

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Deanna J. Santana
Darryl Von Raesfeld

SUBJECT: EMERGENCY MEDICAL
SYSTEM AMBULANCE 9-1-1
SERVICES

DATE: May 11, 2010

Approved

Date

5/14/10

RECOMMENDATION

Adopt a resolution authorizing the City Manager to negotiate and execute a Memorandum of Understanding (MOU) with a co-proposer to be determined to submit a joint Request for Proposals (RFP) response to the "Advanced Life Support First Response and Paramedic Ambulance Transportation for the County Exclusive Operating Areas."

OUTCOME

Approval for staff to negotiate and execute an MOU with the recommended ambulance service provider will allow the City to enter into a business relationship for the purpose of jointly submitting a proposal on the County 9-1-1 Ambulance Contract. A supplemental memo will be issued by May 21 that outlines the terms of the MOU, and to the extent feasible, the features of the joint RFP to be submitted.

The MOU will allow the City to expand its relationship at pre-determined timeframes and increase compensation levels to the City for its ALS First Responder Services. San Jose creates 63% of the total 9-1-1 call volume in the county, yet receives 47% of the current ALS First Responder reimbursement pool. Emergency Medical Services (EMS) responses account for approximately 84% of the Fire Department's total emergency response call volume. The Fire Department responds to approximately 43,000 emergency medical services requests each year. The City is currently reimbursed for \$1.7 million of its \$4.8 million in costs to provide Advanced Life Support (ALS) First Responder Services (35%); additional funds will assist with closing this gap.

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BACKGROUND

To keep the City Council informed of this effort, staff provided Council informational memos in November 2009, January 2010 and April 2010, that advised that the County was developing an RFP for it's 9-1-1 Ambulance Contract. The RFP was released on April 16, 2010 and proposals are due on June 16, 2010. The information memos included three options determined to be the most feasible (See Attachment A).

Additionally, staff released a Request for Interest (RFI) in December 2009 to solicit interest from ambulance vendors that may be interested in developing a business relationship with the City and jointly responding to the upcoming County 9-1-1 Ambulance Contract. Three national ambulance companies responded and expressed interest in partnering with the City. This report provides discussion on:

- Background of the EMS system;
- Nationwide trend in EMS service delivery models; and,
- RFI process the City undertook to finally develop its recommendation to Council.

Background on the EMS System

The County has been delegated the authority by the State EMS Authority to establish and regulate the emergency medical services within Santa Clara County. Per this authority the County can and has established an "Exclusive Operating Area," which encompasses the entire county with the exception of the City of Palo Alto. Palo Alto has the authority to provide ambulance service under Section 1797.201 of the Health and Safety Code.

The current ambulance contractor is American Medical Response (AMR). In 1994, the Fire Department and an EMS consultant developed EMS delivery options for Council consideration, which included the City providing ALS ambulance service and ALS First Responder Services. The City Council chose the option of providing ALS First Responder services. This option was originally envisioned to be fully-funded by the private ambulance contractor, which obtained significant savings through lengthened response times and reduced personnel requirements.

In 1995, the City entered into an agreement with the County to provide ALS First Responder Services that were partially reimbursed by AMR. While this new model provided a higher level of service to the public, it also placed a larger fiscal burden on the City due to partial reimbursement. First responder funding is created from system savings that are accrued by having paramedic engine and truck companies stop the clock at eight minutes, 90% of the time. This allows AMR to extend their response time from 10 minutes to 12 minutes, 90% of the time, requiring significantly fewer ambulance resources in the system.

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Nationwide Trend in EMS Service Delivery Models

The innovative changes made by San Jose in 1995, resulting in California's first public reimbursement for ALS First Responder services by a private ambulance company was a major paradigm shift in EMS system design. It resulted in placing paramedics on scene much more quickly than had been done in the past. With this implementation, the concept of public/private partnering spread across the region, the state, and various parts of the country. Since that time, new system design models have evolved with a greater role for fire departments, improved clinical care and improved revenue streams to the cities that provide the ALS First Responder infrastructure.

However, while many system design changes have taken place nationwide, the EMS system in Santa Clara County has essentially remained unchanged for almost 15 years. Other systems have evolved into highly efficient and fiscally sound systems that not only provide excellent patient care, but reimburse the stakeholders in a more equitable manner and support the infrastructure necessary for cities to maintain ALS First Responder service. The City seeks to continue to lead change in the system design through this RFP process. Staff has identified several financial and operational areas of the existing EMS system that are in need of revision. These include:

- Lack of control the City has regarding any changes the ambulance contractor makes that financially impact the City (changes in equipment, policy, etc);
- Resource deployment changes that significantly impact the use of the department's Supplemental Transport Ambulance Resources (STAR) units as well as the operational impact to ALS engine and truck companies that experience increased on scene times due to changes in deployment by the County ambulance contractor; and,
- Lack of funding commensurate with the EMS system subsidy provided by the City. The current subsidy gap to close is \$3.1 million.

ANALYSIS

Staff considered three options in response to the Ambulance 9-1-1 RFP (Attachment A). As a base for staff's recommendation, staff considered several areas to better understand baseline criteria for advancing any of these options, which were:

- Indemnification of the City (complete or partial with no impact on the City's General Fund)
- Use of City facilities/assets (no cost to the City's General Fund)
- No cost to City to participate in the joint partnership
- Improved return on investment
- Improved service control/oversight and system enhancements
- Financial and operational transparency
- Internal Readiness, (e.g. Management and leadership in the Fire Department; Fiscal condition of the City; Labor relations; and Potential impacts from Federal Healthcare options, etc.)
- Overall Timing (County's schedule to submit an RFP response).

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The above guiding principles were key factors in evaluating each of the RFI responses and determining which is best for the City. As noted, Attachment A provides a detailed evaluation of each of the options and each are summarized below:

Table 1: Summary of EMS Options for the City

Option #1	Maintain Current EMS Delivery Model
Option #2	Maintain Current EMS Delivery Model, with Leased Public Assets
Option #3	New Service Delivery Model – Public/Private Partnership

During the analysis, an additional option surfaced that staff determined met the City’s goals of reducing the subsidy gap, providing an opportunity for increased revenue sharing of after tax revenue, and that fits into the County’s RFP timeline. With the short time frame to respond to the County’s RFP, a business relationship concept was developed to enable base level partnership opportunities that focused on: no liability to the City (other than what is already assumed); service delivery efficiencies (that allow the City to save cost and build staff capacity); cost avoidance opportunities; revenue generating opportunities; and, to focus on service delivery areas that are within the Administration’s management authority. Given the 60 day window to respond, staff moved forward with areas under our management oversight and that are ready to advance.

Under this concept, the selected vendor was asked, and confirmed, that the City could increase its partnership in out-months or -years which allows for more time to resolve the more complex issues that could not be resolved within the 60 day window to respond to the RFP. Due to this schedule, the City selected a vendor through the RFI process and immediately entered into exclusive discussions to outline the main elements, so that if Council approves staff’s recommendations, there is sufficient time (May 25 through June 6) to submit a joint RFP response.

Request for Interest Process and Results

An RFI is typically used to obtain interest and solve an issue or problem by seeing what solutions are available from a market/industry and/or vendor. The RFI process staff used was a hybrid in that the RFI resulted in a selected vendor to pursue discussions to develop progressive partnership with the City. Staff worked with the City Attorney’s Office to develop the RFI. The Finance Department’s Purchasing Division provided high-level oversight of the RFI process and ensured process integrity.

Staff released the RFI to solicit interest from ambulance vendors interested in establishing a business relationship with the City in December 2009. The RFI process allowed staff the flexibility to select an ambulance vendor by conducting a Best and Final Offer (BAFO) phase along with interviews to clarify vendor responses. The RFI allowed staff to accomplish the following:

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- Determine market place interest;
- Assess the degree of partnership that would be possible and appropriate for the City;
- Begin formal discussions with ambulance vendors; and,
- Assess revenue opportunities for the City.

All three vendors were invited and attended an interview process in early January 2010 to provide further clarification of their written RFI response. A panel comprised of the following staff conducted interviews: Deanna Santana, Deputy City Manager; Nadine Nader, Assistant to City Manager; Peter Jensen, Director General Services; Stew McGehee, Battalion Chief, EMS Service; Geoff Cady, Acting Deputy Director of Bureau of Technical Services; and, Mark Giovannetti, Purchasing Division Manager.

Following the interview process, staff elected to complete a BAFO process with the vendors to obtain additional information. Clarifying questions were developed to expand on vendor proposals and responses made during the interviews. These questions were sent to the vendors in February 2010. Although the responses from all three vendors were extensive, all vendors stated that it would be difficult to quantify the reimbursements and/or after tax revenue sharing until the County's Ambulance RFP was released. Staff determined the need to conduct a second round of BAFO questions and interviews after the release of the County RFP in order to obtain a more detailed reimbursement and operational strategy from each vendor, which we did in late April.

The County RFP was released on April 16, 2010. The second round of vendor interviews was completed by May 7, 2010, which resulted in staff selecting an ambulance vendor to begin developing the framework of an MOU. At this time, Assistant Chief Teresa Reed and Deputy Director Randall Turner, General Services, Fleet and Facilities, joined the RFI panel. The City set a 7 day timeframe to develop an MOU to move forward for Council consideration and, as such, is issuing this place holder report with a supplemental memo to follow that makes public the vendor and some terms of the MOU. MOU discussions are scheduled for May 11 through May 17. Staff will issue a supplemental memo regarding the MOU terms in a way that does not compromise proprietary information in the joint proposal to the County RFP. Since the RFP responses are due on June 16, it is important to be mindful that any information shared publicly may result in a potential competitor adapting the service concept or adjusting its response to be more competitive.

Timeline and Next Steps

As already noted, the 60-day window to submit a joint response to the County 9-1-1 Ambulance Service RFP, staff developed a progressive partnership concept that builds on Option 2 and gives the City flexibility to expand its role toward maximizing revenue opportunities in the future. If the Council approves staff's recommendation, a joint proposal would be submitted by June 16, 2010. Additional milestones include:

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- July 14, 2010 – Successful bidder announced
- September 2, 2010 – County begin negotiations with successful bidder
- December 7, 2010 – Board of Supervisors Approval
- July 2010 – July 1, 2011 – Implementation transition;
 - Additional negotiations will be required between the City and the ambulance partner to determine:
 - Details or scope of the formal business relationship/partnership;
 - Timeframes when negotiations will reopen to all the City to expand its role if desired; and
 - all other detail related to operational, administrative, and logistical functions necessary in the partnership;
- July 1, 2011 begin operations under new RFP award.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This memo will be posted on the City’s website for the May 25, 2010 Council agenda.

COORDINATION

Staff has coordinated throughout this process with the City Attorney’s Office, Finance Department’s Purchasing Division, and General Services.

FISCAL/POLICY ALIGNMENT

See Cost Summary/Implications section below

COST SUMMARY/IMPLICATIONS

The development of viable options was to first close or reduce the subsidy gap (currently at \$3.1 million/year), identify additional revenue opportunities through identifying efficiencies that could be implemented and to improve clinical care provided to the residents and guests in the City. The recommendation closes the subsidy gap, provides a mechanism for the City to receive after tax revenue from the ambulance partner, and provides financial indemnification to the City,

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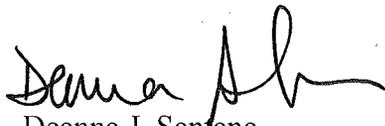
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all with no impact to the General Fund. By working more closely with an ambulance partner, patient care will also benefit from a more seamless data collection, quality assurance review and joint training opportunities. More detail will follow in the supplemental memo.

CEQA

A CEQA designation will be provided in the supplemental memo.



Deanna J. Santana
Deputy City Manager



Darryl Von Raesfeld
Fire Chief

Attachment

Option #1: Maintain Current EMS Delivery Model

OUTCOME: Continue to receive essentially the same level of ambulance service. The highlights of this option include:

1. ALS First Responder reimbursement due to an increase in the First Responder Stipend pool provided by the ambulance company awarded the County Contract. (\$900,000/year increase)
2. Opportunity for increased use of STAR units since the new ambulance contract calls for a minimum of three ambulances to be available at all times. Using the STAR units as a just in time resource would likely be more financially advantageous to the ambulance provider. (Potential revenue of approximately \$1 – 2 million / year)
3. No use of other City assets by the County ambulance contractor.
4. Response times for both City fire department and County ambulance contractor resources would remain as they are today (7:59 minutes 90% of the time and 11:59 minutes 90% of the time respectively).

ANALYSIS: This option does not take advantage of available City assets that can be used to improve reimbursement for ALS First Responder Services. Additionally, it does not provide any significant change to the EMS system. During the RFI interviews, all three national-level ambulance companies stated the system needs revision and there is additional revenue to share with the City.

Option #2: Maintain Current EMS Delivery Model, with Leased Public Assets

OUTCOME: Identified City assets could be leveraged for use by the County ambulance contractor in order to improve reimbursement to the City through a lease or Facility Use Agreement. The highlights of this option include:

1. Same as Option #1 above.
2. Lease of City assets with capacity that fit into the operational model of the County ambulance contractor (e.g. fire stations, fleet maintenance, office and/or warehouse space, fuel convaults, etc). The valuation of these leased assets cannot be determined until the volume and type of assets are identified for lease between the City and vendor.

ANALYSIS: While Option #2 creates more reimbursement revenue opportunity for the City than Option #1, it may not provide the magnitude of funding that Option #3 can ultimately provide (with the assumption of maximum participation and successful labor agreements that are yet to be determined). For purpose of developing an advantageous option for the City, staff has developed a hybrid business relationship concept, as described in the staff report, that builds off of Option #2 and #3 (but under a more realistic time frame).

Option #3: New Service Delivery Model – Public/Private Partnership

OUTCOME: Develop a full public-private partnership (e.g. Limited Liability Corporation) with the selected ambulance vendor. To maximize revenue, this option would require increased use of legal counsel to develop the partnership, assumes successful agreement through labor negotiations, may require financial risk to the City, and significantly more development time. Unless the County RFP timeline is significantly modified, staff believes this option is not feasible for the RFP response deadline of June 16, 2010. The highlights of this option include:

1. Same as Option #1 and #2.
2. Full public/private partnership with ambulance partner from the onset.
3. Assuming above requirements may have maximum revenue to City.

ANALYSIS: As noted above, in order to maximize revenue opportunities, many areas would need to come into alignment to achieve this Option, and within a short time frame.