**CMS/Acumen Report on Cost Collection**

**Supports the AAA’s Hybrid Model**

**Background**

The American Taxpayer Relief Act (ATRA) instructed the Secretary of the Department of Health and Human Services to:

(1) Conduct a study that analyzes data on existing Medicare cost reports for ambulance services furnished by hospitals and critical access hospitals (CAH), including assessing variation by characteristics of such service providers and

(2) Analyze the feasibility of obtaining more complete and detailed cost data on a periodic basis from all ambulance providers and suppliers for potential use in evaluating the appropriateness of Medicare add-on payments for ground ambulance services, and in preparing for future reform of the ambulance fee schedule.

**Summary of the CMS/Acumen Report**

CMS contracted with Acumen to conduct the study and analysis. In sum, Acumen concluded that:

* “[A]nnual cost report data are insufficient to inform ambulance payment policy due to numerous data limitations…Any cost reporting tool must take into account the wide variety of characteristics of ambulance providers and suppliers that Acumen’s analysis revealed. Efforts to obtain cost data from providers and suppliers must also standardize cost measures and ensure that smaller, rural, and super-rural providers and suppliers are represented.”

Acumen declined to make a specific legislative recommendation.

**Current Cost Reports**

**Not Effective for Understanding Ambulance Costs**

Acumen reviewed cost report data and determined that only the hospital and CAH cost reports contain sufficient data on ambulance providers.

* Medicare cost reports provide insight into a small and non-representative sample of all ambulance services. Over 90 percent of the entities that bill Medicare for ambulance services are not represented in the cost reports, because they are not owned and operated by an institution, such as a hospital, that is required to submit the annual reports.
* Cost reports lack information on the types, levels, and travel distances for ambulance services, which is critical to evaluating ambulance payment policy as current payments are based on these distinctions.

**Feasibility of Obtaining Cost Data**

**Requires Tailored Collection Tool**

Acumen also reviewed the feasibility of obtaining more complete and detailed cost data on a periodic basis from the more than 11,000 ambulance providers and suppliers. While it concluded that it is “challenging” to obtain data from ambulance services, it also described what would be needed to develop such a collection tool.

* Ambulance services are labor intensive, so any cost reporting mechanism should collect wage information on the key categories of labor in the industry in a manner that allows CMS to assess geographic variations in wage costs.
* The importance of the costs of readiness and differing call volumes require any cost reporting mechanism to include information on calls per staffed hour (or a similar capacity-utilization measure) and in relation to a geographical area (for example urban versus rural ZIP codes).
* The wide variety of characteristics of ambulance providers and suppliers that Acumen’s analysis revealed require any cost reporting mechanism to account for these differences.
* Smaller, rural, and super-rural providers and suppliers must be represented in any cost reporting mechanism.
* The current lack of standardization requires the standardization of cost measures.

**The AAA’s Hybrid Method Addresses These Needs**

Acumen also describes the AAA’s hybrid cost collection method, but did not specifically opine on it. The hybrid method addresses the core elements Acumen concluded were necessary to obtain more complete and detailed cost data from ambulance services.

* **Initial data collection:** This step would identify key characteristics relevant to collecting cost data, *i.e.,* organizational type, service mix, service volume, and labor costs, and classify providers and suppliers based on these characteristics. All ambulance services would provide these data at the same time.
* **Cost survey collection:** This second in-depth survey of financial information, similar to that now collected on CMS’s cost reports, but tailored to address the unique aspects of ambulance service costs, would be collected from a sample of ambulance services based on the classifications made after the initial data collection. This second collection tool would be the basis of the periodic collection of statistical and cost data from this sample of ambulance services. Over time, all 11,000 ambulance services would be required to report these data, but it would be in different years to reduce the burden on services and CMS.

To address the difficulty Acumen had in having ambulance services respond, the AAA supports a 5 percent penalty for any ambulance service selected to provide cost data that does not submit the data.