

The Fire Department and I have worked on assessing the viability of providing Emergency Medical Services to the City of Independence and surrounding areas. This service is currently being provided by Area Ambulance Service of Cedar Rapids. The motivating factors to open this assessment are boiled down to two primary areas; Insurance billing and Response Time.

Currently Area Ambulance is not a part of the Blue Cross/Blue Shield network which creates an inconvenience for our citizens who need the ambulance service. Once a bill is sent to the customer, they are required to submit it to insurance, and after insurance has paid their portion, the citizen is billed for anything over that amount. If the ambulance service is within the network, they agree to a pre-determined provider rate and no additional bills are sent to the customer.

The second issue relates to response times. On average Area Ambulance has a response time between 11-13 minutes for calls within Independence. Approximately 6 minutes of this time is spent waiting for the ambulance crew to arrive at the hospital to pick up the ambulance before going to the call location. These numbers were confirmed with Area Ambulance.

My proposal addresses both of these issues as well as additional items of lesser significance. If we are able to house the ambulance service in the Fire Station we would have staff on site 24/7, reducing the average response time by an estimated 50%. In some cases when Area Ambulance is on a transfer out of town, we wait for back up from Jesup or Winthrop (volunteer services) to come into Independence to provide service making our response time even longer.

There are an increasing number of instances where Area Ambulance responders are insufficient to cover a call out. The Independence Fire Department is called to provide drivers for Area Ambulance due to the lack of staffing (the fire department does not complain and is committed to providing any necessary service to our residents).

I am proposing three person crews on 3 day rotations, the same as we are currently providing for fire service. This would entail hiring 2 additional staff for each shift. All full time staff would be required to be Paramedic or EMT certified with a minimum of at least 1 Paramedic on each shift. This would allow us to have two staffed ambulances around the clock. Our fire service provides back up drivers currently so we are able to provide the same service internally. Today we call in volunteer fire personnel to cover the fire station when there is a fire call. The ambulance service would be similar based on the number of calls and timing of these calls.

We have 14 current fire personnel interested in being EMT certified providing a solid core of FT and volunteer responders.

I have run pro-forma financials to determine the financial viability of this concept. Revenues are based on third party estimates for the number of calls we see in our region currently being addressed by Area Ambulance. There are approximately 1200 calls for service annually. Not all of these calls result in a transport so are not billable calls. I estimated 75% of all calls are transports (900). Based on a variety of billing scenarios this generates an estimated \$561,000 in revenues. I have taken into account the Medicaid reimbursement that does not cover our costs on some calls, Blue Cross network discounts, and

private pay which provides the highest reimbursement. There is also an estimate for bad debt on bills that are not collectible.

Included on the attached spreadsheet you will see a very definitive payroll and employee cost breakdown, lease rates for ambulances and equipment for the outfitting 2 rigs, fuel costs, uniforms, and third party billing expenses. I have used the most conservative approach to expenses (using the highest priced vehicles and equipment estimates). I have estimated as close as possible with available information the number of transports to each of the three closest hospitals.

The end result is a reasonably high comfort level in a break even service over the foreseeable future financially. I projected out 5 years as the vehicles and equipment are projected to have a 5 year lease. It is less expensive over the projected period if we purchased the vehicles and equipment outright, but that would create a very large negative cash flow in the first couple of years.

This memo is not designed to answer all of the questions that I am sure you have, simply to provide an insight into what has been looked at to this point. I am anticipating that this will generate a fruitful starting point for conversation and discussion on the merits of bringing EMS services in house. I also want to point out that it is not my intent to speak poorly of Area Ambulance. The service providers do an outstanding job with where they are at today. I think the areas we wish to improve on are outside of their control. I do believe we are in a position to address these areas of concern and continue the strong culture of service they have established.



847-247-0771



847-247-0772



www.taxexemptleasing.com

June 30, 2016

City of Independence
Independence, Iowa

I am pleased to provide the following quote for City of Independence for the financing of two (2) new ambulances with equipment. This quote is valid for 14 days and is subject to credit review and proper documentation.

Equipment Cost (Approximate):	\$530,000.00		
Down Payment:	\$30,000.00		
Financed Amount:	\$500,000.00		
Payment Frequency:	Annual, in arrears (first payment due one year from lease date)		
Term:	3-years	5-years	7-years
Rate*:	2.69%	2.79%	2.99%
Payment*:	\$175,712.66	\$108,523.50	\$80,222.93
Factor^:	.35143	.21705	.16045

** Rate and payment assumes that the Customer is a tax-exempt entity and the purchase of the equipment falls within the type of equipment allowed as tax-exempt under the I.R.S. Code. In the event this purchase is not exempt, the rate and payments will be adjusted accordingly. Further, it is assumed that the transaction will be "bank-qualified" and that the customer will not issue more than \$10 million in tax-exempt leases or bonds in the current calendar year.*

^ Factor is based on quoted rates. If the equipment cost changes or a down payment is made, the new payment amount can be calculated by multiplying the new financed amount by the rate factor.

Note: If the equipment will require a "build-out period", the financed amount will be placed into an escrow account at lease signing and funds disbursed as instructed by the customer.

I have attached an application that must be completed in order to proceed with the credit process. In addition, we will need copies of the City's last 2-years of audited financial statements, along with a copy of its current interim financial statement. Once these items are gathered, please fax all of the information to 866-2-FAX-APP (866-232-9277) or e-mail to markz@taxexemptleasing.com.

I appreciate this opportunity and look forward to proceeding. Please let me know if I can answer any questions. I can be reached at 847-247-0771.

Kind Regards,

Mark M. Zaslavsky
President



Cornerstone Complimentary Financial Forecast: Independence Fire Department Estimated Revenue Matrix

Due to Independence Fire Department (Independence) being new to billing and without established rates or a prior history of performance from which to compare, this forecast is based on numbers that fall within industry standards. As such, any variances to these numbers, i.e. the actual rates established by Independence are different, or the actual billed mix or payer mix is materially different, will cause the forecast to change.

Service Rates

To begin, we determine the sample service rates.

ALS1E	\$700
BLSE	\$600
Mileage	\$15

Average Gross Charge per Call Type

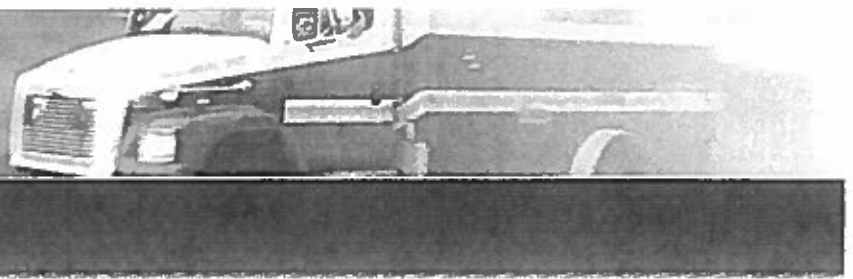
Secondly, we factor in the average loaded mileage per transport (*mileage is based on an estimated figure of 20 loaded miles per transport*) and arrive at an average gross charge for each call.

Average ALS1E	\$1,000
Average BLSE	\$900

Iowa Medicare & Medicaid Fee Schedule

Third, we consider the published fee schedules for both Medicare (MCA) and Medicaid (MA).

MCA ALS1E	\$394.13
MCA BLSE	\$331.90
MCA Mileage (1-17 Miles)	\$10.79
MCA Mileage (18+ Miles)	\$7.20
MA ALS1E	\$127.01
MA BLSE	\$114.30
MA Mileage	\$2.61



Call Volume & Call Type

The fourth component is call volume and call type. For the purposes of this forecast we are estimating a call type mix of 40% ALS1E and 60% BLSE over a variable call volume range as follows:

Call Type Mix	Scenario 1	Scenario 2	Scenario 3
ALS1E	320	360	400
BLSE	480	540	600
Total	800	900	1,000

Sample Billing Payer Mixes

Using Cornerstone's historical collection percentages, the table below reflects a variable matrix that centers on a range of payer mixes per call volume. Since we don't know the exact billed mix (also known as a charge mix) we are providing this to better understand the "ripple effect" that such variances can have on revenue.

*Billed Mix	Sample 1	Sample 2	Sample 3
Medicare	40%	35%	45%
Medicaid	5%	10%	15%
Commercial	40%	35%	30%
Private	15%	20%	10%

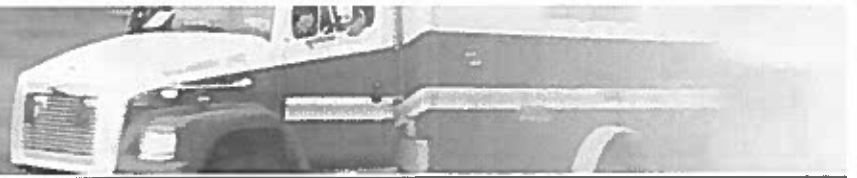
**Billed Mix reflects the percentage breakdown per payer category relative to the number of calls billed. Shifts in the Billed Mix are not within the control of an EMS Agency.*

"Soft Billing" Revenue Matrix Samples

Soft billing is a term often used to describe a cost recovery program that typically forgives out of pocket obligations for insured tax paying residents, and doesn't utilize a collection agency on delinquent accounts once all billing and recovery efforts have been exhausted. By its very nature, soft billing leaves revenue on the table, and is commonly found in areas either new to billing, and/or where residents support EMS through their taxes.

Soft Billing Sample Billed Mix 1 – Estimated Collections

		Projected Collections: Call Volume Scenario 1 (800 Billable Calls)	Projected Collections: Call Volume Scenario 2 (900 Billable Calls)	Projected Collections: Call Volume Scenario 3 (1,000 Billable Calls)
Medicare	40%	\$152,816	\$171,918	\$191,019
Medicaid	5%	\$5,491	\$6,177	\$6,863
Commercial	40%	\$210,560	\$236,880	\$263,200
Private	15%	\$5,640	\$6,345	\$7,050
Annual Cash Flow		\$374,506	\$421,320	\$468,133
Payment per Call		\$468	\$468	\$468



Soft Billing Sample Billed Mix 2 – Estimated Collections

		Projected Collections: Call Volume Scenario 1 (800 Billable Calls)	Projected Collections: Call Volume Scenario 2 (900 Billable Calls)	Projected Collections: Call Volume Scenario 3 (1,000 Billable Calls)
Medicare	35%	\$133,714	\$150,428	\$167,142
Medicaid	10%	\$10,981	\$12,354	\$13,727
Commercial	35%	\$184,240	\$207,270	\$230,300
Private	20%	\$7,520	\$8,460	\$9,400
Annual Cash Flow		\$336,455	\$378,512	\$420,569
Payment per Call		\$421	\$421	\$421

Soft Billing Sample Billed Mix 3 – Estimated Collections

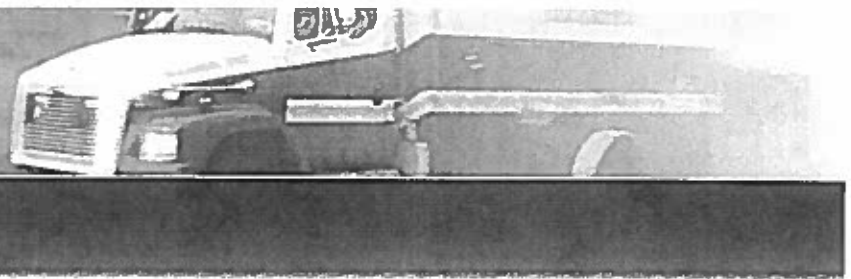
		Projected Collections: Call Volume Scenario 1 (800 Billable Calls)	Projected Collections: Call Volume Scenario 2 (900 Billable Calls)	Projected Collections: Call Volume Scenario 3 (1,000 Billable Calls)
Medicare	45%	\$171,918	\$193,407	\$214,897
Medicaid	15%	\$16,472	\$18,531	\$20,590
Commercial	30%	\$157,920	\$177,660	\$197,400
Private	10%	\$3,760	\$4,230	\$4,700
Annual Cash Flow		\$350,070	\$393,828	\$437,587
Payment per Call		\$438	\$438	\$438

Full Cycle Revenue Matrix Samples

Full Cycle Revenue Recovery is a term we use to describe a more comprehensive approach to cost recovery, which explores all permissible avenues to obtain payment on a claim, including the use of a collection agency for delinquent accounts, once all efforts have been exhausted.

Full Cycle Revenue Recovery Billing Sample Billed Mix 1 – Estimated Collections

		Projected Collections: Call Volume Scenario 1 (800 Billable Calls)	Projected Collections: Call Volume Scenario 2 (900 Billable Calls)	Projected Collections: Call Volume Scenario 3 (1,000 Billable Calls)
Medicare	40%	\$160,007	\$180,008	\$200,009
Medicaid	5%	\$5,834	\$6,563	\$7,292
Commercial	40%	\$225,600	\$253,800	\$282,000
Private	15%	\$22,560	\$25,380	\$28,200
Annual Cash Flow		\$414,001	\$465,751	\$517,501
Payment per Call		\$518	\$518	\$518



Full Cycle Revenue Recovery Sample Billed Mix 2 – Estimated Collections

		Projected Collections: Call Volume Scenario 1 (800 Billable Calls)	Projected Collections: Call Volume Scenario 2 (900 Billable Calls)	Projected Collections: Call Volume Scenario 3 (1,000 Billable Calls)
Medicare	35%	\$140,006	\$157,507	\$175,008
Medicaid	10%	\$11,668	\$13,126	\$14,585
Commercial	35%	\$197,400	\$222,075	\$246,750
Private	20%	\$30,080	\$33,840	\$37,600
Annual Cash Flow		\$379,154	\$426,548	\$473,942
Payment per Call		\$474	\$474	\$474

Full Cycle Revenue Recovery Sample Billed Mix 3 – Estimated Collections

		Projected Collections: Call Volume Scenario 1 (800 Billable Calls)	Projected Collections: Call Volume Scenario 2 (900 Billable Calls)	Projected Collections: Call Volume Scenario 3 (1,000 Billable Calls)
Medicare	45%	\$180,008	\$202,509	\$225,010
Medicaid	15%	\$17,502	\$19,689	\$21,877
Commercial	30%	\$169,200	\$190,350	\$211,500
Private	10%	\$15,040	\$16,920	\$18,800
Annual Cash Flow		\$381,749	\$429,468	\$477,187
Payment per Call		\$477	\$477	\$477

Summary Comparison – Soft Billing vs. Full Cycle Revenue Recovery

Taking all of this data into consideration, we find the following ranges for the two billing and cost recovery models. It is worth reiterating that these are basic estimates founded upon certain assumptions, and that actual numbers may vary significantly. Nonetheless, we hope this forecast provides a useful reference for Independence, as the feasibility of implementing a billing program is explored.

	Projected Revenue: Call Volume Scenario 1 (800 Billable Calls)	Projected Revenue: Call Volume Scenario 2 (900 Billable Calls)	Projected Revenue: Call Volume Scenario 3 (1,000 Billable Calls)
Soft Billing Annual Range	\$336,455 - \$374,506	\$378,512 - \$421,320	\$420,569 - \$468,133
Full Cycle Annual Range	\$379,154 - \$414,001	\$426,548 - \$465,751	\$473,942 - \$517,501