AGENDA	Tuesday, September 3, 2013	
Informational Meeting	4:00 PM at Carnegie Town Hall	
Sioux Falls City Council	235 West Tenth Street	

1. Call To Order

2. City Council Open Discussion

3. Presentations

A. Ambulance Service Agreement Audit Report by Rich Oksol, Internal Audit Manager

B. Moore, Oklahoma, Tornado Damage Presentation by Councilor Kermit Staggers

4. Executive Session

A. Proposed Executive Session to consult with legal counsel about proposed or pending litigation or contractual matters pursuant to SDCL 1-25-2(3).

5. Adjournment

The City Council may include such other business as may come before this body.

Date: 2013-09-03
SIRE Meeting ID: 1987
Meeting Type: Informational Meeting

YouTube:https://youtu.be/5t6jpzQmQPE
Agenda Item: Not Assigned
Item ID: 68735

Internal Audit Report 13-04
Ambulance Service Agreement
May 2013

City of Sioux Falls
Internal Audit Department
Carnegie Town Hall
235 W. 10th Street
Sioux Falls, SD 57117-7402
www.siouxfalls.org/council/internal-audit

Highlights of Ambulance Service Agreement Report

Why Internal Audit did this report

The City's Internal Audit division continues to look for opportunities to improve City operations. Internal Audit reviews City departments, programs and major contracts and agreements on a rotating basis. This audit was a request from management and elected officials when we solicited their input for our 2013 Annual Audit Plan. In 2007, the City of Sioux Falls entered into an agreement with the Sioux Falls Regional Emergency Medical Services Authority (REMSA) and Rural/Metro Ambulance. The City permits Rural/Metro to have exclusive rights to provide ambulance service within the city limits. REMSA is the oversight body to ensure that Rural/Metro meets quality standards as defined in the agreement. The current agreement will expire in 2015. This is the first internal audit of this agreement.

What Internal Audit recommends

We recommend that the City go through a Request for Proposals (RFP) process before the next agreement /franchise is awarded. Because there are certain risks involved in doing this process, we further recommend that the City consider hiring an Emergency Medical Services (EMS) consultant to assist with this process. See pages 8-9 of this report for the detailed recommendations.

What Internal Audit found

The Sioux Falls Regional Emergency Medical Services Authority is an oversight body consisting of a five member board. Board members are citizen volunteers appointed by the Mayor for five-year terms. These appointments are subject to the consent of the City Council. The board is assisted by staff consisting of an executive director and a medical director. REMSA also consists of a medical board. These board members are also citizen volunteers who are medical professionals representing the stakeholders in the community. The medical board and the medical director approve medical protocols for the service provider and review the performance and training of paramedics. REMSA staff members are employees of the City of Sioux Falls.

Rural/Metro is the service provider and is a national company. Rural/Metro has been providing emergency medical services to Sioux Falls since the early 1990's under various agreements with the City of Sioux Falls.

We concluded that Rural/Metro is meeting the performance standards required by the contract and is also maintaining the required insurance coverage and national accreditation. REMSA is providing the required oversight of the service provider through regular inspections and performance monitoring. See detailed results beginning on page five of this report.

Acknowledgement

We appreciated the courtesy and assistance provided to us by the Rural/Metro manager, City managers, and REMSA staff.

AMBULANCE SERVICE AGREEMENT
INTERNAL AUDIT REPORT 13-04

INTRODUCTION

The City of Sioux Falls, the Sioux Falls Regional Emergency Medical Services Authority (REMSA) and Sioux Falls Ambulance, Inc. (doing business as Rural/Metro) entered into the current agreement on May 21, 2007 for Rural/Metro to have exclusive rights to provide ambulance service within the city limits of Sioux Falls. REMSA is tasked with providing oversight over the service provider. The current agreement will expire in 2015. A glossary of common terms used in emergency medical services is included in an appendix to this report beginning on page twelve.

BACKGROUND

Emergency Medical Service (EMS) in the United States

As recently as the 1960's many ambulance services in the United States consisted of the local funeral home providing the service because they were the only source of vehicles to accommodate a stretcher. Private ambulance firms became more prominent in the 1970's and often offered medical care beyond simple transport to the nearest hospital. In the 1990's controversy erupted, particularly in Florida and California, as local fire departments began seeing paramedic service as part of their mission of public safety. Fire departments noted that more of their calls for service were for medical reasons rather than actual fires. For example, in 1993 fires accounted for only 13 percent of the 15.3 million calls responded to by fire departments nationwide. Private ambulance firms, on the other hand, saw EMS as more an extension of medical care. Managed-care systems preferred that patients be transported to the patient's "own" hospital. Fire departments were not generally able to do this. Communities in the United States generally have ambulance service provided by the local government (e.g. the fire department) or by authorizing a private ambulance firm to provide the service exclusively in their community.

Funding of EMS

A few systems offer annual subscriptions. If an individual or family signs up for a subscription, they pay a modest up-front fee but are not sent bills for EMS service. The two more common sources are:

1) Local tax payers
2) User-fee charges

A system can be funded 100% through one of these two sources or a mix of the two. Because insurance companies typically cover the cost of ambulance service, a high user fee would not necessarily be a bad feature. If a government-run system charges a very low user fee, this would amount to a subsidy to the insurance companies and impose a burden on local tax payers.

EMS in Sioux Falls

In Sioux Falls, EMS is provided by a combination of Sioux Falls Fire Rescue providing first responder service using firefighters to provide emergency medical technician (EMT) level treatment and the authorized private ambulance service (Rural/Metro) providing ALS (advanced life support) paramedic treatment and transport for 911 calls. The City grants Rural/Metro a monopoly but provides no subsidy. Rural/Metro is funded exclusively by user fees. The City does however fund REMSA, the oversight authority. While REMSA board members are volunteers, the City pays the salary/benefits of the REMSA executive director and the salary of the medical director. The executive director is a full-time City employee with the job title of Emergency Medical Quality Assurance Coordinator. The medical director of REMSA is a licensed physician who is classified as a temporary City employee. The total cost to the City for REMSA staff is approximately $200,000 annually, which covers quality oversight of all facets of emergency medical services, including first response, emergency medical dispatch and ambulance service .

Metro Communications (911 emergency dispatch)

The City provides 75% of the funding for Metro Communications. Minnehaha County provides 25%. The City's share will be approximately $850,000 in 2013. Metro Communications, in turn, pays the City for quality assurance oversight per an agreement between the City/REMSA and Metro Communications. That payment to the City is expected to be $29,000 in 2013. Metro Communication dispatchers code responses for ambulance service as follows:

1) Code 1 - non-emergent, ambulance only response.
2) Code 2 - emergency, ambulance only.
3) Code 3 - emergency; ambulance and fire response.
4) Code 4 - emergency; ambulance, fire and police response.

REMSA formation and legal challenge

The South Dakota legislature enacted a state law in 1992 authorizing municipalities to establish a regional emergency medical services authority. Shortly thereafter, the Sioux Falls City Commission enacted ordinances creating the Sioux Falls REMSA. Michael Specht and the Sioux Falls Firefighters Association Local 814 commenced suit in state circuit court challenging the constitutionality of state law authorizing this decision. The court held that the state law delegated certain municipal functions to a "special commission" not subject to local control. Under state law, EMS authority could levy taxes and issue bonds without City approval. However, the ordinances passed by the City Commission remained intact following the court's decision. The City Council must give "prior approval" before REMSA may levy any taxes. REMSA board members serve five-year terms and are subject to removal under the same rules governing all City boards.

Rural/Metro in Sioux Falls

Rural/Metro responds to approximately 14,000 calls per year in the Sioux Falls area. They have nine fully equipped ALS ambulances in Sioux Falls distributed at three locations. From noon to 10:00 PM there are typically four units manned; from 10:00 PM to noon there are three units manned. There is always one crew on stand-by. Two

Rural/Metro employees are assigned to each ambulance. The agreement requires that one of these employees be a senior paramedic.

OBJECTIVES

Our objectives were to:
1. Determine if REMSA and Rural/Metro are complying with the terms of the agreement.
2. Determine if risks associated with ambulance service agreements are adequately mitigated.
3. Develop ideas for management's consideration when developing a new agreement.

SCOPE AND METHODOLOGY

The scope of this audit included the current agreement between the City, REMSA, and Rural/Metro. Audit objective one included a review of customer billings from 2011 and 2012. We used statistical sampling techniques to select a representative sample for our review. We interviewed elected officials and the Sioux Falls manager of Rural/Metro. We interviewed City staff and managers including the REMSA executive director and the medical director. We examined various documents to support our audit conclusions and reviewed publications and media reports related to emergency medical services to increase our understanding of this complex subject.

RESULTS

Audit objective one– Compliance with agreement

We concluded that REMSA and Rural/Metro are in compliance with the terms of the agreement.

Specific areas we reviewed for compliance were as follows:
A) Ambulance response time
B) Appropriate oversight by REMSA especially in regard to medical oversight and regular inspections of ambulances and supplies
C) Insurance coverage including a performance bond
D) Commission on Accreditation of Ambulance Services (CAAS) accreditation maintained
E) User fees approved by REMSA; patients charged according to approved fees

More information on response times

Ambulance response time is the main performance measure required for the service provider by the terms of this agreement. The standard for response time for code 1 calls is 19 minutes and 59 seconds or less. The standard for code 2, 3, and 4 calls is 8 minutes and 59 seconds or less.[1] These standards must be achieved at least 90 percent of the time. This response time standard is a common standard nationwide. The standard is based upon clinical research from the 1970's. Published studies established that cardiac arrest

[1] See page 4 of this report for more information on response codes.

patients would achieve significantly higher survival rates if CPR (cardiopulmonary resuscitation) was initiated by BLS (basic life support) responders within four minutes of the initial call for help and if ALS care arrived within eight minutes.

The public would prefer that ambulance service met the performance standard 100% of the time. However, meeting such a standard would require significant higher staffing levels and costs. This would likely require a taxpayer subsidy to the service provider or much higher user fees.

We noted in our audit work that Rural/Metro has consistently met the required performance standard for response time. For example, in 2012, code 1 response time met the required standard of 19:59 or less 97.50% of the time. Code 2, 3, and 4 response time met the standard of 8:59 or less 91.26% of the time. Similar results were obtained in 2010 according to the REMSA annual report.

We also noted that the REMSA executive director monitors the response time of Rural/Metro on a monthly basis using the *fractile* performance measurement.[2] This is the preferred method of measurement according to the American Ambulance Association. A weakness of the current agreement, in our view, is that response time requirements may be suspended by REMSA for several reasons according to the agreement. These reasons are:

- Inclement weather
- Multiple calls in the same area within a short time period
- Road construction
- Extraordinary circumstances
- Other good causes

Such contract language, in our opinion, is very open ended. REMSA staff indicated that monetary penalties for non-compliance with the response time standard have never been invoked.

Each month, the Rural/Metro manager runs an exception report listing the calls that did not meet the required response time standard. He then requests exemptions for these calls according to the reasons specified in the agreement language. The REMSA executive director reviews these requests and makes the decision whether the exemptions are sustained. If so, they are not included in the calculation of response time.

We looked at the request for exemptions in May 2011, May 2012, October 2011, and October 2012 to gain a better understanding of how often this occurs. The range for this sample was 4% to 8% of the calls. Of those requests, the executive director approved 137 of 228 or 60% of the requests. The most common reason for each of these months was multiple calls in the same area.

[2] See glossary of terms on page 11 of this report for a detailed explanation.

Audit objective two – Risks adequately mitigated

We concluded that risks associated with emergency medical service are being adequately mitigated.

Among the many risks associated with EMS are the following examples:

- City has no contingency plan in case of default by the service provider.
- A multi-casualty incident, disaster or other extraordinary event overwhelms existing resources.
- City is sued for the actions of the service provider.

We noted that the City has a detailed and current contingency plan in place in case of default. Mutual aid agreements are in place with neighboring ambulance services to address the risk of a multi-casualty incident. The agreement specifies that the service provider shall hold the City harmless for all liability for damages to persons or property arising out of the operation of the ambulances or services performed.

Audit objective three – Ideas for next agreement

Based upon our research on best practices and our interviews conducted during this audit the following ideas for the next agreement are suggested:

- REMSA should send customer satisfaction surveys to a certain percentage of ambulance service customers on a random basis. For example, 5% of customers could be sent surveys. The survey should include a stamped envelope addressed to REMSA. The purpose is to monitor customer satisfaction with services provided.
- Ambulance paramedic uniform appearance and color should be required to be distinct from that worn by Sioux Falls Fire Rescue. In cases of complaints, it would be easier to determine if the complaint was directed at firefighters or paramedics. Currently, the uniforms are similar in appearance.
- Require service provider maintain a bank lock box for accounts receivable. In case of default, City should have legal access. If service provider agrees to this, the City may negotiate a lower performance bond. The advantage to the City would be immediate cash for the cost of continuing ambulance service. The advantage to the service provider would be a lower premium cost for a performance bond.
- Negotiate a certain number of stand-by hours to be provided free at the request of the City. For example, the provider will provide ____ hours of standby service per month without charge. After that, standby hours are billed to the City at the rate of $_____ per hour. Presently, the provider is required to provide unlimited stand-by service to the City without charge. This would be fairer to the provider.
- Contract awarded would be for five years with an option to extend for an additional five years with satisfactory performance. Anything less than this may result in fewer firms interested in bidding for the contract.
- Consideration should be given to adjusting the response time standard of 8 minutes and 59 seconds 90% of the time. For example, consider changing this standard to 85% or 86% with no exemptions for weather, multiple calls et cetera.

Simplify the contract administration by eliminating exemptions and the threat of monetary penalties.

- The requirement for regular inspections of supplies and ambulances by REMSA staff has value and should be kept in the new contract.
- Likewise the requirement for CAAS accreditation should be maintained. For example, the City should require the service provider to achieve accreditation within 24 months of award and maintain accreditation.
- Consideration should be given to a standard for age or mileage of ambulance. For example, there could be a requirement that no ambulances in service could be older than 8 years or 100,000 miles.
- A performance measure of patient outcomes should be considered. For example, patient outcomes in a few critical areas such as cardiac arrest and trauma may be tracked for performance trends.
- Contract should be considered for termination by City/REMSA if the provider demonstrates a continued trend of poor response time, lack of customer satisfaction or poor patient outcomes.

Based upon our research for this audit, we believe that no change needs to be made to the emergency medical services system design in Sioux Falls. Sioux Falls has a system that is considered a "high-performance" model. There is no tax payer subsidy of the private ambulance company and the public receives ambulance service with good patient outcomes particularly in the area of cardiac arrest survival rate.[3]

RECOMMENDATIONS

The following recommendations are made based upon audit work and research.

Recommendation one

The City should go through a Request for Proposal (RFP) process before awarding the next ambulance service franchise. The City has never gone through the RFP process to award a franchise for ambulance service. Periodically opening up a public monopoly to competition exposes prices to competition, keeps providers accountable, and increases transparency to the whole process.

A committee separate from REMSA should be formed to evaluate the proposals and make a recommendation to the City Council for approval of a service provider. Such a committee might consist of a City Council member, a REMSA board member, a REMSA medical board member, City staff such as the Purchasing Manager, and citizen volunteers.

[3] Sioux Falls participates in a national research study of cardiac arrest survival sponsored by the Center for Disease Control and Emory University. Source: presentation to Sioux Falls City Council , June 2011

There are risks to going through an RFP process for such an important public service. Therefore, we are making a second recommendation to help mitigate these risks.

Recommendation two

Because the topic of emergency medical services is complex and there are risks associated with going through the RFP process, the City should consider hiring a qualified consultant to assist with the process. Risks involved with a poor RFP include the following examples:

- Are the requirements of the RFP likely to discourage potential bidders? In other words, are the requirements unrealistic?
- Will the review committee score the proposals individually? Or will the team vote as a group? An experienced bidder may know that one or two dominant personalities on the team could sway the vote and the process would not be fair. Will there be transparency to this process? Potential bidders need assurance that the scoring process will be fair and consistent.
- The City could receive a "cavalier" proposal. This is a proposal where the provider may not fully understand the requirements. This could be mitigated by holding pre-bid conferences so that potential bidders understand the process and the requirements. They could also ask questions and make suggestions. The risk can also be mitigated by doing a Request for Credentials/Qualifications for interested companies before the RFP process begins so that unqualified firms do not participate.

The assistance of a consultant who has helped other local governments go through the process of soliciting bids from service providers may prove invaluable.

RESPONSE FROM MANAGEMENT

The following response is from Jill Franken, City Health Director, on behalf of the REMSA board:

On page 8 under audit objective three, the seventh bullet point states as follows:

Likewise the requirement for CAAS accreditation should be maintained. For example, the City should require the service provider to achieve accreditation within 24 months of award and maintain accreditation.

We believe that current CAAS accreditation should be required of any applicants for the next ambulance service contract. Accreditation should have already been achieved for any applicant in another similarly-sized community with a similar scope of services. To award the contract to a non-accredited entity, with added uncertainty as to whether such an entity could achieve accreditation within a 24-month period, could seriously jeopardize the otherwise quality emergency health care currently enjoyed by the City.

On page 8 under recommendation one, the second paragraph states as follows:

A committee separate from REMSA should be formed to evaluate the proposals and make a recommendation to the City Council for approval of a service provider. Such a committee might consist of a City Council member, a REMSA board member, a REMSA medical board member, City staff such as the Purchasing Manager, and citizen volunteers.

We would recommend a review committee comprised of several REMSA Board members, a REMSA medical board member, a City Council member, City staff such as the Purchasing Manager, as well as any subject matter experts as recommended by the consultant. This review committee would then present their recommendation to REMSA for their review. REMSA would then present their recommendation to the City Council for final approval. We believe the REMSA board comprised of citizen volunteers who oversee the ambulance service provider system and establish medical standards of care with assistance of the REMSA medical board is best suited to advise the City Council on this complicated medical service provider issue.

Lastly, we would recommend that a cost estimate for a consultant to coordinate and advise the City throughout the RFP process be researched by the City Auditor and included in the audit report. The financial impact of such an undertaking should be presented for a full disclosure of the impact of the benefit of the Audit Committee and the City Council.

(End of response from management.)

CONCLUSION

Rural/Metro is complying with the terms of the agreement. REMSA is providing proper oversight by monitoring response times, inspecting ambulance units, developing medical protocols and reviewing paramedic performance. The EMS system design is Sioux Falls is a high performing model and does not need to be changed.

AUTHORIZATION

The Sioux Falls City Council approved this audit by resolution in December 2012 as part of the 2013 Annual Audit Program. The Internal Audit division operates under the authority of an Internal Audit Charter adopted by City Council resolution 11-13.

STATEMENT OF INDEPENDENCE

Internal Audit is administratively and operationally independent of the programs and departments it audits, both in appearance and in fact. The Internal Audit Manager is accountable to an Audit Committee appointed by the City Council per section 32.022 of the Code of Ordinances of Sioux Falls, SD.

DISTRIBUTION OF REPORT

This report is intended for the information and use of the Mayor and City Council, management, and others within the City of Sioux Falls. However, the report is a matter of public record and its distribution is not limited.

PERFORMED BY

Rich Oksol, CPA, CGAP
Internal Audit Manager

APPENDIX

Glossary of Terms

Advanced Life Support (ALS): Patient care assessment and treatment services provided by ALS personnel (i.e. a paramedic), including the services of Basic Life Support (BLS) and advanced emergency care such as intravenous therapy, endotracheal airway, cardiac monitor (EKG), cardiac defibrillator, medications, relief of pneumothorax, and other invasive procedures and services.
Basic Life Support (BLS): Patient care assessment and treatment services provided by BLS personnel (i.e. an emergency medical technician) such as defibrillation, first aid, oxygen administration, application of splints and bandages, and CPR.
Emergency Medical Services (EMS): The full spectrum of out-of-hospital care and transportation (including interfacility transports), encompassing bystander action (e.g. citizen CPR), priority dispatch and pre-arrival instructions, co-response and rescue service, ambulance services, and medical oversight.
EMS System: The EMS system consists of those organizations, individuals, facilities, and equipment whose participation is required to ensure a timely and medically appropriate response to each request for out-of-hospital care and medical transportation.
Emergency Medical Technician (EMT): An individual trained and certified to perform basic life support procedures. This requires about 120 hours of instruction.
Fractile Response-Time Measurement: A method of measuring ambulance response times in which all applicable response times are stacked in ascending length and total number of calls generating response within the specified standard (i.e. eight minutes) is calculated as a percentage of the total number of calls. A 90^{th} percentile, or 90 percent, standard is most commonly used. Where a 90^{th} percentile response-time standard is employed, 90 percent of the applicable calls are answered in under the 8-minute standard, while only 10 percent take longer than 8 minutes.
Medical Director: The physician under whose license and authority EMTs and paramedics provide services.
Mutual Aid: Emergency ambulance service performed by neighboring providers during periods of severe weather, multi-casualty incidents, disasters, or other extraordinary events that overwhelm existing resources.
Paramedic: An individual trained and licensed to perform advance life support procedures under the direction of a physician.
Patient Care Protocols: A compilation of protocols (course of treatment or planned set of actions) that govern the delivery of patient care, including medical priority dispatching protocols; pre-arrival instruction protocols; medical treatment protocols; standards for certification of EMS personnel; as well as standards governing requirements for medical equipment and supplies, and licensing of ambulance services.
Request for Credentials (RFC): This is a process by which possible proposers are pre-qualified before responding to a Request for Proposal (RFP). This is also known as a Request for Qualifications.
Request for Proposals (RFP): This is an invitation for ambulance services to submit proposals to provide services.

Response Time: This is the interval from the time the medical communications center receives enough information to initiate the response to the time a properly equipped and staffed ambulance arrives on the scene.
Three-Way Lease: Such a lease ensures uninterrupted emergency ambulance service in the event there is a change in the provider of service, the executed lease agreement for major assets (such as vehicles and medical equipment) includes all three parties-the ambulance provider, the vendor, and the independent oversight entity.

Sources Consulted in this Report

"New ambulance performance standards to become official" from www.bakersfieldcalifornian.com dated 06/18/2007

"Ambulance response times are a 'useless way' to measure success, says union" from www.southwalesargus.co.uk dated 03/22/2013

The North Dakota Rural EMS Improvement Project, 2011

Measuring Quality in Emergency Medical Service: a Review of Clinical Performance Indicators by Mazen J. El Sayed, published in Emergency Medicine International, 2012

Privatizing Emergency Medical Service: How Cities Can Cut Costs and Save Lives" by Robert W. Poole, Jr. from Reason Foundation, November 1995

Best Practices in Designing, Managing and Contracting for Emergency Ambulance Service from the American Ambulance Association, 2008