



## ACCT Response to AAMS' Statements on H.R. 3780

October 13, 2017

On September 14, 2017, Rep. Richard Hudson (R-NC) introduced H.R. 3780, the *Air Ambulance Quality & Accountability Act*, supported by the Association of Critical Care Transport (ACCT). On July 25, 2017, Rep. Jackie Walorski (R-IN) introduced H.R. 3378, the *Ensuring Access to Air Ambulance Services Act of 2017*, supported the Association of Air Medical Services (AAMS). Both bills call for conceptual Medicare changes to the air medical industry including reporting on costs, payments based on quality performance, and studying the cost of providing air medical services. The bills differ, however, on the actual requirements for reporting, changes to reimbursement and formulas for reimbursement tied to quality performance.

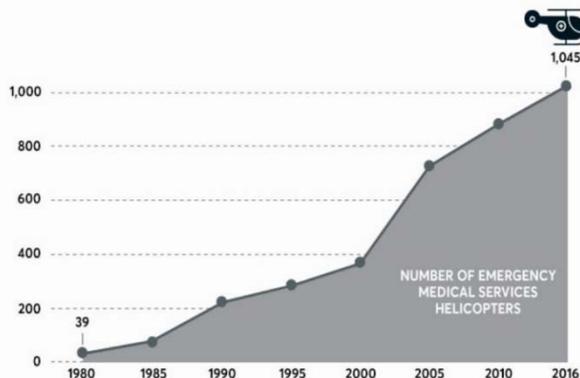
ACCT strongly supports H.R. 3780 because it furthers our longstanding patient-centered objectives of improved quality and accountability for Medicare beneficiaries requiring critical care transport. H.R. 3780 establishes a meaningful “carrots and sticks” quality improvement program in which higher quality agencies receive a real increase and lower quality agencies receive an actual decrease below the base payment, just like hospitals and doctors experience under Medicare. H.R. 3780 also ensures minimum standards to protect patients, who are generally unable to choose which air ambulance agency transports them. Further, H.R. 3780 requires mandatory cost reporting and a comprehensive MedPAC study to obtain clearer visibility on variation of air ambulance agency clinical and aviation costs, and whether or where any potential increases may be warranted. H.R. 3378, on the other hand, calls for immediate increases to reimbursement rates and has no meaningful requirements for improving care. Rather, all providers receive an increase in reimbursement, with lower performing providers minimally penalized by a lowering of the annual update.

ACCT welcomes meaningful dialogue to effectuate areas of mutual agreement, to ensure robust quality performance and cost reporting programs, and to assess the adequacy of Medicare reimbursement. ACCT encourages AAMS to join us in supporting minimum standards to safeguard critically ill or injured Medicare beneficiaries. ACCT is disappointed that AAMS is mischaracterizing why ACCT supports H.R. 3780 and challenges AAMS' assertions that (1) there is no relationship between increased Medicare reimbursement and growth in numbers of helicopters, and (2) ACCT's support of H.R. 3780 is a move to decrease competition.

### **Correlation Between Increased Medicare Payment, Numbers of Helicopters, and Cost Per Transport:**

In their recent communication, *H.R. 3378 vs. H.R. 3780*, AAMS states, “...there exists no data to indicate that the

The number of air ambulances spiked after Medicare raised its reimbursement rate for medical air-transport in 2002 and has continued to rise steadily since.



Note: Does not include fixed-wing aircraft, just helicopters.  
Source: Atlas and Database of Air Medical Services.

number of HAA (Helicopter Air Ambulance) aircraft increased due to changes to the Medicare Fee Schedule.”

ACCT believes the data tell a different story. The Medicare Fee Schedule was implemented over several years, beginning in 2002. This figure is from the May 2017 issue of *Consumer Reports* in their article *Air Ambulances Taking Patients for a Ride* (p. 5). The numbers are taken from the AAMS-supported ADAMS database ([www.adamsairmed.org](http://www.adamsairmed.org)). The line clearly shows a steep increase, well beyond the previous rates of growth, in numbers of HAA helicopters in service as a result of the implementation of the fee schedule. **ACCT believes the**

**data show the accelerated rate of growth is a direct result of the millions of dollars added to the industry by the Medicare Fee Schedule.**

The relationship between low transport volumes per helicopter and increasing cost per transport is undisputed. Fixed costs to operate an HAA base are estimated to be 85% of all costs, so falling volumes translate into rising costs. In 1991, the national average was about 690 transports per helicopter per year<sup>1</sup>. According to AAMS' own study in 2013, the national average number of transports per helicopter per year had fallen to 325, a 53% decrease<sup>2</sup>. Due in part to falling transport volumes, the July, 2017 GAO study<sup>3</sup> noted that "...the median price providers charged for helicopter air ambulance transports increased 113% between 2010 and 2014" alone. **History shows that an across-the-board increase in Medicare reimbursement will result in more helicopters, even lower volumes, and continued escalation of costs and prices for air medical transport. In other words, the current problem of inadequate Medicare reimbursement rates will not be solved over the longer term, but exacerbated.**

#### **Competition:**

AAMS claims the motivation behind ACCT's support for H.R. 3780 is the belief that "...there will be a decrease in competition and increase in market control for their members." ACCT believes that Medicare patients and taxpayers deserve fairer competition, not less. Currently, all air agencies are paid the same regardless of clinical and aviation capabilities. ACCT supports Medicare payment based on actual performance and reasonable costs.

The GAO recently made several salient observations<sup>4</sup>. First, the GAO stated that "the nature of competition in the air ambulance industry may also be affected by the proportion of air ambulance helicopters operated by the three largest independent providers, which is growing and may indicate increasing market concentration." These three companies have grown to constitute 73% of all industry helicopters. Second, the GAO indicated that the average prices for these three companies averaged over \$40,000 per transport, whereas hospital-affiliated programs reported average prices ranging from \$13,000 to about \$31,000. Third, the GAO noted that "the presence of private equity in the air ambulance industry indicates that investors see profit opportunities in the industry." These three companies are for-profit, and two are private-equity owned. Fourth, the GAO concluded that "[d]espite the growth in the number of helicopters offering air ambulance service in recent years, lower air ambulance prices have not materialized. In fact air ambulance prices have increased – approximately doubling between 2010 and 2014 ..." **The increasing market concentration among these three providers raised prices and enticed private equity investors which now ask for more Medicare funding.**

ACCT will not request, nor will it support, an across-the-board increase for all air ambulance agencies in the absence of authoritative analysis by MedPAC as to whether such increases are warranted and whether any increases should be more narrowly tailored. ACCT believes any solution must address long-term challenges in the air medical industry, rather than exacerbate them for short-term financial relief. **The legislative language of H.R. 3780 does not limit competition; it simply rewards higher quality air ambulance agencies, establishes minimum standards for agencies serving critically ill and injured Medicare beneficiaries, requires cost reporting, and initiates a MedPAC study.**

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<sup>1</sup> Data collected by Ira Blumen, MD, for a presentation at a NTSB Public Hearing in February 2009, titled *An Analysis of HEMS Accidents and Accident Rates*.

<sup>2</sup> AAMS 2013 study titled, *An Economic Analysis of the U.S. Rotary Wing Air Medical Transport Industry* (p. 24).

<sup>3</sup> GAO, Report #17-637, *Air Ambulance: Data Collection and Transparency Needed to Enhance DOT Oversight* (p. 11). July 2017.

<sup>4</sup> *Ibid.*, p. 18-19.

<sup>5</sup> *Ibid.*, p. 27.