

APRIL 7, 1982

In accordance with the City Council's direction at its regular meeting of February 24, 1982, Assistant City Manager Glenn provided a report regarding the operation of the Lodi Ambulance Service, Inc.

The report in summation stated that the services provided by Lodi Ambulance Service is not unlike the services provided by the Fire Department. They must be able to provide immediate emergency response to the Northern San Joaquin County. The Lodi Ambulance Service has at least 4 people and 4 pieces of equipment ready to respond at all times. The Ambulance Service averages less than 10 emergency calls per day within the Northern San Joaquin County; of these, 6 to 7 are within the City

Various alternatives, if the City Council is desirous of becoming more involved were outlined as follows:

1. Contract with the Ambulance Service on a flat-rate basis for all emergency care provided in the City of Lodi.
2. Establish an ambulance service within the City Service.
3. The City become involved with the management of the service and set the maximum fees which the Ambulance Service may charge.

A very lengthy discussion followed with questions being directed to Staff and to Mr. Parry Schimke, Controller of the Lodi Ambulance Service.

RATE INCREASE  
LODI AMBULANCE  
SERVICE

Councilman Katnich then moved that the March 1982 rate increase by the Lodi Ambulance Service be rescinded. The motion was seconded by Councilman Pinkerton, and carried by the following vote:

Ayes: Councilmen - Murphy, Pinkerton,  
and McCarty

Noes: Councilmen - Katnich and Hughes

MEMORANDUM

To: Honorable Mayor and City Council

From: Assistant City Manager

Subject: Lodi Ambulance Service

Date: March 26, 1982

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In accordance with Council direction at its regular meeting held February 24, 1982, the following information is submitted regarding the operation of Lodi Ambulance Service, Inc.

SUMMARY

The services provided by Lodi Ambulance Service is not unlike the services provided by the Fire Department. They must be able to provide immediate emergency response to the Northern San Joaquin County. The Lodi Ambulance Service has at least 4 people and 4 pieces of equipment ready to respond at all times. The Ambulance Service averages less than 10

emergency calls per day within the Northern San Joaquin County; of these, 6 to 7 are within the city limits of Lodi. The financial statement provided shows a cash flow deficit of over \$8,000; however, the increase in accounts receivable is significantly more than \$8,000. The change in fee schedule proposed by the Lodi Ambulance Service will result in bills over 30% higher than before. The combined charges are not an industry standard at this time.

#### SERVICE LEVELS

In evaluating ambulance service, it is important to note this is a 24-hour per day, 7-day per week operation. The ambulance operation is manned by 4 persons at all times. In addition to the emergency ambulance service, Lodi Ambulance Service also operates a "medicab" which is used to transport wheelchair patients on a non-emergency basis. This latter service is provided from 8 a.m. to 5 p.m., Monday through Friday, or on a pre-scheduled basis. They also maintain 4 ambulances in an "on-line" capacity. An ambulance service doing business in California and billing Medicare patients is a very closely regulated operation in that rules, regulations and guidelines from at least 25 Federal, State and local agencies effect the operation.

In 1981, the Ambulance Service responded to 3447 calls, an average of 9.4 calls per day. Approximately 70% of the calls were in the city limits of the City of Lodi.

The owners of Lodi Ambulance Service also own and operate Stockton Ambulance Service. The business operations of both Companies do operate from the same headquarters. The office is divided and functions separately with joint use of certain equipment. Four persons work in the offices and it was explained that two persons are employees of Lodi Ambulance Service and two are employees of Stockton Ambulance Service. No effort was made to review the operations as they pertained to Stockton Ambulance Service.

#### STAFFING

The staffing of the Lodi Ambulance Service is:

- 2 Owner Operators
- 9 Certified Paramedics
- 1 Wheelchair Driver
- 2 Clerical Staff

These personnel are supplemented by a number of part time personnel to assure that minimum staffing levels are provided.

The certified paramedics are highly trained and skilled personnel. Certification is made by San Joaquin County and is granted only after completing an extensive course of study of 1060 hours including a field internship. To qualify for this program, an individual must have had 2 years' previous experience.

The hourly salary paid the paramedic staff is \$3.40 per hour which is \$.05 per hour over minimum wage. Lodi Ambulance Service operates under the Fair Labor Standards Act and therefore can pay no less than \$3.35 per hour and must pay cash overtime (\$5.10) per hour over 40 hours in a given 7-day period. The paramedics work a 72-hour week.

The only way in which salary costs can be controlled is not through salary rate reductions, but through reduction in staff.

## EQUIPMENT

The equipment owned by the Lodi Ambulance Service is:

- 1 1978 Dodge paramedic van
- 1 1979 Dodge paramedic van
- 1 1982 Dodge paramedic van
- 1 1971 Cadillac ambulance
- 1 1979 Dodge wheelchair van
- 1 1981 Buick Riviera Sedan

All equipment is in good operating order and properly maintained. For the service area, the number of pieces does not seem to be out of line.

## OPERATING COSTS AND OVERHEAD

An unaudited cash basis statement was submitted for analysis. The operating statement provided does show a "net" loss for 1981 of \$8,312.90 on a cash basis. It must be noted that the receivables increased by \$54,024.68 for the period March 27, 1981 to February 19, 1982. Some of the receivables are uncollectible as patients are either Medicare/Medical patients, or indigents, however, it was not determined what portion could be collected. This does,

however, point out the effect that uncollectibles has on cash flow.

From the statement provided, it is impossible to determine the exact costs of particular functions or items. For instance, the statement has salaries (defined as take home pay) and payroll taxes (both employee and employer contributions) as separate items. Determining total labor costs is further complicated because employee insurance is grouped with all other types of insurance.

A few expense items deserve special consideration as direct questions have been posed:

Medical Supplies - The owners of Lodi Ambulance Service are the owners of another business which distributes and sells medical supplies in the San Joaquin Valley and foothills. This Company sells supplies directly to Lodi Ambulance Service at cost, or 15% above cost at a maximum. This is less than the cost to other customers. The total cost of unrecoverable medical supplies for 1981 was \$3,026.68 for over 3,000 patient trips which figures to less than \$1.00 per trip. The hospital replaces much of the bandages and supplies and then bills the patient or includes those costs in the hospital fees and charges.

Rent - The owners of Lodi Ambulance Service own the building and property used by the Company. The rent is \$1200 per month. The owner stated that the rent at their previous location was \$1,000 per month, over 3 years ago.

Officers' Compensation - The wives of the owners are officers of the Corporation. As such, they are given a monthly stipend or draw of \$100. They are paid no other salary, however, they are reimbursed for travel expenses on Company business.

#### FEE STRUCTURE

The request for rates presented by Lodi Ambulance Service was presented in such a way that it appeared there was not a large increase in revenue contemplated. The rationale given was that this new scheme was designed to be more efficient and to conform to new Federal criteria.

A review of the practical implementation of this scheme reveals an average increase in bills of over 30%.

Ten billings were selected at random and the proposed rates were applied to those billings. The results of that sampling is summarized:

<u>Bill Amount</u>	<u>Amount of New Procedure</u>	<u>Additional Cost</u>
\$ 264.50	\$ 398.25	50.5
137.50	188.00	36.7
213.50	226.25	5.9
397.75	518.60	30.3
183.50	202.50	10.3
116.25	165.75	42.5
107.25	155.25	44.7
242.00	337.75	39.5
150.75	216.75	43.7
156.75	188.00	19.9
<hr/>	<hr/>	<hr/>
\$1,969.75	\$2,597.10	31.8

The Ambulance Service points out that only 37% of their customers pay the entire bill as charged; that over 50% are Medicare or MediCal patients; and that 10% of the bills are uncollectible. The Federal Government (Medicare) pays only 80% of recognized charges which today means that \$64 is paid for the base rate. A State program for the elderly did pay the other 20%; however, AB 251 which recently passed the Legislature has eliminated this program. The State welfare program will only pay \$57.61 for the base rate and that is scheduled to be reduced to \$51.85.

It is the Ambulance Company's contention that because of the previously-mentioned factors that rates must be increased by 32% in order to generate a cash flow increase of 12%.

### RATES OF OTHER AMBULANCE SERVICES

Appendix A attached hereto is a comparison of rates charged by other ambulance services in the area. In most cases, the charges are greater than those of the other ambulance services in the comparison. There seems to be little effort on the part of government to regulate fees. Contra Costa County, for instance, grants exclusive franchises and then lets the ambulance charge what the market will bear. San Joaquin County makes no effort to regulate fees. The City of Stockton does regulate the ambulance fees charged within that City on an annual basis.

None of these ambulance services have combined charges such as is now being made by Lodi Ambulance Service. The trend may be to this combined billing since Medicare has recently recognized a charge for Advanced Life Support.

### EFFECT OF COUNTY OPERATION ON THE CITY OF LODI

Lodi Ambulance Service is geared to provide service to an area that is at least 10 times the size of Lodi but contains one-half the population. The bottom-line effect is the need for additional manpower and equipment to be available. If the need to provide service to such a large area did not exist, the need for manpower and equipment could be reduced.

## COMMENTS

The few people who did contact me were most concerned about the cost of services that were performed, especially the emergency response and paramedic fee. The comments made were that in all cases in the City of Lodi, the ambulance is no more than 4 or 5 minutes from the hospital and that it would be preferable to transport the patient immediately rather than provide on-the-spot treatment for a period of time longer than the trip to the hospital. Each person did admit that when the distance was long, such as Victor, Lockeford, or Clements, there is justification for "paramedic service", but certainly not when the trip is across the street or around the corner.

The Ambulance Service is, however, under standing orders from San Joaquin County Paramedic Committee and Board of Supervisors to respond in an emergency mode whenever there is a life-threatening problem or the request is for immediate response. Paramedic care is rendered upon orders of the physician at the Paramedic Base Station, an attendant, or in an obvious life-threatening situation.

If the City Council is desirous of setting service levels, it certainly has that prerogative. As a matter of fact, the City's present ordinance does spell out minimum qualifications of the operators and drivers of the Ambulance

Service. In 1976, the Council authorized paramedic services with the understanding that the paramedic service would only be used on an as-needed basis. The past year indicates that paramedic service (advanced life support) is used approximately 20 percent of the time.

If the City Council is desirous of becoming more involved, the following are available alternatives:

1. Contract with the Ambulance Service on a flat-rate basis for all emergency care provided in the City of Lodi.
2. Establish an ambulance service within the City service.
3. The City become involved with the management of the service and set the maximum fees which the Ambulance Service may charge.

Each of these are filled with pitfalls as the City does not have the expertise nor the money to properly implement either one. The present policy allows the Ambulance Service to set service levels and method of operation. The City has taken the approach of monitoring the rates the Company has deemed appropriate to charge. To

this point, there is no recollection of the City exercising its right to modify the posted rates.

The present ordinance places the City in a very difficult position. The Ambulance Service is not under the management control of the City either by contract or franchise. The City does not have the authority to become involved in the day-to-day management of the Ambulance Service. The City does, however, have the right to establish rates to be charged.

The Ambulance Service is caught in a price squeeze: on one hand, their costs are going up, the amount of money to pay for services is being reduced and business is declining. If these factors do not change, their only recourse is to increase rates to the extent the people who pay the full bill will pay for all the additional costs; the level of service be decreased; or operating costs reduced. It is obvious that Lodi Ambulance Service has chosen the first alternative.

## APPENDIX "A"

## AMBULANCE RATES COMPARISON

<u>Description of Service</u>	<u>Lodi Ambulance</u>		<u>Antioch</u>	<u>Stockton Ambulance Service</u>	<u>Superior Sacramento</u>	<u>Michaels Concord</u>	<u>Modesto</u>
	<u>3/1/82</u>	<u>4/1/82</u>					
Base Rate	85.00	90.00	95.00	80.00	80.00	110.00	107.00
Mileage	4.50	5.25	5.00	4.00	5.00	5.00	6.50
Night	17.75	35.00	20.00	12.00	15.00	25.00	28.00
Emergency	17.75	60.00	20.00	12.00	15.00	25.00	35.00
Oxygen	21.25	21.25	20.00	15.00	12.50	25.00	29.00
Paramedic	49.50	100.00	N.A.	N.A.	N.A.	25.00	45.00
EKG	35.50	50.00	-	N.A.	35.00	50.00	60.00
Defibrillation	14.25		-	N.A.	35.00	25.00	30.00
Resuscitator	35.50	-	15.00	35.00	N. C.	30.00	N. C.
Suction	14.25	-	15.00	12.00	N. C.	20.00	35.00
Emergency OB	35.50	-	N. C.	25.00	50.00	50.00	N. C.
OB Pack	14.25	-	15.00	15.00	20.00	20.00	N. C.
Oral Airway	4.25	-	4.00	No Fee	4.50	5.00	
Spinal Board	14.25	-	15.00	"	N. C.	20.00	34.00
Traction Splint	14.25	-	15.00	"	N. C.	20.00	40.00
Inflation Splint	10.75	-	15.00	"	N. C.	15.00	20.00
Burn Pack - Large	35.50	-	15.00	"	11.00	18.00	13.00
Cold Pack	11.25	-	3.50	"	3.00	6.00	5.00
Anti-Shock Trousers	28.50	-	N.A.	"	N. A.	25.00	56.00
Esophageal Airway	35.00	-	N.A.	"	15.00	40.00	30.00



# Lodi Ambulance Service, Inc.

1709 SOUTH STOCKTON STREET  
LODI, CALIFORNIA 95240  
(209) 334-0830

February 10, 1982

Lodi City Council  
221 W. Pine St.  
Lodi, CA 95240

Gentleman:

In accordance to the City of Lodi Code Section 2A-3, we are filing a 30 day notice to change and modification of our rates.

We are submitting this letter for a change in the way we bill for our services. In todays mannor, we must change with the requirement of the government programs so we are able to serve the people in our community.

In revamping the way we charge for services, dropping 32 now charged items, and adding three new charges that the government programs understand. Having each area of service recover the cost of that service. Only the patient receiving such service would be charged for that service.

As you know, the State of California in their Medical Program greatly reduced the revenue to the Hospital. We also received cuts from the State payments that equal 20% of the bill; as of 1/1/82, we no longer receive those funds from the State. Also, we have indications that there is a 10% across the board reduction on all Payments from the State in the near future.

With these losses of revenue and increased number of governmental agencies placing requirements upon our operation. Coupled with today's inflation it is necessary to increase the cost to the patient.

These increases would enable ourselves to continue a high quality of service for the people of our community. Be assured, we are doing everything possible to hold all increases to as little as possible, without jeopardizing patient care.

If you have any questions, please contact myself at our office.

Respectfully,

Perry Schimke  
Controller

PS:jd



# Lodi Ambulance Service, Inc.

1709 SOUTH STOCKTON STREET  
LODI, CALIFORNIA 95240  
(209) 334-0830

## PROPOSED RATES

<u>DESCRIPTION</u>	<u>CURRENT</u>	<u>NEW PRICE</u>
Base Rate	85.00	90.00
Sit-Up patient	85.00	90.00
Mileage (one way)	4.50	5.25
Night 7Pm to 7AM	17.75	35.00
Emergency	17.75	
Oxygen - per tank	21.25	21.25
Waiting time - per 15min.	10.75	15.00
Paramedic Stand-by per 15min	14.25	
IPPB respirator	42.50	
Paramedic Service	49.50	
Clinical spec - per hour	21.25	
Defibrillator use	14.25	
Emergency EKG	35.50	50.00
Heart/lung resuscitator	35.50	
Suction	14.25	
Resuscitator elder	14.25	
Infant ambu	14.25	
Adult ambu	14.25	
Emergency child birth	35.50	
O.B. Pack	14.25	
Oral airway	4.25	
Reactose	10.75	
Flat stretcher	21.25	
Orthopedic stretcher	21.25	
Spinal board - short	14.25	
Spinal board - long	14.25	
Traction splint	14.25	
Ladder splint	14.25	
Cardboard splint	10.75	
Inflation splint	10.75	
Cold Pak	11.25	
Burn pak - large	35.50	
Burn pak - small	14.25	
Sandbags	3.00	
Anti-shock trousers	28.50 <sup>←</sup>	
Multi-trauma dressing	7.25	
ET tube	35.00 <sup>↗</sup>	
Esophageal airway	35.00	
Needle thoracotomy	75.00	
Cricothyroid stick	75.00	
Immediate Responce (Emergency)		60.00
Spinal Care		50.00
Advance Life Support		100.00

CALIFORNIA AMBULANCE ASSOCIATION

RATE SURVEY

JANUARY 1982

County	Base	Mileage	Night	Emergency	Oxygen
Alameda	85.00	4.50	20.00	15.00	14.50
Amador	85.00	5.00	15.00	20.00	15.00
Butte	105.00	5.00	35.00	35.00	20.00
Contra Costa	105.00	7.00	25.00	25.00	17.00
Fresno	97.50	5.00	25.00	25.00	15.00
Humboldt	118.50	7.00	30.00	30.00	20.00
Kern	110.00	7.00	35.00	15.00	15.00
Kings	85.00	4.00	20.00	20.00	15.00
Los Angeles	75.00	5.00	12.00	12.00	12.00
Madera	80.00	4.00	15.00	15.00	15.00
Mendocino	65.00	3.00	10.00	10.00	10.00
Monterey	81.00	4.00	15.50	18.50	13.00
Napa	87.50	4.50	15.00	20.00	13.00
Orange	75.00	5.00	15.00	15.00	15.00
Placer	110.00	6.00	30.00	35.00	30.00
Plumas	70.00	4.00	24.00	15.00	15.00
Riverside	105.00	5.50	40.00	50.00	30.00
Sacramento	80.00	5.00	15.00	15.00	15.00
San Benito	75.00	3.50	12.50	12.50	12.50
San Bernardino	81.50	5.25	16.50	16.50	8.00
San Diego	85.00	5.00	20.00	20.00	20.00
San Francisco	100.00	4.75	16.50	16.50	14.00
San Joaquin (Tracy)	130.00	6.50	28.00	35.00	29.00
San Luis Obispo	117.50	5.50	35.00	45.00	25.00
San Mateo	125.00	5.00	25.00	25.00	25.00
Santa Barbara	96.00	5.00	25.00	72.00	26.00
Santa Clara	115.00	4.00	20.00	25.00	15.00
Santa Cruz	95.00	4.00	13.50	13.50	13.50
Shasta	95.00	5.25	15.00	15.00	20.00
Siskiyou	95.00	5.25	15.00	15.00	20.00
Solano	90.00	5.00	20.00	20.00	15.00
Sonoma	125.00	7.00	40.00	40.00	30.00
Stanislaus	107.00	6.50	28.00	35.00	29.00
Tulare	85.00	4.00	20.00	20.00	15.00
Tuolumne	90.00	4.50	15.00	15.00	15.00
Ventura	95.00	6.00	25.00	30.00	30.00
Yolo	115.00	5.50	20.00	25.00	26.00
Yuba	87.50	5.25	20.00	20.00	20.00

Percentage Break Downs

Lodi				Stockton
1135	37%	Private Pay & Insurance	31.5%	1903
552	18%	Medicare-Medical	19.5%	1170
1039	34%	Medical	38%	2263
36	1%	County	2%	117
295	10%	Uncollectable	9%	583
3048	100%	Totals	100%	6044

200	6.5%	Dry Runs	17%	1029
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Total Calls

1976	---	2960
1977	---	3487
1978	---	3259
1979	---	3629
1980	---	3657
1981	---	3447

BASE RATE	90.00	6%
MILIAGE	5.25	17%
NIGHT	35.00	97%
EKG	50.00	40%
OXYGEN	21.25	NONE
STAND BY	14.25	NONE

ADD

PARAMEDIC CALLS

1977	---	553
1978	---	535
1979	---	566
1980	---	757
1981	---	654

ADVANCE LIFE SUPPORT	100.00	New
IMMEDIATE RESPONCE "EMERGENCY"	60.00	New
SPINIAL CARE	50.00	New

"Drop 32 now charged idems"

LODI AMBULANEE SERVICE, INC.

	1980	1981	1982
INCOME :	\$372,252.48	\$416,777.18	\$475,000.00
EXPENCE :			
Salaries	133,649.87	162,604.00	180,500.00
Insurance	35,881.89	43,651.60	47,500.00
Interest	37,643.88	18,666.67	21,375.00
Rent	14,400.00	14,400.00	16,625.00
Advertising & Promotion	5,157.02	7,317.60	9,500.00
Telephone & Utilities	8,247.65	12,971.52	14,250.00
Leagal & Accounting	2,239.70	9,651.80	9,500.00
Radio & Medical Equipt.	5,531.27	9,139.96	9,500.00
Medical Supplies	2,289.61	3,026.68	3,562.50
Taxes & Licences	957.00	2,133.10	2,375.00
Payroll Taxes	61,245.42	74,638.80	80,750.00
Laundry & Cleaning	3,201.56	3,619.88	4,750.00
Office Expence	9,661.74	7,074.28	8,312.50
Auto Maintenance	7,970.06	7,369.24	9,500.00
Gas & Oil	15,882.27	18,525.28	21,375.00
Refunds	8,892.91	9,077.00	9,500.00
Depreciation Expence	8,403.00	9,663.45	11,875.00
Officers - Expence	12,727.00	10,944.48	14,250.00
Misc. Expence		614.74	
	366,558.85	425,090.08	475,000.00
NET INCOME OR LOSS	5,693.63	-8,312.90	0.00

12.72

LODI AMBULANCE SERVICE, INC.  
A CALIFORNIA CORPORATION  
Income Statement (Cash Basis)  
For the 12 month Period Ending Dec. 31, 1981

INCOME:

Total Cash Basis Income from Ambulance Services:	\$416,777.18
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OPERATING EXPENCES:

Salaries	\$162,604.00
Insurance	43,651.60
Interest	18,666.67
Rent	14,400.00
Advertising & Promotion	7,317.60
Telephone & Utilities	12,971.52
Legal & Accounting	9,651.80
Radio & Medical Equipment	9,139.96
Medical Supplies	3,026.68
Taxes & Licenses	2,133.10
Payroll Taxes	74,638.80
Laundry & Cleaning	3,619.88
Office Expence	7,074.28
Auto Expence	7,369.24
Gas & Oil	18,525.28
Refunds	9,077.00
Depreciation Expence	9,663.45
Officers- Operating Expence	10,944.48
Misc. Expence	<u>614.74</u>
Total Operating Expence	<u>\$425,090.08</u>

Net Income or Loss	<u>-8,312.90</u>
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The Accompanying Letter is an  
integral part of this statement.

(unaudited)