



Village of Medina Ambulance Service Billings

Report of Examination

Period Covered:

January 1, 2011 — September 10, 2014

2014M-326



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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

May 2015

Dear Village Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Village Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Village of Medina, entitled Ambulance Service Billings. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Village of Medina (Village) is located in Orleans County, has a population of approximately 6,500 and encompasses almost 3.2 square miles. The Village is governed by an elected Board of Trustees (Board) comprised of four trustees and the Mayor. The Board is responsible for the general management and control of Village finances. The Village Clerk-Treasurer (Clerk-Treasurer) is the chief fiscal officer and responsible for maintaining the accounting records and preparing financial reports. The Village budget for the 2014-15 fiscal year is approximately \$5 million and is funded primarily with real property taxes, sales tax and State aid.

A squad of paid firefighters within the Village Fire Department (Fire Department) operate an ambulance service that provides pre-hospital emergency treatment and transports sick or injured individuals to the hospital for treatment.¹ The Village entered into a written agreement to provide ambulance services to the Towns of Ridgeway, Yates² and Shelby. Additionally, the Village ambulance may, at times, respond to calls for mutual aid assistance in other surrounding areas.

The Village contracts with a third party billing agent (billing agent) for ambulance service billings pursuant to a written agreement.

Objective

The objective of our audit was to review ambulance service billing procedures. Our audit addressed the following related question:

- Does the Board monitor ambulance service billings to ensure that the charges are accurate and the collection process is effective?

Scope and Methodology

We reviewed ambulance service billing records for the period January 1, 2011 through September 10, 2014.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix C of this report.

¹ The Village Fire Department has provided full time ambulance service since 2007. For purposes of this audit, we assume the ambulance services are provided pursuant to General Municipal Law §122-b.

² The Town of Yates includes the Village of Lyndonville within its borders.

**Comments of
Village Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with Village officials and their comments, which appear in Appendix A, have been considered in preparing this report. Except as specified in Appendix A, Village officials generally agreed with our recommendations and indicated they planned to initiate corrective action. Appendix B includes our comments on issues raised in the Village's response letter.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of General Municipal Law (GML). For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Clerk-Treasurer's office.

Ambulance Service Billings

The Board should monitor ambulance billings³ to ensure patient bills are accurate and the amounts due to the Village are collected in a timely and effective manner. Furthermore, the Village should send invoices to three towns for unpaid ambulance bills and administrative billing fees, as required by the terms of the written agreement with the towns. This would ensure that Village taxpayers do not, in effect, subsidize the cost of providing ambulance service to the towns.

Fire Department personnel record calls for ambulance service in a daily activity log and enter information into a pre-hospital care and management software program to generate patient care records (PCRs). The billing agent accesses the software program to obtain the PCRs to initiate the billing process using rates set by the Board. The Village compensates the billing agent based on the number of cases billed. During our audit period, the billing agent prepared nearly 7,500 ambulance bills. The Village paid the billing agent \$76,000 in 2012-13 and \$86,000 in 2013-14.

The Board did not adequately monitor ambulance billings and amounts collected. Moreover, the Board allowed a third party to collect Village money.⁴ The Board did not have sufficient procedures in place to enforce unpaid ambulance bills. The Board did not review bills prepared by the billing agent to ensure that they were based on Board-established rates. As a result, as of September 10, 2014, the Village is owed more than \$1 million for ambulance services. Additionally, the Village did not send invoices to the three towns for unpaid ambulance bills and administrative billing fees, as required by the written agreement. Village taxpayers are, in effect, subsidizing the cost of providing ambulance service to the towns.

Delinquent Accounts

By contract, the billing agent is required to prepare and send all ambulance bills, collect and deposit amounts at least once a month to a Village bank account and undertake reasonable collection efforts for unpaid accounts. The Board should ensure that the procedures

³ The written contract between the Village and the billing agent allows Village officials to review billing and collection data, as well as other financial information maintained by the agent.

⁴ It is our view that, absent express statutory authority, a village may not contract with a third party to perform the clerk-treasurer's function of collecting village money (see e.g. OSC Opinion 2005-7). GML §122-b(2) authorizes municipalities to provide for the collection of ambulance fees by entities furnishing ambulance services under a contract with the municipality, but does not provide similar authority for the collection of such fees by other third parties.

it has in place to enforce collection of delinquent ambulance bills are effective. These procedures would typically include sending delinquency notices to customers and turning any unpaid accounts over to a collection agency to assist in obtaining payment.

The current contract between the Village and the billing agent does not include any specific steps with respect to the collection of delinquent accounts. In 2008, a Fire Department official, not the Board, established billing procedures with the billing agent. In a written memorandum, the billing agent agreed to send late notices to patients with unpaid accounts demanding full or partial payment and a final notice to patients who received payment directly from their insurance company, but kept the money. The billing agent also agreed to use a collection agency to collect unpaid amounts from those patients who received insurance payments and kept the money.

No further action was taken to collect the amounts owed on these delinquent accounts. Village officials and the billing agent consider these cases closed. We found the amounts owed to the Village for unpaid ambulance billings were significant, as noted in Figure 1.

Figure 1: Case Collection Status

Year ^a	2011	2012	2013	January 1 through September 10, 2014	Total
Number of Cases	1,891	1,943	2,141	1,506	7,481
Charges for Service	\$1,627,327	\$1,806,605	\$2,112,710	\$1,374,828	\$6,921,470
Adjustments ^b	(\$596,932)	(\$759,962)	(\$867,723)	(\$476,344)	(\$2,700,961)
Net Receivable	\$1,030,395	\$1,046,643	\$1,244,987	\$898,484	\$4,220,509
Received	\$844,270	\$852,449	\$1,003,155	\$508,309	\$3,208,183
Outstanding	\$186,125	\$194,194	\$241,832	\$390,175	\$1,012,326

^a Delinquent cases are presented for the calendar year
^b Health insurance contract adjustments

Of the more than \$1 million in accounts receivable as of September 10, 2014, \$658,000 was owed for accounts that Village officials and the billing agent considered closed.⁵

The Board did not thoroughly analyze the billing agent’s billing process to evaluate the effectiveness of collection efforts. Had the Board evaluated the effectiveness of collection efforts, it may have been able to adjust billing procedures to enhance revenue collected from unpaid ambulance billings.

⁵ We found 431 closed cases from 2013 had net outstanding balances totaling \$203,618 as of September 10, 2014, with an average amount owed of \$472 for each closed case.

Ambulance Service Fees

The Board established billing rates for providing ambulance services. There are different fees charged for providing basic life support, advanced life support, emergency and non-emergency services. The Fire Department Captain (Captain) indicated that the daily activity log is compared with the billing agent's monthly report to ensure all cases have been billed. However, the Captain did not verify the accuracy of billing rates charged.

We reviewed all 32 ambulance calls from the daily activity log for one week in August 2014. We compared the call log with the billing records and verified the accuracy of these bills. We also compared the Board approved rates based on the service type indicated in the PCR's with the amounts charged as indicated in the billing agent's records. We found minor billing differences in four cases. For three of these cases, the rates for service types indicated by the PCR's and the billing rates did not agree.⁶ For the remaining case, the billing agent's records did not indicate the rate charged for the services provided, even though a Medicaid rate payment was received. Although the amounts overbilled were not significant, there is an increased risk that ambulance bills are inaccurate when no one compares the amounts billed with the Board-authorized rates.

If the Board periodically analyzed billing records, it could determine if all services provided are properly billed in accordance with Board-established rates. In addition, when contracting with a billing agent for ambulance services billing, the Board and Village officials must adequately monitor and revise procedures, as necessary.

Services to Towns

The Village agreed to provide primary ambulance service to three towns. Each town agreed to reimburse the Village on a quarterly basis for any uncollected bills arising from ambulance calls to the towns that were incurred by individuals or entities who own real property in the towns, if payment has not been received after a 90-day period.⁷

⁶ For example, for one case, the billing agent incorrectly billed the \$777 advanced life support emergency rate instead of the \$649 non-emergency rate. The PCR indicated a non-emergency service was provided. As a result, the individual was overbilled by \$128.

⁷ The legal propriety of imposing user fees upon persons who are outside the Village, and of the towns reimbursing the Village for uncollected fees, are not part of the scope of this audit. We note, however, that GML §122-b, which authorizes imposing fees or charges to be paid by persons requesting ambulance services, relates to services to persons "found within the boundaries of" the Village. In addition, because the user fee is contractual in nature, the liability for unpaid fees charged to users of the service is personal to the user. Therefore, payment by the towns of uncollected fees may raise the issue of whether such payments contravene the constitutional prohibition against gifts and loans to or in aid of private individuals, contained in Article 8, §1 of the State Constitution. These issues may be avoided if the consideration payable by the towns under the ambulance service agreements was for a stated amount for the availability of the service to town residents, instead of payment for charges imposed upon individual users in the towns. The parties to the agreements should consult with their legal counsel concerning these issues.

The towns also agreed to reimburse the Village for the administrative fee⁸ the Village pays the billing agent for each bill prepared. The Village did not send invoices to the towns for any unpaid bills or the administrative fee it paid the billing agent.

We reviewed all case status reports, which indicate the location of the service call, generated by the billing agent during our audit period and summarized the towns' ambulance calls. The records showed 564 calls with \$500,514 in charges for those cases, based on Board-approved rates. The Village collected \$266,210 in fees related to these cases. After considering insurance contractual reductions of \$181,268, the outstanding balance owed to the Village as of the end of our audit period was \$53,036.⁹ In addition, the towns are supposed to reimburse the Village for the billing fee it pays to the billing agent, which totaled \$21,573 for this period.¹⁰

Village officials stated that a significant amount of time is required to compile the information needed to bill the towns for these fees, so no further action was taken to pursue the amounts owed the Village. Furthermore, Village officials indicated it would be difficult to verify whether a patient owns property in one of the towns. In addition, it is unclear in the contract if the Village could bill a town for a patient who is not a property owner.¹¹ As a result, Village taxpayers, in effect, are subsidizing the cost of providing ambulance service to the towns.

Recommendations

The Board should:

1. Develop and adopt procedures to adequately enforce collecting unpaid ambulance bills.
2. In consultation with the Village Attorney, amend its contract with the third party billing firm and ensure that all fees are payable directly to the Clerk-Treasurer.
3. Periodically review the billing records to ensure that the correct rates are charged based on service provided.
4. Ensure that Village taxpayers are not subsidizing the cost of providing ambulance service to the towns.

⁸ The administrative fee is currently \$38.25 per bill.

⁹ The outstanding balances were from ambulance service charges provided for calls in the Town of Yates (\$24,935), Town of Shelby (\$10,034) and Town of Ridgeway (\$18,067).

¹⁰ Unpaid billing fees from the towns were due as follows: the Town of Yates (\$8,874), Town of Shelby (\$3,901) and Town of Ridgeway (\$8,798).

¹¹ In addition to the issues raised previously, if the Village bills only property owners, it should consult with its legal counsel as to whether such a billing system is consistent with constitutional equal protection guarantees.

APPENDIX A

RESPONSE FROM VILLAGE OFFICIALS

The Village officials' response to this audit can be found on the following pages.

VILLAGE CLERK

PHONE 585/798-0710

FAX 585-798-0771

www.villagemedina.org

MAYOR ANDREW W. MEIER



CLERK-TREASURER DEBORAH L. PADOLESKI

DEP. CLERK-TREAS. JADA A. BURGESS

April 10, 2015

Office of the State Comptroller
Buffalo Regional Office
Jeffrey D. Mazula, Chief Examiner
295 Main Street
Suite 1032
Buffalo, New York 14203-2510

**Re: Draft Report of Examination
Village of Medina Ambulance Service Billings**

Dear Mr. Mazula:

Please accept this letter in response to your Draft Report of Examination on Village of Medina Ambulance Service Billings delivered to the undersigned on or about March 2, 2015. I thank you for the opportunity to comment.

The Village welcomes external audits as useful measures of performance. The report examined “delinquent accounts,” ambulance service fees, and billings to towns which receive service from Medina’s ambulance service. Recommendations for specific actions are also included in the report.

Billing

The Comptroller examined the ambulance activity log for an unidentified week in August, 2014 and discovered four “minor” discrepancies out of 32 cases. The report includes detail of only one such discrepancy, which according to the Comptroller, resulted in an overbill of \$128.00. No further information on this instance was disclosed, except that the amounts overbilled were “not significant.” Further, it is not clear from the report whether the remaining cases were underbills or overbills, or whether the transports were billed to Medicaid or a private insurer. Without further information, the Village is unable to completely respond to these specific instances, or otherwise verify the Comptroller’s findings. However, the Village will continue to review the matter with its ambulance personnel and billing agent.

The Village does not believe that the above review is sufficient to conclude that the Village Board does not “adequately” monitor ambulance billings, as the study concludes. In fact, a review of the Board’s practices demonstrates otherwise. The Village Clerk-Treasurer prepares

See
Note 1
Page 13

See
Note 2
Page 13

regular revenue reports which are distributed to the Board and reviewed in the ordinary course of its regular meetings. The undersigned also carries on direct, regular dialogue with representatives of the Village's billing company, [REDACTED] and Medina Fire Department personnel, at least annually, regarding ambulance billing matters, which includes review of pay rates, call coding, and the like. Due to the part-time nature of elective office, the Board also tasks the Fire Chief and Captain with ongoing oversight of department billing, including the day-to-day practices of [REDACTED]. The report acknowledges that this oversight occurs ("the Fire Department Captain indicated that the daily activity log is compared with the billing agent's monthly report to ensure all cases have been billed") while, in contradiction, stating in the next paragraph that "no one reviews the billing agent's records."

Notwithstanding, the Board's oversight of billing practices can always be improved. No system is perfect, and the Board will undertake a review of its practices and set out to provide additional safeguards against inaccurate billings.

Collections

The report indicates the Comptroller's opinion that the Village may not contract with a third-party for collection of ambulance revenue. The Village has been in contact with its attorney for an opinion. It should be noted that the present arrangement is efficient and cost-conscious, and that no funds are deposited into any accounts other than those owned by the Village. The biller, Medex, also performs that same service for many other municipal ambulance services in New York.

Unpaid Ambulance Bills

The report spends a great deal of time discussing unpaid ambulance bills. It calculates that between January 1, 2011 and September 10, 2014, there were \$1,012,326.00 in outstanding and unpaid charges, of which \$658,000.00 were considered closed by the Village Billing Agent. Gross charges for the same time period totaled nearly \$7 million.

Every ambulance service has a certain amount of charges that are billed yet uncollectable in any given year. According to the Village's biller, [REDACTED], Medina has an 86.8% pay rate for calls for 2014, which is slightly better than average for the 18 municipal clients they serve. Also, the average payment per PCR is \$434.20, nearly \$20.00 higher than the municipal average. Over the next several years, this pay rate will improve as some patients make small payments over a long period of time.

The Village Board has regarded its pay rate as quite favorable, and keeps apprised of pay rates on a regular basis. It considers efforts to increase pay rates at least annually during the course of Village budget meetings. Options include moving to "hard billing," which typically results in referral of delinquent accounts to collection agencies for pennies on the dollar. The Board has consistently resisted such moves after weighing the modest cash benefit against the significant

harassment that would be visited upon many of our constituents for years to come - many of whom are on fixed incomes. Other options include litigation, which given the small per-claim deficiency would quickly end up costing the Village more in attorney's fees than what it would collect in recovery. In short, the Village Board revisits pay rates and remedies regularly, and makes decisions that it believes are in the best interests of its constituents. Although the Comptroller's office is entitled to second guess these decisions from afar, this fact standing alone does not substantiate the claim that there are procedural deficiencies on billing, and the report offers no evidentiary basis for this claim.

See
Note 3
Page 13

Billing to Towns

The report observes – correctly – that the Village has not billed the towns as per the town Ambulance Service Agreement, and cites the extreme difficulty of calculating the bills as per the formula contained in the agreement as a primary cause. Indeed, the current agreement seems fair in theory, but is unworkable in practice. The Village has brought this to the attention of Shelby and Ridgeway officials at joint meetings, yet both have indicated an unwillingness to modify the agreement. The Village will continue to address the matter with the towns.

On behalf of the Village, I appreciate the opportunity to comment, and look forward to your final report.

Sincerely,

Andrew W. Meier

AWM/elw

Cc: Debbie Padoleski

APPENDIX B

OSC COMMENTS ON THE VILLAGE'S RESPONSE

Note 1

We discussed all four discrepancies with Village officials during our field work. There is an increased risk that ambulance bills could be inaccurate because Village officials do not compare the amounts billed with the rates set by the Board.

Note 2

We revised the report to clarify the control deficiency we identified.

Note 3

As indicated in the report, a Fire Department official, not the Board, established billing procedures with the billing agent. Further, the current contract between the Village and the billing agent does not include any specific steps with respect to collecting delinquent accounts. The Board should develop and adopt procedures to adequately enforce collecting unpaid ambulance bills.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

The objective of this audit was to review ambulance service billings to determine whether charges are accurate and the collection process is effective, for the period January 1, 2011 through September 10, 2014. To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed Village officials and billing agent employees.
- We reviewed Board minutes, and contracts with the billing agent and the towns.
- We reviewed paid claims from the billing agent.
- We analyzed cases status reports and the status of service calls that were located outside of the Village boundaries to determine the number of service calls made during our audit period, the charges for these calls and the total outstanding balance owed to the Village. We also calculated the amount of administrative fees the towns should have reimbursed the Village as of the end of our audit period.
- We traced a sample of 32 ambulance service calls for the first week in August 2014 from the daily activity log to the billing report to determine if they were accurately billed. When we selected this week for our sample, we had no expectation that more or fewer errors would occur in the sample week than in any other week.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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