NiiS 26th Annual Medical Excess Claims Conference
Air Ambulance Claim Cost Containment Strategies

May 7, 2015

Speaker: Jeff Frazier, Partner, Sentinel Air Medical Alliance

We were pleased to have Jeff Frazier, Partner, of Sentinel Air Medical Alliance [“Sentinel”] as a speaker at NiiS’ 26th Annual Medical Excess Claims Conference. Sentinel provides cost containment solutions for air ambulance transport claims on behalf of healthcare payors. Jeff has 20+ years of experience in the aviation industry and 10 years in the air ambulance industry. He provides helpful analysis of the industry from the healthcare payor and the air ambulance provider perspectives.

Some of the services that Sentinel provides is prior authorization of air ambulance transport, retrospective reviews including medical necessity, reasonableness of charges, and rate negotiation (Sentinel’s fee is a % of the savings to a maximum of $2,000). Sentinel also provides consulting services to help healthcare payors develop effective strategies to manage cost and utilization of air ambulance services.

Jeff started the session by telling the audience about his background and how he came to be a Partner at Sentinel. Sentinel acts as a “guard” or “watchman”.

The typical cost of air ambulance transport based on the actual services provided runs from $6,000 - $7,000. The average billed amount for these services by Air Methods (one of the largest air ambulance transport providers) is $46,000, or 8 times the actual cost. Jeff indicated that the average distance for a transport is 57 miles each way with an average time of less than one hour; therefore, the provider is billing almost $50,000 an hour. To charter the same type of helicopter, the cost would be $1,800.

The cost of $46,000 does not include a doctor on board. Usually, there is the pilot, flight nurse and paramedic on the flight. Rarely do doctors fly with the patient.

Jeff indicated that it is intentional that air ambulance providers are all out-of-network. Most Plans buckle under the pressure to pay 100% of the billed amount as these providers use patients as a “weapon” by balance due billing any amounts not covered by the Plan.

Jeff stated that most people using air ambulance services really didn’t need it and that this is inappropriate utilization of services.
Air ambulance costs have increased dramatically over the past 20 years due to self-referral, inappropriate utilization (absence of prior authorization requirements) and pricing power of the providers.

Twenty years ago we didn’t have this issue as there were about 350 helicopters in service who were partnered with hospitals who were billing reasonable rates. Coverage for air ambulance transitioned from Part A to Part B, and Medicare rates under fee schedule were favorable to providers (average reimbursement was $5,700 per transport).

Today there are over 1000 operational helicopters and 311 airplanes, all of which are intentionally out-of-network competing against each other. Because payors (and patients) have no choice, providers increase charges to private payors. Seventy-five percent (75%) of their revenue comes from private payors.

Jeff indicated that 85% of air ambulance claims are not medically necessary, the patient was not transported to the nearest appropriate facility, competing providers could have performed the transport for lower cost, and the provider charges were not reasonable.

Some of Sentinel’s strategies to keep air ambulance costs under control for payors are to ensure plan documents protect the plan (include prior authorization), reimburse at reasonable rate not U&C (Sentinel believes that 170% of Medicare allowable is a fair reimbursement), and to pay the plan participant directly.

Some examples of recent claims that Jeff have seen are:

- Transport from Wyoming to Denver for a man that drank sour milk. The cost of the transport was $116,000. The service was not medically necessary as ground ambulance transport to the nearest facility would have been appropriate.

- Dog bite, cost of transport $80,000. Determined that this was a non-life threatening condition that did not require air transport.

- Diagnosis of pneumonia, cost of transport $86,000. Patient was flown 268 miles, not the nearest facility. Patient flown to hospital who had a relationship with the air ambulance provider.

Jeff ended the session by telling the audience to get their TPAs on board and start requiring 100% review of air ambulance claims and not to pay them until they are reviewed.

Questions:

Question: Who benefits from this monetarily?
Answer: The air ambulance provider.
Question: Why is air ambulance ordered for someone who does not really need the service?
Answer: About 20% of the patients using air ambulance services really need the service. In a lot of cases, patients are not transported to the nearest hospital due to overflight or relationships between the facility and the air ambulance provider.

Question: Is it the hospital that initiates the air ambulance service or the attending physician?
Answer: The physician may say that transport is necessary; however, in most cases it is the nurse affiliated with the air ambulance provider that makes the call for air lift.

Question: What areas of the country does Sentinel service?
Answer: All 50 states.

Question: How do you determine medical necessity?
Answer: Review of transport notes or ambulance run reports primarily to determine medical necessity. Sometimes notes from the hospital are also reviewed.

Question: Why do payors cave?
Answer: Fear of the provider balance due billing the patient.

Question: Have you had any success with post payment negotiation?
Answer: None.

Question: Do you get sign-off from the provider?
Answer: Yes, always.