

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: Health Care Committee

BILL: SB 874

INTRODUCER: Senator Miller

SUBJECT: Medicaid Services/Air Ambulance Rates

DATE: February 6, 2006

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Garner	Wilson	HE	Favorable
2.	_____	_____	HA	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill requires the Medicaid program to reimburse for air ambulance transportation services at the same rates as current Medicare reimbursement for the same services.

This bill amends s. 409.905, Florida Statutes.

II. Present Situation:

Air Ambulance Transportation

An air ambulance is a rotary (a helicopter) or a fixed-wing aircraft used for rapidly transporting individuals with life-threatening injuries or conditions to the nearest medical/trauma center by critical care personnel. These aircraft often have a built-in stretcher system and are fully equipped with advanced life support medical equipment and medical personnel to assist in the transport of an ill person from one location to another.

Advanced life support medical equipment found onboard an air ambulance may consist of, but is not limited to, cardiac monitors, defibrillators, IV pumps, infusion pumps, IV solutions, medical oxygen, oxygen supplies with all necessary regulators and gauges to deliver oxygen, intubations equipment, respirator/ventilator, Federal Aviation Administration-approved stretcher, oropharyngeal airways, hand operated bag-valve mask resuscitators, portable suction units, pulse oximeters, and blood pressure cuffs.

Medical personnel that assist in the transport of patients usually include a registered nurse and/or an advanced life support paramedic. When a patient needs to be transported with a respirator or ventilator, a respiratory therapist may be required to treat the patient, along with a nurse. In some

air ambulance services, neonatal and pediatric nurses are used to take care of infants in incubators. With certain severe medical conditions, specialized physicians (such as Cardiologists, Neurologists, Emergency Physicians, Orthopedists, etc.) may accompany a patient during transport.

The cost of air medical transport varies greatly depending on the region of the country, distance flown, and other factors. According to the 2000 Annual Transport Statistics & Fees Survey (*Air Med*, July/August 2002), the average cost can range from \$2591.72 to \$6152.22 per flight.

Medicare Reimbursement for Air Ambulance Services

Section 4531(b)(2) of the Balanced Budget Act (BBA) of 1997 added a new section 1834(1) to the Social Security Act which mandated the implementation of a national fee schedule for ambulance services furnished as a benefit under Medicare. The fee schedule applies to all ambulance services, including volunteer, municipal, private, independent, and institutional providers, i.e., hospitals, critical access hospitals (except when it is the only ambulance service within 35 miles), and skilled nursing facilities.

Section 1834(1) also requires mandatory assignment for all ambulance services. Ambulance providers and suppliers must accept the Medicare allowed charge as payment in full and may not bill or collect from the beneficiary any amount other than any unmet Part B deductible and the Part B coinsurance amounts.

Medicare covers part, or all, of certain types of air medical transports. In general, those flights must be considered medically necessary and must be to the nearest appropriate facility. Medicare can refuse to pay for flights if the reasons behind the flight do not meet its set of guidelines.

The Medicare air ambulance rate is a combination of a base rate called the Relative Value Unit (RVU) and a loaded mileage rate.¹ In general, RVUs set a numeric value for ambulance services relative to the value of a base level ambulance service. However, for air ambulance services the RVU is actually two set amounts based on whether the air ambulance is a fixed-wing aircraft or a rotary aircraft. In 2005, the air ambulance RVU base rate in Florida for fixed-wing aircraft was \$2,467.95 and \$2,869.35 for rotary aircraft.

The RVU amount is then either discounted or increased based on the geographic area of the state where the patient is picked up and whether that zip code is labeled urban or rural by the Medicare program. In Florida, there are three different geographic areas and each has an urban and rural rate adjustment (the rural rate is set 1.5 greater than the urban rate). The following table includes the final RVU base rates for the three geographic areas once all these factors are incorporated.

¹ "Loaded mileage" is mileage accrued only while the patient is physically onboard the aircraft.

	Locale 1	Locale 2	Locale 3
Fixed-wing (urban)	\$ 2,393.91	\$ 2,471.65	\$ 2,528.41
Fixed-wing (rural)	3,590.87	3,707.48	3,797.62
Rotary (urban)	2,783.27	2,873.65	2,939.65
Rotary (rural)	4,174.90	4,310.48	4,409.47

The appropriately adjusted RVU is then coupled with the loaded mileage reimbursement for any particular transport to reach the total Medicare reimbursement.

The Centers for Medicare and Medicaid Services (CMS) updates the national database of zip codes biennially to include any new zip codes and to designate which counties are rural or urban for reimbursement purposes. The CMS also adjusts the RVU base rate and mileage reimbursement rate on an annual basis.

Medicaid Reimbursement for Air Ambulance Services

The Florida Medicaid program reimburses for transportation services provided by Medicaid-participating ground and air ambulance companies, wheelchair and stretcher van providers, taxicab companies, multi-passenger van and bus lines, and public and private organizations.

To be reimbursed by Medicaid, transportation must be for the purpose of transporting the recipient to or from a Medicaid-covered service to receive medically-necessary care. When necessary, Medicaid may reimburse transportation of an escort for the recipient, such as a parent or guardian. Transportation services are available only to eligible recipients who cannot obtain transportation on their own through any available means such as family, friends or community resources. All transportation must be the most cost-effective and most appropriate method of transportation available to each transportation-eligible Medicaid recipient.

In order to provide air ambulance services in Medicaid, air ambulances must be licensed by the Department of Health, Office of Emergency Medical Services, in accordance with s. 401.251, F.S., and the Florida Administrative Code. Medicaid will only reimburse for air ambulance services when the recipient’s condition falls within one or more of the condition codes listed on the Medicare Ambulance Medical Condition List on the date of service and the transport is:

- A critical emergency situation in which loss of life, limb, or essential body or organ function is jeopardized; and
- A medical situation in which time constraints make the use of land ambulance impractical.

Medicaid reimburses an all-inclusive fee for air ambulance services within the state plus a fee for loaded mileage. The reimbursement per mile for air ambulance transportation is \$4.00. The average rate of Medicaid reimbursement to health care providers for air-ambulance transportation and the total number of Medicaid air-ambulance transports for Fiscal Year 2004-05 in Florida are included in the table below.

Service	# of Claims	Avg. \$ Per Claim	Cost
Air Ambulance Fixed Wing	246	\$ 980.11	\$ 241,107.06
Mileage Fixed Wing	279	582.03	162,386.37
Air Ambulance Rotary Wing	2,358	992.87	2,341,187.46
Mileage Rotary Wing	2,179	279.14	608,246.06
TOTAL			\$ 3,352,926.95

In circumstances where the all-inclusive fee is not applied, negotiated rates can be approved by the local Agency for Health Care Administration area office that has jurisdiction over the county of origin for the transport. Providers must submit sufficient documentation to the area Medicaid office regarding the specific circumstance that necessitates a negotiated rate. Negotiated rates are based on:

- Out-of-county transports greater than 30 miles;
- Specialized medical interventions and treatment;
- Specially trained medical personnel required en route;
- Usage of advanced technologies and equipment en route;
- Instances where the recipient’s condition is not listed on the Medicare Ambulance Medical Condition List in effect at the time of service; or
- Other special circumstances.

If the area Medicaid office denies the authorization request for a negotiated rate, the area Medicaid office must provide to the ambulance provider a written statement summarizing the reason for the denial.

III. Effect of Proposed Changes:

Section 1. Amends s. 409.905(12), F.S., to require the Medicaid program to reimburse for air ambulance transportation services at the same rates as current Medicare reimbursement for the same service.

Section 2. Provides an effective date upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

The provisions of this bill have no impact on municipalities and the counties under the requirements of Art. VII, s. 18 of the Florida Constitution.

B. Public Records/Open Meetings Issues:

The provisions of this bill have no impact on public records or open meetings issues under the requirements of Art. I, s. 24(a) and (b) of the Florida Constitution.

C. Trust Funds Restrictions:

The provisions of this bill have no impact on the trust fund restrictions under the requirements of Art. III, Subsection 19(f) of the Florida Constitution.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Private air ambulance services would receive higher Medicaid reimbursements, which would offset their operating costs.

C. Government Sector Impact:

[The Agency for Health Care Administration had not provided a fiscal analysis of this bill at the time of publication.]

Senate staff calculated a fiscal analysis by applying the mid-range Medicare base reimbursement to the actual Medicaid claims for air ambulance services in FY 2004-05. Based on this calculation, the additional Medicaid expenditures for air ambulance services in FY 2004-05 would have been between \$3.9 million and \$7.5 million, for a total cost of between \$7.2 million and \$10.8 million. Actual expenditures for that fiscal year were approximately \$3.4 million.

VI. Technical Deficiencies:

None.

VII. Related Issues:

The bill requires the Medicaid reimbursement for air transportation to be paid at the same rate as current Medicare reimbursement for the same services. This raises two possible issues.

First, there are several different base reimbursement rates for Medicare air transportation services. It is not clear, whether the Medicaid rates would need to vary the same way the Medicare rates vary, or if an average of the Medicare rates could be used to set the base Medicaid rate.

Second, the Medicare rates and how they are applied in urban and rural areas change every six months. It is unclear whether the bill's language would require Medicaid rates to change in the same manner.

VIII. Summary of Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
