

Office of the City Auditor

AUDIT OF AMBULANCE BILLING AND REVENUE COLLECTION



OFFICE OF THE CITY AUDITOR

FEBRUARY 2009

City of Palo Alto

Office of the City Auditor

February 3, 2009

Honorable City Council
Attn: Finance Committee
Palo Alto, California

AUDIT OF AMBULANCE BILLING AND REVENUE COLLECTION

Since 2005, the City has contracted with ADPI-Intermedix to provide billing and revenue collections services for the Palo Alto Fire Department's ambulance services. Although the City contracts the billing process with an independent service provider, two of the City's departments are involved in the process: 1) the Fire Department provides information to the contractor to use in creating the bills, as well as administrative oversight of the contract; and 2) The Administrative Services Department's Revenue Collection office provides follow-up collection services for uncollected accounts turned over by the contractor.

In FY 2007-08, the City received over \$2 million in ambulance billing, which equated to 54% of the total amount billed (also known as "gross billings" in the industry). According to the City's contractor, this collection rate is well within the expected range. Industry standards were not available for us to confirm. During the last five fiscal years, ambulance revenue collections increased 53%. During this same timeframe, the number of emergency medical service (EMS) transports increased 51% and the fees charged in the City's Municipal Fee Schedule also increased.

Although the City's ambulance revenue collections have appeared to keep pace with the increase in services and fees, our audit identified the following overall areas for improvement:

- 1) With improved contractor performance and oversight, the City could potentially increase its revenue collections above current levels;
- 2) The contractor's reports and billing format need to provide additional key information to ensure more accurate and consistent accounting by the City;
- 3) Fire Department and contractor errors resulted in inconsistent billings to patients;
- 4) The City's write-off procedure for ambulance billing is outdated and the applicability of the statute of limitations is unclear; and
- 5) Oversight and inter-departmental coordination of the ambulance billing contract could be improved, and the City could save approximately \$41,000 per year if it negotiated a lower commission.

The City's contract with ADPI-Intermedix is up for renewal and the City is in the process of reviewing responses to its request for proposals. The final outcome of the selected vendor is not yet decided. In our opinion, regardless of the selected vendor, the City should award the contract on a short-term basis, with options to renew based on satisfactory contractor performance.

Our report includes a total of 17 recommendations to improve the oversight, administration, and other processes for ambulance billing collections. I will present this report to the Finance

Committee on February 3, 2009. Staff and the contractor have reviewed the information in this report and their responses are attached.

We thank the staff in the Fire Department, the Administrative Services Department and at ADPI-Intermedix for their cooperation and assistance during our review. We also thank former audit staff member, Renata Khoshroo, for her contribution to this report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lynda Flores Brouchoud".

Lynda Flores Brouchoud
City Auditor

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Introduction

In accordance with the Fiscal Year (FY) 2008-09 Annual Audit Work Plan, the City Auditor's Office has completed an audit of ambulance billing and revenue collection for services provided by the Palo Alto Fire Department. The purpose of the audit was to assess the overall efficiency and cost effectiveness of ambulance billing and collections.

We conducted this performance audit 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. The City Auditor's Office would like to thank the staff of the Fire Department, the Administrative Services Department (ASD), and ADPI-Intermedix (the City's contractor that provides ambulance billing services) for their cooperation and assistance during our review.

Background

The Palo Alto Fire Department provides emergency medical service (EMS) to the residents of the City of Palo Alto and within the Stanford and Stanford Linear Accelerator boundaries. The Fire Department provides both Advanced Life Support (ALS) service and Basic Life Support (BLS) service.

The Fire Department operates two ambulances and seven engine companies that provide ALS service and one 10-hour ambulance that provides BLS service. BLS service includes both responding to calls that are "downgraded" from ALS status and providing interfacility patient transportation.¹

If the Palo Alto Fire Department is unable to respond to a medical call, back-up is provided by privately operated American Medical Response (AMR) ambulances. This audit addresses billing only for service provided by the Palo Alto Fire Department and does not cover service provided by AMR.

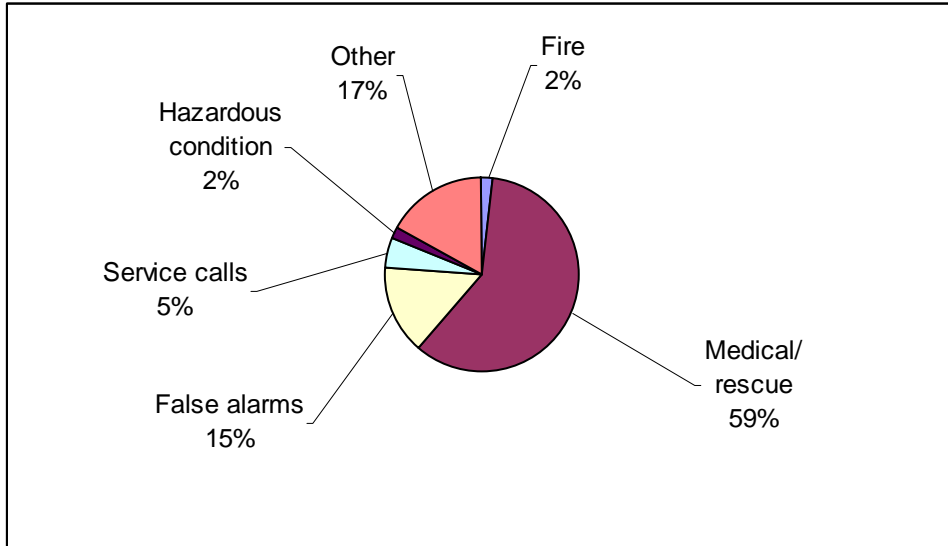
Generally, patients are billed for ambulance service only when they are transported. On rare occasions, there may be treatment at the scene that would result in a bill but no transport. The Fire Department completes a patient care report (PCR) that includes medical and billing information about the patient. ADPI-Intermedix receives these PCRs, interprets the medical data, and creates a bill based upon the services provided and the associated charges detailed in the City's Municipal Fee Schedule.

Calls for Service

In FY 2007-08, 59% of the department's calls for service were medical/rescue calls as opposed to 2% for fires. Exhibit 1 shows the breakdown.

¹ Interfacility transports are non-emergency transfers of patients between medical facilities.

Exhibit 1: Types of Palo Alto Fire Department Calls for Service in FY 2007-08



The Department responded to 4,552 medical/rescue incidents in FY 2007-08. Of the 4,552 medical/rescue incidents, the Fire Department made 3,236 EMS transports in FY 2007-08. The number of EMS transports has increased 51% since FY 2003-04 as shown in Exhibit 2.

Exhibit 2: Palo Alto Fire Department EMS Transports

FY 2003-04	2,141
FY 2004-05	2,744
FY 2005-06	2,296
FY 2006-07	2,527
FY 2007-08	3,236
Five-year change	+51%

Contractor provides ambulance billing services

The Fire Department contracts with a vendor, ADPI-Intermedix of Fort Lauderdale, Florida to send bills to patients for EMS services. ADPI-Intermedix also has an office in Oakland. The Fire Department collects patient and billing data at the treatment scene and forwards this data to ADPI-Intermedix's Oakland, California office. ADPI-Intermedix generates the bills and sends them to the appropriate insurance companies or to patients. If the Fire Department could not or did not collect insurance information, ADPI-Intermedix tries to locate that information.

The Fire Department pays ADPI-Intermedix a 7% commission of net collected revenue, based on actual amounts ADPI-Intermedix collects for ambulance billings. The City began contracting with ADPI-Intermedix in 2005.²

² In 2002, the City began contracting out ambulance billing services. Prior to that, ASD conducted ambulance billing in-house. The City's contract with ADPI-Intermedix began in 2005.

After a certain time period, ADPI-Intermedix returns uncollected accounts to the City's Revenue Collections office in ASD for follow-up and possible referral to an outside collection agency.

Ambulance revenue collections have increased over five years and appear to have kept pace with the increase in services and fees

From FY 2003-04 through FY 2007-08, total ambulance revenue collections increased by 53% as shown in Exhibit 3. This includes billings by ADPI-Intermedix as well as follow-up collections by Revenue Collections in ASD.

**Exhibit 3: Total Ambulance Revenue Collections
Five-Year Trend**

FY 2003-04	\$1,320,723
FY 2004-05	\$1,457,580
FY 2005-06	\$1,691,636
FY 2006-07	\$1,896,095
FY 2007-08	\$2,020,834
Five-year increase	+53%

As noted on page 6, during this timeframe, call volume increased 51%. Ambulance-related fees and charges also increased in the City's Municipal Fee Schedule. While it is difficult to ascertain the exact impact, it appears that the ambulance revenue collection have kept pace with the increase in service calls and fees.

As shown in Exhibit 4, FY 2007-08 ambulance revenue consisted of 91% from responses to ALS calls, 6% from BLS Downgrades and 3% from BLS Interfacility calls.

Exhibit 4: FY 2007-08 Palo Alto Ambulance Revenue by Type

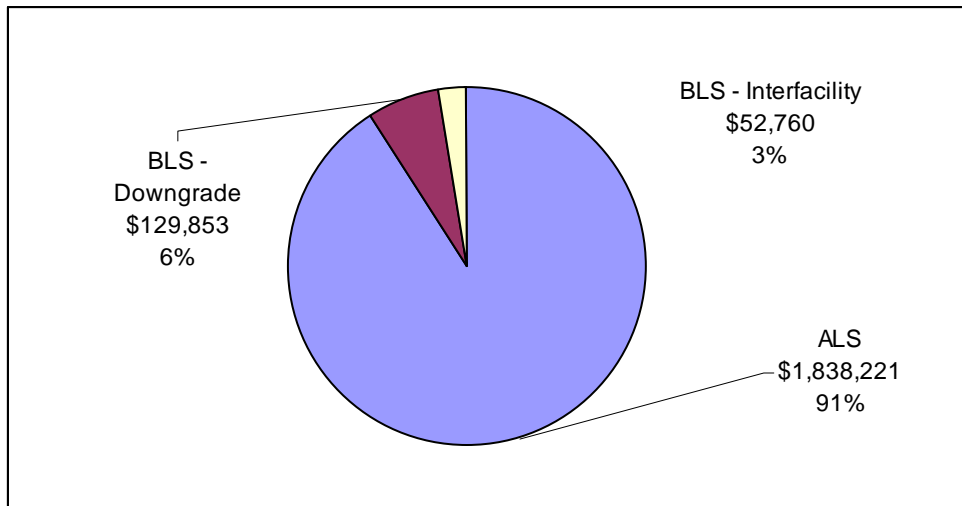
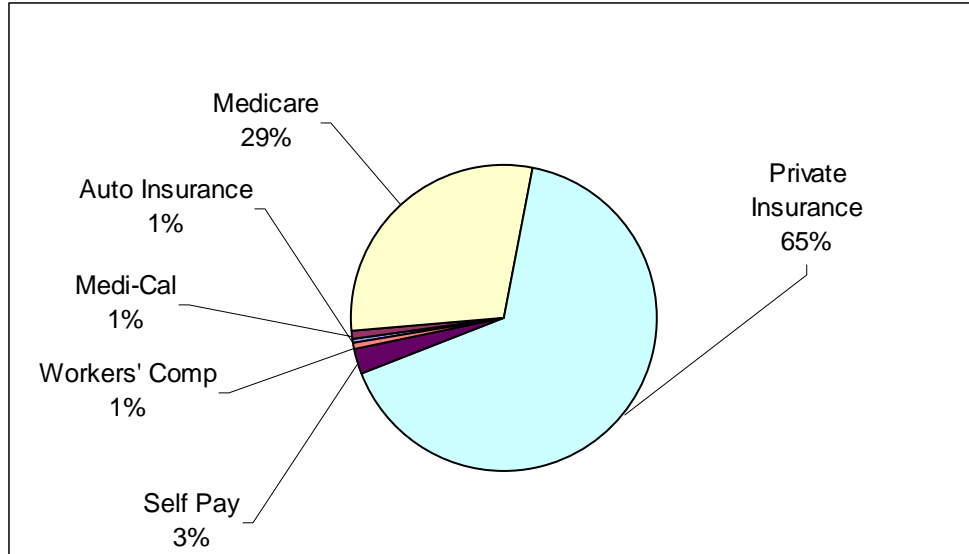


Exhibit 5 shows that 65% of Palo Alto's ambulance revenue comes from private insurance. Medicare comprises the next largest group at 29%. Exhibit 6 shows the breakdown by call type (ALS, BLS Downgrade, BLS Interfacility.)

Exhibit 5: FY 2007-08 Palo Alto Ambulance Revenue By Payor Type



**Exhibit 6: Ambulance Revenue by Category
Five-Year Trend**

	Advanced Life Support (ALS)	Basic Life Support (BLS) Downgrade ¹	Basic Life Support (BLS) Interfacility ¹	Total
FY 2003-04	\$1,275,381	\$0	\$45,341	\$1,320,723
FY 2004-05	\$1,378,345	\$0	\$79,235	\$1,457,580
FY 2005-06	\$1,543,910	\$93,850	\$53,876	\$1,691,636
FY 2006-07	\$1,786,116	\$66,292	\$43,687	\$1,896,095
FY 2007-08	\$1,838,221	\$129,853	\$52,760	\$2,020,834
Five-year increase	+44%	-	-	+53%

¹ Prior to FY 2005-06, the Fire Department did not provide BLS downgrades.

Gross billings totaled \$3.8 million in FY 2007-08

In FY 2007-08, gross ambulance billings totaled nearly \$3.8 million. Gross billings reflect the total amount of the bill, before any deductions. Government insurers such as Medicare and Medi-Cal set allowable charges for services. As a result, a certain amount of the gross billings are written off ("statutory write-offs") to comply with these allowable

charge levels.³ Exhibit 7 shows gross billings, statutory write-offs, net billings, and collections. Collections as a percentage of gross billings totaled 54% in FY 2007-08.

Exhibit 7: Gross and Net Ambulance Billings FY 2007-08

Gross Billings	\$3,764,513
Less: Statutory Write-Offs	(\$999,508)
Equals: Net Billings	\$2,765,005
Collections	\$2,020,834

Exhibit 8: Collections as a Percent of Billings FY 2007-08

Collections as a % of Gross Billings	54%
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According to ADPI-Intermedix, demographic factors and the amount of fees each jurisdiction charges, influence collection rates. According to ADPI-Intermedix, collection rates for their clients range from the high 20s up to 70%, with an average collection rate of 36% of gross billings. Industry standards were not available for us to independently confirm these ranges.

Audit Scope and Methodology

The objective of the audit was to assess the overall efficiency and cost effectiveness of ambulance billing and collections. To address the objective, we worked with the Fire Department, ASD, and the City’s contractor for ambulance billings, ADPI-Intermedix. The audit addresses billing only for service provided by the Palo Alto Fire Department and does not cover service provided by AMR.

The scope of our audit included a sample review of the contractor’s 54 billings resulting from transport services provided in April 2008. We also reviewed a separate sample of 36 billings from April 2008 to test the timeliness of billing.

We compiled data from the City’s SAP financial system and from City budget documents. We reviewed billing and collection reports provided to the City by ADPI-Intermedix for FY 2007-08 and compiled data related to billings covering the last five years. We interviewed Fire Department employees to understand responses to calls for service and how such calls are documented for diagnostic and billing purposes.

We reviewed the City’s contract with ADPI-Intermedix and designed audit tests to determine whether the vendor is in compliance with key contract terms. We selected a sample of Fire Department medical calls from the City’s computer-aided dispatch (CAD) system and then traced those calls through the contractor’s billing system to ensure that bills were appropriately generated. We did not comprehensively audit the contractor’s billing system, we only reviewed data in the system as it related to audit samples we

³ The City has two categories of account write-offs: (1) statutory – to comply with the legal allowable amounts that will be paid under government insurance programs (2) City-approved – these are write-offs of accounts that have been deemed by the contractor and the City to be uncollectible.

selected. We selected a sample of accounts to test the timeliness of billings as compared to the specifications of the contract. Additionally, we selected a sample of non-transports from the Fire Department's CAD system to ensure that those calls were truly non-transports.

We compared billed amounts to the Municipal Fee Schedule to determine whether patients were accurately billed. We interviewed ADPI-Intermedix employees to understand discrepancies that our audit testing identified.

We interviewed employees in ASD to understand the role of Revenue Collections in ambulance billing collections. We reviewed the policy and procedures for write-offs of ambulance accounts. We met with the City Attorney's Office to understand legal provisions relevant to ambulance billing such as the statute of limitations for billing patients. We interviewed employees in ASD to understand the role of the Accounting Division in recording accounts receivable and revenue related to ambulance billings, as well as recording write-offs of uncollectible amounts.

Finding 1: With improved contractor performance and oversight, the City could potentially increase its ambulance revenue collections above current levels.

The ambulance billing contract contains key provisions to ensure the contractor sends bills in a timely manner and returns uncollected accounts to the City for collection purposes. These contract provisions are important to help the City maximize its revenue. Although ambulance billing revenue has increased, we found that the contractor's delay in returning uncollected accounts to the City was a concern because this delay has impacted the City's ability to follow-up on the accounts for purposes of collection. We also found the contractor's process lacked internal controls to ensure all bills were sent in accordance with the contract timeframes.

If the contractor had returned accounts to the City in a timely manner, the City may have avoided some of the \$833,000 in write-offs since FY 2006-07

Since FY 2006-07, the City has written off \$833,000 in uncollected ambulance billing accounts.⁴ The City writes-off ambulance billing accounts deemed to be "uncollectible" for a variety of reasons. According to Revenue Collections' documentation, the primary reasons for writing-off the ambulance billing accounts stem from an unknown billing address and an expired statute of limitations, with expired statute of limitations being the most frequently reported reason. The City's contract with ADPI-Intermedix requires the contractor to return uncollected accounts to the City after 180 days.⁵ The City's Revenue Collection office within ASD subsequently follows-up on these accounts for collection purposes. However, Revenue Collections reports that the contractor has not returned accounts at 180 days on a consistent basis and our review confirmed this problem. For example, in March 2008, the contractor returned uncollected accounts for ambulance services provided in March 2007, about 365 days earlier.

The contractor's delay in returning uncollectable accounts to the City is a concern because this delay has precluded the City's ability to follow-up on the accounts for purposes of collection. For example, in October 2008 the City wrote-off uncollected accounts totaling \$337,000. Of that amount, the City wrote-off \$201,125 (or 60%) due to an expired statute of limitations from the contractor's delay in returning accounts.⁶ Even if the contractor had returned the accounts on

⁴ The City's \$833,000 in ambulance billing write-offs consists of approximately: \$428,000 in FY 2006-07, \$68,000 in FY 2007-08, and \$337,000 for part of FY 2008-09 (as of October 2008).

⁵ The contract includes two provisions related to the timeframe for returning accounts to the City: (1) Cash accounts (self-pay) over 180 days delinquent will be referred to the City along with documentation of contact and recommendation for turnover to collection agency or recommendation for write-off; and (2) Contractor will retain all accounts for a minimum of six months (unless otherwise specified by mutual agreement) turning over accounts for which no collection has been made (unless insurance payment is pending or modified schedules are arranged and show payment progress). The contract is unclear when the 180-day timeframe starts; this is addressed in a later section of the audit, page 25.

⁶ Also see Finding 4, page 21, regarding applicability of statute of limitations.

time, the City may have only been able to collect a portion of them. But returning them so late, ensured the City would not be able to collect any amount.

In addition to returning accounts in a timely manner, the contractor needs to provide the City assurance that it will no longer pursue those accounts that have been returned to the City. Revenue Collections staff has identified instances where the contractor continued to bill patients after returning the accounts to the City. In these instances, both the City and the contractor were sending bills to patients.

The contractor has acknowledged these problems and advised us that the delayed reporting of uncollected accounts was primarily due to a change in the contractor's billing system. The contractor is currently in the process of reviewing older accounts and returning these accounts to the City.

Exhibit 9 shows the age of the City's ambulance billing accounts receive balance, as reported by the Revenue Collections office, through November 2008. A review of the accounts receivable balance and the age of the billings indicates that over half of the accounts receivable balance contains accounts over 180 days old, with most of these accounts older than 210 days.

**Exhibit 9: Aging of Ambulance Billing Accounts Receivable Balance
(As of November 2008)**

Less than 30 days	\$197,728
30 days	\$198,784
60 days	\$134,860
90 days	\$87,244
120 days	\$104,020
150 days	\$68,452
180 days	\$61,360
210+ days	\$1,013,457
Total	\$1,865,905

In accordance with the contract, the contractor should return the uncollected accounts older than 180 days to the City for review and revenue collection purposes. Further, the City and the contractor should develop controls to ensure the contractor continues to return uncollected accounts to the City in a timely manner.

RECOMMENDATION #1: The Fire Department, with the assistance of ASD, should:

- (1) Work with the ambulance billing contractor to provide the City with monthly lists of accounts that are 180 days old and turn those accounts over to the City each month;
- (2) Develop a mechanism to ensure the ambulance billing contractor returns uncollected accounts in a timely manner; and
- (3) Work with the ambulance billing contractor to provide the City with a written plan for how it will ensure that it does not continue to bill accounts that have already been returned to the City.

Recommendation #2:

Once the ambulance billing contractor returns the older accounts to the City, ASD's Revenue Collections should review the accounts receivable balance to appropriately process and reconcile the outstanding balances.

Bills were not sent in accordance with timeframes required by the contract

The City's contract states that ADPI-Intermedix will send the first bill within 2 days of receiving the information about the ambulance service provided. The contract further states that a second bill will be sent after 30 days⁷.

In July 2008, we reviewed a sample of 36 accounts for timeliness of billings. Based on our review, we found that none of the 36 accounts were sent the first billing within the two-day timeframe required by the contract. The timeframe in which the contractor sent the first billing ranged from 3 to 42 days after receipt of the patient information. In three instances, the contractor had not sent a bill.

For the second billing, 12 of 36, or 33%, were sent in compliance with the 30-day timeframe. Bills for 16 accounts, or 44%, were not sent on time. In the case of those not sent on time, billing timeframes ranged from 31 to 62 days. For six accounts, or 17%, the contractor had not sent a bill. For two accounts, the audit test was not relevant because the accounts had already been paid. Ensuring timely billing will help the City collect the maximum possible revenue.

Contractor's billing system and processes did not have sufficient controls to ensure bills were sent

In reviewing accounts in the contractor's billing system, we found that their system sometimes created a bill but did not send it to the patient. The contractor advises that their system is designed to not send a bill if there is a problem with the stated billing address. While this may be appropriate, we further found that their system had no established internal control in place to follow-up on these accounts to identify the information and send a bill. For example, we found an account for which ambulance service was provided on April 16, 2008. The system created, but did not send, an invoice on May 10 and another on June 24. The contractor eventually sent the first invoice on August 8, nearly four months after ambulance service had been provided.

Revenue Collections staff reported finding similar problems with uncollected accounts the contractor returned to the City. Presumably, when the contractor returns accounts to Revenue Collections, it is because the firm has been unsuccessful in attempting to collect on them. However, Revenue Collections staff advised us that it is not uncommon for the contractor to return accounts wherein the insurance and billing information is still listed as "Unknown." If there

⁷ According to ADPI-Intermedix representatives, they recommended to the City the second billing cycle be 45 days rather than 30 days due to the time required to identify payors (insurance companies, etc.) and communicate with them. However, the City's contract requires 30 days, and therefore, this is the timeframe we evaluated.

was an address listed, the contractor's system deemed it an invalid mailing address and, as a result, did not send a bill. But according to Revenue Collections staff, they were often able to contact the patients at the address and phone number listed and the patients told ASD staff **they had never been contacted before regarding their ambulance bill.**

In one instance, the patient returned payment with a note stating:

"Your 'final notice' is my very first one. Please explain why it took you over a year to inform me of this outstanding bill."

In this case, the ambulance service had been provided in January 2007. Revenue Collections contacted the patient in March 2008 after the account was transferred back to the City because the contractor deemed it uncollectible. In addition to the problem of potential lost revenue, an example like this also creates a public image problem for the City as the "final notice" sent by Revenue Collections presumes the contractor had sent a number of previous bills as expected based on the contract terms.

As noted earlier, the contractor advised us that their system is designed to not send bills in certain instances, such as an incomplete or erroneous address. While this may be appropriate in instances where there is truly a problem with the billing information, our audit testing described above indicated the contractor's system did not send bills in instances when there was a minor problem with the address and, as a result, accounts were languishing unbilled for long periods of time.

The accounts remained unbilled because the contractor did not have an internal control in place to alert employees to the fact that a bill had not been sent and require additional follow-up. The contractor has since advised that they have begun periodically reviewing an exception report to identify such accounts and bill them sooner. They have also advised that they recently conducted follow-up processes, such as calling the noted phone number, to correct and/or complete billing address information.

We noted that in FY 2007-08, 35% of accounts were deemed to have "unknown" billing information. This may be due to a number of reasons including but not limited to: the Fire Department did not gather the information either because they could not (patient was unconscious) or they simply did not; billing information may have been provided but was later determined to be invalid; or the patient did not have a billing address (homeless). To the extent accounts with "unknown" or incomplete billing data can be minimized, the potential for greater revenue collection increases.

Contractor did not send bills in some cases even though the Fire Department provided insurance information

Our audit testing identified instances in which the contractor did not bill insurance companies even though the Fire Department had provided the necessary billing data.

In July 2008, we reviewed 54 patient transports from services provided during a one-week period in April 2008. Exhibit 10 shows the results.

Exhibit 10: Audit Test Results – Sample of Billings from April 2008 Transports

Number of Accounts	Percentage of Total Sample	Comment
12	22%	The Fire Department appropriately provided insurance information to ADPI-Intermedix but the contractor appeared not to realize that it had been provided. Resulting billing delays ranged from a few weeks to two months. In four cases, no bill had been sent even though ADPI-Intermedix had the necessary information.
11	20%	ADPI-Intermedix did additional work to locate insurance information even though it had already been provided by the Fire Department. In these instances, billing was delayed slightly.
10	19%	The Fire Department did not provide billing information to ADPI-Intermedix
21	39%	The Fire Department provided billing information and ADPI-Intermedix appropriately used it for billing.
54	100%	

For 12 of these accounts, or 22%, the Fire Department appropriately provided insurance information to ADPI-Intermedix but the contractor appeared not to realize that it had been provided. As a result, billing delays ranged from a few weeks to two months. In four cases, no bill at all had been sent by July (for ambulance service provided in April) even though the contractor had been provided all the needed information.

We brought these problems to ADPI-Intermedix’s attention during the audit and they advised us that the errors identified were based on the work of one employee who has since received additional training and whose work is now subject to quality audits.

In addition to the impact on potential revenue collections, the Revenue Collection staff reported that the problems with the contractor’s billing and delayed return of uncollectable accounts has created additional work for staff in terms of review, corrections, and follow-up.

The contract with ADPI-Intermedix is up for renewal.⁸ The City already issued a request for proposals and the Fire Department and ASD staff are reviewing the responses. The previous contract was awarded for a one-year term with options to renew. In our opinion, regardless of the selected vendor, the City should

⁸ The contract expired in November 2008. The City temporarily extended the contract through May 2009.

continue to award the new contract on a short-term basis, with options to renew based on the satisfactory contractor performance. The City's assessment of satisfactory performance should be based on measurable criteria.

RECOMMENDATION #3: The Fire Department and ASD should work with the ambulance billing contractor to: 1) provide the City with timely exception reports it regularly reviews to provide assurance that accounts do not remain unbilled if the system initially rejects the billing address, and 2) implement a process to follow-up on the unbilled accounts.

RECOMMENDATION #4: In order to improve and ensure continued improved contractor performance, the Fire Department and ASD should continue to award the contract on a short-term basis (one year, for example) and develop and incorporate measurable criteria to renew the contract based on satisfactory contractor performance.

Finding 2: The contractor's reports and billing format need to provide additional key information to ensure accurate and consistent accounting by the City

Correct reporting of the accounts receivables balance, and write-offs affecting the balance, are important to ensure the City's financial accounting of the ambulance revenue is accurate and appropriate. We found that the contractor's billing system resulted in inconsistent reporting of uncollected accounts to the City. As a result, the City's write-offs of uncollectible ambulance accounts significantly fluctuated from year to year. Further, we found that the contractor's process for reporting credit card payments and "voided" charges could be improved to help the City review the accuracy of these charges.

Changes to the contractor's billing system caused inconsistent reporting and fluctuations in the accounting of ambulance billing

The contractor switched to a new billing system in mid-2007.⁹ According to the contractor, technical challenges resulting from this switch caused the firm to underreport the total amount of billable ambulance accounts (i.e. the accounts receivable balance). (The accounts receivable balance is the total amount of outstanding accounts due to the City at a given point in time.) At the end of FY 2007-08, the contractor notified the City that the accounts receivable balance should actually be \$64,796 higher than they had previously reported to the City. The City made an adjusting entry to its financial system to capture this change.

The contractor also advised that the change in billing systems contributed to fluctuating reports of uncollectible accounts to Revenue Collections. As a result, the City wrote-off¹⁰ about \$428,000 in FY 2006-07, \$68,000 in FY 2007-08, and \$337,000 for part of FY 2008-09, with more anticipated. In our opinion, collection write-offs should be relatively predictable and not erratic. According to the contractor, recent clean-up efforts will eliminate this problem.

Improvements in the contractor's billing format and data can help improve the accuracy of the City's accounting for credit card payments and voided charges.

During the audit, the contractor informed ASD staff that if a patient paid by credit card, that payment was deposited into an ADPI-Intermedix (contractor) bank account, not a City bank account. When the contractor sent the Fire Department a monthly billing invoice, the contractor deducted the amount received in credit card payments from the total commission the City owed the firm. The problem with this method is that the City had only aggregate information and was not able to verify the accuracy of the individual amounts paid by credit card. Another problem is the credit card payments were not recorded as cash received because only the Fire Department, not the Accounting Division of ASD, reviewed the invoices. The contractor has since advised that the City could have

⁹ As explained in the Audit Scope and Methodology section of this report, our audit did not evaluate controls over the contractor's billing system.

¹⁰ Each year, the City reserves an allowance for an estimated amount it expects to write-off. When accounts are actually deemed uncollectible, an accounting entry is made against that allowance for the actual write off. The \$428,000, \$68,000 and \$337,000 amounts referenced here reflect actual (not estimated) write-offs.

requested additional details of credit card payment information. ASD staff advises they are in the process of setting up a City bank account to receive the credit card payments and remedy these problems.

We also found that the contractor “voided” certain bill amounts they anticipated Medicare or Medi-Cal would not pay. These “voided charges” were technically owed by patients but did not show up in the contractor’s billing system or on reports provided to the City until very recently. These amounts were treated differently than the “statutory write-offs” noted earlier in this report. Amounts written off based on statutory requirements initially showed up in the billing system and on the patient’s bill. They were subsequently then written down. This allowed the City to record the full bill amount in its accounting system and then adjust it accordingly.

Because the voided charges did not show up on patient bills, the City was unaware that they existed. Voided charges totaled about \$287,000 in FY 2007-08. In our opinion, the contractor should have sent the entire bill to Medicare or Medi-Cal and not excluded any charges. When informed of these charges, Accounting Division staff made appropriate accounting entries to reflect them on the books and then appropriate offsetting entries to write them off. During the audit, the contractor advised the City that as of July 1, 2008, it would no longer “void” these charges.

RECOMMENDATION #5: The Fire Department and ASD should request the ambulance billing contractor to provide more consistent reporting to the City and provide supporting evidence that gives the City a reasonable level of assurance regarding the accuracy of accounts receivable balance and the predictability of write-offs.

RECOMMENDATION #6: ASD should establish a bank account to receive patient credit card payments so that they are verifiable and no longer deducted from the ambulance billing contractor’s invoice.

Finding 3: Fire Department and contractor errors resulted in inconsistent billings

The charges for ambulance services are defined in Palo Alto's Municipal Fee Schedule. It is important the City, and its contractor, consistently charge the correct amount in accordance with this schedule. Of the 54 patient transport bills we reviewed, 8 had no errors. The other 46 (85%) had errors caused either by the Fire Department reporting the wrong mileage amount to ADPI-Intermedix or by ADPI-Intermedix incorrectly interpreting Palo Alto's Municipal Fee Schedule. We also found duplicate bills, for differing amounts for the same medical call, raising concerns about the equitability of billings.

Fire Department's mileage errors cause incorrect bills

When Fire Department employees respond to a medical call, they complete a patient care report (PCR) and financial paperwork that includes the mileage driven from the incident scene to the hospital.

The Fire Department advises that its staff typically estimates the mileage traveled rather than using the actual odometer reading. Inconsistency between the mileage reported, and the mileage billed, results in inequitable treatment of patients. For example, we found two patients transported to and from the same locations. The actual distance was 8 miles. One patient was charged for 8 miles. The other was charged for 1 mile. At the ALS mileage rate of \$20 per mile, this means the first patient was charged \$160 and the second was charged \$20 to be transported the same distance. Overall, 42 of the 54 ambulance bills we sampled contained mileage errors.

Contractor charged inconsistent amounts and also sent duplicate and contradictory bills to some patients

We also found instances where the contractor charged incorrect rates for certain services based on the Palo Alto Municipal Fee Schedule. Examples include: separately charging for EKG pads even though these are already included in the EKG rate; failure to sometimes charge the \$60 charge for nighttime calls; and incorrectly charging the ALS mileage rate of \$20 per mile for all accounts.

Revenue Collections staff brought to our attention several instances of duplicate accounts in the contractor's billing system. Our review of these accounts found instances in which the Fire Department appears to have completed two PCRs for the same call. We also found instances in which the contractor's process appears to have created two bills from one PCR. Both situations resulted in duplicate billings. Further, among these duplicate billings we found inconsistencies in the amount billed to patients.

Exhibit 11 shows an example of charges from two bills sent to the same patient for the same medical call:¹¹

¹¹ To protect patient privacy, we are not disclosing the types of medical services and supplies provided.

Exhibit 11: Example of Inconsistent Billing for the Same Medical Call

Bill #1

ALS1 Emergency Base Rate	\$975
ALS Emergency Mileage	\$20
Total Charges	\$995

Bill #2

ALS1 Emergency Base Rate	\$975
ALS Emergency Mileage	\$45
Charges for additional medical services and supplies	\$233
Total Charges	\$1253

As shown above, one of the bills included charges for additional medical services and supplies, while the other bill did not. In our opinion, the Fire Department and the contractor should improve controls to ensure patients are consistently billed for services received.

As a result of this finding, the contractor informed us during the audit that they would begin periodically providing a charge master to the City for the staff to review and approve to verify the rates charged are correct.

We also brought these concerns to the Fire Department during our audit and in December 2008, the Fire Department issued a special order requiring the transporting medics “to ensure mileages are accurate and documented.” The Fire Department also began to review the mileage reports for accuracy, which should help address inconsistent mileage. The Fire Department also has a plan in place to move from manually written PCRs, to electronic PCRs however, implementation of this new system is not complete and it is not yet clear how this electronic information will ensure improved consistency in ambulance service charges. In our opinion, the Fire Department should develop a written process for conducting spot audits of billed ambulance services to help ensure consistency in the future.

RECOMMENDATION #7: The Fire Department should develop a written process for conducting spot checks of billed ambulance services to help ensure consistent billings.

RECOMMENDATION #8: The Fire Department should request that the ambulance billing contractor provide assurances to the City that it has sufficient internal controls in place to prevent duplicate billings. The Fire Department also should assess its own practices and identify internal controls that will prevent two patient care reports (PCRs) from being completed for the same patient.

Finding 4: Applicability of statute of limitations is unclear and write-off procedures are outdated

Updated and thorough write-off procedures are important to ensure the City appropriately writes-off uncollectable accounts, without forsaking collectable revenue. We found the City's write-off procedures for ambulance billings are outdated and do not clearly incorporate timeframes for the statute of limitations. Revenue Collection's practice has been to write-off ambulance accounts if they remain uncollected two years after the first bill was sent. However, more recent information from the City Attorney's Office suggests the City may be able to wait longer before writing off some accounts. In our opinion, Revenue Collections should work with the City Attorney's Office to clarify the applicability of the statute of limitations. Once clarified, Revenue Collections should then update its write-off procedures accordingly.

Clarify write-off timeframes and criteria in written procedures

The City has two categories of account write-offs: (1) statutory – to comply with the legal allowable amounts that will be paid under government insurance programs, and (2) City-approved – these are write-offs of accounts that have been deemed by the contractor and the City to be uncollectible. The Revenue Collections procedure addresses only the City-approved category. The City does not have discretion regarding the statutory write-offs.

Revenue Collections' procedure for writing off ambulance billing accounts was adopted before the City began using a third-party contractor for billings. It grants the Revenue Collections supervisor authority to write-off individual accounts up to \$1500 without additional administrative approvals. The procedure does not reflect in detail the current practice of dealing with ADPI-Intermedix, nor does it cite criteria used to assess which accounts should be written off.

The write-off procedures state, "All paramedic bills are either collected or written-off within three years as proscribed in California Code of Civil Procedure Section 339. This provision allows an action on an oral contract to be brought within two years when services are performed at the request of another." Given the two timeframes in the written procedures, Revenue Collection's practice has been to write-off ambulance accounts originating from uncollected bills that are two years or beyond the date of first billing. According to Revenue Collections staff, this practice is based on advice the City Attorney's Office provided a number of years ago.

During the audit, however, more recent information from the City Attorney's Office suggested the City may not have to write accounts off precisely at the two-year point. The statute of limitations can differ based upon whether the City had written or oral agreements with the patient regarding payment. These topics should be resolved, considered in the context of operational practicality, and then the write-off procedure should be revised accordingly.

RECOMMENDATION #9: Revenue Collections should work with the City Attorney's Office to clarify the applicable statute of limitations for billing patients for ambulance service.

RECOMMENDATION #10: After completing recommendation #9, Revenue Collections should revise its ambulance billing write-off procedures. The revised procedures should reflect actual practices and should cite the criteria used in deciding whether to write off accounts.

Finding 5: Oversight and inter-departmental coordination of the ambulance billing contract could be improved

When more than one City department is involved in different aspects of a service or professional contract, it is important to have a clear understanding of the roles and responsibilities to ensure the contract implementation is effective and efficient and in compliance with the contract terms. Although the City contracts the ambulance billing process with an independent service provider, two of the City's departments are involved in the process: 1) the Fire Department provides information to the contractor to use in creating the bills, as well as administrative oversight of the contract; and 2) The Administrative Services Department's Revenue Collection office provides follow-up collection services for uncollected accounts turned over by the contractor. ASD's Accounting Division staff is also involved through the accounting entry process. We found that oversight and inter-departmental coordination could be improved in the areas of oversight, reviewing invoices, and ensuring compliance with HIPAA training requirements as it relates to City staff involved in the contract. We also found the City could negotiate and pay a lower commission fee.

Clarify departmental roles and responsibilities for the ambulance billing contract

The Fire Department is assigned to administer the contract with ADPI-Intermedix on behalf of the City. The Fire Department also provides needed information to the contractor by processing PCRs and forwarding them to ADPI-Intermedix. ADPI-Intermedix uses the PCRs to generate a bill based upon the services provided and the charges detailed in the City's Municipal Fee Schedule. ADPI-Intermedix sends invoices for its services to the Fire Department

ASD also plays a significant role in collection of delinquent ambulance accounts. ADPI-Intermedix submits unpaid, aging accounts to Revenue Collections for follow-up or write-off. The Accounting Division of ASD records accounting entries related to ambulance billing.

During the audit, we found it was sometimes unclear who was responsible for various tasks. The City Manager's Office should assist the two departments with identifying the key roles related to ambulance billing and clarifying these responsibilities in writing so it is clear to all involved. The two departments should also meet routinely with each other and with the contractor, to ensure coordination and a quick response as problems arise. ADPI-Intermedix informed the City during the audit that it would be willing to set up monthly or quarterly face-to-face meetings with City staff so that problems can be quickly resolved. In our opinion, the City should accept that offer.

RECOMMENDATION #11: The City Manager's Office should work with the Fire Department and the Administrative Services Department to identify key roles related to ambulance billing and to clarify in writing (with a table or matrix) specifically who is responsible for which roles.

RECOMMENDATION #12: The Fire Department, the Administrative Services Department, and the ambulance billing contractor should establish a schedule to meet at least quarterly to stay informed about problems and opportunities related to ambulance billing.

Fire Department needs to take a more proactive role in monitoring financial aspects of the contract

The Fire Department is the department that has signed the contract with ADPI-Intermedix for ambulance billing services. Fire Department staff completes, processes and tracks the PCRs necessary for ambulance billing. The Fire Department also receives invoices for the services provided. Fire Department staff indicated to us that they do not specifically review the invoices for accuracy because they thought Revenue Collections reviews them. Revenue Collections, however, advised that they do not see the invoices. Therefore, no one is reviewing the contractor's invoices for accuracy.

According to the City's policies & procedures, the department is responsible for reviewing invoices and ensuring the invoice amount matches the services received before accounts payable processes the payment. Since the Fire Department is the primary department contracting with ADPI-Intermedix and pays the invoice, Fire staff needs to take a lead role in ensuring that the invoices are correct. ADPI-Intermedix may be able to assist by providing supporting documentation to show how the invoice amount is calculated.

The Fire Department should also work with ASD's Accounting Division to verify that when the City processes refunds to patients, ADPI-Intermedix's commission is appropriately reduced to reflect the refund. Currently, ADPI-Intermedix includes an adjustment to its commission on the monthly invoice to the City but the Fire Department is not verifying that it is correct.

RECOMMENDATION #13: The Fire Department should take a lead role in monitoring the accuracy of invoices from the ambulance billing contractor. This should include verifying the accuracy of the invoice by reviewing supporting documentation if necessary, to understand how the amount was calculated.

RECOMMENDATION #14: The Fire Department should work with the Accounting Division in ASD to ensure the ambulance billing contractor's commission adjustment related to refunds, is correct.

Clarify contract terms in upcoming award of contract and try to negotiate a lower commission

The current contract with ADPI-Intermedix is up for renewal. When the City awards a new contract, either to ADPI-Intermedix or to another firm, City staff should clarify some key provisions in the current contract and also try to negotiate a lower commission rate.

The current contract specifies that “cash accounts¹² over 180 days delinquent will be referred to the City along with documentation of contact and recommendation for turnover to the collection agency or recommendation for write-off.” The contract does not indicate when the 180 days begin – from the date of service or from the first billing date? The contractor has interpreted this to mean from the first billing date. The problem with this interpretation is that if the first bill is sent several months after the service date (as is not uncommon), then the account is significantly older than 180 days once the City receives it.

Another provision of the contract states that the contractor “retain all accounts for a minimum of six months (unless otherwise specified by mutual agreement) turning over accounts for which no collection has been made (unless insurance payment is pending or modified schedules are arranged and show payment progress).” This provision should be clarified to specify that the account should be turned over to the City at the six-month (180 days) point.

The current contract also specifies the contractor will bill insurance or patients within two days after ADPI-Intermedix receives the necessary billing information from the Fire Department. Subsequent billing timelines are listed in the contract (such as 30 days for the second billing) but they do not specify when they begin: is it 30 days from the time the 2-day notice was sent? What if the 2-day notice is sent late, for example at day 20, is it then 30 days after day 20? This, too, should be clarified in the new contract.

The City of Palo Alto currently pays ADPI-Intermedix a 7% commission for its ambulance billing work. The City of Berkeley also contracts with ADPI-Intermedix but pays a commission of only 4.95%. An informal recent survey on the Association of Local Government Auditors (ALGA) listserv provided information on the commission rates paid by other cities: Denton, Texas (11%); Garland, Texas (5%); Chesterfield County, Virginia (5.2%), Frederick County, Maryland (7.5%). Based on Palo Alto’s \$2 million in collections in FY 2007-08, the City could have saved about \$41,000 in commission costs if it paid the 4.95% rate Berkeley pays. The City of Palo Alto should attempt to negotiate a lower commission as part of the contract renewal.

¹² Accounts turned over to the City are ones with remaining cash balances owed by the patient after the insurance company has already paid or accounts where the patient does not have insurance. It also includes accounts that ADPI-Intermedix classifies as “Unknown” with regard to insurance or patient contact information.

RECOMMENDATION #15: For the new ambulance billing contract, the City should clarify key provisions such as the 180-day timeframe to return uncollected accounts to the City and the provisions specifying the billing timelines the contractor will follow. Both should clearly state the start date from which the number of days are counted.

RECOMMENDATION #16: The City should attempt to negotiate a lower commission (than the current 7%) in the new ambulance billing contract.

Ensure that all City employees with access to patient's medical data receive required HIPAA training

The federal Health Insurance Portability and Accountability Act (HIPAA) addresses the security and privacy of health data. It establishes regulations for the use and disclosure of protected health information (PHI). As part of our audit work, relevant audit staff went through training by the Fire Department on HIPAA and PHI. We found that employees in ASD who have access to individuals' health information had not completed the training. The Fire Department maintains lists of its own department personnel and provides HIPAA training. Therefore, they can extend this list to include those in other departments.

RECOMMENDATION #17: The Fire Department should ensure that all employees who access patient health data related to ambulance billing (in the Fire Department, ASD, and any other departments) complete HIPAA training.

CONCLUSION

Although the City's ambulance billing revenue has kept pace with the increase in services and fees, there is still room to improve the effectiveness and efficiency of the ambulance billing program. The City and contractor should develop controls to address the audit findings and incorporate additional controls into the new contract to ensure patients are billed accurately and timely. The contractor should also return uncollected accounts to the City for follow-up in a timely manner. The City and contractor have already begun to address some of the audit findings. Increased clarity of contract provisions and inter-departmental coordination will also help address some of the audit findings. Lastly, the new contract presents an opportunity to negotiate a lower commission and save the City additional monies.

Recommendations:

RECOMMENDATION #1: The Fire Department, with the assistance of ASD, should:

- (1) Work with the ambulance billing contractor to provide the City with monthly lists of accounts that are 180 days old and turn those accounts over to the City each month;
- (2) Develop a mechanism to ensure ambulance billing contractor returns uncollected accounts in a timely manner; and
- (3) Work with the ambulance billing contractor to provide the City with a written plan for how it will ensure that it does not continue to bill accounts that have already been returned to the City.

RECOMMENDATION #2:

Once the ambulance billing contractor returns the older accounts to the City, ASD's Revenue Collections should review the accounts receivable balance to appropriately process and reconcile the outstanding balances.

RECOMMENDATION #3: The Fire Department and ASD should work with the ambulance billing contractor to: 1) provide the City with timely exception reports it regularly reviews to provide assurance that accounts do not remain unbilled if the system initially rejects the billing address, and 2) implement a process to follow-up on the unbilled accounts.

RECOMMENDATION #4: In order to improve and ensure continued improved contractor performance, ASD and the Fire Department should continue to award the contract on a short-term basis (one year for example) and develop and incorporate measurable criteria to renew the contract based on satisfactory contractor performance.

RECOMMENDATION #5: The Fire Department and ASD should request the ambulance billing contractor to provide more consistent reporting to the City and provide supporting evidence that gives the City a reasonable level of assurance

regarding the accuracy of accounts receivable balance and the predictability of write-offs.

RECOMMENDATION #6: ASD should establish a bank account to receive patient credit card payments so that they are verifiable and no longer deducted from the ambulance billing contractor's invoice.

RECOMMENDATION #7: The Fire Department should develop a written process for conducting spot checks of billed ambulance services to help ensure consistent billings.

RECOMMENDATION #8: The Fire Department should request that the ambulance billing contractor provide assurances to the City that it has sufficient internal controls in place to prevent duplicate billings. The Fire Department also should assess its own practices and identify internal controls that will prevent two patient care reports (PCRs) from being completed for the same patient.

RECOMMENDATION #9: Revenue Collections should work with the City Attorney's Office to clarify the applicable statute of limitations for billing patients for ambulance service.

RECOMMENDATION #10: After completing recommendation #9, Revenue Collections should revise write-off procedures for ambulance billing revenue. The revised procedures should reflect actual practices and should cite the criteria used in deciding whether to write off accounts.

RECOMMENDATION #11: The City Manager's Office should work with the Fire Department and the Administrative Services Department to identify key roles related to ambulance billing and to clarify in writing (with a table or matrix) specifically who is responsible for which roles.

RECOMMENDATION #12: The Fire Department, the Administrative Services Department, and the ambulance billing contractor should establish a schedule to meet at least quarterly to stay informed about problems and opportunities related to ambulance billing.

RECOMMENDATION #13: The Fire Department should take a lead role in monitoring the accuracy of invoices from the ambulance billing contractor. This should include verifying the accuracy of the invoice by reviewing supporting documentation if necessary, to understand how the amount was calculated.

RECOMMENDATION #14: The Fire Department should work with the Accounting Division in ASD to ensure the ambulance billing contractor's commission adjustment related to refunds, is correct.

RECOMMENDATION #15: For the new ambulance billing contract, the City should clarify key provisions such as the 180-day timeframe to return uncollected accounts to the City and the provisions specifying the billing timelines the contractor will follow. Both should clearly state the start date from which the number of days are counted.

RECOMMENDATION #16: The City should attempt to negotiate a lower commission (than the current 7%) in the new ambulance billing contract.

RECOMMENDATION #17: The Fire Department should ensure that all employees who access patient health data related to ambulance billing (in the Fire Department, ASD, and any other departments) complete HIPAA training.



Memorandum

Date: February 3, 2009
From: James Keene, City Manager
Prepared By: Nicholas Marinaro, Fire Chief
Lalo Perez, Director of Administrative Services
Subject: City Manager Overview of Emergency Medical Services (EMS) Billing Process and the 2009 Audit of Ambulance Billing and Revenue Collections

In FY 2002, the City of Palo Alto outsourced ambulance billing in conjunction with a contract executed by the San Francisco Fire Department. The original vendor was Allied Information and Service (AIS). The City's current vendor, ADPI, purchased AIS approximately 4 years ago and completed the initial contract term. The City entered into a new three-year contract with ADPI in late 2005. The City has collected more revenue as a result of this contract. EMS revenues totaled \$2,000,000 in FY 2008. In the last year prior to billing being outsourced (FY 2002), the collection rate was approximately \$1,300,000. As the program has developed, it was clear that additional management controls needed to be put in place to ensure the highest rate of return. Staff has learned much during this initial contract and is working to modify the new billing contract in response to these concerns. The audit recommendations presented are part of the continuing evolution of the City's performance with respect to the ambulance billing contract.

Various aspects of non-performance were initially identified in FY 2006 and staff began work at that time to identify problem areas and improve accountability practices. The issues included: lack of prompt invoice processing; minimal follow-up work on outstanding accounts; delays in referring delinquent accounts to the City; deletion of accounts from the ADPI database; and lack of timely and accurate reports for City review. Many of these deficiencies were a result of clerical errors, outdated data and software systems to meet the needs of Palo Alto and inadequate management oversight. These deficiencies did result in lower system efficiencies and revenue collections for the City. The biggest issue resulted from a lack of understanding about the Medicare/Medi-Cal reimbursement process, which cost the City approximately \$70,000 in revenue during FY2005/06. In spite of these issues, contracting out for ambulance billing remains a good business decision for the City. The City collects approximately 55% of its ambulance transport bills, which exceeds industry standards in the area.

Beginning approximately two years ago, the billing vendor acknowledged these as legitimate issues and City staff proceeded to schedule weekly conference calls and regular monthly meetings to resolve them. A major problem was inaccurate, untimely, and insufficiently

detailed reports that were a result of outdated software programs and inefficient office practices on the part of the vendor. These reports are critical to staff monitoring of ADPI activity and achieving maximum reimbursement. ADPI implemented several improvements beginning in May 2007 with their reporting system. Subsequent changes and improvements included: increased training and oversight of clerical personnel, software updates, top management reorganization, and improved data entry accountability. The final reporting capabilities were implemented in June 2008. The new reporting system now provides the City with detailed and transparent reports that are meeting all requirements set forth by ASD and Fire staff. The new system also provides complete access to the vendor's database and allows staff to monitor customer accounts and provide improved service.

In addition to improving ADPI's internal procedures and reports, new in-house procedures were implemented to ensure proper billing. In FY 2006, the Fire Department developed a new billing form that captured more detailed information. This brought the City into full compliance with Medicare/Medi-Cal billing requirements and resulted in an immediate increase in revenues collected. In addition, the Fire Department initiated daily and monthly audits of each account to ensure all information was collected and processed by the vendor. To ensure these changes continue, the department has instituted continuous training on up-to-date patient documentation requirements for staff members.

The ASD and Fire Departments requested the Auditor's Office assistance in verifying the areas for needed improvement in the current contract and to make recommendations for improved practices and procedures. In the spring of 2008, the Auditor's Office embarked on this audit of the ambulance billing and revenue collections.

The City Auditor's recommendations identify and reflect issues that will continue to improve system and operational efficiencies. Staff has begun the work on a number of these processes and is in overall agreement with the recommendations in the Auditor's report. At this time, staff is confident that the numerous improvements in the paramedic billing process will result in maximizing reimbursement and streamlining efficiencies. Staff is committed to the continuation of enhanced reports that meet the City specifications and the monitoring of improved and timelier assessments of ADPI's performance.

Recommendations:

RECOMMENDATION #1: The Fire Department, with the assistance of ASD, should:

- (1) Work with the ambulance billing contractor to provide the City with monthly lists of accounts that are 180 days old and turn those accounts over to the City each month;*
- (2) Develop a mechanism to ensure ambulance billing contractor returns uncollected accounts in a timely manner; and*
- (3) Work with the ambulance billing contractor to provide the City with a written plan for how it will ensure that it does not continue to bill accounts that have already been returned to the City.*

[Staff agrees with this recommendation.](#)

Item (1) – This improvement was initiated in August 2008 and completed in December 2008. The billing backlog has been processed and all delinquent accounts are being re-assigned to the City after 180 days if appropriate. The ambulance billing contractor ADPI-Intermedix (ADPI) is providing the City with detailed reports on a monthly basis.

Item (2) – Improved reports cited above address this issue since the status of all open accounts by “age” are provided. ADPI has implemented a system control which prevents invoice generation once an account is placed in “collection” status. Staff has requested a demonstration from ADPI for January 26 and will continue to monitor the efficacy of this function.

It is important to note that the 180 day rule will not apply to all invoices since certain situations require ADPI to retain the invoice, e.g., invoices undergoing appeal to Medicare or Medi-Cal.

Item (3) – Staff has requested a written plan from ADPI and has received confirmation that a plan is being developed for our review and comment. It is anticipated the plan and a review will be completed by the end of February, 2009.

RECOMMENDATION #2:

Once the ambulance billing contractor returns the older accounts to the City, ASD's Revenue Collections should review the accounts receivable balance to appropriately process and reconcile the outstanding balances.

Staff agrees with the recommendation and Revenue Collections has initiated the review process. Monthly meetings with ADPI to review the oldest, open accounts began last November and will conclude by the end of February.

RECOMMENDATION #3: The Fire Department and ASD should work with the ambulance billing contractor to: 1) provide the City with timely exception reports it regularly reviews to provide assurance that accounts do not remain unbilled if the system initially rejects the billing address, and 2) implement a process to follow-up on the unbilled accounts.

Item (1). Staff agrees and will incorporate regular reviews of reports to monitor billing address and other issues. As indicated, ADPI will provide standard reports to review and will provide authorized City staff a higher level of access to its billing system. City staff will receive training that allows additional, ad-hoc reporting capability from the billing system. Such access will result in more proactive steps to correct address and other billing issues and to enhance collection. Currently, the Fire Department is auditing all reports monthly to reconcile the accounts that are sent and to ensure that there is no duplication and that completed information is given to ADPI in a timely manner.

Item (2) Staff agrees with the recommendation. With staff's input, ADPI has developed a more rigorous process to review accounts to ensure follow-up. ADPI will contact the Fire Department if essential patient care report information is missing and will review hospital face sheets for

missing information required for billing. ADPI will access existing databases for this information and has initiated a "call the customer process" to obtain required data. Staff will monitor this process to ensure the required information is gathered and will review all monthly reports and discuss with the contractor. This follow-up will occur at the staff monthly meetings.

RECOMMENDATION #4: In order to improve and ensure continued improved contractor performance, ASD and the Fire Department should continue to award the contract on a short-term basis (one year for example) and develop and incorporate measurable criteria to renew the contract based on satisfactory contractor performance.

Staff agrees with this recommendation. As part of the current RFP process and in the future, staff will work to develop acceptable criteria.

ADPI has been tasked by City staff to provide more accurate reporting with a higher level of accounting detail. Clear specifications for information requirements have been communicated and the Fire Department, which manages this contract, will implement performance standards. These standards will be negotiated as part of the contract specifications.

RECOMMENDATION #5: The Fire Department and ASD should request the ambulance billing contractor to provide more consistent reporting to the City and provide supporting evidence that gives the City a reasonable level of assurance regarding the accuracy of accounts receivable balance and the predictability of write-offs.

Staff agrees with the recommendation and has worked with ADPI to resolve this issue. Old account inventory has been processed and all statutory adjustments are being recorded and accounted for in accordance with the City's requirements. Monthly reports now include the level of detail necessary to address this recommendation.

RECOMMENDATION #6: ASD should establish a bank account to receive patient credit card payments so that they are verifiable and no longer deducted from the ambulance billing contractor's invoice.

Staff agrees and has initiated the process to establish direct deposit of all credit card payments into the City's bank account. Our bank (Wells Fargo) has been contacted to establish a new merchant account number and the application has been submitted to Moneris (ADPI's credit card provider). Direct deposit to the City's account is anticipated by the end of February 2009.

RECOMMENDATION #7: The Fire Department should develop a written process for conducting spot checks of billed ambulance services to help ensure consistent billings.

Staff agrees that a written policy will be developed and the Fire Department will confer with the Auditor's Office to recommend the parameters for conducting the "spot" checks.

RECOMMENDATION #8: The Fire Department should request that the ambulance billing contractor provide assurances to the City that it has sufficient internal controls in place to prevent duplicate billings. The Fire Department also should assess its own practices and identify internal controls that will prevent two PCRs from being completed for the same patient.

Staff agrees and will work with the vendor to put the necessary internal controls in place. The Fire Department will evaluate its' internal controls and develop policies to minimize or eliminate such occurrences. The current implementation of the electronic patient care report should minimize any possibility of duplication.

RECOMMENDATION #9: Revenue Collections should work with the City Attorney's Office to clarify the applicable statute of limitations for billing patients for ambulance service.

Staff agrees and has already initiated the process. Revenue Collections has had conversations with the Attorney's Office and a meeting has been scheduled for follow-up. Revenue Collections will request annual reviews of the procedures to determine if changes are necessary.

RECOMMENDATION #10: After completing recommendation #8, Revenue Collections should revise write-off procedures for ambulance billing revenue. The revised procedures should reflect actual practices and should cite the criteria used in deciding whether to write off accounts.

Staff agrees and will work to revise current procedures to reflect the recommendations/guidelines provided by the City Attorney's Office.

RECOMMENDATION #11: The City Manager's Office should work with the Fire Department and the Administrative Services Department to identify key roles related to ambulance billing and to clarify in writing (with a table or matrix) specifically who is responsible for which roles.

Staff agrees regarding the importance of this issue. ASD and Fire will work with the City Manager's Office to clearly define the necessary roles and responsibilities to achieve this goal.

RECOMMENDATION #12: The Fire Department, the Administrative Services Department, and the ambulance billing contractor should establish a schedule to meet at least quarterly to stay informed about problems and opportunities related to ambulance billing.

Staff agrees and has been conducting monthly meetings since August 2008. These meetings have proved very beneficial in identifying any areas of concern and developing solutions for

them by all parties. ADPI has agreed to additional meetings and to more frequent meetings as necessary.

RECOMMENDATION #13: The Fire Department should take a lead role in monitoring the accuracy of invoices from the ambulance billing contractor. This should include verifying the accuracy of the invoice by reviewing supporting documentation if necessary, to understand how the amount was calculated.

Staff agrees and the Fire Department will work to provide the necessary resources to satisfy this recommendation through reallocation of existing duties or other means.

RECOMMENDATION #14: The Fire Department should work with the Accounting Division in ASD to ensure the ambulance billing contractor's commission adjustment related to refunds, is correct.

Staff agrees and will work with ASD to provide a mechanism for adjustments that is accurate.

RECOMMENDATION #15: For the new ambulance billing contract, the City should clarify key provisions such as the 180-day timeframe to return uncollected accounts to the City and the provisions specifying the billing timelines the contractor will follow. Both should clearly state the start date from which the number of days are counted.

Staff agrees and these language provisions can be incorporated into and clearly stated in the contract language.

RECOMMENDATION #16: The City should attempt to negotiate a lower commission (than the current 7%) in the new ambulance billing contract.

Staff agrees and will attempt to negotiate into the contract language a lower commission rate.

RECOMMENDATION #17: The Fire Department should ensure that all employees who access patient health data related to ambulance billing (in the Fire Department, ASD, and any other departments) complete HIPAA training.

Staff agrees and the Fire Department will work with employees in other departments and Human Resources staff to assist in providing the necessary training. There are currently training program mechanisms in place to easily accomplish this task.



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ADPI-Intermedix Written Response to the City of Palo Alto Audit of Ambulance Billing and Revenue Collection

January 27, 2009

Overview:

ADPI-Intermedix has worked diligently on behalf of the City of Palo Alto to help drive up ambulance billing collections by 53% over the past five years. ADPI-Intermedix has invested heavily in implementing and optimizing technology and processes to:

- help us maximize revenue collection for Palo Alto
- minimize the intrusiveness to the patients who use your ambulance transport service
- provide direct access and transparency into account-level status

We encourage the City to keep the collections in the broader perspective - - revenues are up significantly over the past several years and the net collection rate, which is more relevant than gross collection rate, is extremely strong compared to other municipalities. Also, you have a billing provider that has shown it is willing to work closely with the City to help the Fire Department capture required information to bill for services, acquire insurance information through a variety of techniques which no other billing provider can do with such breadth, and has been willing to make changes to improve processes to help drive more revenue for Palo Alto.

The audit findings primarily focus on three issues, all of which we have worked to address:

- 1) Our system conversion in May 2007 created challenges in follow-up on and turning over accounts to Palo Alto per the 180 day timeframe in the contract
 - a. The primary impact was the timing of turning over accounts for collection and write-offs with little to no revenue impact
 - b. We would like to note, that a very small percentage of the accounts that we turnover to cities after our robust processes have completed are collectable (this is typically in the single digit percent)
 - c. A new process is now in place and we have cleaned-up the backlog of old, uncollectable accounts. We are meeting with the City monthly to monitor that accounts are turned over for collection in the targeted 180 days or less unless they are still in active collection process (e.g., insurance appeals, patient installment payments)



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- 2) Our system conversion caused some changes in reporting, due to variations in how write-offs and adjustments were accounted for during fiscal 07-08
 - a. We provided Palo Alto with the specifics of where and why those variations occurred, and at no point did this negatively impact what revenue was actually collected
 - b. The reporting has been upgraded and consistent since July 2008 and Palo Alto has expressed that the new reports fully meet the City's needs
- 3) As we implemented our new technology and processes, we should have more clearly communicated with Palo Alto the detailed variances in our new processes versus what was stated in the contract
 - a. For example, for patient invoices, we spend 10 days doing automated insurance searches to try and identify valid insurance before we send a bill to the patient. So, while from an audit perspective we did not meet the terms of the contract (invoice patients within 48 hours of receiving the mailing information from Palo Alto) we find that this is a better and more expedient way to secure payment and minimizes the impact on the patients. We also extended our billing cycle (from 30 to 45 days) based on optimized findings from our national and local billing expertise

We consider it a privilege to serve the City of Palo Alto and want to make it clear that we take pride that we have helped the City maximize its revenue while remaining in compliance with regulations (e.g., suggesting pricing strategies, helping capture mileage correctly and capturing signatures for Medicare compliance). We are committed to service excellence and that is why we have made, and will continue to make, changes to support the City of Palo Alto.

Respectfully,

Michael Brook
Senior Vice President, West Region
ADPI-Intermedix



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Finding 1: With improved contractor performance and oversight, the City could potentially increase its ambulance revenue collections above current levels.

Agree, although the additional revenue collection available is relatively small. ADPI-Intermedix acknowledges that there are always areas for improvement and that changing technology, regulations and processes necessitate a willingness to look critically for improvements. We believe that the amount of additional collections is quite small; however, we are committed to working on capturing additional revenue as we know every dollar collected has a significant impact to the City of Palo Alto budget. We benchmark the performance of collections of our clients, and Palo Alto is in the top quartile of the municipalities that we serve.

If the contractor had returned accounts to the City in a timely manner, the City may have avoided some of the \$833,000 in write-offs since FY 2006-07

Agree. The system conversion in May 2007 caused ADPI-Intermedix to have to reassess our process for turning over accounts to the City. Working with the converted data from the old system made it difficult to determine when accounts should be turned over for collections. It took us longer than we would have liked, but beginning in August 2008, we undertook a significant effort to ensure that all of the old accounts were appropriately turned over and that we had a sustainable process in place to consistently turnover accounts to Palo Alto within 180 days or earlier, if they were not being actively pursued by ADPI-Intermedix with a reasonable likelihood of being collected. We have been meeting with ASD and Fire monthly since then and do spot reviews of old accounts to ensure they have been handled appropriately.

We caution the City not to think that a significant portion of the \$833,000 in write-offs would have been collectable. Because we have robust follow-up processes, collections agencies can typically only collect on 6-12% of the balance we turnover. Also, much of the \$833,000 was not turned over past a twelve month period, so the City was doing collection efforts on some of the \$833,000. The \$337,000 cited in the audit report for October 2008 was due directly to the older accounts from the system conversion and our clean-up effort. The reason we held these accounts extra time was that we wanted to make sure every effort had been made to collect insurance where relevant, so we erred on the side of keeping accounts rather than turning them over from the transition period. We verbally kept the City informed of this and the monthly reports we provided to the City showed the details of the accounts receivable from the conversion.

The report also cites that the outstanding A/R over 180 days as of November 2008 (we believe that was as of November 1) was \$1,074,817. As of December 12, 2008, this number was \$300,000. We would also like to note, that there are legitimate reasons for



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why there are accounts over 180 days which include ongoing insurance appeals, attempts to collect co-payment amounts after insurance has paid, and patients who set-up monthly installment payment plans. The Revenue Collection department has agreed these are all legitimate reasons for accounts older than 180 days to remain with ADPI-Intermedix.

The control now in place to ensure that the City is in agreement with any active accounts over 180 days is that on a monthly basis we are meeting and the City can randomly audit the accounts and determine if they have been handled as Palo Alto would like them handled. We also provide the City with account level detail and access to our system so that they can spot check accounts at any point in time.

Additionally, we have built in system controls such that once we mark an account as a "Collections" account, the system prohibits any further invoice and mail transactions to occur. This will prevent a circumstance where a patient receives a bill after it has been forwarded to the City for review and collection. It is our understanding that this issue has not been a frequent occurrence, and only should occur going forward if, for example, the post office is in a situation where they are forwarding mail due to changed address.

RECOMMENDATION #1: The Fire Department, with the assistance of ASD, should:

- 1) Work with the ambulance billing contractor to provide the City with monthly lists of accounts that are 180 days old and turn those accounts over to the City each month;
 - o **Implemented:** ADPI has been providing the City with Account level detail of A/R on a monthly basis and will continue to do so. In addition, we are meeting monthly and have agreed to audit accounts older than 180 days jointly as often as the City would like
- 2) Develop a mechanism to ensure the ambulance billing contractor returns uncollected accounts in a timely manner; and
 - o **Implemented:** Same as response 1
- 3) Work with the ambulance billing contractor to provide the City with a written plan for how it will ensure that it does not continue to bill accounts that have already been returned to the City.
 - o **Implementation in process:** We have established a system-based control in order to prevent a circumstance where a patient receives a bill after it has been forwarded to the City for review and collection.



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Our system will not allow an invoice to be generated and mailed once the account is moved to a “collection” status. We have drafted a written plan that includes monitoring and have shared that with the City on January 7, 2009

RECOMMENDATION #2: Once the ambulance billing contractor returns the older accounts to the City, ASD’s Revenue Collections should review the accounts receivable balance to appropriately process and reconcile the outstanding balances.

Implemented: We are committed to coordinating our efforts with the City to ensure proper visibility and transparency in the accounts receivable balances. We provide detailed reports, at the account detail level, monthly and the City has access to our billing system 24 hours a day, 7 days a week.

Bills were not sent in accordance with timeframes required by the contract

Agree, but this is because we were using improved processes to enhance revenues for Palo Alto. As stated earlier, when ADPI-Intermedix implemented our enhanced technology, we implemented a new process for patient billing. If insurance information is not collected at the time of transport, we have found that rather than generating an invoice to the patient immediately, the City is better served by us checking insurance sources to determine if the patient has valid insurance coverage (e.g., Medicare, Medi-Cal, and major Private Insurance such as Kaiser, Aetna and United Health). Since insurance results in 96+% of the revenue collected by the City, this is the smart thing to do. It also has an added benefit of minimizing the billing “touches” to the patient who is not likely to have positive feelings about their ambulance transport. In addition, we established a 45 day billing cycle at the time of the system conversion (the audit was measuring a 30 day billing cycle) as we found this created less complaints from patients and gives them more time to respond to a bill, send in insurance information, and let ADPI-Intermedix process the insurance claim before the next bill arrives.

The 36 accounts that were audited in June found that none of the 36 billed in the two-day timeframe from the time Palo Alto sent the paper claims to ADPI-Intermedix. This was the result of a process change that was implemented at the time of the billing system conversion. The paper PCRs were sent for coding and data entry to our Columbus, Ohio office as we believed there to be process and quality efficiencies. Because Palo Alto sent the paper PCRs to Oakland, this added anywhere from 2-4 days to the process. In October 2008, we decided that the time benefit in dealing with paper PCRs was worth bringing the coding and data entry back to the Oakland office, so this has reduced the upfront time for coding and data entry to 1-2 days, which puts us back in compliance with the contract for billing valid insurance information within 48 hours. Where patient mailing information was captured without insurance information, and per



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the description above, we waited (and still are waiting) 10 days before mailing these invoices due to our automated searches for insurance information.

It was ADPI-Intermedix's shortcoming in not making Palo Alto more aware of the changes in our processes, and perhaps reaching out to append the contract accordingly.

Contractor's billing system and processes did not have sufficient controls to ensure bills were sent

Both disagree and agree. We have communicated with the City that the issue they are pointing out is one where our system has been highly optimized. The situations where the City is saying we did not send out bills, is because an invalid mailing address was entered into the account. We have automated processes that attempt to correct wrong addresses and ensure they are valid mailing addresses. We save time by not sending invoices to address where we are not able to validate the mailing address. There are a small percentage of invoices that might get delivered (e.g., if the Apartment number is missing or if an address is one digit off), but the majority of these come back returned.

What we have agreed with is that our manual follow-up processes could be quicker and more robust when we have invalid mailing information. We attempt to get better information by reviewing other transports that patient may have had with the City, searching a national skip tracing database, as well as reviewing face sheets from the hospital to which the patient was delivered. To address this, we now have a bi-weekly review occurring on all accounts with bad addresses. Additionally, per feedback from Palo Alto, we have started calling patients regularly (which we only did rarely before) when we do not have valid mailing information or if the account is ready to be turned over for collections. This should eliminate most circumstances where a patient has not been contacted before they are turned to collections.

The 35% of the accounts being deemed as having "unknown" billing information is specifically related to the insurance information captured at the time of transport. Ultimately, for FY 2007-08, the percentage of "Unknown" insurance accounts, where the patient is self responsible for payment, is at 10%. The reduction from 35% to 10% is due to ADPI-Intermedix's processes and efforts, along with support from Palo Alto. There are accounts that have invalid mailing addresses, but our conversion rate in finding valid addresses is higher than other vendors since we use skip tracing and other proprietary techniques to find current addresses.

Contractor did not send bills in some cases even though the Fire Department provided insurance information

Agree. Because of the process change to look for patient insurance before immediately generating the invoice, the statistics cited here are in comparison to the



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contract, which make performance look worse than it was. With that said, the audit did reveal that a data entry person missed entering information on multiple PCRs. We have since re-located the data entry back to the Oakland office and have been auditing the accuracy of PCR entry on a monthly basis.

RECOMMENDATION #3: The Fire Department and ASD should work with the ambulance billing contractor to: 1) provide the City with timely exception reports it regularly reviews to provide assurance that accounts do not remain unbilled if the system initially rejects the billing address, and 2) implement a process to follow-up on the unbilled accounts.

Implemented: ADPI-Intermedix has shared a detailed process flow of how we are reviewing accounts to ensure consistency in follow-up. This includes patient phone calls as part of the follow-up on unbilled accounts. We will provide the City with additional training on how to pull the standard reports from the billing system that allows someone to quickly check the number of accounts with bad addresses (the same reports we use). Additionally, we will continue to report on the processes we have implemented and will use the monthly meetings as opportunities to audit the effectiveness of the processes.

RECOMMENDATION #4: In order to improve and ensure continued improved contractor performance, the Fire Department and ASD should continue to award the contract on a short-term basis (one year, for example) and develop and incorporate measurable criteria to renew the contract based on satisfactory contractor performance.

Implementation in process: ADPI-Intermedix is willing to develop measurable criteria in the short-term and, if selected as the ongoing vendor, will build metrics into the new contract. We believe the focus should be on a few key areas such as overall collections and A/R backlog - - ones that can be used to provide visibility into performance, without creating excessive administrative burden on the City or us.

Finding 2: The contractor's reports and billing format need to provide additional key information to ensure more accurate and consistent accounting by the City

Agree with clarification. We agree that when we changed billing systems in May 2007, there were changes in the way that certain information was reported (e.g., gross charges and statutory adjustments); however, we identified these differences and communicated them to Palo Alto throughout that year while we were working on improving the reporting capability of the new system. The new system also increased the accuracy and transparency of the accounts receivables, which is something that the City's Senior Accountant can attest to. The fluctuation of the write-offs, as mentioned before, was due



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to a conservative approach we took before handing over accounts both before and right after the system conversion. Although the write-offs fluctuated in timing, this did not have a material effect on revenue collection for the City. Our reporting of the credit card payments has always been transparent and the City is able to review the details at any point in time. Receipts of the credit card transactions are both sent to the patients and scanned into the patients' accounts. The voided charges treatment, as with the write-offs, was simply a variance in how mandatory adjustments on government payer accounts were made and had no impact on revenue collection. Based on feedback from Palo Alto and other clients, we changed the accounting for voided charges for Fiscal 2008-2009 back to the way it had been previously done. At all times we provided the City with accurate reporting of revenues collected and full visibility into how we were reporting the financial information. We have consistently provided monthly reports to the City which included financial details on payments/collections, new bills created and accounts receivable. ADPI-Intermedix has a flexible reporting platform and we are committed to working with the City of Palo Alto to deliver the information and data that is needed.

Changes to the contractor's billing system caused inconsistent reporting and fluctuations in the accounting of ambulance billing

Agree. The variance in the gross charges and statutory allowances balance was a result of how ADPI-Intermedix was reporting. Although a one-time adjustment was made, this did not have an impact on actual revenue collection.

The variance in write-offs (which was simply a timing issue), we have responded to, and agree with the report assessment that our clean-up effort will result in a stable Accounts Receivable balance and the write-offs will be balanced throughout the year.

Improvements in the contractor's billing format and data can help improve the accuracy of the City accounting for credit card payments and voided charges

Agree with clarification. We have been advising the City of Palo Alto for many months to establish a separate merchant ID for credit card payments and electronic funds transfer for Medicare payments. ADPI-Intermedix provided Palo Alto with summary credit card transaction data on a monthly basis; however, all of the supporting detail is available to Palo Alto upon request at any point in time. The credit card transaction receipt is scanned to the specific account to be auditable; and a copy is sent to the patient. Furthermore, although it is not our preferred practice, we collect payments for other clients into ADPI-Intermedix bank accounts and then reimburse our clients the revenues, less our fees. In all cases, the client has access to the detailed information to audit the accuracy. A preferred solution for the credit card payments is for the City to establish a separate merchant ID, which we are assisting with (and was completed in January 2009).



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There are different policies used in making statutory adjustments. The most important thing to note is that these different policies do not impact actual cash payments as Medicare and Medi-Cal patients are not responsible for paying the statutory adjustment amounts. The policy we used in FY 2007-2008 made some of the mandatory adjustment prior to submitting to Medicare and Medi-Cal. The impact was that the City's accounting of the total charges was lower than it had been previously (\$287,000), but again this did not impact actual reimbursement. ADPI-Intermedix had communicated this change, but we had several clients that did not understand the exact impact. Because clients expressed a preference for making all statutory adjustments after payment was received from Medicare and Medicaid payers, we have gone back to this reporting for FY 2008-2009.

RECOMMENDATION #5: The Fire Department and ASD should request the ambulance billing contractor to provide more consistent reporting to the City and provide supporting evidence that gives the City a reasonable level of assurance regarding the accuracy of accounts receivable balance and the predictability of write-offs.

Implemented: ADPI-Intermedix has cleaned-up the old accounts from around the time of the system conversion and is now accounting for all statutory adjustments the way the City would like them made. We have monthly reports that now include significant, account level, detail about the accounts receivable and we review any questions the City has about the reports during our monthly meetings.

RECOMMENDATION #6: ASD should establish a bank account to receive patient credit card payments so that they are verifiable and no longer deducted from the ambulance billing contractor's invoice.

Implementation in process: ADPI-Intermedix has been assisting the City in this process and agrees this is a good practice (final implementation is pending as of 1/27/09). Please note, that credit card payments are verifiable today. The Medicare EFT enrollment form has been provided to the City as well.

Finding 3: Fire Department and contractor errors resulted in inconsistent billings

Agree. We have been working closely with Palo Alto, even before the audit, to address the variances.

Fire Department's mileage errors cause incorrect bills

Agree. The Fire Department and ADPI-Intermedix agreed to partner on this issue. The Fire Department put a focus on training the crews to capture mileage accurately. ADPI-



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Intermedix has been doing independent mileage checks (Mapquest map searches based on incident address and hospital location) and sharing any variances identified back to the Fire Department. The number of instances where there is variance is now very small (5-10 per month) and decreasing. We will continue to support the City in this effort and commend the Fire Department in how quickly they were able to respond to this issue.

Contractor charged inconsistent amounts and also sent duplicate and contradictory bills to some patients

Agree. We have agreed to periodic reviews of the charge master with the City as it was realized that EKG pads were listed on the charge master ADPI-Intermedix was using, when they should not have been there. As for the duplicate accounts mentioned in the audit report, we reviewed two and a half years of transports and identified that there have been 22 duplicates out of 7616 transports (0.29%). Because the City is using a paper-based PCR, there will be some duplicates, but the amount is very low compared to what we see at some of our other clients. Once the City implements an electronic PCR (ePCR), duplicate invoices should not occur. The City did not share the specific accounts reviewed where the different charges occurred, but that can happen when itemizing supply charges as it is up to the certified coder and the data entry person to read the handwritten notes to determine what can be charged for based on the City's charge master. ADPI-Intermedix has stringent internal audits conducted on our certified coders to ensure that they meet or exceed the 95% coding accuracy, a standard set by the Federal GAO. The consistency in charge capturing, again, is a variable that will be addressed once the City implements its ePCR.

RECOMMENDATION #7: The Fire Department should develop a written process for conducting spot audits of billed ambulance services to help ensure consistent billings.

Implementation in process: ADPI Intermedix is fully supportive of spot audits and has offered to do these, driven by Palo Alto, at our monthly meetings or any other time. We will provide input for the written process and our system allows the City access to accounts at any time if the City employee has a log-in to our web-based system.

RECOMMENDATION #8: The Fire Department should request that the ambulance billing contractor provide assurances to the City that it has sufficient internal controls in place to prevent duplicate billings. The Fire Department also should assess its own practices and identify internal controls that will prevent two PCRs from being completed for the same patient.

Implementation in process: Based on our experience, 0.28% duplicate invoices (22 over 2.5 years) is not excessive when using paper PCRs. We will work with the City to



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see if this number can be reduced further either through front-end review processes or through back-end reporting. This issue should be virtually eliminated once the City implements ePCRs, as our billing system will not allow a duplicate account to be imported into the system electronically.

Select recommendations in the remaining report pertinent to ADPI-Intermedix:

RECOMMENDATION #12: The Fire Department, the Administrative Services Department, and the ambulance billing contractor should establish a schedule to meet at least quarterly to stay informed about problems and opportunities related to ambulance billing.

Implemented: Since August 2008, the City of Palo Alto and ADPI-Intermedix have been meeting on a monthly basis.

RECOMMENDATION #15: For the new ambulance billing contract, the City should clarify key provisions such as the 180-day timeframe to return uncollected accounts to the City and the provisions specifying the billing timelines the contractor will follow. Both should clearly state the start date from which the number of days are counted.

Partially Implemented and Agreed going forward: For the existing billing contract, we have worked with the City to clarify key provisions like the 180-day timeframe. We will work with the City on future billing contracts to ensure that the billing timelines are clear and that ADPI-Intermedix communicates, and gets approval for process changes that differ from terms of the contract (including adding addendums to the contract as deemed appropriate by the City of Palo Alto).