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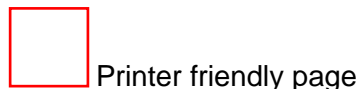
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Special Report



Report from GAO on ambulances services to Medicare patients

The report confirms that Medicare reimbursement is below the average cost per transport for the services provided by ambulance service providers to Medicare patients

The Government Accountability Office (GAO) released its long anticipated report on the costs of providing ambulance services to Medicare patients. The report confirms that Medicare reimbursement is below the average cost per transport for the services provided by ambulance service providers to Medicare patients. The report stated that Medicare payments for ambulance services are six percent (6%) below the national average cost per transport and seventeen percent (17%) below the cost for transports originating in "super rural" areas. The GAO did not find significant cost differences between transports originating in urban and rural areas, other than in "super rural" areas, or regions of the country once the rural mileage payments and the geographical price cost index (GPC) are applied. In conjunction with the release of the GAO report, the AAA released the findings of its internal ambulance cost report.

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Report from GAO on ambulances services to Medicare patients

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As part of the Medicare Modernization Act (MMA) of 2003, Congress requested the GAO to study the "cost, access, supply and quality of ambulance services under the Medicare program." The American Ambulance Association (AAA) applauds the efforts of the GAO to identify the true costs of providing high-quality ambulance services and the disparity between what the federal government pays for these services and the actual costs incurred by providers. This disparity will unfortunately ultimately jeopardize patient access to critical, life-saving ambulance and first responder services.

According to the most recent data from the 2006 AAA Ambulance Cost Study, by Direct Research, LLC, Medicare average payment per transport is eight percent (8%) below the average cost per transport. This figure and the 6% from the GAO report does not include the Medicare share of uncompensated care or bad debt on Medicare beneficiary co-pays and deductibles and assumes no margins for providers to finance capital improvements in technology, communications systems, equipment and facilities and assumes no reserve capital for responding to a natural disaster or terrorist attack.

Collectively, the GAO and AAA reports found:

Ambulance providers are paid substantially below their average costs to provide services to patients covered under Medicare.

GAO = Medicare payments in 2004 were 6% below cost for the national average and 17% below cost for "super rural" areas

AAA = Medicare payments in 2004 were 8% below average cost per transport

Medicare's share of transports is greater than Medicare's share of payments.

GAO = Medicare patients represent 40% of total transports while comprising only 31% of total revenue.

AAA = Medicare patients are the largest share of total transports for ambulance providers representing 44% of total transports while comprising only 41% of total revenue.

Ambulance services provide more uncompensated care than any other major healthcare provider groups.

AAA = The average uncompensated care burden for ambulance service providers ranges from 10.8% to 16.5% of all ambulance care. By comparison, hospitals report an average of 5.6% in uncompensated care, while physicians report an average of 4.3%. The GAO report did not address uncompensated care.

The AAA estimates that the Medicare shortfall is even greater than reported by the GAO based on the underlying calculations and assumptions that could significantly impact the overall findings. For example, the GAO study included volunteer ambulance companies in the analysis, defined here as companies with more than 20 percent of labor from volunteers. The presence of significant volunteer labor in the GAO report understates the estimated average cost of ambulance transports in all areas but especially in rural areas where volunteer labor is more prevalent. Additionally, based

on the Medicare bad debt burdens of other health care providers, Medicare margins are estimated to be roughly 3% points lower than those shown by the GAO.

On May 3, Senators Charles Schumer, Trent Lott and Kent Conrad and Representatives Mike McNulty, Tom Reynolds, Chip Pickering and Tom Allen introduced in their respective chambers the Medicare Ambulance Payment Extension Act. (S. 1310, H. R. 2164). If enacted, the legislation would extend relief from the Medicare Modernization Act with an increase of 5 percent in 2008 and 2009 for all ambulance service providers. The AAA estimates that the extension would provide an estimated \$341 million in additional Medicare relief which would help sustain ambulance service providers until a long-term, permanent solution to the problem of below cost reimbursement can be addressed.

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