; establish a protocol with a collection agency or an in-house collection methodology to recover

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outstanding payments; and institutionalize a process for capturing and reporting FEMS costs that can be used for justifying and requesting EMS rate adjustments.

CONCLUSIONS

We determined that FEMS did not have personnel with sufficient business acumen, training, and experience to adequately oversee critical business-related activities in support of its mission to provide emergency medical care and transportation. Accordingly, corrective measures were warranted in several areas to improve FEMS operations. In order to facilitate corrective actions, we provided feedback to FEMS officials during the course of our audit. FEMS officials acted promptly to address certain deficiencies.

RESULTS IN BRIEF

A summary of the areas requiring improvement and our recommendations for correcting the deficiencies follows.

Organizational Structure for Managing Business Support Functions

FEMS lacked an effective administrative support services function to manage and monitor routine business operations such as emergency transport billings, accounts receivable, and bad debt accounts. Noted deficiencies included: improper monitoring of the third-party billing contract; lack of documented processes for seeking emergency transport service rate increases; and inadequate procedures to ensure that funds remitted by the FEMS' third-party billing vendor were properly deposited and reconciled in a timely manner. These deficiencies were primarily the result of FEMS' failure to recognize the need to integrate business-related activities into its mission and operating processes. The lack of fixed management responsibility for providing oversight to business processes and controls increased the risk that critical operating functions were not adequately performed.

Service Fees Paid On an Expired Contract

Our audit found that FEMS allowed a prior contractor, who provided billing for emergency transport services, to continue receiving remittances for services provided on an expired contract. Our review of the expired contract indicated that FEMS and the Office of Contracting and Procurement (OCP) did not adequately review the terms of the contract. The contract included language stating that the contractor would continue to receive remittances on billings for emergency transport services while they were the contractor for FEMS, even after their contract had expired.

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Additionally, FEMS management did not properly supervise the performance of its contracting officer's technical representative (COTR). We noted that management was unaware that the previous COTR for the ambulance billing contract was still receiving invoices and approving payments to the previous ambulance vendor, Ambulance Reimbursement Systems, Inc. (ARS), even though there was no valid contract in place. This breakdown of management control was a result of FEMS' allowing the COTR to operate independently of FEMS management and make decisions without FEMS management's knowledge. The lack of effective oversight by FEMS management resulted in a contract modification that was financially not in the best interest of the District.

Management of Patient Care Records

FEMS' manual processing of Patient Care Records (PCRs) and drop-box pickup procedures were found to have significant flaws, resulting in lost or unaccounted for PCRs, which could result in Health Insurance Portability and Accountability Act of 1996 (HIPAA) violations, fines, and lawsuits. Our audit found that there were missing PCRs dating as far back as calendar year 2001. During our audit, the Chief of Fire and EMS took immediate action to address these deficiencies.

Management of Accounts Receivable and Bad Debts

We found that there was over \$60 million in accounts receivable that had not been recorded in the District's System of Accounting and Reporting (SOAR) and subsequently determined to be uncollectable. These accounts receivable date back as far as fiscal year (FY) 2001. According to customary accounting practices, receivables over 180 days are considered to be highly uncollectable.¹ FEMS did not have a collection/bad debt write-off policy or a collection function in place to pursue delinquent accounts, resulting in potential lost revenue.

Benchmarking Emergency Transport Rates

We performed a benchmarking survey of emergency transport rates in cities around the country to determine the reasonableness of the District's emergency transportation rates. We obtained information on 17 cities; however, we limited our comparison to 6 cities with similar demographics in the North-Atlantic region of the country. We calculated the average Basic Life Support (BLS) and Advanced Life Support (ALS) rates for these cities and determined the average BLS charge to be \$530, and the average ALS rate to be \$832. FEMS charged \$268 for BLS and \$471 for ALS. Additionally, FEMS did not charge for mileage, which is a reimbursable cost in nearly all of the jurisdictions in the survey. FEMS had not

¹ Source: U.S. Department of Treasury, Debt Collection Improvement Act (DCIA) of 1996.

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requested an emergency transport rate increase since 2003, even though operating costs such as labor, fuel, and supplies had increased. In response to our concerns about emergency transport fees, the Mayor issued a Notice of Final Rulemaking during the audit which increased the BLS and ALS rates and initiated a fee for mileage.

Medicaid Reimbursement Rate

The District's State Medicaid Plan provides that there is to be an annual review and cost analysis of its ambulance fees. Our audit found that the last analysis occurred during FY 2003. FEMS did not provide to the Medical Assistance Administration (MAA) a cost analysis that would support increasing the reimbursement for emergency transports by FEMS. The failure to conduct and submit a cost study annually impedes MAA's ability to pursue increases in the reimbursement rates for ambulance transports. MAA is required to request that the Center for Medicare and Medicaid Services review its cost analysis as the basis for granting an increase in the reimbursement rate for ambulance transportation.

SUMMARY OF RECOMMENDATIONS

We directed 12 recommendations to the Chief of Fire and EMS that we believe are necessary to correct the deficiencies noted in this report. We also directed one recommendation to the Office of the Chief Financial Officer, and one recommendation to the Office of the Chief Procurement Officer. The recommendations, in part, center on the following:

- Integrating business-related activities into FEMS' mission to provide assurance that key business functions have adequate oversight and accountability.
- Recruiting and training staff to operate and maintain operational areas such as contract management, research and evaluation, and fiscal operations.
- Operating in a collaborative manner with OCP when contracting for services. This collaboration should include review of contract modifications to ensure that the best interests of the District are met.
- Providing effective oversight for employees operating in COTR positions by scheduling monthly meetings to provide management with the status of ongoing contracts and requiring COTRs to provide written status reports of current contract deliverables.
- Establishing policy to monitor industry best practices to ensure that the District is providing emergency transport services that are reasonably priced.

EXECUTIVE DIGEST

- Accelerating necessary training for emergency transport employees regarding electronic processing of PCRs.
- Utilizing the services of a collection agency, on a contingent-fee basis, to collect accounts that are more than 180 days past due.
- Providing MAA with a detailed cost analysis of its emergency transport costs to support a state plan amendment by MAA to increase Medicaid reimbursement rates.

A summary of the potential benefits resulting from the audit is shown at Exhibit A.

MANAGEMENT ACTIONS

During the course of our audit, we apprised FEMS management of our observations, findings, and potential solutions to identified deficiencies. FEMS officials acted promptly to address certain deficiencies and enacted some of the recommended corrective actions necessary to make FEMS operations more effective and efficient. The measures FEMS undertook to correct identified deficiencies included:

1. Implementing changes in the care and handling of PCRs to reduce the risk of potential HIPAA violations.
2. Taking action to obtain rate increases for BLS, ALS, and ALS 2,² and allowing for mileage charges for emergency transports.
3. Hiring an experienced operations/business analyst to handle contract management, research, and evaluation of operational issues and activities.

On January 23, 2009, FEMS provided a response to the recommendations in our draft audit report. FEMS did not agree with Recommendations 1, 3, 12, 14; accordingly, we request that FEMS reconsider its position on these recommendations.

Additionally, FEMS partially agreed with Recommendations 2, 5 and 13. As a result, we request that FEMS reconsider its position on these recommendations and provide detailed information as to what actions FEMS has taken and/or has planned to take to correct the deficiencies. We request that FEMS' response to the open and unresolved recommendations, and to our request for additional details and actual and estimated completion dates for all of the recommendations within 60 days of the date of this report. We will continue to work

² Additional procedures performed, to include at least one of the following: (1) manual defibrillation; (2) endotracheal intubation; (3) central venous line; (4) cardiac pacing; (5) chest decompression; (6) surgical airway; and (7) intraosseous line.

EXECUTIVE DIGEST

with FEMS to reach final agreement on the unresolved recommendations. The full text of FEMS' response is included at Exhibit D. Exhibit G includes detailed OIG comments to FEMS' response to the draft report.

We also received OCFO's response to the draft audit report on January 23, 2009. We consider the OCFO's planned and/or taken actions to be responsive to our recommendation. The full text of the OCFO's response is included at Exhibit E.

Lastly, on January 29, 2009, we received a response to the draft audit report from the OCP. We consider the OCP's planned and/or taken actions to be responsive to our recommendation. The full text of the OCP's response is included at Exhibit F.

INTRODUCTION

BACKGROUND

The District of Columbia Fire and Emergency Medical Services Department (FEMS) is an all-hazards agency providing emergency medical services (EMS), including medical care and transportation, fire prevention, fire suppression, hazardous material response, and technical rescue services to residents and visitors in the District of Columbia. FEMS resources are deployed from 33 neighborhood fire stations and include 37 EMS transport units, 33 engine companies, 16 ladder trucks, 3 heavy-rescue squads, 1 hazardous materials unit, and 1 fire boat company. Exhibit C provides a flow chart of the complete EMS departmental structure. FEMS responds to over 150,000 incidents per year, an average of 421 per day. FEMS also provides protection for special events that are unique to the nation's capital, such as major demonstrations and the Presidential Inauguration. In addition, FEMS provides fire and medical protection for Presidential motorcades and helicopter landings.

Total resources allocated to EMS in fiscal year (FY) 2007 and FY 2008 were \$48.7 million and \$52.2 million, respectively. During FY 2007, FEMS introduced several medical quality-management initiatives, to include implementing a paperless Electronic Patient Care Reporting System (ePCR) and fully integrating the department to an all-hazards agency.

FEMS treated and transported approximately 75,000 patients a year for the past several years. District of Columbia Municipal Regulations, Title 29, Chapter 5, governs emergency ambulance life support services and transportation of persons in FEMS emergency ambulance vehicles within the District. D.C. Code § 5-416 also states that the Mayor may establish, from time to time, a fee to be charged for transportation services provided by FEMS emergency ambulance personnel.

At the time of our audit, emergency ambulance transport fees ranged from \$0 - \$471, as set forth in Table 1 below.

Table 1 – Emergency Ambulance Transport Fees

| Type of Service | Fee |
|--------------------------------|-------|
| Basic Life Support (BLS) | \$268 |
| Advanced Life Support (ALS) | \$471 |
| Advanced Life Support 2 (ALS2) | \$471 |
| Mileage | \$0 |

FEMS contracted with two third-party ambulance billing vendors for the past 8 years. The first vendor, Ambulance Reimbursement Systems, Inc. (ARS), held the billing contract (including three contract modifications) from June 2000 to June 2006. The

INTRODUCTION

second vendor, Advanced Data Processing, Inc. (ADPI), was awarded the contract in June 2006.

During FY 2007, ADPI billed approximately \$23 million for emergency transports, while collecting approximately \$13 million of these billings. The vast percentage of the uncollected billings is attributed to patients who did not have insurance coverage. These patients are also referred to as “self-pays.”

OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit objectives were to determine whether: (1) medical billing contracts were awarded in accordance with the District’s procurement regulations; (2) FEMS is receiving the maximum allowable collection rate and reimbursement from the billing contractor; and (3) internal controls have been established to safeguard against fraud, waste, and abuse.

Our audit scope entailed a review and assessment of FEMS internal controls, processes, and documented policies and procedures currently in place. Our methodology included meetings with officials from FEMS as well as progress debriefings throughout our audit. Additional methodologies included reviews of organizational charts, relevant laws and regulations, and researching practices in other cities. We conducted a benchmarking survey of fees charged by other cities for emergency transport services and compared them to rates that were in effect for the District.

We relied on computer-processed data, primarily prepared by FEMS’ billing vendor, to develop some of our findings and conclusions. We performed testing of source documentation to determine the reliability of the data. We also relied on data from SOAR that was provided by the Office of the Chief Financial Officer (OCFO).³ 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 our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

PRIOR AUDITS AND REVIEWS

The D.C. Office of the Inspector General’s (OIG) Inspections and Evaluations Division issued Report Number 03 –001FB, *Fire and Emergency Medical Services Department* in October 2002. The inspection focused on the management, accountability, and

³ The reliability of data produced from SOAR is tested during the District’s Comprehensive Annual Financial Report (CAFR).

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operations of key areas that impacted response time to critical medical emergencies, including field operations, staffing, administrative issues, and data analysis techniques. The inspection identified 16 findings and 30 recommendations.

The Government Accountability Office (GAO) issued a report (GAO-07-383, May 23, 2007) entitled, *Ambulance Providers: Costs and Expected Medicare Margins Vary Greatly*. The GAO report found that “[c]osts of ground ambulance services were highly variable across providers that did not share costs with non[-]ambulance services in 2004, reflecting differences in certain provider and community characteristics.” *Id.* p. 17.

FINDINGS AND RECOMMENDATIONS

| |
|------------------------------------------------------------------------------------|
| FINDING 1: ORGANIZATIONAL STRUCTURE FOR MANAGING BUSINESS SUPPORT FUNCTIONS |
|------------------------------------------------------------------------------------|

SYNOPSIS

FEMS lacked an effective administrative support services function to manage and monitor routine business operations such as emergency transport billings, accounts receivable, and bad debt accounts. Noted deficiencies included: improper monitoring of the third-party billing contract; lack of documented processes for seeking emergency transport service rate increases; and inadequate procedures to ensure that funds remitted by FEMS' third-party billing vendor were properly deposited and reconciled in a timely manner. These deficiencies were primarily the result of FEMS' failure to recognize the need to integrate business-related activities into its mission and operating processes. The lack of fixed management responsibility for providing oversight to business processes and controls increased the risk that critical operating functions were not adequately performed.

DISCUSSION

The conditions discussed in this report concern the internal control environment, internal control activities, information and communication, and monitoring of business activities by FEMS. We specifically identified the following five conditions that point to an ineffective administration/support-services function and weaknesses in FEMS internal controls:

- Contract management;
- Oversight and monitoring of the ambulance billing function;
- Patient care record control activities;
- Accounts receivable control activities; and
- Medicaid reimbursement rate processing.

The first element of effective internal controls is an organization's control environment. A strong control environment includes appropriately assigning authority and delegating responsibility to the proper personnel to carryout organizational goals and objectives.⁴

⁴ Source: U.S. Gen. Accounting Office, Internal Control Management and Evaluation Tool, GAO-01-1008G 51 (Aug. 2001).

FINDINGS AND RECOMMENDATIONS

Managing and Monitoring EMS Services. During our review of FEMS' internal controls, we found no evidence that management had personnel in place to manage and monitor non-medical or safety-related activities. For example, when we inquired about FEMS' last rate increase for ambulance services, FEMS could not explain or provide documentation relative to its last increase. Instead, we were referred to a former agency employee for information on this matter.

We attempted to review the annual cost analysis regarding the Medicaid reimbursement rate; however, MAA informed us that FEMS had not submitted an analysis to MAA since 2003. Additionally, we found that FEMS did not have personnel with sufficient business expertise to conduct business studies such as best practices, benchmarking, and cost analyses.

Oversight of the Ambulance Billing Contract. FEMS did not have an adequate COTR function as required by the terms and conditions of the ambulance billing contract. At the onset of our review, the agency was transitioning from one COTR to another, and we found this transition to be ineffective and inefficient due to poor communication between the former COTR and FEMS management. For example, the former COTR was not officially informed to relinquish COTR duties and forward all information on the third-party billing contractor to the newly appointed COTR. As a result, the FEMS' current COTR was unable to adequately function as COTR because all information was not provided. The current COTR also lacked proper training and experience.

CONCLUSION

FEMS currently does not have personnel with sufficient business acumen, training, and experience to adequately oversee critical business-related activities in support of FEMS' mission of providing emergency medical care and transportation. These conditions are discussed in further detail in Findings 2 through 6 of this report.

RECOMMENDATIONS, MANAGEMENT RESPONSE, AND OIG COMMENTS:

We recommend that the Chief, Fire and Emergency Medical Services:

1. Integrate business-related activities into FEMS' mission to provide assurance that key business functions have adequate oversight and accountability.

FEMS RESPONSE

FEMS stated that it is currently staffed by highly regarded individuals who have the education, training, and professional experience, both within and outside of the District government, to ensure that key business functions within the Department have adequate oversight and accountability. The full text of FEMS' response is included at Exhibit D.

FINDINGS AND RECOMMENDATIONS

OIG COMMENT

FEMS' response did not indicate whether they would integrate business related activities into its mission to provide assurance that key business functions have adequate oversight and accountability. We request that FEMS reconsider its response and provide additional comments that fully address and meet the intent of the recommendation. The OIG has provided additional comments regarding FEMS' response to Recommendation 1 at Exhibit G.

2. Recruit and train staff to perform such functions as contract management, research and evaluation, and fiscal operations.

FEMS RESPONSE

FEMS stated that in light of its response to Recommendation 1, FEMS currently has staffed qualified professionals that perform the functions as noted in the recommendation. The full text of FEMS' response is included at Exhibit D.

OIG COMMENT

While FEMS did recruit a new COTR, it did not indicate the specifics with regard to training that the newly acquired FEMS personnel have received and will continue to receive to maintain their skills. We request that FEMS provide these details in response to the final report.

FINDINGS AND RECOMMENDATIONS

| |
|------------------------------------------------------------|
| FINDING 2: SERVICE FEES PAID ON AN EXPIRED CONTRACT |
|------------------------------------------------------------|

SYNOPSIS

FEMS allowed a prior contractor, ARS, to continue receiving service fees provided on an expired contract.⁵ Our review of the expired contract and modification indicated that FEMS and the Office of Contracting and Procurement (OCP) did not adequately review the terms of the contract. Those terms included contract language stating that the contractor would continue to receive remittances on billings for emergency transport services after their contract had expired. A legal review was conducted on the initial contract; however, there was no evidence of legal reviews conducted for the contract modifications. As a result of a poorly written contract, ARS continued to receive collections after the contract expired.

Additionally, FEMS management did not properly monitor the performance of its COTR. We noted that management was unaware that the previous COTR for the ambulance billing contract was still receiving invoices from and approving payments to the previous contractor, ARS, even though the District no longer had a contract with ARS. The breakdown of management control was a result of FEMS' willingness to allow the COTR to operate independently of FEMS management and make decisions without FEMS management's knowledge. Ultimately, ineffective oversight by FEMS management resulted in adverse contract terms and conditions being written into the ambulance billing contract modification, leading to service fees for emergency transport services being paid on an expired contract.

DISCUSSION

Payments Made Based on an Expired Contract. In June 2006, the FEMS awarded Contract No. DCFB-2006-D-0005 to ADPI to manage its billing function for emergency transport services. This contract replaced the prior contract with ARS (Contract No. POFB-2005-C-0019), which expired February 22, 2006. A contract modification was executed with ARS, which served as a transition agreement until ADPI was ready to assume control of operational functions. This "bridge contract" ran from February 23, 2006, through June 22, 2006 (Modification M00003).

⁵ The expired contract was modified under contract Modification M00003.

FINDINGS AND RECOMMENDATIONS

Modification M00003, Section I.12.4, provided that the ARS would continue to receive remittances for billings prior to June 22, 2006 (the date that Modification M00003 expired). The contract modification did not provide an end date for these remittances to ARS to cease. Further, we believe that the language incorporated into Modification M00003, Section I.12.4, appears to be ambiguous and not in the best interest of the District. Consequently, this contract modification reimbursed ARS approximately \$469,000 after the contract had expired.

Title 27 DCMR § 1010.5, Contract Review, states the following: “Except as provided in §1010.4, the contracting officer shall submit to the Director,⁶ on a post-execution basis, a completed review form, approved by the Director, for each contract award and modification over ten thousand dollars (\$10,000).” Our review of the ARS contract file found no evidence that the CPO reviewed, agreed, or documented the approval of contract modification M00003, which allowed ARS to continue to be paid for collections ARS did not make.

Further, our review of the current contractor’s monthly schedules disclosed that ADPI was receiving payments for emergency transports that it did not bill for; as a result, ADPI credited these payments to ARS. We questioned FEMS management about this issue, and were informed that they were not aware of these actions. As a result of FEMS’ lack of effective management controls, the then COTR continued to approve payments to ARS for payments received from private insurers, Medicare, and Medicaid for billings previously made by ARS, even though FEMS did not have a valid, contract with ARS.

Payments to ARS from June 22, 2006, to January 31, 2008, totaled \$469,109, according to ARS. OCFO documentation shows that payments were made to ARS on this expired contract during the audit period and that payments to ARS did not cease until January 31, 2008, 19 months after the contract had expired.

Oversight of Contract Payments. FEMS failed to adequately manage its COTR function to provide sufficient and timely reporting of all business activities related to the oversight of its ambulance billing contracts with both ARS and ADPI. A breakdown in management controls over a key function and a communication failure resulted in adverse contract terms and conditions being written into their ambulance billing contracts, allowing payments to be made to ARS after the contract expired. Additionally, FEMS management did not adequately engage OCP and OCFO in the emergency transport services billing process in terms of obtaining status reports and updates regarding contract performance indicators.

⁶ The current title, Chief Procurement Officer (CPO), was previously referred to as the Director of the Department of Administrative Services.

FINDINGS AND RECOMMENDATIONS

According to the U.S. Government Accountability Office:

[F]or an agency to run and control its operations, it must have relevant, reliable information, both financial and non-financial, relating to external as well as internal events. That information should be recorded and communicated to management and others within the agency who need it and in a form and within a time frame that enables [management officials] to carry out their internal control and operational responsibilities.⁷

FEMS management failed to adequately develop and foster a control environment to effectively monitor, review, and adjust operations and programs.

The former COTR's specific duties were not clearly communicated or carried out. As a result, the former COTR's actions resulted in a District contractor continuing to receive remittances, even though the contractor did not have a valid contract in place. FEMS must do a better job in implementing management controls to ensure that key functions such as contract monitoring have proper oversight and potential control weaknesses are corrected before they can harm the agency.

Ambulance Contract Modification Was Not Well Written. ARS contract Modification M00003, Section I.12.4, states the following:

All billing and collection activity of EMS fees will continue per the terms and conditions of the contract for all 151 forms picked up, by the Contractor, to and including the contract termination date. The District will pay the Contractor on all such accounts in accordance with the terms of the contract, regardless of whether those accounts are paid prior to or after the termination date.

This clause does not appear to be appropriate or consistent with good business practices. Contract Modification M00003, Section B.4, PRICE SCHEDULE, states, "Payment for billing and collection services will be on a contingency fee basis, with fees paid to the Contractor as a percentage of the fees it actually collects on behalf of the District." Technically, ARS was not entitled to payment because ARS did not actually collect the payments after June 22, 2006.

⁷ Source: U.S. Gen. Accounting Office, Internal Control Management and Evaluation Tool, GAO-01-1008G 51 (Aug. 2001).

FINDINGS AND RECOMMENDATIONS

As a result of our audit, FEMS contacted the OCP to obtain a ruling on whether the District continued to have a contractual relationship with ARS and the validity and enforceability of contract modification M00003, Section I.12.4. The contracting officer responded in writing by stating that, “[t]he contract with ARS died when the new contract was awarded; they might have some collections still hanging and if so, then you can check with the previous COTR.”

Additionally, our audit disclosed that invoices pertaining to ARS were still sent to the former COTR, who was instructed by FEMS management to relinquish oversight of the ARS contract. FEMS management was not aware that ARS invoices were still being sent to the former COTR. The former COTR continued to approve ARS’s invoices for payment and continued to forward them to the Cluster Controller for Public Safety and Justice, OCFO for payment processing. Since the expiration of this contract, FEMS changed COTRs, but failed to inform OCP and OCFO of this change. FEMS’ lack of communication contributed to approval of invoices for payment on an expired contract. No one at FEMS, OCP, or OCFO questioned these payments.

ADPI Fees for Services. Our review noted that in accordance with the contract, ADPI is charging a billing and collection fee for emergency transport services at a rate of 12.75 percent. We reviewed the contract specifications and noted that approximately \$1 million was earmarked for the information technology (IT) infrastructure, hardware, and software to support FEMS’ transition to electronic processing of its Form 151 (Patient Care Record). As a result of ADPI financing FEMS’ IT cost, the agreement allowed ADPI to recover its costs by charging a higher rate (12.75 percent) for the IT equipment within the base years of the contract (3 years). After 3 years, the collection fee for emergency transport services will drop to 7.75 percent, closer to the average industry fee for EMS billing services.

As of May 2008, ADPI collected over \$1.25 million to cover costs associated with the IT infrastructure, hardware, and software to support FEMS’ transition to electronic processing of Form 151s. FEMS confirmed that ADPI provided all hardware, software, and support services as required per the contract’s specifications. It should be noted that the contract specifications did not provide for hardware (laptops) sufficient to cover all program functions. However, ADPI has recovered all its costs for providing IT-related equipment to FEMS. As of May 2008, there were approximately 16 months remaining on the base contract and there has been no evidence that FEMS management has made any attempt to reduce ADPI’s billings and collection fee for emergency transport services to 7.75 percent. Allowing the fee to remain set at 12.75 percent would enable ADPI to continue to earn fees at a rate higher than necessary even though the purpose of a higher fee has already been satisfied. We also believe that FEMS has not adequately analyzed contract costs to determine when its obligations to reimburse ADPI for the purchase of IT infrastructure, hardware, and software should cease.

FINDINGS AND RECOMMENDATIONS

RECOMMENDATIONS, MANAGEMENT RESPONSES, AND OIG COMMENTS

We recommend that the Chief, Fire and Emergency Medical Services:

3. Collaborate with OCP when contracting for services, to include a review of contract terms to ensure that the best interests of the District are met.

FEMS RESPONSE

FEMS stated that the COTR worked closely with OCP in developing the contract modification, receiving approval from the OCP contracting officer to extend the period of collection for an indefinite time period. Also, the language (in the modification) that was criticized in the audit report was actually approved by OCP. The full text of FEMS' response is included at Exhibit D.

OCP COMMENT

Although the recommendation is not directed to OCP, OCP indicated agreement with the recommendation. OCP stated it will endeavor to provide clear contractual language in all of its legal documents and will continue to seek out the best practice in all procurements for the expenditure or collection of funds. OCP's full response is included at Exhibit F.

OIG COMMENT

FEMS' response did not indicate whether they would collaborate with OCP when contracting for services, to include a review of contract terms to ensure that the best interests of the District are met. Clearly, the modification's language to extend the ARS collection period indefinitely was not a customary, sound contract provision. We request that FEMS reconsider its response and provide additional comments that fully address and meet the intent of the recommendation. In Exhibit G, the OIG has provided additional comments to the position FEMS has taken on the finding and recommendation.

4. Implement steps to identify and maintain information on contract end dates to provide adequate time for planning and negotiating new contracts prior to expiration of existing contracts.

FEMS RESPONSE

FEMS commented that it will work diligently to monitor end dates for the current contract with ADPI. The full text of FEMS' response is included at Exhibit D.

FINDINGS AND RECOMMENDATIONS

OIG COMMENT

We consider actions taken or planned by FEMS to be partially responsive to the intent of our recommendation. While FEMS indicated that it will work diligently to monitor contract end dates, we request that FEMS clarify the specific steps it will take for monitoring contract end dates to provide adequate planning for negotiating new contracts prior to the expiration of existing contracts.

5. Provide effective oversight for employees operating in COTR positions by scheduling monthly meetings to provide management with the status of ongoing contracts and requiring COTRs to provide written status reports of current contract deliverables.

FEMS RESPONSE

FEMS' comments acknowledged the need for all management positions to be adequately supervised. The full text of FEMS' response is included at Exhibit D.

OIG COMMENT

We consider actions taken or planned by FEMS to be partially responsive to our recommendation. We request that FEMS provide additional details on how it will provide effective oversight for the COTR position. The OIG has provided additional comments to the position FEMS has taken to the finding and recommendation at Exhibit G.

6. Review terms of the ADPI contract, in coordination with OCP, and if contractually feasible, reduce the collection fee to 7.75 percent.

FEMS RESPONSE

FEMS stated that under the terms of the current contract, the ADPI contingency fee will be reduced to 7.75 percent in May 2009. The full text of FEMS' response is included at Exhibit D.

OCP RESPONSE

While the recommendation was not directed to OCP, OCP's comments indicate agreement with the recommendation. OCP's full response is included at Exhibit F.

OIG COMMENT

We consider actions planned by FEMS to be responsive to our recommendation.

FINDINGS AND RECOMMENDATIONS

We recommend that the Chief Procurement Officer, Office of Contracting and Procurement:

7. Implement a policy to provide legal reviews in instances where the program office/COTR develops unique contract terms/conditions to determine that the contract terms/conditions are legally sufficient and are in the best interest of the District.

OCP RESPONSE

OCP agreed with the recommendation and will work with the OAG to determine that the contract terms/conditions are legally sufficient and are in the best interest of the District. OCP's full response is included at Exhibit F.

OIG COMMENT

We consider actions planned by OCP to be responsive to our recommendation.

FINDINGS AND RECOMMENDATIONS

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|------------------------------------------------------|
| FINDING 3: MANAGEMENT OF PATIENT CARE RECORDS |
|------------------------------------------------------|

SYNOPSIS

Our audit found that there were 50 missing or pending PCRs, with a few PCRs dating as far back as calendar year 2001. PCR mismanagement occurred because FEMS' manual processing of PCRs and drop-box pickup procedures were found to have significant flaws. The inability to accurately account for and protect PCRs could result in HIPAA violations, fines, and lawsuits.

DISCUSSION

The PCR (also referred to as Form 151) is the document that FEMS emergency transport staff completes when treating patients. The PCR is an important legal document that is part of the patient's permanent medical record and also serves as the billing record used to obtain reimbursement from private insurance, Medicare, Medicaid, or individuals.

As legal documents, PCRs are required to be handled and maintained in a manner that prevents improper disclosure or loss, while allowing for review by entities such as courts, hospitals, and insurance companies. Unaccounted PCRs can put the District at legal risk. Controls over PCR storage (a manual process) should include adequate staffing to ensure that PCRs are filed, stored, and secured in a timely manner.

We conducted unscheduled visits to FEMS lockboxes around the city and found that the PCRs in the lockboxes were in disarray with no identification as to which FEMS unit (ambulance) deposited the PCRs or who completed the forms. These conditions increased the risk that PCRs could be lost or unaccounted for. FEMS relied on the third-party billing vendor's (ADPI) courier to adequately document which lockbox the PCRs were retrieved from.

According to DPM Instruction No. 31A-3,⁸ dated April 14, 2003, Subject: Health Information Privacy Policies and Procedures, "[u]nder the implementing provisions of the HIPPA, the District government is required to protect the privacy of individually identifiable health information that the health care components of the District government create, receive or maintain in their respective roles as health care provider or as health plan."

⁸ This instruction is applicable to all District government employees.

FINDINGS AND RECOMMENDATIONS

Individual's access to protected health information is addressed in 45 CFR § 164.524. If an employee violates this section the covered entity could be subject to the civil monetary penalties prescribed by 45 CFR § 160.402, which states:

- (a) The Secretary of HHS will impose a civil money penalty upon a covered entity if the Secretary determines that the covered entity has violated an administrative simplification provision.
- (b) If the Secretary determines that more than one covered entity was responsible for a violation, the Secretary will impose a civil money penalty against each such covered entity.

After ADPI processes the PCRs, the documents are shipped back to EMS for storage and subsequent retrieval, if necessary. The failure to produce the PCRs in a timely manner may result in violations of 45 CFR § 164.524(b)(2)(i). This section states that: "Except as provided in paragraph (b)(2)(ii) of this section, the covered entity must act on a request for access no later than 30 days after receipt of the request"

FEMS is required to have PCRs available to respond to legal inquiries and causes of action. PCRs must be retained for at least 5 years. HIPAA requirements limit access to an individual's medical record in order to protect the confidentiality of health information. Generally, agencies must act on a request for access to PCR records within 30 days after receipt of the request.

FEMS has a privacy officer as well as a medical records assistant to manage requests for copies of PCRs. FEMS has a system for logging all requests for copies of PCRs. The medical records assistant attempts to retrieve a copy of a requested PCR, either from ADPI or from the copies that ADPI sends back to FEMS. An on-demand report can be created at anytime to determine how many requests have not been completed. We requested a copy of the "Record of Disclosures" report as of February 2008 after our walkthrough of the process. We noted that only 30 of 80 requests were retrieved and provided to the requester. Thirty-three PCRs were not found while another 15 PCR requests were pending. See Table 2 below for the specifics of that query.

FINDINGS AND RECOMMENDATIONS

Table 2 – PCR Record of Disclosures
(See legend at end of table)

| DATE OF REQUEST | DATE OF INCIDENT | REQUESTED BY | COMPLETED |
|-----------------|-------------------|------------------------|-----------|
| 12/30/07 | Date Undetermined | CFRC | √ |
| 12/30/07 | Date Undetermined | CFRC | √ |
| 12/04/07 | 04/10/01 | Subpoena | No record |
| 11/13/07 | 10/11/03 | Attorney | No record |
| 12/31/07 | 05/01/04 | Attorney | √ |
| 01/08/08 | 05/01/04 | Attorney | No record |
| 12/31/07 | 09/13/04 | Attorney | No record |
| 11/23/07 | 03/09/05 | DVFRB | √ |
| 02/01/08 | 04/18/05 | Subpoena | √ |
| 11/23/07 | 06/05/05 | DVFRB | √ |
| 01/24/08 | 07/15/05 | Attorney | √ |
| 01/16/08 | 08/14/05 | Attorney | √ |
| 02/06/08 | 09/29/05 | Attorney | √ |
| 11/23/07 | 10/06/05 | DVFRB | √ |
| 01/24/08 | 10/13/05 | Attorney | |
| 11/23/07 | 02/17/06 | DVFRB | √ |
| 11/07/07 | 03/19/06 | Attorney | No record |
| 12/28/07 | 05/06/06 | Attorney | No record |
| 02/06/08 | 05/13/06 | Attorney | √ |
| 02/06/08 | 08/13/06 | Attorney | No record |
| 02/07/08 | 08/13/06 | Attorney | √ |
| 01/08/08 | 08/16/06 | Attorney | No record |
| 01/24/08 | 10/05/06 | Info Privacy Unit FEMS | |
| 01/08/08 | 10/30/06 | Attorney | No record |
| 01/16/08 | 10/30/06 | Attorney | |
| 02/01/08 | 11/14/06 | OCME | √ |
| 11/23/07 | 01/22/07 | DVFRB | No record |
| 11/05/07 | 02/07/07 | Attorney | No record |
| 11/23/07 | 03/17/07 | DVFRB | No record |
| 11/23/07 | 03/20/07 | DVFRB | √ |
| 01/25/08 | 04/17/07 | Subpoena | |
| 01/11/08 | 04/25/07 | E-mail | No record |
| 11/23/07 | 04/30/07 | DVFRB | √ |
| 11/16/07 | 05/03/07 | Attorney | No record |
| 01/11/08 | 05/05/07 | Attorney | No record |
| 01/03/08 | 06/20/07 | Attorney | No record |
| 11/01/07 | 06/29/07 | Subpoena | No record |
| 01/24/08 | 06/29/07 | Subpoena | |
| 01/24/08 | 07/06/07 | Attorney | √ |
| 02/06/08 | 07/12/07 | Attorney | √ |
| 11/20/07 | 07/14/07 | MPD | No record |
| 02/06/08 | 07/14/07 | MPD | |
| 11/23/07 | 07/25/07 | DVFRB | √ |
| 11/23/07 | 07/27/07 | DVFRB | √ |

FINDINGS AND RECOMMENDATIONS

| DATE OF REQUEST | DATE OF INCIDENT | REQUESTED BY | COMPLETED |
|-----------------|------------------|----------------|--------------|
| 12/05/07 | 08/05/07 | Attorney | No record |
| 08/31/07 | 08/12/07 | USAO | No record |
| 01/16/08 | 08/14/07 | Attorney | |
| 10/03/07 | 08/19/07 | Attorney | No record |
| 01/08/08 | 08/29/07 | Patient | No record |
| 01/15/08 | 09/07/07 | Patient | √ |
| 01/30/08 | 09/07/07 | USAO | |
| 02/04/08 | 09/07/07 | Legal Guardian | √ |
| 11/20/07 | 10/02/07 | MPD | No record |
| 11/05/07 | 10/21/07 | Attorney | No record |
| 11/13/07 | 10/29/07 | E-mail | No record |
| 02/06/08 | 11/10/07 | Attorney | √ |
| 01/09/08 | 11/13/07 | OCME | No record |
| 01/08/07 | 11/16/07 | OCME | No record |
| 12/12/07 | 11/16/07 | Attorney | No record |
| 11/29/07 | 11/17/07 | MPD | No record |
| 12/04/07 | 11/17/07 | Attorney | No record |
| 02/07/08 | 11/18/07 | Attorney | √ |
| 02/06/08 | 12/06/07 | Attorney | √ |
| 02/06/08 | 12/06/07 | Attorney | |
| 02/07/08 | 12/08/07 | e-Partner | Request ADPI |
| 01/16/08 | 12/11/07 | DOH | No record |
| 01/03/08 | 12/14/07 | Patient | No record |
| 01/30/08 | 12/15/07 | Subpoena | √ |
| 02/07/08 | 12/18/07 | e-Partner | Request ADPI |
| 01/15/08 | 12/19/07 | Patient | |
| 02/06/08 | 12/20/07 | Attorney | √ |
| 02/06/08 | 12/20/07 | Attorney | √ |
| 02/06/08 | 12/21/07 | Patient | √ |
| 01/30/08 | 01/01/08 | OAG | |
| 01/25/08 | 01/06/08 | Attorney | |
| 01/14/08 | 01/11/08 | Attorney | No record |
| 02/06/08 | 01/23/08 | Attorney | |
| 02/06/08 | 01/25/08 | Attorney | √ |
| 02/06/08 | 01/26/08 | MPD | |
| 02/07/08 | 02/01/08 | Patient | |

| LEGEND | |
|----------------------------------------|-------------------------------------------------|
| √ = PCR provided to requester | DVFRB = Domestic Violence Fatality Review Board |
| Blank columns = pending request | MPD = Metropolitan Police Department |
| ADPI = Advanced Data Processing, Inc. | OCME = Office of the Chief Medical Examiner |
| DOH = Department of Health | OAG = Office of the Attorney General |
| CFRC = Child Fatality Review Committee | USAO = U. S. Attorney's Office for D.C. |

FEMS is in the process of transitioning from manual to electronic processing of PCRs; however, FEMS is behind schedule. The delay is primarily due to: (1) FEMS' failure to provide the training necessary for FEMS personnel to operate in an electronic data

FINDINGS AND RECOMMENDATIONS

interchange environment; and (2) FEMS not purchasing a sufficient number of laptops for training purposes and administrative personnel in all 33 fire stations. The delay in implementing this new process increases the risk that PCRs will continue to be lost or misplaced, resulting in potential fines, penalties, and lawsuits.

We also found that FEMS did not maintain a daily log of the PCRs prepared, by ambulance and shift. This lack of daily accountability increases the risk that PCRs will become misplaced or lost.

FEMS needs to accelerate training of EMTs to electronically process PCRs in order to competently implement and use the technology improvements the agency has committed to using. During an audit briefing presented to the Chief on the improper handling of PCRs, the Chief took immediate action and directed his management staff to immediately implement a change in the PCR handling process. The Chief directed EMS management to acquire lock bags for all ambulances to provide security for PCRs.

RECOMMENDATIONS, MANAGEMENT RESPONSES, AND OIG COMMENTS

We recommend that the Chief, Fire and Emergency Medical Services:

8. Maintain a daily log of PCRs that are placed in the locked bags that are maintained on each ambulance.

FEMS RESPONSE

FEMS' actions in transitioning to E-PCR reporting meet the intent of our recommendation. FEMS indicated that as of February 2009, 99 percent of all PCRs will be computerized. The full text of FEMS' response is included at Exhibit D.

OIG COMMENT

We consider actions taken or planned by FEMS to be responsive to our recommendation.

9. Accelerate training for emergency transport employees in order to competently implement and use electronic processing of PCRs.

FEMS RESPONSE

FEMS stated that 95 percent of its employees riding transport units have received E-PCR training. FEMS' full response is included at Exhibit D.

FINDINGS AND RECOMMENDATIONS

OIG COMMENT

We consider actions taken and planned by FEMS to be responsive to our recommendation.

10. Obtain a sufficient number of laptop computers to provide assurance that all Fire and EMS units are equipped to process PCRs electronically.

FEMS RESPONSE

FEMS' stated that effective December 1, 2008, all FEMS emergency response vehicles were equipped with laptop computers. FEMS' full response is included at Exhibit D.

OIG COMMENT

We consider actions taken by FEMS to be responsive to our recommendation.

FINDINGS AND RECOMMENDATIONS

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|-------------------------------------------------------------------|
| FINDING 4: MANAGEMENT OF ACCOUNTS RECEIVABLE AND BAD DEBTS |
|-------------------------------------------------------------------|

SYNOPSIS

We found that there was over \$60 million in accounts receivable that had not been recorded in the District's SOAR system and subsequently determined to be uncollectable. These accounts receivable date back as far as FY 2001. According to customary accounting practices, receivables over 180 days are considered to be highly uncollectable. FEMS did not have a collection or bad debt write-off policy or a collection function in place to pursue delinquent accounts, resulting in potential lost revenue.

The current third-party vendor, ADPI, is not required to manage the accounts receivable and debt collection function as per the contract terms and conditions. However, this practice is inconsistent with Generally Accepted Accounting Principles, impairs the city's ability to reflect true asset balances, and may have resulted in lost revenues.

DISCUSSION

As of February 29, 2008, OCFO deemed \$60 million in accounts receivable from emergency transport billings as uncollectable. These uncollectable amounts are comprised of billings from both ADPI and ARS and date back as far as FY 2001. During the District's annual CAFR audit, the independent auditors advised OCFO to reduce the accounts receivable balance to an estimated net realizable value of approximately \$4 million. OCFO provided us a schedule showing that the accounts receivable balance had been reduced to \$4.1 million.

The journal entry recorded is shown in Table 3 below.

Table 3 – Journal Entry

| Outstanding Receivables | Estimated Collection | Reserve for Uncollectable |
|--------------------------------|-----------------------------|----------------------------------|
| \$64,566,351.55 | \$4,105,176.47 | \$60,461,175.08 |

According to OCFO officials, the change in accounting treatment was the result of agency program management's decision to consider pursuing the delinquent accounts; we concluded it was proper to record the receivable with the related doubtful accounts.

FINDINGS AND RECOMMENDATIONS

FEMS contracted with two third-party ambulance billing vendors since 2000. The first vendor (ARS) held the billing contract from June 2000 to June 2006. This contract included three modifications. The second vendor (ADPI) was awarded the contract in May 2006.

According to the Cluster Controller for Public Safety and Justice, FEMS adopted a policy to bill the patient within 5 business days of transport and provide three subsequent notices within 90 calendar days after pickup in the event that the bill remained unpaid. Therefore, an accounting treatment was adopted to record the revenues on a cash basis and tie them to the expenditures that they were intended to cover. According to an OCFO official, an account receivable was not recorded due to the unlikelihood of recovering the fees from the self-pay individuals, which comprise 97% of ARS delinquent accounts. As of April 2008, ARS had \$48 million in uncollected billings on its books. ADPI also had approximately \$12 million in receivables, which are likely to be unrealized based on the age of the billings.

The \$60 million in uncollected billings was not recorded on the District's books until we brought this matter to the CFO's attention. The Cluster Controller informed us that there has been a change in accounting treatment for FY 2007, which records a receivable on the balance sheet at the net realizable value.

RECOMMENDATIONS, MANAGEMENT RESPONSES, AND OIG COMMENTS

We recommend that the Chief Financial Officer, OCFO:

11. Record the value of the third-party billings for emergency transport services in SOAR on a monthly basis.

OCFO RESPONSE

OCFO stated that it agrees to record the values of the third-party billings for emergency transport services on a monthly basis. The full text of OCFO's response is included at Exhibit E.

OIG COMMENT

We consider actions taken or planned by OCFO to be responsive to our recommendation.

FINDINGS AND RECOMMENDATIONS

We recommend that the Chief, Fire and Emergency Management Services:

12. Utilize the services of a collection agency that will work on a contingent fee basis to collect past due accounts after 180 days of billing.

FEMS RESPONSE

FEMS recognized that it does not have a policy to address unpaid accounts and that the lack of a policy has cost the District in lost revenue. However, FEMS' response is unclear as to whether it will take the action required by our recommendation. The full text of FEMS' response is included at Exhibit D.

OIG COMMENT

FEMS' response did not indicate whether it would utilize the services of a collection agency that will work on a contingency fee basis to collect past due accounts after 180 days of billing. We request that FEMS reconsider its response and provide additional comments that fully address and meet the intent of the recommendation. The OIG has provided additional comments on the positions that that FEMS has taken on the recommendation at Exhibit G.

FINDINGS AND RECOMMENDATIONS

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|-------------------------------------------------------------|
| FINDING 5: BENCHMARKING EMERGENCY TRANSPORTION RATES |
|-------------------------------------------------------------|

SYNOPSIS

We performed a benchmarking survey of emergency transport rates charged by 17 cities around the country to assess the reasonableness of the District's emergency transportation rates. However, we limited our comparison of the District's emergency transport rates to six cities with similar demographics in the North-Atlantic region. We calculated the average BLS and ALS rates for these cities and determined the average BLS charge to be \$530, and the average ALS rate to be \$832. FEMS charged \$268 for BLS and \$471 for ALS. Additionally, FEMS did not charge for mileage although it is a reimbursable cost. FEMS had not requested an emergency transport rate increase since 2003, even though operating costs such as labor, fuel, and supplies have increased. In response to our concerns about emergency transport fees, the Mayor issued a Notice of Final Rulemaking during the audit which increased the BLS and ALS rates and initiated a fee for mileage.

DISCUSSION

Benchmarking is a structured approach for identifying the best practices from industry and government, and comparing and adapting them to the organization's operations. Benchmarking identifies more efficient and effective processes and suggests goals for program output, product/service quality, and process improvement.⁹

We asked FEMS management to provide us with the documentation detailing the last increase in ambulance rates for BLS and ALS. FEMS could not provide documentation from the last rate increase, which occurred in 2003. FEMS personnel were not aware of the process last used for seeking an increase in the rates and suggested that we contact a former FEMS employee who was involved in the last rate increase.

We obtained current rates for the District's emergency transport services from the current ambulance billing vendor (ADPI). We also reviewed other cities' rates, including surrounding cities and counties, via the Internet. We noted that the two largest surrounding counties increased their ambulance rates and another city in the area started charging for ambulance services.

⁹ Source: U.S. Gen. Accounting Office, Business Process Reengineering Assessment Guide, GAO/AIMD-10.1.15, 64 (May 1997 Ver. 3).

FINDINGS AND RECOMMENDATIONS

Charging for Mileage. FEMS has not previously documented or requested mileage reimbursement from Medicare (currently \$6.25 per mile), Medicaid (currently \$1.25 per mile), or from any patient, resulting in lost revenue for the District of Columbia. FEMS' Quality Assurance Program Manager estimated average mileage per transport at approximately 2 miles and the total number of transports per year at approximately 75,000. This results in 150,000 billable miles. Potential revenue enhancement would be approximately \$700,000 should FEMS start billing for mileage. During a briefing with FEMS management, we provided them with the results of our benchmarking review of ambulance fees for 17 cities.

A breakdown of our benchmark analysis of emergency transport service fees for cities similar to the District located on the east coast are shown in Table 4 below. Additionally, a breakdown of our further analysis of 17 cities around the country is shown in Table 5.

**Table 4 - Benchmark Analysis of Emergency Transport Service Fees-
Six Cities on the East Coast¹⁰**

| City | BLS | ALS | ALS2 | Mileage |
|------------------------------------|--------------|--------------|----------------|------------|
| New York, NY | \$475 | \$600 | N/A | \$7 |
| Baltimore, MD | \$350 | \$410 | N/A | \$0 |
| Philadelphia, PA | \$505 | \$505 | \$505 | \$6 |
| Boston, MA | \$850 | \$1,250 | \$1,700 | \$10 |
| Hartford, CT | \$450 | \$730 | \$754 | \$12 |
| Trenton, NJ | \$550 | \$1,500 | \$1,750 | \$.75 |
| Average | \$530 | \$833 | \$1,177 | \$7 |
| District Fees | \$268 | \$471 | \$471 | \$0 |
| Difference ¹¹ (Dollars) | \$262 | \$362 | \$706 | \$7 |
| Difference (Percent) | 49.43% | 43.46% | 59.98% | 100% |

¹⁰ Source: ADPI provided data on emergency transport fees charged by six comparable cities. We used the data to benchmark the District's current fee schedule by computing the average fees charged by the six comparable cities to the fees charged by the District.

¹¹ The dollar amount is the difference between the average fees charged by the six cities minus the District's fees.

FINDINGS AND RECOMMENDATIONS

**Table 5 - Benchmark Analysis of Emergency Transport Fees-
17 Cities Around the Country¹²**

| City | BLS | ALS | ALS2 | Mileage |
|------------------------------------|--------------|--------------|--------------|-------------|
| New York, NY | \$475 | \$600 | N/A | \$7 |
| Baltimore, MD | \$350 | \$410 | N/A | \$0 |
| Philadelphia, PA | \$505 | \$505 | \$505 | \$6 |
| Boston, MA | \$850 | \$1,250 | \$1,700 | \$10 |
| Hartford, CT | \$450 | \$730 | \$754 | \$12 |
| Trenton, NJ | \$550 | \$1,500 | \$1,750 | \$.75 |
| Camden, NJ | N/A | \$1,841 | \$1,841 | \$15 |
| Denver, CO | \$550 | \$725 | \$850 | \$15 |
| Long Beach, CA | \$558 | \$793 | \$793 | \$15 |
| Los Angeles, CA | \$449 | \$692 | \$692 | \$13 |
| Memphis, TN | \$600 | \$600 | \$600 | \$12 |
| Nashville, TN | \$650 | \$650 | \$650 | \$13 |
| Sacramento, CA | \$662 | \$759 | \$759 | \$17 |
| San Francisco, CA | \$473 | \$691 | \$691 | \$14 |
| Stockton, CA | \$535 | \$780 | \$780 | \$17 |
| Worcester, MA | \$1,155 | \$1,386 | \$1,502 | \$19 |
| Grady Hosp (ATL, GA) ¹³ | \$418 | \$630 | \$863 | \$9 |
| Average | \$577 | \$855 | \$982 | \$12 |
| District Fees | \$268 | \$471 | \$471 | \$0 |
| Difference (Dollars) | \$309 | \$384 | \$511 | \$12 |
| Difference (Percent) | 54% | 45% | 52% | 100% |

¹² Source: ADPI provided data on emergency transport fees charged by 17 cities around the country. We used the data to benchmark the District's current fee schedule by computing the average fees charged by the 17 cities to the fees charged by the District.

¹³ Transportation fees were obtained from only one hospital in Atlanta, GA.

FINDINGS AND RECOMMENDATIONS

Action Taken to Increase Emergency Transport Rates. In April 2008, based on our recommendations to FEMS, the Mayor issued a Notice of Final Rulemaking¹⁴ that proposed rate increases for BLS (\$530), ALS (\$832), and ALS 2 (\$953). The Notice of Final Rulemaking also included proposed mileage charges for emergency transports. The increases for emergency transport charges (\$6.06) were codified in Title 29 DCMR § 525, on October 24, 2008.

CONCLUSION

We reviewed emergency transport services fees from 17 cities in the U.S. We selected six east coast cities with similar demographics and found the District's fees to be significantly less than these cities. We also determined that the District's fees were significantly less than other cities throughout the country.

Additionally, based on our review and analysis of documents prepared by FEMS and ADPI, we estimate potential revenue enhancement of between \$4 and \$4.5 million resulting from the Mayor's Notice of Final Rulemaking which increased the charges for BLS, ALS, ALS2 and implemented mileage charges.

RECOMMENDATION

We recommend that the Chief, Fire and Emergency Medical Services:

13. Perform an annual review of emergency transport services' rates and charge for emergency transport mileage to maintain a level of reimbursement comparable to cities with similar demographics.

FEMS RESPONSE

FEMS generally agreed with the recommendation, providing expansive comments on the recent increases in emergency transport service charges. FEMS' full response is included at Exhibit D.

OIG COMMENT

We consider FEMS actions taken or planned to be responsive to the recommendation. The OIG has provided additional comments to the position that FEMS has taken to the recommendation at Exhibit E.

¹⁴ See 55 D.C. Reg. 4373.

FINDINGS AND RECOMMENDATIONS

| |
|-----------------------------------------------|
| FINDING 6: MEDICAID REIMBURSEMENT RATE |
|-----------------------------------------------|

SYNOPSIS

The District's State Medicaid Plan provides for an annual review and cost analysis of its ambulance fees. Our audit found that the last analysis occurred during FY 2003. FEMS did not provide to the Medical Assistance Administration (MAA) the process to have the District's Medicaid reimbursement rate reviewed and substantiated with a cost analysis that would support increasing the reimbursement for emergency transports by FEMS.

The failure to conduct and submit a cost study annually impedes MAA's ability to pursue increases in the reimbursement rates for ambulance transports. An annual cost analysis of emergency transport rates would enable MAA to request that the Center for Medicare and Medicaid Services review the District's cost analysis as the basis for granting an increase in the reimbursement rate for ambulance transports.

DISCUSSION

Section 4.19.b of the District's State Medicaid Plan states:

State-operated services will be reimbursed at rates established by the State and subject to revaluation, and adjustment where indicated, by the State Agency at least once a year. These services include emergency ambulance service provided by the D.C. Fire Department. These rates are designed to meet as reasonably as practicable, but not to exceed the actual cost of the services provided, and are charged to those individuals who are required to pay for such services.¹⁵

The current District Medicaid reimbursement rate for BLS is \$163.39, while the ALS rate is \$288.94. The rates that MAA uses are established by program operations of MAA. Changes in rates are to be supported by a cost analysis detailing relevant cost factors in justifying any potential rate increases. The last increase in Medicaid reimbursement rates occurred in FY 2003. We requested a copy of the last cost analysis from the FEMS; however, FEMS was unable to provide us with or confirm that a cost analysis was performed.

¹⁵ District of Columbia State Medicaid Plan, Attachment 4.19B (Jan. 1, 2006).

FINDINGS AND RECOMMENDATIONS

In FY 2007, 33 percent of all emergency transports were for Medicaid recipients, while 22 percent of emergency transports were for patients covered under Medicare. Additionally, 46 percent of payments made to FEMS were paid by MAA (Medicaid), while Medicare payments accounted for 26 percent of all payments made to FEMS. Medicaid and Medicare payments account for 72 percent of all reimbursements FEMS received for emergency transport service. These percentages further support the importance of FEMS providing MAA with a detailed cost analysis of its emergency transport costs to support the District's state Medicaid plan and rate increases.

Reimbursements made by MAA for emergency ambulance transports represent "full payment" of the bill with no billing to the patient. The difference between what is billed and what is paid is written off. This is referred to as "Contractual Write-offs." Accordingly, any changes in rates charged for emergency transports will not result in any charges to Medicaid recipients.

CONCLUSION

FEMS failed to submit timely cost reports to MAA as a basis for increasing the Medicaid reimbursement rates for emergency ambulance transports. This failure prevented the District from enhancing its revenue stream when providing emergency transport services to Medicaid recipients.

RECOMMENDATION, MANAGEMENT RESPONSE, AND OIG COMMENT

We recommend that the Chief, Fire and Emergency Medical Services:

14. Provide MAA with a detailed cost analysis of its emergency transport costs to support a state plan amendment by MAA to increase Medicaid reimbursement rates, and continue to develop cost analyses annually as required by Section 4.19.b of the District's State Medicaid Plan.

FEMS RESPONSE

FEMS stated it had completed a Medical Cost Study, providing the results to the City Council. FEMS also indicated it was finalizing data supporting increases in BLS and ALS transport costs to submit a rate reimbursement request to CMS. The full text of FEMS' response is included at Exhibit D.

FINDINGS AND RECOMMENDATIONS

OIG COMMENT

FEMS' response did not indicate whether it would provide MAA with a detailed cost analysis of its emergency transport costs to support a state plan amendment by MAA to increase Medicaid reimbursement rates. We request that FEMS reconsider its response and provide additional comments that fully address and meet the intent of the recommendation. The OIG has provided additional comments to the position that FEMS has taken to the recommendation at Exhibit G.

**EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS
RESULTING FROM AUDIT**

| Recommendations | Description of Benefit | Amount and Type of Benefit | Status¹⁶ |
|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------|
| 1 | Internal Control and Economy and Efficiency. Provides management with a documented source of employees responsible for critical business functions. | Non-Monetary | Unresolved |
| 2 | Economy and Efficiency. Provides assurance that key business functions are adequately staffed. | Non-Monetary | Open |
| 3 | Internal Control. Establishes a process to ensure awarded contracts are in the District's best interest. | Non-Monetary | Unresolved |
| 4 | Internal Control. Requires FEMS management to adequately plan for contracting needs. | Non-Monetary | Open |
| 5 | Internal Control and Economy and Efficiency. Provides management with steps to ensure that COTRs provide appropriate monitoring of contractors to ensure that the terms of the contract are met. | Non-Monetary | Open |
| 6 | Economy and Efficiency. Provides that the District utilize reasonable administrative fees for emergency transport services comparable to industry standards. | Monetary TBD | Open |
| 7 | Compliance and Internal Control. Provides that all contract modifications are reviewed to include legal reviews to ensure that | Non-Monetary | Closed |

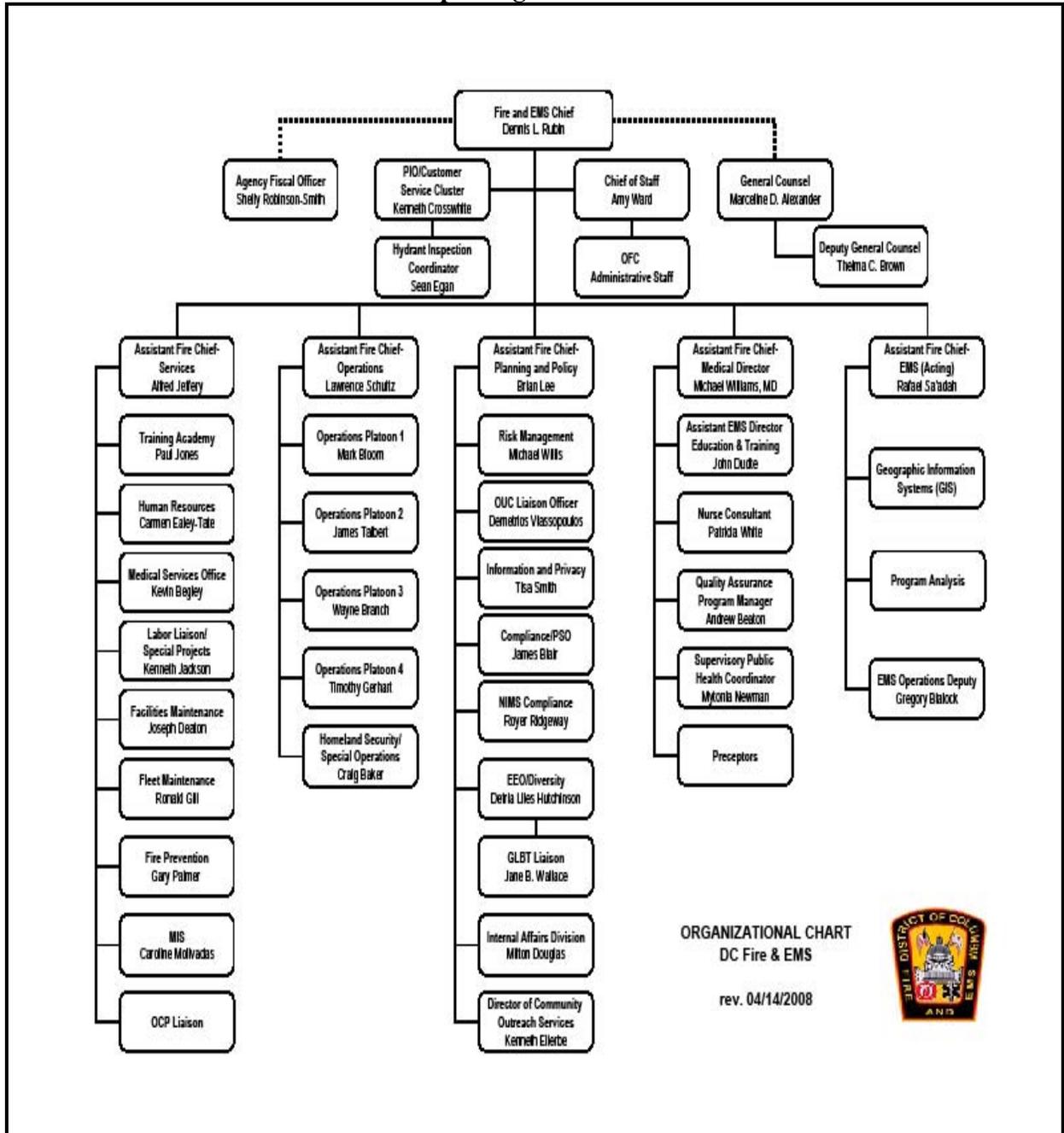
¹⁶ This column provides the status of a recommendation as of the report date. For final reports, **“Open”** means management and the OIG are in agreement on the action to be taken, but action is not complete. **“Closed”** means management has advised that the action necessary to correct the condition is complete. If a completion date was not provided, the date of management's response is used. **“Unresolved”** means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

**EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS
RESULTING FROM AUDIT**

| Recommendations | Description of Benefit | Amount and Type of Benefit | Status ¹⁶ |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------|
| | awarded contracts are in the best interest of the District. | | |
| 8 | Compliance and Internal Control. Provides assurance of proper handling of PCRs in compliance with HIPAA regulations. | Non-Monetary | Closed |
| 9 | Internal Control. Requires FEMS' management to provide training to emergency transport personnel on the use of electronic processing of PCRs. | Non-Monetary | Closed |
| 10 | Internal Control. Provides assurance that fire and EMS units are equipped to process PCRs electronically. | Non-Monetary | Closed |
| 11 | Economy and Efficiency. Requires OCFO to record emergency transport service billing monthly in SOAR. | Non-Monetary | Closed |
| 12 | Economy and Efficiency. Provides a means for the District to recover outstanding payments. | Monetary TBD | Unresolved |
| 13 | Economy and Efficiency. Provides assurance that the District continue to charge fees for emergency transport services that are comparable to cities with similar demographics. | Monetary \$4.5 Million | Open |
| 14 | Internal Control and Economy and Efficiency. Provides MAA with a cost analysis that captures FEMS' costs to operate the emergency transport service used to justify rate increases. | Monetary TBD | Unresolved |

EXHIBIT B: F&EMS REPORTING STRUCTURE

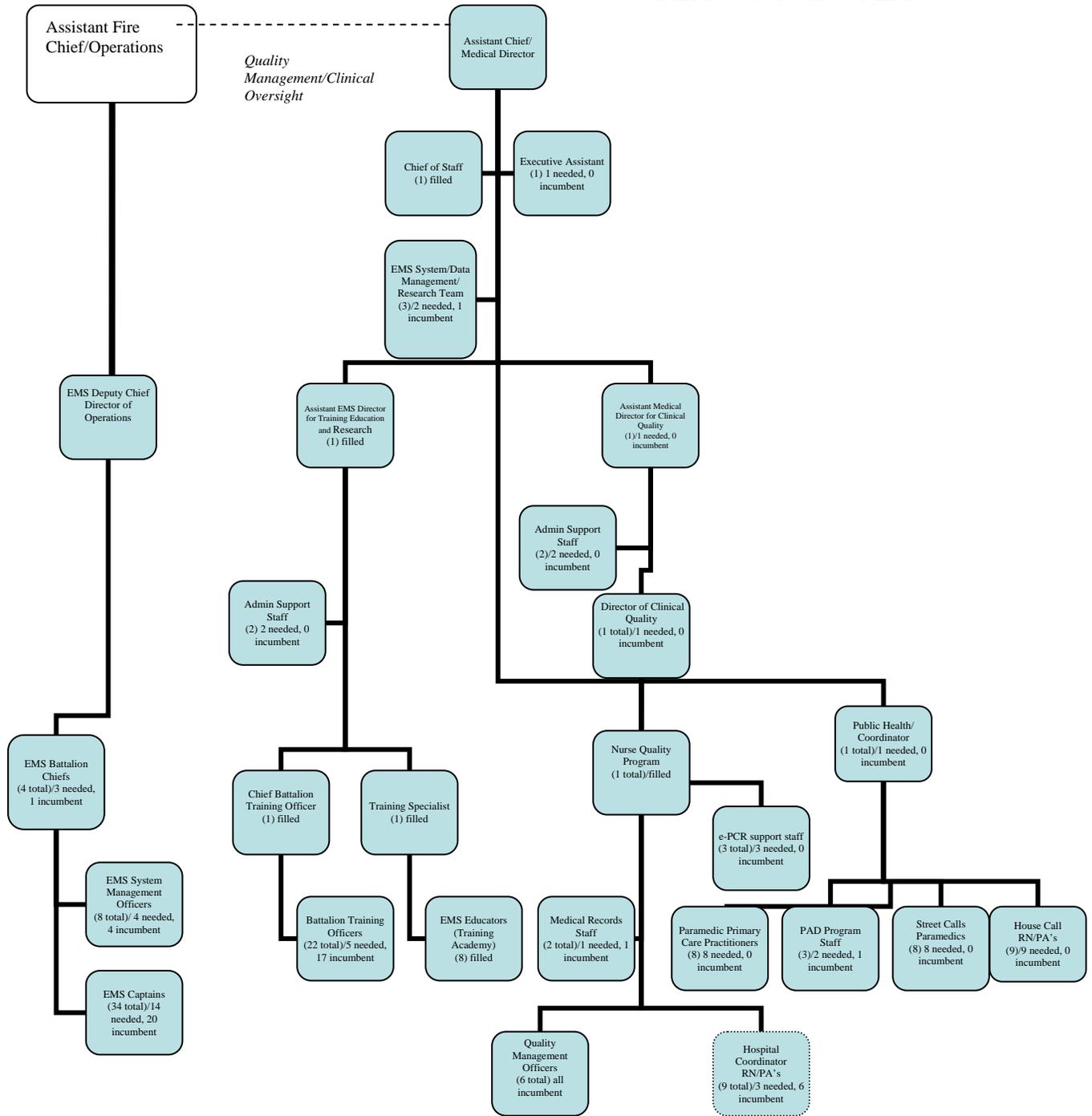
FEMS Reporting Structure¹⁷



¹⁷ Source: FEMS website, <http://fems.dc.gov/FEMS/site/> (last visited October 28, 2008).

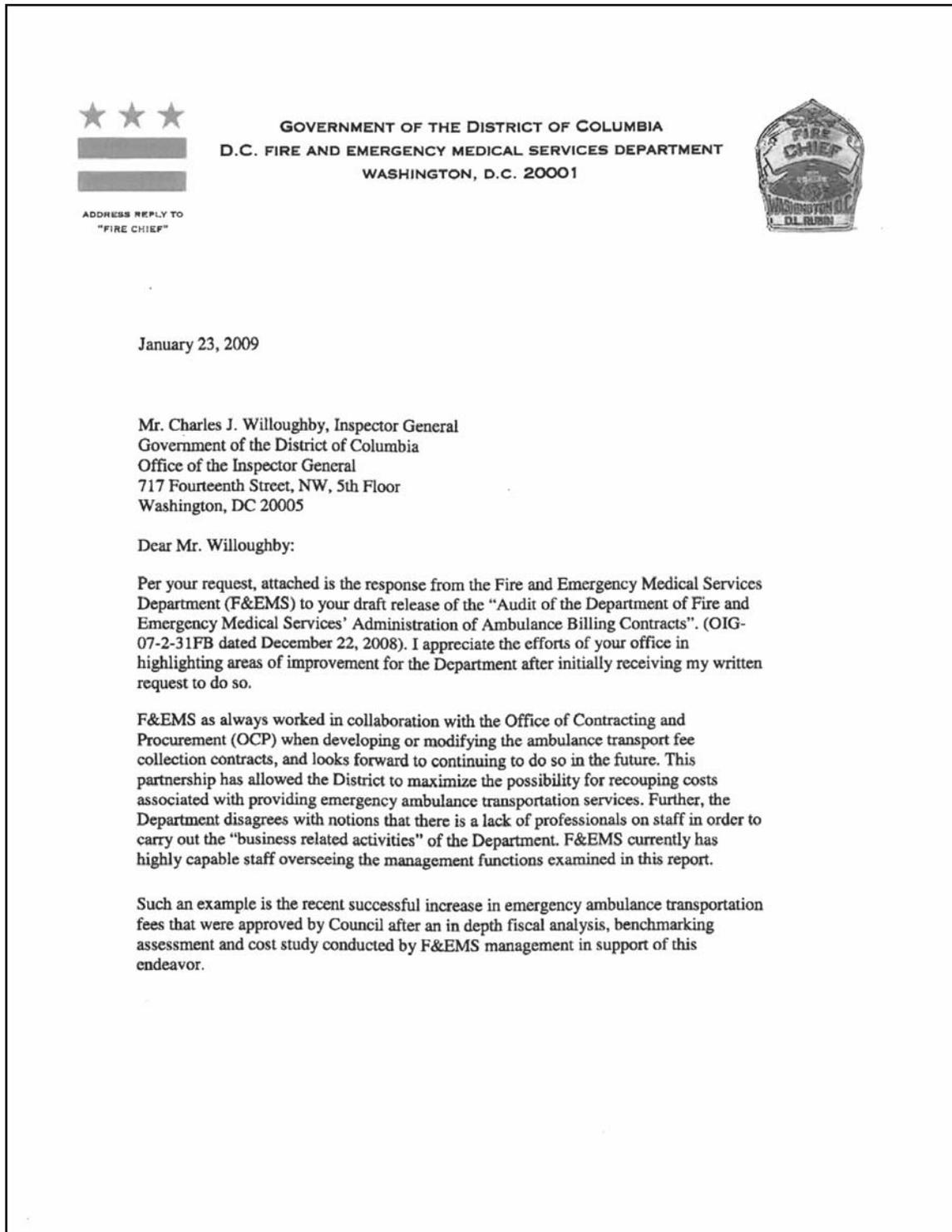
EXHIBIT C: EMERGENCY MEDICAL SERVICES STRUCTURE

FEMS Structure of EMS¹⁸



¹⁸ Source: FEMS Management, as of August 16, 2007.

EXHIBIT D: FIRE AND EMERGENCY MEDICAL SERVICES DEPARTMENT'S RESPONSE TO DRAFT REPORT



**EXHIBIT D: FIRE AND EMERGENCY MEDICAL SERVICES
DEPARTMENT'S RESPONSE TO DRAFT REPORT**

It is hoped that the comprehensive responses to the recommendations contained within this response will help to provide a more accurate depiction of the current operations within the Department that can become a reference point for assessment of performance in the future.

Sincerely,



Dennis L. Rubin, Chief
Fire and Emergency Medical Services Department

Enclosure

**EXHIBIT D: FIRE AND EMERGENCY MEDICAL SERVICES
DEPARTMENT'S RESPONSE TO DRAFT REPORT**

Government of the District of Columbia



Response To:

**Audit of the Department of Fire and Emergency
Medical Services's Administration of Ambulance
Billing Contracts**
(OIG No. 07-2-31FB)

Dennis L. Rubin
Chief of Fire and EMS

January 23, 2009

EXHIBIT D: FIRE AND EMERGENCY MEDICAL SERVICES DEPARTMENT'S RESPONSE TO DRAFT REPORT

**FINDING 1: ORGANIZATIONAL STRUCTURE FOR MANAGING BUSINESS
SUPPORT FUNCTIONS**

Recommendation 1: Integrate business-related activities in F&EMS's mission to provide assurance that key business functions have adequate oversight and accountability.

RESPONSE: F&EMS is currently staffed by highly regarded individuals who have the education, training and professional experience, both within and outside of the District Government, to ensure that key business functions within the Department have adequate oversight and accountability. Obviously, it would not be prudent to discuss the specific details of the individuals who previously staffed particular management positions or their replacements for that matter. However, there have been significant changes in personnel for those staffing "business support functions"; including the Assistant Fire Chief for EMS Operations ("Assistant Fire Chief"), the Contracting Officer Technical Representative ("COTR"), and the newly created Chief of Staff position. Therefore, the Department finds that the conclusion is not valid that it lacks necessary personnel with the sufficient business acumen, training and experience to adequately oversee critical business related activities.

The Mission of the Fire & Emergency Medical Services Department is "to promote safety and health through excellent pre-hospital medical care, fire suppression, hazardous material response, technical rescue, homeland security preparedness and fire prevention education in the District of Columbia". This Mission clearly illustrates the services to be offered to the public by the Department. Yet, an inherent component of providing any "excellent" service, albeit with finite resources, is the necessity that prudent oversight

EXHIBIT D: FIRE AND EMERGENCY MEDICAL SERVICES DEPARTMENT'S RESPONSE TO DRAFT REPORT

ensures that those services are being provided in a manner that demonstrates good stewardship of funds---especially taxpayer funds.

The five conditions that were outlined in this report will be specifically discussed in the following sections of this response. Yet, the Department appreciates the opportunity to take this time to draw your attention to the dedicated organizational structure that will help clarify the inaccuracies listed in your report. ¹

EMS operations within the F&EMS Department is ultimately overseen by the Chief of the Department who is assisted by the Assistant Fire Chief for Emergency Medical Services; a subject matter expert. This Assistant Fire Chief has direct authority over personnel who "manage and monitor non-medical or safety related activities." This includes supervising the COTR for the ambulance transport fee billing contractor.

Admittedly, the COTR function has transitioned a few times in recent years; each with proper notification and certification by OCP. However, the assessment that F&EMS's "current COTR" was unable to function adequately is so vague that it is not possible to respond since a time frame has not been given to explain which period you are referring to, and it is not likely that you are discussing the person who has filled this position since February 2008.

In addition, supervision by the Assistant Fire Chief includes the implementation of ambulance transport service fee increases. Previously, under the DC Code, the Executive Office of the Mayor retained exclusive authority to initiate ambulance fee service

¹ Please note Department Organizational Chart.

EXHIBIT D: FIRE AND EMERGENCY MEDICAL SERVICES DEPARTMENT'S RESPONSE TO DRAFT REPORT

increases, possibly without the input of the Department. Therefore, it appears that in 2003, personnel within the previous Mayor's office initiated an increase in service fees as a part of its annual budget submission. Since no personnel currently staffing the management positions responsible for this activity were employed at that time, it is understandable that they may not have first hand knowledge of the methodology involved with calculating the increase. Further, the lack of documentation within F&EMS may be a further indication that the Department was not intimately involved in the process, as compared to the recent increase where F&EMS played a vital role. Nevertheless, any suggestion that current F&EMS personnel referred the OIG to contact a former employee to represent the District in providing information on this matter is erroneous.

More importantly, the current staff in place at F&EMS recently successfully implemented an increase in ambulance service fees, which the Council of the District of Columbia approved, after a public hearing on the matter that most adequately reimburses the District for costs associated with providing such services. This increase was based on an extensive benchmarking comparison of comparable jurisdictions that ultimately resulted in a far more comprehensive cost analysis than the averaging method suggested in this report.

Recommendation 2: Recruit and train staff to perform such functions as contract management, research and evaluation and fiscal operations.

RESPONSE: In light of the response to Recommendation 1, F&EMS currently has staffed qualified professionals that perform the functions as suggested.

EXHIBIT D: FIRE AND EMERGENCY MEDICAL SERVICES DEPARTMENT'S RESPONSE TO DRAFT REPORT

FINDING 2: SERVICE FEE PAID ON AN EXPIRED CONTRACT

In reviewing the findings and discussion associated with this issue, F&EMS is again appreciative of the opportunity to shed light on the award of the emergency ambulance transportation service contract. This background information is needed because a review of the discussion within your findings generally demonstrates a fundamental misunderstanding of the operations of the ambulance billing process and therefore a misinterpretation of the information that is necessary to include within its contractual provisions.

Firstly, the ambulance transportation services contract is a contingency based contract. A vendor is not entitled to any flat payment or fee of any kind from the District of Columbia. Further, a vendor is contractually required to make three (3) attempts to collect payment from a patient that has been recently transported by a F&EMS ambulance, without any reimbursement for costs incurred in mailing such statements to a patient. Therefore, a vendor is only able to collect a set percentage of fees that have been remitted to the District. The District treasury retains the lion's share of funds remitted for payment without any contribution to overhead for funds that are deemed uncollectable. This preceding information should be kept in mind when reviewing the following responses to the recommendations in your findings.

Recommendation 3: Collaborate with OCP when contacting for services, to include a review of contract terms to ensure that the best interest of the District are met.

RESPONSE: As mentioned in your report, in June 2006, F&EMS awarded Contract No. DCFB-2006-D-2005 to ADPI to manage its billing function for emergency transportation

EXHIBIT D: FIRE AND EMERGENCY MEDICAL SERVICES DEPARTMENT'S RESPONSE TO DRAFT REPORT

services this contact replaced the prior contract with ARS (Contract No. POFB-2005-C-0019), which expired February 22, 2006. A contact modification was executed with ARS, which served as a transition agreement until ADPI was ready to assume control of operational functions. This "bridge contract" ran from February 23, 2006, through June 22, 2006 (Modification M00003) and allowed ARS to continue collection efforts under its original agreement while the newly awarded contractor ADPI could begin ramp up to start its collection efforts. Directing the previous contractor to continue operations resulted in more than four million dollars (\$4,000,000) in additional collected revenues as compared to allowing collection efforts to lapse at the time of the original sunset date.

Further, Modification M00003, Section I.12.4, specifically states:

- A. "The term of the contract is hereby extended from February 23, 2006, through June 22, 2006 to allow for the transition to a successor contractor.
- B. The contingency fee remains unchanged at 7.4% with incentive payment of 2% for collections over 45% and 5% for collections over 55%.
- C. After award of a new contract by the District, the COTR shall notify ARS to discontinue with 30 days the services requiring pick- up of PCRs. The Contractor shall provide collection services on the PCR's in its possession in accordance with Section C.6 of the contract until the accounts are closed or deemed uncollectible. The Contractor shall provide the COTR a final report showing any outstanding accounts when the Contractor has closed each account or has deemed them uncollectible."

EXHIBIT D: FIRE AND EMERGENCY MEDICAL SERVICES DEPARTMENT'S RESPONSE TO DRAFT REPORT

"I.12.4 All billing and collection of EMS fees will continue per the terms and conditions of the contract for all 151 forms picked up, by the Contractor, to and including the contract termination date. The District will pay the Contractor on all such accounts in accordance with the terms of the contract regardless of whether those accounts are paid prior to or after the termination date. The District will ensure all source codes currently utilized by the Contractor to submit claims electronically on behalf of the District, remain active for as long as the insurance carrier permits."

It is unclear how this Modification can be considered as not in the best interest of the District. As stated earlier, this is a contingency agreement where the former contractor, ARS, could only benefit if they were successful in their own efforts to collect funds on behalf of the District.

However, rather than let claims that had not yet been satisfied go uncollected, the former COTR within F&EMS worked with OCP to extend the same contingency contractual terms previously agreed upon for an indefinite period of time. This Modification has allowed F&EMS to collect more than five hundred thousand dollars (\$500,000) in revenue while the Modification has been in effect.

This COTR worked closely with OCP in developing the Modification that allowed further collections during the waning months of its contract with ARS. Specifically the former F&EMS COTR received approval from the Contracting Officer OCP to extend the period of collection for an indefinite period which would increase the possibility of

EXHIBIT D: FIRE AND EMERGENCY MEDICAL SERVICES DEPARTMENT'S RESPONSE TO DRAFT REPORT

collection of all accounts (including those delayed in remittance, like settlements from civil lawsuits) in the best interest of the District.

Finally, the language that was roundly criticized in this report as inappropriate was actually approved by OCP. This written approval directly contradicts any claims that F&EMS did not work in collaboration with OCP. In fact, for F&EMS to allow several hundred thousand dollars to go uncollected because a new contract was awarded going forward, yet had no effect on uncollected claims at the time, goes against the best financial interests of the District, and therefore F&EMS stands by the decision to extend the original period for collection by ARS.

Recommendation 4: Implement steps to identify and maintain information on contract end dates to provide adequate time for planning and negotiating new contracts prior to expiration of existing contracts.

RESPONSE: F&EMS will work diligently to monitor end dates for the current contract with ADPI. It is without question that it is most beneficial for sufficient time to be allotted so there will be no need for previous contracts to be bridged while services are being transferred over to a new vendor.

Although, ARS continued services for three (3) months between June and August, it is important to note that this bridge contract did not cause any financial burden to the District, because ARS continued to collect at the previously agreed upon rate. Further, this audit does not criticize the existence of the bridge contract, and therefore should not be confused with the modification that allowed ARS to collect on claims that would have

EXHIBIT D: FIRE AND EMERGENCY MEDICAL SERVICES DEPARTMENT'S RESPONSE TO DRAFT REPORT

been lost mainly because a new contractor was responsible for collection efforts after June 2006.

Recommendation 5: Provide effective oversight for employees operating in COTR positions by scheduling monthly meetings to provide management with the status of ongoing contracts and requiring COTRs to provide written status reports of current contract deliverables.

RESPONSE: The F&EMS Department acknowledges the need for all management positions to be adequately supervised. It is not clear from the findings presented that any of the actions surrounding the implementation of the Modification were conducted without input from OCP. In fact, upon careful review the Department maintains that the actions taken at the time received necessary approvals from OCP officials and resulted in financial benefit to the District. Thus, the suggestion that monthly meetings be held to provide management with the status of ongoing contracts is duly noted and will be considered for implementation.

Recommendation 6: Review terms of the ADPI contract, in accordance with OCP, and if contractually feasible, reduce the collection fee to 7.75 percent.

RESPONSE: Under the terms of the current contract, the ADPI contingency fee will be reduced to 7.75% in May 2009. The initial three (3) years at the higher rate included the purchase, installation and use of mobile computers, servers, reporting software and maintenance of all information technology resources for each year of the contract, including any extensions. It is unclear how the District may alter the terms of an agreement within its base years without being subject to legal action. Nevertheless, the Department looks forward to exploring all available options with OCP, including the

EXHIBIT D: FIRE AND EMERGENCY MEDICAL SERVICES DEPARTMENT'S RESPONSE TO DRAFT REPORT

potential to re-bid the contract at term expiration or to explore regional contractual billing opportunities, including Council of Government options.

FINDING 3: Management of Patient Care Records

Recommendation 8: Maintain a daily log of PCRs that are placed in the locked bags that are maintained on each ambulance.

The F&EMS Department completed the transition to E-PCR reporting during November of 2008. By December 31, 2008, more than 95% of all patient care reports were being completed on a computer. It is anticipated that by February 1, 2009, more than 99% of all patient care reports will be E-PCR, effectively eliminating the need for this recommendation.

Recommendation 9: Accelerate training for emergency transport employees in order to competently implement and use of electronic processing of PCRs.

Although the F&EMS Department continues to train a small number of employees in E-PCR reporting, budgetary spending pressures have effectively curtailed the ability to train all F&EMS Department employees in E-PCR reporting. However, more than 95% of employees riding transport units have received E-PCR training and Department management anticipates that on-the-job training of remaining personnel will effectively mean 100% of employees responsible for EMS patient care reporting will be able to use E-PCR software in the immediate future.

Recommendation 10: Obtain a sufficient number of laptop computers to provide assurance that all fire and EMS units are equipped to process PCRs electronically.

Effective December 1, 2008, all Fire and EMS emergency response vehicles were equipped with laptop computers.

EXHIBIT D: FIRE AND EMERGENCY MEDICAL SERVICES DEPARTMENT'S RESPONSE TO DRAFT REPORT

FINDING 4: MANAGEMENT OF ACCOUNTS RECEIVABLE AND BAD DEBTS

Recommendation 12: Utilize the services of a collection agency that will work on a contingent fee basis to collect past due accounts after 180 days of billing.

RESPONSE: It is agreed that F&EMS currently does not have a policy in place to refer unpaid accounts for emergency ambulance transport to a collection agency separate and aside from the mandatory collection efforts made by the third party billing vendor.

Undoubtedly, this lack of formal policy has cost the District in lost revenues. Yet, it must also be noted that this mandatory write off, after three (3) billing attempts over ninety (90) days, had previously served as a *de facto* hardship policy for countless underinsured and uninsured District residents that did not have the ability to pay their portion of ambulance transportation bills (often for hundreds of dollars) with the 180 day timeframe suggested. As you may know, a formal hardship policy has recently been codified, thereby replacing the need for the former informal policy of ceasing collection efforts after 180 days of billing without instituting further collection efforts. Thus, the Department remains committed to exploring the implementation of a collection agency in order to collect due and owing balances past for 120 days; in accord with the hardship policy currently in effect under District law.² Such a policy can be shortly in collaboration with OCP.

Despite this agreement on the current usefulness of a debt collection policy, there is again a need to correct some of the misstatements discussed in this recommendation. First, the claim that more than \$60 million in accounts receivable from emergency ambulance transport billing is currently uncollectable is inaccurate. As a matter of health insurance

² It may not be prudent to institute a 180 day threshold for referring accounts to a collection agency if you have determined "receivables over 180 days are deemed highly uncollectable".

EXHIBIT D: FIRE AND EMERGENCY MEDICAL SERVICES DEPARTMENT'S RESPONSE TO DRAFT REPORT

reimbursement standards, the District as a medical service provider, is not entitled to receive the amount stated on a billing invoice for services rendered in the vast majority of instances. Due to the overwhelming majority of patient transports covered by some form of third party payment (including health insurance, automobile insurance, workers' compensation, etc.) the District is only entitled to receive a portion of the full amount stated on an invoice.

In the case of Medicaid patients – the most common form of insurance used by District residents – any fees in excess of the Medicaid “allowable charge” are considered a mandated write-off. Medicare and most other forms of federally sponsored insurance plans have similar requirements. In the case of private – commonly called “commercial” – health insurance, most insurance companies only pay what they deem to be “usual and customary” in the region. Any amounts above what a commercial healthcare insurance company is willing to pay are billed to the patient who may or may not agree to pay the remaining balance. If the patient refuses to pay the remaining balance, the only option is bad debt collection practices, which has not been used against District residents for unpaid ambulance bills.

A most poignant example is Medicaid reimbursement rates, where amounts reimbursed by the Federal Center for Medicare and Medicaid Services (CMS) is far less than those amounts deemed reasonable by private insurers and further does not allow any portion to be paid by patients. Thus, before the recent codification of the new hardship policy, only in instances of self-pay would the District be legally entitled to pursue outstanding

EXHIBIT D: FIRE AND EMERGENCY MEDICAL SERVICES DEPARTMENT'S RESPONSE TO DRAFT REPORT

charges in a timeframe of 120 days. However, it must be noted that instances of accounts that are not self pay, including those that are involved in ongoing litigation (as many automobile accident claims are), the 120 day timeframe is not feasible and therefore should be extended accordingly.

FINDING 5: BENCHMARKING EMERGENCY TRANSPORTATION RATES

Recommendation 13: Perform an annual review of emergency transport services' rates and charge for emergency transport mileage to maintain a level of reimbursement comparable to cities with similar demographics.

RESPONSE: F&EMS has maintained a continued belief that the service fees charged to persons transported by ambulance for emergency medical treatment should accurately reflect the cost to the District for providing such an important public safety function. Doing so will help to ensure the accessibility of emergency ambulance transport vehicles, which are the first responders for more than seventy five thousand (75,000) patients annually, transported to area hospitals. The Department was pleased that the Executive Office of the Mayor (EOM) decided to act on the recommendation of the Department in adjusting the rate charged for ambulance transport for the first time since 2003. Therefore, the Department generally accepts this Recommendation that the Department "perform an annual review of emergency transportation services' rates and charges for emergency transport mileage"; albeit, for reasons detailed as follows which more accurately reflect the actions of the Executive branch in increasing the fees.

The District of Columbia Code with regard to the establishment of emergency ambulance transport service charges was recently amended by the Council of the District of

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Columbia.³ The discussion associated with this Recommendation in Finding 5 makes no mention of this most important fact. Specifically, Section 3006 of Title III (B) of the Fiscal Year 2009 Budget Support Act of 2008 ("the BSA"), effective July 28, 2008, (DC Law 17-0468; 55 DCR 8746), the "Ambulance Fee Emergency Act of 2008" required the Mayor to issue rules to increase ambulance fees effective October 1, 2008, to levels sufficient to generate an additional \$3.5 million per year during Fiscal Years 2009 and 2010, respectively. However, the Act first requires that the Mayor explore whether "all reasonable options for billing Medicaid and Medicare for costs of ambulance services" would be sufficient to meet the additional revenue target. These rules were required to be submitted to Council for approval by September 15, 2008.

In response to this statutory mandate, the Mayor directed F&EMS to perform a comprehensive fiscal analysis to determine that projections for a Medicaid and Medicare cost adjustment would result in an increase sufficient to meet the \$3.5 million increased revenue target for FY09 and FY10. This cost adjustment was developed in conjunction with the District of Columbia Department of Health, Medical Assistance Administration as well as the federal Centers for Medicare and Medicaid Services, and was presented to Council on October 27, 2008. Initial results of this study indicate that in 2007, an "average" basic life support (BLS) transport cost the District one thousand dollars (\$1,000) to provide, while an advanced life support (ALS) transport cost one thousand two hundred (\$1,200). These costs significantly exceeded fees charged to patients by a factor of three to one.

³ See DC Code Sect. 5-416. Changes by Council now require the Mayor to submit increases to Council for approval, where previously the Mayor maintained sole authority to issue a rulemaking after receiving input from the public.

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The Mayor therefore submitted proposed rules to Council, by the stated deadline, which was subsequently published for comment in the District of Columbia Register on September 19, 2008.⁴

Specifically, this proposed rule increased the service charge for basic life support (BLS) from \$268 to \$428, as was as for advanced life support (ALS) from \$478 to \$508. Further, this proposed rule created an additional category for advanced life support (ALS2) at \$735, and a mileage transport charge of \$6.55 per mile or any fraction thereof. After a public hearing on this matter and subsequent amendments to the rule by Council, the "Ambulance Fee Amendment Final Rulemaking Resolution of 2008" (PR17-0909) was enacted on December 19, 2008, and published as a final rulemaking in the DC Register on December 26, 2008. All persons currently transported within the District of Columbia are charged fees as established by this rule.

In addition to establishing the procedure for enactment of the current rule in effect, the BSA is additionally noteworthy for specifically repealing the final rules previously established by the Mayor that this report recommended and supported, as "codified in Title 29 DCMR Sect. 525, on October 24, 2008". As background, the Department was instrumental in informing EOM of the necessity to increase the fees and even held a public hearing at the F&EMS headquarters.⁵ Additionally, the Department does not

⁴ See DCR Vol. 55, No. 38 at page 009857.

⁵ Mayor's Order No. 2008-44, dated March 25, 2008, delegated to Dennis L. Rubin, Chief of Fire and Emergency Medical Services Department, the authority to hold a public hearing to receive comments from members of the public on "The FEMS Proposed Increase in Ambulance Service Fees".

EXHIBIT D: FIRE AND EMERGENCY MEDICAL SERVICES DEPARTMENT'S RESPONSE TO DRAFT REPORT

recall, nor has been made aware of any actions by EOM in making the policy decision to increase ambulance fees "in response to [OIG's] concerns about emergency transport fees", or making the policy decision to issue a Notice of Final Rulemaking which increased both the BLS and ALS rates, as well as initiating rates for ALS2 and transport mileage.

Moreover, the Council had already stringently criticized the methodology of merely using averages from comparable jurisdictions as this report suggests. Specifically, the Council demanded justification that the proposed rates were based on a logical structure of services and fees, were supported by the law or public policy and were comparable to other ambulance fees charged in the region and not just an arbitrary compilation of ambulance fees charged in large cities. This information was provided to Council during a public hearing on October 27, 2008.

Further, a revenue enhancement for between \$4 million and \$4.5 million dollars per year in increased revenues (based on your projections) cannot be instituted because it defies the legal requirement that the rate increase not exceed \$3.5 million per year.

Thus, in light of the legal requirements governing the procedure for implementing an increase, as well as the recent enactment of increased ambulance transportation fees using a methodology that has been accepted and approved by Council, much of the discussion within this recommendation is not applicable at this time.

EXHIBIT D: FIRE AND EMERGENCY MEDICAL SERVICES DEPARTMENT'S RESPONSE TO DRAFT REPORT

In conclusion, the Department intends to continue to work closely with the EOM to ensure that the District is adequately reimbursed for the cost of providing quality emergency ambulance transportation services. District law specifically states how this will be conducted through FY10. Subsequently, the Department looks forward to continuing to work in conjunction with the EOM to determine if subsequent increases are needed to be presented to Council.

FINDING 6: MEDICAID REIMBURSEMENT RATE

Recommendation 14: Provide MAA with a detailed cost analysis of its emergency transport costs to support a state plan amendment by MAA to increase Medicaid reimbursement rates and continue to develop cost analyses annually as required by Section 4.19b of the District State Medicaid Plan.

RESPONSE:

On October 27, 2008, the F&EMS Department informed Council that the initial results of the Medicaid Cost Study performed by the Department indicate that in 2007, an "average" basic life support (BLS) transport cost the District one thousand dollars (\$1,000) to provide, while an advanced life support (ALS) transport cost one thousand two hundred (\$1,200). The Department is in the process of finalizing data supporting this finding and anticipates submitting a Medicaid rate reimbursement request to CMS shortly.

EXHIBIT E: OFFICE OF THE CHIEF FINANCIAL OFFICER'S RESPONSE TO DRAFT REPORT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Office of Integrity and Oversight



January 23, 2009

Charles J. Willoughby
Inspector General
Office of the Inspector General
717 14th Street, N.W., Suite 500
Washington, DC 20005

Dear Mr. Willoughby:

This will respond to your December 22, 2008, request for written comments to your draft audit report titled "*Audit of the Department of Fire and Emergency Medical Services' Administration of Ambulance Billing Contracts*" (OIG No. 07-2-31FB). Per your request, our response to audit finding/recommendation number 11 is as follows:

RECOMMENDATION: Record the Value of the Third-Party Billings for Emergency Transport Services in Soar on a Monthly Basis.

RESPONSE: The Office of the Chief Financial Officer (OCFO) agrees to record the value of the third party billings for emergency transport services on a monthly basis. Historically, the receivable for third party billings was not recorded because revenue is recorded on a cash basis and 97 percent of the outstanding billings were deemed delinquent/uncollectable. This practice is consistent with Generally Accepted Accounting Principles and was reviewed by the District's CAFR auditors without exception. However, for the fiscal year ended September 30, 2007, we recorded the value of these third-party billings in response to concerns raised by the Inspector General's Office as a result of this audit. The receivable reflected a net value of \$4 million which represented the total outstanding uncollected of \$64 million less a \$60 million allowance for doubtful accounts.

The Fire and Emergency Medical Services Department is currently in the process of implementing reforms to the billing and collection process. The agency discusses these reforms in their response to recommendation number 12. Moving forward the OCFO will record the receivable monthly. The receivable will reflect the projected value of third-party billings based on trend analysis of collection rates.

1275 K Street, N.W. Suite 500, Washington, D.C. 20005 (202) 442-6433

**EXHIBIT E: OFFICE OF THE CHIEF FINANCIAL OFFICER'S
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*Audit of the DFEMS Administration of Ambulance Billing Contracts
January 23, 2009
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If you have further questions, please contact me on (202) 442-6445.

Sincerely,



Robert G. Andary
Executive Director

RGA/ah

cc: Natwar M. Gandhi, Chief Financial Officer, Government of the District of Columbia
Lucille Dickinson, Chief of Staff, Office of the Chief Financial Officer
Angelique R. Hayes, Associate Chief Financial Officer, Public Safety and Justice Cluster
Mohamad K. Yusuff, Internal Audit Director, Office of Integrity and Oversight

EXHIBIT F: OFFICE OF CONTRACTING AND PROCUREMENT'S RESPONSE TO DRAFT REPORT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of Contracting and Procurement

Director



January 29, 2009

Charles J. Willoughby
Inspector General
Government of the District of Columbia
717 14th Street, N.W.
Washington, DC 20005

Dear Mr. Willoughby:

The Office of Contracting and Procurement (OCP) has reviewed the draft report on the Audit of the Department of Fire and Emergency Medical Service's Administration of Ambulance Billing Contracts, and offers the following in response to the Findings and Recommendations:

3. Collaborate with OCP when contracting for services, to include a review of contract terms to ensure that the best interests of the District are met.

OCP endeavors to provide clear contractual language in all of its legal documents. We will continue to seek out the best practice in all our procurements whether it is for the expenditure or collection of District funds.

4. Implement steps to identify and maintain information on contract end dates to provide adequate time for planning and negotiating new contracts prior to expiration of existing contracts.

OCP will be meeting with FEMS with regard to ensure an expedient and efficient rebid or renewal of the ambulance billing contract.

6. Review terms of the ADPI contract, in coordination with OCP, and if contractually feasible, reduce the collection fee to 7.75 percent.

In concert with FEMS, OCP will review billing and collection rates established for the base period of the contract to see if further savings can be achieved.

7. Implement a policy to provide legal reviews in instances where the program office/COTR develops unique contract terms/conditions to determine that the contract terms/conditions are legally sufficient and are in the best interest of the District.

As a standard policy, all contracts for goods and services over \$1 Million receive pre-solicitation and pre-award review by the OAG. While it is not a policy at this time at OCP for the OAG to review contract amendments that result in a change to the contract in an amount less than \$1 Million, such amendments may be considered for legal sufficiency in the future. OCP will work with the OAG to determine if this can be accommodated based on workload impacts and if is legally required by the District.

Sincerely,

A handwritten signature in black ink, appearing to read "David P. Gragan".

David P. Gragan
Chief Procurement Officer

441 4th Street N.W., Suite 700 South, Washington, D.C. 20001
(202) 727-0252 Fax: (202) 727-3229

EXHIBIT G: OFFICE OF THE INSPECTOR GENERAL DETAILED RESPONSE TO FIRE AND EMERGENCY MEDICAL SERVICES' RESPONSE TO DRAFT REPORT

***OIG OVERALL COMMENTS:** FEMS' comments are generally unresponsive to the report's conclusions and findings, and are partially responsive to the recommendations. This audit was requested by the Chief of Fire and EMS because of concerns about the administration of the FEMS' ambulance billing contract. The report results are fully documented and represent conclusions based on our audit analysis of documentation and records available at FEMS. During the course of our audit, we apprised FEMS management of our observations, findings, and potential solutions to identified deficiencies. FEMS officials acted promptly to address certain deficiencies and enacted some of the recommended corrective actions necessary to make FEMS operations more effective and efficient. At no time during the course of our audit did FEMS express exceptions to the findings and to recommendations that were crafted to help FEMS operate in a more efficient and effective manner.*

Our audit scope entailed a review and assessment of FEMS internal controls, processes, and documented policies and procedures currently in place. Our methodology included meetings with officials from FEMS as well as progress debriefings throughout our audit.

*FEMS has taken on an adversarial position to the findings and recommendations as presented without recognizing the benefits that accrue to those organizations that act positively on audit recommendations. The D.C. OIG staff took great lengths in analyzing the prepared response from FEMS, took into consideration the information that was provided, and adjusted the report where warranted. **NOTE.** Exact language from the FEMS written response is provided below, along with OIG's response to each recommendation based upon analysis of FEMS' response.*

Recommendation 1.

Integrate business-related activities into FEMS' mission to provide assurance that key business functions have adequate oversight and accountability.

FEMS Response

F&EMS is currently staffed by highly regarded individuals who have the education, training and professional experience, both within and outside of the District Government, to ensure that key business functions within the Department have adequate oversight and accountability. Obviously, it would not be prudent to discuss the specific details of the individuals who previously staffed particular management positions or their replacements for that matter. However, there have been significant changes in personnel for those staffing "business support functions"; including the Assistant Fire Chief for EMS Operations ("Assistant Fire Chief"), the Contracting Officer Technical Representative

EXHIBIT G: OFFICE OF THE INSPECTOR GENERAL DETAILED RESPONSE TO FIRE AND EMERGENCY MEDICAL SERVICES' RESPONSE TO DRAFT REPORT

("COTR"), and the newly created Chief of Staff position. Therefore, the Department finds that the conclusion is not valid that it lacks necessary personnel with the sufficient business acumen, training and experience to adequately oversee critical business related activities.

OIG Response

On February 13, 2008, we provided FEMS management with an audit debrief at which time we apprised FEMS about our concerns relative to the administrative support and contract monitoring functions, and the necessary corrective actions relative to our findings.

We specifically addressed the lack of an adequate administrative support services function to manage and monitor non-medical business functions, including documented processes for seeking rate increases, assuring that funds remitted by ADPI are properly deposited and reconciled in a timely manner, and that all business activities, including billings, receivables, and bad debt policies and procedures are adequately addressed. Further, FEMS management could not explain the process for requesting rate changes for ambulance fees and referred us to the former FEMS General Counsel for guidance regarding this process.

Concerning personnel replacements, we noted that in August 2007, FEMS installed a new COTR who had no prior experience or training to effectively perform the COTR function. The COTR did not detect errors in reports that the ambulance billing contractor made in their monthly reports regarding the age of receivables, and whether deposits made by the billing contractor were being deposited to the District's General Fund in a timely manner.

The fact that FEMS is "currently staffed by highly regarded individuals who have the education, training and professional experience, both within and outside of the District Government, to ensure that key business functions within the Department have adequate oversight and accountability" does not eliminate the fact that these conditions and control weaknesses existed at the time of our audit field work and testing.

Our conclusions were validated by the fact that FEMS implemented our recommendations after we briefed FEMS management of the identified weaknesses in critical FEMS business processes.

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Recommendation 2.

Recruit and train staff to perform such functions as contract management, research and evaluation, and fiscal operations.

FEMS Response

In light of the response to Recommendation 1, F&EMS currently has staffed qualified professionals that perform the functions as suggested. In reviewing the findings and discussion associated with this issue, F&EMS is again appreciative of the opportunity to shed light on the award of the emergency ambulance transportation service contract. This background information is needed because a review of the discussion within your findings generally demonstrates a fundamental misunderstanding of the operations of the ambulance billing process and therefore a misinterpretation of the information that is necessary to include within its contractual provisions.

OIG Response

FEMS' response does not mitigate the facts as presented during our February 13, 2009, debriefing. There were no fundamental misunderstandings relative to the award of the ambulance transportation service contract. The fact that FEMS did not adequately plan for the timely transition to a new transportation service contract required FEMS to execute contract modifications to continue providing billing services for ambulance transports. It also appears that FEMS failed to properly interpret the contract language of the first ambulance billing contract, which clearly stated that the contractor was to be paid based on monies collected, not on what was billed. We believe it was poor business judgment on FEMS' part to allow a previous contractor to continue to collect fees for 18 months after its contract with the District expired.

Recommendation 3.

Collaborate with OCP when contracting for services, to include a review of contract terms to ensure that the best interests of the District are met.

FEMS Response

As mentioned in your report, in June 2006, F&EMS awarded Contract No. DCFB-2006-D-2005 to ADPI to manage its billing function for emergency transportation services this contract replaced the prior contract with ARS (Contract No. POFB-2005-C0019), which

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expired February 22, 2006. A contract modification was executed with ARS, which served as a transition agreement until ADPI was ready to assume control of operational functions. This "bridge contract" ran from February 23, 2006, through June 22, 2006 (Modification M00003) and allowed ARS to continue collection efforts under its original agreement while the newly awarded contractor ADPI could begin to ramp up to start its collection efforts. Directing the previous contractor to continue operations resulted in more than four million dollars (\$4,000,000) in additional collected revenues as compared to allowing collection efforts to lapse at the time of the original sunset date. Further, Modification M00003, Section I.12.4, specifically states:

- A. "The term of the contract is hereby extended from February 23, 2006 through June 22, 2006 to allow for the transition to a successor contractor.
- B. The contingency fee remains unchanged at 7.4% with incentive payment of 2% for collections over 45% and 5% for collections over 55%.
- C. After award of a new contract by the District, the COTR shall notify ARS to discontinue with 30 days the services requiring pick- up of PCR's. The Contractor shall provide collection services on the PCR's in its possession in accordance with Section C.6 of the contract until the accounts are closed or deemed uncollectible. The Contractor shall provide the COTR a final report showing any outstanding accounts when the Contractor has closed each account or has deemed them uncollectible."

"I.12.4 All billing and collection of EMS fees will continue per the terms and conditions of the contract for all 151 forms picked up, by the Contractor, to and including the contract termination date. The District will pay the Contractor on all such accounts in accordance with the terms of the contract regardless of whether those accounts are paid prior to or after the termination date. The District will ensure all source codes currently utilized by the Contractor to submit claims electronically on behalf of the District, remain active for as long as the insurance carrier permits."

It is unclear how this Modification can be considered as not in the best interest of the District. As stated earlier, this is a contingency agreement where the former contractor, ARS, could only benefit if they were successful in their own efforts to collect funds on behalf of the District.

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However, rather than let claims that had not yet been satisfied go uncollected, the former COTR within F&EMS worked with OCP to extend the same contingency contractual terms previously agreed upon for an indefinite period of time. This Modification has allowed F&EMS to collect more than five hundred thousand dollars (\$500,000) in revenue while the Modification has been in effect.

This COTR worked closely with OCP in developing the Modification that allowed further collections during the waning months of its contract with ARS. Specifically the former F&EMS COTR received approval from the Contracting Officer OCP to extend the period of collection for an indefinite period which would increase the possibility of collection of all accounts (including those delayed in remittance, like settlements from civil lawsuits) in the best interest of the District.

Finally, the language that was roundly criticized in this report as inappropriate was actually approved by OCP. This written approval directly contradicts any claims that F&EMS did not work in collaboration with OCP. In fact, for F&EMS to allow several hundred thousand dollars to go uncollected because a new contract was awarded going forward, yet had no effect on uncollected claims at the time, goes against the best financial interests of the District, and therefore F&EMS stands by the decision to extend the original period for collection by ARS.

OIG Response

Based on the contract modification, FEMS' first billing contractor (ARS), ceased billing as of the expiration date of the modifications; however, language in the contract modification apparently allowed ARS to continue to be paid a percentage of collections received, deposited, and accounted for by ADPI. ADPI was responsible for the collection of fees generated from emergency transportation services. The District continued to pay fees to ARS 18 months after the contract modification had expired. The contractor was not providing any services to the District, which was not in the best interest of the District. Also, our audit determined that the contract modification that allowed ARS to continue to be paid was not reviewed for legal sufficiency.

Recommendation 4.

Implement steps to identify and maintain information on contract end dates to provide adequate time for planning and negotiating new contracts prior to expiration of existing contracts.

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FEMS Response

F&EMS will work diligently to monitor end dates for the current contract with ADPI. It is without question that it is most beneficial for sufficient time to be allotted so there will be no need for previous contracts to be bridged while services are being transferred over to a new vendor.

Although, ARS continued services for three (3) months between June and August, it is important to note that this bridge contract did not cause any financial burden to the District, because ARS continued to collect at the previously agreed upon rate. Further, this audit does not criticize the existence of the bridge contract, and therefore should not be confused with the modification that allowed ARS to collect on claims that would have been lost mainly because a new contractor was responsible for collection efforts after June 2006.

OIG Response

The OIG has no additional comments.

Recommendation 5.

Provide effective oversight for employees operating in COTR positions by scheduling monthly meetings to provide management with the status of ongoing contracts and requiring COTRs to provide written status reports of current contract deliverables.

FEMS Response

The F&EMS Department acknowledges the need for all management positions to be adequately supervised. It is not clear from the findings presented that any of the actions surrounding the implementation of the Modification were conducted without input from OCP. In fact, upon careful review the Department maintains that the actions taken at the time received necessary approvals from OCP officials and resulted in financial benefit to the District. Thus, the suggestion that monthly meetings be held to provide management with the status of ongoing contacts is duly noted and will be considered for implementation.

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OIG Response

During our August 8, 2008, entrance conference, FEMS management cited several concerns they had relative to:

- *their ambulance billing contract;*
- *benchmarking other cities' ambulance billing function;*
- *the performance of their COTR;*
- *transparency in their business processes; and*
- *ARS not providing records from previous years.*

During our audit, we found that the previous COTR had not been reporting all activities relative to the ambulance billing contract, including not making FEMS management aware that the District was still paying ARS well after the contract had expired and that a contract modification was executed that continued to pay fees for previous services rendered.

Recommendation 6.

Review terms of the ADPI contract, in coordination with OCP, and if contractually feasible, reduce the collection fee to 7.75 percent.

FEMS Response

Under the terms of the current contract, the ADPI contingency fee will be reduced to 7.75 percent in May 2009. The initial three (3) years at the higher rate included the purchase, installation and use of mobile computers, servers, reporting software and maintenance of all information technology resources for each year of the contract, including any extensions. It is unclear how the District may alter the terms of an agreement within its base years without being subject to legal action. Nevertheless, the Department looks forward to exploring all available options with OCP, including the potential to re-bid the contract at term expiration or to explore regional contractual billing opportunities, including Council of Government options.

OIG Response

The OIG has no additional comments.

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Recommendation 8.

Maintain a daily log of the PCR's that are placed in the locked bags that are maintained on each ambulance.

FEMS Response

The F&EMS Department completed the transition to E-PCR reporting during November of 2008. By December 31, 2008, more than 95% of all PCR's were being completed on a computer. It is anticipated that by February 1, 2009, more than 99% of all PCR's will be E-PCR, effectively eliminating the need for this recommendation.

OIG Response

The OIG has no additional comments.

Recommendation 9.

Accelerate training for emergency transport employees in order to competently implement and use electronic processing of PCR's.

FEMS Response

Although the F&EMS Department continues to train a small number of employees in E-PCR reporting, budgetary spending pressures have effectively curtailed the ability to train all F&EMS Department employees in E-PCR reporting. However, more than 95% of employees riding transport units have received E-PCR training and Department management anticipates that on-the-job training of remaining personnel will effectively mean 100% of employees responsible for EMS patient care reporting will be able to use E-PCR software in the immediate future.

OIG Response

The OIG has no additional comments.

**EXHIBIT G: OFFICE OF THE INSPECTOR GENERAL DETAILED
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Recommendation 10.

Obtain a sufficient number of laptop computers to provide assurance that all Fire and EMS units are equipped to process PCRs electronically.

FEMS Response

Effective December 1, 2008, all Fire and EMS emergency response vehicles were equipped with laptop computers.

OIG Response

The OIG has no additional comments.

Recommendation 12.

Utilize the services of a collection agency that will work on a contingent fee basis to collect past due accounts after 180 days of billing.

FEMS Response

It is agreed that F&EMS currently does not have a policy in place to refer unpaid accounts for emergency ambulance transport to a collection agency separate and aside from the mandatory collection efforts made by the third party billing vendor. Undoubtedly, this lack of formal policy has cost the District in lost revenues. Yet, it must also be noted that this mandatory write off, after three (3) billing attempts over ninety (90) days, had previously served as a *de facto* hardship policy for countless underinsured and uninsured District residents that did not have the ability to pay their portion of ambulance transportation bills (often for hundreds of dollars) with the 180 day timeframe suggested. As you may know, a formal hardship policy has recently been codified, thereby replacing the need for the former informal policy of ceasing collection efforts after 180 days of billing without instituting further collection efforts. Thus, the Department remains committed to exploring the implementation of a collection agency in order to collect due and owing balances past for 120 days; in accord with the hardship policy currently in effect under District law.² Such a policy can be shortly in collaboration with OCP.

² It may not be prudent to institute a 180 day threshold for referring accounts to a collection agency if you have determined “receivables over 180 days are deemed highly uncollectable”.

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Despite this agreement on the current usefulness of a debt collection policy, there is again a need to correct some of the misstatements discussed in this recommendation. First, the claim that more than \$60 million in accounts receivable from emergency ambulance transport billing is currently uncollectable is inaccurate. As a matter of health insurance reimbursement standards, the District as a medical service provider, is not entitled to receive the amount stated on a billing invoice for services rendered in the vast majority of instances. Due to the overwhelming majority of patient transports covered by some form of third party payment (including health insurance, automobile insurance, workers' compensation, etc.) the District is only entitled to receive a portion of the full amount stated on an invoice.

In the case of Medicaid patients – the most common form of insurance used by District residents – any fees in excess of the Medicaid "allowable charge" are considered a mandated write-off. Medicare and most other forms of federally sponsored insurance plans have similar requirements. In the case of private – commonly called "commercial" – health insurance, most insurance companies only pay what they deem to be "usual and customary" in the region. Any amounts above what a commercial healthcare insurance company is willing to pay are billed to the patient who may or may not agree to pay the remaining balance. If the patient refuses to pay the remaining balance, the only option is bad debt collection practices, which has not been used against District residents for unpaid ambulance bills.

A most poignant example is Medicaid reimbursement rates, where amounts reimbursed by the Federal Center for Medicare and Medicaid Services (CMS) is far less than those amounts deemed reasonable by private insurers and further does not allow any portion to be paid by patients. Thus, before the recent codification of the new hardship policy, only in instances of self-pay would the District be legally entitled to pursue outstanding charges in a timeframe of 120 days. However, it must be noted that instances of accounts that are not self pay, including those that are involved in ongoing litigation (as many automobile accident claims are), the 120 day timeframe is not feasible and therefore should be extended accordingly.

OIG Response

The \$60 million in uncollected billings was not recorded on the District's books until the OIG brought this matter to the CFO's attention. As of February 29, 2008, OCFO deemed \$60 million in accounts receivable from FEMS emergency transport billings were uncollectable. These uncollectable amounts were comprised of billings from both ADPI and ARS, and dated back as far as FY 2001. During the District's annual CAFR audit (FY 2008), the independent auditors advised OCFO to reduce the accounts

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receivable balance to an estimated net realizable value of approximately \$4 million. OCFO provided the OIG with a schedule showing that the accounts receivable balance had been reduced to \$4.1 million. FEMS' assertion that \$60 million of billings is incorrect is not valid.

Recommendation 13.

Perform an annual review of emergency transport services' rates and charge for emergency transport mileage to maintain a level of reimbursement comparable to cities with similar demographics.

FEMS Response

F&EMS has maintained a continued belief that the service fees charged to persons transported by ambulance for emergency medical treatment should accurately reflect the cost to the District for providing such an important public safety function. Doing so will help to ensure the accessibility of emergency ambulance transport vehicles, which are the first responders for more than seventy five thousand (75,000) patients annually, transported to area hospitals. The Department was pleased that the Executive Office of the Mayor (EOM) decided to act on the recommendation of the Department in adjusting the rate charged for ambulance transport for the first time since 2003. Therefore, the Department generally accepts this Recommendation that the Department "perform an annual review of emergency transportation services' rates and charges for emergency transport mileage"; albeit, for reasons detailed as follows which more accurately reflect the actions of the Executive branch in increasing the fees.

The District of Columbia Code with regard to the establishment of emergency ambulance transport service charges was recently amended by the Council of the District of Columbia.³ The discussion associated with this Recommendation in Finding 5 makes no mention of this most important fact. Specifically, Section 3006 of Title III (B) of the Fiscal Year 2009 Budget Support Act of 2008 ("the BSA"), effective July 28, 2008, (DC Law 17-0468; 55 DCR 8746), the "Ambulance Fee Emergency Act of 2008" required the Mayor to issue rules to increase ambulance fees effective October 1, 2008, to levels sufficient to generate an additional \$3.5 million per year during Fiscal Years 2009 and 2010, respectively. However, the Act first requires that the Mayor explore whether "all

³ See DC Code Sect. 5-416. Changes by Council now require the Mayor to submit increases to Council for approval, where previously the Mayor maintained sole authority to issue a rulemaking after receiving input from the public.

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reasonable options for billing Medicaid and Medicare for costs of ambulance services" would be sufficient to meet the additional revenue target. These rules were required to be submitted to Council for approval by September 15, 2008.⁴

In response to this statutory mandate, the Mayor directed F&EMS to perform a comprehensive fiscal analysis to determine that projections for a Medicaid and Medicare cost adjustment would result in an increase sufficient to meet the \$3.5 million increased revenue target for FY09 and FY10. This cost adjustment was developed in conjunction with the District of Columbia Department of Health, Medical Assistance Administration as well as the federal Centers for Medicare and Medicaid Services, and was presented to Council on October 27, 2008. Initial results of this study indicate that in 2007, an "average" basic life support (BLS) transport cost the District one thousand dollars (\$1,000) to provide, while an advanced life support (ALS) transport cost one thousand two hundred (\$1,200). These costs significantly exceeded fees charged to patients by a factor of three to one.

The Mayor therefore submitted proposed rules to Council, by the stated deadline, which was subsequently published for comment in the District of Columbia Register on September 19, 2008.⁴

Specifically, this proposed rule increased the service charge for basic life support (BLS) from \$268 to \$428, as was as for advanced life support (ALS) from \$478 to \$508. Further, this proposed rule created an additional category for advanced life support (ALS2) at \$735, and a mileage transport charge of \$6.55 per mile or any fraction thereof. After a public hearing on this matter and subsequent amendments to the rule by Council, the "Ambulance Fee Amendment Final Rulemaking Resolution of 2008" (PR17-0909) was enacted on December 19, 2008, and published as a final rulemaking in the DC Register on December 26, 2008. All persons currently transported within the District of Columbia are charged fees as established by this rule.

In addition to establishing the procedure for enactment of the current rule in effect, the BSA is additionally noteworthy for specifically repealing the final rules previously established by the Mayor that this report recommended and supported, as "codified in Title 29 DCMR Sect. 525, on October 24, 2008". As background, the Department was instrumental in informing EOM of the necessity to increase the fees and even held a

⁴ See DCR Vol. 55. No. 38 at page 009857.

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public hearing at the F&EMS headquarters.⁵ Additionally, the Department does not recall, nor has been made aware of any actions by EOM in making the policy decision to increase ambulance fees "in response to [OIG's] concerns about emergency transport fees", or making the policy decision to issue a Notice of Final Rulemaking which increased both the BLS and ALS rates, as well as initiating rates for ALS2 and transport mileage.

Moreover, the Council had already stringently criticized the methodology of merely using averages from comparable jurisdictions as this report suggests. Specifically, the Council demanded justification that the proposed rates were based on a logical structure of services and fees, were supported by the law or public policy and were comparable to other ambulance fees charged in the region and not just an arbitrary compilation of ambulance fees charged in large cities. This information was provided to Council during a public hearing on October 27, 2008.

Further, a revenue enhancement for between \$4 million and \$4.5 million dollars per year in increased revenues (based on your projections) cannot be instituted because it defies the legal requirement that the rate increase not exceed \$3.5 million per year. Thus, in light of the legal requirements governing the procedure for implementing an increase, as well as the recent enactment of increased ambulance transportation fees using a methodology that has been accepted and approved by Council, much of the discussion within this recommendation is not applicable at this time.

In conclusion, the Department intends to continue to work closely with the EOM to ensure that the District is adequately reimbursed for the cost of providing quality emergency ambulance transportation services. District law specifically states how this will be conducted through FY10. Subsequently, the Department looks forward to continuing to work in conjunction with the EOM to determine if subsequent increases are needed to be presented to Council.

⁵ Mayor's Order No. 2008-44, dated March 25, 2008, delegated to Dennis L. Rubin, Chief of Fire and Emergency Medical Services Department, the authority to hold a public hearing to receive comments from members of the public on "The FEMS Proposed Increase in Ambulance Service Fees".

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OIG Response

During the course of our audit, we requested that FEMS provide a comprehensive description of the process for obtaining rate increases in ambulance transportation rates. No one at FEMS could provide documentation or explain to the OIG the process for obtaining rate increases. We also were unsuccessful in obtaining this information from FEMS personnel and from MAA with respect to how FEMS and MAA developed Medicaid reimbursement rates.

FEMS had not requested an emergency transport rate increase since 2003, even though operating costs such as labor, fuel, and supplies had increased. During April 2008, in response to our concerns provided to FEMS about emergency transport fees, the Mayor issued a Notice of Final Rulemaking, which increased the BLS (\$530), ALS (\$832), and ALS 2 (\$953). The Notice of Final Rulemaking also included proposed mileage charges for emergency transports. The fees for emergency transport charges (\$6.06) were codified in Title 29 DCMR § 525, on October 24, 2008.

Recommendation 14.

Provide MAA with a detailed cost analysis of its emergency transport costs to support a state plan amendment by MAA to increase Medicaid reimbursement rates and continue to develop cost analyses annually as required by Section 4.19.b of the District's State Medicaid Plan.

FEMS Response

On October 27, 2008, the F&EMS Department informed Council that the initial results of the Medicaid Cost Study performed by the Department indicate that in 2007, an "average" basic life support (BLS) transport cost the District one thousand dollars (\$1,000) to provide, while an advanced life support (ALS) transport cost one thousand two hundred (\$1,200). The Department is in the process of finalizing data supporting this finding and anticipates submitting a Medicaid rate reimbursement request to CMS shortly.

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OIG Response

During our February 13, 2008, meeting with FEMS officials, we informed FEMS that there was no evidence FEMS had provided MAA with a cost analysis since FY 2003. At that meeting, FEMS officials agreed to pursue a Medicaid rate increase after a formal cost study was performed. FEMS actions to pursue increases in emergency transport rates were well after we brought the need for a cost study to the attention of FEMS officials.