



Date: January 21, 2009
To: Patrick H. West, City Manager *PHW*
From: Lori Ann Farrell, Director of Financial Management/CFO *LAJAF*
For: Budget Oversight Committee
Subject: Ambulance Billing Services

As requested, the following information is provided in response to Item #6 on the Budget Oversight Committee's agenda of December 22, 2008, regarding ambulance billing services and costs. Specifically, the question has been raised as to whether it is more cost effective for the City to outsource all Advanced Life Support (ALS) and Basic Life Support (BLS) ambulance billing and payment processing services to an outside vendor, or to bring both services in-house.

Background

The Department of Financial Management's Billing and Collections Division provides a full range of financial services including billing, payment processing, collections, internal controls and audit support services for the Fire Department's ALS transports. In addition, the Fire Department has a contract with Wittman Enterprises for billing and payment processing services for its BLS transports.¹

Services Provided

The total cost to the Fire Department for the full range of financial services provided by the Billing and Collections Division was \$605,408 in FY 08. However, to conduct an accurate comparison, the costs for standard billing and payment processing services only must be segregated from this total amount. Please see Table 1 for a breakdown of FY 08 charges by category of expense.

Table 1 – FY 08 ALS Costs

Billing Services and Payment Processing	\$317,789
Collection, Internal Controls, Audit Support Services	\$254,271
Fixed Unavoidable Costs ²	\$33,348
TOTAL	\$605,408

¹ Please note while Wittman Enterprises provides all BLS billing services, they also provide billing services for some ALS transports. In addition, City staff provide billing services for most ALS transports, but also perform the majority of payment processing functions for BLS transports. For simplicity, this analysis equates financial data related to ALS transports with City staff activities, and the BLS transports with Wittman Enterprises' activities.

² Includes fixed costs for items such as Civic Center rent.

As indicated in Table 1, the only costs that would be eliminated by contracting out this service are the billing and payment processing costs of \$317,789. Please note that the billing and payment processing costs for Wittman Enterprises in FY 08 were \$185,091.

Expense Rate

In FY 08, the total net expense for ambulance billing and payment processing services provided by City staff was \$317,789 and resulted in \$5,294,955 in revenue to the General Fund from billing and payment processing services only. The total cost of billing services provided by Wittman Enterprises in FY 08 was \$185,091 and resulted in \$3,084,857 in billed revenue. As such, the expense rate for both programs is essentially equal at approximately 6 percent.

Recommendations

1. Maintain the ALS billing program in-house. At this time there is no apparent cost benefit to outsourcing or in-sourcing ALS and BLS ambulance billing services.
2. Continue to monitor both the City Billing and Collections Division and Wittman Enterprises' ambulance billing programs in an effort to improve the efficiency of billing activities at a reduced cost and increase revenue performance.
3. Require that Wittman remit to the Billing and Collections Division all delinquent BLS accounts as soon as possible to achieve optimal revenue recovery. As Wittman does not provide collection services, this action could potentially result in \$114,000 in additional revenue annually. The City applies a collections charge of 11 percent to all delinquent accounts after 90 days.
4. Recommend that Wittman Enterprises apply a late fee on delinquent City accounts. The City currently applies a 1.33 percent late fee on unpaid accounts 30 and 60 days after the date of invoice. Based on the estimated volume of BLS transports, it appears this late fee could generate \$30,000 in additional revenue to the City annually.

Should you have any questions, please do not hesitate to contact me at extension 8-6427.

cc: Suzanne Frick, Assistant City Manager
Reginald I. Harrison, Deputy City Manager
Dave Ellis, Fire Chief