Mandated report: Medicare payment for ambulance services

John Richardson and Zach Gaumer
April 5, 2012
Mandated report on Medicare payment for ambulance services

- MedPAC directed to study:
  - Appropriateness of temporary ambulance add-on payments
    - Urban (2 percent) and rural (3 percent) ground ambulance add-ons
    - “Super-rural” ground ambulance add-on (22.6 percent)
    - Grandfathering of certain areas for rural air ambulance add-on
  - Effect of add-on payments on providers’ Medicare margins
  - Need to reform ambulance fee schedule, whether add-ons should be built into base rate

- Critical dates:
  - Report due June 15, 2013
  - Add-on payment policies in effect through December 31, 2012
Project plan

- Coverage and payment basics
- Trends in numbers of providers, claims volume, spending
- Review of program integrity issues
- Provider costs and Medicare margins
- Possible recommendations
Medicare ambulance coverage

- Medicare Part B covered service
  - Medicare pays 80 percent, 20 percent beneficiary coinsurance

- Ambulance services covered if:
  - Transportation of the beneficiary occurs
  - Transportation to an appropriate location
  - Medical necessity: other forms of transport contraindicated
  - Provider/supplier meets state licensing requirements
  - Transportation is not part of a Part A covered stay

- Some exceptions allow Part B payment for ambulance service during Part A stay (e.g., SNF resident with ESRD to/from dialysis)

- Non-emergency transports require physician certification of medical necessity
Non-institutional suppliers growing as institution-based providers declining

<table>
<thead>
<tr>
<th>Type of entity</th>
<th>Number of entities, 2008</th>
<th>Number of entities, 2010</th>
<th>Percent of all entities, 2010</th>
<th>Percent change in number of entities, 2008 to 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-institutional supplier</td>
<td>10,477</td>
<td>10,926</td>
<td>93%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Institution-based provider</td>
<td>843</td>
<td>768</td>
<td>7%</td>
<td>-8.9%</td>
</tr>
<tr>
<td>All</td>
<td>11,320</td>
<td>11,694</td>
<td>100%</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

Source: MedPAC analysis of Medicare Carrier and Outpatient claims data.

Data are preliminary and subject to change.
Institution-based providers

- Majority are hospital and CAH-based (some SNF, LTCH, others)
- 18 percent of hospitals offer ambulance services
  - Large urban (33 percent of hospitals with 400+ beds)
  - CAHs (25 percent)
  - State and local government hospitals (31 percent)
- Hospitals in certain states more likely to offer ambulance services
  - Iowa (47 percent), Wyoming (45 percent), Minnesota (35 percent)

Source: American Hospital Association Hospital Statistics 2012.

Data are preliminary and subject to change.
Non-institutional suppliers

- Many forms of suppliers
  - Government agency (fire department, county EMS agency)
  - Public-private partnership (county EMS agency using non-government staff from a private entity)
  - Private entity

<table>
<thead>
<tr>
<th>Type</th>
<th>2008 (n)</th>
<th>2009 (n)</th>
<th>Change (n)</th>
<th>Growth rate</th>
<th>Percent of all suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>5,807</td>
<td>5,927</td>
<td>120</td>
<td>2.1%</td>
<td>55%</td>
</tr>
<tr>
<td>Non-government</td>
<td>4,670</td>
<td>4,766</td>
<td>96</td>
<td>2.1%</td>
<td>45%</td>
</tr>
<tr>
<td>For-profit</td>
<td>3,033</td>
<td>3,105</td>
<td>72</td>
<td>2.4%</td>
<td>65%</td>
</tr>
<tr>
<td>Non-profit</td>
<td>1,637</td>
<td>1,661</td>
<td>24</td>
<td>1.5%</td>
<td>35%</td>
</tr>
</tbody>
</table>


Data are preliminary and subject to change.
Ambulance fee schedule: Components

1. Base rate payment
   - Relative value units (RVUs)
     - Ground: 7 levels based on service intensity (Air: 1 level)
   - Conversion factor (CF)
     - Ground: $214 / Air, rotary wing: $3,384 / Air, fixed wing: $2,911
     - Updated annually by Ambulance Inflation Factor (CPI-U)
   - Geographic adjustment factor (GAF)
     - Uses practice expense GPCI
     - Applied to labor share of rate (ground: 70 percent, air: 50 percent)
     - Tied to ZIP code of patient point of pick-up

2. Mileage payment
   - Miles travelled from patient point of pick-up to destination
   - Uniform national mileage rates for ground and air (fixed and rotary wing)

Note: All dollar amounts shown are for 2012.
Example: Ground ALS Level 1-Emergency in Raleigh, NC excluding add-on payments

Base-rate payment

\[
(1.9 \times \$214) \times \text{GAF}
\]

GAF

\[
70\% \text{ of base rate} \times \text{GPCI of 0.927}
\]

\[
30\% \text{ of base rate}
\]

= $386.20

Mileage payment

\[
5 \text{ miles} \times \$6.89 \text{ per mile}
\]

= $34.45

Total payment

\[
\text{Base-rate payment} + \text{Mileage payment} = \$420.65
\]

Note: ALS (advanced life support), GAF (geographic adjustment factor), GPCI (geographic practice cost index).
## Add-on payment policies in current law

<table>
<thead>
<tr>
<th>Add-on policy</th>
<th>Status</th>
<th>Policy description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ground: rural short-mileage</td>
<td>Permanent</td>
<td>50 percent increase to mileage rate if mileage is between 1 and 17 miles</td>
</tr>
<tr>
<td>Ground: rural and urban pickup</td>
<td>Temporary*</td>
<td>Rural: 3 percent increase to base rate payment and mileage rate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Urban: 2 percent increase to base rate payment and mileage rate</td>
</tr>
<tr>
<td>Ground: super-rural pickup</td>
<td>Temporary*</td>
<td>22.6 percent increase to base rate payment</td>
</tr>
<tr>
<td>Air: rural pickup</td>
<td>Permanent</td>
<td>50 percent increase to air ambulance base rate payment and mileage rate</td>
</tr>
<tr>
<td>Air: rural pickup in certain areas deemed rural</td>
<td>Temporary*</td>
<td>Maintains rural designation for application of rural air ambulance add-on for areas reclassified as urban by OMB in 2006 (affects over 3,400 ZIP codes)</td>
</tr>
</tbody>
</table>

* In effect through December 31, 2012.
Average payment per claim by type of provider, type of service, and location

<table>
<thead>
<tr>
<th>Type of service</th>
<th>Average payment per claim, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>All claims</td>
<td>$314</td>
</tr>
<tr>
<td>Non-institutional suppliers</td>
<td>$304</td>
</tr>
<tr>
<td>Institution-based providers</td>
<td>$485</td>
</tr>
<tr>
<td>Air transports</td>
<td>$4,642</td>
</tr>
<tr>
<td>Ground transports</td>
<td>$293</td>
</tr>
<tr>
<td>Emergency</td>
<td>$340</td>
</tr>
<tr>
<td>Non-emergency</td>
<td>$233</td>
</tr>
<tr>
<td>Urban</td>
<td>$279</td>
</tr>
<tr>
<td>Rural</td>
<td>$383</td>
</tr>
<tr>
<td>Super-rural</td>
<td>$660</td>
</tr>
</tbody>
</table>

Source: MedPAC analysis of 100% of Medicare Carrier and Outpatient claims data.

Data are preliminary and subject to change.
Trends in ambulance payments and utilization

- $5.2 billion in payments on 16.6 million claims in 2010
- Payments per FFS beneficiary increased 19.1 percent from 2007 to 2010, driven by:
  - Payments: 10.4 percent increase in payments per claim
  - Users: 4.5 percent increase in users per FFS beneficiary
  - Claims per user: 5.1 percent increase in claims per user
- Payment growth slowed from 2009 to 2010
- Number of users and claims per user continued growth from 2009 to 2010

Source: MedPAC analysis of Medicare 100 percent Carrier and Outpatient claims data.

Data are preliminary and subject to change.
Differences in non-emergency transports by location and provider type

- Non-emergency transports more common for urban (48 percent), than rural (40 percent) and super-rural (23 percent)

- Non-emergency transports more commonly provided by non-institutional suppliers (47 percent) than institution-based providers (30 percent)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-emergency</td>
<td>11%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Emergency</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
</tr>
</tbody>
</table>
Key takeaways from initial analysis

- Continued growth since 2007 in claims volume and users per claim
- Number of for-profit suppliers growing faster than other provider/supplier types
- Rapid growth in urban non-emergency transports
- Limited availability of provider/supplier cost data for margins analysis
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