



City Council Report

Date: September 9, 2019
To: City Council
Through: Michael Kennington, Deputy City Manager/Chief Financial Officer
From: Edward Quedens, Business Services Director
Matt Bauer, Procurement Administrator
Subject: Dollar Limit Increase for Year 2 and One-Year Renewal (Year 3) to the Term Contract for Medical Billing Services for the Mesa Fire and Medical Department **(Citywide)**

Recommendation

Council is requested to approve the contract amendment as recommended.

The Mesa Fire and Medical Department and Purchasing recommend increasing the dollar limit with Daisy Mountain Fire District for Year 2 by \$45,720, from \$70,000 to \$115,720; and authorizing the renewal for Year 3 at \$137,700 annually, based on estimated requirements.

Background / Discussion

Mesa Fire and Medical Department (MFMD) originally partnered with Daisy Mountain in Fall of 2017 after performance shortfalls with their previous billing contractor. In November of 2017, the City of Mesa and Daisy Mountain entered into the current contract.

MFMD started the Medic Unit pilot program and planned using Daisy Mountain for the billing services over the three years for the duration of the Medic Unit pilot program. On 11/19/2018, Council approved a one-year renewal with two years of renewal options subject to administrative review and approval. Staff had estimated usage at \$70,000 annually.

The dollar limit increase is needed due to higher than expected transport volumes. The cost is ultimately offset by higher revenue.

Renewing this contract continues to be advantageous to the City and it is in the City's best interest to continue partnering with Daisy Mountain for the key reasons:

1. Switching contractors is a complex process that increases the risk of Medicare noncompliance. MFMD was challenged by this when switching from the prior contractor to Daisy Mountain.
2. Daisy Mountain has far exceeded expectations for both timeliness and Medicare compliance.
3. Daisy Mountain is willing to help transition the billing function to the City if/when MFMD decides to do its own billing in the future.

Purchase Information

Action: Amendment (Dollar Limit Increase) and Year 3 Renewal

Procurement Type: Competition Exemption (Non-Profit Organization)

Contract Number: 2018058

Initial Contract Term: One year

Possible Renewals: Two, one-year renewals subject to Administrative review and approval

Funding Source: Revenue through Medic Unit pilot program

Original Council Award Date: 10/24/2017

Dollar Limit History

Original Award Amount (Year 2):	\$70,000.00
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Increase Request 9/9/2019:	<u>\$45,720.00</u>
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New Year 2 Contract Value:	<u>\$115,720.00</u>
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Renewal Recommendation (Year 3):	<u>\$137,700.00</u>
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Date: November 19, 2018
To: City Council
Through: Michael Kennington, Chief Financial Officer
From: Edward Quedens, Business Services Director
Matt Bauer, Procurement Administrator
Subject: One-Year Renewal with Two Years of Renewal Options to the Term Contract for Medical Transportation Billing Services for the Mesa Fire and Medical Department **(Citywide)**

Recommendation

Council is requested to approve the contract renewal as recommended.

Mesa Fire and Medical Department (MFMD) and Purchasing recommend authorizing the renewal with Daisy Mountain Fire District at \$70,000 annually with an annual increase allowance of up to 5% or the adjusted Consumer Price Index.

Background / Discussion

MFMD originally partnered with Daisy Mountain (competition exempt, non-profit organization) in Fall of 2017 after performance shortfalls with their previous billing contractor. On November 2017, the City of Mesa and Daisy Mountain executed Contract No. 2018058 Medical Billing Services for the term from 11/1/2017 to 10/31/2018.

MFMD is requesting Council approval to continue partnering with Daisy Mountain Fire District for full-service medical transportation billing services. The Department intends to use the billing services over the next three years for the duration of the Medic Unit pilot program.

In Fall of 2017, MFMD had not yet started the Medic Unit pilot program so the billing volume was lower and simpler. With the advent of the Medic Unit pilot program, volume and complexity has increased to the point where Daisy Mountain is nearing its processing capacity and losing money on the agreement. The current pricing of \$20 per claim does not cover the cost of the full-time employee Daisy Mountain is dedicating to our billing.

MFMD staff anticipates about \$70,000 per year based on an amended pay rate of 8.5% of net collections, as follows: 1,600 claims (Daisy Mountain's current annual capacity) x \$500 net collections each x 8.5%. This is approximately twice the current pricing of \$20 per claim. Total expenses could change depending on expansion of the Medic Unit pilot program and Daisy Mountain's or MFMD's processing capacities. However, all costs would be paid from revenue earned by the Medic Unit pilot program.

It is in the City and MFMD's best interest to continue partnering with Daisy Mountain at an increased price for several key reasons:

1. Switching contractors is a complex process that increases the risk of Medicare noncompliance. MFMD was challenged by this when switching from the prior contractor to Daisy Mountain.
2. Daisy Mountain has far exceeded expectations for both timeliness and Medicare compliance.
3. Daisy Mountain is willing to help transition the billing function to the City if/when MFMD decides to do its own billing in the future.

This contract continues to be advantageous to the City and it is in the City's best interest to renew the contract.

Purchase Information

Action: Renewal (1st of 3 possible)

Procurement Type: Competition Exemption (Non-Profit Organization)

Contract Number: 2018058

Original Management Award Date: 10/24/2017

Initial Contract Term: One years

Possible Renewals: Two, one-year renewals subject to Administrative review and approval

Funding Source: Revenue through Medic Unit pilot program