

OFFICE OF THE CITY AUDITOR

AUDIT OF THE SOUTHWEST GENERAL SERVICES COLLECTION CONTRACT FOR EMERGENCY AMBULANCE SERVICES ADMINISTERED BY THE OFFICE OF FINANCIAL SERVICES, SPECIAL COLLECTIONS DIVISION



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June 30, 2006

Memorandum



CITY OF DALLAS

June 30, 2006

Honorable Mayor and Members of the City Council
City of Dallas

We have conducted a performance audit of the Southwest General Services (SW) collection contract for emergency ambulance services administered by the Office of Financial Services, Special Collections Division (SCD).

Our audit focused on the adequacy of management controls with respect to the City of Dallas (COD) oversight of the contract, SW compliance with the provisions of the contract, and whether methods used to identify billable amounts are consistent with the contract, in accordance with industry standards, and maximize revenues to the City. We performed tests to ensure that the controls were functioning as intended. These tests were limited to COD activities and did not extend to assessing the management controls used by SW pertaining to the contract. We also sought to identify opportunities to improve the current management control system.

As a result of our review, we determined that the SCD's management controls appear adequate for receipts, deposits, and reconciliations of ambulance fees received. However, other areas in service planning and delivery need improvement to address:

- The Dallas Fire-Rescue Department (DFRD) forwarding a high percentage of patient records (twenty one percent) to SW which are incomplete and not billed.
- The monitoring of vendor activities to ensure that collections are maximized and reflect actual performance.
- The SCD oversight of the vendor's collection rate and amendment of the contract to address the impact of new and increased fees on collection performance.
- Timely planning and implementing fee changes to capture all revenues owed to the City.

Our concerns are addressed in the Opportunities for Improvement Section of this report.

We appreciate the cooperation of City staff during our examination.

Paul T. Garner

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Assistant City Auditor

c: Mary K. Suhm, City Manager

**AUDIT OF THE SOUTHWEST GENERAL SERVICES COLLECTION
CONTRACT FOR EMERGENCY AMBULANCE SERVICES ADMINISTERED
BY THE OFFICE OF FINANCIAL SERVICES, SPECIAL COLLECTIONS
DIVISION**

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EXECUTIVE SUMMARY

We performed an audit of the Southwest General Services (SW) collection contract for emergency ambulance services administered by the Office of Financial Services, Special Collections Division (SCD). Our audit period was from the contract commencement date of July 18, 2004 through December 31, 2005.

Our opportunities for improvements are summarized below:

1. Twenty one (21) percent of patient records provided by Dallas Fire-Rescue Department (DFRD) to SW are incomplete and not billed.
2. Vendor performance is not adequately monitored.
 - Documents critical to support vendor performance are neither requested nor provided.
 - SW actual Collection Rate is overstated.
3. The contract performance criteria are not reliable factors to ensure performance under the contract.
 - The contract enables SW to control the collection rate based on Southwest General Services determination of billed and non-billed records.
 - The contract does not address the impact of increases in existing fees and the addition of a new fee.
4. Implementation of fee changes were not adequately planned and made timely.
 - Increases to existing Base Transportation and Loaded Mileage Rates have not been timely made to the mainframe system.
 - The processing and billing of Treatment/No Transport (T/NT) emergency ambulance services have not been adequately planned and implemented.

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Authorization

We have conducted a performance audit of the Southwest General Services (SW) collection contract for emergency ambulance services administered by the Office of Financial Services, Special Collections Division (SCD). We conducted this audit under the authority of Chapter IX, Section 3 of the Dallas City Charter and in accordance with the Annual Audit Plan approved by the City Council.

Scope and Methodology

We conducted our audit in accordance with generally accepted government auditing standards and included inquiries, tests of the accounting and related records, and other audit procedures we considered necessary in the circumstances. Our audit period was from the contract commencement date of July 18, 2004 through December 31, 2005. However, we also reviewed certain related procedures, reports, and events occurring before and after this period.

Our audit objectives were to determine whether:

- Management oversight of the contract is adequate.
- The third-party provider has complied with the provisions of the contract.
- Methods used to identify billable amounts are consistent with the contract, in accordance with industry standards, and maximize revenues to the City.

The new specialized electronic patient care reporting (ePCR) system is being phased in to replace the manual paper based system. However, we did not evaluate or assess the effectiveness of the ePCR system provided by SW.

To develop an understanding of billing and collection activities for emergency ambulance fees, we:

- Reviewed the SW contract, the Request for Proposal (RFP), and other related contract documents.
- Reviewed the City Code, applicable guidelines, and policies and procedures.
- Interviewed City and SW personnel.
- Reviewed prior audit report issued on the City's Emergency Ambulance Service operations.
- Reviewed/Analyzed various documents/reports.
- Surveyed other municipalities/entities regarding their emergency Ambulance Service operations.

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Overall Conclusion

Based on the work performed, we conclude that:

- Management oversight of the contract needs improvement to address:
 - Dallas Fire-Rescue Department (DFRD) lack of involvement with the administration and monitoring of patient information provided for billing to SW.
 - SCD monitoring of vendor performance reports and the process for verifying the accuracy of the monthly collection rate.
 - Lack of coordination between DFRD and SCD to more clearly address/define/coordinate the oversight activities/responsibilities.
- The collection rate, as the key factor in determining contract performance, is not reliable since the contract enables SW to determine the amount billed and the denominator used in the computation of the monthly collection rate.
- Revenues are not being maximized due to insufficient patient billing information provided by DFRD to SW, inadequate planning and implementation for changes in rates and fees, and the absence of incentives in the contract to improve vendor performance.

Specific issues are discussed in the *Opportunities for Improvement* section of this report.

Background

City Council Resolution #04-1433 approved the sixty-month billing, collecting, and reporting contract with SW that commenced on July 18, 2004. Based on the contract SW receives 14.5 percent as commission on the net amount collected. SW also guarantees that it will collect, by the end of the applicable twelve-month collection process, 52 percent of the gross amount billed for ambulance transports and services for a particular transport month.

Four entities are primarily involved in the various activities related to the City of Dallas (COD) emergency ambulance services.

- The Dallas Fire-Rescue Department (DFRD) – Emergency Medical Services (EMS) Division is responsible for providing twenty-four hour emergency ambulance service for the Cities of Dallas (COD) and Cockrell Hill. There are 46 Fire-Rescue stations that operate 53 ambulances (32 front-line Mobile Intensive Care Rescue Units (MICU's), nine additional MICUs during peak demand, two paramedic-equipped engines, and ten reserve units. These units provide emergency treatment and transportation of patients to various medical facilities. MICUs are staffed with firefighters who are crossed-trained as State-certified Paramedics who are required to manually complete demographic and treatment information for each patient treated on EMS Form 200 (transport log). This information is then input into the City's mainframe computer database and used

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to send patients notices of obligation (Bill/Invoice/Statement) that reflect the total amounts charged for services and/supplies provided.

- The Department of Communication and Information Services (CIS) maintains the City's mainframe system and weekly transmits emergency ambulance patient record data to SW for processing and billing.
- SW processes patient record data; submits claims to Medicare, Medicaid, private insurers, and/or bills individuals for services provided; maintains/updates patient accounts; and prepares monthly reports, etc. SW is also responsible for providing to the City analytical information relating to the collection of ambulance fees and assisting customers with questions regarding emergency ambulance services.
- The SCD is responsible for administering the SW contract, receiving payments, making deposits, providing payment/overpayment information to SW, and processing SW monthly commission payment requests.

Effective October 1, 2005, the City Council approved rates/fees for emergency ambulance services are:

1. Base Transport Rates: \$600 for COD residents and \$700 for City of Cockrell Hills residents. (Rates increased from \$320 for COD residents and from \$420 for City of Cockrell Hill residents, respectively).
2. Loaded Mileage Rate of \$9.00. (Rate increased from \$7.40). The Loaded Mileage Rate starts from the time a patient is loaded in the ambulance and is transported/delivered to a hospital/medical treatment facility).
3. Treatment/No Transport charge of \$125. (This is a new fee).

Revenues and Commissions amounts reported for FY 2004-05 and budgeted for FY 2005-06 are summarized below:

Description	FY 2004-05	Budgeted FY 2005-06
Emergency Ambulance Fees	\$9,922,248*	\$14,475,286
Commissions to SW	\$1,472,782*	\$2,098,916**

* Reported by Special Collections Division.
** Calculated by Auditors.

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Selected data and activities, specific to the Emergency Ambulance Service operations for October 2004 through February 2006, are summarized below:

Description	October 2004 thru September 2005	October 2005 thru February 2006
DFRD Data		
Incidents dispatched by DFRD	162,833	67,776
Incidents transported	55,773	22,966
Incidents not transported	107,060	45,147
Records sent to SW	56,742	44,772
Records Not sent to SW	109,610	24,218
SW Data		
Records received by SW	56,940	22,974
Billable Records	44,618	18,309
Billable Charges	\$18,240,259	\$12,276,925
Net Collections	\$10,194,124	\$3,932,789
Commissions paid (calculated)	\$1,478,148	\$570,254
Non-Billable Record	12,322	1,852
Non-Billable Charges	\$5,112,561	\$3,237,402

OPPORTUNITIES FOR IMPROVEMENT

During our audit we identified certain policies, practices and procedures that should be improved. Our audit was not designed to be a detailed study of every system, procedure, and transaction. Accordingly, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. Twenty one (21) percent of patient records provided by DFRD to SW are incomplete and not billed.

Of 79,714 transport records established by DFRD from October 1, 2004 through February 28, 2006, 16,987 are incomplete and not billed.

Description	DFRD Data	SW Data	Charges Billed/(Not Billed) by SW
October 2004 thru September 2005			
Transport Records sent to SW	56,748		
Billable records by SW		44,618	\$18,240,259
<i>Non-Billable records</i>		12,322	\$5,112,561
October 2005 thru February 2006			
Transport Records sent to SW	22,966		
Billable records		18,309	\$12,276,925
<i>Non-Billable records</i>		4,665	\$3,237,402
Total Billable Records	79,714	62,927	\$30,517,184
Total Non-Billable Records		16,987	\$8,349,963

As the department that establishes the patient record, the DFRD does not provide SW with adequate information to bill all patients for services rendered. These services (emergency treatment and ambulance transport) are provided by EMS paramedics and documented on a Patient Form record EMS Form 200 (Patient Form) for each patient treated. To ensure proper completion of the Patient Form, DFRD provides paramedics specific instructions for filling out the Form and for entering the patient information, treatment and/or transport into the mainframe system.

During treatment and transport of patients, paramedics do not complete the Patient Form at the scene of the emergency. DFRD requires paramedics to complete Patient Forms and enter data into the mainframe system within three shifts from the date of transport and/or treatment. However, this is not done. By not completing the Patient Form immediately during and after treating and releasing the patient, information needed for billing is less likely to be entered if they wait until the end of the third shift to input data in the mainframe system. Paramedics often neglect to collect any data on billable insurers, nor sufficient minimum patient information in order to bill the patient. In cases involving the Dallas Police Department (i.e., traffic accident with injuries, etc.), DFRD does not contact the Dallas Police Department for police reports to obtain relevant information for billing.

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Minimum information required to bill include:

- Patient first and last name
- Date of birth and/or age of patient
- Gender
- Address (number, street, apartment number, city, state, zip code)
- Responsible party (i.e. parent's name if patient is a minor)
- Patient disposition (i.e. chief complaint, vitals, EKG rhythm, etc.)

By requiring immediate completion of the Patient Form in the presence of the patient, paramedics are more likely to complete the required minimum information needed for billing in addition to treatment and/or transport. In order to improve billing, DFRD must take adequate steps to ensure that the data collected at the time of service are complete. DFRD has attempted to address incomplete Patient Forms whereby the QA coordinator provides weekly mainframe reports of incomplete Patient Forms to DFRD supervisory personnel for follow-up. Although DFRD's Quality Assurance (QA) coordinator functions to ensure completeness and timeliness (at the end of the third shift) of records submitted, SW must often contact hospitals, insurers, and patient families to obtain needed information for billing on records received weekly from DFRD. However, paramedic performance is not measured as a component of billings to assure completion of the Patient Form.

Current practice and requirement of the RFP is that SW initiate necessary actions to obtain complete patient information (i.e., contact with DFRD, skip tracking, hospital contact, etc.) for billing purposes. Essentially, DFRD is relying on SW to obtain the additional information related to gaps in patient records to complete the record for billing. Even though SW generates monthly reports on the number of records/incidents received that have not been billed, SW does not provide these reports to DFRD, nor has DFRD requested this information. DFRD does not routinely monitor, nor analyze, nor reconcile the emergency ambulance records that have been provided to SW with its own generated data.

Thus, the information provided by DFRD is insufficient. As a result, the City does not maximize revenue to the City from such service.

The RFP Specifications, incorporated in the contract, include the following provisions on maximization of revenues and recovering all charges:

Section I.1 states that the "City's primary objective with regard to ambulance service fee collections is to maintain the highest standard of service ... while maximizing net revenues to the City from such service."

Section I.3.f defines Billing as "Sending a notice of obligation (Bill/Invoice/Statement) that reflects the total amount charged for goods and/or services provided."

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In order to accomplish these service objectives, the City needs to bill timely for services rendered. Additionally, to ensure staff accountability, the DFRD should establish for paramedics performance measures that are tied to measurable outcomes reflecting actual completion of Patient Forms.

We recommend the Chief of Dallas Fire-Rescue Department:

- Coordinate with OFS to complete a cost/benefit analysis to determine whether records with:
 - Complete patient information and services rendered should be handled internally by OFS-Central Collections Division.
 - Incomplete patient information and services rendered should be handled by a third party collector such as SW.
- Establish employee/departmental performance criteria which measures quality of patient information provided for billing against records actually billed by SW.
- Establish Quality Assurance procedures for obtaining and analyzing weekly reports from SW on the incidents received that are incomplete and non-billable.
- Provide training to paramedics to address the quality of the documentation needed for emergency ambulance incidents and to ensure that all records provided to SW are recorded and tracked until billed by SW.
- Coordinate efforts with Special Collections Division to more clearly define DFRD's roles and responsibilities and to develop mechanisms to effectively monitor/evaluate/measure SW performance.

Management's Response:

In response to the performance audit conducted regarding the billing and collections contract, the Dallas Fire-Rescue Department is in agreement with portions of the information presented in the findings. Specifically, Dallas Fire-Rescue continually seeks ways to enhance our ability to obtain complete and accurate information related to patient care records. Our current emergency medical record system is outdated and does not provide the best method of capturing timely and complete data related to patient care. With this in mind, the development of the electronic reporting system utilizing laptop computers is in progress. This new system allows paramedics to capture the patient's data at the time of the incident which will greatly increase the completeness and quality of patient information. Implementation is under way and completion of this new system is anticipated in the very near future.

Dallas Fire-Rescue concurs that the review of all records would greatly enhance our ability to ensure accurate and complete reporting. Complete patient record reconciliation has not occurred within our department due to the enormity of the record volume (155,967 records for FY 05/06) which precludes a complete reconciliation process without additional staff support. Currently, random audits are conducted and retraining is provided to paramedics as necessary. In addition, paramedic performance is measured in relation to the completeness and accuracy of patient records.

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Coordination with the police department on the scene is often times not practical due to the need for immediate transportation of the patient prior to their arrival. Reconciliation of records after the transport could be effected but would require additional staff support.

In addition, Dallas Fire-Rescue will coordinate with OFS to complete a cost/benefit analysis regarding patient records, establish quality assurance procedures related to weekly reports from the billing agency, and coordinate efforts with Special Collections to more clearly define rules and responsibilities related to the billing vendor's performance.

2. Vendor performance is not adequately monitored.

The SCD is not adequately monitoring vendor performance reports and verifying the accuracy of the calculation of monthly collection rate. We noted that:

- A. Documents critical to support vendor performance are neither requested nor provided.** SW does not provide any supporting documentation for various amounts reported to ensure that the amounts are supported and verifiable. Each month SW submits a request for commission payment ("commission fee"). This "Commission Invoice" shows monthly totals for the period since the initial date of the contract through the reporting month for various billing and collection activities. SW reports include information pertaining to payments and adjustments made to payments. SCD reconciles the reported payments and adjustments made to payments to monthly reports prepared by SCD. However, other amounts such as Accounts Receivable, Non-Billable Charges, Medicare Non-Allowable, Medicaid Non-Allowable, etc. are not verifiable without appropriate supporting system generated documentation. As a result, there is no assurance that information reported is reliable and accurate.

Furthermore, the Specification in the RFP required the vendor to provide specific reports of vendor activity and performance as defined under "Minimum Customer Service Requirements". Our discussions with SCD personnel revealed that several of these required reports were not provided by SW, and that SCD was not aware of this provision requiring the missing reports. As a result, SW was non-compliant with the "Minimum Customer Service Requirements." However, it also appears that the purpose of these reports was not clearly understood nor used by SCD as a tool to evaluate vendor activities and to monitor vendor performance.

B. SW actual Collection Rate is overstated.

SW reported monthly collection rate is overstated and is not calculated in accordance with the RFP. According to SW Monthly Vendor Performance Analysis Report (VPAR), SW appears to exceed the guaranteed collection rate. The contract allows SW to "... exercise independent judgment in performing its duties under this contract and is solely responsible for setting work hours,

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scheduling or prioritizing the work flow and determining how the work is to be performed.” The contract further requires that SW guarantees that it will collect, by the end of the of the applicable twelve-month collection process, 52 percent of the *gross amount billed* for ambulance transports and services for a particular transport month.

Section 1.3, Glossary of Terms and Definitions, included in the RFP, states the following:

“Amount Collected – is calculated by subtracting from the total dollar amount collected, the dollar amounts for adjustments resulting from refunds, returned checks and posting errors.

Gross Amount Billed – means the total amount billed for each transport month. “Gross Amount Billed” **will not** be adjusted. (Emphasis **will not** is in the RFP.)

Guaranteed Collection Rate – is calculated as the “Amount Collected” divided by the “Gross Amount Billed”.

Based on the definitions shown above, SW has not computed the monthly collection rate in accordance with the contract. The following information is summarized from SW VPAR for March 2006, and shows data for collection months, twelve months and greater. Based on information shown in the table below, SW uses *adjusted* “Gross Amount Billed” in computing monthly collection rate, which reports the collection rate at a higher percentage than the contract requires.

Month of Service	Billable Charges (A)	Net Collections (B)	Government Non-Allowable			SW Reported Collection Rate ⁽¹⁾	Auditor's Computed Collection Rate ⁽²⁾
			Medicare (C)	Work Comp & Other (D)	Medicaid (E)		
Aug 2004	\$1,413,602	\$783,657	\$71,670	\$2,330	\$108,160	68.32%	55.47%
Sep 2004	\$1,386,258	\$751,674	\$69,035	\$4,707	\$105,108	67.12%	54.22%
Oct 2004	\$1,448,641	\$750,269	\$67,953	\$2,551	\$99,735	63.54%	51.79%
Nov 2004	\$1,308,055	\$719,932	\$64,525	\$3,316	\$107,133	68.42%	55.04%
Dec 2004	\$1,343,039	\$781,821	\$77,101	\$2,939	\$111,734	72.49%	58.21%
Jan 2005	\$1,345,909	\$837,648	\$61,180	\$4,666	\$113,474	75.56%	62.24%
Feb 2005	\$1,340,782	\$841,934	\$59,413	\$1,910	\$99,185	74.77%	62.79%
Mar 2005	\$1,378,073	\$855,855	\$66,897	\$3,565	\$113,542	75.46%	62.11%

⁽¹⁾ SW computed collection rate as follows: Sum of (B + C + D + E) divided by A.

⁽²⁾ Auditors computed collection rate as follows: B divided by A.

As a result, SW monthly collection rate reported in the VPAR is overstated by ten percentage points and more for the reported months of service. Thus, the monthly collection rate is inaccurate and unreliable.

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We recommend the Director of Financial Services:

- A. Require that SW provide supporting documentation, such as system generated summary reports, for the various monthly amounts reported to ensure that the amounts shown on the VPAR are supported and verifiable; and establish the purpose for the reports listed under “Minimum Customer Service Requirements” in evaluating vendor performance.

- B. Ensure that SW computes monthly collection rate based on the “Amount Collected” divided by the “Gross Amount Billed”, and take the necessary, actions in accordance with the contract for any month that SW does not meet the 52% guaranteed collection rate.

Management’s Response:

- A. We concur and offer that:

SCD staff currently monitors the following reports provided by SW:

1. Accounts Receivable Reconciliation Report (monthly)
2. Report of Transports Received and Billed
3. Report of Collections
4. Commission Invoice Report
5. Medicare/Medicaid Activity Report
6. Exempt City transport accounts (monthly)
7. County jail prisoner transports (monthly) (Note: This report is sent to the County, as well as, to SCD)
8. Aged Accounts Receivable analysis
9. Analysis of all money written-off
10. Daily accounting reports reflecting payments

The following reports are not provided by SW:

1. Transports related to Cockrell Hill
 - a. SW has been instructed to provide this report effective July 2006
2. Outstanding ambulance account analysis
3. Listing of notices sent by payer type
 - a. SCD believes that the information provided in reports 2 and 3 above are a duplication of information already provided in other requested reports being provided by SW. Additional reports (as shown below) have been requested that better serve and assist in the monitoring of the SW contract

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Additional reports requested and provided by SW:

1. Report of records received (weekly)
2. Non-Postable report (daily)
3. Unapplied transactions (monthly)
4. Cash discrepancy report (daily)

SW will also provide to the City of Dallas Fire/Rescue Department (DFRD) and Special Collections a monthly detailed data PDF file of all records received and the status of each account.

SCD will also request from both DFRD and SW a report or supporting documentation for any transactions provided to SW that are not entered into the mainframe system.

SCD will coordinate with DFRD to continue receiving the transport activity report which details records sent to SW.

B. There are two types of reductions that must affect "Charges Received":

1. Government Non-allowables

SW overstated its "Net Collections" by adjusting them to include the Medicare/Medicaid write-offs and the Work Comp and Other required write-offs, however, the "Gross Amount Billed" (Billable Charges) were not adjusted and should have been. We know, upfront, that there are certain EMS related charges that cannot be billed to Medicare/Medicaid or Work Comp and, therefore, are "Not Billable Charges". SW is not aware that they are non-billable until accounts are researched and/or they make contact with the patient and find out they are Medicare/Medicaid eligible.

2. Other "Non-Billables"

It is our recommendation that SW utilize the table below to better reflect their collection activity and to effectively show how the charges received are being handled by SW (i.e. Charges received from DFRD, less Government Non-Allowables, less all other non-billables to arrive at the "Gross Amount Billed"). The SW and SCD can compute the collection rate by using column G divided by column F or "Net Collections divided by the "Gross Amount Billed".

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Month of Service	Charges Received (A)	All Non-Billables (excluding: Medicare/caid & WkComp (B))	Government Non-Allowables				Total B+C+D+E (F)	Billable Charges (Gross Amount Billed) (G)	Net Collections (H)	Collection Rate
			Medicare (C)	Medicaid (D)	Work Comp (E)					
Aug-04	\$ 1,413,602	\$0	\$ 71,670	\$ 108,160	\$ 2,330	\$ 182,160	\$1,231,442	\$783,657	63.64%	
Sep-04	\$ 1,386,258	\$0	\$ 69,035	\$ 105,108	\$ 4,707	\$ 178,850	\$1,207,408	\$751,674	62.26%	
Oct-04	\$ 1,448,641	\$0	\$ 67,953	\$ 99,735	\$ 2,551	\$ 170,239	\$1,278,402	\$750,269	58.69%	
Nov-04	\$ 1,308,055	\$0	\$ 64,525	\$ 107,133	\$ 3,316	\$ 174,974	\$1,133,081	\$719,932	63.54%	
Dec-04	\$ 1,343,039	\$0	\$ 77,101	\$ 111,734	\$ 2,939	\$ 191,774	\$1,151,265	\$781,821	67.91%	
Jan-05	\$ 1,345,909	\$0	\$ 61,180	\$ 113,474	\$ 4,666	\$ 179,320	\$1,166,589	\$837,648	71.80%	
Feb-05	\$ 1,340,782	\$0	\$ 59,413	\$ 99,185	\$ 1,910	\$ 160,508	\$1,180,274	\$841,934	71.33%	
Mar-05	\$ 1,378,073	\$0	\$ 66,897	\$ 113,542	\$ 3,565	\$ 184,004	\$1,194,069	\$855,855	71.68%	
⁽¹⁾ SW computed collection rate as follows: H divided by G.										

Auditor's Comment:

Since the contract does not define "Charges Received", Management's determination of billable charges, as shown above is based on Management's interpretation and not necessarily in accordance with the contract. We encourage Management to consult with the City Attorney as to whether the contract should be amended to fully clarify the determination of "Billed Charges".

3. The contract performance criteria are not reliable factors to ensure performance under the contract.

The performance criteria upon which the commission fee is payable to SW do not assure the maximization of revenue.

A. The contract enables SW to control the collection rate based on Southwest General Services determination of billed and non-billed records.

The contract allows SW to use its own judgment in determining what records are billable and/or non-billable, without any city oversight. Neither DFRD nor SCD is monitoring the filtering of patient records received from DFRD. This practice enables SW to base its collection percentage on a smaller, billable population, for which collection is more likely. As a result, factors used by SW to determine billable/non-billable records are not monitored or scrutinized by the DFRD, the SCD, or any other City department.

DFRD, as the principal service provider in establishing patient records, needs to be the main proponent in determining billable criteria. The current contract does not specify DFRD's responsibility beyond to "provide goods and/or services

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resulting in a customer obligation to the City of Dallas of which an accounts receivable is created.”

The department that is the main signatory to the contract (which implies primary monitoring and oversight responsibility) is the SCD. However, the contract states that the SCD is responsible for the ongoing monitoring of the Billing and Collection of Emergency Ambulance Service fees contract. SCD’s monitoring of the contract in practice is limited to collecting payments, preparing deposits, and reconciling its payment records to the payments posted by SW. Without knowing how many records established by the DFRD are actually billed by SW, SCD is not in a position to effectively monitor the billing and collection of emergency ambulance fees. The DFRD, as the city department that establishes the initial record of treatment and/or transport, is in a better position to determine billing outcomes of all patient records established.

Section 1.3, Glossary of Terms and Definitions, included in the RFP, states the following:

“Amount Collected – is calculated by subtracting from the total dollar amount collected, the dollar amounts for adjustments resulting from refunds, returned checks and posting errors.

Gross Amount Billed – means the total amount billed for each transport month. “Gross Amount Billed” **will not** be adjusted. (Emphasis **will not** is in the RFP.)

Guaranteed Collection Rate – is calculated as the “Amount Collected” divided by the “Gross Amount Billed”.

SW guaranteed collection rate of 52 percent of the *net collection* amount is not a meaningful performance measure and does not provide incentives to maximize revenues.

Revenue generating contracts should include incentives to induce vendors to maximize revenues (for example requiring minimum annual guaranteed amount, and/or percentages tied performance collection thresholds), and to ensure accountability for responsible city departments.

B. The contract does not address the impact of increases in existing fees and the addition of a new fee.

The contract is silent regarding the impact of changes in existing fees and the addition of new fees and SW performance. Material increases in fees and rates were made to the emergency ambulance services, however, based on the current guaranteed collection rate of 52 percent, there is no additional incentive

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for SW to adjust its collection rate. As shown in the information summarized in the table below, since October 2005, the average amount per billable record has increased approximately 46.5%. (Source March VPAR)

Month of Service	Number of Billable Records	Billable Charges	Average Amount per Billable Record
Jun 2005	3,123	\$1,382,453	\$442.67
Jul 2005	3,236	\$1,468,857	\$453.91
Aug 2005	3,652	\$1,585,770	\$434.22
Sep 2005	3,645	\$1,574,750	\$432.03
Oct 2005	3,889	\$2,518,059	\$647.48
Nov 2005	3,491	\$2,257,561	\$646.68
Dec 2005	3,909	\$2,510,909	\$642.34

Without the increases in rates and fees, SW has already surpassed the guaranteed collection rate for all but one month during the period August 2004 through March 2005 (see Table in Finding 2, page 10). As a result of the increased rates and fees, SW is anticipated to surpass the guaranteed collection rate by an even larger percentage, due to the rate increases and the new charge levied for Treatment/No Transport. Thus, the current guaranteed collection rate is therefore wholly inadequate to serve as a significant incentive to ensure that SW maximizes its collection efforts. Thus, the contract should be amended to include provisions to address changes in rates and chargeable services, and the basis for compensation.

We recommend the Director of Financial Services consult with the City Attorney to address:

- A. Including in the contract provisions to require SW to specify a minimum annual guaranteed amount to ensure a level of minimum performance and establish thresholds of performance to provide incentives for the vendor to maximize collections.
- B. Whether the contract should be amended due to increases to existing fees and the addition of a new fee.

Management's Response:

We concur and will coordinate a meeting with the City Attorney's Office to discuss A and B above.

Please note that, in the past, Emergency Medical Services (EMS) contracts have had varied incentives: sliding scales, penalties, fee retainages by the City, etc. What we learned was that these intended incentives did not improve the level of collections and

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in many instances had the opposite effect on revenues and found the percentage of collections declining rather than increasing. With the increased difficulty in collecting on an aged account, the vendors focus became the collection of current accounts, which netted them revenue quickly rather than aged accounts (with a higher percentage fee) that could take long periods of time before any revenues were generated for their company. Also the vendor was paid a flat fee for every account billed which caused them to bill accounts that were unknown or incomplete which, again, generated revenue for the vendor and not for the City.

We do concur that revenue generating contracts should include incentives to induce vendors to maximize revenues (for example requiring a minimum annual guaranteed amount, and/or percentages tied to performance collection thresholds), and to ensure accountability for responsible city departments.

4. Implementation of fee changes were not adequately planned and made timely.

Procedures for administering a new fee and for fee increases to existing Base Transportation and Loaded Mileage rates are inadequate.

A. Increases to existing Base Transportation and Loaded Mileage Rates have not been made timely to the mainframe system. Discussions with SW personnel revealed that the Base Transportation and Loaded Mileage Rates effective, October 1, 2005, were not the rates included with reports/incidents received from DFRD for October and November 2005. SW personnel indicated that during the billing process SW made changes to the patients' records to reflect the new rates.

Discussions with DFRD and SCD personnel did not clearly identify the department/division responsible for coordinating the implementation of the new fee structure to ensure that the fee changes were made timely and properly processed. The activities associated with the administrative oversight and monitoring of the emergency ambulance services contract have not been clearly coordinated between DFRF, CIS, and SCD. City Code has not been revised to reflect increases in Base Transportation and Loaded Mileage Rates for emergency ambulance services. Thus, there is no assurance that emergency ambulance services provided as of October 1, 2005 have been billed at the approved rates.

B. The processing and billing of Treatment/No Transport (T/NT) emergency ambulance services have not been adequately planned and implemented.

During interviews with individuals from DFRD, CIS, SW, and SCD we determined that there are no formal procedures/billing protocols for patients, who are provided emergency ambulance service treatments at the scene, who are not transported to a hospital or other medical facility.

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T/NT is a new fee approved by City Council effective October 1, 2005. T/NTs were to be billed at \$125 per patient. and projected Budgeted revenues from this new charge for FY 2005-06 are estimated at \$882,229. On January 16, 2006, we contacted SW regarding T/NTs received and processed. SW personnel informed us that they had received approximately 15,000 T/NTs from DFRD. As of March 1, 2006, SW informed us that approximately 2,500 of these T/NTs had been billed. However, SW officials stated that as a result of complaints by patients who were billed for T/NTs, (such as patients billed, even though they declined treatment; and patients who were administered non-emergency medical services such as blood pressure checks and other vital sign indicators), the billings for T/NTs have been temporarily suspended. In the meantime, SW has requested Special Collections to provide formal guidance on proper billing procedures for T/NTs.

Several factors contributed to this condition, namely:

- Current City Ordinances have not been revised to establish T/NTs as a separate fee charged for DFRD emergency ambulance services.
- DFRD has not developed guidelines for paramedics specific to T/NTs such as appropriate information to record and the types of treatments that are billable / non-billable.
- SCD did not timely coordinate service fee changes with CIS and other affected departments/agencies.
- SW has not been provided formal guidelines specific to T/NT for timely billing purposes.

As a result:

- Revenues may not be received, even though billable services are being rendered.
- Treatment provided to T/NT patients may not be processed consistently.
- SW has developed its own billing procedures for T/NTs without any formalized guidance from DFRD/SCD.
- Potential lawsuits, delayed/non payment of T/NTs may result from inconsistent T/NT treatment.
- Vendor performance may not be readily determined and measured.
- The City may make decisions and rely on information that is inaccurate and not verified.

We recommend the Director of the Office of Financial Services:

- A. Consult with the Chief of DFRD, and the Director of CIS, to coordinate, develop, and identify roles/responsibilities specific to administrative monitoring and oversight of the emergency ambulance service contract, and to ensure fee changes are made timely.

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- B. Develop guidelines specific to T/NTs such as information needed to be recorded for the types of treatments that are billable / non billable, and provide SW with formalized guidance for billing T/NT services rendered.

Consult with the City Attorney:

- To ensure that the code is updated to reflect current charges for emergency ambulance services rendered, including T/NTs.
- On appropriate actions needed to handle T/NTs not billed for which service has already been provided.

DFRD Management's Response:

The treatment – no transport fee was originated and administered by the Division of Special Collections. Dallas Fire-Rescue has not been involved in the process of developing or structuring the billing process for that fee but is willing to assist with that task if desired.

OFS Management's Response:

- A. We concur and will coordinate a meeting with the Chief of DFRD to develop and identify roles/responsibilities specific to administrative monitoring and oversight of the emergency ambulance service contract, and to ensure fee changes are made timely.

In addition, we will ask SW to notify both the DFRD and SCD of any proposed Medicare / Medicaid increases or other changes in government regulations that would impact our current fee structure.

- B. We concur and offer that although SCD provided formal procedures/billing protocols for the processing and billing of Treatment/No Transport (T/NT) emergency ambulance services there was no clear direction from the DFRD. SCD will coordinate with the DFRD to develop formal guidelines specific to T/NTs and provide to SW.

We concur and will coordinate a meeting with the City Attorney's Office for both the DFRD and SCD before July 20, 2006, to discuss the two bullet points above.