

Greater Sheboygan Committee White Paper

May 11, 2007

City of Sheboygan Fire Department Proposal to Provide Ambulance Service to City of Sheboygan

What exactly is this proposal?

Orange Cross Ambulance, Inc. ("OCA") has been providing ambulance services to the City of Sheboygan and areas of Sheboygan County for 27 years. Recently, the City of Sheboygan Fire Department ("CSFD") has put forth a proposal to provide ambulance services for the City of Sheboygan in place of OCA.

Why does the CSFD wish to do this?

Along with stating a number of opinions as to operational improvements, the proposal also notes the CSFD plan will provide over \$400,000 in new revenues to the City budget.

Who is Orange Cross Ambulance, Inc.?

OCA is owned jointly by Aurora Sheboygan Memorial Medical Center and St. Nicholas Hospital and has been in business since 1979. Because of the relationship with two non-profit local hospitals it is truly a community based organization. OCA's Board of Directors is comprised of administrative personnel from each hospital.

What do City and County taxpayers currently pay for OCA ambulance services?

OCA is entirely supported by fees charged to users of ambulance services. Not one dollar of City or County taxes is paid to OCA.

Have there been service quality issues with OCA that would suggest a change to CSFD would be justified?

OCA has consistently met or exceeded service requirements. OCA has not incurred any significant or material complaints or legal actions related to its performance.

The CSFD proposal claims the CSFD will provide certain operational advantages. Is this so?

The CSFD proposal, at least on the surface, does not appear to provide any operational or strategic advantage over what is currently provided by OCA.

Are there any operational issues related to the CSFD proposal?

The CSFD proposal is based on providing three ambulances within the City of Sheboygan. Orange Cross operates seven ambulances. During 2006, Orange Cross records indicate there were 11 occasions when more than three ambulances were required in the City due to multiple or large emergency events.

Doesn't it make sense to have dual trained fire department personnel who can be fire fighters and paramedics?

It does make sense until an emergency event occurs which results in an overwhelming demand for fire fighters. It is unclear as how personnel would be utilized in such a circumstance, particularly if an additional emergency were to arise at the same time. OCA has the advantage of being dedicated to just emergency medical response without having potential other demands on their personnel.

Does an ambulance service generate the levels of income indicated by the CSFD proposal?

For the year ended December 31, 2006, OCA generated an excess of revenues over expenses of \$71,000. All of this excess revenue was re-invested into the equipment and vehicles of OCA. It does not appear, on our local basis, that ambulance service is a highly profitable business. Information from other ambulance services in Wisconsin shows similar results.

Could ambulance service just to the City of Sheboygan produce positive income to the provider?

It may in fact be true, but if this were the case, than service to the Sheboygan County areas would be at a loss. The CSFD proposal, by splitting out the supposed profitable service area (the City), would leave OCA with the money losing service area consisting of the County. One estimate is that OCA would show a significant drop in revenue and an estimated annual net loss of \$212,000.

Couldn't OCA continue to service the County areas?

No organization can continue to provide service with loss operations. While OCA can operate at break even or with small profits, it would not be able to operate with losses. In addition, neither of its parent organizations (hospitals) has funds available to support a deficit ambulance service.

What would happen if Orange Cross ceased operations after CSFD began ambulance service in the City?

The CSFD primary plan only includes emergency responses. It does not provide for non-emergency transports within the City (hospital to nursing home, as an example) nor

does it address transports to medical facilities outside of Sheboygan County (such as to Milwaukee).

Does Sheboygan County have a legal obligation to provide ambulance service to County areas served by OCA?

Sheboygan County has no legal obligation to provide ambulance service to any part of the County. However, in the past the County has worked in a cooperative fashion to provide ambulance service to County and City residents.

Would Sheboygan County be willing to subsidize OCA losses if OCA was just serving the County areas?

It is unknown if the County Board would approve a subsidy to support OCA's County area operations.

Would Sheboygan County financial support of OCA result in a County property tax increase?

That certainly would be a possibility. It also needs to be recognized that an increase in County property taxes impacts City residents. The CSFD proposal needs to be evaluated in light of its potential impact on the County taxes of City residents. A complete evaluation of the CSFD proposal should include the impact on tax burden not just the impact on the City's budget.

Would it be possible for the CSFD to provide ambulance service to areas of the County now served by OCA?

Yes it could, and there are other counties where city fire departments provide ambulance service to county areas. In fact, the CSFD proposal mentions the possibility of servicing all of the area currently covered by OCA. However, the CSFD does not provide a financial projection for such an expanded service area. Also, it would seem that an assumption of all of the service area by CSFD would result in revenues and expenses similar to what OCA experiences now.

Are there any issues related to the financial projections provided by CSFD (CSFD proposal date 5/02/07)?

- The projection provided by CSFD shows a response to 1,870 in 911 ambulance calls. Should OCA remain in operation in some form, all citizens will have the option of calling OCA direct in an emergency rather than 911. CSFD cannot be guaranteed all 911 calls. In other cities with private ambulance service there is aggressive advertising for direct calls to private providers. Consequently, it is optimistic to assume all 911 calls will go solely to CSFD.

- The CSFD projects a 15% write off on Medicare/Medicaid billings. OCA's experienced 2006 Medicare/Medicaid write offs equal to 32% of total revenues. In addition, the patient demographics show a higher level of Medicare/Medicaid patients in the City of Sheboygan, which is the area CSFD would like to serve.
- The CSFD projects a 15% write off for bad debts. This, combined with CSFD's estimated Medicare/Medicaid write offs, would produce total write offs of 30%. OCA shows bad debt write offs at 8% of total revenues, however when combined with a 32% Medicare/Medicare, the total write offs of revenues is equal to 40%.
- The cost to purchase an ambulance and fully equip it is approximately \$140,000. The CSFD proposal calls for the acquisition of three ambulances (3 X \$140,000 = \$420,000). The cost of this capital expenditure needs to be included. While there is a reference to \$100,000 in equipment in the CSFD proposal, it is unclear as the specific purpose.
- During 2006, OCA spent \$164,000 in supplies, fuel, repairs, and training. The CSFD proposal shows no costs for these items.
- While the CSFD proposal does not specifically state so, the thought may be that items such as repairs, legal costs, utilities, and communications have "no cost" as the City will provide these things through its general structure. However, all of these items have a cost to use or require hours of labor. Therefore, they cannot be declared "no cost."
- CSFD currently has 12 trained paramedics and proposes to add 4 additional paramedics for a total of 16. It is our understanding that staffing three ambulances on a 24/7 basis could require 18 paramedics.
- The SCFD proposal references the City of Manitowoc Fire Department to support some of its assumptions. It should be noted that in late 2006 the City of La Crosse Fire Department and Tri State Ambulance (the La Crosse equivalent of OCA) did a joint study of the issue of city provided ambulance service. The analysis shows the Manitowoc Fire Department operating its ambulance service at a deficit of \$445,000 after operating and capital costs, even though the fees charged by Manitowoc to service users are higher than OCA's user fees.
- Comments on CSFD Proposal Financial Projections:

It appears the CSFD proposal is based on very optimistic assumptions resulting in a very best case financial scenario. An adequate financial projection should include a complete cost allocation and should show worst case and probable scenarios. To assume only the best possible result may lead to a seriously flawed decision.

Were there any other conclusions reached in the La Crosse joint study?

One conclusion was that turning over ambulance service to a local fire department made sense if it was the only way to create one unified ambulance service. Via OCA we already have one unified ambulance service. Why fragment an existing ambulance service that appears to be working quite well?

Summary & Conclusions

The Greater Sheboygan Committee believes the ambulance service provider issue is being addressed with a far too hasty timeline. A reasoned and fully informed analysis leaves significant unanswered questions.

In particular, the financial projections provided by CSFD have insufficient detail and address only a narrow, very positive scenario.

The professionalism of the City of Sheboygan Fire Department is not in question, nor its technical ability to provide ambulance service. We are very concerned about a change from an absolute no taxpayer cost situation to a proposal which **may or may not** be profitable for one municipality within the Sheboygan County area.

If an appropriate analysis shows a CSFD ambulance service operating at break even or even a small profit, is it worth the risk, liability, and demands on limited City resources?

In this circumstance, it is absolutely critical that all significant questions be answered before this change is even considered by the City Council. We do not believe that the limited information provided to the public and the Council has addressed every major concern and the accuracy of the assumptions inherent in the CSFD proposal. If this change is put into motion and the assumptions provided prove to be inaccurate, it will be difficult if not impossible to correct. The GSC urges all to move cautiously before terminating an arrangement with OCA that has served all citizens well to date.

We are also concerned that the CSFD proposal has been put forward without due consultation and discussion with other impacted parties. The present Orange Cross Ambulance service is an excellent example of shared services producing an effective benefit to all citizens countywide. It is also a definitive example of a private non-profit service provided to the taxpayers without cost or impact on the City's increasingly tight budget.

The City of Sheboygan Fire Department proposal for ambulance service (after closer scrutiny) may in fact be the best proposal. However, if it is the best proposal today, it

will be the best proposal 30,60 or 90 days from now after it has received a complete and thorough analysis. To do any thing less will be a disservice to City and County taxpayers.

GSC suggests the Council form a small committee of independent, qualified, citizens be appointed to review the CSFD proposal and ambulance service in Sheboygan County. A number of citizens with accounting and financial backgrounds should not have a difficult task of putting together a complete and thorough side-by-side analysis, along with making recommendations to the Council for appropriate consideration.

“Haste in this matter may make waste.”

Greater Sheboygan Committee

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