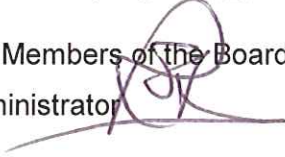




OFFICE OF THE COUNTY ADMINISTRATOR

M E M O R A N D U M

TO: The Honorable Chairman and Members of the Board of County Commissioners
FROM: Robert S. LaSala, County Administrator 
DATE: September 28, 2011
SUBJECT: Analysis of the Fire Union (Sanford/Millican) Fire Transport Proposal – REVISED

Attached is County Staff's updated review and analysis of the revised Fire Transport Proposal submitted by Lt. Scott Sanford of Palm Harbor Fire Rescue and Capt. Jim Millican of Lealman Fire Rescue.

The analysis clearly demonstrates that the proposal is not fiscally or operationally viable.



PUBLIC SAFETY SERVICES

MEMORANDUM

TO: Robert S. LaSala, County Administrator

THROUGH: Maureen Freaney, Assistant County Administrator *mf*

FROM: Dick Williams, Director, Public Safety Services *DW*

SUBJECT: Staff Analysis of the Fire Union (Sanford/Millican) Transport Proposal

DATE: September 28, 2011

EXECUTIVE SUMMARY

County Administration and the Public Safety Services staff received an initial and revised proposal for Fire Department based Transport Services from Lt. Scott Sanford, Palm Harbor Fire Rescue and Capt. Jim Millican with Lealman Fire Rescue. County staff members, including the County Attorney's Office and the Office of Management & Budget, were asked to analyze the proposal and provide feedback.

The proposal is to have the 18 Fire Rescue agencies provide ALS First Responder Services and all Ambulance Services (911 and non-emergency). The proposal calls for the County to provide some central services. Additionally, it supports the continuation of the all Advanced Life Support (ALS) Paramedic approach, dual response system which would utilize ALS Fire Engines for First Response and ALS Rescue Units to provide Ambulance Services. The proposal agrees with the EMS Study performed by Integral Performance Solutions (IPS), which recommends a Marginal Engine Funding concept for ALS First Responder Services. The proposal also supports Priority Dispatch.

Following a comprehensive analysis, implementation of the revised proposal is not recommended. The county's fiscal year 2010-2011 budget for all EMS Services is \$85.5 Million. The IPS Study recommended proposal cost is \$74.5 Million. The Sanford/Millican proposal cost is \$79.9 Million, however it fails to recognize additional costs of \$19.5 Million necessary to fund the entire EMS System for a total cost of \$99.4 Million. The Sanford/Millican Proposal would cost \$24.9 Million more than the IPS recommendation.

Other key concerns identified in the analysis include:

1. Cost

- Would require a Tax Subsidy for Ambulance Services, whereas the current approach is self-sustained by User Fees.
- Fails to identify significant new costs to Cities and Fire Districts for the provision of Ambulance Services.
- Fails to consider if Cities and Fire Districts would be willing to assume the financial or operational risk of taking on the provision of emergency and non-emergency Ambulance Services.

- It is unclear how many new government employees would be needed to provide services or if the Cities and Fire Districts would be willing to assume the responsibility for a larger workforce.
 - Fails to consider the impact of collective bargaining.
 - Significantly increases costs due to higher salary, benefits, and special risk pensions for Firefighter Paramedics.
2. Governance
- Fragmentation of the existing, consolidated, countywide model for providing Ambulance Services would have an adverse impact on: service delivery, leveraging economies of scale and containing costs.
 - It is unclear how multiple agencies would provide centralized management, oversight and administration.
 - Fails to address licensure issues which could impact Medicare and Medicaid regulatory compliance.
3. Operational
- Fails to provide an adequate Field Supervision plan.
 - Fails to provide a mechanism to ensure accountability for Ambulance response times, the core requirement of the current performance based Ambulance service model.
 - The proposed Ambulance fleet size does not appear to account for reserve or surge capacity.
 - Fails to provide a Deployment Plan for either ALS First Responder Services or Ambulance Services.
 - Fails to address the anticipated work load capacity for 24 hour station based Rescue Units.

ANALYSIS

The staff analysis focused on the areas of cost, governance and operational issues. In all categories there are significant concerns regarding the feasibility and sustainability of the proposal.

1. Cost Concerns

The Sanford/Millican Proposal increases the overall cost of the EMS System. It concurs with the IPS Methodology of standardized reimbursement for ALS First Responder Units. Its Fire Transport Proposal increases the cost of transport to the County requiring a tax subsidy. Additionally, it fails to identify a significant new cost to Cities and Fire Districts for the provision of transport services. Further, it does not capture all necessary system cost components.

- a. **Uncosted Open Issues.** There are several major uncosted issues which total \$19.5 Million (see attached summary).
- b. **Increased Cost of Ambulance Services.** The cost of Ambulance Service would exceed User Fee revenue. The proposed cost of Ambulance Services is \$49.6 Million (or \$64.8 Million when \$15.2 Million of uncosted components of the ambulance program are taken into consideration). This is approximately \$6.7 Million above the current Ambulance User Fee Revenue of \$42.9 Million (or \$21.9 Million above the current Ambulance User Fee Revenue of \$42.9 Million accounting for uncosted ambulance program components that need to be funded). This approach would require a tax subsidy for Ambulance Services.

Further, the proposal would increase the budget for Ambulance Service by 19% (or increase the budget for Ambulance Services by 56% accounting for uncosted components). The current budget for all Ambulance related expenditures, excluding reserves, is \$41.6 Million. The proposal would increase the cost of Ambulance Services by approximately \$8 Million (or increase the cost of ambulance service by approximately \$23.3 Million accounting for uncosted components).

- c. **Tax Subsidized Ambulance Service.** The Ambulance Service has been designed to be self-sustaining on User Fee Revenue and not rely upon a tax subsidy. The Proposal would require a tax subsidy for Ambulance Services. This does not conform to the current model that is designed to have a self sustaining ambulance service that does not rely on tax subsidy. This is a basic tenet of the EMS Ordinance, when the system was established, and would represent a fundamental shift in public policy. By increasing costs beyond the available User Fee revenue, local taxpayers would be subsidizing the medical transportation of visitors and tourists. Further, there is an assumption that the current collections rate could be sustained with 18 provider agencies as compared to a single, unified service provider. Any impact on collections will shift a greater burden to the taxpayer.
- d. **Ambulance Services not fully Cost Allocated.** The proposed model does not fully account for the entire cost of the program or show the financial impact to Cities and Fire Districts. It is unclear if the Cities and Fire Districts would be willing to absorb the costs of a new service since the proposal is not fully cost allocated. For example, in St. Petersburg the difference in the actual cost of Paramedic salary and benefits and funding provided by the proposal is \$5.8 Million that would need to be subsidized on an on-going basis for St. Petersburg to provide transport services.
- e. **Cost Shifting.** Although the proposal calls for a fixed price approach, it is unclear if, after start-up, there wouldn't be cost shifting back to Pinellas County through interlocal cost accounting efforts immediately or when interlocal agreements would be renewed. This proposal discusses adding twenty three (23) new County positions at a minimum. Job functions, workloads and continuous staffing needs have not been considered. These positions would add a minimum of \$1.5 Million in new personnel salary costs and benefits. The proposal does not consider the indirect costs of the new employees (i.e. internal cost allocations for computer support, Human Resources, Risk Management, Clerk's Payroll, etc.).
- f. **Financial Risk of Fire Transport.** It is unclear if Cities and Fire Districts would be willing to assume the financial or operational risk of operating the ambulance business enterprise. For example, if the deployment plan was miscalculated by one ambulance, an additional cost of \$778,500 would need to be absorbed by a City or Fire District or cost shifted back to the County. It is unclear if Cities or Fire Districts could secure performance bonds to insure against a failure to meet response time or other requirements. There was no reserve for contingency funding identified.

The positive cash flow or net income from Ambulance Services has built approximately 75% of the EMS Reserves. These EMS reserves have been utilized to fund and maintain a stable EMS system through the economic recession over the last four years. In the future, if Ambulance Services were not self sustaining and producing excess revenue, the

adverse impact on the EMS Ad Valorem would be compounded. The entire EMS system would become increasingly reliant on local taxpayers, which is counter to the basic financial tenets of the EMS Ordinance.

- g. **Cost Containment and Financial Sustainability of Government Workforce.** It is unclear how many new government employees would be necessary to provide services or if the Cities and Fire Districts would be willing to assume the long term responsibility for a larger workforce. Increasing the cost of current private employees, through the provision of government level wages and pension benefits, would not be financially sustainable in the short or long term.

The impact of collective bargaining has not been considered for the assumption of new duties by the existing workforce. The Pinellas County Council of Firefighters financial abstract for Hybrid Transport in 2009 included a five percent (5%) salary increase for Firefighter Paramedics assigned to transport duties. Representatives indicated that each fire union local would bargain with each City and Fire District based upon the impact of transport on their members. The future cost of impact bargaining would need to be considered. It was also intimated that the workforce should share in any cost savings.

- h. **Increased Cost of Government Employees.** The average cost of a Sunstar Paramedic is \$58,000 (salary and benefits) as compared to the average cost of a Firefighter Paramedic which is approximately \$98,000 (salary and benefits). It is unclear how increasing the cost of a Paramedic by approximately \$40,000 per year per employee is financially sound, given the necessity to save taxpayer's money in the current economy. Since there would be over 300 positions needed, the \$40,000 increased cost per position would equate to an approximate \$12 Million increase for salary and benefits alone.
- i. **Pension Benefit Costs.** The current Ambulance Service employees have a 401K retirement plan while Firefighters have defined benefit pension plans. By utilizing Firefighter Paramedics, there would be a necessity to fund and provide the on-going funding to maintain Special Risk pension benefit plans. Being a defined benefit, any future unfunded actuarial liability would be the responsibility of the County or the Cities and Fire Districts. The City of St. Petersburg pension is an example.

2. Governance

Currently, Pinellas County has a consolidated, countywide model for providing Ambulance Service. The Sanford/Millican Proposal provides no clear organizational structure by which 18 different Fire Departments would operate as an integrated system with necessary management controls and oversight.

- a. **Fragmentation.** Current government management theory centers on the consolidation and centralization of functions and services to maximize financial and operational efficiency. It is unclear how fragmenting the currently consolidated service would maintain or improve financial or operational efficiency. Loss of the financial and operational economies of scale would have a significant adverse impact.

Future proposals for Fire Transport should not be considered unless there is a single responsible entity and an identified management structure. This is a basic tenet of the EMS Ordinance when the system was established and would represent a fundamental shift in public policy.

Fragmentation could also erode the County's position of only having one licensed Ambulance provider. Other private ambulance services, including hospitals, could seek to provide non-emergency transport services. This loss of business could create a significant financial loss for the EMS system. Revenue from non-emergency transports helps support the provision of the EMS System.

- b. **Lack of Centralized Management and Oversight.** How multiple agencies would provide oversight and administration is unclear. The lines of authority and management controls from both a strategic and operational level has not been defined. How the proposed organization would control its actions, set priorities and make decisions is unclear. The means of maintaining oversight and accountability in what appears to be a loosely coupled organizational structure is not defined. How the system would be monitored, managed and corrective actions taken on a real time basis has not been defined. The example of how the Fire Service is functionally consolidated has been overstated. For example, the current ALS First Responder Agreements only hold the primary agency responsible for response times in their own jurisdiction.
- c. **Licensure Issues.** Currently, the 18 Fire Departments are individually licensed. The proposed approach may require 18 separate HIPAA compliance programs, privacy officers, Medicare and Medicaid provider numbers and Medicare compliance programs. The anticipated ease of transferring patients between providers is not realistic. Every licensed provider would still be required to complete a Patient Care Report. It is unlikely the Cities or Fire Districts would want to operate under the County's EMS License, which could impact ambulance collections and the viability of the centralized billing function.

3. Operational

The Sanford/Millican Proposal has not adequately addressed critical operational issues such as ambulance field supervision, the ambulance fleet, crew workload capacity, and deployment modeling. No deployment model was provided regarding the determination of the number of needed ALS First Responder or Ambulance Units.

- a. **Risk Management.** Risk Management, insurance and indemnification concerns have not been addressed or the costs considered. It is likely the Cities and Fire Districts would have difficulty agreeing to the indemnity terms and level of coverage currently provided by the Ambulance Contractor. Further it is unclear that if some Cities or Fire Districts opted out of this proposal how services would be provided.
- b. **Supervision Plan.** Is unclear how the provision of Ambulance Services would be managed or supervised from the information provided.
- c. **Response Time Accountability.** The Proposal does not include any penalty for failure to meet response times. It would be very difficult if not impossible, given the multi-agency nature of the proposal, to hold anyone accountable for performance. Given the extensive amount of automatic aid needed across jurisdictions, there would be a ripple effect in obscuring accountability. For example, if a unit has a long response to an adjoining community, which community is responsible for the long response?
- d. **Ambulance Fleet Size.** The current fleet is seventy four (74) Ambulances. The proposed fleet size does not appear to account for reserve or surge capacity. The proposal calls for

51 front line Rescue Units; which means a total of 67 Rescue Units would be necessary to allow a minimum of a 130% peak demand calculation, which has been the Ambulance Services Agreement requirement since its inception. The proposal states there are 65 units proposed, which is 2 less than necessary and 9 units less than the current fleet provided by the Ambulance Contractor. This will impact reserve capacity for preventative maintenance, repairs, and surge capacity. Further, the road worthiness of the current reserve units is unknown. The reserve units would be regularly responsible for front-line ambulance duty and high mileage as compared to serving as a backup Rescue Units today.

- e. **Deployment Plan.** A specific Deployment Plan was not provided. It is unclear if the 18 Fire Departments could produce the proper supply of flexible shift patterns (day of week, time of day, seasonality, home station) to meet the ever changing patterns of demand. By utilizing a similar number of Ambulances as the current Ambulance Contractor, means these flexible shifts would need to be perfectly placed and never out of service. Further, all units would need to be flexibly and dynamically deployed to meet service demand and provide adequate coverage regardless of jurisdiction or unit type (24 hour vs. peak). It is questionable if the proposed transport system could function without dynamic deployment.
- f. **Workload.** The maximum workload for 24 hour crews was not identified; safe and effective workload levels may have been exceeded in the model. Currently, the workload on ambulance crews is approximately 50% utilizing 12 hour shift patterns. Since a similar number of ambulances have been proposed; it appears that a 50% workload on 24 hour units be would needed, but, unsustainable. The maximum workload identified by the Fire Chiefs during the Reconfiguration Committee was 30%.

Conclusion:

Staff does not recommend the implementation of this proposal. This recommendation is based primarily on the increased cost, a reliance on tax subsidy for Ambulance Services, the transport component has not been fully costed or developed and the plan would fragment the existing, consolidated countywide model for providing Ambulance Services. The proposal fails to adhere to the County's core principles: (1) protect the level of service, (2) ensure funding equity, and (3) provide cost containment.

**Union (Sanford/Millican) Fire Based Transport Proposal -
Uncosted Items**

	Issue	Type	Description	Additional Unit Cost	Quantity	Total Cost
1	MFR Deployment	Understated	The report states that the MFR division will operate with 60 ALS first responder units. No deployment plan or methodology was provided to substantiate this number. According to the IPS MFR deployment analysis; a minimum of 72 first responder units would be required to meet the current performance standard.	\$360,000	12	\$4,320,000
	- Subtotal MFR					\$4,320,000
2	Impact Bargaining	Uncosted	During previous Fire Department transport discussions, fire union officials indicated that each fire union local would bargain within their city or fire district based on the impact of ambulance transport on their members. The Pinellas County Council of Firefighters financial abstract for Hybrid Transport in 2009 included a five percent (5%) salary increase for Firefighter Paramedics assigned to transport duties.	5%	\$30,960,000	\$1,548,000
3	Field Supervision	Understated	The proposal does not have an allowance for field supervision. Currently, St. Petersburg and Clearwater have a supervisor for every 5 Rescue Units. The current private providers Ambulance Supervision plan is for a North, Mid and South Supervisor.	\$113,889	11	\$1,230,000
4	Ambulance Fleet	Understated	The proposal includes the purchase of front line ambulances; but does not adequately address the reserve unit needs.	\$200,000	2	\$400,000
5	Dispatch	Understated	The proposal allocates only 10 FTEs. Based upon a 40 hour workweek this is less than 3 personnel 24/7 (which would require 9 FTEs). Two dispatchers cannot dispatch, track and manage 51 Rescue Ambulances. The current Tactical Channels are too busy to significantly increase the call load on the channels. The minimum staffing must be a Dispatcher and 2 Radio Operators 24/7 x 9 FTEs = 27 FTEs.	\$65,250	17	\$1,109,250
6	Reserve	Uncosted	The Proposal does not have an allowance for Reserve for Contingency. The current requirement is a \$1 Million Letter of Credit	\$1,000,000	1	\$1,000,000
7	Ambulance Deployment	Understated	The report states that the fire transport system will operate with 35 full time and 16 peak load ambulances. According to the IPS fire department transport deployment analysis; a minimum of 53 ambulances would be required to meet the current performance standard.	\$360,000	2	\$720,000
8	Ambulance Fuel	Understated	The proposal allocates \$8,500 per unit for fuel. Total allocation for 51 units would be \$433,500. Current fuel budget for Sunstar is \$1,093,411. This also does not account for Medium Duty Rescues versus Type III fuel mileage	\$12,939	51	\$659,911
9	CAD	Understated	The proposal does not have an allowance for the necessary hardware, software or automated tools for dispatching Ambulances.	\$500,000	1	\$500,000
10	Bed Delays	Understated	Hospital Bed Delays	\$450,000	1	\$450,000
11	Long Distance Transfers	Uncosted	The report states they will charge the firefighters hourly rate for long distance transports.	\$116	1500	\$174,480
12	Ambulance Stand by	Uncosted	Dedicated Stand By Services	\$92	1300	\$119,197
13	Materials Fleet	Uncosted	There is no cost listed for the purchase of a Medical Supply delivery truck	\$45,000	1	\$45,000
14	Ambulance Cost Allocation	Uncosted	Many cities will not receive adequate funding to cover the full cost for providing ambulance service - see attached analysis			\$7,245,923
15	Ambulance Oversight	Uncosted	Centralized office with dedicated oversight staff			Unknown Fiscal Impact
16	HIPAA	Uncosted	Fragmented system will create additional management issues with the HIPAA program.			Unknown Fiscal Impact
17	Ambulance Billing	Uncosted	Separate licenses may cause Billing and Collection impacts.			Unknown Fiscal Impact
18	New County Positions	Uncosted	Did not include the increase in indirect cost allocations from other county departments, i.e., Human Resources, Risk Management, Clerk's Payroll, BTS, that will result from increasing employee head count of 23 new County employees			Unknown Fiscal Impact
	- Subtotal Ambulance					\$15,201,761
					TOTAL	\$19,521,761

Personnel Cost Shifting to Cities/Fire Districts - Union (Sanford/Millican) Fire Based Transport Proposal

Purpose - To determine the personnel costs that the Cities/Fire Districts would fund that are over and above funding provided by the Union (Sanford/Millican) Fire Based Transport Proposal.

Scope & Source - Paramedic Cost Per Fire District (FD) based the following data taken from FY 10-11 MFR Budgets submitted by each FD.

- Each Fire District's average paramedic salary and benefits
- Formula is # of transport units times each FD average paramedic salary & benefit costs times each FD continuous staffing multiplier
- A peak time transport unit requires funding for 4 Paramedics plus the staffing multiplier
- The Paid Time Off for each agency was reduced by 30% and reflected in the continuous staffing multiplier to adjust for 12 hour accrual rates
- A 24 hour transport unit requires funding for 6 Paramedics plus the staffing multiplier

Conclusion - \$7.2 Million would need to be absorbed by the Cities/Fire Districts. Nine of the 18 Cities/Fire Districts would be absorbing costs over and above funding provided by the Union (Sanford/Millican) Proposal. The model provides excess funding of \$645,271 to 9 Cities/FD.

Fire Agency	Average Salary & Benefits	# of Ambulances	Peak Time Units	Paramedic Cost Per Fire District	Funding Per Union (Sanford/Millican) Proposal	Excess Funding	Costs to be funded by Cities/Fire Districts
Clearwater	\$85,351	5	3	\$4,505,332.90	\$4,680,000.00	\$174,667.10	
Dunedin	\$96,739	2	0	\$1,342,743.50	\$1,440,000.00	\$97,256.50	
East Lake	\$97,643	1	0	\$671,786.32	\$720,000.00	\$48,213.68	
Gulf Port	\$85,982	0	0	\$0.00	\$0.00	-	-
Largo	\$103,914	3	2	\$3,404,599.04	\$2,880,000.00		-\$524,599.04
Lealman	\$108,871	2	1	\$1,998,208.60	\$1,800,000.00		-\$198,208.60
Madiera Beach	\$80,658	0	0	\$0.00	\$0.00	-	-
Oldsmar	\$94,619	0	1	\$432,466.32	\$360,000.00		-\$72,466.32
Palm Harbor	\$111,447	2	1	\$2,075,281.53	\$1,800,000.00		-\$275,281.53
Pinellas Park	\$95,550	3	0	\$1,983,611.74	\$2,160,000.00	\$176,388.26	
Pinellas Suncoast	\$111,142	1	0	\$860,242.85	\$720,000.00		-\$140,242.85
Safety Harbor	\$107,392	1	0	\$753,891.99	\$720,000.00		-\$33,891.99
Seminole	\$90,240	2	1	\$1,853,756.98	\$1,800,000.00		-\$53,756.98
South Pasadena	\$90,844	1	0	\$615,920.27	\$720,000.00	\$104,079.73	
St. Pete Beach	\$89,567	1	0	\$675,334.43	\$720,000.00	\$44,665.57	
St. Petersburg	\$134,000	10	6	\$15,186,518.78	\$9,360,000.00		-\$5,826,518.78
Tarpon Springs	\$95,210	1	1	\$1,200,956.46	\$1,080,000.00		-\$120,956.46
Treasure Island	\$93,006	0	0	\$0.00	\$0.00	-	-
Total		35	16	\$37,560,651.71	\$30,960,000.00	\$645,270.83	-\$7,245,922.54