



Date: September 25, 2015

To: Patrick H. West, City Manager *T.M.*

From: John Gross, Director of Financial Management
Michael A. DuRee, Fire Chief *J.G.*

For: Mayor and Members of the City Council

Subject: **Hardship Waiver and Subscription Program for the First Responder Fee**

The following information is provided in response to a request for a follow-up report by the City Council on July 21, 2015 on First Responder Fee hardship waivers and subscription programs.

In summary, the City's current hardship waiver (and payment options) appears to meet the needs of those who cannot pay the ambulance fees and, thus, no change is recommended at this time. A subscription program could be implemented, but there does not appear to be a demand for it, and would probably not impact those who currently have difficulty paying the bill for ambulance fees. It is recommended that staff monitor both the hardship waiver and the need, or demand, for a subscription fee program and report back to the City Council if the situation changes.

Hardship Waivers

The City has had a hardship waiver for ambulance bills in place for years. Anyone with an inability to pay can make a request for a fee waiver for ambulance fees. However, the bulk of ambulance fees are paid by insurance, Medi-Cal, or Medicare. For those billed to individuals, many of those have no address and, for that reason, are written off without going to collections. The following options are currently offered to customers who are unable to pay for an ambulance transport in full:

- Payment Extension - Allows the customer additional time to make a payment in full without incurring a late fee.
- Payment Plan - Allows the customer to make monthly payments after one-third of the bill has been paid. Staff has the authority to adjust monthly payments to allow more time on a case by case basis.
- Hardship Waiver – A Hardship Waiver form, which authorizes the City to run a credit check, is provided to the customer. The Hardship Waiver process allows the customer to submit financial documentation to support the fee waiver request. The waiver and documentation are provided to the City Attorney's Office for review and a determination as to whether the customer qualifies for a hardship waiver. If qualified, the customer's associated fee is waived and written-off.

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Before any bills are issued for the new First Responder fee, the City will make the applicable forms, applications, and examples of acceptable income verification documentation available on the Financial Management website. Customers will be able to electronically submit the forms and associated documentation.

Staff believes the current procedures will work well for the First Responder fee, particularly with the addition of the online information and application process. The options currently in place have generated minimal complaints with regard to payment for ambulance bills, which are much higher than the First Responder fee.

At the City Council meeting, a question was asked as to whether unpaid First Responder fee bills would result in a property lien. As stated at the meeting, the First Responder fee bill will not result in a property lien if billed as a stand-alone service (no transport). Historically, unpaid ambulance bills, along with other unpaid City bills, can result in a property lien when taken through small claims court. As a result, an ambulance transport, which will include a First Responder fee as part of the overall cost of the ambulance transport, will continue to be sent to small claims court and will have the potential of a property lien. However, as stated, a bill for just the First Responder fee (no transport) will not go to small claims court and will not be subject to a property lien.

Subscription Plans

A subscription program for ambulance-related services is a type of insurance program for City residents. The program replaces ambulance-related revenue with subscription fee revenue. A person who pays a (usually monthly) subscription fee, often through the utility bill, is not charged if he or she subsequently uses the City's ambulance service. A subscription program will NOT generate additional revenue for the City or result in any reduction of ambulance fees. A subscription program substitutes a part of ambulance bill revenue (which would be reduced) with subscription program revenue. A subscription program can result in a net cost (loss) to the City, as was projected by a consultant the last time the City studied subscription programs (2005). For example, a person who makes heavy use of an ambulance may find a subscription program to be very advantageous to them, but multiple ambulance runs under a single subscription would likely be cost detrimental to the City. The demographics of the City are also different from those with successful subscription programs (high poverty rate). Finally, for those who cannot afford the cost of an ambulance bill, many don't have the money to buy a subscription plan in the first place and many would not have to pay under our program either because Medical or Medicare pays, or because the City does not have a billing address.

Where subscription programs are used, subscription fees can range from \$24 to \$60 annually (\$2 to \$5 per month). In most cases, if any member of the household receives evaluation and/or treatment by a First Responder unit, that member will not be responsible for paying the applicable fee(s). A subscription program may also place limits on the number of calls in a year that are covered by a subscription plan.

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A number of cities have subscription programs related to ambulance (and/or First Responder services). Some cities report over \$1 million in revenue annually (this is not additional revenue, it merely replaces ambulance billing revenue that is no longer collected from those in the insurance program). However, these cities appear to have initiated their programs under regulations and requirements different from the current implementation requirements and they may also have different demographics. Current requirements may make it significantly more difficult to enroll and retain voluntary program participants and the resulting revenues may be significantly less than cities that implemented the program under different regulatory requirements.

A subscription program is not expected to be particularly popular because most Long Beach residents have ambulance service costs already covered by either insurance, Medicare or Medi-Cal. For those who are not otherwise covered, many do not have a mailing address and they cannot be billed in the first place. For others, it is believed that they will not perceive the cost of the insurance to be worth the cost, or simply do not want to spend the money to pay the annual fee.

There will be significant implementation and ongoing administrative costs for a subscription program. All agencies with subscription programs reported the need for marketing and making potential customers aware of the program. One-time costs could exceed \$200,000 and ongoing costs could also exceed \$200,000 per year, inclusive of marketing. The billing would probably be done through the City's utility billing system to maximize convenience to customers. However, the necessary interfaces with the City's ambulance billing system are expected to be costly to build and maintain, and implementation would be a significant diversion of resources and disrupt other City and Council priorities at a time when the highest priority is successful implementation of the City's overall financial and human resources management system.

In conclusion, an ambulance subscription program will not generate additional revenue, and could result in revenue loss. In addition, it is not expected to be popular and is likely to have relatively high administrative costs. Therefore, it is not recommended at this time. Waiting to determine if there becomes a demand for such an insurance program is believed to be the best approach. Staff will monitor the situation and, if there is a demand or need for such a service, staff will advise the City Council and the City Council can consider adding a subscription program at a later date.

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