



HEALTH SERVICES AGENCY
ADMINISTRATION

COUNTY OF SANTA CRUZ

HEALTH SERVICES AGENCY

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February 3, 1999

AGENDA: February 23, 1999

BOARD OF SUPERVISORS

County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

SUBJECT: CAUACEP Emergency Medical Services Fund

Dear Board Members:

On April 18, 1997, Ramon Johnson, M.D., President of the California State Chapter of the American College of the Emergency Physicians (CAUACEP), wrote to your Board regarding the County's administration of the Emergency Medical Services Fund. Dr. Johnson had written a similar letter to the Health Services Agency, dated one day earlier.

The essence of Dr. Johnson's letter was an assertion that Santa Cruz County was out of compliance with State law requiring any County with an EMS fund established prior to June 1, 1991, to support the fund at a level equal to or greater than the amount of the fund during the 1990/1991 fiscal year.

The reason that Dr. Johnson was writing to Santa Cruz County at this time, and was writing to some other counties in the State, was that because of declining revenues from fines and penalty assessments, funding for the EMS fund had dropped below the 1990-91 threshold. The inference drawn from Dr. Johnson's letter, and from subsequent discussions with representatives of his organization, was that the County was expected to subsidize the EMS fund from general fund revenues or other discretionary funds available to the County because of the statutory requirement to maintain the fund at the '90/91 levels.

Following receipt of Dr. Johnson's letter, this matter was referred to the Health Services Agency. The Health Services Agency, in cooperation with the Auditor-Controller, the Administrator of the Courts, representatives of the County Administrative Office and others, reviewed the matter in detail. HSA also consulted with other counties who had received similar inquiries from CAUACEP and with the statewide Emergency Medical Administrators Association.

What was revealed from various discussions and meetings was that Santa Cruz was not unique in experiencing reduced revenues from fines and penalty assessments. And Santa Cruz also

was not unique in having its EMS fund balances vary through the years and, in some instances, fall below the 1990/91 threshold. As far as we were able to discern, a number of counties had received demand letters from CAUACEP, but none had chosen to augment the EMS account from county discretionary revenues.

During the time these discussions were occurring, both locally and on a statewide basis, a second letter, dated April 8, 1998, was received from CAUACEP. This letter, signed by D. Thomas Haskenschiel, M.D., repeated and expanded upon the previous assertions and suggested that the county had calculated its EMS fund deposits in error, with the result that support of health care to the uninsured was in jeopardy. Dr. Haskenschiel opined that statutes required that when County's penalty collections increased, funds available for distribution to physicians and others should increase; but that if funds decreased, the distribution could not fall below the 1990/91 threshold.

Discussions on these matters by members of the County Health Executives Association of California (CHEAC) and the Emergency Medical Services Administrators Association (EMSAA), resulted in a referral to the County Counsel's Association to seek guidance on steps to be taken to resolve this issue. At the behest of counties, Senator Ken Maddy of Fresno County requested the State Bureau of Audits study the management of county EMS funds, and carry out a general review of the issues raised by CAUACEP. This was subsequently done and, on January 25, 1999, the California State Auditor released his review of county Emergency Medical Services funds. The report is 28 pages long and includes a 20-page addendum. A copy of the report and addendum is on file with the Clerk of the Board.

The State Auditor's review focused on six counties: Humboldt, Los Angeles, Sacramento, San Bernardino, San Francisco, and San Joaquin. The audit detailed findings about how each of these counties manage their EMS funds and offered suggestions for corrections.

As part of this review, the State Auditor asked the Office of Legislative Counsel to review the issue of counties experiencing declining penalty assessment revenues. The question posed to the Legislative Counsel was whether counties in such circumstances, such as Santa Cruz, were required to maintain EMS funding levels equal to the funding during FY 90/91. In its opinion, the Legislative Counsel concluded:

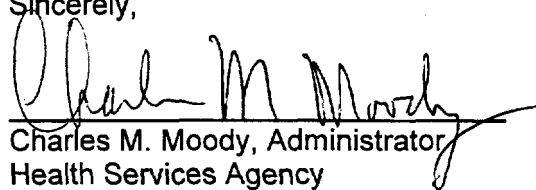
"the legislature intended penalty assessments on motor vehicles and criminal fines and forfeitures to be the source of funding for the county's EMS funds. In this way, the segment of the population with some responsibility in creating emergencies bears a degree of the costs of the emergency medical services. Therefore, the counties should base the deposit of penalty assessment revenues on the amount actually collected in any fiscal year."

This Legislative Counsel opinion confirms that Santa Cruz County's approach to managing the collection and distribution of the EMS fund revenues is appropriate and conforms to State expectations.

Based upon the State's findings, HSA's review of this matter over several years, and consultations with informed representatives within the County and in other counties, it appears that Santa Cruz County's administration of this fund is appropriate and that no additional action is required.

It is, therefore, RECOMMENDED that this report be accepted and filed.

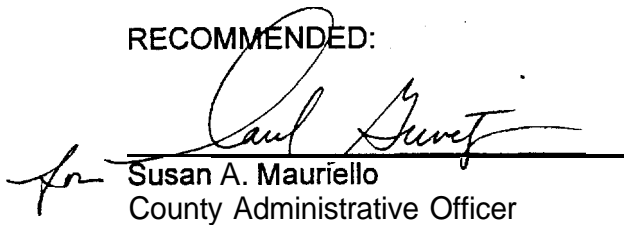
Sincerely,



Charles M. Moody, Administrator
Health Services Agency

CM:js
Attachment

RECOMMENDED:



Susan A. Mauriello
County Administrative Officer

cc: CAO
Auditor-Controller
County Counsel
HSA Administration

California State Auditor/Bureau of State Audits
Summary of Report Number 98109 - January 1999

County Emergency Medical Services Funds:

Although Counties Properly Allocate Money to Their EMS Funds, County Policies and Legislative Requirements Unnecessarily Limit Reimbursements to Emergency Medical Care Providers

RESULTS IN BRIEF

To compensate health care providers for emergency services for the uninsured and medically indigent and to ensure this population has continued access to emergency care, the Legislature enacted Chapter 1240, Statutes of 1987, allowing counties to establish an Emergency Medical Services (EMS) fund. Through EMS funds, counties can reimburse these providers for up to 50 percent of their losses. To date, 43 counties have established EMS funds, which they finance through penalties assessed on certain criminal and motor vehicle fines and forfeitures.

We reviewed the administration of EMS funding and the counties' compliance with laws governing the use of the **funding**, focusing on a sample of six counties of varying sizes-Humboldt, Los Angeles, Sacramento, San Bernardino, San Francisco, and San Joaquin. While the six counties appropriately allocate penalty assessments to their EMS funds, annual deposits into their funds have decreased significantly since fiscal year 1990-91. This downward trend is primarily due to the adverse effects of legislation that diverted money from the EMS funds. EMS fund deposits from state tobacco tax revenues have also declined because of a decrease in cigarette and tobacco purchases.

Additionally, although the counties ensure that reimbursements to EMS providers are consistent with state law, the financial support providers receive is often less than it could be. Because of their own policies and legislative constraints, counties are not fully utilizing EMS funds to reimburse providers. Consequently, the six counties we reviewed have accumulated balances totaling \$30.3 million in their EMS funds. As a result, the counties may deprive health care providers of cost reimbursement when providing emergency medical care.

Finally, we noted weaknesses in the counties' management of EMS fund administrative costs. Although the six counties we visited routinely allocate 10 percent of their EMS revenue for administrative costs, two of the counties could not fully substantiate their administrative charges. Moreover, some counties did not spend the entire amount allocated for administration. Rather, they retained the excess funds in a sub-account to reimburse subsequent years' administrative costs instead of reallocating the funds to other EMS program accounts. The law states that counties can use up to 10 percent of the EMS funds for administration; however, it does not allow counties to carry over the entire amount of unspent administrative funds to cover administrative costs in subsequent periods. As a result, these counties are violating the law's intent by not reallocating the unused administrative funds to all EMS accounts. Further, because they do not reallocate unused administrative funds, counties are not maximizing the benefit to EMS providers by increasing the reimbursement rate for unpaid provider costs.

RECOMMENDATIONS

To maximize financial support for emergency medical service providers and better achieve the objectives of the EMS statutes, we recommend the following actions:

- San Bernardino and Los Angeles counties should consider increasing their existing reimbursement rates in order to fully utilize their growing EMS fund balances. Moreover, all counties with EMS funds should periodically review the status of their EMS fund reserve and adjust reimbursement rates accordingly.

- The Legislature should consider revising the current statute to allow counties the flexibility to exceed the 50 percent maximum reimbursement rate for EMS providers when counties accumulate increasingly large EMS fund balances. Moreover, the Legislature should consider expanding the type of medical services allowed under the current law to enable counties to provide financial relief to other medical service providers incurring unreimbursed costs.
- San Joaquin County should initiate disbursements of the EMS revenues accumulated from court penalty assessments. Additionally, San Joaquin County should make the disbursements on at least an annual basis.
- All counties should use EMS administrative funds solely for EMS program expenses and maintain these funds in separate accounts. They should also reallocate unused administrative funds in a given fiscal year to all EMS accounts based on the percentages described in the Health and Safety Code.
- San Bernardino County should begin depositing interest earned on EMS fund balances from court penalty assessments back into the EMS fund. Moreover, the county should calculate the unpaid interest earned on such EMS balances since January 1, 1992, and deposit those funds into the EMS fund.

AGENCY COMMENTS

We received comments from five of the six counties we reviewed. Humboldt County chose not to provide written comments to the report. In general, the counties agreed with our conclusions and recommendations. However, Los Angeles and San Francisco counties disagreed with our conclusion regarding increasing emergency medical service provider reimbursement rates when available resources exist. San Francisco County also disagreed with our conclusion that the law does not allow counties to carry over unspent administrative funds solely to cover administrative costs in subsequent periods. We provide our comments to these and other concerns raised by the counties after their respective responses.

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