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AMBULANCE PROVIDERS

Costs and Medicare Margins Varied Widely; Transports of Beneficiaries Have Increased

GAO Accountability * Integrity * Reliability

Highlights

Highlights of GAO-13-6, a report to congressional committees

Why GAO Did This Study

Since 2004, Congress has authorized supplemental temporary payments, called "add-on" payments, to augment Medicare fee schedule payments to ambulance providers. The add-on payments increased payments for transports in urban, rural, and super-rural (the least densely populated) areas by $175 million in calendar year 2011, according to the Medicare Payment Advisory Commission. In 2007, GAO reported a decline in transports by beneficiaries in super-rural areas and recommended that the Centers for Medicare & Medicaid Services (CMS) monitor beneficiary use of ambulance transports to ensure access to services, particularly in super-rural areas. The Middle Class Tax Relief and Job Creation Act of 2012 required GAO to update the 2007 report. GAO examined, for 2010 (the most recent year complete data were available when GAO began the study), (1) ground ambulance provider costs for transports, (2) the relationship between Medicare payments and provider costs, and (3) beneficiary use of ground ambulance transports. To do this work, GAO sent a survey to a sample of eligible providers based on the 2007 report sample asking for provider costs and characteristics. The sample is representative of all ground ambulance providers that billed Medicare in 2003 and 2010, were operational in 2012, and did not share costs with nonambulance services or air ambulance services. GAO also performed a regression analysis to examine factors that affect costs, analyzed Medicare claims and enrollment data, and interviewed representatives of ambulance provider organizations. CMS reviewed a draft of this report and had no comments.

View GAO-13-6. For more information, contact James C. Cosgrove, (202) 512-7114 or cosgrovej@gao.gov.

What GAO Found

Ground ambulance providers' costs per transport for 2010 varied widely. The median cost per transport for the providers in GAO's sample was $429, ranging from $224 to $2,204 per transport. Provider characteristics that affected cost per transport were volume of transports (including both Medicare and non-Medicare transports), intensity of transports (the proportion of Medicare transports that were nonemergency), and the extent to which providers received government subsidies. Higher volume of transports, higher proportions of nonemergency transports, and lower government subsidies were associated with lower costs per transport. Providers reported that personnel cost was the largest cost component in their 2010 total costs and the biggest contributor to increases in their total costs from 2009 to 2010.

The median Medicare margin, including add-on payments, was about +2 percent in 2010 (meaning that providers' Medicare payments per transport exceeded their overall costs per transport) for the providers in GAO's sample, but Medicare margins varied widely for those providers. When GAO removed the add-on payments, payments decreased for the providers in the sample, resulting in a lower median Medicare margin of -1 percent. Due to the wide variability of Medicare margins for providers in the sample, GAO cannot determine whether the median provider among the providers in the population that the sample represents had a negative or positive margin. The median Medicare margin with add-on payments ranged from about -2 percent to +9 percent, while the median Medicare margin without add-on payments ranged from about -8 percent to +5 percent.

Ground ambulance transports for all Medicare fee-for-service beneficiaries grew 33 percent from 2004 to 2010. Transports by beneficiaries nationwide grew the most in super-rural areas (41 percent) relative to urban and rural areas. The increase overall is attributable primarily to an increase of 59 percent over this period in basic life support (BLS) nonemergency transports, which include noninvasive interventions, such as administering oxygen. In comparing this growth by service area, BLS nonemergency transports in super-rural areas grew the most—by 82 percent. Representatives from an ambulance provider organization suggested the increase in transports may be from increased billing by local governments. Some local governments that used to provide Medicare transports free of charge may bill Medicare now because of increased budgetary pressures. The Department of Health and Human Services Office of Inspector General has cited improper payments—which can be the result of billing mistakes—as one potential cause for increases in Medicare ambulance utilization and has stated that the Medicare ambulance transport benefit is highly vulnerable to abuse, with some payments for transports not meeting program requirements.