

Regular Meeting
February 03, 2009

Chairperson Burt called the meeting to order at 7:15 p.m. in the Council Conference Room, 250 Hamilton Avenue, Palo Alto, California.

Present: Burt (chair), Klein, Morton, Yeh

Absent: None

1. Oral Communications

None.

MOTION: Chair Burt moved seconded by Council Member Klein, to bring Agenda Item Number 3 forward to be heard before Agenda Item Number 2.

MOTION PASSED: 4-0

3. City Auditor Peer Review Team Introductions

City Auditor, Lynda Brouchoud introduced two peer reviewers (Bill Greene, Assistant City Auditor for the City of Phoenix, and Jim Williamson, City Auditor for the City of Oklahoma City) who will be reviewing the City Auditor's Office's compliance with generally accepted governmental auditing standards over the past three fiscal years.

Chair Burt requested an explanation of the peer review timeline, as well as information on how different cities select these peers.

Ms. Brouchoud explained that the review team will be at City Hall for one week. At their conclusion, they will provide results of the review which the City Auditor will present at a future Finance Committee meeting. The peer review team is selected by the Association of Local Government Auditors.

Council Member Yeh asked if there is any official report regarding the peer review results.

Ms. Brouchoud stated the peer review team will issue a compliance statement in their letter, as well as any recommendations.

Chair Burt asked if the review was both a technical compliance audit and some degree of a performance audit, or if it is purely a technical compliance.

City of Phoenix, Deputy City Auditor, Bill Greene stated that it was a little bit of both. They would review both the quality control system and perform straight compliance testing.

No action required by the Committee.

2. Audit of Ambulance Billing and Revenue Collection

City Auditor, Lynda Brouchoud presented a PowerPoint on the audit. Ms. Brouchoud provided a description of the audit scope. The audit reviewed the City's contract with ADPI-Intermedix and conducted testing to determine whether the vendor was in compliance with key contract terms. The City pays a 7 percent commission to ADPI-Intermedix to provide ambulance billing services. In fiscal year 2007-08, ambulance revenue totaled \$2,020,834 or 54 percent of gross billings.

Council Member Klein stated ambulance revenues of \$2,020,834 as fifty-four percent of gross billings was misleading due to statutory discounts, write-offs, and the lack of control over Medicare and MediCal rates. He stated the \$1 million that was written off was actually never there.

Ms. Brouchoud stated the gross billings were \$3,764,513. Less the statutory write offs, the net billings totaled \$2,765,005. Of this amount, \$2,020,834 was collected.

Council Member Klein spoke about how much the City received out of what realistically was available.

Vice Mayor Morton concurred. He stated the billing minus the statutory write-offs equal a controlled figure. This smaller figure was less misleading.

Ms. Brouchoud introduced ADPI-Intermedix (ADPI) Senior Vice President, Michael Brook, and Representative Mori Moriuchi. She clarified that based on advice from the City Attorney's Office, because ADPI-Intermedix applied for the RFP (Request for Proposal), questions to the contractor should not address the RFP, but should address the audit itself.

Vice Mayor Morton asked for clarification on the terminology "revenue collection."

Ms. Brouchoud stated the revenue collections were not gross billings but actual collections. Over the last five years, ambulance revenue increased 53 percent. During this same time period, the number of EMS transports also increased 52 percent from 2,141 to 3,236. Ambulance fees also increased

through increases in the City's Municipal Fee Schedule. So, it appears that the increase in ambulance collections has kept pace with the increase in EMS transports and fee schedule.

Council Member Klein asked what the percentage of the fee increase was for ambulance services.

Ms. Brouchoud stated she did not have the exact numbers in front of her, and the itemized rates are detailed in the Municipal Fee Schedule.

Fire Chief, Nick Marinaro indicated that historically the Fire Department had not made a substantive increase in their basic transport fees. Each year is billed at a 3 percent inflationary increase for itemized billings.

Ms. Brouchoud stated there are other items factored into this as well, such as Medicare and MediCal, which explain some of the differences between charges and collections.

Chair Burt asked if this was collection rates versus billing rates. He asked if the billing rate was driven by the MediCal formulas.

Ms. Brouchoud stated the gross billings are based on the Municipal Fee Schedule and that the revenue collections are based on the net billings, after the statutory deductions.

Vice Mayor Morton asked about fee schedule considerations, and if a 3 percent adjustment was built into the minimum. He inquired if the cost of salaries, benefits, and equipment were at a higher percentage.

Mr. Marinaro stated the goal was to be at 100 percent cost recovery. Historically, the fee increases were based on industry standards.

Vice Mayor Morton asked if competitive decisions are made with respect to the fee adjustments.

Mr. Marinaro stated this was correct.

Ms. Brouchoud stated the contractor's revenue collections have increased over the years. However, the audit identified five areas for improvement that exist for increasing the collection of ambulance revenues. The first finding pertains to the timeframes for the contractor to return uncollected accounts to the City and for sending bills to patients.

Vice Mayor Morton asked if the expectation of collecting revenues decrease when an account is declared delinquent or is it referred to a collection agency.

Ms. Brouchoud stated the expectation of collecting on delinquent accounts decreases the longer the account ages.

Vice Mayor Morton asked if this was a 20 percent loss.

Ms. Brouchoud replied that the contractor's response to the audit provided a figure stating that their collection agencies typically collect 6-12 percent of the amounts turned over to them. Industry standards were not available to confirm this. But if we use this range, 6-12 percent of the \$833,000 the City write-off would equate to about \$50,000 to \$100,000 that the City could have potentially collected, but instead had to write-off. She stated that the audit also reviewed the timeframes and tested to see if the contractor billed patients within the contract timeframes.

Vice Mayor Morton asked for clarification on the decision process of the billing cycles.

Ms. Brouchoud stated the contractor said that the contract contained too short of a time period for preparing bills after services were provided. More time was needed for contacting insurance companies prior to the final billing.

Council Member Klein stated there was a 10 day window for performing insurance company research. He stated if these processes were indeed automated, ten days was an extraordinary amount of time for issuing a billing.

Vice Mayor Morton asked if ADPI is a subsidiary of the Automated Data Processing, Inc. (ADP).

ADPI Senior Vice President, Michael Brook stated that ADP is a completely separate company from ADPI.

Ms. Brouchoud stated the audit identified situations where ADPI created bills and did not send them out. She stated that the creation of the bills, without sending them out, was done when there was incomplete information on the billing address provided at the time of the emergency. An internal control was suggested to follow up with manual follow through by phoning patients to fill in the missing billing address information.

Vice Mayor Morton asked if these un-posted billings related primarily to individuals versus insurance companies.

Ms. Brouchoud stated if the patient did not have insurance, the bill would go directly to the patient. She indicated that bills, with residual balances after the insurance payments, go to the patient. She stated that ADPI reports they have now implemented measures and internal controls to minimize the unknown addresses and to increase revenue collections. She noted 17 audit

recommendations were proposed in total. She spoke on recommendations 1, 2, 3, and 4, summarized on page 27 of the Audit. These included having the Fire Department, with assistance from the Administrative Services Department (ASD), work with the contractor to ensure accounts were turned over to the City for follow up within proper timeframes. She cited recommendations regarding contract renewal for ambulance billing and collections, i.e. any new contract should be renewed on a short-term basis and should incorporate measurable criteria for assessing the contractor's performance. At the end of the initial contract, the City could determine if the performance was satisfactory and if the contract should be renewed. Another finding in the Audit looked at the need for more detailed and accurate billing records so that the City's accounting records were accurate. The contractor switched to a new billing system in mid-2007. According to the contractor, some of the technical challenges that resulted in the switch caused the firm to under-report the total amount of the accounts receivable to the City. The contractor reported that recent cleanup efforts will eliminate the problem and help the City to have a more accurate accounting for write-offs, collections, and accounts receivable. During the audit, they found that the contractor had voided charges that were different than the statutory write-offs mentioned with MediCal and Medicare. These voided charges were technically owed by the patient, but were not showing up in the billing system or in the reports to the City. ADPI was immediately writing them off because they did not expect to collect on these accounts.

Vice Mayor Morton asked what is currently booked as the net collection after the mandatory write-offs.

Ms. Brouchoud stated her understanding was that the voided charges were not showing up on patient bills, so the City did not know about them. It would be the gross amount billed less any statutory write-offs.

Vice Mayor Morton questioned if ASD Staff would be booking adjustments for the statutory write-offs prior to collections. He asked if this was duplicating what ADPI was doing.

Director of Administrative Services, Lalo Perez replied that would be a better reconciliation for the accounting records.

Ms. Brouchoud also stated that the audit reviewed the process of credit card payments that showed up as a monthly aggregated amount. The contractor informed the Committee that the City can ask for further details and reports. ASD was working to set up a separate credit card bank so that credit card payments could be delivered into a City bank account. During the review of fifty-four patient billings to ensure consistency with the Municipal Fee Schedule, forty-six errors were found, including inaccurate mileage and incorrect interpretations of the Fee Schedule. Duplicate bills and differing amounts for the same medical calls were found. The audit noted that

controls were put in place to prevent these errors in the future. The contractor would provide a charge master for the City. The charge master will review, approve and verify billing rates.

Vice Mayor Morton asked if the Charge Master went out before the bill is created.

Ms. Brouchoud stated the Charge Master was used to set the amounts in the system. She discussed the City's write-off procedure for ambulance billings, which date back to before the time the City contracted out these services. It was recommended that City Departments work with the City Attorney's Office to clearly identify the statutory limitations for write-offs and to update the write-off procedures. She reviewed the oversight and interdepartmental coordination of the ambulance billing contract. There may be an opportunity to lower the commission rate to save additional funds, estimated to save about \$41,000.

Interim Deputy City Manager, Kelly Morariu stated Staff anticipated improvements as the City moves forward on collection revenues, management control recommendations and improvements in the contract. She spoke on measures for increased success at re-covering delinquent billings. She indicated that work has been started by Staff on several of the audit recommendations.

Council Member Klein asked about past experiences in collecting.

Senior Financial Analyst for Administrative Services, Josie Stokes explained the process. Accounts deemed uncollectable by ADPI were returned for review. Any mistakes found were corrected prior to rebilling. Each customer was contacted by letter regarding their no payment status, with an opportunity for payment within 30 days. Beyond 30 days, a second letter was sent advising them of pending collection processes if no payment was made. The City works with the Collection Bureau of America at this stage if no contact is made. The success rate for billing sent to the Collection Bureau of America was 10-12 percent. She stated they cannot pursue collection after a certain statutory period.

Chair Burt asked for clarification of the statutory time periods.

Ms. Stokes stated there is a two-year Statute of Limitations, but it may be revised to four years pending determination by the City Attorney's Office.

Mr. Perez stated this was dependent on whether or not the person being transported had physically signed, or if someone else had signed on behalf of the patient. He stated this is where the timeline ambiguity arises. A policy is currently being written to distinguish one from the other and to create a standard.

Council Member Klein stated the contractor was paid seven percent of what was collected, which was approximately \$140,000 per year. He asked what the collection agency is paid for recovery.

Ms. Stokes stated the collection agency received 18 percent of the payments received.

Council Member Klein stated 73 percent cost recovery was a low figure. He questioned whether or not there was a profile of the typical nonpayer.

Deputy Director for Administrative Services, Joe Saccio, stated the 73 percent collection ratio is after the statutory write-offs. The real collection amount is 54 percent on an average.

Council Member Klein stated he understood this component and asked for a better understanding of the \$700,000 dollars which covered the period of 2007 and 2008.

Mr. Saccio stated 10 percent of the population is termed "self-insured" with basically little or low pay potential. This included the homeless and co-pays from Medicare.

Council Member Klein stated he did not understand this principal since everyone over age 65 qualifies for Medicare. Presumably, 90 percent of people in this category are not homeless.

Mr. Saccio stated he was going from one category to the next in that 10 percent of the population is self-pay or had no insurance. A second population exists where 38 percent is on Medicare.

Council Member Klein stated he is eligible for Medicare, and he pays his bills.

Mr. Perez stated there is an element in Medicare that does not pay the complete bill.

Mr. Saccio stated there is a 20 percent co-payment for outpatient services.

Council Member Klein stated he understood this, but the collection rate of 20 percent Medicare co-payment was low.

Mr. Saccio stated this is 38 percent on Medicare, 10 percent MediCal.

Council Member Klein asked if Staff were talking about Medicare, further stating that a significant portion of that community is financially stable. In that case, he asked why the lack of co-payments in this population was so high.

Ms. Stokes stated in comparison to other cities, Palo Alto's collection rate was high among the industry standards.

Mr. Saccio stated collections were a difficult business, wherein if things are not done perfectly by billing procedures, a technical error with Medicare may result in a no payment. He stated miscodes and other technical errors delay payments.

Mr. Brook stated 74 percent in net collections was one of the highest collection rates in the country. The average collection rate is in the low 60 percentile range. Palo Alto's demographics of a highly insured population led to this high percentage. Of the 10 percent that is not insured, typically 5 percent on the dollar is collected. Many people do not pay their Medicare co-payments.

Chair Burt stated part of this process was education on understanding the nature of the business. A second part was looking for ways to do better. He asked if there were figures on comparable demographic cities and typical payment rates for those cities.

Mr. Brook stated benchmark comparisons were based on national and local numbers. He stated the closest net collection demographic was 66 percent. Palo Alto's collection rate was 77 percent, at 10 percent above other Bay Area Communities.

Chair Burt asked for clarification of these populations in relationship to insurance.

Mr. Brook stated this was the percentage of the population that was insured with private insurance. He stated some insurance plans have a high deductible where all or most of an ambulance transport is the patient's responsibility. He indicated that billing in this category is much more difficult for collection.

Council Member Yeh stated separate vendors for the City of San Francisco provide services for closed accounts that have been paid or underpaid. On unpaid accounts, they attempt to collect the remainder of what should have been collected. He asked if this was a service that was within the City's current contract.

Mr. Brook stated the City of San Francisco was one of their clients; further stating that they have their own revenue collection agency within the City. He stated it is not usually something that a billing provider is required to do; it was something that would take place once accounts had been moved into collections.

Ms. Stokes stated the City performed this service. All accounts not paid in full, if the co-pay remains, or a partial payment was made, would return to the City for collection.

Mr. Perez reiterated that the collection agency was used as a last resort.

Mr. Saccio reinforced that the Stanford Medical Center brought with it a high payer population. He stated the norm was to install rate increases to capture payments from private insurance companies who paid at the 80-90 percent range until the insurance companies began to make fixed payments.

Vice Mayor Morton stated there are duplications in the process that he did not understand. He did not deny the extreme, precise, and complicated nature of medical billing. The City is doing a parallel receivable system. He asked for further clarification.

Mr. Perez deferred to the City's Senior Accountant for Administrative Services, Alan Lee to comment.

Senior Accountant for Administrative Services, Allen Lee went over the City's procedures with monthly reports provided by ADPI which included billings, collections, and accounts receivable balances.

Vice Mayor Morton asked if this was done for each individual bill.

Mr. Lee stated this was correct. He indicated that the summary and the detail are provided on each bill. The Accounting Division takes the numbers in order to book revenue and collections into the City's General Ledger System.

Vice Mayor Morton asked if ADPI was providing the tracking for the individuals, and if the City was only tracking the totals. He asked if what the City booked is the total summary from ADPI.

Mr. Lee stated this was correct with the details kept by ADPI; further stating that the detailed reports are available for audit.

Vice Mayor Morton asked if ADPI can determine whether or not a bill has been sent, which was a concern of the auditors. He stated that since the collection history remained with ADPI until the City receives the delinquent bill, it makes following up with the patient difficult for the City.

Ms. Stokes stated this was correct. She stated auditing and follow-up ensures that everything is handled properly by going in and looking at the individual bills in order to track progress. She stated a report can be run for bills identified with unknown addresses.

Vice Mayor Morton asked if the City had the ability to go into ADPI's system to do spot checking.

Ms. Stokes stated this was now possible.

Ms. Brouchoud stated this was one of the improvements with the contractor's new system.

Vice Mayor Morton clarified this as the first level of collection going to the insurance company. He asked if the insurance company writes the check to the City or ADPI.

Ms. Stokes stated the checks are written out to ADPI. Occasionally, payments are made directly to the City. They are then electronically deposited from ADPI to the City.

ADPI Representative, Mori Moriuchi clarified that all checks are made out to the City of Palo Alto and none are made to ADPI specifically.

Vice Mayor Morton asked if ADPI held a trust account for the City of Palo Alto or if the checks were directly submitted to the City.

Mr. Moriuchi stated the checks were submitted directly to the City for deposit.

Vice Mayor Morton stated it was alarming to read the first finding in the Audit which states that the City might have had the potential to collect an additional \$333,000. The assumption was if the City had been able to follow up sooner on the co-pays or uncovered people, there may have been a higher collection rate. The bulk of this, however, would remain uncollected due to the nature of emergency services. A call comes in and the decision is to respond immediately. It is not a pay as you go process.

Council Member Klein read the exact language as stating that the City had the potential to avoid some of the \$333,000 in write-offs.

Vice Mayor Morton agreed the wording meant they may have avoided some of the write-offs, but some of these would have been written off earlier if the vendor had been timelier. These billings would have gone into collection and would have been recognized as uncollectible at an early point in the bookkeeping process.

Ms. Brouchoud stated if ASD Staff would have been able to do their follow-up through more timely turnover of the accounts, there would not have been bulk write-offs.

Council Member Klein stated somewhere between 7-12 percent of these accounts could have been avoided write-offs.

Vice Mayor Morton did not dispute what the auditor had come up with; however, it was better to handle them individually rather than in a mass write-off. A mass write-off indicates not being on top of individual bills.

Ms. Brouchoud stated two of the findings dealt with the fluctuating write-offs. She stated the auditor looked toward more consistency in the amount of write-offs, without the current fluctuations. She stated this played a role in the amount turned over to the City in a timely manner with the contract so that reviews could be performed. She stated all the accounts may not have been collected, but ASD would have been able to compile the information.

Council Member Yeh asked the contractor about the voided charges and on what basis these charges are voided. He stated these voids lower the potential of collections.

Mr. Brook stated these were mandatory statutory adjustments that were not for the life of the contract. It occurred during a system conversion in May 2007. There was no impact on revenues during this conversion. It was more as to whether some of the statutory adjustments were being made from the gross or net amounts. During that one-year time period, the gross amount lowered slightly due to statutory adjustments. At the end of the year this totaled approximately \$50,000 in mandatory, statutory write-offs dictated by the government. He reiterated there were no impacts on revenue and collections.

Ms. Brouchoud stated these were voided right off the top as opposed to the statutory write-offs being netted off the gross.

Council Member Yeh stated the contractor cited these as consistent with the statutory write-offs. He asked if the system's conversion was through ADPI's internal IT System.

Mr. Brook stated this was correct and it was the reason there was a delay in the release of the \$800,000 that was written off. He clarified that not all of the \$800,000 was delayed; most of them were turned over before the Statute of Limitations. He did not have the percentage of accounts that were turned over and at what actual point. He stated this essentially inflated the gross collection percentage slightly for that particular year.

Ms. Brouchoud stated the City wrote off \$833,000 in uncollected ambulance billing accounts since FY06-07. In October 2008, the City wrote off uncollected amounts totaling \$337,000. The City wrote-off 60 percent (\$201,125) due to the expired Statute of Limitations. If the contractor had

returned the accounts on time, the City could have collected a portion of the billings.

Council Member Klein questioned the City Manager's response to the City's collection of revenue as a result of the new contract. He stated the numbers cited are not proof that they collected more with the contract than they would have if they were doing it themselves. He stated when City Staff gets to look into the RFP, City Staff needs to make it clear whether or not this really is a profitable move. He stated that increased revenues could be a coincidence and not proof that the current contract was successful.

Mr. Perez agreed and stated it should not be driven by the total dollars. He stated part of the problem lies in the City's piggy-backing with another agency's agreement. There is room for improvement in how activities are tracked and monitored in order to get a better account for items. Staff is making strides in this realm.

Council Member Klein stated what exists at the present time is not persuasive.

Mr. Saccio stated prior to using ADPI, Staff was doing this in-house. He indicated that the difficulty lied in the fact that a very specifically trained staff was needed to accomplish this.

Council Member Klein cited a paragraph stating \$140,000 was spent on the contract, but if done in-house, it would have cost something entirely different. He was looking for some persuasive proof that utilizing an outside contractor was more cost effective, other than numbers regarding higher collection rates.

Mr. Perez stated that prior to utilizing the contractor there was no tracking in the system to compare figures with that of an outside service.

Vice Mayor Morton stated, in the last ten years, not even large clinics perform their own billing. Insurance practices have made it necessary to employ an incredibly sophisticated staff and utilize sophisticated computer systems to perform the work. He did not believe it could be done efficiently in-house, whether the City saved money or not.

Mr. Saccio stated this was precisely the reason that the City contracted out billing services.

Vice Mayor Morton stated the City's recovery improved by virtue of trying to make sure that lost bills and timeliness were strong considerations.

Chair Burt asked questions regarding the likelihood that the City has collected more revenue as a result of the current contract. He asked if this references both the AIS and the ADPI contracts.

Ms. Stokes stated the original contract in 2002 was with AIS, who was purchased by ADPI.

Chair Burt understood the City had collected more revenue as a result of this contract. He wanted to be clear on whether this referred to both the AIS contract and the ADPI contract.

Mr. Perez stated after reviewing the data Staff felt that contracting out was more efficient and the ADPI collected a higher ratio.

Chair Burt stated it sounded as if more revenue was collected as a result of both the AIS and ADPI contracts.

Mr. Perez stated yes, they considered them one in the reporting.

Chair Burt inquired on the fact that when the Audit stated that higher revenue was collected, there were also higher billings and a higher number of transports. He asked if this meant the gross amount collected was higher, or percentage of billings was higher.

Mr. Perez stated it was likely both.

Chair Burt stated it was important to know which was the case, since it was irrelevant if they are doing more transports, thereby increasing the gross amount collected. He asked how much the average bill went up.

Ms. Stokes stated as transports went up, reimbursement rates went down 8 percent. She stressed they will continue to go down.

Chair Burt stated there is a chart on collections and transports, but the report is missing a chart for billings.

Ms. Brouchoud stated page 9 of the Audit represents billing information for the current year, but there is no chart over a prolonged time period.

Chair Burt stated, in the absence of knowing the billings, the other statements fell short.

Mr. Saccio stated the average billings over the last three-year period are roughly the same.

Chair Burt asked if Mr. Saccio referred to the average billing per transport.

Mr. Saccio stated this was correct.

Chair Burt clarified that he was not referring to the average annual billing amount.

Mr. Saccio stated according to ADPI, the average billing per transport, for the last three years, was approximately \$1,150.

Mr. Marinaro stated in the last year the amount was \$1,116.

Ms. Brouchoud stated the contractor had provided data on the average billing amounts after the Auditor's Report was completed.

Chair Burt suggested a graph with more direct correlations would be helpful.

Mr. Perez stated this would be taken into consideration in future reports.

Chair Burt stated every dollar counts, especially in keeping with the current economic times where further difficulties in collection may arise. He asked when there would be follow-up on this.

Council Member Klein asked when it was expected that the contract would come before Council.

Mr. Perez stated the current contract extended through May 2009. Fee processes will be adjusted at that time as well.

Chair Burt asked if during the fee process adjustment was there an opportunity to receive additional information with input on the RFP.

Mr. Perez stated that Staff had not built in an opportunity for information to be brought forth to be built into the scope and expectations of the RFP.

Chair Burt stated the Committee has received bits and pieces of a plan, but not enough to put anything together in a final format.

Council Member Klein asked if there were any problems with letting the Finance Committee look at the RFP before sending out to potential vendors.

Mr. Perez agreed to share the RFP with the Finance Committee prior to sending it out to potential vendors.

Herb Borock, P.O. Box 632, did not believe that the Audit Report provided data to make a conclusion. He requested the Finance Committee review the report before making a decision. He would like to see data segmented out regarding basic life support (BLS) and advanced life support (ALS) in order

to better understand collection and return percentages. He suggested comparisons on the City doing the billing themselves versus using an outside contractors.

Mr. Marinaro offered some context regarding the billing system. He spoke to the difficulty in verifying the collection rates between doing the work in-house versus outsourcing the billing.

Council Member Klein stated there may be a case for billing in-house or contracted out, but it had not been proven yet.

Ms. Brouchoud clarified that the scope and intent of the Audit was not to review the prior decision to contract out ambulance billing services. The audit scope only covers the existing contract, whereas the City's decision to contract out dates back to 2002. Due to that fact, data on either argument was not included in the Audit.

Council Member Yeh found the per unit cost metric to be very helpful in understanding the report. He spoke to his concern about the 78 percent error rate in terms of mileage entry from the Fire Department.

Mr. Marinaro stated this was a randomized sampling of 54 trips.

Chair Burt inquired if a randomized sampling would have a high degree of accuracy on the entire group.

Ms. Brouchoud stated this would be correct. She indicated that Staff did not do a statistical sample of all trips, but a random week of collections.

Chair Burt asked if there was confidence in this being a representative of the whole.

Ms. Brouchoud stated she agreed with the sampling if that week was a good representative of all the calls.

Chair Burt stated that 54 was a good random sampling, unless there were some unknown high seasonality conditions.

Mr. Marinaro reviewed the current system of mileage recording. He stated there are written directives on making this less of a problem as well as looking into automated dispatch systems.

Chair Burt suggested that Staff utilize Google Maps in order to double-check distances.

Mr. Marinaro stated this would generally work, but there are circuitous routes in which ambulances travel due to traffic. These, and other considerations, would not be reflected on Google Maps.

Chair Burt stated many of the errors were gross errors, but something like Google Maps might help identify an overt error.

Mr. Marinaro stated since implementing the directives to his Department, this has become a high priority.

Ms. Stokes agreed that the procedure has improved significantly.

Council Member Yeh asked if it was a City procedure to have a centralized management system in place to monitor contracts and provide oversight of the contracts. Or is the current policy decentralized with each department managing their own contracts.

Mr. Perez stated the contracts are decentralized, in terms of the contract itself; however, it is a centralized process to establish the procurement and award of the contract. Once the contract is awarded, the departments are solely responsible for the contract.

Council Member Yeh stated monitoring of financial aspects come into play at this point, and if there is ongoing training for members of the Fire Department to meet the contract commitments.

Ms. Brouchoud stated what is needed is to review invoices for accuracy and making sure that the charges are accurate.

Council Member Yeh asked if there is sufficient staff within the Fire Department to fill this role.

Mr. Marinaro stated that is a real challenge as the department does not have a budget analyst position. Current Staff plays this role in conjunction with ASD Staff.

Council Member Klein stated he was struck by the fluctuation in number of transports and the dramatic increase between 2006 and 2007, versus 2007 and 2008. He asked for an explanation.

Mr. Marinaro stated the fluctuation is largely due to the increase in BLS transports. He stressed that emergency vehicles do inter-facility transports, by County policy which can take paramedic non-emergency calls. He stated call volumes have risen.

Council Member Klein stated the same types of call increases occur in the past.

Mr. Marinaro stated there was no concrete explanation as to why some years have more calls than others. He stated population and demographics may have contributed.

Vice Mayor Morton asked if there was funding for an internal clerk to perform the billing checks and to be responsible for the computerized billing systems.

Ms. Brouchoud stated that the audit recommended spot checks.

Vice Mayor Morton agreed spot checking was effective.

Mr. Marinaro stated directives have been placed to improve error rates.

Vice Mayor Morton agreed the directives helped the Fire Department Staff to realize that errors added up.

Mr. Marinaro stated they would try to build new mechanisms into the RFP process which would minimize the need for in-house monitoring of these numbers.

Chair Burt stressed that even if the City were meeting industry standards, it should strive to do even better. He asked if there is a difference between the ALS and BLS collection rates.

Mr. Saccio stated an analysis was done a few years ago on BLS and the inter-facility transports; however, no analysis had been done on the ALS. He stated ADPI has the capacity to do so if requested.

Mr. Brook stated all the data is sorted separately making it easy to do an analysis of ALS versus BLS.

Chair Burt asked how the City provided service provisions in that the evaluation of this is difficult. A certain baseline of fire protection and emergency services are mandatory, so evaluation of these costs is difficult. He asked how service calls can be managed incrementally with the additional emergency calls.

Mr. Perez stated Staff will be concentrating on the revenue-generating sources and look into their efficiencies in the long-range process.

Ms. Morariu stated the City Manager was involved in discussions during the audit and felt strongly that there was room for improvement.

Chair Burt asked questions regarding the areas of non-performance by the contractor.

Mr. Saccio stated in an analysis of the BLS and the Inter-Facility Transport Program, there was an uptake in the collection rates in 2007-2008 when compared to the year 2006-2007. He stated there was better reporting and vigilance from the vendor. Quick analysis can be done on the collection rates.

Chair Burt stated with the same number of transports, at the same base price for transport on collections for 2008-2009, should show a big jump. He suggested looking at the billing percentages and not gross revenues collected.

Mr. Saccio stated several months must pass before performing the analysis for the collection rates.

MOTION: Council Member Klein moved, seconded by Vice Mayor Morton, that the Finance Committee: 1) accept the City Staff report; 2) direct City Staff to return to the Finance Committee with the proposed RFP for Ambulance Billing and Revenue Collection Services, including the Committee Members' feedback; and 3) provide the Finance Committee with data from the profit and/or loss of basic life support services/interfacility transport within the City.

Chair Burt recommended a component in the RFP to look at incentives for expeditious collections.

Mr. Perez stated this was on Staff's list of priorities as well as the recommendation regarding penalties in collections.

Vice Mayor Morton stated ADPI is not a function of collections. They deal with the billing functions. The hard to collect accounts are sent back to the City for collections.

Chair Burt inquired if there was the potential to have the process moved into a 160-day collection period; however, he stated this would not occur because the balance of the portion of the contract would still remain in place. He stated that ADPI has the responsibility of up to 180 days, and then the uncollected bills are sent to the City. A built-in incentive would be to receive the collections prior to 180 days.

Vice Mayor Morton stated the 180 days is simply a billing period and not a follow-up period on collections.

Chair Burt inquired whether ADPI does any collection processing. He asked for clarification.

Ms. Stokes stated ADPI makes an effort by making phone calls to patients to gather missing billing information.

Vice Mayor Morton stated their scope is for billing clarification.

Council Member Klein stated the RFP should direct potential vendors to be creative with their bids when responding to these concerns.

MOTION PASSED 4-0.

4. Discussion of Future Meeting Schedules and Agendas.

Director of Administrative Services, Lalo Perez, stated the 1st and 3rd Tuesdays of the month were the regularly scheduled meetings. There being no Agenda Items, he proposed that the meeting on February, 17th be cancelled. The next meeting would be on March 3rd with the plan to bring the details of the mid-year adjustments for review. He proposed to provide a review of an overview of business license tax. The March 17th meeting was slated for the Calaveras guidelines and rate increase utility items.

Council Member Klein indicated he would be absent at the March 17, 2009 meeting.

Chair Burt asked if it was possible to have the meeting on March 10, 2009 making it possible for all to attend.

Council Member Yeh asked about the State budget and would it be folded into their local discussions, or would it merit a separate cover.

Mr. Perez stated this was dependent upon how quickly information was received.

Council Member Klein felt there should be high level discussion, especially assuming \$8 million in cuts and revenue enhancements.

ADJOURNMENT: The meeting adjourned at 9:26 p.m.