

To: Boards of Selectmen, Town Administrators, Aquinnah, Chilmark and West Tisbury

From: Richard Knabel **Date:** October 13, 2011

RE: Draft Agreement Re Tri-Town Ambulance Service

Attached for your review and consideration is a revised draft of an agreement. This revision resulted from the discussion at our joint meeting in September, and my subsequent meeting with Tim Carroll regarding Chilmark's administrative concerns.

The changes in language are essentially minor as most of the issues were resolved at our September meeting. The two important unresolved issues of cost and revenue sharing remain to be addressed.

The questions concerning the amount of the Tri-Town budget that is fixed vs. how much is related to activity level (call volume), which was addressed to the Chief, has produced the answer that because Tri-Town is now an ALS service the costs, other than a small amount (gasoline, wear-and-tear etc.), are not related to call volume, but are driven by personnel costs, which are responsive to state requirements for ALS staffing.

This response doesn't address whether the Tri-Town budget needs to be at its current funding level, which is obviously a separate matter. A closer look at the budget by the new governance committee might be able to reduce the amount paid by each town regardless of the formulas for cost and revenue sharing that are ultimately adopted.

Please feel free to contact me before the October 20 meeting if you have questions and concerns.

WORKING DOCUMENT – V.2 10/13/11

DRAFT AGREEMENT RE TRI-TOWN AMBULANCE SERVICE

This agreement is entered into on the first day of December, 2011 among the Towns of Aquinnah, Chilmark and West Tisbury, each a municipal corporation situated in the Commonwealth of Massachusetts.

WHEREAS, the three Towns have since 1976 joined in a three party agreement to promote the health and welfare of the inhabitants of said Towns and other persons therein, by providing an ambulance service, now known as Tri-Town Ambulance Service, in accordance with the requirements of Massachusetts General Laws c.111C and rules and regulations of the State Department of Health and Emergency Medical Care Advisory Board promulgated thereunder; and

WHEREAS, each Town has acquired an ambulance to be operated jointly for their mutual benefit, and to be garaged in their respective towns, and the procedures and policies for the operation and maintenance of said ambulances being determined by the Ambulance Service governance committee established by said three party agreement, hereinafter defined; and

WHEREAS, the Town of Chilmark acts as fiscal agent for the three Towns without charge therefore, facilitating the maintenance, repairing, dispatching, insuring, and operation of the ambulance, receiving bills therefore, and receiving payment from each of the three Towns of that Town's share, as hereinafter defined, and paying such bills promptly, provided however, that the Tri-Town Ambulance Service through its Chief shall not incur obligations in excess of the then remaining balance of the Tri-Town Ambulance Fund, described below;

NOW THEREFORE, in consideration of the agreements herein contained, the Towns of Aquinnah, Chilmark and West Tisbury agree as follows:

1. Each of the towns hereby consents to the Town of Chilmark acting as the fiscal agent for each in processing the expenses of and receiving revenues for the operation of the Tri-Town Ambulance Service, hereinafter referred to as Tri-Town.

(a) The Town of Chilmark hereby agrees to act as fiscal agent for the three towns as herein provided without charge therefore.

(b) The Town of Chilmark hereby agrees to create and maintain a segregated account called the Tri-Town Ambulance Fund into which will be deposited the respective shares of the Tri-Town budget from each town. Such revenues for service as may be received by Tri-Town shall be held separately in an account called _____.

c) Each town hereby agrees to forward to the Town of Chilmark for deposit into the Tri-Town Ambulance Fund its entire appropriation for its annual share of the Tri-Town budget by July 30 of the fiscal year for which the appropriation is made.

d) The Town of Chilmark hereby agrees to pay promptly all bills incurred by the operation of Tri-Town from the Tri-Town Ambulance Fund.

(e) The Town of Chilmark hereby agrees to provide an annual accounting of all expenses paid and revenues received in the previous fiscal year for the operation of Tri-Town, and monthly reports are available upon request.

2. All costs incurred and revenues received in the operation of Tri-Town shall be shared as follows:

a) All costs for maintenance, repairing, insuring, licensing and outfitting of the ambulances and support vehicles shall be shared equally by the member Towns.

b) All other costs shall be divided.....

(Unresolved)

c) Revenues received by Tri-Town as insurance reimbursements shall be distributed as follows: 20% to the Capital Improvements and Replacement Fund. The remaining 80% to be credited to the member towns by the following formula...

(Unresolved)

3. The Ambulance Governance Committee (the Committee) shall consist of three Selectmen, one from each Town, with the Chief of Tri-Town and the Martha's Vineyard Hospital Director of Emergency Medicine both serving ex-officio without a vote. The Committee shall make policy decisions, conduct annual evaluations of the Chief, review and approve the annual proposed budget presented by the Chief. All operational decisions shall be the responsibility of the Chief.

4. The chairmanship of said Committee shall be rotated on an annual basis, except that a member newly appointed to the Committee shall not be required to assume the Chair until having served on the Committee for at least one year.

5. The Committee shall be responsible for personnel searches to fill the position of Chief of Tri-Town. The Committee shall recommend to the three

boards of selectmen their nominee for the position. The three boards of selectmen, meeting in joint session, shall make the appointment by a majority vote of each board. Removal of a Chief shall also require a majority vote of the three boards of selectmen meeting in joint session.

6. The Committee shall be responsible for evaluating on an annual basis the performance of the Chief in accordance with the Personnel Bylaw of the Town of Chilmark.

7. The Committee shall meet quarterly to conduct such business as may come before it. The Chair or the Chief may call a special meeting for circumstances demanding attention between quarterly meetings.

8. All Tri-Town personnel shall be subject to the Town of Chilmark personnel bylaw.

9. The Chief shall be responsible for conducting personnel searches for such other paid positions as may be approved by the Committee and appropriated for by the towns, , and shall recommend to the Committee the hiring, and termination, of such personnel as necessary. The Chief shall take the decisions of the Committee in personnel matters to the Chilmark Selectmen for their approval.

10. The Chief shall be responsible for preparing and submitting to the Committee an annual budget for the operation of Tri-Town for the following fiscal year no later than December 31 of the previous calendar year. The Committee shall review and approve a budget prior to its submission to the various Finance Committees of the three member towns.

(Note: The intent here is for the Committee to reach consensus on a budget no matter how it is worded. - RK)

APPROVED:

Board of Selectmen
Town of Aquinnah

Board of Selectmen
Town of Chilmark

Board of Selectmen
Town of West Tisbury

Notes:

The primary changes that have occurred in providing ambulance service since 1978 are these: (Not all of them affect the agreement)

- 1) There are now three ambulances not one.*
- 2) Advanced Life Support (ALS) has been adopted Island-wide.*
- 3) The service is no longer volunteer based, but is pay/shift providing 24/7 availability of EMTs and paramedics, and with the FY 2012 budget seeks to make it even more reliant on full-time paid staff than before.*
- 4) The service now bills insurance companies and individuals for all calls even though some of the bills to individuals without insurance are subsequently waived. The waiver process needs to be reviewed, i.e., who does it, and what criteria are in place for decision-making? When Tri-Town had one ambulance and operated solely with volunteers, it was truly a regional entity. Now with three ambulances, ALS, and third party billing, the cost of each run is essentially valued at the amount billed to the insurance company or individual. Should this revenue be divided equally? Or should the individual towns be credited with a share of the revenue approximately equal to the share of total calls that town generates?*
- 5) State law, I'm told, now makes it illegal to deny service to a member town for whatever reason, and EMTs and paramedics are required to render service or lose their certification. Therefore the penalty clause in Section 4 of the existing agreement is not legal, and has been deleted from the draft revision.*

The issue of possibly revising the equal cost sharing and insurance revenue raises the question of whether Tri-Town is truly a regional entity, or an administrative accounting device for keeping track of the different call volumes in the member towns. Thus if there is going to be a formula for

proportional cost sharing, a number of issues must be discussed. And no formula will be perfect. Here are some of the issues that occurred to me:

- 1) What are the fixed costs of providing a 24/7 ambulance service to the member towns before there is even the first call? A useful exercise would be to determine what the base cost would be to a town if all three towns maintained independently licensed ambulance services.*
- 2) Is there a population factor for base costs?*
- 3) If the judgment is that all the costs are base costs, and essentially independent of the town size and ambulance demand level then equal cost sharing would seem to be the only solution.*
- 4) What, if any, is the incremental cost generated by the different levels of activity that occur in each town beyond gasoline, wear-and-tear, and medical supplies consumed? Is paid staff time a variable or a fixed cost?*
- 5) How large is the effect of the summer population on ambulance activity? Is the seasonal increase equally distributed among the three towns? Is there a geographic pattern? Or is it more random?*
- 6) How should the insurance reimbursements be distributed? Should the reimbursed cost for each run be credited to the town which responded to the incident? Or should they be distributed on the basis of total ambulance activity? Billing is predicated partially on what treatment was provided during the run to the hospital, and on the length of the run. It is therefore specific to the incident.*
- 7) Since insurance reimbursements are a revenue source, which currently are divided by putting 20% of the total into a capital replacement fund, and dividing the remainder equally between the member towns, should the insurance revenue generated by each town be seen as an additional contribution credited against their next assessment?*
- 8) Many of the bicycle and moped accidents in summer occur to seasonal people or vacationers, not residents of the town in which the accident*

- occurs. Mutual aid to down-Island towns works both ways. Should these calls be absorbed as a fixed cost shared equally?*
- 9) *How should the capital replacement costs for ambulances be handled? Joint ownership of all three ambulances is the implicit current arrangement, although the ambulance in Aquinnah is donated by the Tribe. Are all three towns subject equally to the cost (or credit) of replacement of any vehicle? Shouldn't the ambulances be rotated so as to distribute the use (wear and tear) more equally? At present Aquinnah's ambulance gets far less use than the other two. Would having only two ambulances significantly reduce costs, but still maintain service at its current levels?*

Data:

The call data presented below are from a summary sheet prepared by Aquinnah for the February 2011 meeting of the combined BOS. A note describes the disputed call data for 2010. Budget data was also taken from the Aquinnah summary, and from the budget data presented by the Tri-Town Committee during the 2011 budget approval process. The computation of averages and percentages was done by me. It is intended to be informative.

Analysis:

In an effort to anticipate some questions, and for the purposes of discussion, I analyzed six different scenarios for possible cost sharing using different sets of assumptions other than the current formula. These are meant merely to show the impact of each scenario on each town's share, and don't constitute any proposal as such. There are many more variations on this theme, including using strictly town population ratios that can be plugged into a spreadsheet. If anyone wants to test a different set of

assumptions not included here tell me what they are, and I will happily provide the result.

For everyone’s thought and consideration,

Richard Knabel

June 25, 2011

Table I

Tri-Town Call Volumes FY'2006-2010

	Aquinnah	Chilmark	W. Tisbury	Total
FY'2006	33	113	217	363
FY'2007	32	112	203	347
FY'2008	27	95	214	336
FY'2009	39	108	188	335
2010*	46	128	191	365
Average	35.4	111.2	202.6	349.2
Percent	10%	32%	58%	

*Data is in dispute. Anomalously high data were presented at the February 2011 meeting of the combined BOS indicating a 35% higher overall call volume in 2010 than the average. The data presented here are from the AmbuPro summary report for calendar year 2010.

Table II

Tri-Town Budgets FY'2006-2012

		% Increase
FY'2006	\$278,097	-
FY'2007	\$339,966	22%

FY'2008	\$374,586	10%
FY'2009	\$287,124	-23%
FY'2010	\$311,043	8%
FY'2011	\$452,995	46%
FY'2012	\$641,834	42%
Overall Percent Increase		131%
Compounded growth rate		14%

Scenario #1 Assumptions:

Fixed costs = 2/3 of total budget, and are divided equally.

Use-based costs = 1/3 of total budget, and divided by mileage share.

Percentage share of calls is derived from the averages (Table I above).

Percentage share of ambulance mileage, which is a measure of ambulance use and staff time, is derived from multiplying the average number of calls (Table I, above) by the number of average miles each call incurs. A call from Aquinnah to the hospital generates an average of 40 ambulance-miles, Chilmark 30, and W. Tisbury 22. This is admittedly a rough measure of mileage. There is no easy way to determine mileage more precisely at the moment.

Insurance revenue is divided by call percentages (Table I, above).

Tri-Town Proportional Sharing Analysis

(Mileage)

Based on FY'2012 Budget

Total Budget:	\$641,834	Percent Share of Mileage		
Fixed Costs:	\$428,103	Aquinnah	Chilmark	W. T.
Use Based Cost:	\$213,731	15%	36%	48%
Insurance Reimbursal:	\$161,000	Percent Share of Calls		
		10%	32%	58%

Proportional

	Use \$	Fixed \$	Insurance	Assessment	% Share
Aquinnah	\$32,060	\$142,701	\$16,100	\$158,661	33%
Chilmark	\$76,943	\$142,701	\$51,520	\$168,124	35%
W. T.	\$102,591	\$142,701	\$93,380	\$151,912	32%

The result is that costs are essentially shared equally as they are now.

Scenario #2

Assumptions are the same as in Scenario #1 except that revenue is shared equally, essentially applying it to reduce fixed costs.

Tri-Town Proportional Sharing Analysis

(Mileage)

Based on FY'2012 Budget

Total Budget:	\$641,834	Percent Share of Mileage			
Fixed Costs:	\$428,103	Aquinnah	Chilmark	W. T.	
Use Cost:	\$213,731	15%	36%	48%	
Insurance Reimbursal:	\$161,000	Percent Share of Revenue			
		33%	33%	33%	
	Proportional				
	Use \$	Fixed \$	Insurance	Assessment	% Share
Aquinnah	\$32,060	\$142,701	\$53,613	\$121,148	25%
Chilmark	\$76,943	\$142,701	\$53,613	\$166,031	35%
W. T.	\$102,591	\$142,701	\$53,613	\$191,679	40%

This results in a reduction of share for Aquinnah, and an increase for W. Tisbury, leaving Chilmark more-or-less the same.

Scenario #3

Assumptions are the same as Scenario #2 except that instead of ambulance-miles, the percentage of calls in each town defines the use cost.

Tri-Town Proportional Sharing Analysis (Calls)
Based on FY'2012 Budget

Total Budget:	\$641,834	Percent Share of Calls			
Fixed Costs:	\$428,103	Aquinnah	Chilmark	W. T.	
Use Cost:	\$213,731	10%	32%	58%	
Insurance Reimbursal:	\$161,000	Percent Share of Revenue			
		33%	33%	33%	
	Proportional				
	Use \$	Fixed \$	Insurance	Assessment	% Share
Aquinnah	\$21,373	\$142,701	\$53,613	\$110,461	23%
Chilmark	\$68,394	\$142,701	\$53,613	\$157,482	33%
W. T.	\$123,964	\$142,701	\$53,613	\$213,052	44%

This results in a further, but small, reduction for Aquinnah, a small reduction for Chilmark, and an increase for W. Tisbury.

Scenario #4

Scenario 4 assumes the entire budget is fixed costs, and divides it equally.

Revenue is divided by the share of calls.

Tri-Town Proportional Sharing Analysis (Calls)
Based on FY'2012 Budget

Total Budget:	\$641,834	Percent Share of Calls			
Fixed Costs:	\$641,834	Aquinnah	Chilmark	W. T.	
Use Cost:	\$-	10%	32%	58%	
Insurance Reimbursal:	\$161,000	Percent Share of Revenue			
		10%	32%	58%	
	Proportional				
	Use \$	Fixed \$	Insurance	Assessment	% Share
Aquinnah	\$-	\$213,945	\$16,100	\$197,845	41%
Chilmark	\$-	\$213,945	\$51,520	\$162,425	34%
W. T.	\$-	\$213,945	\$93,380	\$120,565	25%

This results in a dramatic increase in cost for Aquinnah, leaves Chilmark more-or-less the same, and results in an equally dramatic decrease in cost for W. Tisbury.

Scenario #5

Scenario 5 assumes that the entire budget is fixed costs, and divides it on the basis of ambulance-miles, as in Scenarios #1 and #2.

Revenue is divided by the percentage of calls from each town.

Tri-Town Proportional Sharing Analysis

(Mileage)

Based on FY'2012 Budget

Total Budget:	\$641,834	Percent Share of Mileage			
Fixed Costs:	\$641,834	Aquinnah	Chilmark	W. T.	
Use Cost:	\$-	15%	36%	48%	
Insurance Reimbursal:	\$161,000	Percent Share of Revenue			
		10%	32%	58%	
	Proportional				
	Use \$	Share \$	Insurance	Assessment	% Share
Aquinnah	\$-	\$96,275	\$16,100	\$80,175	17%
Chilmark	\$-	\$231,060	\$51,520	\$179,540	37%
W. T.	\$-	\$308,080	\$93,380	\$214,700	45%

This results in a 50% decrease for Aquinnah from the current formula, a modest increase for Chilmark, and a dramatic increase for W. Tisbury.

*Scenario #6 assumes all the costs are fixed and divides by the call percentages.
Revenues are similarly divided by the call percentages.*

Tri-Town Proportional Sharing Analysis (Calls)
Based on FY'2012 Budget

Total Budget:	\$641,834	Percent Share of Calls		
Fixed Costs:	\$641,834	Aquinnah	Chilmark	W. T.
Use Cost:	\$-	10%	32%	58%
Insurance				
Reimbursal:	\$161,000	Percent Share of Revenue		
		10%	32%	58%

	Use \$	Share \$	Insurance	Assessment	% Share
Aquinnah	\$-	\$64,183	\$16,100	\$48,083	10%
Chilmark	\$-	\$205,387	\$51,520	\$153,867	32%
W. T.	\$-	\$372,264	\$93,380	\$278,884	58%

This results in a dramatic reduction for Aquinnah, again leaves Chilmark in more-or-less the same place, and increases W. Tisbury's share substantially.