



## The Cost of Readiness:

### The Unique Financial Challenges for EMS Agencies

EMS agencies are expected to be ready at all times and respond to every emergency within desired response time goals. To meet these goals, EMS agencies must have ambulances available that are not already on calls. An EMS agency does not create revenue for “being ready.” In addition, most insurance plans do not pay for ambulance service if the patient is not transported. EMS agencies refer to these two non-revenue generating scenarios as “the cost of readiness.” Often, EMS agencies rely on local taxpayer subsidies to cover the shortfall due to insufficient patient fees being collected. If the Texas Legislature places limitations on EMS agencies to bill patients, the local taxpayer will be forced to pay more.

## Two Choices for EMS Operating Revenue:

### Either the Patient Requiring Transport Pays or Taxpayers Pay

It is a common misconception that ambulance transportation is a free and essential public service in which the cost is completely covered by local taxes, like police and fire. The reality is that EMS agencies generally rely on four different revenue sources to cover operation costs. The four sources are local taxes, patient and commercial insurance payments, government grants, and donations. The two primary sources of funding are generally patient fees and local taxpayer subsidies.

**Billing the Patient.** When transported to a hospital, the EMS agency bills the patient for the service. However, since the local government often regulates the rate, patient bills are rarely enough to cover the entire EMS agency’s operations. EMS agencies cannot charge the patient more than the rate set by the local government authority. This funding model puts more of the cost of providing EMS on the actual users, instead of all taxpayers in the community. If a patient has not met his or her insurance deductible, the ambulance transport is often applied to the deductible because it is faster to generate than the hospital bill, which may be more complicated to calculate and take more time to generate.

**Local Taxpayer Subsidies.** EMS agencies must rely on subsidies in the form of local taxpayer dollars to cover the shortfall when not enough patient fees are collected.

**Government Grants Are Extremely Limited.** The state and federal government funding of EMS operations is extremely limited. The Texas tobacco settlement fund, which may not exist in the near future, provides Local Project Grants.

**Fish Fries and BBQ Suppers.** Many EMS agencies, particularly in rural areas, must turn to charitable fish fries and BBQ suppers to raise revenue to cover the EMS services for local communities.

## Many EMS Agencies Are Subject to Rigid Performance Requirements

Many EMS agencies that provide emergency medical care via a 911-system are subject to rigid performance requirements that are established by a local governing authority such as a city, county, or Emergency Services District (ESD). The local authorities determine response time parameters, staffing ratios, required equipment, maintenance schedules for emergency vehicles, and the community’s rate structure. In some cases, the EMS agency cannot raise fees without clearance from the local authorities.