

**Item 10**  
**File 10-1481**

**Department:**  
Fire

## EXECUTIVE SUMMARY

### Legislative Objectives

- The proposed resolution would authorize Amendment No. 3 to an existing professional services agreement between the San Francisco Fire Department and ADPI West, Inc., doing business as Advanced Data Processing West, (a) retroactively authorizing the first two-year option to July 1, 2010, and (b) giving the Fire Department the discretionary authority to enter into the second two-year option, without further Board of Supervisors approval.

### Key Points

- On July 18, 2006, the Board of Supervisors approved a four-year professional services agreement with two 2-year options, for a total term of up to eight years, between the City and County of San Francisco and ADPI West, Inc. (ADPI) for ambulance billing services and patient data collection, and to provide the Fire Department with a system for electronic patient data collection and reporting. The proposed resolution would authorize Amendment No. 3, which would approve the first two-year option, retroactive to July 1, 2010, from July 1, 2010 through June 30, 2012.
- The proposed resolution would also provide the Fire Department with authority to exercise the second two-year option, from July 1, 2012 through June 30, 2014.

### Fiscal Impact

- The Fire Department is not able to project the revenues, associated with the proposed two-year option, to be realized by the Fire Department and the fees to be paid by the Fire Department to ADPI, pending a study being conducted by the Department of Emergency Management's and the Emergency Medical Services Authority's strategic planning process for ambulance services in San Francisco. In the first four years of the existing agreement, annual net revenues received by the Fire Department ranged from \$17,228,137 to \$20,950,322. Based on the existing agreement, the fees paid by the Fire Department to ADPI, will continue to be based on 5.5 percent of net revenues.

### Recommendation

- Approve the proposed resolution.

## MANDATE STATEMENT AND BACKGROUND

### Mandate Statement

In accordance with City Charter Section 9.118(a), the amendment of any contract or agreement which is anticipated to exceed \$1,000,000 in revenue is subject to Board of Supervisors approval.

### Background

On July 18, 2006, the Board of Supervisors approved a professional services agreement between the City and County of San Francisco and ADPI West, Inc. (ADPI), doing business as Advanced Data Processing West, for ADPI to provide ambulance billing services and patient data collection for the Fire Department (File 06-0722). The Fire Department had selected American Medibanc based on a competitive Request for Proposals (RFP) process. Prior to the commencement of the agreement, ADPI acquired American Medibanc, and ADPI assumed responsibility for the agreement as approved by the Board of Supervisors.

The agreement was for a term of four years, from July 1, 2006 to June 30, 2010, with two 2-year options, for a total agreement length of eight years, expiring June 30, 2014. The Fire Department did not exercise the first two-year option to extend the agreement prior to June 30, 2010, pending negotiation and approval of the requested Amendment No. 3, which is the subject of this resolution, revising the term of the subject agreement. Since June 30, 2010, the Fire Department and ADPI, have continued to operate under the terms of the modified agreement (see Agreement Modification History, below), on a month to month basis.

Under the existing contract, ADPI has provided the following services to the Fire Department.

- Billing insurance companies and individuals for emergency medical services, including ambulance transport services, provided to persons in San Francisco by the Fire Department;
- Researching all persons who may be legally obligated to pay for such emergency medical services provided and bill accordingly;
- Providing eligibility screening and assistance to customers who lack insurance coverage, including providing Medi-Cal applications;
- Collecting fees paid by billed parties;
- Depositing fees collected with the City on a daily basis;
- Reimbursing overpayments on Medicare and Medi-Cal accounts within 60 calendar days;
- Providing continued collection efforts for up to 270 days and transferring uncollected amounts to the City's Bureau of Delinquent Revenue in the Treasurer and Tax Collector's Office;
- Providing a dedicated staff of at least one supervisor, one assistant supervisor, and up to 12 customer service representatives in order to process and submit all bills within the required timeframe;
- Providing customer service, including a 24-hour telephone service for customers and a 24-hour voice mail system and a toll-free number for out-of-area customers;

- Providing the City with training and on-line access to real-time billing and collections data; and
- Providing and maintaining an electronic patient data collection system through a subcontractor, Zoll Data Systems.

Under the existing agreement, the Fire Department pays a fee, on a monthly basis, to ADPI based on the following percentages of ADPI's net collections. Net collections are the gross revenues collected less any adjustments or refunds.

- 7.0 percent of net collections from July 1, 2006, the date the agreement commenced, until January 1, 2008.
- 5.5 percent of net collections from January 1, 2008 through June 30, 2010.
- 5.5 percent of net collections for the duration of the two 2-year options.

In addition to the percent of net collections, in the first four years of the agreement, the Fire Department reimbursed ADPI for ADPI's costs for the purchase and implementation of the electronic patient data collection and reporting system. The Fire Department paid \$36,972 per month for the first 18 months of the agreement, and \$18,832 per month in the final 30 months of the agreement for the purchase and implementation of the electronic patient data collection and reporting system. The Fire Department has reimbursed ADPI a total of \$1,230,458, for the full cost of the electronic patient data collection and reporting system.

#### *Payment and Revenue History*

The total revenue to the City and the contract costs are summarized in Table 1 below.

**Table 1. Billing Revenue and Billing Fees from the First Four Years of the Agreement**

<b>Year</b>	<b>Revenues Realized by the Fire Department from ADPI's Net Collections</b>	<b>Percentage Fees Paid by the Fire Department to ADPI</b>
FY 2006-07	\$17,228,137	\$1,280,558
FY 2007-08	18,194,456	1,310,661
FY 2008-09	19,872,727	966,550
FY 2009-10	20,950,322	924,466
<b>Total</b>	<b>\$76,245,642</b>	<b>\$4,482,235</b>

As shown in Table 1, above, revenues realized by the Fire Department have increased while fees paid by the Fire Department to ADPI have decreased for two key reasons: (1) beginning in January 2008, the fees that the Fire Department paid to ADPI for the purchase and implementation of the electronic patient data collection and reporting system decreased from \$36,972 per month to \$18,832 per month, an annualized savings of \$217,680, according to the agreement amortization schedule previously approved by the Board of Supervisors, and (2) the percentage fees paid by ADPI to the Fire Department were reduced from 7.0 percent to 5.5 percent of net collections on January 1, 2008, as noted above, pursuant to the existing agreement.

*Agreement Modification History*

The existing agreement has been previously amended twice; the proposed resolution would authorize Amendment No. 3 to the existing agreement. The first two amendments did not require Board of Supervisors approval. The two previous amendments and the proposed amendment are summarized in Table 2 below.

**Table 2. Agreement Amendment History**

<b>Amendment #</b>	<b>Amendment Date</b>	<b>Amendment Description</b>
Amendment 1	December 28, 2006	Amendment 1 expanded the contractor's billing and collections obligations.
Amendment 2	February 29, 2008	Revised certain contractual clauses because of a change in the scope of the electronic patient care record project.
<i>Amendment 3 (proposed)</i>	June 28, 2010	Would exercise the first two-year agreement.

According to Mr. Mark Corso, Chief Finance Officer for the Fire Department, "Amendment 1 provided a minimal positive financial impact to the Fire Department, as it established in writing that any revenue received by the billing company for accounts that were currently assigned the Bureau of Delinquent Revenue was not subject to the Contractor's commissions, even if the contract followed up with the insurance company. It also afforded the billing company an additional 90 days to collect insurance information on the patient, which is crucial if there is not sufficient information captured at the time of service."

Amendment 2 revised certain contractual clauses because of a change in the scope of the electronic patient care record project. According to Mr. Corso, "The project was scaled down from its initial scope due to technological limitations. The original scope was to convert all ambulances as well as engines to the electronic PCR system, including the first responding engines. The idea was to then wirelessly transfer the information captured by the engines to the responding ambulance when the transfer of care of the patient occurred. The Department's network at the time could not handle that, which resulted in issues for sending information back and forth. It was then determined that only the ambulances would be carrying the (electronic Patient data Collection and Reporting) tablets."

Mr. Corso added "This scaling down of scope resulted in reduced long term maintenance and replacement costs, as the number of tablets the Fire Department would need to provide was reduced."

According to Mr. Corso, neither Amendment 1 nor Amendment 2 to the existing agreement resulted in increased costs to the Fire Department.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the requested Amendment No. 3 to an existing professional services agreement, as previously approved by the Board of Supervisors, between the San Francisco Fire Department and ADPI West, Inc. (ADPI). ADPI provides ambulance billing services and patient data collection services to the Fire Department under the existing agreement. The existing agreement is for a four-year term from July 1, 2006 through June 30, 2010, with two 2-year options, the first option from July 1, 2010 through June 30, 2012, and the second option from July 1, 2012 through June 30, 2014, for a total term of up to eight years.

The proposed resolution would approve Amendment No. 3 to exercise the first two-year option, retroactive to July 1, 2010, for the period from July 1, 2010 through June 30, 2012.

The proposed resolution would also provide the Fire Department with authority to exercise the second 2-year option under the existing agreement, from July 1, 2012 to June 30 2014.

### *The Proposed Resolution Is Retroactive to July 1, 2010*

The proposed execution of the first two-year option from July 1, 2010 through June 30, 2012, under the existing agreement, is retroactive to July 1, 2010. The Fire Department was not able to submit the proposed resolution to the Board of Supervisors until November 21, 2010. Mr. Corso notes, "As I was preparing the contract amendment in June, I submitted the amendment for review to our City Attorney. However, our City Attorney was re-assigned to other Departments. We were assigned (Deputy City Attorney) Ms. (Alicia) Cabrera as our new City Attorney in late August. Upon her review of my proposed amendment, and after some research, she determined that the amendment needed to go before the Board for approval."

Mr. Corso adds that because the legislation required Board of Supervisors approval, it first needed Fire Commission approval at the Commission's September 23, 2010 meeting. Once approved by the Fire Commission, Mr. Corso adds "I needed to submit a revised contract amendment to the City Attorney for review, and then have it signed off by the Chief of Department and the vendor before submittal to the Board, as we were informed that the policy dictates the final agreement be completely signed before reviewed by the Board. There were delays receiving the signed amendment from the vendor. I received it on November 16th, 2010. Legislation was submitted electronically to the Clerk's of the Board's office on November 19th, and hard copies delivered November 21st."

## FISCAL IMPACTS

The Fire Department originally estimated that the subject agreement would result in \$19 million per year in net collections being realized by the Fire Department when the Board of Supervisors approved the existing agreement in 2006. As shown in Table 1 above, actual net collections realized under the subject agreement with ADPI have increased from \$17,228,137 in FY 2006-2007 to \$20,950,322 in FY 2009-2010. Pursuant to the existing agreement, the Fire Department currently pays fees to ADPI based on 5.5 percent of ADPI's net collections.

However, the Fire Department has not been able to develop current revenue projections under the requested Amendment 3 to the existing agreement, for the two-year option period from July 1, 2010 through June 30, 2012. According to Mr. Corso, “the level of involvement by the Fire Department in the City's ambulance service in the coming fiscal years is unknown at this time. There is currently an open ambulance system in the City, as a result of some rulings at the state level a couple of years ago. The Fire Department was determined to no longer have the rights to be the exclusive ambulance operator in the City. The ruling opened up the City’s 911 ambulance transports to private ambulance companies. As a result, the Fire Department has seen the percentage of transports provided by the private ambulance companies increase from 2-3 percent prior to the ruling all the way to 25-30 percent today, resulting in significant reductions in call volume for the Fire Department, and thus revenues.”

The Department of Emergency Management (DEM) and the Emergency Medical Services Authority (EMSA) are conducting a strategic planning process study for Citywide ambulance services and are evaluating a new competitive Request for Proposals (RFP) process to obtain ambulance services in San Francisco.

Mr. Corso notes that the decision to competitively bid ambulance services would impact the Fire Department’s ambulance transport authority, and “could mean anywhere from a much reduced role in ambulance transports for the Fire Department all the way to the Fire Department reclaiming its exclusive operating area rights to the City.... Currently, the [Fire] Department is awaiting the direction of DEM and is hopeful that this issue can be resolved very soon to eliminate this uncertainty. We are currently doing our analysis for the projections for next fiscal year as part of our budget submission.”

As noted in the Background section above, because the Fire Department pays fees to ADPI based on a percentage of ADPI’s net collections, if ambulance billing revenues were to decrease, the total fees paid by the Fire Department to ADPI would also decrease.

## **RECOMMENDATION**

Approve the proposed resolution.