

**REVIEW OF
AMBULANCE UTILITIES**

**PROPOSED FINAL
REPORT**

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STATE OF WASHINGTON

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REVIEW COMMITTEE

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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.

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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>

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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.