Modernize Medi-Cal Reimbursement for California's Essential Ambulance Services

Background

Emergency ambulance service is essential; it is the first component of the healthcare safety net and the public expects the 9-1-1 system to quickly respond in an emergency. Unlike other healthcare providers, emergency ambulance providers are mandated to provide emergency services regardless of the patient's ability to pay and all emergency ambulance services are subject to rate regulation by local government agencies. Previously available revenue offsets and opportunities for cost shifting are evaporating at lightning speed as healthcare reforms are accelerating at the national, state and local level. Ambulance services provide significant levels of uncompensated care including charity care provided to the uninsured and below-cost reimbursement from Medi-Cal, Medicare and other government insurers.

Medi-Cal Fails to Recognize Paramedic-level Care

The current Medi-Cal payment system for ambulance services is based upon 30-year old policies which are not current with the needs of California's Medi-Cal beneficiaries and the medically appropriate patient care delivered by California's emergency medical services system. For example, while paramedics have delivered advanced life support (ALS) services since the early 1970's, the Medi-Cal payment system does not recognize paramedic level care, even for heart attack or trauma patients.

History of Medicare Ambulance Fee Schedule. This year marked the final phase-in of a national fee schedule for reimbursement of ambulance services provided to Medicare beneficiaries. While the final rates were implemented in 2010, the majority of the Medicare ambulance payment system was implemented in 2002. The resulting national fee schedule properly aligns Medicare reimbursement of medically-necessary ambulance services (i.e., the payment system includes service levels, definitions, billing codes and rates) assuring medically appropriate and quality emergency and non-emergency ambulance transport services are delivered to Medicare beneficiaries.

On April 1, 2002, the Centers for Medicare and Medicaid Services (CMS) implemented the national Medicare Ambulance Fee Schedule. The fee schedule was developed by a prestigious *Negotiated Rulemaking Committee* involving national experts and stakeholders on emergency medical services, including physician medical directors, finance and billing experts, public and private ambulance providers, state regulators, and federal health care financing administrators.

The new ambulance fee schedule established *service levels, definitions* and *HCPCS (Healthcare Common Procedure Coding System) codes* at basic life support (BLS), advanced life support (ALS) and Specialty

Care Transport (SCT) clinical levels which were implemented on April 1, 2002. In addition, the phase-in of new ambulance *reimbursement rates* began on April 1, 2002 (with phase-in completed on January 1, 2010). Then on April 2, 2010, CMS fully implemented the ambulance *medical conditions list* which properly identifies the medically appropriate service level based upon the condition of the patient at time of service and recognizes that ambulance personnel do not diagnose. The Medicare carrier that processes ambulance claims in California, Palmetto GBA, uses this Medicare payment system to process ambulance claims for Medicare patients transported in California.

Following implementation of the national Medicare Ambulance Fee Schedule, most state Medicaid programs have adopted the HCPCS codes that correspond to the six levels of ambulance service established by Medicare. Many state Medicaid programs have definitions for each of the various levels of service that parallel Medicare's definitions (Medicare service levels include definitions that accommodate state-specific regulations). In addition, several state Medicaid programs (for example, NC, LA, MS, AZ and OK) have tied their Medicaid rates for all or some of their service levels to the corresponding Medicare rate. Medi-Cal ambulance rates rank as the 41st lowest out of all 50 states.

Federal Law Requires Uniform System of Claims Processing. The Health Insurance Portability and Accountability Act of 1996 (HIPAA) requires a uniform system of claims processing. Under HIPAA (45 CFR 1002(a)(5)), covered entities, including Medicaid agencies, are required to use a combination of Current Procedural Terminology (CPT) and the Healthcare Common Procedure Coding System (HCPCS) codes for a number of health care services, including "transportation services including ambulance," with initial compliance required by October 2002. Currently, the California Department of Healthcare Services does not utilize the HIPAA-required uniform system of claims processing.

State Law Requires Medicare Payment System for Ambulance Transport of Patient Inmates. On 9/1/09, legislation (SBX4-13, Penal Code Section 5023.5) became effective which adopted the Medicare payment system and rates for ambulance transportation services provided to patient-inmates in the state prison system. In addition, the law stipulates that services will be reimbursed at 100% of the Medicare rates until contracts are established. Under fully-executed California Department of Corrections and Rehabilitation (CDCR) agreements, the law establishes a maximum rate of 120% of Medicare rates.

Nationally, more states are expected to adopt the required HCPCS codes, in addition to Medicare service levels, definitions and rates, based upon HIPAA mandates and now that the Medicare ambulance fee schedule is fully implemented. For more information about the Medicare Ambulance Fee Schedule, go to the Centers for Medicare and Medicaid Services (CMS) *Ambulance Services Center* at http://www.cms.gov/center/ambulance.asp.

Medi-Cal Severely Underfunds Essential Ambulance Services

In addition to an antiquated claims processing system, Medi-Cal severely underfunds ambulance services:

- Medi-Cal rates cover about *one quarter* of the cost of service (EDS, 2008; GAO, 2007)
- Medi-Cal rates are about *one third* of Medicare rates (EDS, 2008; CMS, 2007)
- 88% of Medi-Cal ambulance transports were *emergencies* in 2008 (EDS, 2008)
- Medi-Cal is underfunded by approximately *$165 million per year* (CAA, 2009)

There is presently absolutely no relationship between the current Medi-Cal payment system and the actual costs associated with delivering ambulance services, whether the provider is public or private.

Medi-Cal ambulance reimbursement must ultimately be increased to cover the cost of medically necessary services delivered to Medi-Cal recipients. The Medi-Cal State Plan (Attachment 4.19-B) requires the state agency, the Department of Health Care Services (DHCS), to develop an "evidentiary base or rate study" in establishing rates. To date, no rate study has been performed by the state for reimbursement of ambulance services.

A comprehensive federal study on ambulance costs in 2007 indicates current Medi-Cal rates cover approximately one quarter of the average cost of service and also clearly demonstrates there is no evidentiary basis for current Medi-Cal ambulance rates. The federal ambulance cost study was conducted by the U.S. Government Accountability Office (GAO) titled, "Ambulance Providers: Costs and Expected Margins Vary Greatly" (GAO-07-383) and found that Medicare rates were 6% below the national average cost of ambulance service.

The solution is to amend the Medi-Cal State Plan to designate the 2007 ambulance cost study by GAO, adjusted by the Consumer Price Index-Urban (CPI-urban) and the California weighted-average Geographic Practice Cost Index (GPCI), as the evidentiary basis for establishing Medi-Cal ambulance rates. Pursuant to Welfare and Institutions Code Section 14105.25 (a), the payment rates for Medi-Cal ambulance rates should be based upon the applicable rates for services delivered to California's Medicare beneficiaries under the Medicare ambulance fee schedule. While Medicare rates are still substantially below the average cost of service, linking Medi-Cal rates to the corresponding Medicare rates would substantially address the severe underfunding which threatens the state's critical 9-1-1 system infrastructure.

Solution

In 2012, CAA sponsored AB 1932, the Ambulance Payment Reform Act (authored by Senator Ed Hernandez). The bill would have adopted Medicare services levels and definitions and recognize the ALS level of care. AB 1932 would ensure Medi-Cal:

- recognizes the delivery of clinically appropriate medical care to ill and injured Medi-Cal beneficiaries, including advanced life support (ALS) and specialty care transport (SCT) levels
- establishes medical necessity based upon current policies set by state and local EMS regulations and *physician* medical directors
- matches payment level with the services required by the condition of the patient at time of service request and recognizes that EMTs and paramedics do not diagnose
- bundles all add-on charges into a single base rate and mileage
- improves access to medically necessary services by discontinuing claims processing practices that inappropriately deny or downgrade payment based upon inaccurate medical justifications
- improves the efficiency of ambulance claims processes by implementing a uniform system of claims processing and by adopting the clinically appropriate and medically-justified service levels and definitions established by Medicare

Those concepts should be implemented in two phases:

Phase I -- Medi-Cal Adopts Medicare Billing Codes, Service Levels & Definitions. In the first phase, Medi-Cal would adopt the various levels of ambulance service payable by Medicare described below:

Medi-Cal Code	HCPCS Code	Service Level	Description
X0400	A0428	BLS-NE	Basic Life Support Non-Emergency
X0030	A0429	BLS-E	Basic Life Support Emergency
	A0426	ALS-NE	Advanced Life Support Non-Emergency
	A0427	ALS-E	Advanced Life Support Emergency
	A0433	ALS-2	Advanced Life Support 2
	A0434	SCT	Specialty Care Transport
X0034/X0402	A0425	Mileage	

The Medicare ambulance service levels are found in CMS Manual, Pub. 100-02, Chapter 10, Section 30.1.1. The Medicare ambulance modifiers and HCPCS codes are found in Chapter 15, Section 30 of the Medicare Claims Processing Manual located at www.cms.gov/manuals/downloads/clm104c15.pdf.

Phase II – Medi-Cal Adopts Medicare Rates. In the second phase, Medi-Cal would adopt applicable Medicare rates to provide needed financial support to the state's essential 9-1-1 emergency medical services system:

Service Level	Description	Proposed Base Rates	Current Base Rates
BLS-NE	Basic Life Support Non-Emergency	$236.07	$107.16
BLS-E	Basic Life Support Emergency	$377.71	$118.20
ALS-NE	Advanced Life Support Non-Emergency	$283.28	$107.16
ALS-E	Advanced Life Support Emergency	$448.53	$118.20
ALS-2	Advanced Life Support 2	$649.18	$118.20
SCT	Specialty Care Transport	$767.21	$107.16
	Mileage	$6.74	$3.55

Significant Evidence Supporting Medi-Cal Ambulance Payment Reform

There is overwhelming evidence that the solutions proposed by AB 1932 are sound public policy. Adequate Medi-Cal reimbursement of ambulance services is critical to assure optimal supply, access, and quality ambulance services are delivered to not only Medi-Cal beneficiaries, but every citizen and visitor that accesses the state's 9-1-1 system and requires medically necessary inter-facility transport:

- *Access* assures the reliable response by a licensed ambulance staffed by certified personnel at the clinically-appropriate level of care based on the medical condition of the patient at the time of service.
- *Supply* assures the reliable delivery of ambulance service across all geographic areas (i.e., urban, suburban and rural), demographic areas (i.e., depressed economic areas, high population of uninsured, high managed care penetration), and market types (i.e., 9-1-1, emergent inter-hospital and non-emergent inter-facility).

- *Quality* assures clinically-appropriate care and response time reliability. Clinically appropriate care is based on the medical protocols established by the proper local, state and federal guidelines, standards and regulations.

In modernizing the Medi-Cal ambulance payment system, the state of California will assure adequate funding for the state's 715 organizations that provide ground ambulance transportation services including nearly 550 fire department providers and over 160 private providers. In addition, the state's residents and visitors will be assured an effective statewide emergency medical services system.

References

67 F.R. 9100, 9128 Medicare Program: fee schedule for payment of ambulance services and revision to the physician certification statements for coverage of nonemergency ambulance services: final rule, Centers for Medicare and Medicaid Services (CMS), February 27, 2002.

Centers for Medicare and Medicaid Services (CMS), "Ambulance Services Center," http://www.cms.gov/center/ambulance.asp.

Centers for Medicare and Medicaid Services (CMS), "2008 Physician/Supplier Procedure Summary Master File," for transport counts by locality.

Electronic Data Systems (EDS), "CY 08 Medi-Cal Ambulance Utilization Report," fee-for-service claims filed from 1/01/08 - 12/31/08.

Hobbs, Ong & Associates, Inc., "Industry Performance Survey," California Ambulance Association, September 2006.

U.S. Government Accountability Office, "Ambulance Providers: Costs and Expected Medicare Margins Vary Greatly," Report to Congressional Committees, GAO-07-383, May 2007.

Appendix – Medicare's Levels of Ground Ambulance Transport

Medicare has specific definitions that set forth the various levels of service and the medical necessity criteria for ambulance services payable by Medicare based on CMS Manual, Pub. 100-02, Chapter 10, Section 30.1.1:

Emergency Response
The definition of an emergency response is set forth in 42 C.F.R. 414.605, which provides that an "emergency response" means responding immediately at the BLS or ALS-1 level of services to a 911 call or the equivalent. An "immediate response" is one in which the ambulance entity begins as quickly as possible to take the steps necessary to respond to the call. The definition does not include ALS-2 or SCT, because these levels of service do not have separate codes for emergency and non-emergency.

Basic Life Support (BLS)
Basic Life Support (BLS) is transportation by ground ambulance and the provision of medically necessary supplies and services, including BLS ambulance services as defined by the State. The vehicle must be staffed by at least one individual qualified as an EMT-Basic under state and local laws.

Advanced Life Support (ALS)
Advanced Life Support (ALS) is transportation by ground ambulance and the provision of medically necessary supplies and services, including the provision of either an ALS assessment (emergency responses only) or at least one ALS intervention. An "ALS intervention" is a procedure that, under state and local law, cannot be done by an EMT-Basic, i.e., requires at least a paramedic or EMT-Intermediate.

ALS Assessment
ALS Assessment is an assessment performed by an ALS crew as part of an emergency response that was necessary because the patient's reported condition at the time of dispatch was such that only an ALS crew was qualified to perform the assessment. An ALS assessment does not necessarily result in a determination that the patient requires an ALS level of service.

Advanced Life Support 2 (ALS-2)
Advanced Life Support 2 (ALS-2) is transportation by ground ambulance and the provision of medically necessary supplies and services, including either: (1) the separate administration of three or more medications by intravenous push/bolus or by continuous infusion or (2) the provision of at least one ALS-2 procedure.

Specialty Care Transport (SCT)
Specialty Care Transport (SCT) is the inter-facility transportation of a critically ill or injured beneficiary by ground ambulance and the provision of medically necessary supplies and services, at a level of service beyond the scope of a paramedic. This is necessary when the patients' condition requires ongoing care that must be furnished by one or more health professionals in an appropriate specialty care area, e.g., nursing, emergency medicine, respiratory care, cardiovascular care, or a paramedic with additional training.

Source: Werfel, D., "Medicare Reference Manual," 2009, American Ambulance Association, page 45-48. The summary above is intended to be an brief overview of the ambulance services covered by Medicare. For more information, please go to: http://www.cms.hhs.gov/center/ambulance.asp.