

Chapter 9

EMS SUPERVISOR

PRINCIPLES AND PRACTICE

Budgeting

Objectives

- Describe the purpose and elements of a financial management plan.
- Describe the budgetary process for an EMS organization.
- Identify and describe the most common types of budgets.
- Identify and describe the most common expenses.

Objectives

- Identify and describe the most common revenues.
- Describe the purchasing processes used by EMS organizations.
- Discuss the considerations involved in using a billing company.

Introduction

- This chapter introduces the EMS officer to basic financial terminology and procedures that are used in the EMS industry.
- However, every organization is different, so you must become familiar with your own organization's and own functional workgroup's budget.

Introduction

- If you are a seasoned EMS officer, you probably know how to create, implement, and evaluate budgets.
- EMS officers without this financial background can typically refer to their organization's budget office.
- Some organizations hire certified public accountants (CPAs) as part of their staff.

Introduction

- As an EMS officer, you must understand the financial and accounting activities that occur daily within your organization.
- You must focus on the financial management objectives to ensure that your organization or division stays on track and within its budget.

Introduction

- As a new EMS officer, you will most likely be assigned a budget for your division or at least be asked to provide input during the budgeting process.
- You can take several steps to ensure your success while participating in this process.

Introduction

- Tips for success:
 - Keep in constant communication with the individuals responsible for the final budget preparation.
 - Continue to monitor revenues and expenses within your area of responsibility.
 - Do not wait until budget preparation time to begin formulating a financial management plan to meet your division's strategic objectives.

Introduction

- Tips for success (continued):
 - Develop strategic goals with detailed and comprehensive financial management objectives.
 - Anticipate, plan for, and monitor unfunded mandates and unexpected expenses.
 - Have a contingency plan for managing your budget.

Financial Management Plan

- Financial management, like other responsibilities assigned to an EMS officer, requires you to:
 - Have a plan
 - Execute the plan
 - Review the outcome regularly

Financial Management Plan

- Budget preparation requires you to:
 - Forecast revenues and expenses
 - Ensure that those revenues and expenses align with the budget
 - Monitor daily activities to ensure finances stay within the limits of that budget
- By following these three basic steps, you can build a solid foundation in financial management.

Financial Management Plan

- A financial management plan:
 - Conveys the “big picture” of the organization’s strategic and financial goals
 - Can be useful when deciding what to include in the organization’s budget

Financial Goals and Objectives

- The organization's financial goals must support the organization's strategic plan.
- In turn, the financial management plan should include:
 - Financial management objectives
 - Strategy
 - Tactics
 - Budgetary activities such as revenue, capital expenses, and non-capital expenses

Financial Goals and Objectives

- The intent of the financial management plan is to show:
 - Where set budgetary dollars will be allocated
 - What the justification for these allocations is
 - Which funds will be used for existing or new expenditures

Financial Goals and Objectives

- The financial management plan should include financial benchmarks and a mechanism for monitoring revenues, expenses, and other financial activities.
- These elements will help the organization stay within the budgetary constraints.

Financial Goals and Objectives

- Financial management objectives are financial benchmarks set by the organization's leadership, functional workgroup managers, or budget team.
- They are intended to support the organization's or unit's financial or strategic goals.

Financial Goals and Objectives

- The financial management plan ensures that the financial management objectives are being met, thereby ensuring that profit margins, key initiatives, and purchases are not overlooked.
- EMS officers cannot develop a budget for meeting financial management objectives if financial goals have not been developed.

Forecasting and Demand Analysis

The Organization's Leaders

- Forecast the organization's overall financial position based on the organization's current financial, operational, and economic conditions

The EMS Officer

- Budgets for key items that fall under his or her responsibility, such as:
 - Capital improvement
 - Replacement of major equipment
 - Maintenance of regular equipment and supplies
 - Employee training
 - Introduction of new services
 - Payroll

Forecasting and Demand Analysis

- It can take some research and educated guesswork to:
 - Determine how much each financial objective will cost the organization.
 - Estimate the revenue the organization can expect to receive in the forthcoming fiscal year.
- Questions that come up during budget preparation will involve forecasting future needs and costs.

Forecasting and Demand Analysis

- To represent expenses and revenues as accurately as possible, look first to those items that have been included in the organization's budget in the past.
 - Trends in expenses can often be helpful indicators of future needs.
 - When forecasting and obtaining a historical picture, it is best to use at least 3 to 5 years' worth of data in your evaluation.

Forecasting and Demand Analysis

- Forecasting is not a foolproof method of determining budget needs, however.
- Unexpected events may change the organization's financial picture without warning.
- When preparing a budget, it is important to look at many variables beyond previous budgets.

Forecasting and Demand Analysis

- Variables that should be considered when preparing budgets are:
 - The economy
 - Technology
 - Changing demographics
 - Services that your competitors are providing to their customers
- Analyze as much data as possible while reviewing potential obstacles.

Forecasting and Demand Analysis

- A demand analysis involves researching:
 - The amounts that customers are willing to pay for a service
 - The number of units they are willing to purchase
 - Other factors that provide information regarding how customers perceive a product or service

Forecasting and Demand Analysis

- The better understanding of customer demand provided by such an analysis gives a needed—and valuable—perspective on the budget.
 - For example, the EMS officer might be considering an increase in the transport fees charged to customers.
 - A demand analysis survey, however, might reveal that customers (patients) do not support these higher rates.

Pulling the Plan Together

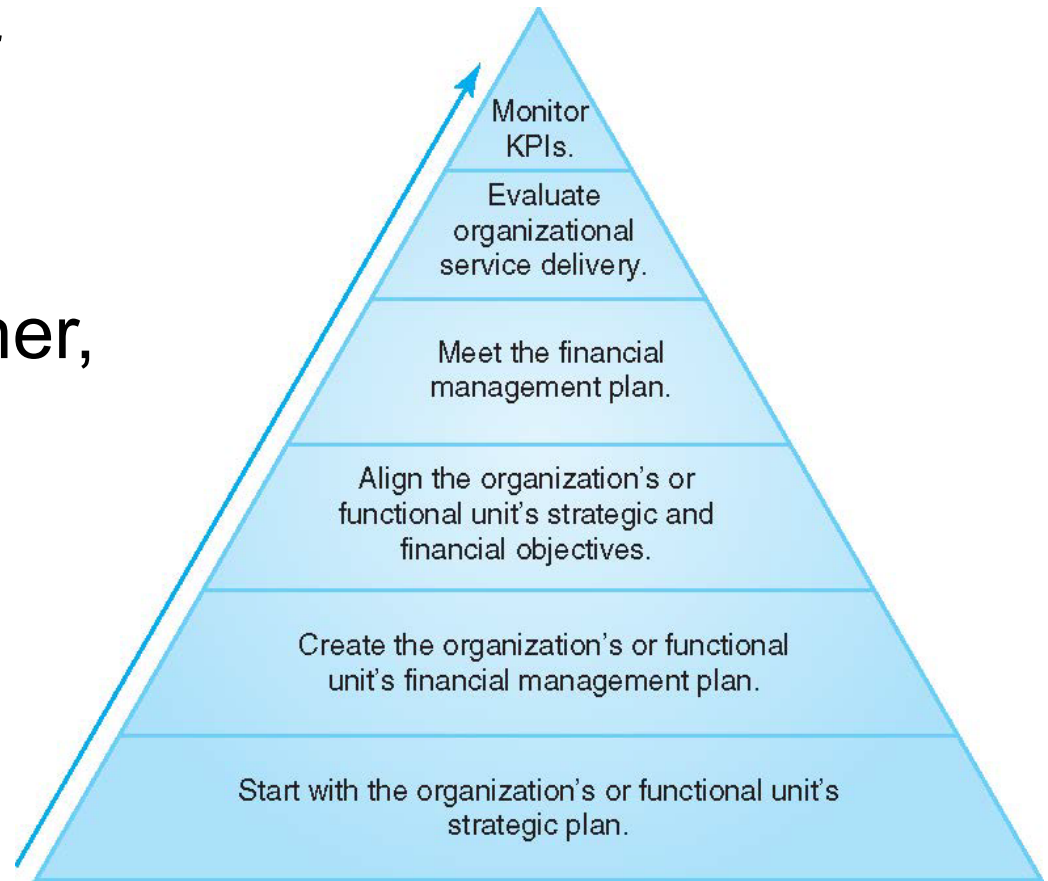
- Creating a Financial Management Plan Guidelines:
 - Plan for growth and ways to achieve the organization's short-term and long-term strategic goals.
 - Align the organization's priorities with the organization's financial management plan.
 - Direct the organization to remain true to its core mission and vision.
 - Control spending to ensure that the organization remains fiscally viable.

Pulling the Plan Together

- Guidelines (cont.):
 - Communicate the progress of the organization's financial status to its leaders so adjustments may be made and the plan may be fulfilled.
 - Gather budgetary data that enable you to make informed decisions about the organization's direction.
 - Coordinate the appropriate resources to accomplish tasks.

Pulling the Plan Together

- All the elements of the financial management plan, when pulled together, should present a focused plan for accomplishing the goal(s).



Pulling the Plan Together

- Example 1: Implementing a STAR EMS System
 - Strategic goal:
 - Expand services to a specific area within the response jurisdiction that is experiencing a greater demand for service
 - Key financial management objective(s):
 - Determine the costs associated with placing an additional station with two new units in the response area during the next budget year
 - The strategy and tactics will focus on how the objectives will be funded.

Pulling the Plan Together

- Example 2: Replacing Ambulances
 - Strategic goal:
 - Replace all four ambulance units within the next 3 years
 - Key financial management objective(s):
 - Purchase two ambulance units this year, one ambulance unit next year, and one ambulance unit the following year

Pulling the Plan Together

- Example 2: Replacing Ambulances (cont.)
 - Strategy:
 - Purchase the units by finding a purchase price that is within the organization's forecasted budget assessment
 - Tactics:
 - Contacting multiple ambulance vendors
 - Obtaining a bulk price by ordering more than one ambulance at a time
 - Having the warranty work done by the department's fleet mechanics

The Budgetary Process

- Creating and working with a budget for any organization can be challenging, time consuming, and stressful.
- The best ways to understand the operation and administration of the organization are:
 - Helping to create a budget
 - Attending budget workshops
 - Assuming the responsibility of staying within budget

The Budgetary Process

- Concepts of managing your organization's budget:
 - The organization needs the funds to keep it functioning (i.e., steady flow of revenue).
 - The organization often must reduce its spending, and it must not spend money on items that are not included in the budget.
 - To ensure that it stays within its budget, the organization must regularly evaluate its budget activities.

The Budgetary Process

- The term *fiscal year* (or *budget year*) is used to describe the year for which a budget is meant to be used.
- The fiscal year is not required to match the calendar year.
- Each organization determines the dates of its fiscal year and then works within that schedule for accounting purposes.

The Budgetary Process

- Preparations for a new fiscal year actually begin well before the first day of that fiscal year, with the requirement that a fiscal year's budget be completed and approved prior to the beginning of the fiscal year.
- Depending on the size of the organization, the budget preparation phase can range from 4 to 6 months or longer.

The Budgetary Process

- As the preparation of the budget approaches, directors, managers, and functional unit leaders typically will be summoned to a “budget kickoff” meeting.
- The size of the department and the number of personnel available to assist in completing the budget make a significant difference in how complex and how challenging the process will be.

The Budgetary Process

- Highly trained accounting professionals will often oversee the budget process.
- However, as an EMS officer, you will be involved because you will be overseeing a unit that is assigned a budget.

The Budgetary Process

- The basic steps in the budgetary process are as follows:
 - Identification of the organization's (unit's) needs and required resources
 - Budget request preparation
 - Review and approval of the budget request
 - Adoption of the approved budget
 - Administration of the approved budget

The Budgetary Process

- The first step—identifying the organization's (or unit's) needs and required resources—is done through the financial management plan.
 - In a larger organization, you must align your section's specific strategic goals with the organization's larger strategic goals before the official budget process starts.
 - In a small organization, the financial management objectives for the organization as a whole must agree with the strategic objectives for the organization.

The Budgetary Process

- As you consider how you can meet these goals and objectives, it is important to allow some time for adjustments and follow-up from vendors.
- If you wait until the last minute to ask them for data and other input, you run the risk of not having all the necessary information ready for submission to the budget committee.

The Budgetary Process

- The second step of the budgeting process is to prepare the actual budget request.
 - If the budget process is new to you, ask questions and learn from those who have been through this process before.
 - Consider meeting with those staff who are responsible for overseeing the entire budgetary process.

The Budgetary Process

Top-Down Budgeting Process

- The leadership team provides the financial management objectives and other budgetary parameters to the managers.
- They give managers a firm starting point, but provide little room for adjustment based on the manager's own research.

Bottom-Up Budgeting Process

- Managers have more flexibility in pursuing the financial management objectives that will best meet their unit's strategic goals.

The Budgetary Process

- A budget worksheet will include:
 - An itemized list of expenses and an itemized list of revenue sources
 - Total revenues, total expenses, and the difference between the two

The Budgetary Process

- Ensuring that the organization's revenues and expenses meet the forecast requires thorough planning and constant monitoring of the organization's budget activities.
- There are several different types of budgets you may be required to create.

The Budgetary Process

- Once the budget has been prepared, it must be reviewed and approved by the individual(s) and/or department in charge of the organization's master budget.
- Then, along with the other departments' budget requests, it may move to a team of leadership members, a budget director, and local officials for approval.

The Budgetary Process

- Each functional unit manager must be prepared to present and discuss his or her budget with the department's senior leadership and finance team.
- Such a budget preparation presentation can serve as a “dry run” to:
 - Answer any potential questions that might arise from the governing board or elected officials
 - Identify any potential errors
 - Ensure that key budget items are included in the presentation prior to submission for final approval

The Budgetary Process

- A budget preparation presentation is not the same as a budget workshop.
- A budget workshop is held to:
 - Determine the expectations of senior leadership regarding the goals, expectations, and financial parameters for the following year's budget
 - Clearly identify financial management objectives and the forms and justification required for purchases
 - Discuss any new changes to consider

The Budgetary Process

- Ultimately, the goal of a budget workshop is to:
 - Ensure that the functional workgroup managers continue to work within the parameters set by the organization's leadership team
 - Deliver an operational budget as outlined during the workshop

Table 9-1 Sample Budget Process Schedule

Dates	Activities
January 5	Budget kickoff meeting with all division managers and senior leadership team
February 23–28	Division budgets due for initial review between division managers and chief executive officer
March 1–5	Final review of master budget between the chief executive officer and the department's budget representatives
March 15	Department's master budget is finalized and delivered to the organization's (private company) or city or county's (public company) budget office
April 2	Master budget is presented to the city council, county board, or board of directors for review
May–June	Budget is reviewed by the city council, county board, or board of directors
July	Requested adjustments to budget are made by the city council, county board, or board of directors
August	Budget approval by city council, county board, or board of directors

The Budgetary Process

It is important to clearly set budget process benchmarks.

Staying Within the Budget

- To help managers track budget activities, some organizations provide monthly or quarterly budget activity reports.
- These reports help managers stay within the budget during each period.
- Many organizations use 1-year budgets, but some may use 3-year or 5-year budgets.

Staying Within the Budget

- When a budget line item, whether a revenue or an expense, will have multiple entries during the budget period, the EMS officer must track actual amounts against budgeted amounts.
- For example, if repeated purchases are made for a specific line item (e.g., office supplies), the manager must track the amount of allocated money remaining in that line item.

Staying Within the Budget

- The difference between a budgeted amount and the actual amount is called a *budget variance*.
- A budget variance can be either positive or negative.
- Someone within the organization must monitor budget variances to ensure the organization remains within its overall budget limits.

Staying Within the Budget

- In addition to detecting a budget variance, it is as important to identify the root cause of the variance and take the necessary corrective actions to ensure that it does not keep occurring.
- Be aware that a positive variance may also have potential negative ramifications.

Types of Budgets

- The two main types of budgets you create as a manager will likely be an operational budget and a capital budget.

Types of Budgets

- Operational budget
 - Includes all the basic expenses an organization requires to remain operational, such as:
 - Station utilities and rent
 - Salaries
 - Benefits
 - Presented as a line-item budget
 - Is commonly a static budget

XYZ EMS Department Operation Expense Budget			
Fiscal Year October 2014-December 2015			
	Commitment Items	Adopted Budget	Actuals
	Salaries and Benefits		
1351	Executive Salaries	41,452.00	39,027.70
1352	Regular Salaries	8,671,879.00	7,798,398.74
1353	Regular Wages-Salaries	370,694.00	392,300.35
1354	Labor Distribution	1,276,726.59	1,123,430.11
1355	Overtime	726,288.00	725,360.38
1356	Annual/Sick Pay	139,912.62	47,080.14
1357	FF Supplemental Co	50,094.00	53,917.61
1358	Innovation Awards	123,768.00	102,400.00
1359	FICA Taxes	840,809.00	769,244.50
1360	Retirement	1,789,525.00	1,951,463.21
1361	Health Ins Premium	2,160,179.00	1,948,981.78
1362	Life Ins Premium	10,891.00	18,167.23
1363	Workers' Comp	471,393.00	447,903.11

Types of Budgets

Figure 9-2 Sample operational budget. (*continues*)

	Utility Services		
3301	Heating Fuels	5,044.99	1,508.87
3302	Electricity	40,204.00	20,295.54
3303	Water & Sewage	4,799.18	3,723.70
	Station Rentals and Leases		
4102	Station Rentals and Leases	41,670.00	15,143.44
4103	General Liability	99,182.00	98,425.94
4104	Bldgs & Contents I	63.70	63.70
4105	Ins Outside Agency	22,257.00	22,257.00
	Other Current Charges & Obligations		
5501	ALS Vehicle Lic/Veh Permits (every 2 yr)	3,000.00	3,000.00
5502	Clinical Laboratory License	250.00	250.00
5503	DEA License for Controlled Substance	750.00	750.00
	Operating Supplies		
6601	Operating Supplies	32,032.94	11,749.42
6602	Fuel/Gas	870,912.23	866,333.47
6603	Medical Supplies	150,000.00	48,000.00
6604	Linen	1,225.00	1,225.00
6605	Oper Equip under \$7	7,822.12	7,034.62
	Construction		
7000	Capital Outlay	4,684,918.00	1,224,903.87
	Books/Publication/Membership/Training		
8851	Books	750.00	200.00
8852	Membership	500.00	175.00
8853	Training	5,000.00	1,500.00
	Travel		
9101	Travel Per Diem	25,000	8,000
9102	Travel Mileage	3,500.00	300.00
	Expenditure Total	22,672,492.37	17,752,514.43
	Revenue		
223001	Intragovernmental	113,007.00	156,766.50
223002	Ambulance Service Fees	14,273,780.37	216,029.77
223003	Contracted EMS Services	90,000.00	1,225.32
223004	Miscellaneous Revenue	51,500.00	26,608.49
223005	Balance Forward	450,000.00	450,000.00
223006	General Fund	7,694,205.00	7,694,205.00
	Revenue Totals	22,672,492.37	8,544,835.08

Types of Budgets

Figure 9-2 Sample operational budget. (*continued*)

Types of Budgets

- The budget worksheet should be divided into sections based on the type of expense/revenue or the account from which expenses will be paid or in which revenues will be deposited.
- Examples of accounts include:
 - General fund
 - Special revenue fund
 - Debt service fund
 - Capital project fund
 - Internal service fund

Types of Budgets

- Unlike an operational budget, a capital budget includes only outlays for capital purchases and is included within the master budget.

EMS Operations						
Capital Improvement Plan	FY 14–15	FY 15–16	FY 16–17	FY 17–18	FY 18–19	FY 19–20
Station Replacement						
Station 1	0	\$700,000	0	0	0	0
Station 2	0		0	\$765,000	0	0
Station 5	0		0	0	0	\$795,000
CIP Total	0	\$700,000	0	\$765,000	0	\$795,000
Capital Equipment Replacement Plan						
Equipment Replacement	FY 14–15	FY 15–16	FY 16–17	FY 17–18	FY 18–19	FY 19–20
Portable Radios	\$ 250,000.00	\$ 165,000.00	\$ 165,000.00	\$ 165,000.00	\$ 18,000.00	\$ 18,000.00
Cardiac Monitors	\$ 150,000.00	\$ 150,000.00	\$ —	\$ 100,000.00	\$ —	\$ —
Ambulance Unit	\$ 300,000.00	\$ 300,000.00	\$ 300,000.00	\$ 300,000.00	\$ 300,000.00	\$ 300,000.00
Staff Vehicles	\$ 41,000.00	\$ —	\$ 85,000.00	\$ 85,000.00	\$ 50,000.00	\$ —
Mobile Computers	\$ 85,000.00	\$ 85,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00
Capital Equipment Total	\$ 826,000.00	\$ 700,000.00	\$ 590,000.00	\$ 690,000.00	\$ 408,000.00	\$ 358,000.00
Total EMS Capital Improvement and Outlay	\$ 826,000.00	1,400,000	590,000	1,455,000	408,000	1,153,000

Types of Budgets

Figure 9-3 Sample capital budget.

Types of Budgets

- The master budget is where all budgetary activities for the entire organization are represented.
- It includes all revenue sources and expenses for every division.

Types of Budgets

- Several types of budgets are available to organizations depending on the details involved and the specific means in which the budget will be used.
- Examples of budgets types:
 - Static or fixed budget
 - Flexible budget
 - Zero-based budget
 - Incremental budget

Types of Budgets

- As an EMS officer, it is important to determine which budgeting approach is appropriate when creating a budget for your functional workgroup's operational budget.

Expenses

- In a line-item budget, expenses are listed, one per line, followed by the dollar amount budgeted for that item.
- In creating a budget, especially one based on the previous year's budget, you must review these expenses and determine:
 - Whether they add value to the unit
 - Whether there is a more cost-effective way of achieving the same outcome

Expenses

- As an EMS officer, you must be prepared to justify new expenses during the budget preparation period.
- The goal of every financial management plan is to minimize expenses and maximize revenues.
- However, this poses a challenge to those personnel responsible for managing budgets.

Salaries and Benefits

- Salaries and benefits will probably be the organization's greatest expense.
- These expenditures may be difficult to forecast because of:
 - The continuously changing business environment
 - The need to replace employees with those who earn a higher or lower salary
 - Merit promotions
 - Other factors

Salaries and Benefits

- The most common reasons for budget variance in the salary/benefit category include the following:
 - New hire
 - Incentives and bonuses
 - Insurance and related benefits
 - FICA
 - Overtime
 - Retirement

Fleet Services

- Fleet services are critical value-added components for any EMS organization.
- Without working ambulances, the organization would be unable to respond to calls and to transport the sick or injured to the hospital.
- Service delivery would be severely affected, and the delay in responding to 911 calls would expose the organization to criminal or civil liability.

Fleet Services

- To keep the fleet on track, the organization must have a unit replacement plan in place.
- The replacement plan should:
 - Identify which ambulances may need to be replaced soon
 - Include certain markers that indicate to the organization's fleet manager and leadership team that a unit should be considered for surplus (e.g., a history of significant repairs)

Fleet Services

- Purchasing new ambulances may take some time if the organization requires that units meet certain specifications.
- In addition, you will need to go through your organization's designated purchasing process, including the process for selecting a vendor if there is no current purchasing contract for ambulances in place.

Fleet Services

- Necessary steps for purchasing new ambulances may include:
 - Obtaining quotes from vendors
 - Completing the material requisition paperwork
 - Obtaining approval to proceed with the purchase from a member of the leadership team, city, county, or township, and perhaps the city, county, or township's elected board

Fleet Services

- Replacing an ambulance is expensive, so organizations must have a system in place to reduce wear and tear on their existing units.
- Ambulance crew members should take special care of the vehicles and report any potential issues as soon as they arise.
- They should also be well informed about the schedule for preventive maintenance.

Fleet Services

- Over time and with the purchase of new ambulances, the organization may begin to accumulate a surplus of ambulances.
- Having a surplus can provide some support for the front-line units and increase the organization's capabilities during peak times and natural disasters.
- Beware of creating excessive ambulance surplus, however.

Medical Supplies

- Medical providers need equipment and supplies to render care to the sick and injured.
- As the EMS officer, however, you must identify and track the supplies that are really needed and being used.
- Implementing a tracking system for the items that are regularly used helps avoid waste, is cost-effective, and improves overall patient care.

Medical Supplies

- As an EMS officer managing a budget, you must determine which EMS tools are nice to have and which are truly needed.
- Consider creating and implementing a research and development committee whose primary responsibilities would be to evaluate EMS supplies and equipment before they are purchased.

Medical Supplies

- If a cache of extra equipment and supplies will be needed to stock a mass-casualty unit, it is imperative that an organizational member be assigned to rotate the stock.
- This practice will ensure:
 - That supplies are available in case of a disaster
 - That the supplies are not expired and can be used to meet the needs at hand

Training

- All EMS providers within the organization must be well trained to provide patient care in an emergency event.
- Regardless of the training content and the medium used to deliver the training, the training will be an expense.
- Training expenses include course materials, medical protocols, instructors, equipment, recertification costs, and overtime pay.

Training

- As an EMS officer, you may be asked to manage training for the organization.
- This responsibility will involve:
 - Taking the time to identify which courses will offer the greatest added value to your prehospital providers
 - Determining which of these courses will fit into the training budget

Capital Replacement and Capital Improvement

- Expenses related to capital replacement and capital improvement are vital to every organization.
- As an EMS officer, you cannot become complacent about the organization's strategic plan.
- This plan must include the items essential to ensure that the EMS organization exceeds its service delivery expectations.

Capital Replacement and Capital Improvement

- Capital items are those items that:
 - Cost more than a specific limit set by the organization (e.g., \$500, \$750)
 - Have a life expectancy greater than 1 year (e.g., ambulances, station renovations, and cardiac monitors)

Capital Replacement and Capital Improvement

- Capital items are expensive, and the organization must plan and budget for their purchase and replacement.
- Items may break when least expected, and all items have a limited life expectancy.
- You must be ready to replace or repair these items before they stop working.
- Many organizations have an asset management team that maintains a list of all capital items.

Support Services

- Examples include:
 - Dispatch center operations
 - Maintenance of a distribution center for storing operational and administrative items
 - Personnel uniforms and protective equipment
 - Office supplies to support day-to-day administrative tasks
 - Station supplies such as bed linens and pillows, pots and pans, toilet paper, and cleaning supplies

Unfunded Mandates

- Mandates are statutes or regulations imposed by the federal, state, or local government.
- When they are not funded through government allocations, they pose a significant challenge for any manager overseeing a budget.
- Examples of potential unfunded mandates include:
 - Health insurance
 - Retirement plans
 - Medical equipment
 - Salaries

Unfunded Mandates

- Unfunded mandates may require organizational leaders to thoroughly assess their budgets to identify both value-added items and nonessential items that can be eliminated.
- Leaders may have to forego some of the current budgeted items, preferably the nonessential items, to ensure that the organization has sufficient financial resources to cover any unfunded mandates.

Revenue

- Knowing the sources of the organization's revenue is critical for those personnel who are responsible for managing a budget.
- Efforts aimed at identifying and measuring these revenue streams will:
 - Provide the information necessary to create an accurate budget
 - Bring to light historical trends for forecasting revenues

Revenue

- As an EMS officer, you must become thoroughly familiar with the rules and policies pertaining to each revenue line item.
- These revenue streams are used to support the organization's strategic plan and ensure that the organization remains fiscally viable.

Revenue

- Capitalizing on every opportunity to generate revenue for the organization must be a priority for the organization's leadership and its members.

Medical Transport Fees and Reimbursement

- EMS organizations receive more revenues from medical transport fees than from any other source.
- Consequently, it is important that the billing and reimbursement process for transport services be efficient and move smoothly.

Medical Transport Fees and Reimbursement

- Each EMS organization should ensure that it has a system in place that supports expeditious billing for transport.
- Incomplete or inaccurate billing information can delay the billing and payment process.

Medical Transport Fees and Reimbursement

- When the information is complete, the next priority is to have a process in place that limits the number of steps between when the information is captured and when a bill is generated.

Medical Transport Fees and Reimbursement

- An EMS organization may opt to contract with an EMS billing company rather than handle billing as part of its own operations.
- The billing process is critical because it involves continuous oversight of monies collected for services provided.
- This area has no room for error, and every effort must be made to collect monies for services rendered.

Medical Transport Fees and Reimbursement

- Four parties may be billed by the EMS organization:
 - Medicare
 - Will pay the federally mandated reimbursement limit or the department's fee, whichever is lower
 - Medicaid
 - Has a state-mandated reimbursement limit that is lower than the Medicare limit
 - Commercial insurance
 - Will pay 100 percent of their coverage amount (not the bill), minus any co-pays or deductibles
 - Self-pay customers
 - Reimbursement rate is very low

Medical Transport Fees and Reimbursement

- Example of a transport forecast analysis:
 - West Reed EMS Department is looking to increase its transport fees.
 - The service level mix is as follows:
 - BLS: 24%
 - ALS 1: 74%
 - ALS 2: 2%
 - Payment sources are broken out into the following classes:
 - Medicare: 56%
 - Medicaid: 13%
 - Commercial pay: 15%
 - Self-pay: 16%

Table 9-2 West Reed EMS Transport Fee Increase

Service Level	Current Charges	Recommendation
Mileage	\$9.18	\$13.00
BLS	\$501.00	\$800.00
ALS 1	\$541.00	\$800.00
ALS 2	\$627.00	\$800.00
Oxygen	\$25.00	\$30.00
Lift assist	—	\$50.00
Medical nontransport	—	\$50.00

Medical Transport Fees and Reimbursement

After reviewing the data, the department decides to increase its transport fees.

Medical Transport Fees and Reimbursement

- Example of a transport forecast analysis (cont.):
 - In addition to the increase in user fees, the West Reed EMS department will also use:
 - The department's historical mature charge mix
 - The organization's transport volume
 - The service level transport mix (BLS, ALS 1, and ALS 2)
 - Potential adjustments to Medicare allowable charges to calculate the department's revenue forecast

Medical Transport Fees and Reimbursement

- Example of a transport forecast analysis (cont.):
 - When taking all of these elements into consideration, the West Reed EMS Department forecasts a potential increase in revenue by approximately \$4.5 million over the next 5 years.

Medical Transport Fees and Reimbursement

- When forecasting revenue, one must always take into account any potential impact that may affect the projections; for example:
 - Potential healthcare reform
 - A decrease in the number of transports for a given year
 - A change in community demographics

Medical Transport Fees and Reimbursement

- The EMS officer must know how medical transport billing fees are established for the organization.
- Transport fees are charged to cover the expenses of transporting a patient to an emergency department or other medical facility.
- As an EMS officer, you should research the transport fees charged by other EMS agencies in the area, to ensure that your organization does not price itself out of the market.

Medical Transport Fees and Reimbursement

- Although transport fees are set by the organization, the reimbursement level is determined by Medicare, Medicaid, and insurance companies.
- Because these fees are typically paid by Medicare, Medicaid, self-pay, or the patient's insurance, EMS agencies must have a process in place for prehospital providers to capture as much of the patient's personal and insurance information as possible.

Compliance

- Ensuring that the organization is compliant and up-to-date with billing requirements is extremely important.
- Regardless of whether the organization does its own billing “in-house” or contracts with a billing company, being compliant with laws must be a top priority.

Compliance

- The organization must assign someone within the organization to ensure that compliance is being monitored throughout the billing system.
- If the billing is done internally, the employees must be familiar with the coding process and the laws applicable to patient billing activities.

Compliance

- A plan must be in place to ensure that:
 - There are security and privacy controls in place to protect health information.
 - A secure method for payment is in place.
- If the billing is done in-house, the billing system should include routine internal audits by members of the organization and independent audits conducted by external billing auditors.

Compliance

- Ensure that policies and procedures are routinely updated and shared with the staff.

Compliance

- Whether an organization should conduct its billing in-house or through a billing company is a decision for the senior leadership team, as there are numerous pros and cons for either option.
- The one constant is that compliance must be at the forefront and the employees must be well trained.

Donations

- Some organizations accept monetary or equipment donations from community members, vendors, or private business.
- Monetary donations provide a source of revenue for the organization, and equipment donations reduce the organization's expenses.

Community Education

- Organizations may generate revenue by providing safety classes for members of the community.
- Offering community training classes can certainly provide an additional source of revenue, even as it strengthens relations between the organization and its customers.

Selling Equipment

- After an organization has determined that a piece of equipment is no longer being used or is ready for surplus, the department may choose to sell it.
- Depending on its policy on selling equipment, the organization may:
 - Choose to conduct an auction
 - Or hire an auctioneer to sell the equipment (more likely with capital items)

Strategic Partnership

- Some organizations also generate revenue by entering into automatic-aid agreements with other EMS providers.
- This arrangement is likely to be made if an emergency service department knows it cannot provide an adequate response to a certain area and, therefore, must seek an alternative for delivering the necessary service.

Strategic Partnership

- The compensation for these agreements can be either monetary or an exchange of services that benefits each department.
- For example, both departments may agree to cover response areas in each other's district, thereby reducing the expense of placing a station and an additional unit there.

Subscriptions

- Subscriptions are a revenue-generating mechanism similar to monthly insurance payments.
- A household essentially subscribes to EMS coverage throughout the year.

Subscriptions

- Subscription details are dependent on the department.
- Subscriptions offered to community members are voluntary, and the benefits vary with each department.
- Each state has its own insurance laws, and any organization contemplating a subscription program must research existing statutes and not violate insurance rules and regulations.

Mobile Integrated Healthcare

- Some organizations turn to mobile integrated healthcare community paramedicine (MIH-CP) to better serve their community and realign resources with the requests for medical care.
- MIH-CP services could generate revenue for an EMS organization.
- However, a funding source for the program must be available.

Mobile Integrated Healthcare

- Currently, the primary funding source for patient transports is the Centers for Medicare and Medicaid Services (CMS).
- Legislative changes need to occur to recognize MIH-CP services as reimbursable for healthcare provided by EMS providers.
- Otherwise, they will not be reimbursed for services outside the EMS transport user fee.

Mobile Integrated Healthcare

- There are, however, other viable options for obtaining funding for such a service, such as partnering with healthcare organizations.

Mobile Integrated Healthcare

- Although MIH-CP does face some funding challenges, there is no doubt that it can be a beneficial service for the community and reduce the cost of healthcare by realigning the resources with specific patient needs.

Property Taxes

- If the organization is a government enterprise, monies received from tax dollars will help support its operational budget.
- Ad valorem taxes are property taxes based on the value of real estate or personal property.
- These taxes are calculated using the millage rate—the tax rate per \$1000 of taxable value.

Property Taxes

- Depending on the enterprise, unused funds may have to be returned to a general fund if not used during the budget's fiscal year.
- Revenues collected through other streams may be kept for future expenses.

EMS Response Contracts

- Response contracts with cities, townships, corporations, or government agencies are another important revenue source for EMS organizations.

EMS Response Contracts

- The process of establishing a contract for EMS delivery starts with a request for proposal (RFP), followed by a bidding process.
- The contract is then awarded to an EMS agency that is able to meet the organization's requirements, as stated in the RFP, and stay within the budgetary parameters.

EMS Response Contracts

- Once awarded, the contract will include a scope of work stating what is expected as far as:
 - Performance and meeting specific benchmarks
 - The contract payment schedule
 - Required training for EMS providers
 - Health requirements for EMS providers
 - Management and personnel requirements
 - Hours of operation
 - Other aspects of EMS delivery

EMS Response Contracts

- The contract includes a start and contract termination date and may vary in terms of the period of time covered.
- Once the contract expires, the customer may agree to renew the contract or it may start the RFP process anew.

EMS Response Contracts

- An EMS response contract will often include a statement regarding the cancellation of the contract by either party, which may require a 30-day notice.
- As the EMS officer, you must ensure that you are familiar with the contract and know which requirements it includes.

Medical Unit Stand-By

- EMS organizations can earn additional revenue by offering medical unit stand-by services during mass gatherings such as the following:
 - High school, college, and professional football games
 - Running or bike races
 - County or town fairs
 - Presidential and other dignitary visits
 - Professional boat races
 - Air shows

Medical Unit Stand-By

- These events can be managed similar to EMS response contracts if the stand-by units will be required for an extended period of time or on a recurring basis.
- If a contract is not an option or the event is a one-time occasion, the organization must have a set medical coverage fee that is applicable for all stand-by services.

Medical Unit Stand-By

- Medical coverage events are great opportunities not only to generate additional revenue, but also to promote the organization by:
 - Speaking with those at the event
 - Displaying the ambulance unit for all to see
 - Providing brochures or other items that promote safety

Grants

- With limited funding sources, EMS organizations must continue to seek alternate ways to generate revenue or means of reducing expenses.
- Grants can serve as an alternative to reducing operational expenses.

Grants

- Grants are available to provide assistance to those organizations that require additional funding to provide life safety services.
- The grant award may be used to purchase medical equipment, ambulance units, training, or fitness equipment, or to fund EMS community programs.

Grants

- The grant award will likely be dependent on the population being served, the economic conditions, and the true need for the award.
- Grants may cover 100 percent of an expense, or may stipulate an 80/20 or 50/50 arrangement.

Grants

- If the organization does not have a grant writing officer, someone must be assigned to research and monitor grant opportunities and complete and submit grant applications.
- Grants may be found through online searches.
- Many grants are offered through state and federal government, and it may take patience to find a grant that would meet your needs.

Grants

- When applying for a grant, the application may be lengthy and require detailed information about:
 - The project
 - The estimated amount of funding needed
 - The organization
- It may also require a detailed justification as to:
 - The need for the project
 - How the project will be used and benefit the community and the organization
 - The current status of the project

Grants

- After submitting a grant application, it may take weeks or even months to find out whether the organization has been awarded the funds.
- Do not delay in submitting your application.

Purchasing

- The purchasing process varies significantly depending on the item being purchased, the reason for the purchase, and whether the organization is private or government-based.

Purchasing

- Familiarity with the purchasing process in your organization allows you to expedite the purchasing process.
- It also helps you ensure that all the necessary purchasing documents are completed appropriately prior to submission to the purchasing department.

Capital Items

- When contemplating the purchase of capital items, the buyer will most likely be required to obtain three price quotes.
- If only two quotes are available, the purchaser must include a letter explaining why three quotes were not available.

Capital Items

- If the organization has a preferred vendor or a state-contracted vendor, quotes may not be needed because the vendor will have already been approved by the organization or a state agency.
- If only one vendor sells the item, the purchaser must include a letter stating that this vendor is the sole source for that item.

Capital Items

- Capital purchases typically require a signature from a senior leader of the organization.
- As an EMS officer, you must become familiar with both your organization's and your state's purchasing rules.

Capital Items

- Although private EMS organizations may not require three formal quotes or an RFP for capital projects, it is always good management practice to ensure that the organizational leaders are:
 - Making prudent financial decisions
 - Being fiscally responsible
 - Seeking the best product or service

Request for Proposal

- An RFP is a solicitation document, on behalf of an organization, requesting a bidding process for a purchase of significant value.

Request for Proposal

- The RFP process entails completing an application that includes the specifications of the product or service the organization is seeking to purchase; for example:
 - The construction of a new EMS station
 - A station alerting system
 - New electronic patient care report writing software
 - Billing services

Request for Proposal

- Within a government agency, the individual responsible for the project must thoroughly complete the necessary documentation required as part of the RFP application, then send it to the purchasing department.

Request for Proposal

- As part of the application process, the organization will need to establish an RFP review committee, preferably with an odd number of members to prevent a tie during a vote, to assist in the review of the vendor proposals and selection of a vendor.

Request for Proposal

- The RFP will then require approval from the city, town, or county board of elected officials.
- Once approved, it must be posted so all potential vendors have an opportunity to bid on the RFP.

Request for Proposal

- An RFP is typically posted on the department's website, and there is a set time period during which vendors can meet with organization representatives to ask questions about any of the requirements or specifications.
- Once the posting expires, the vendors can present their product or service to the RFP committee.

Request for Proposal

- After a selection has been made, any vendor choosing to dispute the process will have a predetermined amount of time to do so.
- The RFP process is designed to ensure that purchases meet the required specifications and that the organization's purchasing process remains fair and transparent.

Purchase Orders

- Organizations use purchase orders as a mechanism to authorize vendors to invoice them for materials or services ordered.
- A purchase order is issued by the organization's purchasing department or the individual responsible for purchasing within the organization.

Purchase Orders

- It is important that proper documentation be kept and filed after the purchase has been made and a copy of the purchase order be provided to the vendor.
- This will ensure that the purchase is properly aligned with the materials or service being delivered.

Purchase Orders

- If a change is subsequently requested, the individual submitting the purchase order must create a change order request (a department-specific form) that identifies:
 - The reason for changing the order
 - The new items being purchased
 - The dollar amount
 - The previous purchase order number

Purchase Orders

- Every organization will have an expense threshold that will require approval from a chief executive officer, chief, city or county manager, or local government board to complete a purchase.

Emergency Purchasing Process

- Some organizations have an emergency purchase order system.
- Emergency purchase orders are to be used only when an item is needed to prevent an imminent threat to life or property or a disruption of essential services.

Emergency Purchasing Process

- Most of the same steps used for nonemergency purchases will apply.
- However, the process is rearranged, allowing the documentation for an emergency purchase order to be produced after the purchase to prevent delays in obtaining the item.

Emergency Purchasing Process

- When immediate purchase of supplies or contractual services is necessary because of certain conditions, organizational leaders may have the authority to execute emergency purchases.
- To do so, they must adhere to the organization's policies and procedures.

Emergency Purchasing Process

- Emergency purchases should be made only during a narrowly defined set of emergency conditions because they can become costly.
- During emergency situations, when decisions are made quickly, very little thought may be given to the amount spent.
- When making an emergency purchase, it is essential to obtain the items needed to mitigate the crisis, while still making every attempt to be fiscally responsible.

Material Requisitions

- Material requisitions are documents used to notify the purchasing department of goods or services needed to conduct business.
- These planned activities:
 - Require specific requests for purchase
 - Will need approval from the chief executive officer, chief of the department, or city or county manager depending on the dollar amount

Material Requisitions

- The material requisition should answer the following questions:
 - Who needs the items being requested for purchase?
 - What is being requested for purchase?
 - Where will the goods or services be delivered?

Material Requisitions

- The material requisition form may require the following:
 - Date of request
 - Department or requester name
 - Required delivery date
 - Delivery location
 - Vendor information
 - Funding information for the purchase
 - Description and specification of goods or services
 - Quantity of units
 - Unit or service price
 - Justification for requesting the purchase
 - Approval signature

Vouchers

- Organizations may use a voucher system when conducting business with vendors.
- A voucher is an internal document used to obtain the necessary approvals prior to authorization of a specific transaction, such as a purchase or a service provided by a vendor.

Vouchers

- Prior to implementing a voucher system, a formal agreement between both parties conducting business must be in place.
- This agreement must confirm that the vendor will accept the vouchers as authorization for a specific product or service.
- When the specific transaction is completed, the vendor will then include the voucher when submitting the invoice for payment.

Credit

- A credit is created when the organization purchases goods or services from a vendor and has overpaid.
- Depending on the organization's accounting rules, the organization may opt to get reimbursed or use the credit to purchase additional equipment or services from the vendor.

Credit

- A vendor may also agree to grant a line of credit to an organization to allow the organization to make purchases and pay at a later time.
- Even with the established line of credit, the organization must:
 - Use the appropriate purchasing methods for this type of transaction
 - Assign a purchase order number or other indication of which line-item in the budget will be used to pay for the purchases

Credit Cards

- A credit card, also referred to as a purchasing card, is provided to those individuals who have been authorized to make business purchases.
- Purchasing cards are usually supplied to individuals who may be in a position where a purchase is needed immediately.

Credit Cards

- The purchasing card will have the person's or organization's name on it and will have a pre-determined set limit.
- The cards are not meant to replace any of the other purchasing methods, but can be used when more formal purchasing methods are not required.

Credit Cards

- If your organization is tax exempt, you must ensure that no taxes are applied to the purchase made with the purchasing card.
 - Save all sales receipts and match them with the monthly card statements.
 - When reconciling the expense report, provide justification for the purchase, as it must be approved by a senior leadership member.

Credit Cards

- The purchasing card must be used for business transactions only and not for personal purchases.
- Purchasing card users must be familiar with the organization's purchasing policies.

Cash

- Some organizations may choose to use cash for certain purchases.
- Having cash available to make purchases does have advantages; for example:
 - When a transaction accepts only cash
 - When making a small purchase that does not require any formal paperwork or reimbursing an employee for making a company purchase with his or her own money

Cash

- Organizations may use petty cash funds for necessary, non-reoccurring, on-the-spot purchases.
- Petty cash can be used for necessary purchases below a set dollar amount, determined by senior leadership, and do not require a purchase order or a formal bidding process.

Cash

- Working with cash may pose some challenges because it may be difficult to keep track of the expenditures.
- When using cash for any transaction you should:
 - Obtain approval prior to making the transaction
 - Get a receipt for the purchase
 - Report the expenditure to the purchasing and/or finance department