



California's Ground Emergency Ambulance Transportation (GEMT) Certified Public Expenditure

A Certified Public Expenditure (CPE) Program for California's public entity ambulance service providers was provided by AB 678, enacted on October 2, 2011 as Chapter 397. CPEs are one of several mechanisms that a state may employ to obtain federal financial participation and make supplemental payments to Medi-Cal (Medicaid) providers without cost to the state General Fund. Under a CPE arrangement, government providers certify their Medicaid expenditures to the state, and the state then obtains additional federal reimbursement on the basis of these CPEs at a rate of 50%. Public hospitals currently receive additional funds through certified public expenditures. AB 678 expands access to CPE supplemental reimbursement to ambulance service provided via public entities, such as fire departments.

The bill required the California Department of Health Care Services, which administers Medicaid in California, to promptly seek necessary federal approvals from the federal Centers for Medicare and Medicaid Services (CMS) for the intended payment methodology to be used to distribute the supplemental reimbursement. The process for that approval is submission of a State Plan Amendment. DHCS and the fire service lead agency, which is the California Fire Chiefs Association, are currently negotiating with CMS on the language of the State Plan Amendment.

AB 678 passed through the Legislature because it provides an opportunity to capture substantially more federal dollars. At the time the bill was being considered, \$60-90 million in federal funds annually was anticipated. Due to recent negotiations, the fire service now expects to calculate the "cost to provide the service" to include all ambulance, personnel, administrative, overhead, and contracted costs, plus a portion of suppression costs calculated based on actual time allocated to EMS. According to fire service negotiators, DHCS has approved this approach and they are currently in negotiations with CMS. As a result, the fire service now estimates the reimbursement in California to be in the range of \$400-\$600 million a year.

This program will set a precedent for increased reimbursement to EMS and other types of public entities nationwide. It is reasonable to expect that every state will seek to participate resulting in costs to the federal government of as much as \$4-6 billion annually.

There is no upper payment limit on CPE programs. The program would be retroactive to January 30, 2010 resulting in a huge windfall. For instance, Los Angeles City Fire Department expects to receive \$75 million in retroactive payments and \$30 million annually. In an example provided in a fire service presentation, a fire department would calculate the cost per transport at almost \$2,500 and receive about \$1300 per transport in combined Medi-Cal and GEMT reimbursement. Medi-Cal currently reimburses all providers approximately \$150 per transport. The cost of transport for private providers averages \$589. 21% of patient transports in California are covered by Medi-Cal, as much as 35% of patients in some areas, and that is expected to increase significantly as the Medi-Cal expansion under the Affordable Care Act is implemented.

Provider participation in the program is voluntary and only applies to those that provide ambulance transport, which is currently estimated to be 130 of the 500+ fire departments and other public entities in California. Until recently, non-transporting fire departments were being encouraged to partner with the private transport provider in order to benefit from the program, however recent direction from CMS has indicated that any partnership would disqualify a public agency from the program. Non-transporting fire departments are now being encouraged to “assume” private transport provider ambulance service areas. Although some communities may not choose to take that risk, it is reasonable to assume that a fire department that does not currently provide ambulance transport would work to receive additional reimbursement by adding transportation to their first responder service if possible. In fact, the League of California Cities has established a work group to facilitate this effort.

The only opposition to the measure was the California Ambulance Association. CAA argued that federal statutes and regulations allow the state legislature to distribute the federal funds that are generated from a “Certified Public Expenditure” in the form of an across-the-board Medi-Cal ambulance rate increase, benefiting every type of provider that provides emergency medical services (both public and private), however the bill sponsor refused to incorporate this option. In recent months the CAA has been attempting to make the best of this situation by having discussions with counties to explore avenues for the county to serve as the public entity on behalf of the private providers, however that has stalled due to CMS opposition to public/private partnerships.

Although the additional federal funds brought into California’s EMS system are badly needed, by excluding private providers from this program it is anti-competitive because it creates an unlevel playing field. The CAA believes that if this program goes forward, the EMS system in California will be destabilized. Private companies providing ambulance service will not be able to compete for local contracts because they will not have the Medi-Cal reimbursement income to match public agencies in franchise fees provided to local governments. Private companies will be forced out of the market and, if and when the federal government determines that this cost is excessive and discontinues the CPE program, communities will be forced to fund the full brunt of providing ambulance service at public entity rates.