

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 650 (Senators Pipkin and Astle)
Finance and Budget and Taxation

Medevac Helicopter Improvement Act of 2009

This bill requires that there be two fleets of helicopters operating in the State, one for emergency medical services (EMS fleet) and one for law enforcement, homeland security, and search and rescue (law enforcement fleet). The Maryland State Police must operate the law enforcement fleet, while a request for proposals (RFP) must be issued to operate the EMS fleet. Any entity responding to the RFP must meet specified criteria and provide certain information. In evaluating submitted proposals, a State-operated EMS fleet must be considered.

Fiscal Summary

State Effect: General fund expenditures increase by approximately \$9.4 million in FY 2010 to support a separate law enforcement fleet funded exclusively with general funds rather than the combination of general and special funds used to fund the current multi-mission model. Maryland Emergency Medical System Operations Fund (MEMSOF) expenditures may decrease under the RFP, but any savings will be distributed to and presumably expended by the Senator William H. Amoss Fire, Rescue, and Ambulance Fund (Amoss Fund). A commercial lease for a separate EMS fleet will reduce the number of helicopters the State plans to replace over the next five years from eight to four, which will reduce general obligation bond expenditures by approximately \$74.0 million and save approximately \$7.4 million in annual debt service.

Local Effect: To the extent savings are realized for an EMS fleet under the RFP, local jurisdictions may receive additional grants from the Amoss Fund for the purchase of fire and rescue equipment and capital building improvements.

Small Business Effect: None.

Analysis

Bill Summary: The law enforcement fleet must consist of four helicopters and any fixed wing aircraft. The RFP for the EMS fleet must be issued in accordance with general State procurement law. An offeror must (1) comply with State procurement laws; (2) be licensed and in compliance with Part 135 of Federal Aviation Administration (FAA) regulations; (3) be certified by the Commission on Accreditation of Medical Transport Systems (CAMTS); (4) have an EMS dispatch system; (5) agree to have all helicopter maintenance performed by a repair facility with an FAA Part 145 repair station certificate; (6) provide information on necessary capital expenditures; (7) provide information on expenditures required for staffing and maintenance, including at least two medical service providers per flight; and (8) provide information on the ability to apply for reimbursement from private insurance carriers for the transport of patients from the scene of an out-of-hospital medical emergency to a health care facility.

Any savings realized from modifications to the operation of the EMS fleet as a result of the RFP must be distributed to the Amoss Fund.

The bill specifies that either the Department of Emergency Services or the Department of General Services (1) issue an RFP for the EMS fleet; and (2) by October 1, 2010, and annually thereafter, report on the operation of the EMS fleet. The department that will be responsible for these actions is contingent upon the outcome of SB 764 of 2009, which establishes a new Department of Emergency Services. If SB 764 is enacted, the Department of Emergency Services will perform these actions. If SB 764 fails, the Department of General Services will perform these actions.

Current Law/Background:

Maryland State Police Aviation Command: Since 1970, the Maryland State Police has operated a system of aircraft to provide emergency medical evacuation (Medevac) services and other flight services to the State's citizens. The mission of the Maryland State Police Aviation Command (MSPAC) is to protect and improve the quality of life through the airborne delivery of emergency medical, law enforcement, and search and rescue services.

Special funds from MEMSOF support Medevac and search and rescue functions, while general funds support law enforcement and homeland security functions. Beginning in fiscal 2003, the split was changed to 80% special funds/20% general funds based on the ratio of Medevac flights to nonmedically related flights. For almost 10 years, MSPAC operated with a fleet of 12 helicopters and 2 fixed winged aircraft. As a result of the September 2008 crash of Trooper 2, MSPAC now operates with 11 helicopters.

Recent Developments Regarding Medevac Helicopters: Following the fatal Medevac crash, the Maryland Institute for Emergency Medical Services Systems (MIEMMS) convened an Expert Panel to Review Helicopter Utilization in Scene Transport of Trauma Patients in November 2008. The panel noted that, although there are other public agencies providing Medevac services in the United States, Maryland's model is unique as the only statewide and State-provided system. Maryland's system is also the only one to separate a primary scene provider agency, operating at an advanced Medevac configuration, from other agencies that are primarily providing inter-facility transports.

Recommendations issued by the panel indicate that MSPAC should take the necessary steps to achieve accreditation by CAMTS. The panel also recommended that all Medevac operations be conducted under Part 135 of FAA regulations – the same standard under which commercial air taxis operate.

CAMTS accreditation is a program of voluntary compliance with standards that demonstrate the ability of providers to deliver service of a specific quality. In order to achieve CAMTS accreditation, MSPAC must be Part 135 certified and operate with two medical crew members per flight. MSPAC currently operates under Part 91 of FAA regulations and with only one medical care provider per flight. In order to achieve and maintain Part 135 certification, MSPAC estimates that it will cost a total of \$415,000 in one-time costs and \$645,000 in ongoing costs. MSPAC recently received approval from the EMS Board to make the changes necessary to be in compliance with Part 135 and is awaiting a determination regarding CAMTS accreditation. MSPAC estimates that it would cost an additional \$2.3 million to hire 40 additional paramedics. Eighty percent of the costs for Part 135 certification and CAMTS accreditation would be allocated to MEMSOF. The Part 135 accreditation process is anticipated to take at least one year to complete. CAMTS accreditation cannot begin until Part 135 certification is complete.

As a safety measure, MSPAC recently requested funding from the EMS Board for new equipment (*e.g.*, night vision imaging systems, terrain awareness warning systems, and a flight simulator). Additionally, MSPAC requested funding to begin the initial hiring of Medevac copilots. MSPAC reports that hiring an additional pilot will substantially increase the safety of each Medevac flight. While the EMS Board has approved MSPAC's request for new safety equipment, the request to add an additional pilot to each flight is still under review.

Funding for Helicopter Replacement: Currently, the Administration proposes replacing eight helicopters over a five-year timeframe. The fiscal 2010 *Capital Improvement Program* includes \$40.0 million for the purchase of two Medevac helicopters. The Maryland Department of Transportation issued an RFP for Maryland State Police helicopters on January 30, 2009. Proposals were due on March 19, 2009, but the submission deadline was extended until mid-April.

Medevac Billing: Currently, MSPAC does not bill for Medevac services. In a recent letter of advice, the Office of the Attorney General concluded that MSPAC could bill for services provided it conformed with certain federal regulations. MSPAC could also limit billing to insurance carriers only. Citizens transported by a commercial air ambulance (typically for an inter-facility transfer) may receive a bill for services. If MSPAC contracts with a commercial air ambulance company to provide Medevac services, MSPAC could not require the company to restrict itself to insurance-only billing. Citizens could then be billed for costs above the amounts covered by insurance reimbursement.

Maryland Emergency Medical System Operations Fund: MEMSOF provides annual State budget support for Maryland's EMS system. The source of revenues for MEMSOF is an \$11 annual surcharge on motor vehicle registrations for certain classes of vehicles, as specified in Section 13-954 of the Transportation Article. MEMSOF may be used solely for (1) MSPAC; (2) MIEMSS; (3) the R Adams Cowley Shock Trauma Center; (4) the Maryland Fire and Rescue Institute; (5) local grants under the Amoss Fund; and (6) the Volunteer Company Assistance Fund.

MEMSOF earns approximately \$53.0 million a year in revenues; the Governor's proposed fiscal 2010 budget includes \$51.5 million in total expenditures from MEMSOF. The Department of Legislative Services forecast projects that, from fiscal 2010 through 2015, MEMSOF revenues will grow by 1.3%, while MEMSOF expenditures increase by 3.1%. Over time, growth in expenditures will outpace growth in revenues. MEMSOF could remain viable until as late as fiscal 2013. However, if Part 135 certification enhancements are implemented, MEMSOF will be viable through fiscal 2012. If Part 135 certification and CAMTS certification are implemented, MEMSOF will be viable through fiscal 2011. If all of MIEMSS' expert panel recommendations and MSPAC's requested safety enhancements are made, MEMSOF will be viable only through fiscal 2010.

House of Delegates Emergency Medical Services Workgroup: In January 2009, the Speaker of the House of Delegates appointed a 14-member House Emergency Medical Services Workgroup. The workgroup has three subcommittees – medical protocols, procurement, and system governance. The workgroup issued its final report March 10, 2009. The workgroup adopted numerous recommendations regarding multiple aspects of the State EMS system. With regards to helicopter EMS delivery, the workgroup endorsed the continued multi-mission capability of MSPAC and recommended that MSPAC continue to coordinate with commercial carriers to provide backup scene transport when necessary and inter-hospital transports.

Public-private Partnership for Medevac Mission: Private air ambulance company testimony before the House EMS Workgroup noted that Maryland's multi-mission aviation model may result in redundancy in mission capability, mission conflict, and

favoritism for certain missions. Private carriers suggested that Maryland may wish to consider a public-private partnership model such as a leasing agreement for helicopters and medical personnel. A corporate lease for Medevac missions will reduce acquisition costs and may eliminate redundancy.

The Senator William H. Amoss Fire, Rescue, and Ambulance Fund: The Amoss Fund promotes (1) the delivery of effective and high quality fire protection, rescue, and ambulance services in Maryland; (2) increased financial support for fire, rescue, and ambulance companies by counties; and (3) the continued financial viability of volunteer fire, rescue, and ambulance companies. The Amoss Fund provides grants to local jurisdictions for the purchase of fire and rescue equipment and capital building improvements. These grants are administered by the Maryland Emergency Management Agency. Distributions are made according to each county's percentage of total property tax assessments. Each county receives a minimum of 2% of the total and must expend funds for fire protection from its own sources that are at least equal to the amount of State funds to be received. The fund receives \$10.0 million in special funds annually.

Department of Legislative Services Comparison of Medevac Service Delivery Models: An analysis completed by Legislative Services for the House EMS Workgroup estimated the cost of three major service delivery models: (1) continuance of the current multi-service mission with 9, 10, or 12 helicopters; (2) a law enforcement only fleet with no State-provided Medevac services; and (3) a combination of MSPAC providing law enforcement services only and a commercial lease for Medevac services. **Exhibit 1** provides a summary of the operational and capital costs under these models, including the projected use of MEMSOF and general funds. All scenarios assume the additional costs associated with compliance with Part 135 regulations, the addition of copilots for Medevac missions, and CAMTS accreditation.

Exhibit 1
Comparison of Medevac Service Delivery Model Costs
(\$ in Millions)

	<u>Current Model</u>			<u>Law</u>	<u>Separate Law</u>	
	<u>MSP Multi-mission</u>			<u>Enforcement</u>	<u>Enforcement Fleet and</u>	
					<u>Commercial Lease for</u>	
					<u>EMS Fleets</u>	
					<u>\$13.5 Lease</u>	<u>\$19.9 Lease</u>
MSP Helicopters	12	10	9	6	6	6
MSP Bases	8	7	6	4	5	5
Total Operating Costs	\$27.6	\$25.5	\$23.8	\$14.9	\$30.8	\$37.2
<i>MEMSOF</i>	22.1	20.4	19.1	0.0	15.9	22.3
<i>General Fund</i>	5.5	5.1	4.8	14.9	14.9	14.9
Debt Service	<u>22.2</u>	<u>18.5</u>	<u>16.7</u>	<u>11.1</u>	<u>11.1</u>	<u>11.1</u>
Total Cost	\$49.8	\$44.0	\$40.5	\$26.0	\$41.9	\$48.3

Note: All scenarios assume compliance with Part 135 FAA regulations, addition of copilots for Medevac missions, and CAMTS accreditation.

Source: *Report of the House Emergency Medical Services System Workgroup*

Under this analysis, operation of the current multi-mission system (12 helicopters and 8 bases) *with anticipated enhancements* will cost \$27.6 million, plus \$22.2 million in annual debt service to replace the fleet. Of the \$27.6 million, \$5.5 million (20%) will come from the general fund, with the remainder (80%) from MEMSOF. Costs for separate law enforcement and EMS fleets are shown with two different commercial lease estimates that represent the low- and high-end projections for potential bids.

State Fiscal Effect: The Legislative Services analysis notes that the State Police will require six helicopters (rather than four as specified under the bill) located at four bases to provide law enforcement, homeland security, and search and rescue services. The two additional helicopters would provide back up to allow for helicopter maintenance. Operating costs for four or six helicopters would be the same, but capital and debt service expenditures would be less with just four helicopters. The estimated cost of a law enforcement fleet is \$14.9 million in general funds, including \$12.1 million in personnel costs and \$2.7 million in helicopter operating costs. The debt service associated with capital expenditures to replace six helicopters is an additional \$11.1 million annually, for a total operating and capital cost of \$26.0 million. Replacement of four helicopters would require only \$7.4 million in debt service, for a total operating and capital cost of \$22.3 million.

At this time, Legislative Services cannot reliably estimate the potential operating savings that may result under an RFP to operate an EMS fleet. Actual expenditures will depend on the proposals submitted and such factors as the number of Medevac missions performed. Legislative Services notes that commercial air ambulance companies routinely bill patients whereas MSPAC does not; thus, at least a portion of savings under a proposal may come from patient and insurance company billing.

For illustrative purposes only, the Legislative Services analysis estimates that a commercial lease for an EMS fleet will cost between \$13.5 million and \$19.9 million annually depending on the number of missions flown. In combination, a law enforcement fleet and a commercial lease for Medevac missions may cost between \$30.8 million and \$37.2 million, plus approximately \$7.4 million in annual debt service on four helicopters. This represents \$9.4 million in additional general fund expenditures annually. To the extent proposals submitted under the EMS fleet RFP achieve any savings, additional funds will accrue to the Amoss Fund for grants to local EMS companies.

At this time, the Administration proposes replacing eight helicopters over a five-year timeframe, beginning with two in fiscal 2010. Establishment of a law enforcement only fleet with four helicopters and a commercial lease for an EMS fleet as proposed under the bill will reduce the number of helicopters the State will need to replace from eight to four. Based on acquisition and debt service costs assumed in the Legislative Services analysis, reducing the number of helicopters to be replaced by four will reduce general obligation bond expenditures by approximately \$74.0 million and save approximately \$7.4 million annually in debt service costs.

Additional Information

Prior Introductions: None.

Cross File: HB 1356 (Delegate Smigiel) – Health and Government Operations and Appropriations.

Information Source(s): Board of Public Works, Department of Budget and Management, Maryland Institute for Emergency Medical Services Systems, Department of Health and Mental Hygiene, Department of State Police, Department of Legislative Services

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