ASSOCIATION OF AIR MEDICAL SERVICES

August 30, 2019

The Honorable Frank Pallone
Chairman
House Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20015

Dear Chairman Pallone:

Thank you for the invitation to testify at the June 12th hearing of the Health Subcommittee. I appreciated the opportunity to provide the views of the Association of Air Medical Services (AAMS) and its member companies. We appreciate the Health Subcommittee taking the time to examine the important issue of balance billing and the need to take patients out of the middle of disputes between insurance companies and providers while preserving access to the vital and life-saving service provided by AAMS' members and their employees.

I am also pleased to provide the attached written responses to the questions for the record from Congressman Bilirakis.

AAMS looks forward to continuing to work with you and the Committee as it develops solutions to balance billing.

Sincerely,

Rick Sherlock
President & CEO

cc: The Honorable Greg Walden Greg Walden, Ranking Member
Committee on Energy and Commerce

The Honorable Anna G. Eshoo, Chairwoman
Subcommittee on Health

The Honorable Michael C. Burgess, Ranking Member
Subcommittee on Health

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Attachments—Additional Questions for the Record

Subcommittee on Health
Hearing on
"No More Surprises: Protecting Patients from Surprise Medical Bills"
June 12, 2019

Rick Sherlock

The Honorable Gus M. Bilirakis

1. Can you share how many air ambulance services operate nationally? Has industry growth grown, flattened, or declined? Of those services operating, what percentage are covered in-network?

   Response: Currently there are ---- emergency air medical bases nationally. Historically, while there was clear industry growth in the 1980s through the turn of the century, that growth rate has slowed since 2005:
   - 1980-1985: 156 %
   - 1985-1990: 193%
   - 1990-1995: 27%
   - 1995-2000: 37%
   - 2000-2005: 88%
   - 2005-2011: 23%
   - 2011-2016: 5%[1]

   Industry growth, over a 30-year period, reflects growth in demand for air medical transport services in response to the continued closures of rural hospitals and trauma centers.

   Following an extended period of slowing growth, 2019 has seen a decline in the number of bases, with 37 having closed since January 1. The substantial gap between Medicare and Medicaid reimbursements and the cost of providing the service has been the main driver of these base closures, which are affecting rural areas and regions that are underserved by hospitals and trauma centers.

   On March 20, 2019, the Government Accountability Office (GAO) published its report, "Air Ambulance: Available Data Show Privately-Insured Patients Are at Financial Risk."[2] GAO reported that "there were 752 bases in the 2012 data and 868 bases in the 2017 data." The report also noted:
   - The added bases "increased the total area served by helicopter bases by 23 percent."
   - "About 60 percent of the new helicopter bases and about half of the new fixed-

[1] Economic & Planning Systems, Inc., "An Economic Analysis of the U.S. Rotary Wing Air Medical Transport Industry", August, 2014, http://medevacfoundation.org/wp-content/uploads/2014/08/Rotary-Wing-AMT-Economic-Benefit-Study-EPS-082114.pdf; and [2016 ADAMS Database].

[2] Government Accountability Office, "Available Data Show Privately-Insured Patients Are at Financial Risk GAO-19-292, Mar 20, 2019, https://www.gao.gov/products/GAO-19-292.

wing bases…were in rural areas."
- "For just under half of the new helicopter bases…the area served overlapped with existing air ambulance coverage by more than 50 percent."
- Emergency air medical service expansion in rural areas helps fill the gap in rural health care created by the closing of rural hospitals.

AAMS' members are actively negotiating with insurance companies to secure in-network contracts where such negotiations are available. Despite that willingness to negotiate in-network rates, some insurers, citing low volumes and infrequent need for transports, have outright refused to even discuss in-network agreements with emergency air medical providers. Even so, our members have managed to increase network participation significantly; one member alone has increased their overall network participation from 2% to almost 30% in the last three years. Overall, AAMS estimates that approximately 40% of commercially insured patients transported by air medical providers are in-network.

2. What are the biggest drivers of lack of network participation?

   Response: AAMS believes the biggest single driver is lack of interest from insurers to enter negotiations. Many of our members have received an outright refusal from some insurers to even discuss going into network; Blue Cross Blue Shield of Illinois, in an email obtained by AAMS, said that "BCBSIL still does not contract with emergency air ambulance providers." We have found this posture in similar communications to members from Arkansas and Texas.

   Our members also report that, when a negotiation is possible, it is often not the rate that is the single biggest issue, but rather the insurers ability to deny payment base on medical necessity. Our members report a 40% medical necessity denial rate, nearly all of which our overturned on appeals- a process that can often take more than 9 months to resolve. We are significantly concerned about these medical necessity denials, as all helicopter air ambulance flights are medical emergencies and all of those flights must be requested by a physician or first-responder. Insurers, by denying those claims based on medical necessity, are questioning decisions made by first responders and doctors in emergency situations. These denials also increase the amount of cost that then must be shifted to the charge of the next patient, thereby increasing costs overall.

3. How do air ambulance companies calculate their rates? Is it based on a reasonable market rate, a government payer rate, or something else?

   Response: While AAMS cannot speak to the business practices of its members, and recognizes that any discussion of how rates are set by its members is strictly prohibited by antitrust laws, AAMS funded an independent cost study of the industry in 2017 that can answer how costs drive charges.[3]

[3] Xcenda, Air Medical Services Cost Study Report, March 24, 2017, https://aams.org/wp-content/uploads/2017/04/Air-Medical-Services-Cost-Study-Report.pdf.

That study found that the single largest contributor to the cost of providing an air ambulance flight is the unpaid debt from Medicare, Medicaid, and the uninsured. In fact, the mean cost of providing an air ambulance flight when that debt is included was $26,183.00 in 2016. This cost exceeded even the average commercial payment by $2,665.00. This economic model has caused the closure of 37 air medical bases in thus far in 2019, all due to a poor mix of government and commercial payors.