REPORT OF THE COUNCIL ON MEDICAL SERVICE

CMS Report 2-I-18

Subject: Air Ambulance Regulations and Payments

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Referred to: Reference Committee J
(Steven Chen, MD, Chair)

At the American Medical Association’s (AMA) 2017 Interim Meeting, the House of Delegates adopted policy D-130.964, “Air Ambulance Regulations and Reimbursements,” which directs the AMA and appropriate stakeholders to study the role, clinical efficacy, and cost-effectiveness of air ambulance services, including barriers to adequate competition, reimbursement, and quality improvement.

This report provides background on air ambulances including an outline of the various air ambulance business models in the market, discusses the costs and insurance coverage of air ambulance services, summarizes relevant AMA policy, provides an overview of legislative activity on air ambulances, and suggests policy recommendations.

BACKGROUND

Helicopters provide emergency scene responses and interfacility transfers while fixed-wing aircraft provide longer distance airport-to-airport transports. For the purposes of this report, the Council focuses on helicopter air ambulances, which account for about 74 percent of all air ambulances and most of the research on air ambulances. Furthermore, Policy D-130.964 directs the report’s scope to focus on the role, clinical efficacy, and cost for air ambulance services.

Air ambulances are used to expeditiously transport critically ill patients during life-threatening emergencies. Air ambulances are equipped with medical equipment and staffed by medical professionals similar to traditional ground ambulances. Air ambulances are widely considered to have a beneficial impact on improving the chances of survival and recovery for both trauma victims and other patients in critical condition. In some rural areas that lack advanced-care facilities like trauma centers, air ambulances fill a critical gap and provide patients timely access to the treatment they need.

Air ambulances allow for optimization of patient care and outcomes. In emergency medicine, the “golden hour” refers to a time period lasting for about one hour following traumatic injury or medical emergency during which there is the highest probability that rapid medical treatment will prevent further deterioration or death. Air ambulances increase the likelihood of patients receiving needed care within the “golden hour” because of their ability to land at accident sites and quickly fly to nearby hospitals therefore reducing transport times. Unlike other aviation and medical services, air ambulance transfers take place in response to time-sensitive medical emergencies and generally are not scheduled ahead of time. Patients often have little to no ability to make cost-saving decisions before the transport, such as ensuring that the air ambulance provider participates in the patient’s insurance plan.

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It is estimated that more than 550,000 patients in the US use air ambulance services every year. Further, air ambulance services have increased significantly in recent years. In 2002, there were about 400 air ambulances in use across the US, and that number more than doubled to over 800 air ambulances by 2008. This increase in the number of air ambulances has sparked criticism from consumer groups of oversupply and contributing to the overuse of air ambulance services that may not be medically necessary. It is estimated that nearly a third of patients transported via air ambulance helicopter were minimally injured. In addition to possible unnecessary use of air ambulances, other reasons for the growth in the industry include an aging population, a decrease in the number of emergency departments in hospitals, and changes in health care delivery in rural settings.

Air ambulances have emerged as one solution to the problem of rural health care facility closures. A quarter of Americans, or 85 million people, are estimated to be unable to access health care in less than an hour of travel time without an air ambulance, and such ambulances may be the only viable means of transporting patients to the care center they need. However, over the past decade, many states have reported issues with air ambulance providers who are not affiliated with any hospital or insurance carrier.

AIR AMBULANCE BUSINESS MODEL

Air ambulance providers generally function in one of three business models based on the entity that owns the air ambulance and the individuals providing medical services aboard the aircraft. The first model is a hospital-based model wherein the hospital provides medical services and staff and typically contracts with third parties for the pilots, aircraft, and maintenance. The second model is the independent model wherein operations are not controlled by a specific medical facility. Independent models may consist of for-profit or non-profit providers who directly employ the medical and flight crews to provide services. The third model is the government model where a state, municipal government, or military unit owns and operates the air ambulances.

Until 2002, air ambulances were primarily owned and operated by hospitals. However, in 2002, Medicare created a national fee schedule for air ambulances based on a thorough investigation into the “reasonable cost” for emergency medical services (EMS). The national fee schedule had the effect of increasing the Medicare reimbursement rate for helicopter air ambulance transport and in particular raising the rate of payment for rural air transports.

Due in part to the establishment of the fee schedule, for-profit companies established and expanded their air ambulance businesses. Currently, it is estimated that more than half of the air ambulance industry is controlled by four for-profit air ambulance operators. The doubling of the number of air ambulances since 2002 potentially may be attributed to the closure of clinics and hospitals in rural areas.

COST AND COVERAGE OF SERVICES

Patients typically have little to no choice over the service or provider of an air ambulance due to the urgent nature of the transports. Furthermore, air ambulance providers generally do not turn away patients based on their ability to pay and garner payments from patients’ insurance companies. Air ambulance providers typically charge standard rates based on an established lift-off fee and per mile fee for all transports and receive payments from various sources at differing rates depending on a patient’s insurance coverage. Further, the amount paid by private health insurance hinges on whether the air ambulance provider participates in a contract with the private insurer.
Depending on insurance coverage, patients can be billed for air ambulance charges that have potentially significant financial consequences. Costs for the average air ambulance trip run in the tens of thousands of dollars. According to the Centers for Medicare & Medicaid Services (CMS) and private health insurance data, between 2010 and 2014, the median prices providers charged for air ambulance service doubled from about $15,000 to about $30,000 per transport. According to numerous air ambulance providers, privately insured patients account for the largest percentage of their revenue. The median payment that three large national private insurers paid per air ambulance transport increased from about $15,600 to $26,600 from 2010 to 2014, an increase of 70 percent. With insurers under pressure to cut costs, they have been reducing payments for air ambulances.

Although air ambulances account for less than one percent of total ambulance claims, they represent about eight percent of Medicare spending on ambulance services due to their significant cost. Air ambulance providers are not permitted to balance bill Medicare and Medicaid patients beyond deductibles and coinsurance requirements. Patients with private insurance may be balance billed only if the air ambulance provider is out-of-network. Patients without insurance may be billed for the total price of the air ambulance bill. Due to a lack of information, it is unclear to what extent air ambulance providers balance bill.

Numerous factors likely contribute to the high costs of air ambulance services, including the price and maintenance of the necessary equipment and employment of specialized medical personnel around-the-clock. In order to stay in operation, air ambulance providers must earn revenue sufficient to cover their costs. The median cost per base for independent air programs is almost $3 million, with 77 percent of the costs incurred being fixed costs associated with operating a base. To increase revenue, air ambulance providers need to increase the number of transports or the cost charged per transport. According to eight air ambulance providers, the average cost they incurred per transport is between $6,000 to $13,000.

A more thorough look into the factors affecting air ambulance pricing is not possible due to lack of data. For example, the cost incurred by air ambulance providers to provide service is not readily available, and there is no national database with this information. Moreover, there are no data available that address cost differences of air ambulance service capabilities and how cost is affected not only by transport but also service level. In addition, available data are insufficient to discern the prices charged by air ambulances, charges across various air ambulance business models, and charges to individuals with varying coverage statuses. The lack of systematic data collection makes it impossible to determine the market share of particular air ambulance providers and corresponding price information.

LEGISLATIVE ACTIVITY

Though some states have attempted to create consumer protections from costly air ambulance bills, federal preemption has largely prevented state regulation. The Airline Deregulation Act (ADA) of 1978 prohibits states from regulating the price, route, or service of an air carrier for the purposes of keeping national commercial air travel competitive. The ADA applies to air carriers that provide air ambulance services and are, therefore, protected from state attempts to regulate their price, route, and service. Accordingly, air ambulance providers generally are not subject to the price competition that usually occurs in competitive markets wherein high prices will lead consumers to find lower-cost alternatives.
In contrast to air ambulances, ground ambulances are regulated under the Affordable Care Act (ACA) and applicable state laws. However, for air ambulances, such protections are applied only with the model in which the ambulance service is affiliated with the hospital and, therefore, considered an extension of the emergency department service.

Numerous states have attempted to pass legislation to protect consumers from out-of-network air ambulance bills; however, these laws have been preempted by the ADA. Federal legislation is necessary in order to give states the authority to address the issue. Generally, state insurance regulators support legislation allowing states the flexibility to protect consumers from excessive out-of-network charges. Regulators have shown a willingness to regulate how air ambulance carriers are paid, participate in networks, balance bill, and make information transparent to consumers.

RELEVANT AMA POLICY

Policy H-285.904 includes principles related to unanticipated out-of-network care and states that patients must not be financially penalized for receiving unanticipated care from an out-of-network provider, insurers must meet appropriate network adequacy standards, and patients seeking emergency care should be protected under the “prudent layperson” legal standard. Similarly, Policy D-130.975 advocates that insurers pay for EMTALA services regardless of in-network and out-of-network status.

Policy D-130.989 states that legislation and regulation should be used to require all health payers to cover emergency services. Policy H-130.970 promulgates principles on access to emergency services and states that all physician and health care facilities have an ethical and moral responsibility to provide needed emergency services to all patients, regardless of their ability to pay. Importantly, the policy notes that health plans should educate enrollees regarding the appropriate use of emergency facilities. Similarly, Policy H-130.954 supports the education of physicians and the public about the costs of inappropriate use of emergency patient transportation systems and encourages the development of non-emergency patient transportation systems that are affordable to the patient, thereby ensuring cost effective and accessible health care. Moreover, Policy H-130.970 states that all health plans should be required to cover emergency services provided by physicians and hospitals to plan enrollees without regard to prior authorization or the emergency care physician’s contractual relationship with the payer. The policy also encourages states to enact legislation holding health plans and third-party payers liable for patient harm resulting from any restrictions on the provision of emergency services. Policy D-130.975 similarly states that all insurers should be required to assign payments directly to any health care provider who has provided EMTALA-mandated emergency care, regardless of network status.

Policy H-240.978 supports changes in Medicare regulations governing ambulance service coverage guidelines that would expand the term “appropriate facility” to allow full payment for transport to the most appropriate facility based on the patient’s needs and the determination made by physician medical direction. The policy goes on to state that the AMA will work with CMS to pay emergency medical service providers for the evaluation and transport of patients to the most appropriate site of care not limited to the current CMS defined transport locations.

To promote the safety of emergency medical service helicopters, Policy D-130.967 highlights the importance of the Federal Aviation Administration’s Helicopter Medical Service Operations and Safety Alert for Operators and its role as a critical component of Helicopter Emergency Medical Services in assuring the safety of patients and medical providers. The policy goes on to advocate that its members contract with or implement a Helicopter Emergency Medical Service that is
compliant with risk reduction systems/programs established in standards set forth in the Federal Aviation Administration’s Helicopter Medical Service Operations and Safety Alert for Operators.

DISCUSSION

Air ambulances serve to reduce the transit time for critically ill patients in emergent circumstances. Due to the nature of air ambulance services, patients typically have little or no choice over their mode of transportation and the provider of such transportation and can face significant air ambulance bills.

To address the appropriate provision of emergency care and consistent with ethical delivery of care, the Council recommends amending Policy H-130.954 not only to support the education of physicians and the public, but also first responders, about the costs associated with inappropriate use of emergency patient transportation systems and encouraging the development of non-emergency patient transportation systems that are affordable to the patient, thereby ensuring cost effective and accessible health care for all patients.

Many aspects of the air ambulance market and the extent patients are balance-billed are unclear due to lack of available data. There is a void in data on ownership, revenue, and service capabilities. Similarly, data on the costs to provide service, the number of transports, and provider information are not readily available. For example, it is unclear whether price increases are tied to market concentration or whether providers adjust prices to receive sufficient revenue from private insurance to account for lower-paid transports, such as those paid for by Medicare. Moreover, there is evidence that in markets with predominantly hospital-owned air ambulance providers, patients are balance-billed at lower rates and face lower costs. However, because these data cannot be verified at this time, the Council believes it is most appropriate to support increased data collection and data transparency of air ambulance providers and services, particularly increased price transparency. Subsequently, the Council recommends supporting consumer disclosures that include price variation among air ambulance providers and the potential limits of insurance coverage.

As previously discussed, the ADA preempts state-level regulation of air ambulance prices, routes, and services. Due to a profound void in air ambulance data, the Council believes that calling for an amendment to the ADA is premature. Before such a recommendation could even be considered, the Council believes that requisite information is needed on air ambulance command and control practices as well as additional data to determine the root cause of the issue at hand, and whether it is a result of market failure or other causes. Therefore, the Council strongly calls for additional data collection and transparency on air ambulances and sees merit in working with relevant stakeholders to evaluate the ADA as it applies to air ambulances.

The AMA believes that access to affordable emergent health care services must be preserved and strengthened. In that spirit, the Council recommends supporting the sharing of industry best practices among stakeholders across various regions. The Council’s recommendations build upon the AMA’s work to improve safe and affordable air ambulance access and protect patients in life-threatening emergencies.

RECOMMENDATIONS

The Council on Medical Service recommends that the following be adopted and the remainder of the report be filed:
1. That our American Medical Association (AMA) amend Policy, H-130.954, “Non-Emergency Patient Transportation Systems,” by addition as follows:

The AMA: (1) supports the education of physicians, first responders, and the public about the costs associated with inappropriate use of emergency patient transportation systems; and (2) encourages the development of non-emergency patient transportation systems that are affordable to the patient, thereby ensuring cost effective and accessible health care for all patients. (Modify Current HOD Policy)

2. That our AMA support increased data collection and data transparency of air ambulance providers and services to the appropriate state and federal agencies, particularly increased price transparency. (New HOD Policy)

3. That our AMA work with relevant stakeholders to evaluate the Airline Deregulation Act as it applies to air ambulances. (New HOD Policy)

4. That our AMA support stakeholders sharing air ambulance best practices across regions. (New HOD Policy)

5. That our AMA rescind Policy D-130.964, which directed the AMA to conduct the study herein. (Rescind AMA Policy)

Fiscal Note: Less than $500.

REFERENCES

3 Supra note 1.
7 Supra note 1.
9 Supra note 1.
10 Id.
12 Supra note 1.
14 Id.
15 Id.