



# INTERNATIONAL ASSOCIATION OF FIRE CHIEFS

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## **ACA 101:**

### ***A Fire Chief's Guide to the Patient Protection and Affordable Care Act***

#### **Introduction**

The Patient Protection and Affordable Care Act (PPACA, P.L. 111-148) was passed in 2010 and ushered in one of the broadest reforms of the American healthcare system. The PPACA is often described as a “three-legged stool” for its three main goals of requiring individuals to obtain health insurance, mandating the minimum “essential benefits” which insurance policies must provide, and driving down the costs of healthcare. Though the PPACA itself makes little reference to the emergency medical services (EMS), it offers immense opportunities as well as challenges for the future of fire-based EMS agencies.

#### **1. What is driving the need for the ACA**

One of the biggest drivers of the PPACA was, and still is, the dramatic increases in cost across the healthcare system. According to a study by the Kaiser Family Foundation, health insurance premiums rose by 9% for families in 2011 and reached an average annual cost of \$15,000 per family.<sup>1</sup> Just as the fire service has struggled with internal coordination on themes such as hose threading, the healthcare system is equally challenged by networks of non-related, non-connected, and uncoordinated components. The wasted time, duplication of tests and procedures, and other consequences uncoordinated activity are certainly among the reasons for the rising cost of healthcare in America.

The significant number of Americans without health insurance is compounding the cost problem and is responsible for another leg of the PPACA. In 2010, prior to the PPACA's passage, 16% of the population (or 50 million people) were without health insurance.<sup>2</sup> The PPACA's creation of insurance marketplaces and a requirement for states to expand Medicaid (the U.S. Supreme Court later struck down the Medicaid expansion requirement) was directly aimed at addressing this issue.

#### **2. What Do Fire and EMS Leaders Need to Know**

When looking at healthcare spending overall, EMS accounts for less than one penny of each dollar spent by Centers for Medicare and Medicaid Studies (CMS).<sup>3</sup> Though direct spending on EMS represents a small fraction of overall healthcare spending, EMS indirectly generates large costs once patients are transferred from ambulances to emergency rooms. The U.S. Centers for Disease Control and Prevention (CDC) reports that from 1997 to 2006, the number of ambulance trips grew by 13%.<sup>4</sup> In 2006, there were more than 18.4 million ambulance transports which accounted for 15.4% of emergency room admissions.<sup>5</sup>

<sup>1</sup> Kaiser Family Foundation. [Average Annual Premiums Top \\$15,000](#). September 27, 2011.

<sup>2</sup> Levy, Jenna. Gallup. [In U.S., Uninsured Rate Sinks to 13.4%](#). July 10, 2014.

<sup>3</sup> Wirth, Steve. Journal of Emergency Medical Services. [The Perfect Storm for Increased EMS Scrutiny](#). July 17, 2014.

<sup>4</sup> California State Assembly, Committee on Health. [Supplemental Provider Reimbursement](#). April 5, 2011.

<sup>5</sup> U.S. Centers for Disease Control and Prevention. [National Health Statistics Report](#). August 6, 2008.

Research has shown that a patient's number and frequency of emergency room visits is associated with their insurance status. Generally, emergency room usage is higher for patients with public insurance (Medicare or Medicaid) than for patients with either private insurance or no insurance at all.<sup>6</sup> Publically-insured patients are not only more likely to visit an emergency room than their privately-insured and uninsured counterparts, but they are also more likely to make multiple emergency room visits each year.<sup>7</sup>

These are important statistics for a fire chief to know since agencies providing EMS generally lose money responding to calls involving publically insured patients. The typical ambulance transport costs in excess of \$1,000; however the transporting agency is unlikely to see a reimbursement from CMS for the full amount. This can lead to a problem where EMS agencies could expect to "lose" more money as the number of patients with public health insurance rises. It is important to keep in mind that while more revenue may come into an agency, that agency could still see rising amounts of "lost" money.

### 3. What May Happen as a Result of the ACA?

Roughly 32 million to 34 million Americans are expected to gain either public or private health insurance as a result of the PPACA. Since insured individuals of any type consume nearly twice as much healthcare than uninsured individuals, EMS utilization will likely increase.<sup>8</sup> Increased call volumes and EMS utilization rates are already being seen in many communities across the United States. If the current statistics hold true in the future, this will likely cause increasing budgetary losses for EMS agencies. These losses may force local governments to choose between raising taxes, finding alternative revenue sources, or reducing emergency services.

As implementation of the PPACA's reforms continue, there will likely be a transition from healthcare providers operating in silos to accountable care organizations (ACOs). The Centers for Medicare and Medicaid Studies (CMS) describes ACOs as groups of doctors, hospitals, or other healthcare providers who voluntarily coordinate the care they are providing to their Medicare patients. CMS offers incentives for healthcare providers to join an ACO by promising to share cost savings with the ACO.<sup>9</sup> Many are also looking at ways to combine ACOs with capitated payments. Rather than CMS or an insurance company paying for each service provided to a patient, capitated payments would provide an ACO with a set payment per enrollee to provide the complete continuum of care for a patient.

### 4. What is Happening Now?

ACOs are continuing to form across the nation as CMS is developing more regulatory language to implement the PPACA's reforms. As of October 2014, CMS reported that there were more than 330 ACOs across the United States. Increasing numbers of providers and insurers are noticing this trend which will likely cause the number of ACOs to continue growing.<sup>10</sup>

In addition to supporting the growth of ACOs, CMS has started a grant program to support innovative healthcare delivery projects. CMS's Innovation Grants will distribute \$1 billion per year for ten years to support these projects.<sup>11</sup> In the field of EMS, CMS has been particularly interested in the cost saving ability of community paramedicine programs. CMS is particularly interested in the possibility of expanding the traditional EMS/9-1-1 response system from a reactionary one to a system which can

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<sup>6</sup> U.S. Centers for Disease Control and Prevention. [Emergency Room Usage Among Adults](#). May 2012.

<sup>7</sup> National Institutes of Health. [Emergency Department Usage](#). July 2008.

<sup>8</sup> Forbes. [Myth of the 'Free Rider' Healthcare Problem](#). February 2011.

<sup>9</sup> Centers for Medicare and Medicaid Services. [Accountable Care Organizations](#). March 2013.

<sup>10</sup> Centers for Medicare and Medicaid Services. [Medicare Shared Savings Program ACOs](#). November 2014.

<sup>11</sup> Centers for Medicare and Medicaid Services. [The Innovation Center](#). October 2014.

monitor a patient after their discharge from a hospital and help connect them with other segments of the healthcare system in order to prevent their return to the hospital. Programs in New York, Arizona, Colorado, and other states have all received considerable support from CMS.

## 5. Principles of Effective Coordinated Systems

The integrated healthcare system of the near future will have six key characteristics. It's important to look these over and think through if and how these will impact your agency – will they be a threat or an opportunity?

- 1) Integrated Entity: A single integrated entity is responsible for providing all services and has financial accountability for the health of a defined patient
- 2) Access to Care: Patients have easy access to appropriate care, including same day, after hours, and culturally competent care
- 3) Coordinated Care: Care is coordinated into a seamless continuum of services and administratively supports enhanced quality through the use of guidelines and practice management systems. Primary care based delivery systems promote appropriate care transitions.
- 4) Availability of Information: Comprehensive electronic patient care records with clinically relevant information are available at the point of care. Information should follow patients between sites of care.
- 5) Quality Improvement: Quality improvement activities and performance measurements are used to enhance delivery of high quality care, improve outcomes, increase value, and enhance patient experience.
- 6) Financial Incentives: Financial incentives are aligned to promote accountability, efficiency, and quality.

## 6. Develop the right mindset

Developing the right mindset across the field of EMS is important in evaluating responses to the PPACA's challenges and opportunities. Reducing cost in the healthcare system will require examining and reducing waste. The goal of waste reduction illustrates why CMS is closely examining moving its payment policies from a fee-based system to a value based system. For the field of EMS, this means thinking about how patients are treated and whether the right treatment is provided for the right complaint. Below are a few considerations to potentially streamline EMS operations in any department:

- Does every patient need multiple units responding in less than five minutes?
- Could some patients be better served through non-emergency, scheduled visits?
- What services can EMS providers do for, rather than to, a patient?

## 7. Path Forward – Doom or Opportunity?

One of the first things each EMS agency needs to do is begin using outcome and performance data to lead to cost effective and appropriate utilizations. Each agency serves a different population and needs to tailor its approach to its population. Analyzing the areas demographics and healthcare data are important; these questions can help serve as a guide for focus:

- What is the average patient's age? A community with a predominantly elderly population has very different needs than a college town.

- What are some of the common injuries and illnesses? Agencies could use proactive approaches to stem the use of EMS for relatively minor, non-emergent calls.
- Who are the principle commercial insurers? Each insurer may have different reimbursement policies which could affect your revenue.
- How many people are uninsured? As these people gain new insurance policies, they will be more likely to utilize the EMS system.
- Are there large numbers of special needs patients? Patients struggling with mental health concerns, homelessness, and drug/alcohol problems need unique solutions.

As you begin to develop your community profile, start thinking outside of the box about connecting with other healthcare partners. Many fire departments are looking to see how they can partner with local hospitals and ACOs. The PPACA is pushing hospitals to decrease the number of days in the hospital for patients without acute symptoms. In reducing these days, hospitals may be penalized if a patient is re-admitted.<sup>12</sup> Fire departments can develop partnerships with their local hospitals and ACOs to monitor these patients and provide transitional care.

The PPACA's reforms can be challenging to navigate, but they can also provide opportunities for new partners and revenue streams. Identify and talk with the hospitals and 1 to see what service you can provide and what partnerships you can develop.

## 8. Conclusion

The PPACA has steered the American healthcare system in a new direction and placed a greater emphasis on healthcare quality and outcome rather than quantity of services provided. While CMS' and private insurers' payment policies haven't yet caught up with this changing focus, they will soon. As the U.S. Department of Health and Human Services continues to roll out the implementing regulations, fire departments need to stay ahead of the change. The PPACA will impact the field of EMS, what you can control however is your preparedness for the change.

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<sup>12</sup> Health Affairs. [Medicare Hospitals Readmission Reduction Program](#). November 2013.

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