

Fiscal Note

BILL # HB 2407

TITLE: ambulances; mileage rate calculation

SPONSOR: Griffin

STATUS: House Engrossed

PREPARED BY: Morgan Dorcheus

Description

The bill would specify what factors the Department of Health Services (DHS) can consider when determining mileage rates for ground ambulances.

Estimated Impact

We are not able to determine a fiscal impact in advance. The overall impact on ambulance provider funding will depend on how DHS implements the bill. DHS would ultimately have to evaluate the allowed factors to determine the change in reimbursement rates.

The impact on state costs will depend on how the new rates affect the Medicaid program and state employee health insurance. Medicaid pays 68.59% of the DHS rates.

Analysis

Current statute requires DHS to adopt rules for regulating ambulances services, which includes rules for determining base rates for basic and advanced life support, mileage rates, and standby and subscription services. A.R.S. § 36-2232 specifically states that DHS may establish a rate and charge structure as defined by federal Medicare guidelines.

DHS' current rules state that when evaluating a proposed mileage rate for ground ambulances, the department considers the following factors:

- Cost of licensure and regulation of each ambulance vehicle
- Cost of fuel, tires, and vehicle maintenance and repair
- Cost of mechanic wages, benefits, and payroll taxes
- Cost of insurance and loan interest related to vehicles
- Cost of the weighted allocation of overhead
- Cost of vehicle depreciation
- Cost of reserves for replacement of vehicles and equipment
- Mileage reimbursement as established by Medicare guidelines for ground ambulance services

The bill would codify the department's current rules for determining mileage rates, but would eliminate the department's ability to use federal Medicare guidelines as a considering factor. To the extent that removing Medicare guidelines as a considering factor alters the rate schedule, costs to the state may change. The Arizona Health Care Cost Containment System (AHCCCS) pays ambulance-related claims for individuals enrolled in state Medicaid plans and current statute sets ambulance provider rates at 68.59% of the DHS rate. State costs may also change for paying claims of state employees and their dependents with state health care coverage.

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DHS' current rules also state that the established rates shall provide for a rate of return that is at least 7% of gross revenue. If the bill results in changing mileage rates, base rates would be adjusted as necessary for compliance with the 7% rule. Our understanding is that bill may result in DHS adopting lower mileage rates for certain providers where the Medicare guidelines are currently serving as justification for increasing the provider's rate. Consequently, the provider's base rates would increase to meet the department's standard for a certain rate of return. As a result, we do not expect that the overall rates of return for ambulance services would be significantly impacted by any change in mileage rate.

While the overall rate of return for providers may not change, costs to the state may vary depending on usage. If an ambulance is dispatched on a service call, but the individual does not need to be transported, only the base rate would apply. If the individual is transported, they would pay both the base rate and the mileage rate. Therefore, if the bill results in overall lower mileage rates and higher base rates, any changes in costs to the state would ultimately depend on how many people are transported or not transported after an ambulance call.

Local Government Impact

To the extent that the bill changes ambulance rates set by DHS, costs to local governments could change for paying ambulance service costs for benefited employees and their dependents. The impact cannot be determined in advance.

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