




**OFFICE OF INTERIM MAYOR TODD GLORIA
CITY OF SAN DIEGO**

M E M O R A N D U M

DATE: October 29, 2013

TO: Honorable Marti Emerald, Chair, Public Safety and Neighborhood Services
Committee
Honorable PS&NS Committee Members

FROM: Interim Mayor Todd Gloria 

SUBJECT: Emergency Medical Services

Background

The City of San Diego's current emergency medical services (EMS) contract with Rural/Metro is set to expire on June 30, 2014. A one year extension option is provided in the contract which, if approved, would expire on June 14, 2015.

A request for proposals (RFP) for an EMS provider was prepared by City staff and an outside EMS consultant, the Abaris Group, in 2012.

The San Diego City Fire Fighters, Local 145 has stated its position that the City does not legally need to initiate an RFP process and that the organization desires for the City to in-source EMS so the Fire-Rescue Department would provide the service without a competitive bid process. The City Attorney has advised against in-sourcing EMS and has opined in favor of completing a competitive bid process.

Fire-Rescue Chief Javier Mainar has expressed interest in his department competing through an RFP process to become the EMS provider. Several City Councilmembers have supported Chief Mainar's interest in submitting a bid to become the EMS provider for San Diego. Because the Fire-Rescue Department was heavily involved in the development of the currently available RFP, it would be legally prohibited from bidding on that RFP. For the Fire-Rescue Department to bid, a new RFP would need to be developed without the involvement of Fire-Rescue.

Action

The City of San Diego will release the currently approved RFP to potential bidders while investing in planning and resources to enable the Fire-Rescue Department to better compete in a future EMS RFP process.

I have asked Public Safety and Neighborhood Services Committee Chairwoman Marti Emerald to develop a budget and timeline for this resource planning process, and trust her oversight and involvement will result in Fire-Rescue's RFP readiness.

I have also asked for City staff to prepare for City Council consideration an extension of the Rural/Metro contract for its final option year after negotiating potential amendments to address response time concerns. I expect to update PS&NS about this by February 2014. I anticipate an efficient RFP process but want to ensure continuity of service should the process or implementation extend beyond June 30, 2014.

Discussion

When considering the most appropriate avenue forward, the reliability of the overall system for the ongoing safety of our citizens and our visitors was the key consideration. Fire-Rescue Department personnel are key to delivering effective EMS in the City of San Diego. Their dedication to public safety is unquestionable. Several factors and issues beyond the competency of our personnel must be considered for the overall public good.

In working with Councilmember Emerald, Chief Mainar, Deputy Fire-Rescue Chief Criss Brainard, EMS Program Manager Alyssa Ross, Interim Chief Financial Officer Greg Bych, Financial Management Director Jeff Sturak, Assistant City Attorney Paul Cooper, and Deputy City Attorney John Hemmerling, I found several outstanding questions and issues of concern.

The City's top priority is to ensure the safety of San Diegans. The decision whether to issue the current RFP or develop a new one centered on potential operational impacts. As was raised by Chief Mainar at the September 18, 2013 PS&NS meeting, if the City paid an outside consultant to develop an RFP on which Fire-Rescue could bid, and Fire-Rescue was then not chosen for the contract, San Diego would be left with an EMS system that Fire-Rescue had no say in developing. Fire-Rescue's responsibility continues to include responding to requests for medical aids, and I agree with Chief Mainar that the Department's relationship to and direction over the EMS system is imperative.

According to Chief Mainar, the currently available RFP includes several system improvements developed by Fire-Rescue. I believe there is great benefit to the City and our citizens to implement those best practices so they can be considered in the development of a future RFP on which Fire-Rescue could bid.

In addition to operational concerns, financial issues have also been raised throughout the past year as part of the discussion about the City's EMS system. Many of the concerns were raised by PS&NS members at the September 18 meeting, and others have been raised by City staff in succeeding weeks. The fiscal challenges of our current EMS provider that were raised this summer make clear that the financial strength of the EMS system is necessary to ensure its ongoing function and therefore must be carefully considered.

It has been estimated that acquisition of ambulances to provide the current level of service would cost \$10 million - \$11 million. Increasing our ambulance resources, as has been advocated by members of the public and multiple councilmembers, would increase that initial capital investment. The City, like a private provider, would include those costs in our patient charges, but would need to consider the debt service for those costs in our budget.

Competitive bids for EMS must include financial projections. Collection practices and rates vary considerably amongst EMS systems and jurisdictions. When private companies provide EMS services and their performance or collections come up short from the projections in their bids, those companies or their shareholders are financially responsible. Should the Fire-Rescue Department's performance or collections fall short of projections, the City would be responsible. Developing an EMS Enterprise Fund could be considered as a financially responsible step to protect both the system's and the General Fund's interests if Fire-Rescue were to compete to provide EMS. Several other issues related to collections and system usage make this an unquantifiable variable at this time.

Based on the professional judgment of the City Attorney Office, Proposition 26 may restrict the Fire-Rescue Department from recovering the entire EMS system's cost from the smaller percentage of users who will likely pay. Rural/Metro's last reported collection rate was 38%, and the company is able to factor that lower collection rate into its patient charges. If Proposition 26 is considered more purely, it is possible that Fire-Rescue could only charge each patient for actual services and supplies provided. This would result in the system or the General Fund subsidizing the system considerably for an unknown amount.

The impact of Affordable Care Act's (ACA) recent implementation on EMS use, collections, and payment levels is currently unknown. The City would benefit from additional data and analysis as the ACA is more established.

Other potential negative impacts to the City's financial health are the uncertainty of Proposition B's status and the proposed changes by the San Diego City Employees' Retirement System (SDCERS) to the discount rate. Should the City win the EMS bid, the City would hire emergency medical technicians (EMTs) and paramedics to staff the system, and potentially others to assist with administration. They would be hired under the City's new retirement plan, as required by Proposition B. However, Proposition B's legality is still in question. Also, the discount rate recently proposed by SDCERS from 7.5% down to 7.25% and other adjustments could negatively impact the City's ability to provide services by roughly \$12 million.

Because the City is a public entity, our purchasing ability may vary considerably from a private provider, and we may incur higher costs for vendors and supplies. Further, because the City is self-insured, we would need to consider the need for increasing the public liability fund for the transport side of EMS.

Moving Forward

The RFP that the City will issue continues the current practice of operating with at least one firefighter/paramedic on each fire engine and fire truck and operating with one paramedic and one EMT on each advanced life support ambulance. It improves response time compliance by increasing the number of compliance zones, eliminating the "system busy" exemption to response time compliance, and through other system enhancements. Additionally, the RFP provides for the contractor to pay an annual EMS Operational Fee to the City and face financial penalties for non-compliance. The County of San Diego and State of California approved this RFP via letter on October 5, 2012.

Timeline:

EMS RFP Estimated Timeline	
Event	Timeline
Updates to the City Purchasing Dept. & Department Deputy City Attorney	Thurs., Oct. 31, 2013
City Purchasing Dept. Approval	Mon., Nov. 4
County EMS approval of minor updates	Thurs, Nov. 7
Notice to Mayor's Office / permission to release	Fri., Nov. 8
RFP Documents Available online	Thurs., Nov. 14
Site-Visit (Parking Annex and Facilities at Kearny Villa Road)	Fri., Nov. 22
Thanksgiving Holiday Week	Nov. 25-29
Questions Due from Proposers	Tues., Dec. 3
City Purchasing & Contracting to forward submitted Questions to EMS Program for preparation of answers	Wed.-Fri., Dec. 4-6
City Management and Legal Review/finalization of answers	Mon.-Wed., Dec. 9-11
Addendum uploaded on Internet	Mon., Dec. 16
Holiday Week	Dec. 23, 2013 – Jan. 1, 2014
Proposals Due	Tues., Jan. 21, 2014
Delivery of Proposals to Evaluation Committee	Wed., Jan. 22
Preliminary Evaluations Complete	Fri., Jan. 31
Oral Presentations / Contract Clarification	Mon., Feb. 3
Final Proposal Scoring	By Fri., Feb. 7
Negotiations	February 2014
Notice of Intent to Award	Late February
Last Day to Protest	Mid March
Protest Period Ends	Late March
Preparation of e1472	Late March / Early April
PS&NS	Early April
City Council Hearing, Approval	Mid April
Finalization of Award & Issuance of Notice to Proceed	Late April
Implementation Period	May – Oct (estimated)
New Contract Start	By Jan. 2015 (or at the City's option)

cc: Honorable Jan Goldsmith, City Attorney
Honorable City Councilmembers
Walt Ekard, Chief Operating Officer
Scott Chadwick, Assistant Chief Operating Officer
Javier Mainar, Chief, Fire-Rescue
Criss Brainard, Deputy Chief, Fire-Rescue
Dennis Gakunga, Director, Purchasing and Contracting
Andrea Tevlin, Independent Budget Analyst
Alyssa Ross, EMS Program Manager
Frank DeClercq, President, San Diego City Fire Fighters, Local 145