Oversight of the Centers for Medicare and Medicaid Services:
Medicare Payment Policies for Ambulance Services

Statement by

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Good morning, Mr. Chairman and members of the committee. I am Chief John Sinclair, Deputy Chief of Operations for Central Pierce Fire and Rescue in Tacoma, Washington and Secretary of the EMS Section of the International Association of Fire Chiefs. I served as a member of the team that represented the IAFC on the negotiated rulemaking committee that drafted several components of the Medicare ambulance fee schedule.

I represent the fire chiefs and other senior managers of the more than 31,000 fire departments in the United States. While pre-hospital Emergency Medical Services systems are noted for the wide range of organizations that provide emergency medical care and ambulance transport, there is one unifying force in nearly all EMS systems nationwide—the critical role of local fire departments. In over eighty percent of America's communities, fire departments are the provider of EMS first response. In addition, the fire service is the single largest provider of ambulance transport comprising over one-third of CMS's ambulance transport providers.

Mr. Chairman, before turning to the business of this hearing, I would like to thank you, Senator Lieberman, Senator Thompson and the other members of this committee. Recent events have demonstrated the critical importance of local EMS systems in the event of a natural or man-made disaster. The issues this committee is hearing about today—timely and adequate reimbursement for ambulance transport services—are tremendously important to ensuring that local EMS systems have the necessary resources to serve their communities in times of great need.

In 1997 the Congress passed the Balanced Budget Act (BBA) that mandated a single fee schedule for ambulance reimbursement in the United States, eliminating the widely varying reimbursement rates across the country. The new fee structure, created through the negotiated rulemaking process, reflects the consensus of our industry on a wide variety of issues. There were, however, several issues that were designated as being "off the table" by CMS during the negotiations. We view two of these issues as being most critical to the successful

implementation of the new fee schedule. First, the proposed lower reimbursement rates must be raised to reflect the actual costs of providing ambulance transport. Second, CMS should implement a system of condition codes to properly reflect the patient's symptoms when calling 9-1-1 and reduce the number of denied and delayed claims that are a result of current practices and add to the already substantial administrative burden of seeking reimbursement for Medicare patients.

The issue of determining the cost of ambulance transport is notoriously difficult. The broad array of organizations that provide ambulance transport, the different ways in which these organizations are funded, and the variety of service levels in different communities result in a situation where estimating costs across the industry is very difficult. However, we believe it is critical that Medicare reimbursement reflect, to the maximum extent possible, the actual cost of providing the service. The current proposed rates established by CMS are simply too low. Fire Department budgets, already under extreme pressure in the aftermath of the recent terrorist attacks and subsequent anthrax scare, will be further impacted by the proposed rates under the new fee schedule. Project Hope, a highly respected health care think tank, arrived at a reliable estimate for the cost of providing ambulance services throughout the U.S. Mr. Chairman, you recently introduced a bill—the Medicare Ambulance Payment Reform Act of 2001, S. 1350—that would require CMS to set the reimbursement rates based on the average costs of the service. We strongly encourage Congress to direct CMS to set reimbursement rates on this basis.

Of great concern to all ambulance providers is the extremely uneven and seemingly arbitrary manner in which claims are accepted for or denied payment by fiscal intermediaries and carriers. The General Accounting Office's report on rural ambulance payment under the proposed fee schedule notes that there are significant and somewhat inexplicable disparities in denial rates across carriers. The report states that difficulties with claims review and subsequent denial levels are "exacerbated by the lack of a national coding system that easily identifies the beneficiary's health condition and links it to the appropriate level of service."

At issue is how to determine whether a beneficiary meets the medical necessity criteria for ambulance transport. Often, the patient's condition at the time of pickup does not ultimately match the diagnosis determined in the hospital.

Let me provide the Committee with a short example. One of the most frequent calls received by local EMS providers is for a patient with severe chest pain. Given the possibility of a life-threatening cardiac event, EMS providers will aggressively treat this patient as they rapidly transport to the hospital. Upon arrival, the patient is ultimately diagnosed not with a heart attack, but with a case of severe indigestion. While it was impossible for the firefighters in the field—without the aid of the advanced diagnostic tools available in the hospital—to know of the patient's actual condition, CMS will refuse to reimburse this transport, deeming it "medically unnecessary." Mr. Chairman, this situation is simply unacceptable. Firefighters in the field need to make rapid decisions based on the best interest of the patient. To tie reimbursement to the patient's diagnosis and not to the condition of the patient on scene is dangerous to both individual patient care and the long-term financial health of our local EMS systems.

A sub-committee of the Negotiated Rulemaking Team developed a comprehensive list of medical

condition codes. This list, crafted by industry experts through a consensus process, represents a monumental effort to provide clarity to the issue of patient condition and should be utilized as recommended. Its implementation would greatly reduce the number of delayed and denied claims and ease the administrative burden upon local fire departments.

Finally, we are concerned about poor coordination of Medicare policy through the Medicare carriers. It is clear from previous experience that discrepancies exist between policy development by the CMS and implementation and administration by carriers. Recently we have become concerned that the implementation of the new fee schedule will be plagued by poor coordination as several discussions between fire service EMS leaders and the carriers have demonstrated that the carriers have fundamental misunderstandings of basic definitions and levels of service designated by CMS based on the work of the negotiated rulemaking team. Given the significant impact the new fee schedule will have on local government finances across the country, it is imperative that CMS implement the fee schedule with as little administrative confusion as possible.

America's fire departments are the backbone of the nation's emergency medical response system providing over sixty percent of the nation's emergency ambulance transports. It is essential for the financial stability of our local governments that claims filed for Medicare patients be processed and paid in a prompt, efficient, and fair manner and that the amount paid reflect the actual cost of providing the service. Mr. Chairman, the solutions we have outlined above—increasing the reimbursement rates, implementing the condition codes developed by the negotiated rulemaking body, and ensuring that CMS provides clear oversight to the Medicare carriers—will significantly aid America's fire service as we adapt to the reality of the new ambulance fee schedule. We encourage Congress to direct CMS to take these steps to ensure the financial stability of the nation's local EMS systems so that we can maintain the highest level of health care for our patients.

Thank you for providing me with the opportunity to testify before you today. I will be happy to answer any questions.