

**State of Washington
Joint Legislative Audit and Review Committee (JLARC)**



Review of Ambulance Utilities

Report 08-4

January 9, 2008

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Committee Approval

On January 9, 2008, this report was approved for distribution by the Joint Legislative Audit and Review Committee.

Acknowledgements

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**REVIEW OF
AMBULANCE UTILITIES
REPORT 08-4**

JANUARY 9, 2008



STATE OF WASHINGTON

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Report Summary

An “ambulance utility” is a fee structure used to fund a city’s ambulance transport services. A utility is one of several possible funding options available to cities for funding ambulance service. These other options include levy funds, local general fund support, and direct billing of transported patients and/or their medical insurance.

In 2005, the Legislature established specific requirements for ambulance utilities operated by cities or towns. The legislation was passed the year after a court case involving the city of Kennewick, where the owner of an apartment complex disputed the city’s monthly ambulance utility rate. The court found that Kennewick’s ambulance utility rate was a tax since it had a flat structure and did not vary according to use of the ambulance service, and that it exceeded the city’s taxing authority. To address the court’s concern, the 2005 legislation includes provisions for an ambulance utility rate that includes both a flat rate portion and a variable rate portion. The legislation also requires JLARC to conduct this study of ambulance utilities, including their operational status, rates, and whether the utilities were established in accordance with “generally accepted rate-making practices.”

Objective 1: Which cities or towns are operating ambulance utilities?

Of the 281 cities and towns in Washington, ten cities were operating ambulance utilities as of August 2007. Due to differences in costs, rate calculations, and specific revenue allocations required by statute, while eight cities charge the same rate to all users, only two cities (Mercer Island and Port Angeles) have rates that vary.

Ambulance Utility Rates, by City

| City | Monthly Rate as of August 2007 |
|---------------|--|
| Aberdeen | \$12.88 for all users |
| Bridgeport | \$3.00 for all users |
| Hoquiam | \$9.58 for all users |
| Mercer Island | \$1.83 per residential household; rates for non-residential users vary |
| Montesano | \$9.15 for all users |
| Moses Lake | \$3.58 for all users |
| Pasco | \$3.00 for all users |
| Port Angeles | \$3.75 per residential household; rates for non-residential users vary |
| Richland | \$3.16 for all users |
| Sunnyside | \$3.37 for all users |

Source: City Ordinances and Cost Studies.

Objective 2: Were the rates established in accordance with “generally accepted rate making practices”?

JLARC staff researched “generally accepted rate-making practices.” The practice defined as most important in the professional literature, a cost study, is already required by statute. Other practices discussed in the literature, such as “fairness” and “ease of administration” were not measurable. Therefore, this study focuses on comparing ambulance utilities operating as of August 2007 with the 2005 statutory requirements.

Objective 3: Did the processes used to establish each utility comply with statutory requirements?

A summary is provided below.

Summary of Statutory Requirements, and JLARC Findings and Recommendations

| Statutory Requirement | Finding(s) | Recommendation(s) |
|--|--|---|
| The legislative authority of a city shall not establish an ambulance service utility that would compete with any existing private licensed ambulance service, unless the city determines it is not adequately served by the private service. | Only one city (Pasco) had an existing licensed private service; however, Pasco’s utility pre-existed the 2005 legislation. Therefore, this requirement did not apply to any of the ten cities operating ambulance utilities. | None. |
| Prior to setting rates, a cost-of-service study must be completed which meets specific requirements outlined in statute. | Seven of the ten cities operating ambulance utilities completed cost-of-service studies which met all statutory requirements. One city (Pasco) completed a study meeting most of the statutory requirements, except the study did not calculate an ambulance utility rate. Two cities (Bridgeport and Sunnyside) did not provide evidence that they completed a study including the elements required by statute. | Recommendation #1: The cities of Bridgeport, Sunnyside, and Pasco should conduct or update their cost-of-service studies to clearly address the statutory requirements, including calculation of a proposed ambulance utility rate, and be able to demonstrate to the State Auditor’s Office that they have complied with these requirements as part of the State Auditor’s regular financial auditing process. |

Report Summary

| Statutory Requirement | Finding(s) | Recommendation(s) |
|---|--|---|
| <p>For cities with a population of more than 2,500, combined rates must reflect an exemption for persons who are Medicaid eligible and who reside in a nursing facility, boarding home, adult family home, or receive in-home services.</p> | <p>This requirement did not apply to the city of Bridgeport since its population is less than 2,500.</p> <p>Seven of the nine cities to which this requirement applied provided exemptions to Medicaid eligible persons residing in the specific facilities described in statute. The cities of Pasco and Sunnyside did not exempt persons who are Medicaid eligible and reside in a nursing facility, boarding home, or adult family home. Pasco has since indicated it is now providing refunds to these facilities.</p> <p>Medicaid eligible persons receiving in-home services are not receiving specific exemptions from ambulance utility rates in any of the nine cities to which this requirement applies.</p> | <p>Recommendation #2: Sunnyside should exempt, and Pasco should implement its plan to exempt Medicaid eligible persons in specific facilities as required by statute. Both cities should be able to demonstrate to the State Auditor’s Office that they have complied with this requirement as part of the State Auditor’s regular auditing processes.</p> <p>Recommendation #3: The nine cities subject to this requirement should notify Medicaid eligible persons receiving in-home services that they are eligible for ambulance utility rate exemptions.</p> |

Report Summary

| Statutory Requirement | Finding(s) | Recommendation(s) |
|---|---|--|
| <p>Ambulance utility revenues must be deposited in a separate fund used only for the purpose of paying for ambulance utility costs.</p> | <p>All of the ten cities operating an ambulance utility maintain an accounting code which identifies utility revenue separately from other sources of ambulance revenue (such as direct billing revenue).</p> <p>Nine of the ten cities separate ambulance expenditures from other types of expenditures, such as expenditures for fire services. However, one city (Mercer Island) combines fire and ambulance revenue and expenditures into a single fund, which does not meet the statutory requirement that utility revenue be used only for regulating, operating and maintaining the utility.</p> | <p>Recommendation #4: Mercer Island should maintain a separate accounting mechanism for ambulance expenditures and be able to demonstrate to the State Auditor’s Office that it has complied with this requirement as part of the State Auditor’s regular auditing processes.</p> |
| <p>Total revenues generated by the utility must not exceed the total costs of the utility.</p> | <p>Of the five cities where a full fiscal year of data was available for comparison of utility revenue to total ambulance costs, four cities met this requirement.</p> <p>The city of Bridgeport did not meet this requirement as its ambulance utility revenue for 2006 exceeded its ambulance costs.</p> <p>Bridgeport has since indicated that it is reserving some revenues from its utility to purchase a new ambulance vehicle in the future.</p> | <p>Recommendation #5: Bridgeport should revise its accounting procedures to account for all of its ambulance expenditures, including transfers to its reserve fund for purchasing a new ambulance vehicle, and be able to demonstrate to the State Auditor’s Office that it has met this requirement as part of the State Auditor’s regular auditing processes.</p> |

This study should serve as a useful guide to other cities considering establishing an ambulance utility, and to others interested in ambulance services provided by cities.

BACKGROUND

Why is JLARC conducting this study?

This study focuses on ambulance utilities, which are a specific type of rate structure available to cities and towns for funding transportation of patients in an ambulance.

Ambulance service can be complicated because each city has a variety of revenue sources potentially available for funding ambulance service. Besides an ambulance utility rate, these sources include levy support, local general fund support, and revenues received through direct billing of transported patients and/or their insurance. In addition to the different funding options, cities vary in how they provide ambulance service. For example, it is possible that ambulance service in a city is provided through a fire department operated by that city, or through a county fire department, a hospital district, a fire district, or a private/for profit provider – or through a combination of these types of providers.

Cities or towns operating an ambulance utility must comply with statute (RCW 35.21.766, attached as Appendix 3). This statute was amended in 2005, following a court case involving the city of Kennewick. In the court case, an owner of an apartment complex disputed the city's flat monthly rate charged to each apartment unit for ambulance service. The Washington State Supreme Court found in favor of the apartment complex owner, ruling that Kennewick's flat rate resembled a tax rather than a fee and exceeded the city's taxing authority. The 2005 legislation set requirements for a utility rate structure that includes both a flat rate portion **and** a variable rate portion. RCW 35.21.7661 requires that JLARC conduct this study, to include the number and operational status of ambulance utilities, whether the rate structures were established in accordance with generally accepted rate-making practices, and the rates charged by each utility.

A copy of the scope and objectives for this study is attached as Appendix 1.

What is an ambulance utility?

An ambulance utility is a specific type of rate structure described in RCW 35.21.766. The rate structure includes a flat rate to cover "availability costs" (e.g., the infrastructure required to be available to respond to a call for service) and a variable rate to cover "demand costs" (e.g., mileage or other costs related to use of ambulance service).

What are the statutory requirements for an ambulance utility?

In addition to a common rate structure, ambulance utilities established by cities or towns must meet a specific set of requirements described in RCW 35.21.766. These requirements, which will be discussed in detail later in this report, include four main components:

1. Notification to Licensed Private Ambulance Services

If a private licensed ambulance service exists in the city, the legislative authority of the city must make a determination that the private service is inadequate before the city establishes an ambulance utility and allow a 60-day waiting period for private ambulance services to meet service needs.

2. Cost-of-Service Study and Rate-Setting Process

The city must conduct a cost-of-service study prior to setting rates.

In setting rates:

- i. The city must differentiate between costs for availability and costs for demand, and exclude major capital costs.
- ii. Revenues received from direct billing must be subtracted from costs for demand.
- iii. Revenues from local general fund and/or levy support must be maintained. Cities must maintain 70 percent of their prior local general fund support for ambulance service. Cities must also allocate available emergency medical service (EMS) levy support for ambulance service proportionate to the costs for ambulance service. For example, if available EMS levy funds total \$100,000 and ambulance service accounts for 70 percent of total emergency medical service costs, then at least \$70,000 of levy support must be allocated for ambulance service.
- iv. Certain Medicaid eligible persons must be exempted, and costs for those exemptions must be allocated uniformly across availability costs for all user classifications.
- v. In calculating the rate, remaining availability costs must be applied uniformly across all users, and remaining costs for demand must be allocated based on each user classification's burden on the utility. The total fee charged must reflect a combination of availability costs and demand costs.

3. Exemptions for Certain Users

For cities with a population of more than 2,500, combined rates charged must reflect an exemption for persons who are Medicaid eligible and who reside in a nursing facility, boarding home, adult family home, or receive in-home services.

4. Revenue and Expenditure Requirements

Revenue generated by the utility must be deposited in a separate fund or funds to be used only for regulating, operating, and maintaining the utility.

Total revenue generated by the utility must not exceed the total costs necessary for regulating, operating, and maintaining the utility.

Methodology

There is no standard reporting requirement for cities establishing an ambulance utility. Therefore, in August 2007, JLARC staff contacted staff at each of the 281 cities and towns in Washington in order to determine which were operating an ambulance utility. Once the utilities were identified, JLARC staff visited each city and reviewed documentation including city ordinances, cost studies, copies of utility bills, City Council presentations, and financial reports. JLARC staff also consulted the State Auditor's Office for assistance in interpreting the statutory requirements related to fund accounting.

OBJECTIVE 1

Which cities or towns operate ambulance utilities?

As of August 2007, ten cities indicated that they operated ambulance utilities:

Figure 1 – Cities or Towns that Operate Ambulance Utilities



Source: JLARC Emergency Medical Services survey.

The remainder of this study focuses on these ten cities and the characteristics of their ambulance utilities.

When was each city's utility originally established and when was it revised?

Dates that Each Ambulance Utility was Established and Revised

| City | Originally Established | Revised |
|---------------|------------------------|----------------|
| Aberdeen | 1991 | January 2007 |
| Bridgeport | 2001 | Not revised |
| Hoquiam | 1975 | January 2006 |
| Mercer Island | 1990 | May 2006 |
| Montesano | 1970's | December 2005 |
| Moses Lake | 2001 | January 2007 |
| Pasco | 1979 | January 2007 |
| Port Angeles | 1983 | September 2005 |
| Richland | 1976 | July 2006 |
| Sunnyside | 1989 | January 2004 |

Source: City ordinances and cost-of-service studies.

What are the rates charged by each city's ambulance utility?

Each city's ambulance utility rate is listed below:

Ambulance Utility Rates, by City

| City | Monthly Rate as of August 2007 |
|---------------|--|
| Aberdeen | \$12.88 for all users |
| Bridgeport | \$3.00 for all users |
| Hoquiam | \$9.58 for all users |
| Mercer Island | \$1.83 per residential household; rates for non-residential users vary |
| Montesano | \$9.15 for all users |
| Moses Lake | \$3.58 for all users |
| Pasco | \$3.00 for all users |
| Port Angeles | \$3.75 per residential household; rates for non-residential users vary |
| Richland | \$3.16 for all users |
| Sunnyside | \$3.37 for all users |

Source: City ordinances and cost-of-service studies.

Why does each city charge a different rate?

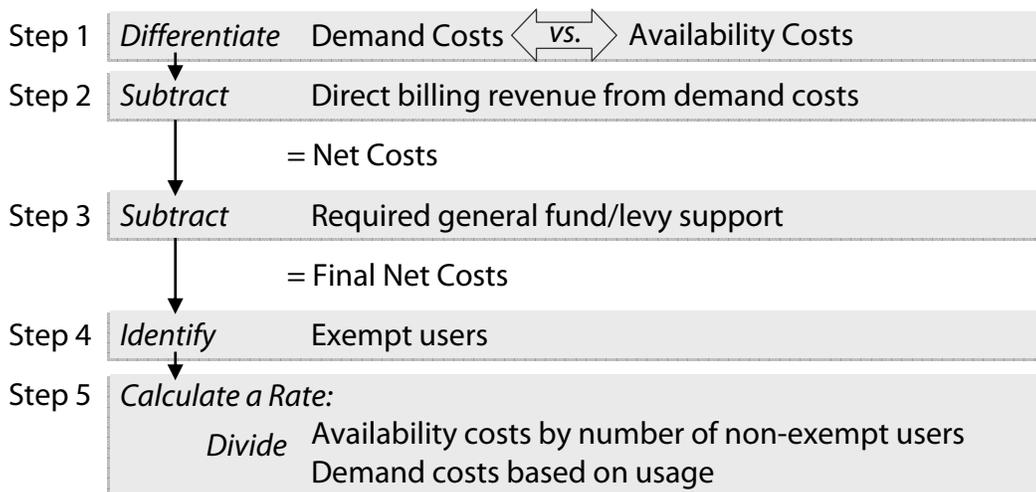
Each of the ten cities charges a different utility rate, ranging from \$1.83 (Mercer Island) to \$12.88 (Aberdeen). Rates can vary depending on a number of factors. For example, total ambulance costs in each city, the rate base (city population), exemptions or reductions, and the amount of funding available through other sources of support can affect the ambulance utility rate.

Also, due to differences in costs, rate calculations, and specific revenue allocations required by statute, while eight cities charge the same rate to all users, only two cities (Mercer Island and Port Angeles) have rates that vary. In order to understand why the rates vary, a description of the rate-setting process is provided below. Each city's rate calculation is also provided as Appendix 5.

Rate-Setting Process

While not specifically required by statute, as a practical matter cities that do not maintain fire and ambulance costs separately must first separate those costs so that ambulance costs are segregated. Once that task is completed, the five steps involved in setting an ambulance utility rate are illustrated in the diagram shown below.

Figure 2 – Steps for Setting an Ambulance Utility Rate



Source: JLARC analysis of cost study data, and RCW 35.21.766.

Step 1 of the rate-setting process requires that costs be differentiated as either availability or demand costs.

According to RCW 35.21.766:

*“**Availability costs** are those costs attributable to the basic infrastructure needed to respond to a single call for service within the utility’s response criteria. Availability costs may include costs for dispatch, labor, training of personnel, equipment, patient care supplies, and maintenance of equipment.*

***Demand costs** are those costs that are attributable to the burden placed on the ambulance service by individual calls for ambulance service. Demand costs shall include costs related to frequency of calls, distances from hospitals, and other factors identified in the cost-of-service study conducted to assess burdens imposed on the ambulance utility.”*

The statute further requires that:

“The rate attributable to costs for availability...shall be uniformly applied across user classifications within the utility;

The rate attributable to costs for demand....shall be established and billed to each utility user’s classification based on each user classification’s burden on the utility.

The fee charged by the utility shall reflect a combination of the availability cost and the demand cost.”

Availability costs are spread across all users uniformly, while demand costs vary for different user groups depending on their ambulance use. The distinction between availability and demand costs is very important because it affects how the resulting combined rate varies between different user groups. If a city allocates a large proportion of its costs to demand, then it is more likely that the rate charged will vary for different users.

Step 2 of the rate-setting process requires that direct billing revenue be subtracted from demand costs. If a city’s direct billing revenue exceeds its demand costs, then the rate charged will not vary for different users. Of the eight cities completing cost studies, only three had any demand costs remaining once direct billing revenue was subtracted. (Mercer Island, Port Angeles, and Richland).¹

¹ Because Bridgeport and Sunnyside did not complete a cost study, it was not possible to determine how Bridgeport and Sunnyside calculated their rates. Pasco provided a rate calculation to JLARC separately from its cost study and therefore is included in this discussion of rate-setting.

Direct Billing Revenue Offset Demand Costs for Five of the Eight Cities Completing Cost Studies

| City | Total Ambulance Costs (2006) | Percentage of Total Ambulance Costs Attributed to Demand | 2006 Demand Costs | 2006 Direct Billing Revenue | Does Direct Billing Revenue Offset Demand Costs? |
|---------------|------------------------------|--|-------------------|-----------------------------|--|
| Aberdeen | \$ 2,353,982 | 26% | \$ 601,398 | \$ 1,059,294 | Yes |
| Hoquiam | \$ 1,394,485 | 32% | \$ 440,902 | \$ 675,000 | Yes |
| Mercer Island | \$ 2,766,193 | 7% | \$ 188,415 | \$ 0 | No |
| Montesano | \$ 552,062 | 45% | \$ 249,752 | \$ 345,000 | Yes |
| Moses Lake | \$ 1,676,800 | 14% | \$ 234,752 | \$ 1,178,400 | Yes |
| Pasco | \$ 2,723,452 | 36% | \$ 973,988 | \$ 1,568,252 | Yes |
| Port Angeles | \$ 1,057,741 | 49% | \$ 527,007 | \$ 412,000 | No |
| Richland | \$ 2,237,963 | 14% | \$ 309,041 | \$ 229,685 | No |

Source: City cost-of-service studies. Financial data used are budgeted or actual costs and revenues, depending on data available when the city completed its study.

As shown above, direct billing revenue offsets demand costs for all but three cities: Mercer Island, Richland, and Port Angeles. Mercer Island is the only city in this study that does not bill patients and/or their insurance companies for transport, and therefore their direct billing revenue is zero. Port Angeles had one of the highest demand costs of all the cities and was left with a balance after subtracting direct billing revenue from demand costs. Richland offset all of its demand costs with direct billing revenue, plus revenue from other sources, including general fund revenue.

Since the availability costs for ambulance service are required to be uniformly allocated across all users, the demand portion of the costs are what makes the rate variable. Since Port Angeles and Mercer Island are the only cities with a remainder of demand costs to be allocated, they are the only cities with a rate which varies depending on the demand placed on the utility by different user groups.

Step 3 of the rate-setting process requires that cities maintain specific levels of general fund support and available levy support. These sources of support are subtracted when calculating ambulance utility rates. Six of the eight cities completing cost studies were required to maintain general fund support for their ambulance service and all six cities met this requirement: Mercer Island, Montesano, Moses Lake, Pasco, Port Angeles, and Richland. Two of the eight cities completing cost studies were required to provide levy support for their ambulance service and both of these cities met the requirement: Hoquiam and Mercer Island. Subtracting general fund and/or levy support from ambulance costs decreases the rate that a city needs to charge to support its ambulance service. For example, Aberdeen does not have levy or general fund support for its ambulance service and charges the highest ambulance utility rate of the ten cities.

Step 4 of the rate-setting process requires identifying exemptions. Each city with a population over 2,500 is required to exempt certain Medicaid eligible persons from its ambulance utility rate. This requirement can also help explain why each city's rates vary. For example, some cities may have more Medicaid eligible patients than other cities and thus be required to provide more exemptions.

Step 5 requires that each city divide remaining availability costs across all non-exempt users. Any remaining demand costs must be divided based on usage of the utility. As mentioned above, only Mercer Island and Port Angeles had remaining demand costs to allocate when calculating their rates and are therefore the only cities with rates that vary depending on usage. Also, when dividing availability costs across all users, a larger population base could tend to make a city's ambulance utility rate lower than in a city with a smaller population.

In summary, there is no one factor, but rather a combination of factors that explain why each city's rates vary. These factors include each city's total ambulance costs, population base, unique levels of financial support from direct billing, levy, and local general fund, and the proportion of ambulance costs assigned to availability vs. demand.

OBJECTIVE 2

Were each city's rates established according to generally accepted rate-making practices?

There are no “generally accepted practices” for public utility ratemaking that would be analogous, for example, to “generally accepted accounting practices.” Criteria for a sound rate structure are suggested in professional literature. The literature emphasizes a cost-of-service study as the most important component of ratemaking, and a cost-of-service study is already required by statute. The literature also recommends principles such as “fairness” and “ease of administration.” However, these principles can conflict with one another, and there is no objective methodology or measurable criteria for assessing “fairness” or “ease.” Therefore, this study focused on whether the cities met statutory requirements rather than whether they met generally accepted practices.

OBJECTIVE 3

Was each city's ambulance utility established in compliance with statute?

This section provides a detailed comparison of the process each city used to establish its ambulance utility with the four main components of RCW 35.21.766. A summary of this comparison is provided in Appendix 4.

Statutory Component #1: Notification to Licensed Private Ambulance Services

If a private licensed ambulance service exists in the city, the legislative authority of the city must make a determination that the private service is inadequate before the city establishes an ambulance utility, and must allow a 60-day waiting period for private ambulance services to meet service needs.

According to ambulance licensing data maintained by the state Department of Health, only one city had an existing private licensed ambulance service (Pasco). Since Pasco's ambulance utility was originally established in 1979 and pre-existed the 2005 legislation, the city was not required to notify the private ambulance service of its utility.

Finding

The requirement to notify private ambulance services before establishing a utility did not apply to any of the ten cities operating ambulance utilities in August 2007.

Recommendation

None.

Statutory Component #2: Cost-of-Service Study

Each city is required to conduct a cost-of-service study prior to setting rates. The study must differentiate between costs for availability and costs for demand.

Seven of the ten cities completed cost studies meeting all of the statutory requirements. Bridgeport and Sunnyside did not complete a cost-of-service study. Bridgeport has since indicated that their interpretation of the legislation was that since they did not revise their utility rates after the 2005 legislation, they did not need to complete a cost study. However, this interpretation of the law does not agree with JLARC's interpretation. Pasco completed a cost-of-service study meeting most of the statutory requirements; however, the study did not calculate an ambulance utility rate. Instead, the study was used primarily to determine the city's direct billing rates to patients or their insurance companies for transporting patients.

Beyond this JLARC review, there is no ongoing process in place for a city to demonstrate its compliance with RCW 35.21.766 other than the State Auditor's regular financial audits.

Finding

Seven of the ten cities operating ambulance utilities completed cost-of-service studies which met all statutory requirements.

One city (Pasco) completed a study meeting most of the statutory requirements, except the study did not calculate an ambulance utility rate. Two cities (Bridgeport and Sunnyside) did not provide evidence that they completed a study including the elements required by statute.

Recommendation 1

The cities of Bridgeport, Sunnyside, and Pasco should conduct or update their cost-of-service studies to clearly address the statutory requirements, including calculation of a proposed ambulance utility rate, and be able to demonstrate to the State Auditor's Office that they have complied with these requirements as part of the State Auditor's regular auditing processes.

| | |
|------------------------------|---|
| Legislation Required: | None |
| Fiscal Impact: | JLARC assumes this recommendation can be implemented within each city's existing resources. |
| Implementation Date: | As soon as possible, but no later than the State Auditor's next auditing cycle. |

Statutory Component #3: Exemptions for Certain Users

The statute requires that combined rates charged must reflect an exemption for persons who are Medicaid eligible and who reside in a nursing facility, boarding home, adult family home, or receive in-home services. This requirement applies to nine of the cities in the study. Bridgeport has a population of less than 2,500 and therefore, according to the language in statute, is not required to provide exemptions.

Two types of exemptions are required for Medicaid eligible persons: one for persons residing in the specific care facilities named in the legislation and one for persons receiving services in their home.

Exemptions for Medicaid eligible persons residing in a care facility

In order to determine whether this requirement was met, JLARC staff asked each of the nine cities for a copy of one bill from each type of facility (a nursing facility, boarding home, or adult family home). The nine cities subject to this requirement handled exemptions differently.

- Five cities exempted Medicaid eligible persons by reducing their charges to specific facilities by the number of Medicaid eligible persons they report to the city (Aberdeen, Hoquiam, Mercer Island, Montesano, Port Angeles).

- Two cities (Moses Lake and Richland) exempted Medicaid eligible persons by charging the rate for a single residential household to an entire care facility.
- Two cities (Pasco and Sunnyside) did not exempt Medicaid eligible persons. However, Pasco has since indicated that it is providing refunds to facilities housing Medicaid eligible persons to comply with statute.

Finding

This requirement did not apply to the city of Bridgeport since its population is less than 2,500.

Seven of the nine cities to which this requirement applied provided exemptions to Medicaid eligible persons residing in the specific facilities described in statute. The cities of Pasco and Sunnyside did not exempt persons who are Medicaid eligible and reside in a nursing facility, boarding home, or adult family home. Pasco has since indicated it is now providing refunds to these facilities.

Recommendation 2

Sunnyside should exempt, and Pasco should implement its plan to exempt, Medicaid eligible persons in specific facilities as required by statute. Both cities should be able to demonstrate to the State Auditor's Office that they have complied with this requirement as part of the State Auditor's regular auditing processes.

| | |
|------------------------------|---|
| Legislation Required: | None |
| Fiscal Impact: | JLARC assumes this recommendation can be implemented within each city's existing resources. |
| Implementation Date: | Immediately |

Exemptions for Medicaid eligible persons receiving in-home services

These patients are difficult to identify. None of the ten cities operating ambulance utilities provide specific exemptions for this population. Five cities publish ordinances allowing persons eligible for a reduction or exemption to complete a petition and submit it to the city's Finance Director (Aberdeen, Hoquiam, Mercer Island, Port Angeles, Sunnyside). However, none of these five cities reported any residents completing any exemption forms. Therefore it appears that Medicaid eligible persons receiving in-home services are not specifically receiving exemptions from the ambulance utility rate.²

Finding

This requirement did not apply to the city of Bridgeport since its population is less than 2,500.

Medicaid eligible persons receiving in-home services are not receiving specific exemptions from ambulance utility rates in any of the nine cities to which this requirement applies.

² Port Angeles and Moses Lake have since indicated that they are taking steps to notify these persons that they may be eligible for an exemption. Other cities may be taking similar action. Some cities provide a senior citizen or low income discount for utility bills; however, this is not necessarily the same as an exemption for a Medicaid patient.

Recommendation 3

The nine cities subject to this requirement should notify Medicaid eligible persons receiving in-home services that they are eligible for ambulance utility rate exemptions.

| | |
|------------------------------|---|
| Legislation Required: | None |
| Fiscal Impact: | JLARC assumes this recommendation can be implemented within each city's existing resources. |
| Implementation Date: | Immediately |

Statutory Component #4: Revenue and Expenditure Requirements

Each city operating an ambulance utility must meet two specific requirements regarding revenue and expenditures:

- Revenue generated by the utility must be deposited in a separate fund or funds to be used only for regulating, operating and maintaining the utility; and
- Total revenue generated by the utility must not exceed the total costs necessary for regulating, operating and maintaining the utility.

Separate Fund for Ambulance Revenue and Expenditures

Finding

A review of each city's financial reports revealed that all of the ten cities operating an ambulance utility maintain an accounting code which identifies utility revenue separately from other sources of ambulance revenue (such as direct billing revenue).

Nine of the ten cities separate ambulance expenditures from other types of expenditures, such as expenditures for fire services. However, one city (Mercer Island) combines fire and ambulance revenue and expenditures into a single fund, which does not meet the statutory requirement that utility revenue be used only for regulating, operating and maintaining the utility.

Recommendation 4

Mercer Island should maintain a separate accounting mechanism for ambulance expenditures, and be able to demonstrate to the State Auditor's Office that it has complied with this requirement as part of the State Auditor's regular auditing processes.

| | |
|------------------------------|--|
| Legislation Required: | None |
| Fiscal Impact: | JLARC assumes this recommendation can be implemented within the city's existing resources. |
| Implementation Date: | As soon as possible, but no later than the State Auditor's next auditing cycle. |

Utility Revenues Must not Exceed Utility Expenditures

Five cities with ambulance utilities revised their utilities after December 2006, which does not allow for a full fiscal year's worth of data to analyze. JLARC staff therefore compared total 2006 ambulance expenses to utility revenues for five cities (Bridgeport, Hoquiam, Montesano, Port Angeles, and Sunnyside) with a full fiscal year of financial data available. In one city (Bridgeport), utility revenues of \$26,957 exceeded total ambulance expenditures of \$21,332. The city has since indicated that it is reserving revenue to purchase a new ambulance vehicle in the future. The statute does not preclude spending for an ambulance vehicle reserve; however, the city's ambulance fund records did not show a transfer to a reserve fund, and therefore its revenues exceeded expenditures for 2006.

Finding

Of the five cities where a full fiscal year of data was available for comparison of utility revenue to total ambulance costs, four cities met this requirement.

The city of Bridgeport did not meet this requirement as its ambulance utility revenue for 2006 exceeded its ambulance costs.

Bridgeport has since indicated that it is reserving some revenues from its utility to purchase a new ambulance vehicle in the future.

Recommendation 5

Bridgeport should revise its accounting procedures to account for all of its ambulance expenditures including transfers to its reserve fund for purchasing a new ambulance vehicle, and be able to demonstrate to the State Auditor's Office that it has met this requirement as part of the State Auditor's regular auditing processes.

| | |
|------------------------------|--|
| Legislation Required: | None |
| Fiscal Impact: | JLARC assumes this recommendation can be implemented within the city's existing resources. |
| Implementation Date: | As soon as possible, but no later than the State Auditor's next auditing cycle. |

APPENDIX 1 – SCOPE & OBJECTIVES

REVIEW OF AMBULANCE UTILITIES

SCOPE AND OBJECTIVES

AUGUST 23, 2007



STATE OF WASHINGTON
JOINT LEGISLATIVE AUDIT AND
REVIEW COMMITTEE

STUDY TEAM
Nina Oman, Ph.D.

PROJECT SUPERVISOR
Keenan Konopaski

LEGISLATIVE AUDITOR
Ruta Fanning

Joint Legislative Audit & Review
Committee
506 16th Avenue SE
Olympia, WA 98501-2323
(360) 786-5171
(360) 786-5180 Fax

Website: www.jlarc.leg.wa.gov
e-mail: neff.barbara@leg.wa.gov

Why a JLARC Review of Ambulance Utilities?

Engrossed Substitute House Bill 1635 (2005) directs JLARC to review ambulance utilities established and operated by cities, reporting to the Legislature by December 2007.

Background

Emergency medical services encompass medical treatment and care rendered at the scene of any medical emergency or during ambulance transport. These services may be offered by different types of providers and billed differently throughout the state.

Ambulance services are one form of emergency medical services. State law (RCW 35.21.766) allows the legislative authorities of cities or towns to establish a public utility for providing and billing ambulance services if it meets certain requirements. These requirements for an ambulance utility include:

- A determination that existing private ambulance service is inadequate;
- A 60-day waiting period for private ambulance services to meet service needs;
- A cost-of-service study and rate structure that differentiates costs for availability and costs for demand;
- Exemptions or reductions in rates for certain users;
- Specific requirements for allocating general fund support, levy funds, and revenues received through direct billing for ambulance service;
- A requirement that the total revenue generated by the utility not exceed the total costs necessary for regulating, operating and maintaining the utility; and
- A requirement that revenue generated by the utility be deposited in a separate fund to be used only for regulating, operating and maintaining the utility.

Study Scope

This study will focus on cities or towns operating ambulance service as a public utility. As directed by the Legislature, the study will include:

- The number and operational status of ambulance utilities established under ESHB 1635;
- Whether the ambulance utility rate structures and classifications used by cities or towns were established in accordance with generally accepted utility rate-making practices; and
- Rates charged by the ambulance utility to different classes of users.

Study Objectives

The study will include answers to the following questions:

- 1) Which cities or towns are operating ambulance service as a public utility?
- 2) What are generally accepted utility rate-making practices?
- 3) For cities or towns operating ambulance service as a public utility:
 - Did the processes used to establish the utility comply with statutory requirements?
 - Were rates set in accordance with generally accepted rate-making practices?

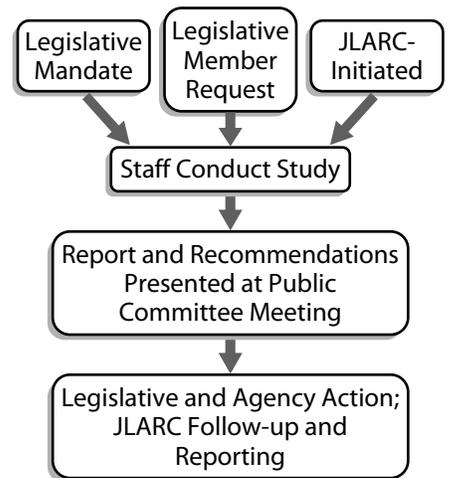
Timeframe for the Study

Staff will present the preliminary and final reports at the JLARC meetings in November of 2007 and January of 2008.

JLARC Staff Contact for the Study

Nina Oman, Ph.D. (360) 786-5186 oman.nina@leg.wa.gov

JLARC Study Process



Criteria for Establishing JLARC Work Program Priorities

- Is study consistent with JLARC mission? Is it mandated?
- Is this an area of significant fiscal or program impact, a major policy issue facing the state, or otherwise of compelling public interest?
- Will there likely be substantive findings and recommendations?
- Is this the best use of JLARC resources? For example:
 - Is JLARC the most appropriate agency to perform the work?
 - Would the study be nonduplicating?
 - Would this study be cost-effective compared to other projects (e.g., larger, more substantive studies take longer and cost more, but might also yield more useful results)?
- Is funding available to carry out the project?

APPENDIX 2 – RESPONSES AND LEGISLATIVE AUDITOR COMMENTS

We are pleased that the State Auditor's Office concurred with all five of the study recommendations. The Office of Financial Management concurred with four of the recommendations and partially concurred with Recommendation 3. Some of the cities subject to this review did not fully concur with all of the study recommendations. Partial and non-concurrences and legislative auditor comments are summarized below.

Recommendation 1: This recommendation directs Bridgeport, Sunnyside, and Pasco to create or update cost-of-service studies and be able to demonstrate compliance to the State Auditor.

Bridgeport agrees to a study, noting cost concerns. Sunnyside and Pasco do not concur.

Legislative Auditor's Comments: Each city must find a cost-effective method for clearly complying with the statutory requirements.

Recommendation 2: With this recommendation JLARC requires Sunnyside and Pasco to exempt Medicaid eligible persons residing in adult family homes, boarding homes, and nursing homes as required by statute.

Sunnyside and Pasco partially concur. Both cities assert that they have adopted ordinances allowing discounted or limited ambulance utility rates.

Legislative Auditor's Comments: The statute clearly states that these persons be exempted (not just limited or discounted) from the rates.

Recommendation 3: This recommendation directs the nine cities subject to this requirement (Bridgeport is exempt) to notify Medicaid eligible persons receiving in-home services of their eligibility for exemption from ambulance utility rates.

The Office of Financial Management partially concurred, noting that the statutory requirement is to exempt, not just notify these persons of exemption.

Aberdeen, Montesano, Mercer Island, Moses Lake, Pasco, and Sunnyside partially concurred, noting the difficulty of identifying these persons. Hoquiam, Port Angeles, and Richland concurred.

Legislative Auditor's Comments: None.

Recommendation 4: State law requires that ambulance utility revenue be deposited in a separate fund or funds used only for ambulance utility expenditures. JLARC recommends that Mercer Island maintain a separate accounting mechanism for ambulance expenditures and be able to demonstrate compliance to the State Auditor.

The State Auditor concurs with this recommendation, as does OFM. Mercer Island does not concur.

Legislative Auditor's Comments: Clearly identifying actual ambulance expenditures in order to allow a comparison to revenues is a requirement in the statute, and a common practice for utilities in general. This recommendation could be implemented a number of ways and does not require establishing a new accounting fund.

Recommendation 5: State law requires that utility revenues do not exceed utility expenditures. The city of Bridgeport is directed to revise its accounting methodology to account for a transfer to its reserve account, and be able to demonstrate compliance to the State Auditor.

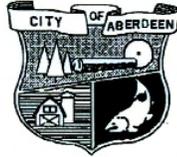
Bridgeport plans to modify its accounting procedures.

Legislative Auditor's Comments: None.

Responses were received from the following:

- Aberdeen
- Bridgeport
- Hoquiam
- Mercer Island
- Montesano
- Moses Lake
- Pasco
- Port Angeles
- Richland
- Sunnyside
- Office of the State Auditor
- Office of Financial Management

City of
Aberdeen



Dorothy Voege, Mayor
200 E. Market St. • Aberdeen, WA 98520
Tel (360) 537-3227 • Fax (360) 537-3350 • Cell (360) 581-4415
mayor@aberdeeninfo.com

December 10, 2007

Ruta Fanning, Legislative Auditor
Joint Legislative Audit & Review Committee
506th 16th Avenue SE
Olympia, WA 98501-2323

RE: Written Response to JLARC Review of Ambulance Utilities

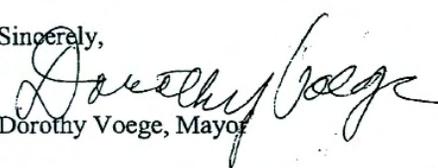
Dear Ms. Fanning,

Thank you for the opportunity to respond to the JLARC Review of Ambulance Utilities report. Overall, we found the report helpful in determining how other entities were implementing the legislation. We do have a comment surrounding one conclusion made in the report.

| RECOMMENDATION | AGENCY POSITION | COMMENTS |
|----------------|------------------|--|
| Number 3 | Partially Concur | The City has established a policy and exemption form which is available to Medicaid eligible persons receiving in-home care. It has been difficult to determine who in our community is receiving in-home care due to patient privacy laws. The City plans to provide notification of the Medicaid exemption program through the advertised utility discount program. We will also increase efforts to provide the exemption form to in-home care providers. |
| | | |

Thank you again for the opportunity to provide additional details and review of the JLARC report. This legislation has been critical to maintaining EMS services in our community. If you have any questions, do not hesitate to contact me at 360-537-3201.

Sincerely,


Dorothy Voege, Mayor

www.aberdeeninfo.com

City of Bridgeport

PO Box 640
Bridgeport, WA 98813
Phone (509) 686-4041

December 5, 2007

VIA E-MAIL TO NINA OMAN - OMAN.NINA@LEG.WA.GOV
AND VIA U.S. MAIL

Ruta Fanning, Legislative Auditor
Joint Legislative Audit and Review Committee
(JLARC)
506 16th Avenue SE
P. O. Box 40910
Olympia, WA 98501-2323

Re: Joint Legislative Audit and Review Committee (JLARC)
Preliminary Report - Review of Ambulance Utilities - November 28, 2007
ESHB 1635 (RCW 35.21.766)

Dear Ms. Fanning:

I am writing to provide the written response of the City of Bridgeport to the above-referenced Preliminary Report on the Joint Legislative Audit and Review Committee ("JLARC") review of ambulance utilities in the State dated November 28, 2007 and to follow up on my testimony before the Committee in Olympia on that date.

The City previously provided written comments to you on November 9, 2007 concerning your draft report dated October 30, 2007. Rather than repeat all of the comments set forth therein, the City will respond specifically to the revised Preliminary Report recommendations No. 1 and 5 and provide general comments.

First, we will provide the general comments. The City established its ambulance utility pursuant to RCW 35.21.766 in 2001 under the statute in effect at that time. The City has been audited on a number of occasions since establishing its utility and has received no comments concerning its charges or the operation of its ambulance utility from the Washington State Auditor.

If your office is looking to make recommendations to the State Legislature, we would recommend that for cities with populations of less than 2,500, the existing required complex cost of service study should be dispensed with in favor of a general analysis that the rates and charges should not exceed the total costs necessary to regulate, operate and maintain the ambulance

...Site of Chief Joseph Dam...

Ruta Fanning, Legislative Auditor
December 5, 2007
Page 2

utility. The City of Bridgeport Ambulance Utility receives approximately \$2,000 each year from those to whom the services are directly provided and the remaining approximately \$25,000 of the annual budget consists of revenue generated through the \$3 monthly utility charge assessed to City residents to operate the utility.

In response to your recommendation No. 1, the City is concerned about spending significant resources in a small budget on a complex study or analysis that will conclude that the City annually receives approximately \$2,000 of revenue from those individuals who require ambulance service and make payments either direct or through an insurer or other payment program for the service that is provided. The study will show that the remaining funds will need to come from the utility charge. The study may show that the utility charge should be much greater than \$3, but the City Council would likely continue to conclude that the \$3 per month utility charge is the maximum acceptable charge given the economic circumstances of the majority of our citizens. If you have a proposed methodology or procedure for conducting a study with the expenditure of limited resources or are aware of grant funds available to the City to pay for the cost of this study, the City would have no objection to having the study conducted at limited expense to the City.

As indicated in our November 9, 2007 letter to you, the City recognizes that if it were to modify the charge it is currently making, that modification would require compliance with RCW 35.21.766 as the same exists now, which contains the amendment made by the passage of ESHB 1635. These amendments include a cost of service study requirement that did not exist in 2001 when the City enacted the ordinance establishing its ambulance utility. The City will comply with the cost of service study if the rates are changed and will comply if a cost effective manner of completing an acceptable study can be found.

In response to your recommendation No. 5, the City disagrees that its revenues generated by the utility exceed the total costs of the utility. Your recommendation at page 4 references the accounting issues associated with the City reserve fund for the purchase of a new ambulance. However, your table at page 30 makes no reference to this accounting issue. This issue is very important to the City as the City adamantly maintains that the cost of operating the ambulance utility exceeds the revenue generated by the utility.

Your review of the City records for the year 2006 and the City's BARS Fund 405 found the total utility revenues of \$26,957 and expenditures of \$21,332 in 2006. The City recognizes why you may conclude that the difference between these figures results in revenue left in the general fund that may have been used by the City for non-ambulance related purposes. However, in order to evaluate the whole picture, one must examine Fund 301, the reserve ambulance/fire truck fund. This fund at the end of 2006 shows a balance of \$80,238. When Ordinance No. 2001-521 was passed by the City and the City began collecting utility charges, the balance in this fund was approximately \$23,000. The difference between the current fund balance and the \$23,000 beginning balance, represents the amount of money saved over time from the ambulance utility charges, approximately \$57,000. This money has been earmarked by the City to be used to

Ruta Fanning, Legislative Auditor
December 5, 2007
Page 3

purchase a new ambulance. The City plans to purchase a new ambulance in 2008. The City purchases “demo” model ambulances at a cost of approximately \$85,000. The City plans to purchase an ambulance every seven years. The difference between the cost of the ambulance and the amount in the reserve fund is anticipated to be paid for by the value of the replaced and to be surplused City ambulance. The City recognizes the concern your staff expressed about this joint ambulance/fire truck reserve fund and intends to separate out those monies, trace them back to 2001, and establish separate ambulance and fire truck reserve funds. Further, the City intends to clearly reflect the revenue transfer from the ambulance utility charges to the ambulance purchase reserve fund in order to avoid the apparent confusion presented by the manner in which the City records currently document this transfer. As indicated above, the City has been audited a number of times by the Washington State Auditor since the establishment of its ambulance utility and this has never been raised as an issue. It would likely have been an issue for the State Auditor’s Office if the City was generating revenue through its ambulance utility and using that revenue for non-ambulance purposes. This simply has not occurred. We appreciate your bringing this concern to our attention and plan to modify our fund accounting to avoid any further confusion or concern regarding this matter.

Finally, the City, by way of explanation and not as an excuse, would like to make sure that you understand that the City Clerk/Treasurer in office at the time of adoption of Ordinance No. 2001-521 retired. She was replaced, about the time ESHB 1635 was adopted, by another individual with no experience with the City or as a City Clerk/Treasurer, and this individual has since left the employment of the City. The current and third City Clerk/Treasurer for the City since the establishment of the ambulance utility just over six years ago, has been in the position now for less than two years. Transitional issues associated with the Clerk/Treasurer position should be expected and issues associated with the ambulance utility are not an exception. We appreciate the comments and assistance of your staff throughout the audit.

Without the existence of the City ambulance utility, there would be no City ambulance service. While our ambulance system may not be perfect, our ability to timely respond to a call for assistance has been and will continue to be the difference between life and death in certain trauma situations experienced in our rural community.

If you have questions or concerns we have not addressed in this correspondence, do not hesitate to contact me.

Very truly yours,

CITY OF BRIDGEPORT



STEVEN D. JENKINS, MAYOR



CITY OF HOQUIAM
609 8th St.
Hoquiam, WA 98550
www.cityofhoquiam.com

December 10, 2007

City Hall Departments
(360)532-5700

Mayor, Ext. 219
Fax (360)532-4031

City Administrator, Ext. 243
Fax (360)538-0938

City Attorney, Ext. 231
Fax (360)532-4031

Finance Dept., Ext. 0
Fax (360)532-2306

Municipal Court, Ext. 235
Fax (360)533-3602

Community Services, Parks &
Cemetery, Ext. 240
Fax (360)538-0938

Public Works, Ext. 240
- Building & Planning, Ext. 251
- Building, Ext. 223
- Planning & Code Enf., Ext. 211
Fax (360)538-0938

Utilities
- Billing, Ext. 233 or 248
- Water Shop, Ext. 236
- Sewer Shop, Ext. 212
Fax (360)532-2306

Library (360)532-1710
420 7th St.
Hoquiam, WA 98550
Fax (360)538-9608

Police Dept. (360)532-0892
215 10th St.
Hoquiam, WA 98550
Fax (360)532-0899

Fire Department
(360)532-5700, Ext. 262
625 8th St.
Hoquiam, WA 98550
Fax (360)532-3340

Nina Oman
JLARC
506 16th Avenue SE
Olympia, WA 98501

RE: Ambulance Utility

Dear Nina:

The City of Hoquiam concurs with recommendation #3. We can attempt to locate Medicaid eligible persons by communicating with local in home service providers to determine if they are eligible for ambulance rate reductions. We can also include a note on our utility bills to make potential persons aware of the exemption.

Thank you for your attention matter. I can be reached at the above address or call me at (360) 532-5700, ext. 217 if you have any questions.

Sincerely,

Mike Folkers
Finance Director



CITY OF MERCER ISLAND, WASHINGTON

9611 SE 36th Street • Mercer Island, WA 98040-3732

(206) 236-5300 • TDD (206) 232-9598

www.mercergov.org

December 5, 2007

Nina Oman
Research Analyst
Joint Legislative Audit and Review Committee
P.O. Box 40910
Olympia, WA 98501-2323

RECEIVED

DEC 10 2007

JLARC

Re: JLARC Preliminary Review of Ambulance Utilities Report

Dear Ms. Oman:

This letter is in response to Legislative Auditor Ruta Fanning's letter dated November 20, 2007. The letter invites cities to provide a formal written response to the JLARC's November 28, 2007 Preliminary Review Ambulance Utilities Report. The City of Mercer Island appreciates the opportunity to provide a response, which is set forth below.

Thank you and the JLARC for your continued work on this important topic and for your consideration of Mercer Island's comments.

Sincerely,

A handwritten signature in cursive script that reads "Rich Conrad".

Rich Conrad
City Manager

Recommendation: No. 3

"The nine cities subject to this requirement should notify Medicaid eligible persons receiving in-home services that they are eligible for ambulance utility rate exemptions."

Agency Position: Partially concur.

Comments: The reason that Medicaid-eligible persons receiving in-home services have not historically been notified that they are eligible for ambulance utility rate exemptions is that there is no easy way for the City to identify such persons. There's really only one option—to periodically include an insert in every bi-monthly utility bill requesting that such individuals contact Mercer Island Utility Billing (and provide proof that they receive in-home services) to ensure that an exemption is applied. However, there is no guarantee that qualified individuals will see the utility billing insert or contact the City.

Regarding those persons who are Medicaid eligible and who reside in a residential board and care (including adult family homes) or a 24 hour nursing facility, it should be

A review of each city's financial reports revealed that, while each city maintains a separate code for tracking revenue generated by its ambulance utility, none of the cities maintain a completely separate fund in their accounting systems, exclusive of all other revenue sources, for ambulance utility revenue and expenditures. Cities would need to change their accounting practices in order to accomplish this If a city can identify these revenues and expenditures separately (through periodic updates) to their cost studies, this could satisfy the essential intent believed to be behind the requirement – which is to ensure that utility revenues are not used for purposes other than supporting *ambulance* expenditures.

That none of the cities had separate ambulance utility funds and that the JLARC's first draft acknowledged that such segregation was not required indicates that the statute does not have the extra meaning the Preliminary Report assigns to it.

Mercer Island might not object to creating a segregated enterprise fund were it not for the practical difficulty in doing so. Currently, our fire suppression and EMS costs are accounted for in a single cost center (i.e. fire operations) within the Fire Department. We don't have personnel that are dedicated to responding to just EMS calls. Our firefighters are trained to respond to both fire and EMS calls. Given this important fact, can you imagine the difficulty in trying to split a firefighter's time between fire suppression and EMS services through the timekeeping system (not to mention the "downtime")? This would require either a much more sophisticated (and costly) timekeeping system than what the City currently utilizes or time-consuming administrative work among Fire Department personnel that could be otherwise better utilized. Again, p. 15 of the Technical Review draft also acknowledges this difficulty, noting:

Cities would need to change their accounting practices in order to accomplish this, because as mentioned earlier, costs for ambulance service are mixed with costs for emergency medical services, and ambulance service is funded from a variety of sources. Also, given that the utility is essentially a fee structure for ambulance service, it would require additional work for cities to assign ambulance utility revenue and expenditures separately from ambulance service revenue and expenditures.

Given that the statute does not require it and given the additional financial resources and administrative effort required to implement it, the City respectfully requests that JLARC not impose upon Mercer Island the requirement to establish a segregated, ambulance-only utility fund. Mercer Island is able to demonstrate to the State Auditor, if requested, that ambulance utility revenues are kept in a separate account, and spent only on ambulance utility purposes via a periodic cost of service study. That is all that is required by the statute.

General Comments

Recommendation No. 5 of the Preliminary Report discusses the efforts of five cities to document that their ambulance utility revenues do not exceed the total costs necessary to regulate, operate, and maintain an ambulance utility, as required by RCW 35.21.766(4)(h). While Mercer Island is not among the five cities, this portion of the Preliminary Report nevertheless bears comment.

noted that the City contacted all of the operators of these facilities on Mercer Island to obtain the number of Medicaid eligible patients they house. That information was then used to estimate the number of Medicaid eligible calls for service, which were treated as an "availability" cost and spread uniformly across all customer classes.

Recommendation: No. 4

"Mercer Island should maintain a separate accounting mechanism for ambulance expenditures, and be able to demonstrate to the State Auditor's Office that it has complied with this requirement as part of the State Auditor's regular financial auditing process."

Agency Position: Do not concur.

Comments: This recommendation incorrectly interprets the applicable statute. It is also impractical and administratively inefficient to implement.

The applicable statute, RCW 35.21.766(4)(i), requires that revenues generated by the ambulance utility rates and charges authorized by the statute "be deposited in a separate fund or funds and be used only for the purpose of paying for the cost of regulating, maintaining, and operating the ambulance utility." The Preliminary Report misreads this requirement, assuming that the combination of "separate fund or funds," and "used only for the purpose of . . .the ambulance utility" means that a city must create a segregated ambulance utility enterprise fund into and out of which all ambulance-related revenues and expenditures must flow. That is not what the statute says. The statute has two separate requirements: (1) revenues from the statutorily-authorized ambulance rates and charges must be deposited into a separate account or accounts, rather than commingled with other revenues in a general account; and (2) such revenues may be spent only on ambulance utility purposes.

Mercer Island's ambulance utility revenues are kept in a separate account, named the "EMS Charge for Service" account, in compliance with the statute's requirement. This revenue account is located in the City's General Fund and is an earmarked financing source for about 9 percent, or \$253,000 (in 2006), of the Fire Department's 2006 EMS costs (\$2.76 million). In other words, the City heavily subsidizes this function, which was confirmed by a cost of service study completed in 2006 by FCS Group and which is verified biennially by the Finance Department during the budget development process. As a result, the City has complete confidence that it spends its ambulance utility revenues only for ambulance utility purposes.

The Mercer Island Deputy City Manager and former City Attorney, Londi K. Lindell, participated on the City Attorney group that drafted the legislation that is discussed in Recommendation No. 4 and that worked with the private ambulance providers in seeking a compromise. This portion of the statute is text Ms. Lindell personally drafted, and it was presented as a safeguard to ensure that cities used ambulance utility rates and charges for delivery of ambulance services. It was not intended to prohibit a city from using an existing accounting fund that may receive other revenues and have other expenditures, so long as the ambulance revenues are kept in a separate account and a city is able to prove that ambulance rates and charges are used for ambulance purposes.

The Technical Review draft of the Report, distributed in late October, 2007, confirms this reading of the statute. Page 15 of the Technical Review draft notes:



112 North Main Street
Montesano, Washington 98563

TEL (360) 249-3021
FAX (360) 249-3690

December 10, 2007

Nina Oman, Ph.D.
Research Analyst
Joint Legislative Audit and Review committee

Re: Recommendation #3 Response

To confirm my e-mail to you, the City of Montesano partially concurs with recommendation #3 of the JLARC Ambulance Utility Study. Though we do give an exemption to rate payers who are receiving Medicaid, we do agree we could be more proactive in our public outreach.

Once a year, the City of Montesano will stamp a message on the utility billing regarding the exemption for payers receiving in-home care through Medicaid with contact information.

Sincerely,

Linda M. Wolverson, CPA
Clerk/Controller, City of Montesano

CITY OF MOSES LAKE
W A S H I N G T O N



| | | | |
|---------------------|----------|-----------------------|----------|
| City Manager | 766-9201 | Municipal Serv | 766-9217 |
| City Attorney | 766-9203 | Municipal Court | 766-9201 |
| Community Dev | 766-9235 | Parks & Rec | 766-9240 |
| Finance Dept | 766-9249 | Police Dept | 766-9230 |
| Fire Dept | 765-2204 | Fax | 766-8392 |

December 7, 2007

Ruta Fanning
Legislative Auditor
506 16th Avenue SE
P.O. Box 40910
Olympia, WA 98501-2323

Dear Ruta Fanning

RE: Review of the JLARC Report, "Review of Ambulance Utilities"

We partially concur that the report fairly presented the City of Moses Lake's process regarding the section that "None of the cities operating ambulance utilities specifically exempted Medicaid-eligible persons receiving in-home services from ambulance utility rates."

Cities can send out notifications at various times. This does not ensure that eligible individuals will respond. In an effort to facilitate individuals knowing of the exemption, we did send out information in various forms and plan to extend these notifications to a quarterly notice printed on all utility bills. Beyond this, we are at a loss as to how to extend an exemption to those receiving in-home services or that may have some other eligible exemption.

We appreciate the time and effort that has been placed in gathering and presenting the information.

Sincerely,

Handwritten signature of Ronald R. Cone.

Ronald R. Cone, CPA, CGFM
Finance Director



ADMINISTRATIVE AND COMMUNITY SERVICES DEPARTMENT
P.O. BOX 293, 525 NORTH THIRD AVENUE, PASCO, WASHINGTON 99301

December 4, 2007

Ruta Fanning, Legislative Auditor
Joint Legislative Audit and Review Committee
506 16th Avenue SE
Olympia WA 98501-2323

Re: Response to Preliminary Report Review of Ambulance Utilities

Dear Ms. Fanning:

Thank you for the opportunity to respond to the preliminary report on the review of ambulance utilities.

Before responding to the specifics in the report the City feels it is important to state that the statute regarding ambulance services is lacking in clarity and definitions of terms. As a result, many terms are left open to the reader's interpretation. The most glaring example of this is the frequent use of the terms "rates" "charges" "fees" (and combined rates, charges and services fees) throughout the legislation. Without definitions or distinction between these terms (if intended), there will no doubt continue to be confusion as cities attempt to implement this legislation. It would seem that time and effort spent to improve the clarity and convey the intent of legislation would be potentially far more productive than the effort required to analyze the several interpretations which can result from legislation where insufficient definitions are provided.

Recommendation #1 – Pasco should conduct or update their cost of service study to clearly address the statutory requirements, including calculating of a proposed ambulance utility rate. **We do not concur.**

Your Report Summary offers three objectives.

In Objective 1, the report addresses the question: "Which cities or towns are operating ambulance utilities?" The report then lists 10 cities and the monthly ambulance utility rate established by each city. It is interesting to note that the report is silent on the question of direct charges for actual users of the ambulance service. The City of Pasco contends that this is an equally important side of the equation that should not be overlooked. Just as a water utility, for which a base monthly rate would be charged (regardless of the amount of water used) as a function of availability and for which a variable rate (depending on actual consumption) would be calculated for the amount of water actually used (demand based), an ambulance utility rate structure must consider both sides of the equation. Such rates may differ from community to community

DIVISIONS

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SERVICES
(509) 544-3096
FAX 543-5727

CITY CLERK
(509) 545-3402
FAX 543-5727

FACILITIES
SERVICES
(509) 543-5757
FAX 543-5758

FINANCE
SERVICES
(509) 545-3401
FAX 544-3082

INFORMATION
SERVICES
(509) 545-3419
FAX 543-5758

RECREATION
SERVICES
(509) 545-3456
FAX 543-3455

depending on the demographics of the community, the percentage of Medicare write-offs and users, etc.

In Objective 2, the question is asks “were the rates were established in accordance with “generally accepted rate making practices””. The report concludes that since there is no objective methodology or measurable criteria for assessing “fairness” or “ease of administration” (which should be considered a very important criteria in measuring generally accepted rate making practices), the focus will be on whether “cities met statutory requirements rather than whether they met generally accepted rate setting practices”. As indicated above, due to the confusion over definitions, the City contends that it is also difficult to objectively measure the extent to which a community has met statutory requirements.

Objective 3 asks if: “the processes used to establish each utility comply with statutory requirements?” In the findings the report indicates that Pasco completed a cost of service study but the study did not calculate an ambulance utility rate. The legislation does not specifically state that the calculated utility rate must be the monthly utility rate as listed in the report. In fact, Section (4) refers to an availability based “rate” ((4)(a)); a demand based “rate” ((4)(b)) but concludes that ((4)(c)) “the fee charged by the utility shall reflect a combination of the availability cost and the demand cost”. Pasco chose to set the monthly (availability) rate at \$3.00 and then calculated the transport (demand) rate based on the assumed monthly rate. The City contends that this is no less compliant with the law than another entity initially setting the transport fee, and then calculating the monthly availability fee.

Recommendation #2 – Pasco should implement its plan to exempt Medicaid eligible persons in specific facilities as required by statutes. **We partially concur.**

The study reports that the City’s ordinance did not reflect an exemption for persons who are Medicaid eligible and who reside in a nursing facility, boarding home, adult family home or who receive in home services. Since this requirement was brought to the City’s attention by your staff’s inquiry, those facilities, specifically Avalon Health Care and the Tri-Cities Retirement Inn, have received refunds for the over billing since the ambulance utility charges were implemented in January 2007 (this can be confirmed by the State Auditor’s Office during the examination our records during our next audit). However, as stated in the legislation in Section (4)(d)(i), the statute requires that the “combined rates” charged shall reflect an exemption for persons who are Medicaid eligible . . .” (underlining added for emphasis). To further confuse the issue, the statute then states “the combined rates charged may reflect an exemption or reduction for designated classes . . .” (underlining added). In this regard the City’s ordinance, PMC 3.05.070, reads in pertinent part: “the combined ambulance service rates provided in PMC 3.05.040 shall be limited for those persons who are Medicaid eligible and who reside in a nursing facility, boarding home, adult family home or receive in home services to the Medicaid benefit amount provided for ambulance transport or transfer.” The City contends, that given the way the statute is drafted, this practice could satisfy the exemption or reduction requirement.

Recommendation #3 – The nine cities subject to this requirement should notify Medicaid eligible persons receiving in-home services that they are eligible for ambulance utility rate exemptions. **Based on the above response, we partially concur.**

The issue of notice to Medicaid eligible persons receiving in home services is being discussed at this time and will be implemented as soon as a plan is developed.

Recommendation #4 – did not affect Pasco.

Recommendation #5 – The named city should revise its accounting procedures to account for all of its ambulance expenditures, including transfers to its reserve fund for purchasing a new ambulance. Although not presently affecting Pasco, we feel compelled to respond.

The final statutory requirement that the report discussed was whether total revenues generated by the utility exceeded the total costs of the utility. The report indicates an inability to determine this for Pasco since a full fiscal year of data is not available since Pasco's rates were established. The City suggests, however, that one fiscal year's worth of data is not sufficient to determine if the revenues exceed the total costs of the utility as revenues and expenses can differ from year to year depending on changing costs of equipment, supplies and materials as well as success in collecting revenues, the number of write-offs, etc. It would seem that a five year history is much more likely to produce an indication as to whether the revenues of any utility exceed overall utility expenses on an ongoing basis.

If Pasco is does receive excess revenues from utility rates and charges, they will be reserved to purchase a new ambulance or new medical equipment in the future.

Again, thank you for the opportunity to respond. If you have any questions regarding the responses, you can reach me at 509-544-3065 or at chasej@ci.pasco.wa.us.

Sincerely,



James W. Chase
Financial Services Manager

Cc: Gary Crutchfield, City Manager
Stanley Strebel, Director, Administrative & Community Services Department
Lee Kerr, City Attorney
Tom Gould, HDR Engineering, Inc.



PORT ANGELES

WASHINGTON, U. S. A.

FIRE DEPARTMENT

December 4, 2007

Ruta Fanning, Legislative Auditor
 506 16th Ave SE
 Olympia, WA 98501-2323
 Campus Mail: P O Box 40910

Dear Ruta,

We would like to thank both you and your staff for providing us the opportunity to provide comments on the draft and preliminary copies of JLARC's Technical Review of Ambulance Utilities. We would especially like to recognize Nina Oman for her outstanding effort. Ms. Oman went out of her way to solicit information from the various cities and it was gratifying to see that she not only took the information but also incorporated much of it into the preliminary report.

We have one comment in response to the preliminary report's recommendations. Our comment is provided below:

| RECOMMENDATION | AGENCY POSITION | COMMENTS |
|-------------------|------------------------------------|--|
| Recommendation #3 | We concur with the recommendation. | For many years, the City of Port Angeles has had a low-income/disabled senior citizen utility discount program in place. This program is available to all City utility customers and it provides an opportunity to request utility discounts. Notice of this program is provided to all customers annually and to all customers upon their initial utility hook-up. The JLARC finding is correct in that there is no specific exemption for persons receiving in-home services. In order to correct this, we will immediately modify our utility discount program to specifically include an exemption for those Medicaid-eligible persons receiving in-home care. |

102 EAST FIFTH STREET • PORT ANGELES, WA 98362-3014
 PHONE: 360-417-4655 • FAX: 360-417-4659 • E-MAIL: pafire@cityofpa.us

Ruta Fanning
Page 2
December 4, 2007

Again, we appreciate our opportunity to provide comments and we appreciate the ability to use the information contained within the report to improve the City's ambulance utility. If you have any questions regarding our comments, you can contact either one of us by e-mail or by phone.

Sincerely,



Yvonne Ziomkowski, Finance Director
City of Port Angeles



Dan McKeen, Fire Chief
Port Angeles Fire Department

Pc: Karen Rogers, Mayor
Mark Madsen, City Manager
Nina Oman, Research Analyst



505 Swift Boulevard, P.O. Box 190 Richland, WA 99352
 Telephone 509-942-7390, Fax 509-942-5666

www.ci.richland.wa.us

December 5, 2007

Ruta Fanning, Legislative Auditor
 506 16th Ave SE
 Olympia, WA 98501-2323
 Campus Mail: PO Box 40910

Dear Ms. Fanning,

We would like to express our appreciation for the opportunity to provide comments on the "Review of Ambulance Utilities-Preliminary Report". Our response is below.

| Recommendation | Agency Position | Comments |
|---------------------------|---|---|
| <p>Recommendation #3.</p> | <p>"The nine cities subject to this requirement should notify Medicaid eligible persons receiving in-home services that they are eligible for ambulance utility rate exemptions."</p> | <p>The City concurs with this finding, however is concerned with finding an efficient mechanism for providing this exemption that will ensure that only those individuals eligible for the exemption will be exempted.</p> <p>The difficulty in administering this requirement comes from the dynamic nature of the Medicaid program. An individual receiving in-home service may be insured through Medicaid in one billing cycle, but not in another, thereby requiring the City to recertify that these individuals are eligible for exemption on a frequent basis.</p> <p>The City will implement a program to ensure that eligible individuals will have opportunity to receive the exemption afforded to them under this legislation while trying to balance the costs associated with the administrative burden necessary to monitor eligibility for this requirement.</p> |

In addition to the response to recommendation #3, the City would like to clarify the following comment made on page 11, "...Of the eight cities completing cost studies, only three had any demand costs remaining once direct billing revenue was subtracted. (Mercer Island, Port Angeles, and Richland)". The City calculated a total of \$229,685 in net demand costs subject to the application of the direct billing revenues. The \$229,685 was calculated by taking the total demand expenses of \$309,041 less a general fund contribution and miscellaneous ambulance revenues (e.g. bad debt recovery, investment interest, etc.) amounting to \$79,356. When it came time to apply the direct billing revenues, there remained only \$229,685 in demand costs for which to apply the direct billing

Appendix 2 – Responses and Legislative Auditor Comments

revenues against, therefore, the City did entirely cover its net demand costs with direct billing revenues.

Thank you for your consideration of the City's responses. Please feel free to contact me at (509)-942-7302 with any questions or comments.

Sincerely,



Dan Underwood
Finance Manager

CC: Cindy Johnson, City Manager
Ron Musson, Administrative Services Director
Grant Baynes, Fire & Emergency Services Director



Office of the City Attorney
818 East Edison Avenue
Sunnyside, Washington 98944
(509) 837-2612 Office
(509) 837-3294 Fax

December 5, 2007

Ms. Ruta Fanning, Legislative Auditor
JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE
506 16th Avenue SE
Olympia, Washington 98501-2323

Campus Mail: P.O. Box 40910

**Re: City of Sunnyside Ambulance Utility
Response to JLARC Report
"Review of Ambulance Utilities"**

Dear Ms. Fanning:

Thank you for the opportunity to respond to the JLARC Report "Review of Ambulance Utilities" dated November 28, 2007. Here are the responses of the City of Sunnyside to the identified findings:

Recommendation #1 (Page 16). The City of Sunnyside does not concur with this finding. It is recommended that the City of Sunnyside conduct a cost-of-service study to address the requirements of the 2005 legislation, which includes an analysis of "availability costs" and "demand costs." These types of "costs" cannot accurately be described in the context of the ambulance utility operated and maintained by the City of Sunnyside. The City of Sunnyside Ambulance Utility is manned by Firefighter/EMT and Firefighter/Paramedic personnel. Each officer performs combined duties as firefighter and EMT or Paramedic. The funding for the "firefighter" operations is through the General Fund; the funding of the Emergency Medical Technician and Paramedic operations is funded through the Ambulance Utility Fund.

The Ambulance Fund is supported by revenues from the Yakima County EMS Levy, ambulance utility base charges and fees for service. No General Fund moneys are commingled with the Ambulance Fund. Consequently, the "availability costs" are

driven by the presence of firefighters who are cross-trained as Emergency Medical Technicians and/or Paramedics. It is extremely problematic to assess the availability cost based solely on the Ambulance Utility Fund because the "availability" is driven by both General Fund and the Ambulance Utility. The rate study and analysis required by the 2005 legislation works well in an ambulance utility that consists solely of operation and maintenance of an ambulance service but does not work in a service operated in conjunction and combination with General Fund firefighting services.

Recommendation #2 (Page 17). The City of Sunnyside partially concurs with the recommendation regarding exemption of Medicaid-eligible persons receiving in-home services. The City of Sunnyside has adopted ordinances providing for utility discounts for low-income senior citizens and low-income disabled citizens. All city utility billings are combined in a single billing, so that a person receiving a discount receives the discount on the total utility billing rate, which includes the ambulance utility. The City of Sunnyside has, in fact, granted utility discounts to qualified individuals who have requested the discount.

The "base utility rate" was originally set at \$3.00 per household for residential uses. Businesses and industries (including profit, nonprofit, schools, health care businesses and establishments, etc.) are assessed the monthly base rate by means of an "equivalent residential unit (ERU)." The ERU is determined, as provided in the ambulance utility code, by dividing the total number of employees (up to a maximum of 101) by the number representing the average household size of residential and housing units within the City of Sunnyside (currently 3.6 according to OFM calculations). In this regard, nursing homes, hospitals and other high density residential health care providers are considered "businesses," and the base rate is calculated using the number of employees (not patients). Thus, the adjustment for Medicaid-eligible persons residing in designated health care facilities is built into the calculation of base rates and spread over the entire system. (In fact, higher calls for service are generated to these locations, and the provider businesses are billed a base rate calculated on the number of their employees, not their patients – a significant savings.)

That being said, the City of Sunnyside is exploring ways to notify Medicaid-eligible persons that they may be eligible for an exemption from the utility fee. As the auditors note, these patients are difficult to identify, and an additional challenge will be to identify a way to incorporate the costs of such exemptions over the entire utility. We believe the existing mechanism explained in the paragraph above satisfies the intent of the 2005 legislation by calculating the ERU on the number of employees rather than the number of patients.

Thank you for your attention to these matters, and for the opportunity to respond. If you have any questions, please do not hesitate to contact me.

Very truly yours,



Mark Kunkler
Interim City Manager

cc. City Council
Finance Department
Fire Department



December 6, 2007

Ruta Fanning, Legislative Auditor
Joint Legislative Audit and Review Committee
506 16th Avenue SE
Olympia, WA 98504-0910

Dear Ms. Fanning:

The State Auditor's Office appreciates the opportunity to provide comment on the Joint Legislative Audit and Review Committee's Preliminary Report on Review of Ambulance Utilities.

Based on our review, we concur with the recommendations you have made as a result of your findings. We have one minor modification to suggest in the wording of your recommendations. Currently the recommendations cite "... as part of the State Auditor's regular financial auditing process..." We suggest the word "financial" be deleted in reference to the State Auditor's audit process, as we perform more than one type of audit in which compliance for these requirements may be evaluated.

We again thank you for the opportunity to provide feedback on your preliminary report and look forward to collaborating on future projects. If you have questions or need further guidance, please call me at (360) 902-0366.

Sincerely,

A handwritten signature in black ink, appearing to read "Chuck Pfeil".

Chuck Pfeil, CPA
Director of State and Local Audits



STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

RECEIVED
DEC - 5 2007
JLARC

November 30, 2007

TO: Ruta Fanning, Legislative Auditor
Joint Legislative Audit and Review Committee

FROM: Victor A. Moore, Director *V.A.M.*
Office of Financial Management

SUBJECT: REVIEW OF AMBULANCE UTILITIES – PRELIMINARY REPORT

Thank you for giving the Office of Financial Management the opportunity to review and provide comments on JLARC’s preliminary report on Review of Ambulance Utilities. Our comments are as follows:

| Recommendation | OFM Position | Comments |
|---|--------------|----------|
| 1. The cities of Bridgeport, Sunnyside, and Pasco should conduct or update their cost-of-service studies to clearly address the statutory requirements, including calculation of a proposed ambulance utility rate, and be able to demonstrate to the State Auditor’s Office that they have complied with these requirements as part of the State Auditor’s regular financial auditing process. | Concur | |
| 2. Sunnyside should be exempt, and Pasco should implement its plan to exempt, Medicaid eligible persons in specific facilities as required by statute. Both cities should be able to demonstrate to the State Auditor’s Office that they have complied with this requirement as part of the State Auditor’s regular financial auditing process. | Concur | |



Ruta Fanning
 November 29, 2007
 Page 2 of 2

| | | |
|---|-------------------------|--|
| <p>3. The nine cities subject to this requirement should notify Medicaid eligible persons receiving in-home services that they are eligible for ambulance utility rate exemptions.</p> | <p>Partially concur</p> | <p>Exemptions are required by statute, but notifications of exemptions are not. Notifying residents of exemptions is a valuable exercise in open government and good customer service.</p> |
| <p>4. Mercer Island should maintain a separate accounting mechanism for ambulance expenditures, and be able to demonstrate to the State Auditor's Office that it has complied with this requirement as part of the State Auditor's regular financial auditing process.</p> | <p>Concur</p> | |
| <p>5. Bridgeport should revise its accounting procedures to account for all of its ambulance expenditures, including transfers to its reserve fund for purchasing a new ambulance vehicle, and be able to demonstrate to the State Auditor's Office that it has met this requirement as part of the State Auditor's regular financial auditing process.</p> | <p>Concur</p> | |

We look forward to your final report. If you have any questions, please contact Mike Woods at (360) 902-9819.

APPENDIX 3 – RCW 35.21.766

RCW 35.21.766

Ambulance services — Establishment authorized.

(1) Whenever a regional fire protection service authority determines that the fire protection jurisdictions that are members of the authority are not adequately served by existing private ambulance service, the governing board of the authority may by resolution provide for the establishment of a system of ambulance service to be operated by the authority as a public utility [or] operated by contract after a call for bids.

(2) The legislative authority of any city or town may establish an ambulance service to be operated as a public utility. However, the legislative authority of the city or town shall not provide for the establishment of an ambulance service utility that would compete with any existing private ambulance service, unless the legislative authority of the city or town determines that the city or town, or a substantial portion of the city or town, is not adequately served by an existing private ambulance service. In determining the adequacy of an existing private ambulance service, the legislative authority of the city or town shall take into consideration objective generally accepted medical standards and reasonable levels of service which shall be published by the city or town legislative authority. The decision of the city council or legislative body shall be a discretionary, legislative act. When it is preliminarily concluded that the private ambulance service is inadequate, before issuing a call for bids or before the city or town establishes an ambulance service utility, the legislative authority of the city or town shall allow a minimum of sixty days for the private ambulance service to meet the generally accepted medical standards and reasonable levels of service. In the event of a second preliminary conclusion of inadequacy within a twenty-four month period, the legislative authority of the city or town may immediately issue a call for bids or establish an ambulance service utility and is not required to afford the private ambulance service another sixty-day period to meet the generally accepted medical standards and reasonable levels of service. Nothing in chapter 482, Laws of 2005 is intended to supersede requirements and standards adopted by the department of health. A private ambulance service which is not licensed by the department of health or whose license is denied, suspended, or revoked shall not be entitled to a sixty-day period within which to demonstrate adequacy and the legislative authority may immediately issue a call for bids or establish an ambulance service utility.

(3) The city or town legislative authority is authorized to set and collect rates and charges in an amount sufficient to regulate, operate, and maintain an ambulance utility. Prior to setting such rates and charges, the legislative authority must determine, through a cost-of-service study, the total cost necessary to regulate, operate, and maintain the ambulance utility. Total costs shall not include capital cost for the construction, major renovation, or major repair of the physical plant. Once the legislative authority determines the total costs, the legislative authority shall then identify that portion of the total costs that are attributable to the availability of the ambulance

service and that portion of the total costs that are attributable to the demand placed on the ambulance utility.

(a) Availability costs are those costs attributable to the basic infrastructure needed to respond to a single call for service within the utility's response criteria. Availability costs may include costs for dispatch, labor, training of personnel, equipment, patient care supplies, and maintenance of equipment.

(b) Demand costs are those costs that are attributable to the burden placed on the ambulance service by individual calls for ambulance service. Demand costs shall include costs related to frequency of calls, distances from hospitals, and other factors identified in the cost-of-service study conducted to assess burdens imposed on the ambulance utility.

(4) A city or town legislative authority is authorized to set and collect rates and charges as follows:

(a) The rate attributable to costs for availability described under subsection (3)(a) of this section shall be uniformly applied across user classifications within the utility;

(b) The rate attributable to costs for demand described under subsection (3)(b) of this section shall be established and billed to each utility user classification based on each user classification's burden on the utility;

(c) The fee charged by the utility shall reflect a combination of the availability cost and the demand cost;

(d)(i) Except as provided in (d)(ii) of this subsection, the combined rates charged shall reflect an exemption for persons who are Medicaid eligible and who reside in a nursing facility, boarding home, adult family home, or receive in-home services. The combined rates charged may reflect an exemption or reduction for designated classes consistent with Article VIII, section 7 of the state Constitution. The amounts of exemption or reduction shall be a general expense of the utility, and designated as an availability cost, to be spread uniformly across the utility user classifications.

(ii) For cities with a population less than two thousand five hundred that established an ambulance utility before May 6, 2004, the combined rates charged may reflect an exemption or reduction for persons who are Medicaid eligible, and for designated classes consistent with Article VIII, section 7 of the state Constitution;

(e) The legislative authority must continue to allocate at least seventy percent of the total amount of general fund revenues expended, as of May 5, 2004, toward the total costs necessary to regulate, operate, and maintain the ambulance service utility. However, cities or towns that operated an ambulance service before May 6, 2004, and commingled general fund dollars and ambulance service dollars, may reasonably estimate that portion of general fund dollars that were, as of May 5, 2004, applied toward the operation of the ambulance service, and at least seventy percent of such estimated amount must then continue to be applied toward the total cost necessary to regulate, operate, and maintain the ambulance utility. Cities and towns which first established an ambulance service utility after May 6, 2004, must

allocate, from the general fund or emergency medical service levy funds, or a combination of both, at least an amount equal to seventy percent of the total costs necessary to regulate, operate, and maintain the ambulance service utility as of May 5, 2004, or the date that the utility is established;

(f) The legislative authority must allocate available emergency medical service levy funds, in an amount proportionate to the percentage of the ambulance service costs to the total combined operating costs for emergency medical services and ambulance services, towards the total costs necessary to regulate, operate, and maintain the ambulance utility;

(g) The legislative authority must allocate all revenues received through direct billing to the individual user of the ambulance service to the demand-related costs under subsection (3)(b) of this section;

(h) The total revenue generated by the rates and charges shall not exceed the total costs necessary to regulate, operate, and maintain an ambulance utility; and

(i) Revenues generated by the rates and charges must be deposited in a separate fund or funds and be used only for the purpose of paying for the cost of regulating, maintaining, and operating the ambulance utility.

(5) Ambulance service rates charged pursuant to this section do not constitute taxes or charges under RCW 82.02.050 through 82.02.090, or 35.21.768, or charges otherwise prohibited by law.

[2005 c 482 § 2; 2004 c 129 § 34; 1975 1st ex.s. c 24 § 1.]

Notes:

Finding--Intent -- 2005 c 482: "The legislature finds that ambulance and emergency medical services are essential services and the availability of these services is vital to preserving and promoting the health, safety, and welfare of people in local communities throughout the state. All persons, businesses, and industries benefit from the availability of ambulance and emergency medical services, and survival rates can be increased when these services are available, adequately funded, and appropriately regulated. It is the legislature's intent to explicitly recognize local jurisdictions' ability and authority to collect utility service charges to fund ambulance and emergency medical service systems that are based, at least in some part, upon a charge for the availability of these services." [2005 c 482 § 1.]

Captions not law -- Severability -- 2004 c 129: See RCW 52.26.900 and 52.26.901.

Ambulance services by counties authorized: RCW 36.01.100.

APPENDIX 4 – STATUTORY REQUIREMENT SUMMARY, BY CITY

Aberdeen: Compliance with Statutory Requirements for a Ambulance Utility

| Statutory Requirement | Section in ESHB 1635 | Was the Requirement Met? |
|---|--|---|
| The legislative authority shall not establish an ambulance service that would compete with any existing private licensed ambulance service. | Section 2(2) | Not applicable. |
| Prior to setting rates, a cost-of-service study must be completed, which meets specific requirements outlined in statute. | Section 2(3) and Section 2(4)(a)-(c) and (e)-(g) | Yes, the requirement was met. |
| For cities with a population of more than 2,500, combined rates charged shall reflect an exemption for persons who are Medicaid eligible and who reside in a nursing facility, boarding home, adult family home, or receive in-home services. | Section 2(4)(d) | Yes, the requirement was met, except for persons receiving in-home services. |
| Ambulance utility revenues must be deposited in a separate fund used only for the purpose of paying for ambulance utility costs. | Section 2(4)(i) | Yes, the requirement was met. |
| Total revenues generated by the utility must not exceed the total costs of the utility. | Section 2(4)(h) | Unable to determine since a full fiscal year of data was not available since the rates were re-established. |

Bridgeport: Compliance with Statutory Requirements for an Ambulance Utility

| Statutory Requirement | Section in ESHB 1635 | Was the Requirement Met? |
|---|--|---|
| The legislative authority shall not establish an ambulance service that would compete with any existing private licensed ambulance service. | Section 2(2) | Not applicable. |
| Prior to setting rates, a cost-of-service study must be completed, which meets specific requirements outlined in statute. | Section 2(3) and Section 2(4)(a)-(c) and (e)-(g) | No, the requirement was not met. |
| For cities with a population of more than 2,500, combined rates charged shall reflect an exemption for persons who are Medicaid eligible and who reside in a nursing facility, boarding home, adult family home, or receive in-home services. | Section 2(4)(d) | Not applicable; the city population is less than 2,500. |
| Ambulance utility revenues must be deposited in a separate fund used only for the purpose of paying for ambulance utility costs. | Section 2(4)(i) | Yes, the requirement was met. |
| Total revenues generated by the utility must not exceed the total costs of the utility. | Section 2(4)(h) | No, the requirement was not met. Total utility revenues of \$26,957 exceeded total ambulance costs of \$21,332 in 2006. |

Hoquiam: Compliance with Statutory Requirements for an Ambulance Utility

| Statutory Requirement | Section in ESHB 1635 | Was the Requirement Met? |
|---|--|--|
| The legislative authority shall not establish an ambulance service that would compete with any existing private licensed ambulance service. | Section 2(2) | Not applicable. |
| Prior to setting rates, a cost-of-service study must be completed, which meets specific requirements outlined in statute. | Section 2(3) and Section 2(4)(a)-(c) and (e)-(g) | Yes, the requirement was met. |
| For cities with a population of more than 2,500, combined rates charged shall reflect an exemption for persons who are Medicaid eligible and who reside in a nursing facility, boarding home, adult family home, or receive in-home services. | Section 2(4)(d) | Yes, the requirement was met, except for persons receiving in-home services. |
| Ambulance utility revenues must be deposited in a separate fund used only for the purpose of paying for ambulance utility costs. | Section 2(4)(i) | Yes, the requirement was met. |
| Total revenues generated by the utility must not exceed the total costs of the utility. | Section 2(4)(h) | Yes, the requirement was met. |

Mercer Island: Compliance with Statutory Requirements for an Ambulance Utility

| Statutory Requirement | Section in ESHB 1635 | Was the Requirement Met? |
|---|--|---|
| The legislative authority shall not establish an ambulance service that would compete with any existing private licensed ambulance service. | Section 2(2) | Not applicable. |
| Prior to setting rates, a cost-of-service study must be completed, which meets specific requirements outlined in statute. | Section 2(3) and Section 2(4)(a)-(c) and (e)-(g) | Yes, the requirement was met. |
| For cities with a population of more than 2,500, combined rates charged shall reflect an exemption for persons who are Medicaid eligible and who reside in a nursing facility, boarding home, adult family home, or receive in-home services. | Section 2(4)(d) | Yes, the requirement was met, except for persons receiving in-home services. |
| Ambulance utility revenues must be deposited in a separate fund used only for the purpose of paying for ambulance utility costs. | Section 2(4)(i) | No, the requirement was not met. |
| Total revenues generated by the utility must not exceed the total costs of the utility. | Section 2(4)(h) | Unable to determine since a full fiscal year of data was not available since the rates were re-established. |

Montesano: Compliance with Statutory Requirements for an Ambulance Utility

| Statutory Requirement | Section in ESHB 1635 | Was the Requirement Met? |
|---|--|--|
| The legislative authority shall not establish an ambulance service that would compete with any existing private licensed ambulance service. | Section 2(2) | Not applicable. |
| Prior to setting rates, a cost-of-service study must be completed, which meet specific requirements outlined in statute. | Section 2(3) and Section 2(4)(a)-(c) and (e)-(g) | Yes, the requirement was met. |
| For cities with a population of more than 2,500, combined rates charged shall reflect an exemption for persons who are Medicaid eligible and who reside in a nursing facility, boarding home, adult family home, or receive in-home services. | Section 2(4)(d) | Yes, the requirement was met, except for persons receiving in-home services. |
| Ambulance utility revenues must be deposited in a separate fund used only for the purpose of paying for ambulance utility costs. | Section 2(4)(i) | Yes, the requirement was met. |
| Total revenues generated by the utility must not exceed the total costs of the utility. | Section 2(4)(h) | Yes, the requirement was met. |

Moses Lake: Compliance with Statutory Requirements for an Ambulance Utility

| Statutory Requirement | Section in ESHB 1635 | Was the Requirement Met? |
|---|--|---|
| The legislative authority shall not establish an ambulance service that would compete with any existing private licensed ambulance service. | Section 2(2) | Not applicable. |
| Prior to setting rates, a cost-of-service study must be completed, which meets specific requirements outlined in statute. | Section 2(3) and Section 2(4)(a)-(c) and (e)-(g) | Yes, the requirement was met. |
| For cities with a population of more than 2,500, combined rates charged shall reflect an exemption for persons who are Medicaid eligible and who reside in a nursing facility, boarding home, adult family home, or receive in-home services. | Section 2(4)(d) | Yes, the requirement was met, except for persons receiving in-home services. |
| Ambulance utility revenues must be deposited in a separate fund used only for the purpose of paying for ambulance utility costs. | Section 2(4)(i) | Yes, the requirement was met. |
| Total revenues generated by the utility must not exceed the total costs of the utility. | Section 2(4)(h) | Unable to determine since a full fiscal year of data was not available since the rates were re-established. |

Pasco: Compliance with Statutory Requirements for an Ambulance Utility

| Statutory Requirement | Section in ESHB 1635 | Was the Requirement Met? |
|---|--|---|
| The legislative authority shall not establish an ambulance service that would compete with any existing private licensed ambulance service. | Section 2(2) | Not applicable. |
| Prior to setting rates, a cost-of-service study must be completed, which meets specific requirements outlined in statute. | Section 2(3) and Section 2(4)(a)-(c) and (e)-(g) | The city completed a cost study but the study did not calculate an ambulance utility rate. |
| For cities with a population of more than 2,500, combined rates charged shall reflect an exemption for persons who are Medicaid eligible and who reside in a nursing facility, boarding home, adult family home, or receive in-home services. | Section 2(4)(d) | No, the requirement was not met. The city has since indicated that it is providing refunds to facilities housing Medicaid eligible persons. |
| Ambulance utility revenues must be deposited in a separate fund used only for the purpose of paying for ambulance utility costs. | Section 2(4)(i) | Yes, the requirement was met. |
| Total revenues generated by the utility must not exceed the total costs of the utility. | Section 2(4)(h) | Unable to determine since a full fiscal year of data was not available since the rates were re-established. |

Port Angeles: Compliance with Statutory Requirements for an Ambulance Utility

| Statutory Requirement | Section in ESHB 1635 | Was the Requirement Met? |
|---|--|--|
| The legislative authority shall not establish an ambulance service that would compete with any existing private licensed ambulance service. | Section 2(2) | Not applicable. |
| Prior to setting rates, a cost-of-service study must be completed, which meets specific requirements outlined in statute. | Section 2(3) and Section 2(4)(a)-(c) and (e)-(g) | Yes, the requirement was met. |
| For cities with a population of more than 2,500, combined rates charged shall reflect an exemption for persons who are Medicaid eligible and who reside in a nursing facility, boarding home, adult family home, or receive in-home services. | Section 2(4)(d) | Yes, the requirement was met, except for persons receiving in-home services. |
| Ambulance utility revenues must be deposited in a separate fund used only for the purpose of paying for ambulance utility costs. | Section 2(4)(i) | Yes, the requirement was met. |
| Total revenues generated by the utility must not exceed the total costs of the utility. | Section 2(4)(h) | Yes, the requirement was met. |

Richland: Compliance with Statutory Requirements for an Ambulance Utility

| Statutory Requirement | Section in ESHB 1635 | Was the Requirement Met? |
|---|--|---|
| The legislative authority shall not establish an ambulance service that would compete with any existing private licensed ambulance service. | Section 2(2) | Not applicable. |
| Prior to setting rates, a cost-of-service study must be completed, which meets specific requirements outlined in statute. | Section 2(3) and Section 2(4)(a)-(c) and (e)-(g) | Yes, the requirement was met. |
| For cities with a population of more than 2,500, combined rates charged shall reflect an exemption for persons who are Medicaid eligible and who reside in a nursing facility, boarding home, adult family home, or receive in-home services. | Section 2(4)(d) | Yes, the requirement was met, except for persons receiving in-home services. |
| Ambulance utility revenues must be deposited in a separate fund used only for the purpose of paying for ambulance utility costs. | Section 2(4)(i) | Yes, the requirement was met. |
| Total revenues generated by the utility must not exceed the total costs of the utility. | Section 2(4)(h) | Unable to determine since a full fiscal year of data was not available since the rates were re-established. |

Sunnyside: Compliance with Statutory Requirements for an Ambulance Utility

| Statutory Requirement | Section in ESHB 1635 | Was the Requirement Met? |
|---|--|----------------------------------|
| The legislative authority shall not establish an ambulance service that would compete with any existing private licensed ambulance service. | Section 2(2) | Not applicable. |
| Prior to setting rates, a cost-of-service study must be completed which meets specific requirements outlined in statute. | Section 2(3) and Section 2(4)(a)-(c) and (e)-(g) | No, the requirement was not met. |
| For cities with a population of more than 2,500, combined rates charged shall reflect an exemption for persons who are Medicaid eligible and who reside in a nursing facility, boarding home, adult family home, or receive in-home services. | Section 2(4)(d) | No, the requirement was not met. |
| Ambulance utility revenues must be deposited in a separate fund used only for the purpose of paying for ambulance utility costs. | Section 2(4)(i) | Yes, the requirement was met. |
| Total revenues generated by the utility must not exceed the total costs of the utility. | Section 2(4)(h) | Yes, the requirement was met. |

APPENDIX 5 – AMBULANCE UTILITY RATE CALCULATIONS, BY CITY

| Aberdeen | Availability Costs | Demand Costs |
|---|--|---------------------|
| Ambulance Service Costs | \$1,752,584 | \$601,398 |
| Minus Direct Billing Revenue Applied to Demand Costs | | (\$1,059,294) |
| Minus Remainder of Direct Billing Revenue and Other Sources of Revenue (e.g., General Fund or Levy as applicable) | (\$475,750) | |
| Costs for Projected Exemptions* | | |
| Balance of Costs to be Covered by Utility Rate | \$1,276,834 | |
| Divided by Number of Accounts | 7,667 | |
| Annual Rate | \$166.54 | |
| Monthly Rate | \$13.88 (actual rate adjusted to \$12.88) | |

*248 of 7,915 accounts were identified as Medicaid eligible, leaving 7,667 accounts.

| Bridgeport | Availability Costs | Demand Costs |
|--|---------------------------|---------------------|
| Bridgeport did not provide a cost study or rate calculation. | Unknown | Unknown |

| Hoquiam | Availability Costs | Demand Costs |
|---|---------------------------|---------------------|
| Costs of Ambulance Service | \$953,583 | \$440,902 |
| Minus Direct Billing Revenue Applied to Demand Costs | | (\$675,000) |
| Minus Remainder of Direct Billing Revenue and Other Sources of Revenue (e.g., General Fund or Levy as applicable) | (\$441,098) | |
| Costs for Projected Exemptions* | | |
| Balance of Costs to be Covered by Utility Rate | \$512,485 | |
| Divided by Number of Accounts | 4,458 | |
| Annual Rate | \$114.96 | |
| Monthly Rate | \$9.58 | |

*82 of 4,540 accounts were identified as Medicaid eligible, leaving 4,458 accounts.

Appendix 4 –Ambulance Utility Rate Calculations, By City

| Mercer Island | User Classification | Availability Costs | Demand Costs |
|--|---|---|--|
| Costs of Ambulance Service | | \$2,577,778 | \$188,415 |
| Minus Direct Billing Revenue Applied to Demand Costs | | | \$0 (Mercer Island does not directly bill customers or their insurance) |
| Minus Remainder of Direct Billing Revenue and Other Sources of Revenue (e.g., General Fund or Levy as applicable) | | (\$2,505,130) | |
| Costs for Projected Exemptions | | \$9,258 | (\$9,258) |
| Balance of Costs to be Covered by Utility Rate | | \$81,907 | \$179,156 |
| Each user classification was assigned a share of availability costs based on the number of accounts within that class, and each user classification was assigned a share of demand costs based on the number of calls within that class. | | | |
| Monthly rate (rates are charged per equivalent service unit (ESU) as reflected in the city's utility billing system) | Single family residences | \$1.83 per ESU | |
| | Multifamily residence | \$2.20 per ESU | |
| | Residential Board & Care 24 hour Nursing | \$9.42 per ESU plus varying demand rates billed prospectively at \$125.48 per call, based on historical demand for calls. The monthly rates are calculated separately for each facility and range from \$60 to \$1,194. | |
| | Commercial | \$7.78 per ESU | |
| | Public Schools | \$49.59 per ESU | |
| | Public/Other* | \$18.57 per ESU | |

*Utility rates for public/other areas paid by the city's general fund and included in costs of service.

Note: Rates were adjusted in 2006 based on inflation and so do not directly reflect costs shown above.

Appendix 4 –Ambulance Utility Rate Calculations, By City

| Montesano | Availability Costs | Demand Costs |
|---|---|---------------------|
| Ambulance Service Costs | \$302,310 | \$249,752 |
| Minus Direct Billing Revenue Applied to Demand Costs | | (\$345,000) |
| Minus Remainder of Direct Billing Revenue and Other Sources of Revenue (e.g., General Fund or Levy as applicable) | (\$95,248) | |
| Costs for Projected Exemptions* | | |
| Balance of Costs to be Covered by Utility Rate | \$207,062 | |
| Divided by Number of Accounts | 1,526 | |
| Annual Rate | \$135.69 | |
| Monthly Rate | \$11.32 (actual rate adjusted to \$9.15) | |

*The total number of accounts was 1,702. 36 exemptions were provided for churches and city and county buildings per council policy. An additional 140 exemptions were identified as Medicaid/Medicare eligible, leaving 1,526 accounts.

| Moses Lake | Availability Costs | Demand Costs |
|---|--|---------------------|
| Ambulance Service Costs | \$1,442,048 | \$234,752 |
| Minus Direct Billing Revenue Applied to Demand Costs | | (\$1,178,400) |
| Minus Remainder of Direct Billing Revenue Applied to Availability Costs, Plus Other Sources of Revenue (e.g., General Fund or Levy as applicable) | (\$1,017,148) | |
| Costs for Projected Exemptions* | | |
| Balance of Costs to be Covered by Utility Rate | 424,900 | |
| Divided by Number of Accounts | 8,000 | |
| Annual Rate | \$53.11 | |
| Monthly Rate | \$4.42 (actual rate adjusted to \$3.58) | |

*Because only one \$3.58 rate is charged to each facility housing Medicaid eligible persons, the costs for these exemptions are automatically distributed across all users.

Appendix 4 –Ambulance Utility Rate Calculations, By City

| Pasco | Availability Costs | Demand Costs |
|--|--|-------------------------|
| Ambulance Service Costs | \$1,749,464 | \$973,988 |
| Minus Direct Billing Revenue Applied to Demand Costs | | (\$1,568,252) |
| Minus Remainder of Direct Billing Revenue Applied to Availability Costs, Plus Other Sources of Revenue (e.g., General Fund or Levy as applicable) | (\$1,049,464) | |
| Costs for Projected Exemptions | \$10,000 | |
| Balance of Costs to be Covered by Utility Rate | \$710,000 | |
| Divided by Number of Accounts | 18,000 | |
| Annual Rate | \$39.44 | |
| Monthly Rate | \$3.29 (actual rate adjusted to \$3.00) | |

Pasco's cost study differentiated availability and demand costs. However, the study calculated the amount to charge for direct billing of patients, rather than on the amount to charge for the monthly utility rate.

Appendix 4 –Ambulance Utility Rate Calculations, By City

| Port Angeles | User Classification | Availability Costs | Demand Costs |
|--|----------------------------|------------------------------------|--|
| Costs of Ambulance Service | | \$530,734 | \$527,007 |
| Minus Direct Billing Revenue Applied to Demand Costs | | | (\$412,000) |
| Minus Remainder of Direct Billing Revenue and Other Sources of Revenue (e.g., General Fund or Levy as applicable) | | (\$173,501) | |
| Costs for Projected Exemptions | | \$9,870 | |
| Balance of Costs to be Covered by Utility Rate | | \$347,363 | \$115,007 |
| Each user classification was assigned a share of availability costs based on the number of accounts within that class, and each user classification was assigned a share of demand costs based on the number of calls within that class. | | | |
| Base Monthly Rate | Residential Commercial | \$3.75 per unit \$3.93 per unit | Rates for adult family homes, assisted living facilities, 24-hour nursing facilities and group homes are adjusted per facility based on utilization and exemptions for Medicaid eligible persons. Adjusted rates vary from \$0 to \$191. Rates for schools and jails are adjusted per facility based on utilization. |

Appendix 4 –Ambulance Utility Rate Calculations, By City

| Richland | Availability Costs | Demand Costs |
|---|---------------------------|---------------------|
| Ambulance Service Costs (net of general fund contribution & misc revenues) | \$1,928,922 | \$309,041 |
| Minus Direct Billing Revenue Applied to Demand Costs | | (\$229,685) |
| Minus Remainder of Direct Billing Revenue Applied to Availability Costs, Plus Other Sources of Revenue (e.g., General Fund or Levy as applicable) | (\$1,131,360) | (\$79,356) |
| Costs for Projected Exemptions* | | |
| Balance of Costs to be Covered by Utility Rate (563,027 plus reserve, taxes and uncollectible) | \$797,562 | |
| Divided by Number of Accounts | 21,000 | |
| Annual Rate | \$37.92 | |
| Monthly Rate | \$3.16 | |

*Because only one \$3.16 rate is charged to each facility housing Medicaid eligible persons, the costs for these exemptions are automatically distributed across all users.

| Sunnyside | Availability Costs | Demand Costs |
|---|---------------------------|---------------------|
| Sunnyside did not provide a cost study or rate calculation. | Unknown | Unknown |

