

CITY COUNCIL STANDING COMMITTEE
Budget & Finance Committee
Thursday, March 21, 2013 – 6:00 p.m.
1st Fl. Council Committee Rm. – City Hall
-MINUTES-

Present: Chair, Councilor Paul McGeary; Vice Chair, Councilor Joseph Ciolino; Councilor Melissa Cox
Absent: None.

Also Present: Councilor Hardy; Kenny Costa; Jim Duggan; Sander Schultz; Fire Chief Eric Smith

The meeting was called to order at 6:01 p.m.

1. Continued Business:

- A) Communication from EMS Coordinator, Sander Schultz, EMT-P re: recommendation for updating the Fire Department Ambulance Service Billing & Collection Policy for FY14 budget (Cont'd from 03/07/13)

Sander Schultz, EMS Coordinator Gloucester Fire Department, explained to the Committee that the current Fire Department Ambulance Service's billing fee schedule was approved by the City Council in May of 2010.

Revenue and Billing Costs: **Mr. Schultz** noted that current revised revenue projection for the ambulance service billing is \$800,000, and actual current projections estimate revenue to be about \$900,000 for FY13, which he said was better than last year's revenue. Included in packet was historical revenue data for the service since 2007. He noted under the column Revenue per Run, they service is currently above \$500 revenue per run; the previous year the service was in the area of \$400 revenue per run. This is received revenue and is the metric **Mr. Schultz** said he was using. The figure is derived by dividing total received revenue (collections) by the number of runs. He said this is a standard metric in the industry. In comparison, he said, another town is getting a little over \$600 per ambulance run but their Medicare and Medicaid payer mix is only 20 percent whereas Gloucester's payer mix is over 75 percent Medicare and Medicaid. The City's high volume of Medicare and Medicaid patients is one of the challenges to increasing revenue. Also included on that sheet is the cost of billing services. The service charges for billing transport, which costs \$15.75 per billed call, he said. He noted that most communities pay on a percentage basis. Andover pays 3.85 percent, and Middleton pays 6 percent. If the ambulance service were paying on a percentage basis, **Mr. Schultz** said, he calculated it at a rate for the service's billing per transport at 2.18 percent which is a good low cost per billed out call. He noted that charges are made for billing whether the bill is paid or not. He added that contract provision may be adjusted the next time the billing contract goes out for bid.

Billing Process: Several years ago the City transferred its billing service from Comstar to Intermedix, **Mr. Schultz** said, and when that happened, the first quarter of revenue for the ambulance service in FY12 was terrible. The quarterly receipts are now, he noted, where they are expected to be--at about \$250,000. He also touched upon a recent security breach at Intermedix which he noted has raised some questions about the firm and its relationship with the City. **Mr. Schultz** said in his opinion Intermedix is an excellent company to deal with. The company's responses are professional and competent, he said. Much work has been put into making the ambulance service's billing go smoothly. He described the process as follows: The service sends all of its data for each run to Intermedix electronically. Intermedix receives the data electronically and then that information goes through a coding and billing process. The service has recently updated to its third iteration of Intermedix's billing software which is fast and accurate.

Security Breach Issue: **Mr. Schultz** said in regard to a recent security breach reported by that such things do happen, and for a company the size of Intermedix to have an incident was not surprising from a statistical standpoint. In his opinion, Intermedix dealt with the breach well, he said. Intermedix, he reported, was responsive and worked with the City's legal department to get the word out. He said he would rather work with a company that has had an incident and had an opportunity to learn from it. The company has done a great deal, he said, to bolster their security and remedy the situation.

Jim Duggan, Chief Administrative officer said he agreed with Mr. Schultz. He noted this morning the City Auditor was given a memo informing him of a security breach the previous day with the City's payroll. It was caught; he said, and no money was lost. This was caught as a result of the practice of positive pay and internal controls that were put in place over the past several years.

Councilor McGeary said he understood this sort of thing happens but asked what happens if someone is harmed by a security breach of this nature. **Mr. Schultz** said it is Intermedix's responsibility to remediate the

situation. The security breach was completely Intermedix's. As the agency providing the ambulance service, the City was the victim of the security breach in that the ambulance service patients' information was disclosed, he said. To his knowledge he had not heard that anyone has been harmed to date, he said. He reported that Intermedix has a web site, a call center for people to call in to receive instructions on what to do if something should occur. **Mr. Schultz** said he also understood the original intent was for the perpetrators to file false tax reports to obtain tax returns. **Councilor McGeary** noted sometimes it takes months for something like this to be revealed, but Intermedix does seem proactive.

Turfed Call Report: **Mr. Schultz** reviewed with the Committee the Turfed Call Review and explained that a turfed call is one that when the service gets a call for medical assistance and doesn't have an ambulance available, a call is made for back up, predominantly Beauport Ambulance, who is by agreement the City's primary back-up ambulance service. He said there were 40 turfed calls in July due to mechanical failure, and noted at that time the two new rescue units were not in place. Once the two new rescue units were in place, there have been no missed calls because of mechanical failure. **Mr. Schultz** said all the missed calls now are because Rescue 1 and Rescue 2 are both committed or because some patients request to be transported out of town. **Councilor McGeary** asked for clarification of the chart because at face value it appeared there were only two calls. **Mr. Schultz** explained that if he put the whole spreadsheet in it would be enormous, therefore individual call reports between July 7, 2012 and January 7, 2013 had been hidden before the spreadsheet was printed. He described to the Committee that he keeps a running spreadsheet going back about 4 years which he separates out an individual fiscal year or calendar year based on what he wishes to measure. There are 26 turfed calls on the clipboard that are not in the documentation submitted to the Committee because of this. The City, he said, does not make money off of the turfed calls and why they are tracked. By way of comparison, **Mr. Schultz** noted the number of turfed calls is consistent, other than the fourth quarter of FY11 when there was ambulance staffing issues. Other than that year, the number of turf calls is on par. On inquiry by **Councilor Ciolino** he noted there have been about 100 turfed calls this year. **Mr. Schultz** said the service transports over 2,000 calls annually which would make the number of turfed calls about 5 percent annually. He said there are not enough turfed calls to warrant staffing another ambulance. He reiterated turfed calls occur because their two ambulances are committed or a patient wants a transport out of town; and that all of the first 40 turfed calls were due to mechanical failure before the two new rescue units were in place.

Improvement of Billing Collections: **Mr. Schultz** said much of the improvement on billing collections has to do with the revisions to the service's front-end data entry. The Patient Care Report (PCR) that is filled out by the paramedics once the call is complete contains critical demographic data in order for the transport to be billed out properly, and one requirement is to have a proper signature. Intermedix, he noted, has a compliance office that pays close attention to the ambulance documentation and whether it complies with Medicare requirements and all appropriate regulations in order to bill legally and appropriately. The company identified immediately that the run reports had a high rate of invalid signatures (the form must be signed by the patient or it is considered invalid from a billing standpoint), he said; but that there are mechanisms under which a patient does not have to sign. He reported there were no invalid signatures during January 2013, a significant improvement.

Fire Chief Eric Smith noted some of these issues are due to changes made by Medicare in order to qualify for payment under its billing procedures. Intermedix has been of great assistance in helping the service up to speed on their tablet-based reporting PCR (Patient Care Report). Intermedix also helps the service to stay abreast of the changes in billing. Medicare, he said, writes the rules. Private insurers pay what the department bills.

Councilor Cox asked what happens if a patient doesn't have insurance. **Mr. Schultz** said there used to be a free care pool hospitals had access to, but sometimes the service doesn't get paid; and that is when the service needs to do write offs. **Councilor Cox** said she believed there is a high population of homeless persons and drug users in the City and asked what the ratio of non-payer transports is and what the repercussions are of the City hosting facilities that cater to the homeless. **Mr. Schultz** said that is a complex question. He noted there is a sheriff's deputy who did a study on a homeless person with combined behavioral health and drug issues who cost his city over \$1 million. The idea is to address the problem, he said, from a clinical, educational and law enforcement perspective. The High Risk Task Force (HRTF), of which he is a member, targets specific individuals to get them more intensive care packages. Another aspect, he noted, is that without the type of services that non-profit agencies such as Action provide, the problem would be worse in the City, not better. Shelters by their nature do not necessarily attract these folks into the City, he said. Action, he said does a great deal to manage homeless folks. There are small numbers of people attracted into the City because of their services, but not nearly as many as perceived. He said in his opinion, Action does a great job of servicing these people and keeping them on track. **Mr. Duggan** challenged the Councilor's declaration that there is of a high number of homeless in the City. He said there is a presence but would not define it as a high population. **Councilor McGeary** said the High Risk Task Force was created because there was a quantifiable impact on emergency services in the City by the so-called frequent flyer

calls. The Councilor made note of the work of the Grace Center which Mr. Schultz said was also doing a great job of assisting the homeless. **Councilor Cox** pointed out to the Committee that the Action Shelter and the Grace Center, which rotates among some of the City's churches, is all in her ward. **Councilor McGeary**, pointing out this is anecdotal at this juncture, did Mr. Schultz see an improvement due to these services. **Mr. Schultz** said paramedics have asked him why they are not seeing so many frequent flyers. When patients become frequent flyers the High Risk Task Force begins to look at the situation closely and see what services are mandated i.e., being sent to a facility by a judge or whether the issue is housing or getting the patient other services. It is taking a more proactive approach. Mr. Schultz said he has been in emergency services his entire career and that behavioral health and substance abuse patients are the services highest population of patients and the most in need of these services. **Councilor Cox** said it impacts her ward and sees it a lot. She added she did not appreciate writing off revenue because these folks can't pay. **Mr. Schultz** said that actually a lot of these folks do have Medicare and Medicaid. **Councilor McGeary** asked Mr. Schultz to have Councilor Cox invited to the part of the meeting of the HRTF that is open to those not in the medical/emergency services profession which is closed to lay persons not directly involved in patient care due to HIPAA regulations. **Councilor Ciolino** pointed out when people call 911 they expect an ambulance. If they balance revenue as to what is written off, regardless, the City still has to provide this service; even with good management, the City still has an obligation to provide the service. **Councilor Cox** stated while she understood those precepts, this is an issue in her ward.

Mr. Schultz said other improvement measures are about critical data (Social Security numbers, birth dates). The hospital doesn't provide social security data anymore to the service due to its concern about security also. It means a much higher percentage of the PCR's are going to Intermedix without this necessary information. The service is working together with Intermedix to get all the critical data into the PCR's and in turn it's their data base for billing purposes.

Use of Collection Agency: **Mr. Schultz** spoke about the use of a collection agency by the service. The service experimented using a collections agency for 8 months. About 107 accounts were referred for collection and not one single account was collected, he reported. Not every one of the service's overdue accounts is eligible to be referred to collections. He noted the account must be at least 180 days or older unpaid, but that is only one of the several criteria. The Committee had a discussion of the outstanding Accounts Receivable Deemed Uncollectible data dated February 2013 with Mr. Schultz, and will receive further information from him. He suggested the relationship with the collection agency, F.H. Cann be terminated at this time. He did not know if they would want to continue to have the accounts sent to that agency as that agency has not made any money and in turn may not wish to continue the relationship with the service either. **Mr. Schultz** and **Chief Smith** said some of these accounts may be so old there is no way to track the information to collect the bills. On inquiry by **Councilor McGeary**, **Mr. Costa** said there are always bad bills. This is considered departmental receivables and doesn't have the teeth of situation such as back taxes owed.

Recommendation to Write off Unpaid Accounts: **Mr. Schultz** recommended that accounts be written off that are over 365 days old. There are 311 bills that are greater than 365 days old totaling as uncollectable for \$237,237.92. **Councilor Ciolino** asked if Mr. Costa was okay with this which **Mr. Costa** confirmed he was.

Ambulance Draft Billing and Collections Policy: **Mr. Schultz** then discussed the draft billing and collections policy of the ambulance service (on file). On page 4 of the main draft policy is Schedule A which shows the service's write-off values and the formula the City uses which is two times the federal poverty line (obtained from HUD). A few of these come forward a year, **Mr. Schultz** said. This typically happens when a patient has financial difficulties. Patients can request a write-off through a hardship application, which requires proof of income level, and Mr. Schultz authorizes the billing company to write off the bill. Attachment #4 is the collection criteria which **Mr. Schultz** briefly reviewed and the existing contract with F.H. Cann. The last attachment relates to the privacy policy.

Mr. Schultz then reviewed the ambulance rates are set at Medicare +300 percent on the new policy. Ambulance rates in Massachusetts by 145 percent. The department bills out what is Medicare allowable plus a percentage. Several communities are already at Medicare +300 percent. This is a maximum that is acceptable to Blue Cross/Blue Shield and is now the State's current benchmark. Typically, he said, private insurers pay the entire amount the service bills out, less deductibles and co-pays. While this appears to be a high rate, he noted that Medicare reimbursements have been reduced. Medicare pays only what its guidelines permit. He reiterated that 75 percent of the payer base in the City is on Medicare or Medicaid, which reflects the population. On the chart on file that shows projections with four columns, including projections of full Medicare reimbursement and Medicare with a two percent cut below the allowed reimbursement (occasioned by the forced budget cuts in Washington). The projection in the memo (on file) is now not correct. This 2 percent reduction has happened since that time. Projections are based on the service's call volume including a breakdown of Advanced Life Support (ALS) and

Basic Life Support (BLS). With billing set at Medicare +300 percent, and including the 2 percent cut, projected ambulance service revenue would be \$1,031,496. This is assuming the rates are raised by the Council, **Mr. Schultz** pointed out.

Chief Smith added that in talking with Mr. Towne regarding the FY14 budget process, he said the department should estimate revenues based on the past two years. **Mr. Duggan** said he agreed with taking a more conservative stance on the expected revenues. **Councilor Hardy** asked how long the contract is good for with Intermedix. **Mr. Schultz** said it is a one-year contract, this being the third year. The service will authorize a one year extension, he noted, and that a new RFP will have to be generated and put out to bid in January next year. **Councilor Hardy** asked if the contract indemnifies the City for any security breaches. **Mr. Schultz** said he did not know as that is a legal question. He added that he would involve General Counsel when drafting the new RFP.

MOTION: On motion of Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council the acceptance of the ambulance billing policy as presented increasing the billing rates from Medicare +200 percent to Medicare +300 percent.

Councilor McGeary asked about mileage per call. **Mr. Schultz** said Medicare sets a single mileage rate which is \$45 per mile.

MOTION: On motion of Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to authorize the write-off of \$237,237.92 in uncollectible, outstanding ambulance billing.

2. *Supplemental Appropriation-Budgetary Transfer Request (2013-SA-116) from Chief Financial Officer*

Note: This the Supplemental Appropriation-Budgetary Transfer came before the Committee in light of a confirmed, identified existing funding source for the repairs to the Gloucester High School Field House roof as well as the areas of the roof over the GHS Library. The funds are settlement proceeds received as a result of litigation between the City and the architectural firm, DRA for about \$375,000. The Legal Department, School Department and the Auditor's office have traced the history of this account and all are in agreement the proceeds of this account can only be used for Gloucester High School. Further, the School Department and the Department of Public Works are in agreement that the roof repairs are a top priority. This will be used to fix the field house roof. The proceeds can only be used to the high school.

Mr. Costa pointed out that if a bonded project came in under estimate that money could be re-appropriated but it has to be used on a similar project. He noted he had discussed this with the previous B&F Committee. The Committee asked if a report could be generated by Mr. Costa to learn of any other funds that may be available on the City side. There was also a brief discussion of seed money from the Blackburn Industrial Park and the EDIC. The Committee also touched upon a fish processing plant property available in the Blackburn Industrial Park. **Mr. Costa** also noted that any account that has a balance of less than \$1,000 in an account; may be closed out and the funds returned to the General Fund. Early in his tenure with the City he said he had closed out many such accounts. **Mr. Costa** added it is part of his recommendation to put this money into a Capital Projects Fund. **Mr. Duggan** said the roof project will be done this summer.

MOTION: On motion of Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council the appropriation 2013-SA-116 in the amount of \$347,844.55 (Three Hundred Forty-Seven Thousand Eight Hundred Forty-Four Dollars and Fifty-Five Cents) from the Reserve for Appropriation School Litigation-Transfer Out-to Capital Projects Fund, Account #284003.10.993.59600.0000.00.000.00.059 to Gloucester High School Renovations Capital Projects-Transfer In from Special Revenue, Account #300085.10.992.49700.0000.00.000.00.040 for the purpose of various building renovations to Gloucester High School.

3. *First Amendment to Memorandum of Agreement between Mass. Development Finance Agency & City for The Site Assessment Grant regarding 110 Commercial Street and Council acceptance of additional funds in The amount of \$32,329*

Mr. Duggan explained that this funding received is a grant amendment to the Massachusetts Development Finance Agency grant received by the City in a Memorandum of Agreement for City-owned property at 110

Commercial Street for assessment. The amendment raises funding by \$7,629. This funding will pay the cost of clearing the site of debris and testing on barrels found on the site. Debris has been removed, and the barrels have been tested and can be removed now. The next step, he said, is the assessment of the property to determine the level of contamination, if any. Then the City will make the decision to sell the property as is with the condition that it has to be a Marine Industrial (M/I) business. The City wants a commitment the property will continue to be zoned M/I; the property, however, was noted to not in the DPA. **Mr. Duggan** said the City will make a determination when the assessment comes back. This original grant was accepted for 91 Commercial Street and 110 Commercial Street. The assessment should be done by April.

Councilor Cox noted the challenge now is to keep people from dumping once more onto the cleaned up site. **Mr. Duggan** said in response to Committee inquiry that 110 Commercial Street has been eliminated as a staging area for the pending Fort infrastructure project. A pumping station for sewerage and will be placed on 91 Commercial Street as close to the right side of the property as possible, be barricaded and should leave some room for truck turn around, although not a complete arc, but more of a pull in/pull out situation. **Councilor McGeary** noted Section 1A of the Memorandum of Agreement shows a deadline of no later than April 1st. **Mr. Duggan** said Stephen Winslow had provided this grant amendment to him in January where there would have been enough buffer time, but he held it up because the Administration hadn't determined whether it would incorporate or pull 110 Commercial Street out of the infrastructure project. This lag time getting the grant amendment before the Council was also due to the fact that the City was thinking of not taking the money. The site assessment has been ongoing and is about complete. The deadline of April 1st is fine, he said.

MOTION: On motion of Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council under MGL c. 44, §53A a grant amendment to the Site Assessment Grant from the Massachusetts Development Finance Agency for \$7,629.00 (Seven Thousand, Six Hundred Twenty-Nine Dollars) for the purpose of remediating the City property at 110 Commercial Street. Said property is legally described as Assessors Map#1, Lot 6. The new grant amount is not to exceed \$32,329 from the original grant amount of up to \$24,700.

4. *Memo from City Auditor regarding accounts having expenditures which exceed their authorization And Auditor's Report*

Mr. Costa reviewed his documentation (on file) with the Committee. Of note, **Mr. Costa** told the Committee that Snow & Ice account is now at about \$1.1 million. That doesn't include the last snowstorm. He said he knew the DPW has plans to purchase more road salt, and that, too, will need to be included in the final accounting. The options are to pay the Snow & Ice debt out of free cash, a stabilization fund, or another department's account. If not, a last resort option would be to consider raising the funds on the tax recap. He said he had never done that, although some communities do that regularly, but he noted if the City decides to include the shortfall on the tax recap, the amount is deducted from Proposition 2 ½ spending.

Respectfully submitted,

Dana C. Jorgenson
Clerk of Committees

A motion was made, seconded and voted unanimously to adjourn the meeting at 7:29 p.m.

Respectfully submitted,
Dana C. Jorgenson
Clerk of Committees

DOCUMENTS/ITEMS SUBMITTED AT MEETING: None.