

Chapter 7

Department of Health and Community Services Ambulance Services

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Department of Health and Community Services Ambulance Services

Background

7.1 In our 1996 Report we commented that the Ambulance Services program of the Department of Health and Community Services has, and continues to be, the subject of much study. In fact several studies, with accompanying discussions and debate, led to the Legislative Assembly assenting to the New Brunswick Ambulance Services Act (Act) in 1990. In 1992 the new Act was proclaimed, giving the Department responsibility for the development throughout the Province of a balanced and effective system of ambulance services. This recognizes that effective and efficient ambulance service is an essential service to all New Brunswickers.

7.2 The Department contracted to provide this service to the public through a network of hospital corporations, municipalities, not-for-profit organizations (e.g. St. John Ambulance) and businesses. Until 1996 St. John Ambulance (SJA) was the service provider in 26 locations around the Province. Departmental staff noted that this represented 37% of the total service locations in the Province and just under 20% of the service volume. However in the spring of 1996 St. John Ambulance announced it was withdrawing from the delivery of ambulance services. At the time of our 1996 Report, the Department was in the midst of hiring replacement service providers for SJA.

7.3 As SJA was volunteer-based, and government funding minimal, we expected funding requirements to rise appreciably once the new service providers were in place. To show the impact of the loss of SJA, we planned to review the costs of the replacement services and compare these with 1995 SJA costs.

7.4 In our 1996 Report we also stated that user fees varied widely across the Province. We commented that the mix of provincial and other sources of funding for each service provider varied widely as well. We were concerned that the lack of funding guidelines may have led to inequities in funding. At the time of our 1996 Report, the Department was in the midst of reviewing fees and other funding-related issues, but no

final decisions had been made. Given this, we believe it is important to update our previous observations in our 1998 Report.

Scope

7.5 Our work on the Ambulance Services program started in 1996. At that time we completed preliminary interviews with departmental staff and other parties who provided ambulance services to the public. We also reviewed several reports including a key legislative committee report entitled “*Ambulance Services in New Brunswick*”. Finally, we performed some financial analysis on various cost of service issues. However, because of the significance of the withdrawal of SJA service providers, we decided to delay most of our work on funding until the 1998 fiscal year.

7.6 In 1997 we continued our work and reviewed the consequences of the withdrawal of services by SJA. We determined the annualized funding costs to government of the services replacing SJA and compared these to 1995 SJA costs.

7.7 We also reviewed and discussed changes in the departmental funding policy to determine how they might impact on our 1996 Report observations regarding inequities in funding and user fees.

Results in brief

7.8 Replacing St. John Ambulance volunteer services with new providers will cost the Province over \$2.8 million per year. This represents an increase in costs of 268%.

7.9 We recommend the Department assess the private sector model and compare the incremental benefits to the increased costs. Results should be reported to the Legislative Assembly.

7.10 We recommend the Department continue to work to develop funding guidelines and standards to use both in determining compensation rates for sole source providers and for evaluating requests for proposals.

7.11 In its new funding policy the Department established standardized user fees throughout the Province.

7.12 The Department is establishing performance indicators for providers and will be holding providers accountable for meeting these indicators. The Department has indicated incentives or penalties will be attributed to providers depending on the level of performance achieved.

Replacement of SJA volunteer service providers

7.13 It is important at the outset that the reader understands why it became necessary to replace the SJA volunteer service providers.

7.14 In our interviews with SJA personnel in 1996 and 1998, staff told us that the proposed departmental requirement that two emergency medical technicians (EMT1s) be on each ambulance call would be

impossible for SJA to meet. Further, SJA staff noted an increasing difficulty in attracting enough volunteers and, as a result, several SJA providers were already having problems in meeting the existing “24-hour on call” ambulance staffing requirement. SJA staff believed that if volunteers on ambulance calls had to take EMT1 training on their own time, volunteers would be even more difficult to attract. SJA staff concluded that if government established the new “two EMT1’s standard”, SJA would have serious concerns regarding their ability to continue to provide ambulance services.

7.15 SJA personnel also expressed frustration with the government’s funding policy. Until 1995 SJA was the only service provider for which the Department covered any operating deficit. However, starting in 1996, the Department decided that SJA would have to absorb any deficit. SJA officials made it known that they were very concerned and that they would not be willing to absorb the deficit. SJA staff noted the Department was only paying SJA approximately \$800,000 annually to provide ambulance services in its 26 locations around the Province. SJA estimated that if they did not provide the service, the cost to government of replacing these services would be \$2-3 million annually.

7.16 The Department did offer a new funding arrangement to SJA where user fees would be established for their ambulance service and these fees would be used to partly fund their operations. However the establishment of user fees was unacceptable to SJA due to its long established principles of operation. Whether the Department and SJA could, or should, have arrived at a compromise arrangement, was not something we examined further. However an agreement between these parties might have saved the taxpayers of the Province significant dollars, as will be seen in a later analysis.

7.17 As a result of the above concerns, and the parties’ inability to arrive at a mutually acceptable funding agreement, SJA decided in 1996 to no longer provide ambulance services in the Province. To date, the requirement that two EMT1’s be on each ambulance has never been implemented.

7.18 However, departmental staff informed us that 78% of patients are now transported with at least two EMT1’s on the ambulance, although with rural non-salaried operations the rate is lower.

7.19 After SJA’s withdrawal, the Department engaged replacement providers. In several cases the Department took the opportunity to replace several service providers with one larger provider. By doing so, some economies of scale may have been achieved.

7.20 In Exhibit 7.1 we compared the 1995 costs of SJA services with the annualized costs of these services today. One should note that the 1995 costs for Miramichi City include \$249,318 of non-SJA costs. Since the

replacement service included locations once served by SJA and a non-volunteer type provider, this was necessary for comparison purposes.

Exhibit 7.1

Cost increases in ambulance services delivery

Delivery area	Annualized Costs		\$ Increase	% increase
	Current	1995		
Kent County	\$443,394	\$95,289	\$348,105	365 %
Shediac-Cap Pele	247,857	70,363	177,494	252 %
Peticodiac/Salisbury	134,236	40,902	93,334	228 %
Hillsborough/Riverside-Albert	305,350	56,729	248,621	438 %
Campobello	138,530	36,953	101,577	275 %
Kingston Peninsula	63,081	18,816	44,265	235 %
Boiestown/Doaktown	508,449	89,003	419,446	471 %
Keswick/Stanley	286,974	26,903	260,071	967 %
Carleton-York	583,464	71,019	512,445	722 %
Baie St Anne/Rogersville	491,571	99,454	392,117	394 %
Sub total	3,202,906	605,431	2,597,475	429 %
Miramichi City	673,140	446,884	226,256	51 %
Total	\$3,876,046	\$1,052,315	\$2,823,731	268%

7.21 The exhibit shows the cost increase attributable to replacing SJA volunteer service providers with new providers to be 268% or \$2,823,731. If we exclude Miramichi City from the calculation, as it was a mix of non-SJA and SJA providers, the increase would be 429%. The 1995 costs represent provincial government funding only and do not include unknown services in kind received from local groups, municipal cross-subsidy, fundraising, or donations.

7.22 Replacing these volunteer ambulance services with new providers resulted in a large cost increase to New Brunswickers. However, some qualitative benefits were reportedly obtained. Although SJA was meeting the required standards in most cases, it was experiencing increasing difficulties in attracting qualified volunteers. As noted, some SJA providers were experiencing difficulty in meeting the 24-hour on call ambulance staffing requirement and/or having a qualified EMT1 on each call. The new providers must meet these standards or they may be subjected to penalties. This could ensure an improved level of service for New Brunswickers. In this regard, however, the reader should note our 1997 Report documented significant weaknesses in the Branch's inspection systems and practices. The Department will need a revitalized inspection system in order to ensure the replacement operators attain the high standards envisioned.

7.23 We recommend the Department assess the success of the private sector model and compare the incremental benefits to the

increased costs. We promote accountability in our work and in this regard we suggest the results of this analysis appear in the departmental annual report.

Equity in funding service providers

7.24 In our 1996 Report we observed that while the Act allowed the Department to pay grants and to share in the cost of ambulance services, there were no other legislated monetary guidelines specific to the program. Consequently the mix of public dollars, user fees, and fund raising used to finance each service in the Province varied widely and the question of fairness in departmental funding arose.

7.25 With the withdrawal of services by SJA, many service providers are now selected through requests for proposals (RFPs). As a result, departmental funding for these providers is not determined by any formula established by the Department, but rather by whatever the market price is.

7.26 However, there are still many ambulance services that the Department funds without using a request for proposals. While our concern with equity in departmental funding still exists, the Department states it is working to eliminate inequities. To accomplish this the Department is trying to establish appropriate standards or funding guidelines for the various facets of the providers' operations, which it plans to use in future funding contracts with these providers. At the time of our review, the Department was reviewing the experiences of providers to determine what funding is appropriate. Five-year contracts will be signed with these providers. This enhanced knowledge of costs should help the Department in evaluating tenders and RFPs. This is especially useful in ensuring profit margins remain reasonable in these quasi-monopoly situations.

7.27 **We recommend the Department continue to work to develop funding guidelines and standards to use both in determining compensation rates for sole source providers and for evaluating RFPs.**

User fees

7.28 As noted in our 1996 Report, departmental studies showed large variances in how much individual residents of the Province were charged for ambulance usage. In many cases users were not charged for the service but in others they were charged up to \$400 for a motor vehicle accident call. Variances also existed in the per-kilometer fee. Various studies and committees recommended user fees continue to be charged but disagreed as to who should set them. We expressed our concern regarding the equitability of these user fees in that Report.

7.29 **In its new funding policy the Department established standardized user fees throughout the Province.** In most cases patients pay \$275 regardless of distance traveled. However, where ambulance services are provided by volunteer-type ambulance services, patients pay only \$100.

Performance indicators

7.30 We were pleased to note that contracts either now have, or will have, performance indicators. These contracts will require that providers meet all standards established by the Department or risk being penalized for not doing so. Penalties can be as high as 10% of the annual contracted amount or actual loss of the contract.

7.31 In cases where the provider has exceeded performance indicators a bonus is available. The incentive will be a one-year contractual extension or up to 5% of the total annual value of the contract (calculated by formula) for each year where performance targets are exceeded. The selection of the extension versus financial incentive will be at the discretion of the Department. The extensions are one-time, but can be re-earned. A mandatory value-for-money audit will be performed at the four-year mark for each contracted vendor.

7.32 We support the enforcement of meaningful accountability in these contracts. Again, we would like to emphasize that it is important that the Department implement the recommendations in our 1997 Report for strengthening its inspection service.

7.33 **The Department is establishing performance indicators for providers and will be holding providers accountable for meeting these indicators. Incentives or penalties will be attributed to providers depending on level of performance achieved.**