

**Follow-Up Audit
MAST Financial Viability**

March 2004

**City Auditor's Office
City of Kansas City, Missouri**

March 23, 2004

Honorable Mayor and Members of the City Council:

The Budget and Audit Committee requested that we complete a 60-day audit looking at MAST's implementation of our recommendations from the July 2003 MAST Financial Viability audit. In the July audit, we concluded that MAST management and the Board made decisions based on misperceptions and inadequate analysis. In this audit, we looked at whether MAST management has provided the Board and City Council with accurate, timely, and relevant information to support decision-making since taking over the system, July 1, 2003.

We found MAST has continued to base operational decisions on incomplete and flawed analysis. Management has compounded its financial crisis by making operating decisions without considering the effects on costs or revenues. We said in July that MAST needed to objectively analyze the causes of its financial problems. Since that time, MAST management analyzed its collections, but has not adequately analyzed its costs or fee structure. Management's cost analysis does not focus on unit hours, which drive ambulance system costs. Management recommended small transport fee increases to the Board based on fees of other ambulance services rather than MAST's costs. In July, we recommended management set reasonable fees based on cost of service and expected collection rate.

MAST initially requested \$5.1 million funding from the city for fiscal year 2004. MAST subsequently requested three additional payments for a total city subsidy of \$10.3 million. The MAST Board rejected the previous operation contractor's negotiated proposal last March because it was too costly; however, MAST now operates the system for about the same cost as the contractor's negotiated proposal. With MAST operating the system directly rather than functioning as an oversight agency, oversight has diminished. MAST should have provided the Board and the city reasonable cost estimates so decision-makers could weigh the expected savings against the increased risk.

The Health Director hired a consultant to develop ambulance service options for the City Council to consider. Fitch and Associates expects to release their report this April.

We are concerned that MAST's mismanagement may prevent the public utility model from getting a fair evaluation when the City Council reviews options for ambulance service. We encourage the City Council to separate current management practices from the model when evaluating options. We also recommend that the City Council and City Manager implement a strong financial oversight component to whatever method is selected for providing ambulance service. Good analysis and good

information are essential regardless of the ambulance system chosen. Finally, we recommend that the MAST Board direct staff to analyze costs and fees as well as the financial implications of all operational changes before making the change.

We provided draft reports to the City Manager, Health Director, and MAST management for review. Responses from the City Manager and MAST are appended. We appreciate the courtesy and cooperation from MAST throughout the audit. The audit team for this project was Sue Polys and Amanda Noble.

Mark Funkhouser
City Auditor

Follow-Up Audit: MAST Financial Viability

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Introduction

Objectives

We conducted this follow-up audit of the Metropolitan Ambulance Services Trust (MAST) under authority of Article II, Section 13 of the city charter, which establishes the Office of the City Auditor and describes the City Auditor's primary duties.

A performance audit systematically examines evidence to independently assess the performance and management of a program against objective criteria. Performance audits provide information to improve program operations and facilitate decision-making.¹ We conducted this performance audit of MAST at the request of the City Council's Budget and Audit Committee to follow up on the issues we raised and recommendations we made in our July 2003 report, *Performance Audit: MAST Financial Viability*. We designed the audit to answer the following questions:

- Have the Director of Health and the MAST Executive Director implemented the recommendations we made in the July 2003 audit?
- Is MAST management providing the Board and City Council with accurate, timely, and relevant information to support decision-making?

Scope and Methodology

Our audit focuses on decisions and actions taken since MAST took over operating the ambulance system July 1, 2003. We reviewed MAST Board minutes, City Council ordinances, correspondence, and other documents to compile a timeline of key decisions and management assertions since May 2003. We requested and reviewed analyses management completed in response to the recommendations in our July 2003 audit. We also reviewed some operational data and interviewed MAST staff.

¹ Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 2003), p. 21.

We conducted this follow-up audit in accordance with government auditing standards. No privileged or confidential information is omitted from the report.

Background

The city contracts with MAST for ambulance service. The city created MAST in 1979 to provide ambulance service using the public utility model. This model separates billing, service provision, and medical quality assurance to promote clinical excellence and eliminate incentive to over- or under-serve patients. Exclusive market rights for a single provider promote economies of scale. Competitive procurement for service operation combined with public sector ownership of assets is intended to promote long-range stability of service and cost containment.

The City Council created MAST as a public trust with the city as the sole beneficiary. The City Council authorized MAST to incorporate as a not-for-profit organization in March 2003. Approval of termination of the trust was contingent on the corporation retaining the composition of the Board, agreeing to transfer assets to the city if the corporation is dissolved, and providing that no agreement with any jurisdiction outside the city will reduce or otherwise adversely affect the level of services provided to city residents.

MAST is governed by a nine-member Board, with seven members appointed by the Mayor, and the city's Finance Director and Health Director serving as ex officio, non-voting members. The City Council established the composition of the Board when it created MAST: two elected Council members; two licensed physicians with full-time practice in emergency medicine; a person with experience in health care or public administration; a representative of the business community with background in finance and banking; and a licensed lawyer with background in legal aspects of the health care industry.

Under city code, MAST is responsible for overseeing the ambulance service and for billing and collections. MAST is required to contract for all labor and management services to operate its control center and ambulances. In an emergency or the absence of qualified bids or proposals at reasonable cost, city code allows MAST to act as operations contractor for up to one year.

MAST took over operations of the ambulance system July 1, 2003, after the Board determined it had failed to receive qualified proposals at a reasonable cost. The City Council recently amended the code to allow

MAST to act as operations contractor for longer than one year if authorized by ordinance, and extended MAST's authorization to operate the system through June 30, 2005, unless removed earlier.

Our July 2003 performance audit of MAST's financial viability looked at MAST's financial condition, why it had deteriorated, and the consequences to the city. MAST was not financially viable without additional funding. MAST's financial condition was weak throughout the period we reviewed – fiscal years 1997 through 2002 – and had deteriorated considerably by the end of fiscal year 2002. MAST management and the Board attributed their financial decline primarily to the federal government's reduction in Medicare reimbursement rates, their contractor providing inadequate billing information, and lack of competition.

However, MAST's management had not adequately analyzed factors contributing to the organization's financial decline.

- MAST's financial condition had deteriorated before Medicare reimbursement rates were reduced. By the time phased-in reductions started in April 2002, MAST had depleted its fund balance and required additional funding from the city.
- MAST management asserted billing information provided by the contractor was inadequate, but the billing information provided appeared to be consistent with other ambulance systems that we talked to and in compliance with contract requirements.
- MAST management expected to cut costs by seeking proposals for service operation rather than negotiating with its contractor. Then MAST issued a request for proposals (RFP) that increased service requirements and shifted costs and risks to the contractor. When MAST received only one proposal and it was higher than expected, MAST management asserted that the contractor's labor agreement had stifled competition. However, MAST subsequently approved the same wage increases as the contractor when it took over operations.

We concluded that MAST was unlikely to be able to fix its financial problems until management objectively analyzed the causes of the problems. We recommended that MAST analyze revenues and costs, prepare an RFP to secure an operations contractor within 12 months to comply with city code, and prepare formal written agreements with each jurisdiction it serves. We also recommended the Health Director provide

Performance Audit: Follow-up on MAST Financial Viability

the City Council with information necessary to evaluate options for providing ambulance service.

Findings and Recommendations

Summary

We reported in our July 2003 performance audit that MAST was not financially viable without additional funding. MAST management had not adequately analyzed factors contributing to the organization's financial decline and had based decisions on misperceptions. We concluded that MAST was unlikely to be able to fix its financial problems until management objectively analyzed the causes of the problems. We recommended that MAST analyze revenues and costs, prepare an RFP to secure an operations contractor within 12 months to comply with city code, and prepare formal written agreements with each jurisdiction it serves. We also recommended the Health Director provide the City Council with information necessary to evaluate options for providing ambulance service.

The Health Director has hired a consultant to develop options for the City Council to consider for providing ambulance service. The consultant's report is expected to be presented in April 2004. MAST has not released an RFP. The City Council extended the time MAST can serve as operations contractor. MAST management has been negotiating with the other cities it serves to enter into formal agreements – however no jurisdictions have signed formal agreements. MAST management analyzed its collections, as we recommended, but has not adequately analyzed its costs or fee structure. Despite its financial crisis, MAST has made operating decisions without considering the effects on costs or revenues, making its financial situation worse.

We are concerned that MAST's mismanagement may prevent the public utility model from getting a fair evaluation when the City Council reviews options for ambulance service. We recommend the City Council separate current management practices from the model when evaluating options. We also recommend that the City Council and City Manager implement a strong financial oversight component to whatever method it selects for providing ambulance service. Finally, we recommend that the MAST Board direct staff to: analyze the costs of different types of services using unit hour cost; determine reasonable fees based on cost of service and expected collection rate; and analyze financial implications of all operational changes before making the change.

MAST Continued to Base Decisions on Incomplete and Flawed Analysis While the City Picked Up the Tab

After taking over ambulance system operations July 1, 2003, MAST has continued to base decisions on incomplete and flawed analysis. Management and the Board have made operational decisions without regard to cost or transport volume. The overall effect of these decisions is to increase cost and decrease revenue – causing further financial stress on MAST and the city. We estimate that the city subsidy for MAST in fiscal year 2004 is about the same as what would have been required under the negotiated price with the former operations contractor.

We reported in our July 2003 audit that MAST had not adequately analyzed the factors contributing to its financial crisis and had made decisions based on misperceptions. We concluded that because management had not correctly identified the causes of its financial problems, their suggested solutions were unlikely to fix the problems, and were exposing the system to unnecessary risk.

MAST did not track collection rates by type of service or the costs of different types of services so it wasn't possible to determine whether fees were adequate to cover costs or whether changes in the composition of services were associated with changes in collection rates. We recommended that MAST analyze collection rates by payer, type of service, and jurisdiction; analyze the costs of different types of services; determine reasonable fees based on the cost of service and expected collection rates; and determine the amount of city subsidy required in the short and long term.

MAST Made Operational Decisions Without Regard to Cost

Despite their financial crisis, MAST management and the Board have made operational decisions without considering cost. In our July 2003 audit we stated that management should provide cost analysis to the Board regularly to support decision-making. We recommended management complete specific types of analyses to identify factors contributing to MAST's financial decline. While management has reported that they have completed much of the analyses we recommended, management did not provide the Board with cost estimates to support decision-making. MAST made operational changes without regard to cost. MAST changed response time requirements without discussing increased costs. MAST has increased

ambulance deployment and authorized staffing to meet the requirements. Adding shifts and increasing staff increases costs.

MAST changed ambulance response times and added new shifts and staff without knowing how much it would cost.

MAST management presented changes in response time requirements as cost neutral. MAST decided to change how it measured response time in July 2003 when it took over ambulance operations. Management reported they were making the changes to provide a more complete measure of system performance. In August, the City Council approved a contract amendment with MAST that changed response time requirements. MAST presented the net change as having no effect on costs. However, the new requirements have made it more difficult to meet response times. MAST decided it needed to invest more resources to meet the requirements, but made this decision without considering whether the financially struggling system could afford it.

MAST required its operations contractor, Emergency Providers, Inc. (EPI) to respond to 90 percent of priority one calls citywide each month within 8 minutes and 59 seconds from the time the call was received. EPI was required to respond to 89 percent of priority one calls within ambulance response district on a rolling three-month basis within the 8 minute 59 second standard. Under the contract, calls with no patient contact, calls that occurred when extra duty events exceeded an agreed upon amount, and calls scheduled to be responded to during system overload were not counted in the response time calculation. System overload was defined as periods when the number of emergency runs simultaneously in progress was more than one call higher than the average of the five highest volume hours by day of week in the previous quarter. In August, MAST management, now acting as the operations contractor, removed the overload provision, started counting all calls in the calculation, and reduced the compliance standard per district to 85 percent of calls.

MAST management added shifts without analyzing the cost. MAST management added ambulance shifts without telling the Board what it would cost. Management told the Board in July that they needed to implement a new shift schedule because the existing schedule wasn't matching demand and too many shifts ended simultaneously. Management reported in August that the new shift bid had added three shifts. MAST's contractor had scheduled 79 shifts per week in Missouri. MAST management determined that they needed 87 shifts per week, but could only fill 82 shifts with existing staff. MAST tested the new schedule using overtime to fill shifts. Management told the Board in September that the system ran well after seven days with the 87 shifts fully staffed. Management reported, "... once analyzed, the test will give

a good cost estimate of full staffing.”² However, Board minutes do not indicate that management provided the Board any cost estimates for additional shifts or staff before or after the test.

MAST management told the Board in July that they’d inherited a system that was short 21 paramedics, 16 EMTs, and 3 system status controllers. Further, management told the Board that they needed to hire 43 more paramedics and EMTs than their former contractor had in order to be fully staffed. According to Board minutes, management often discussed their staffing shortage and recruitment efforts but did not provide a cost estimate to the Board for the additional staff.

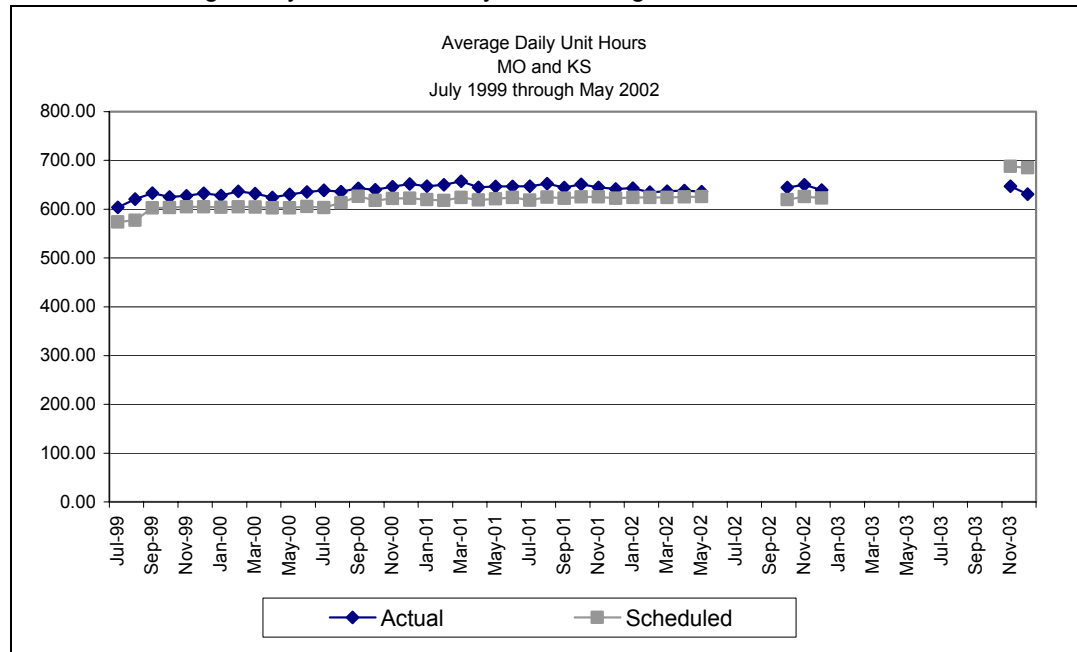
In 2002, MAST’s cost per unit hour was \$104 – close to the median of other PUMs – but MAST had twice as many scheduled unit hours as the median of the other PUMs.

Unit hours drive costs. MAST’s new shift schedule increases the number of unit hours scheduled from about 624 per day to about 689 per day. A unit hour is an ambulance on the street with trained staff for an hour. The cost per unit hour (total system cost divided by total unit hours) is a good measure of cost because MAST’s primary service is providing the availability to respond immediately. This availability is what the public is buying. MAST management reports that their unit hour cost is about \$128. The 2002 Public Utility Model (PUM) study reported the median unit hour cost for PUMs was \$103.

Exhibit 1 shows scheduled and produced (actual) unit hours from July 1999 through December 2003. Unit hours increased in September 1999 and again in July 2000. Unit hours remained steady for three years. MAST took over operating the system in July 2003. Unit hour data are not available until November 2003. Under MAST, scheduled unit hours increased in November and December 2003. Actual unit hours produced increased in November but appear to have decreased in December. However, EPI’s measure of actual unit hours includes ambulances on-duty for standby and public education events while MAST’s measure of unit hours does not. If MAST provided standby or public education hours in November and December, their actual unit hours were higher than shown on the graph. Data are not available for September and October when MAST first implemented its new shift schedule and – for at least a portion of the time – filled shifts using overtime. Adding shifts, adding staff, and filling shifts with overtime increase cost.

² MAST Board minutes, September 25, 2003.

Exhibit 1. Average Daily Unit Hours, July 1999 through December 2003³



Sources: EPI and MAST.

MAST Made Decisions Without Regard to Effect on Transport Volume

Intuitively it might make sense to think that if MAST reduces ambulance transports then the system saves money. Actually, by eliminating transports, MAST is cutting revenues not costs.

We recommended in our July 2003 audit that MAST analyze the costs of different types of services and collection rates by payer, type of service, and jurisdiction. We noted that non-emergency transports had declined since MAST had started its wheelchair van service. The service was intended to reduce uncollectible bills. Because MAST did not track collection rates separately for emergency and non-emergency transports, we could not tell whether the wheelchair van service was reducing uncollectible amounts.

MAST management has analyzed collection rates by type of service and jurisdiction for fiscal year 2003. However, MAST has not adequately analyzed its costs for different types of service. By mistakenly looking at the average cost per transport, MAST has made decisions that will or could reduce transports. While unit hours drive costs, transports drive revenues. Given that MAST has increased its unit hours, limiting transports reduces revenues and makes the financial crisis worse.

³ EPI provided us with data on unit hours in May 2003. EPI’s unit hours included standby and public education. Data were missing for June through September 2002. MAST provided us with data on unit hours for November and December 2003. MAST developed their tracking system after taking over operations. November is the first full month for which unit hour data are available. Unit hours measured do not include standby and public education.

MAST mistakenly believes that it can save money by cutting transports. MAST management has asserted that each transport costs the combined Missouri and Kansas system \$422 dollars (the average cost per transport) and has proposed ways to cut system costs by reducing the number of transports. MAST management analyzed transport costs by calculating the average cost per transport – the total system budget divided by the number of transports. However, average cost per transport is not a meaningful way to analyze MAST’s costs. Transports are how MAST produces revenue, not what costs the system money. The effect of eliminating transports without reducing unit hours is to decrease revenue without appreciably decreasing costs.

New policies are likely to hurt MAST revenues. MAST is implementing new policies regarding mutual aid and non-emergency transports in cities outside their primary service area. Management told the Board that these policies are intended to assure that MAST recovers its costs of providing service, but presented no evidence that mutual aid calls or non-emergency transports in other cities are costing MAST.

We reported in our July 2003 audit that system costs would not be significantly reduced by eliminating services to other Missouri jurisdictions. In their response to the July audit, MAST management agreed that service to other Missouri cities does not significantly increase system cost. MAST would not be able to significantly reduce the number of ambulances on the street (unit hours) by reducing responses because the volume is low relative to overall system volume – about 3,800 out of 72,000 transports in fiscal year 2003.

Mutual aid in Missouri generated \$376,000 in fiscal year 2003.

MAST implemented a new mutual aid policy intended to reduce the number of mutual aid calls to which it responds. This decision will reduce revenues without reducing costs. Mutual aid refers to an emergency response to a neighboring community when the city’s own ambulance service is busy and cannot handle the call. MAST provides mutual aid to Gladstone, Grandview, Independence, Raytown, and other smaller jurisdictions in Missouri and Kansas. The new policy states that MAST will only respond to mutual aid calls when there is adequate staff to cover MAST’s primary service area. MAST is also seeking payment from the jurisdictions. Management reported to the Board in December that they “are getting closer to a draft agreement that would allow ambulance services to bill jurisdictions as the payer of last resort...this change should assure that mutual aid services are not costing MAST.”⁴ Management reports a 50 to 60 percent drop in the number of mutual aid responses since the new policy began.

⁴ Board Report, Jason White, MAST Assistant Director, December 2003.

Non-emergency transports in Missouri cities outside MAST's contract area generated \$713,000 in fiscal year 2003.

MAST is also seeking agreements from hospitals and nursing homes outside its primary service area to guarantee payment for transports originating at the facility if the patient has not paid within 120 days. If these agreements result in MAST performing fewer transports, MAST's revenue will decline. MAST management concluded that MAST was losing money on non-emergency transports because the revenue did not cover the average cost per transport – but MAST's fee for a non-emergency transport is lower than \$422 (their calculated average cost per transport). By MAST's logic, the collection rate for non-emergency transports outside the service area would have to be 116 percent in order for MAST to break even.

Collection rates are higher in other cities, except KCK. MAST's analysis shows that the collection rates for cities targeted by the new policies are higher than for Kansas City. MAST's collection rate was about 47 percent for ambulance transports originating in Kansas City. MAST's overall collection rate for cities outside their service area was about 62 percent. (See Exhibit 2.)

Exhibit 2. Collection Rate by Response Area, Fiscal Year 2003

Response Area	Transports	Collection Rate
Kansas City, MO	51,788	46.9%
Other MO jurisdictions served exclusively by MAST	1,070	60.0%
MO jurisdictions receiving mutual aid and non-emergency transports	3,810	62.2%
Kansas City, KS	12,816	41.4%
Edwardsville, KS	350	50.2%
Other KS jurisdictions receiving mutual aid and non-emergency transports	1,606	65.6%

Source: MAST.

KCK dropped MAST. The Unified Government of Wyandotte County and Kansas City, Kansas, rejected MAST's subsidy request in December 2003 and decided not to contract with MAST for service when the current contract ends June 30, 2004. The Unified Government determined that it can run a fire department based ambulance system for less than the annual \$2.8 million MAST asked for in subsidy.

We reported in our July 2003 audit that eliminating services to cities in Kansas would reduce system costs, but the net change would be small. The system benefits when it can spread fixed costs over a larger population base. However, different legal, regulatory, and contractual requirements in Kansas reduced MAST's ability to take advantage of economies of scale. Fitch and Associates, working under a contract with the City, being managed by the Health Department, estimate that the net

change in fiscal year 2005 from eliminating service to Kansas City, Kansas, is about \$900,000 – that is MAST will reduce more in expenditures than revenues by eliminating the service. MAST’s collection rate in Kansas City, Kansas, about 41 percent, was lower than within Kansas City, Missouri, other cities in the contract area, or for cities outside the contract area.

No jurisdictions have signed formal agreements with MAST. MAST decided to require other cities in its service area to pay a subsidy to help cover its shortfall. Kansas City pays an operating subsidy to MAST. MAST serves many smaller jurisdictions in the area through formal or informal agreements. MAST management reports that no jurisdictions have signed formal, written agreements with MAST to provide exclusive ambulance transport since they have begun requesting an operating subsidy. Management reports that other cities that have used MAST as their ambulance service are waiting to see what happens to MAST before signing an agreement. If the cities do not pay a subsidy and choose not to use MAST, then MAST will lose the revenue from their transports.

MAST is requesting \$260,000 operating subsidy allocated among the other Missouri cities it serves.

Requiring subsidies diverts attention from the real problems. MAST management is spending time and effort negotiating with 15 other Missouri jurisdictions for a total operating subsidy of \$260,000 – to cover about 2 percent of MAST’s projected shortfall. Again, service to these other cities does not significantly increase system cost. MAST will not be able to significantly reduce the number of ambulances on the street (unit hours) by eliminating service to other cities because the call volume is very low relative to overall system volume. As long as the calls bring in revenue, serving these cities helps the system. MAST provided 1,070 transports in fiscal year 2003 in the Missouri service area outside of Kansas City and had a 60 percent collection rate resulting in about \$344,000 in revenue.

Allocation method of “fair share” subsidy is not equitable. MAST is requesting subsidies from other cities based on its analysis of transport volume.⁵ MAST has characterized the allocation as all jurisdictions paying their “fair share.” However, since transports do not drive costs, we disagree that this is a fair way to cover MAST’s costs. If the goal is to spread the subsidy among all jurisdictions served, a per capita allocation is more fair. MAST’s primary service is providing availability to respond to emergencies. Therefore, each jurisdiction benefits in proportion to the number of people served and a per capita calculation would be more equitable.

⁵ MAST’s template agreement for other cities states that in addition to the number of transports, the subsidy amount is decided by the revenue collected by MAST for services provided in the city compared to revenue collected for services provided elsewhere, and the operating cost of the system.

Wheelchair van service has resulted in net loss to MAST system.

Management told the Board in December “the wheelchair van service was breaking even, and when the impact on ambulance calls is included we are substantially in the positive.”⁶ Management told us their statement to the Board was based on a cursory review that shows that the wheelchair van service covers its direct costs. (See Exhibit 3.) However, the analysis does not accurately consider the effect on the system’s revenue.

Exhibit 3. MAST Review of Wheelchair Van Service

ESTIMATED COST OF COACH OPERATIONS FISCAL YEAR 2003-04	
Estimated Revenues	\$ 540,000
Estimated Expenses	
Salaries	\$ 372,733
Estimated Operation and Maintenance	91,599 *
Estimated Depreciation for Seven Vans	<u>41,839</u>
Total Estimated Expenses	\$ 506,171
<p>* A total of 32,714 miles per year per vehicle at an estimated 40 cents per mile for seven vehicles.</p> <p>Since this program began about three years ago, there has been a corresponding reduction in the number of non-emergency transports. The estimates above show that this program essentially breaks even. If the program were eliminated, a substantial number of these transports would have to be picked up by the regular ambulance operation at a higher cost.</p>	

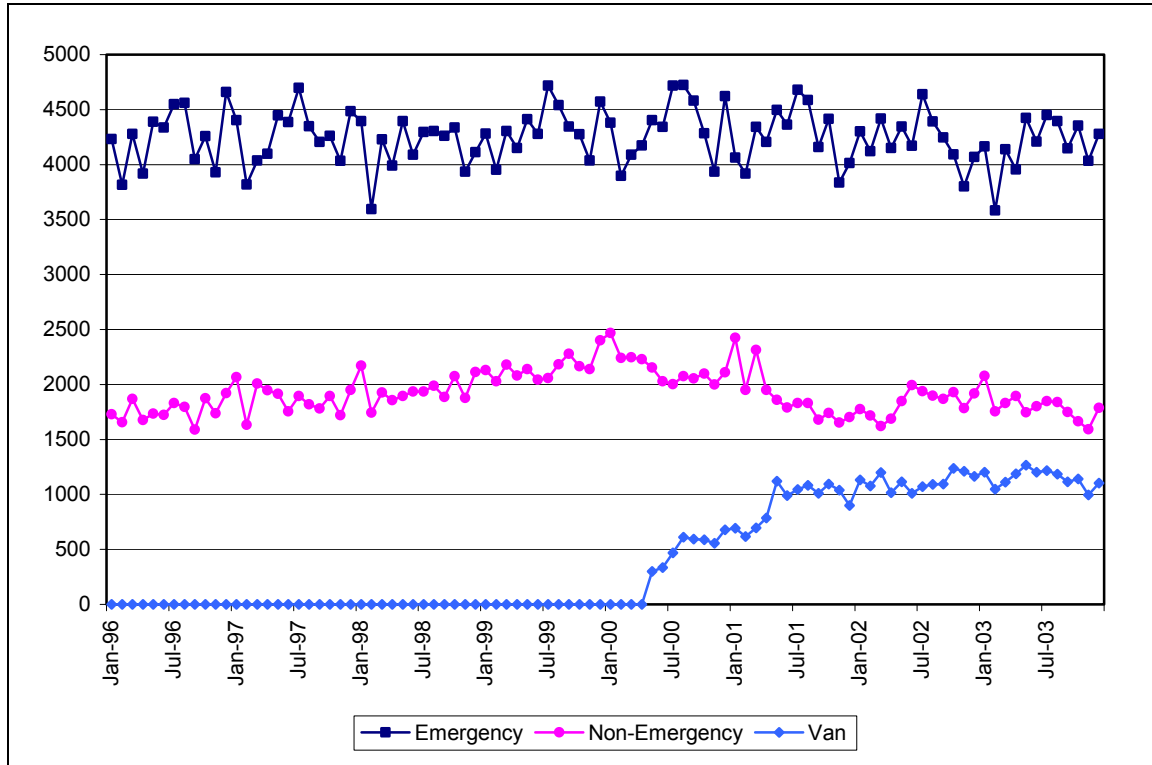
Source: MAST.

Focus on transport cost is misleading. As MAST management notes, non-emergency transports have decreased since MAST started its wheelchair van service in May 2000. (See Exhibit 4.) The wheelchair van service was intended to reduce uncollectible amounts by eliminating medically unnecessary ambulance trips. We don’t know whether the collection rate for non-emergency transports has improved because MAST has not calculated collection rates for non-emergency transports before fiscal year 2003. But since ambulance unit hours were not reduced, any reduction in revenue is a net loss to the system. MAST set the fee for the wheelchair van service to cover only its direct cost of operation without covering any ambulance system costs. The fee for wheelchair van service is about 1/7th the fee for a non-emergency

⁶ Board Report, Jason White, MAST Assistant Director, December 2003.

transport. It is important for management to understand the effects of the wheelchair van service on their revenue so van service fees – and other fees – can be set to recoup that loss.

Exhibit 4. Comparison of Type of Transports by Month, 1996 through 2003



Source: MAST CAD.

MAST Did Not Consider Costs in Setting Transport Fees

We recommended that MAST analyze collection rates by payer, and type of service and jurisdiction; and analyze cost of different types of services. We recommended MAST use the analysis to determine reasonable fees. Management analyzed collections by payer, jurisdiction, and type of service. Management did not analyze costs. Management set emergency and non-emergency fees based on comparisons with other agencies.

Board approved nominal fee increases. MAST management recommended small fee increases for emergency and non-emergency ambulance transports based on comparisons with the rates of other local services and with other PUMs rather than on their costs. Based on management's recommendation, the MAST Board approved the new fee schedule in November 2003. (See Exhibit 5.) The Board worried that increasing the fees would be a burden to low income and uninsured

persons. However, requesting increased government subsidies could also be a burden to low income persons who face tax increases or cuts in other services.

Exhibit 5. MAST Fees

Rates	Effective 5/1/03		Effective 12/1/03
	KCMO/ Non-KCMO	KS	KCMO/ Non-KCMO
Emergency Base Rate ALS	\$585/\$605	\$605.00	\$595/\$615
Non-Scheduled Non-Emergency	\$335/\$345	\$345.00	\$350/\$365
Scheduled Non-Emergency	\$310/\$325	\$325.00	\$350/\$365
Local Mileage (Per Mile)	\$6.70	\$6.70	\$10.00
Treatment No Transport	\$175.00	\$175.00	\$175.00
Non-Scheduled Long Distance Transports	\$335.00	\$345.00	\$350/\$365
Scheduled Long Distance Transports	\$310.00	\$325.00	\$350/\$365
Long Distance Mileage (Per Mile)	\$6.20	\$6.20	\$10.00
Special Events (Per Hour)	\$80.00	\$80.00	Varies
Oxygen	\$47.00	\$47.00	\$47.00
Coach Service (Wheelchair Van)	\$49.00	\$49.00	\$49.00

Sources: MAST Fee Schedules.

Management set standby rates based on unit hour analysis. We noted in our July 2003 audit that fees for standby at special events were below MAST's cost per unit hour and had not increased in several years. Management calculated that their unit hour costs were about \$125 per hour and set an hourly standby rate of \$125 through April 2004 and \$135 through May 2005.

MAST's Decisions Increase the City's Costs for Ambulance Service

MAST produces about 4,500 unit hours per week. MAST could **save money** by reducing those hours.

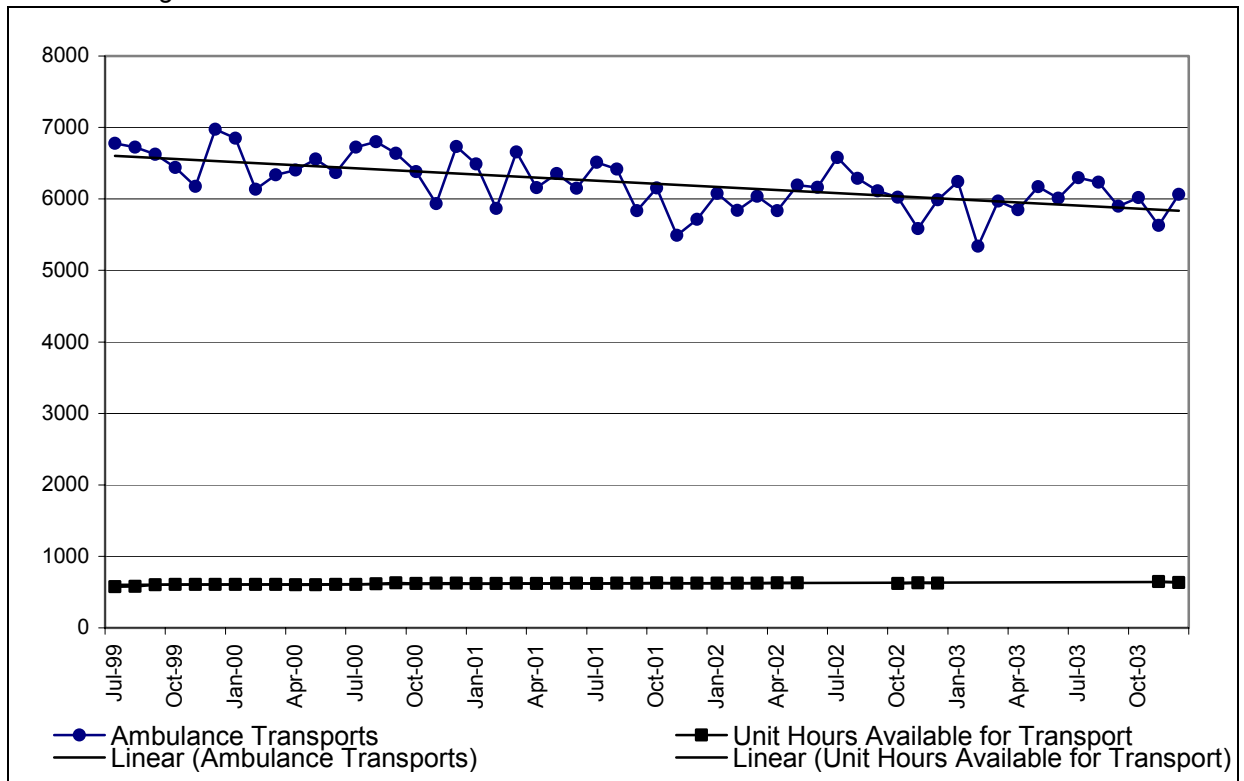
MAST transports about 1,380 patients per week. MAST **makes money** by transporting patients.

The overall effect of MAST's decisions has been to decrease revenues while increasing costs – causing further financial stress on MAST and the city. We estimate that the city subsidy for MAST in fiscal year 2004 is about the same as what would have been required under the negotiated price with EPI. At the time of negotiations, the MAST Board determined that the price was unreasonable. MAST's fiscal year 2004 costs are higher than budgeted and revenues are below budget. We said in our July 2003 audit that MAST's budgets had been unrealistic and they have continued to be so.

Unit hours drive costs; transports drive revenue. MAST's decisions to add shifts and increase unit hours increase the system's costs. MAST's decisions to reduce mutual aid transports and to continue underpricing the wheelchair van service decrease revenues. MAST already faced cost pressures from its labor agreement and revenue pressures due to phased-in reductions in Medicare reimbursement rates. The additional

decisions have made a bad situation worse. Given MAST’s precarious financial position, even relatively small miscalculations have negative consequences. Total transports have decreased since 1999 while unit hours available for transports (excluding ambulances assigned to extra duty events) increased. (See Exhibit 6.)

Exhibit 6. Comparison of Ambulance Transports by Month to Average Daily Unit Hours, July 1999 through December 2003⁷

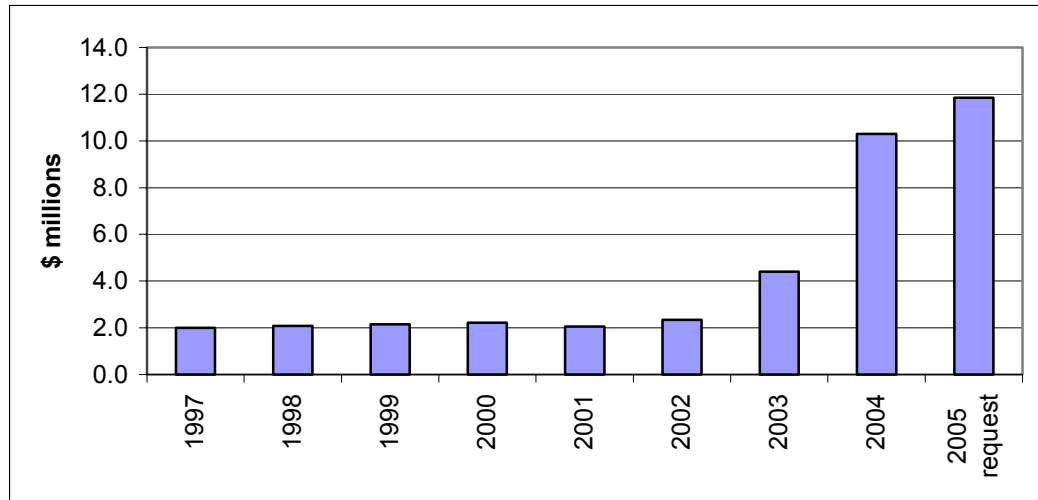


Sources: EPI and MAST.

City subsidy has increased. The MAST Board approved a transition budget with \$5.1 million funding from the city – which covered \$1.8 million for operations; \$3.1 million for capital; and \$340,000 bond principle payment. MAST subsequently requested more money. Management testified that without additional operating funds MAST would not be able to make payroll. The City Council appropriated additional funds, bringing total city funding to \$10.3 million in fiscal year 2004 (excluding the contract for dedicated ambulance service at the airport). MAST requested \$11.9 million from the city for fiscal year 2005. (See Exhibit 7.) The City Manager’s submitted budget proposes an \$8.5 million operating subsidy for MAST, planning to defer repayment of a \$2 million line of credit that the city guaranteed.

⁷ These measures exclude ambulances assigned to standby events and public education. Data are not available for June-September 2002 and January through October 2003.

Exhibit 7. City Subsidy to MAST Fiscal Years 1997-2005



Sources: City's financial management system, ordinances, budget office.

Management provided unrealistic budget projections. MAST management estimated significant savings. MAST took over the ambulance operations because they said they did not receive a qualified proposal at a reasonable price. EPI's negotiated price for operations was about \$24.6 million when MAST ceased negotiating in March 2003. MAST stated in their response to our July 2003 audit, "MAST believes it can operate the ambulance system for approximately \$21,205,000.00 annually, over \$4.5 million less than EPI's final proposal."⁸ MAST management told the Board, City Council, and City Manager again in October 2003 that despite their budget overruns, they were operating the system for \$1.4 million less than a contractor would have. Management's comparison was based on some unsupported assumptions. (See Exhibit 8.)

⁸ MAST Response to *Performance Audit: MAST Financial Viability*, Office of the City Auditor, Kansas City, Missouri, July 2003, p. 36.

Exhibit 8. MAST's Cost Comparisons October 14, 2003

ATTACHMENT III
COMPARISON OF REVISED MAST DRAFT BUDGET TO EARLIER PROPOSALS

	MAST Revised Draft Budget	Emergency Provider's Inc.	Another Company
Total Cost	\$ 30,940,493	\$ 31,361,152	\$ 33,573,388
Less: Transfer costs	(955,374)	0	0
Net Cost	\$ 29,985,119	\$ 31,361,152	\$ 33,573,388
Cost above MAST		\$ 1,376,033	\$ 3,588,269
Revenue reduction	\$ (2,744,091)	\$ (2,744,091)	\$ (2,744,091)
Amount required from city above the \$5.0 million already earmarked	\$ (4,788,658)	\$ (5,209,317)	\$ (8,376,927)

The one time expense was a result of MAST taking over the system and should be considered part of the cost of that decision.

MAST excluded depreciation but included capital in this estimate.

MAST offers no source or method for this estimate. MAST only received one proposal.

MAST included depreciation in its estimate. MAST added \$1.2 million to EPI's negotiated price for dedicated airport coverage and other extra duty services that are under MAST's control.

Source: Letter from MAST Associate Director Jim Jones and Assistant Director Jason White to City Manager Wayne Cauthen, October 14, 2003.

MAST management also stated in the October 14, 2003, letter that negotiations “would have shifted several significant costs to MAST.” However, a memorandum dated February 25, 2003, describing the results of negotiations shows that most changes were reinstatements of provisions that had been removed from the RFP. No changes described in the memo would have shifted costs to MAST.

Costs are about the same. We estimate that MAST's current costs of operating the system are about \$750,000 less than the price MAST rejected as unreasonable.⁹ (See Exhibit 9.) Obviously, these cost

⁹ We estimated EPI's cost using their base bid price without added services except for dedicated airport coverage because MAST has discretion to decide the extent of these services. For example, MAST estimated public education costs of about \$200,000 but told us that they have stopped doing public education events where fewer than 500 people are expected. Similarly, we did not estimate the cost reductions due to data fines or response time penalties because these were under EPI's control. We estimated MAST's portion of the system cost under EPI's bid as a 3 percent increase over projected costs for fiscal year 2003. For MAST's current costs, we used MAST's estimated 2004 operating costs, prepared February 13, 2004, and subtracted costs related to the wheelchair van service. We added in one-time transition costs because the expense was a result of MAST taking over the system and should be considered part of the cost of that decision. We also added in MAST's depreciation cost and excluded capital to be consistent with EPI's figure.

comparisons are uncertain because it is unknown whether MAST could have negotiated a lower contractor price had they continued negotiating, or whether MAST could have cut their administrative costs as they have sought to do since August. Also, we're comparing the costs of different systems. With MAST operating the system there is no agency explicitly charged with oversight responsibility.

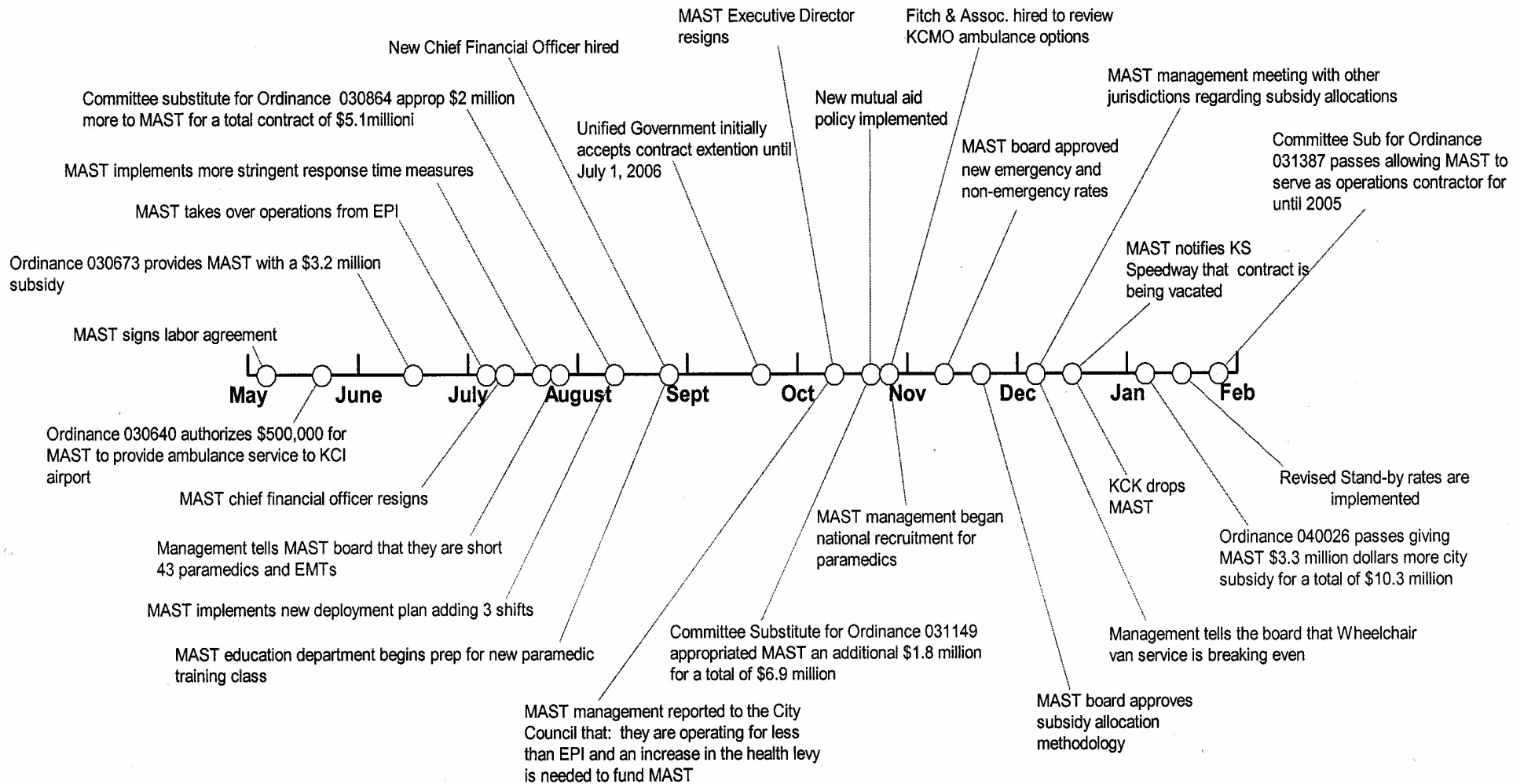
Exhibit 9. Estimates of MAST's Current Operating Costs Compared to EPI's Negotiated Price

	EPI Negotiated Price, 2/24/03	MAST Estimate 2/13/04
Contractor	\$25,051,380	\$ 955,374
MAST	3,860,961	27,210,302
Depreciation	1,852,676	1,852,676
Cost	\$30,765,017	\$30,018,352

Sources: MAST Approved Budget FY04; MAST Preliminary Estimates FY05; EPI Proposed Compensation Sheet July 1, 2003 through June 30, 2004.

System change added risk. We said in our July 2003 audit that there were risks associated with MAST taking over the ambulance system. MAST as an agency did not have experience operating the system. MAST had never had a direct relationship with the workforce. MAST formerly performed an oversight function. With MAST operating the system, oversight has diminished. MAST should have provided the Board and the city reasonable cost estimates so decision-makers could weigh the expected savings against the increased risk.

Exhibit 10. MAST Timeline of Events, May 2003 through February 2004



Health Director Is Developing Options for Ambulance Service

The Health Director has hired a consultant to help develop options for the City Council to consider for providing ambulance service. The consultant's report is expected to be presented in April 2004. MAST is waiting for the City Council to endorse an ambulance system before issuing a new RFP to secure an ambulance operations contractor. We concluded in our July 2003 audit that MAST management and the Board had tacitly rejected the public utility model as implemented by city code. We recommended that the Health Director provide the City Council with information necessary to evaluate options for providing ambulance service and help develop a structured process to facilitate decision-making. This process is on track. However, we are concerned that MAST's mismanagement may prevent the public utility model from getting a fair evaluation when the Council reviews options.

RFP is put on hold. MAST did not implement our recommendation to release an RFP for a new operations contractor. We recommended that MAST prepare an RFP to secure an operations contractor within 12 months to comply with city ordinance. Management told us that they had made some minor modifications, but planned to use essentially the same RFP that they did about a year ago if they needed to release an RFP.

The MAST Board did not consider or review an RFP during board meetings. The Emergency Medical Services Advisory Committee recommended that the RFP be put on hold until a decision about MAST is made by the Council. The City Council passed an ordinance allowing MAST to remain the operations contractor for an additional year.

Health Department contracted for review of ambulance system. We recommended that the Health Director provide the City Council with information necessary to evaluate options for providing ambulance service and help develop a structured process to facilitate decision-making. The Health Department hired the consulting firm Fitch and Associates to develop options for providing ambulance service to present to the City Council.

Fitch's scope of work outlined in the Health Department's contract is consistent with our recommendation. Fitch and Associates is to evaluate options for providing ambulance service, both through a review of MAST and analysis of at least three other EMS structure options. Fitch is to facilitate an appraisal process with stakeholders to determine the

best option. Fitch's proposal details the option appraisal process. Fitch agrees that the decision-making process should be open.

Prior work supported the public utility model. Our previous work and the work of a 1999-2000 Emergency Medical Services Special Study Committee supported the public utility model. We concluded that the emergency medical services system was designed to be accessible and deliver a high level of care quickly.¹⁰ Most roles were well-defined and accountability mechanisms were in place. We recommended changes to better integrate first responders into the system. The City Council amended the city code to implement recommendations made by the City Auditor's Office and the special committee in March 2001.

The Board must hold management accountable to make the PUM work. Our July 2003 audit showed that the MAST Board was aware of the deteriorating financial situation, but did not act as a body to hold management accountable for meeting goals. Since the previous audit, management has made operational changes without determining financial implications. Management limited transports without understanding the implications on revenues. Some fees have been set without regard for cost. The Board needs to question management and ensure that they are working towards the agency's goals at a reasonable cost. The Board should assess management performance in terms of that achievement. For the PUM model to be successful at MAST, the governing body must hold management accountable.

Financial oversight must be a strong component of Kansas City's ambulance service. Kansas City's choice of ambulance service, following the Fitch and Associates report and evaluation of options, should include consideration of the system's financial oversight. Regardless of the model chosen, city leaders must ensure that mechanisms are in place not only to provide medical oversight but also to provide financial oversight. The system's financial expertise must be adequate to provide sufficient, competent and relevant analysis. The city must hold someone financially accountable.

¹⁰ *Performance Audit: Emergency Medical Services System*, Office of the City Auditor, Kansas City, Missouri, January 2000.

Recommendations

1. The City Council and the City Manager should implement a strong financial oversight component to whatever model they decide to use to provide ambulance service.
2. The MAST Board should direct staff to analyze cost of different types of services using unit hour cost.
3. The MAST Board should direct staff to determine reasonable fees based on cost of service and expected collection rate.
4. The MAST Board should direct staff to analyze financial implications of all operational changes

Appendix A

City Manager's Response



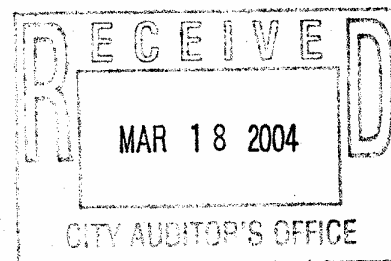
Office of the City Manager

DATE: March 15, 2004
TO: Mark Funkhouser, city Auditor
FROM: Wayne A. Cauthen, ^{W.A.C.} City Manager
SUBJECT: MAST Financial viability Follow-up audit-Comments

I have reviewed the MAST Financial Viability Follow-Up Audit. The attached memo from Dr. Archer reflects my response and general agreement with the audit's findings and recommendations.

Your analysis of the continuing problems in analyzing revenues and costs, and that decisions are being made without complete financial analysis is an area of great concern. This will continue to be a focus for improvement.

Thank you for your efforts in improving the financial viability of MAST.





Inter-Departmental Communication Health Department

DATE: March 15, 2004
TO: Mark Funkhouser, City Auditor
FROM: Rex Archer, M.D., MPH, Health Director
SUBJECT: MAST Financial Viability Follow-up Audit – Comments

Thank you for the opportunity to review and respond to the MAST Financial Viability Follow-up Audit. The audit findings clearly support the recommendation that the City Council and the City Manager should implement a strong financial oversight component, regardless of the model selected to provide ambulance service. I am in support of this and the other recommendations made in the follow-up audit.

Over the past several years, the Health Department has had staff that focused predominately on clinical service delivery and response times. These efforts have secured Kansas City a national reputation as one of the best providers of quality medical ambulance services. The Department has not had the budget resources nor even one staff position to focus on the financial aspects of MAST. However, it is evident that a similar amount of focus and expertise must now be provided in relation to the financial oversight of MAST.

I have made several recommendations in response to this need:

- In partnership with the Budget Office, a request to fill an Analysis III position has been submitted to the Position Review Committee. This position will focus on financial analysis and monitoring of MAST, as well as building the financial monitoring component for all safety net provider contracts. The position will be funded from unspent disproportionate share funds.
- It has been communicated to the MAST Board that MAST's executive director have strong financial management experience and a proven track record in developing and managing fiscally strong operations.
- The MAST Board of Directors has been advised of its ability to expand its membership to assure representation of individuals experienced in health care budgeting and financing.

I believe that the above actions will bring us closer to a fiscally sound MAST operation with greater accountability and enhanced management.

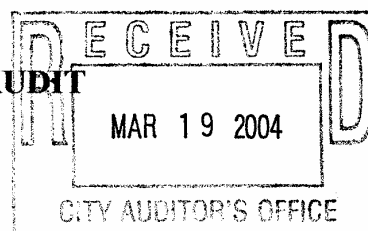
Please let me know if you have any questions or need additional information.

cc: Wayne Cauthen, City Manager
Troy Schulte, Budget Officer

Appendix B

Metropolitan Ambulance Services Trust's Response

**MAST RESPONSE TO FOLLOW-UP AUDIT
FINDINGS AND RESPONSES**



MAST made operational decisions without regard to cost.

In many instances, MAST management provided the MAST Board and/or one of its constituent committees with financial information as to both revenues and costs regarding operational decisions. Also, some operational decisions have involved health and safety issues that far outweigh the financial implications. For example, we added 13.7 unit hours per day beginning in July 2003, to enhance the emergency ALS coverage for the citizens north of the river.

MAST management presented changes in response time requirements as cost neutral.

As noted by the Auditor, under the service agreement between EPI and MAST, EPI was permitted to exclude from response time calculation those calls to which it responded during periods of "system overload." As a result, MAST did not have accurate data regarding the system's ability to respond to all calls at all times. Thus, the decision to measure all response times was intended to discover and clarify the actual performance of the ambulance service, both operationally and financially.

MAST management added shifts without analyzing the cost.

The number of shifts is first and foremost an operational decision upon which hinges MAST's ability to provide emergency ambulance services within the time prescribed by Kansas City, Missouri Ordinance. MAST hired an outside expert consultant, Stout Solutions, to provide a demand analysis, complete with a targeted number of shifts, driven by the estimated number of unit hours. MAST did not benchmark its number of shifts from that previously used by EPI, as EPI consistently failed to meet response times, even under the more liberal calculation method described above. The demand analysis provided by Stout Solutions necessarily concerned itself with the most *efficient* means of providing the most comprehensive ambulance coverage. Indeed, the Auditor concedes that MAST has operated the system for less than had it been re-contracted to EPI. Furthermore, MAST, by the nature of its business, has a fixed cost referred to as "readiness" cost. If MAST was to provide additional services to neighboring jurisdictions as advised by the Auditors office, MAST's readiness for emergency calls within Kansas City would suffer in the form of longer response times.

Unit hours drive costs. MAST's cost per unit hour was \$104- close to the median of other PUMS- but MAST had twice as many scheduled unit hours as the median of the other PUMs.

MAST management agrees that cost per unit hour is an effective measure of system efficiency. The number of scheduled unit hours, in and of itself, however,

provides little comparative value. Other PUMs, for example, may simply have less geographic territory to cover than does MAST. To the extent that data on cost per unit from 2003 will show that there is an opportunity to cut overtime and/or shifts without reducing MAST's ability to meet its response time obligations, MAST intends to do so.

MAST made decisions without regard to effect on transport volume. MAST mistakenly believes that it can save money by cutting transports.

The Auditor claims that by eliminating transports, MAST cuts revenues, not costs. This claim is too broad; as the Auditor pointed out in the July, 2003 Audit, one must consider each type of transport and its marginal cost. When a MAST ambulance responds to a non-emergency or medically unnecessary call, this often results in non-payment. By shifting these non-emergency or medically unnecessary calls to other modes of transport, such as its wheelchair van service, MAST not only reduces the number of unpaid ambulance transports (freeing ambulances for paying transports), but improves wheelchair van revenue that is realizing increasingly better collection rates. Before commencing efforts to replace non-emergency ambulance transports with wheelchair van transports, MAST reviewed data showing improved collection rates since the advent of the wheelchair van service. MAST provided this data to the Auditor. It also looked at other PUMs, such as Reno, Nevada, which has utilized this strategy to beneficial effect. MAST management agrees that it should continue to assess the financial impact of this effort on an ongoing basis.

New policies are likely to hurt MAST revenues.

MAST changed its mutual aid policy based on operational issues primary to the health and safety of its service population. By agreeing to provide mutual aid only when MAST has adequate coverage of its primary service area, MAST makes sure not to sacrifice its primary mission. In 2002, for example, MAST provided 703 mutual aid responses and requested only 115. The Auditor's suggestion that the \$376,000 in 2003 mutual aid revenues might decrease as a result of this change does not dictate cessation of this policy; MAST cannot make this decision in a financial vacuum.

MAST has begun to seek agreements from hospitals and nursing homes outside its primary service area to guarantee payment for non-emergency transports if the patient does not pay within 120 days. The Auditor concludes that MAST is somehow chasing away non-emergency revenue by securing guaranteed payments. MAST will continue to monitor the number of non-emergency transports from outside the primary service area to see if this is the actual experience. MAST's goals are to increase use of its wheelchair van service to these patients and improve total collections.

Collection rates are higher in other cities, except KCK.

MAST management agrees with this finding, and is attempting to improve all collection rates in a feasible manner.

KCK dropped MAST.

It is true that the City of Kansas City, Kansas decided not to continue its contract with MAST after June 30, 2004. This was a positive financial development; Fitch and Associates, the City's consultant, has concluded that MAST will save at least \$900,000 by eliminating this service.

No jurisdictions have signed formal agreements with MAST. Requiring subsidies diverts attention from the real problems. Allocation method of "fair share" subsidy is not equitable.

In the July, 2003 Audit, the Auditor expressly recommended that MAST "should prepare formal, written agreements ...with each jurisdiction it serves." The Kansas City, Missouri City Council's Budget and Audit Committee suggested that MAST seek subsidies from outside jurisdictions that it serves, so as to make sure those jurisdictions "pay their fair share." In following these suggestions, MAST has finalized three agreements to provide ambulance services to jurisdictions outside its service area. Another eight are nearly finalized, with Kansas City, Kansas being the only jurisdiction to obtain ambulance services elsewhere. The Auditor observes that if these jurisdictions do not agree to pay a subsidy and seek other service, MAST will lose those revenues. These jurisdictions must consider the cost of setting up a comparable system, or hiring another contractor for an affordable price. Even if the jurisdictions go elsewhere for service, the loss of revenue will be offset to some degree by diminished costs. Indeed, the loss of Kansas City, Kansas resulted in lost revenues, but the accompanying expense savings is estimated to be at least \$1 million greater. The Auditor offers no data or anecdotal support for the contention that the "fair share" of other jurisdictions should be determined on a per capita basis, rather than by transport volume and accompanying collection rates.

Wheelchair van service has resulted in net loss to MAST system. Focus on transport cost is misleading.

As discussed above, MAST is attempting to follow the examples of PUMs such as Richmond, Virginia and Reno, Nevada, which have successfully replaced non-emergency ambulance transports with wheelchair van or similar transports. MAST management agrees that it should continue to gather data regarding the comparative costs and revenues generated by non-emergency ambulance and wheelchair van transports. MAST will continue to assess the financial impact of this effort on an ongoing basis. MAST is currently mandated to transport all requests for transport service. Given this mandate, MAST decided to utilize a less expensive means of transportation for this segment of its business (i.e., the medically unnecessary ambulance patients). MAST estimates approximately 15% of its non-emergency ambulance transports have been converted to wheelchair van transports. These non-paying patients are no longer utilizing ALS ambulances for

medically unnecessary transports. Medicare will not reimburse MAST for medically unnecessary ambulance transports, and thus, these transports are not income producing.

MAST did not consider costs in setting transport fees. Board approved nominal fee increases.

In the fall of 2003, MAST completed reports reviewing payor mix, types of calls, jurisdictions and collection rates. MAST has provided these reports to the City Budget Office and Health Department and provided the latest updates of these reports to the Auditor as well. These reports were utilized in setting fees. MAST acknowledges that these reports need to be standardized and improved. Consistent with this strategy for improvement of its financial tools, MAST will replace its 15-year-old billing and collections software early in the new fiscal year. As to the fee increases themselves, the Auditor simply observes, without further specifics, that the MAST Board was concerned with the burden posed by any fee increase on persons of modest means.

Management set standby rates based on unit hour analysis.

MAST agrees with this finding, and notes that it has increased standby rates for April, 2004 and beyond.

MAST's decisions increase the City's costs for ambulance service.

In this section, the Auditor comes to generalized conclusions without reference to supporting data. Although the Auditor contends that MAST's decisions have increased the City's costs, the Follow Up Audit concludes that MAST is operating the system for significantly less than had it accepted its only contract bid from EPI.

Unit hours drive costs; transports drive revenue.

As the Auditor acknowledges, MAST already faces revenue pressures due to phased-in reductions in Medicare reimbursement rates. In fact, MAST has suffered approximately a \$1 million dollar reduction in Medicare reimbursement this past year, and it appears the situation will only get worse. Similarly, the substantial wage increase in the labor agreement negotiated by EPI had a significant impact on labor expense. MAST agrees that it must find ways to increase collections and paid transports, while continuously striving to allocate its unit hours in the most efficient manner possible.

City subsidy has increased.

Given the reductions in Medicare revenue and other factors discussed above, the city subsidy had to increase. At page 15 of the Follow Up Audit, the Auditor estimates that "the city subsidy for MAST in fiscal year 2004 is about the same as what would have been required under the negotiated price with EPI." The fact is,

however, that MAST has operated the system for at least \$750,000 less than had it contracted with EPI, even under the Auditor's calculations and with a one-time extraordinary transfer cost of nearly \$1,000,000.

Management provided unrealistic budget projections. Costs are about the same.

The Auditor hints that EPI's final negotiating position was one that MAST ought to have accepted, despite absence of the requisite funding. In addition, the Auditor states that MAST ceased negotiating with EPI, when in fact EPI refused to counter to MAST's last offer contained in the Board's March 27, 2003 resolution. In the end, the Auditor's criticisms of MAST's financial analysis notwithstanding, MAST is saving substantially more money than had it contracted with EPI. In comparing MAST and EPI (as projected for FY2004), it appears the Auditor has failed to compare operations offering the same services. For example, MAST's costs include long distance transfers and standby services, which are excluded from the Auditor's calculations for EPI. Other extraordinary costs such as insurance, fuel, small volume payments and the vehicle maintenance incentive, totaling somewhere between \$500,000 and \$1,000,000 annually, were attributed to MAST but not EPI.

System change added risk.

This Follow Up Audit, as well as its July, 2003 predecessor, analyzes MAST's finances, rather than the quality of its services. MAST management recognizes the need to assess the financial cost and benefit of its operational decisions. In the end, since assuming operations on July 1, 2003, MAST has improved service under heightened standards, and done it for less money than had it contracted with EPI.

RECOMMENDATIONS AND RESPONSES

The City Council and the City Manager should implement a strong financial oversight component to whatever model they decide to use to provide ambulance service.

MAST management concurs with this recommendation.

The MAST Board should direct staff to analyze cost of different types of services using unit hour cost.

Although MAST management believes that unit hour cost analysis is appropriate for certain operations, in many instances it is neither practical nor applicable. For example, it is simply not feasible to apply unit cost analysis to determine appropriate subsidies from outside jurisdictions. MAST has made the decision, based on a more appropriate financial analysis, to secure payment from other jurisdictions, hospitals and nursing homes. MAST management believes this is the right path, and will end Kansas City, Missouri subsidizing MAST services for these communities and agencies.

The MAST Board should direct staff to determine reasonable fees based on cost of service and expected collection rate.

MAST management concurs with this recommendation.

The MAST Board should direct staff to analyze financial implications of all operational changes.

MAST management concurs with this recommendation, and has already been engaged in this process for some time.