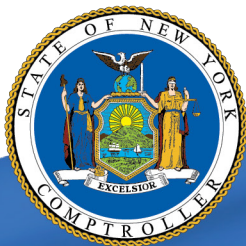


City of Norwich

Emergency Medical Services Billing

AUGUST 2019



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

City of Norwich

Audit Objective

Determine whether City officials effectively managed emergency medical services (EMS) billing.

Key Findings

- The EMS Department did not bill for 614 incidents resulting in \$417,600 of unbilled medical services and inaccurately billed 9 incidents totaling \$8,300; this equates to approximately \$200,000 in lost revenue at the current rate of collection.
- No one reconciles the billings to the medical services provided.
- The EMS Department had 903 unserviceable incidents resulting in approximately \$400,000 in unrecoverable costs.

Key Recommendations

- Ensure that all services provided are billed appropriately in accordance with the adopted rate schedule.
- Routinely reconcile billings to medical services provided.
- Consider addressing whether the EMS Department should bill for unserviceable incidents.

City officials disagreed with certain aspects of our findings and recommendations, but indicated they have initiated corrective action. Appendix B includes our comments on issues raised in the City's response letter.

Background

The City of Norwich (City) is located in Chenango County. The Common Council (Council) is composed of six Aldermen responsible for overseeing the City's operations and finances. The Mayor serves as the chief executive officer and is responsible for the day-to-day operations. The Director of Finance serves as the chief fiscal officer and is responsible for the City's general financial management.

The City established an EMS Department for the purpose of providing emergency medical treatment and/or ambulance transportation for patients. The City contracts with a third-party vendor to bill patients for services provided and a third-party collection agency to collect delinquent billings. The Fire Chief is responsible for planning, coordinating and evaluating EMS operations, and establishing procedures to implement directives from the Mayor and Council.

Quick Facts

| | |
|--|---------------|
| 2018 Fire/EMS Department Appropriations | \$1.4 million |
| EMS Billings During Scope Period | \$3.8 million |
| EMS Collections During Scope Period | \$1.3 million |
| EMS Incidents During Scope Period | 4,579 |

Audit Period

January 1, 2017 – October 31, 2018

Emergency Medical Services Billing

During the audit period, EMS billings totaled \$3.8 million, of which \$2.1 million (55 percent) was written off as uncollectable. This was because the majority of patients billed had insurance coverage through Medicaid, Medicare or a private insurance company that all contractually define the limits to what they will pay for services provided.

How Should Emergency Medical Services Be Billed?

The council should implement policies and procedures to ensure that all emergency medical services (EMS) are billed appropriately and collected in a timely and effective manner. This includes adopting a comprehensive rate schedule that clearly identifies the types of services (ambulance transports, on-site medical assistance and non-services) that should be billed and the applicable rates. In addition, the council can adopt a local law that results in fines for unserviceable incidents resulting from false alarms, cancelled requests and refusals of medical assistance. The fire chief should ensure that all incidents are properly recorded and reported to the vendor for billing in accordance with the council's adopted rate schedule.

The EMS Department Is Not Billing For All Medical Services

The Council established a billing rate schedule that stipulates that patients should be charged for medical assistance, whether or not it includes ambulance transportation. The rates are as follows: ambulance transports range from \$200 to \$1,900, plus \$25 per mile; on-site medical services are \$300; and arriving on scene when the patient is already deceased (DOA) is a \$900 charge.

City officials have not effectively managed the billing of EMS charges. During the audit period, the EMS Department was dispatched to 4,579 EMS-related incidents. Either transports or on-site medical services were provided for 3,676 incidents, or approximately 80 percent. For the other 903 incidents, no medical services were provided.¹ The EMS department did not bill for 614 of the 3,676 incidents, totaling \$417,606 in unbilled services. Furthermore, we found nine transports that were inaccurately billed as medical treatments with no transport. We estimate this represents approximately \$8,300 in lost billings.

¹ These incidents were either canceled requests, false alarms, no patient found upon arriving on scene or the patient refused medical assistance.

Figure 1: Unbilled EMS Incidents

| | 2017 | | 2018 (as of 10/31/18) | | Total Audit Period | |
|--------------------------------------|--------|-------------|-----------------------|-------------|--------------------|-------------|
| | Number | Amount | Number | Amount | Number | Amount |
| Billed Incidents | 1,649 | \$1,956,531 | 1,413 | \$1,844,312 | 3,062 | \$3,800,843 |
| Inaccurately Billed Incidents | 7 | \$6,458 | 2 | \$1,845 | 9 | \$8,303 |
| Unbilled Transports | 119 | \$145,481 | 121 | \$147,926 | 240 | \$293,407 |
| Unbilled Medical Treatment | 184 | \$55,200 | 170 | \$51,000 | 354 | \$106,200 |
| Unbilled DOA | 4 | \$3,600 | 16 | \$14,400 | 20 | \$18,000 |

The average amount billed for transports during the audit period was approximately \$1,223 per transport, amounting to an estimated \$293,407 for unbilled services. Some incidents do not require medical transports and emergency medical technicians (EMT) provide medical assistance on scene, such as lift assistance, treating diabetic issues, loss of consciousness and lacerations. There were 354 unbilled incidents resulting in \$106,200 unbilled services. In addition, there were 20 unbilled DOA incidents, resulting in \$18,000 unbilled services. In these situations, the EMTs examine the patient and then contact the coroner to pronounce the individual deceased.

The Fire Chief did not ensure that all incidents are properly recorded and reported to the vendor for billing in accordance with the Council's adopted rate schedule. According to the Fire Chief, the EMS Department followed past practices established by the prior Fire Chief to not bill for medical services that they determine are minor, such as lift assists, diabetic treatments, examining injuries and lacerations, and helping patients change oxygen tanks. However, all transports should have been billed according to the Council's rate schedule. He stated that some of the incidents recorded as transports could have been incorrectly entered into the system by EMTs. However, we were unable to confirm this. The Mayor and Council members informed us that they were not aware that the EMS department was not billing for all medical services. Furthermore, no one routinely reconciles the medical services provided to amounts billed to ensure that all services are billed correctly.

Failing to comply with the Council's rate schedule and billing for all services provided has resulted in an estimated \$425,910 in lost billings. This represents a potential 11 percent increase in total billings, or approximately \$200,000 in revenue based on the current rate of collections.

The Council Did Not Address Rates for Unserviceable Incidents

The Council has not adopted a local law to charge fines for unserviceable incidents. The EMS Department had 903 incidents during the audit period where no medical services were provided. These were due to patients refusing medical assistance (RMA), cancelled requests, false alarms or no patient being found upon arriving on the scene (UNF). Many of these incidents were initiated by parties unrelated to the potential patient. For example, an ambulance is sent to every motor vehicle accident in case there is an injury requiring medical services. In some cases, the individual may not need or refuses medical treatment. Some incidents are cancelled because an ambulance from another EMS arrives to the scene prior to the City's ambulance. Other incidents are initiated by concerned individuals who call an ambulance for someone who leaves the scene before the ambulance arrives, refuses the services or did not need medical services.

Figure 2: Unserviceable Incidents

| | 2017 | 2018 ^a | Total |
|--------------------------------------|------------|-------------------|------------|
| RMA | 237 | 337 | 574 |
| Cancelled Requests | 68 | 57 | 125 |
| False Alarms | 57 | 49 | 106 |
| UNF | 49 | 49 | 98 |
| Total Unserviceable Incidents | 411 | 492 | 903 |

a As of 10/31/18

Based on the number of EMS incidents and EMS-related expenditures for 2017, we estimated that the cost of each incident is approximately \$443. At that cost, the 903 unserviceable incidents resulted in approximately \$400,000 in unrecoverable costs for the City during the audit period. The Council's rate schedule does not address whether the EMS department should bill for unserviceable incidents. According to Council members, they were not aware that the City could bill for unserviceable incidents and will consider this option in the future. A portion of these costs could have been recovered if the rate schedule included charges for unserviceable incidents.

What Do We Recommend?

The Council should:

1. Ensure that the Fire Chief bills for all medical services in accordance with the adopted rate schedule.
2. Consider developing policies and procedures related to charging for unserviceable incidents where no services are provided.

The Fire Chief should:

3. Ensure that the EMS Department is billing for all services in accordance with the adopted rate schedule.
4. Ensure that medical services provided are routinely reconciled to amounts billed.

Appendix A: Response From City Officials



July 26, 2019

City of Norwich Emergency Medical Services Billing – Report of Examination 2019M-112

As a result of the OSC Audit conducted to determine whether City officials effectively managed emergency medical services (EMS) billings, the City offers the following responses:

Key Findings:

- The EMS Department did not bill for 614 incidents resulting in \$417,600 of unbilled medical services and inaccurately billed 9 incidents totaling \$8,300; this equates to approximately \$200,00 in lost revenue at the current rate of collection.
- No one reconciles the billings to the medical services provided
- The EMS Department had 903 unserviceable incidents resulting in approximately \$400,000 in unrecoverable costs.

City's Response:

The City of Norwich believes the OSC audit amounts are overstated; however, practices have been implemented to remedy data entry errors by EMS personnel to accurately reflect services provided or services not provided. Also, due to a software change during the audit period, it is difficult to assess the “unbilled medical services”; consequently, the Fire Chief instituted processes and procedures to ensure accurate billing for medical services actually provided.

See
Note 1
Page 8

The City of Norwich believes \$200,000 lost revenue is also overstated with 55% of what is billed “uncollected” due to contractual limits (private insurance, Medicare and Medicaid). The City also notes that 80% of the population served by EMS is Medicare or Medicaid patients as documented by OSC.

See
Note 2
Page 8

At the August 2019 scheduled Council meetings, the City Council will address the City's Fee Schedule for EMS billing to accurately reflect the City's practice (policy) of NOT billing for DOAs with no service, for patient assist/lift assist, and other calls where no services are provided.

The OSC Audit Findings addressed the fee schedule in place that is not being followed (i.e. City does not bill for DOAs – 20 incidents at \$900 each for a total of \$18,000 not billed). It is the position of this administration, that those calls where there are no medical services provided due to Death on Arrival (DOA), are not billed to the decedent's family/estate. Also, the City of Norwich does not plan to bill for “accidental” emergency alert calls (i.e. Lifeline, etc.).

The City of Norwich Fire Chief instituted a policy in April 2019 to address the finding of “no one reconciles billings to medical services provided” once identified and notified by OSC. As of April 15, 2019, the Fire Chief does a “Daily” reconciling of PCRs (Patient Care Reports) to ██████████ Software and additional reconciling is done weekly by the Fire Chief with ██████████ Software and ██████████ Billing Software. As a result of implementation of new policy/procedure, all billings have been and will continue to be reconciled.

The City of Norwich EMS Department had 903 unserviceable incidents... - The City of Norwich response to this finding is to once again use the implementation of an updated fee schedule (anticipated adoption by City Council in August 2019) for fees noted. Although OSC has identified opportunities for billing, at this time the City of Norwich does not desire to adopt or adhere to a fee schedule for these types of calls (false alarms, calls cancelled in route, no medical services provided, refused medical assistance, no patient found on scene, etc.); therefore, this finding of approximately \$400,000 is overstated. It is the City’s position that these types of services are part of services regularly provided in the overall realm of public safety in the City of Norwich.

See
Note 3
Page 8

As noted in this response, the City of Norwich Fee Schedule will be addressed and updated as necessary at the August 2019 City Council meetings to accurately reflect City policy for medical service billings and to ensure the Fire Chief is able to accurately bill for medical services. Also, as stated above, the Fire Chief has implemented a policy and procedure to routinely reconcile all billed amounts.

The City of Norwich will submit a separate Corrective Action Plan as required.

In conclusion, the City of Norwich welcomed the OSC to conduct their examination and it has been deemed a valuable resource for the City as well as an overall positive experience for the City of Norwich.

Respectfully submitted,

Christine A. Carnrike
Mayor – City of Norwich

Appendix B: OSC Comments on the City's Response

Note 1

Officials were not able to provide us with support that our amounts were overstated or that the cause for the unbilled incidents was due to data entry errors.

Note 2

The \$200,000 lost revenue takes into account the current rate of collections and contractual limits.

Note 3

The \$400,000 is an estimate of the total cost for these types of incidents. If the City elects to not bill for these incidents, it does not change the cost estimate or make it overstated.

Appendix C: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective² and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Council members, City and County officials and employees, and representatives from the City's third-party vendor, as well as reviewed the City's charter and adopted EMS rate schedule to gain an understanding of the City's EMS' operations and billing.
- We reviewed the City's financial records and reports to document financial information related to the City's EMS operations.
- We compared all incidents reported in the Fire Department's incident logging software to all billed incidents reported in the third-party vendor's billing reports to assess whether billable services were properly billed.
- We reviewed the third-party vendor's billing reports to calculate the average amount billed for medical transports.
- We analyzed third-party vendor billing and collection reports to calculate collection rates for billed services, the portion of billed patients who are insured through Medicaid and Medicare and the amount of billings written-off due to insurance limitations.

We conducted this performance audit in accordance with GAGAS (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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Council to make the CAP available for public review in the Clerk's office.

² We also issued a separate audit report, *City of Norwich – Capital Planning* (2019M-88).

Appendix D: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

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