



Case Study #1: Hybrid Public-Private

In 1997, San Mateo County in California and AMR formed San Mateo County Hospital Advanced Life Support Services. Under this public-private partnership, public fire agencies provide the first-response paramedics, and AMR provides a second medic via ambulance as well as all the medical supplies, equipment, training, and clinical oversight for both the public and private medics. Both the fire departments and AMR are subject to fines for non-performance under the terms of the performance-based contract, and AMR shares revenue with the fire departments for first response. Since the program's inception, San Mateo County has increased its number of licensed and certified paramedics from approximately 60 to more than 220. Fire department paramedics are responding on time in nearly 98 percent of emergencies and private paramedics are responding on time in 95 percent of emergencies.

Case Study #2: Managed Competition

Last year, Pinellas County officials in Florida conducted a managed competition for EMS services, which was won by a private bidder over a variety of public and private competitors.

Among the benefits that this private provider brings to the county are:

- emergency response times have been reduced by 30 seconds, with 90 percent reliability;
- non-emergency response compliance has been increased from 90 percent to 95 percent;
- only paramedics provide pre-arrival lifesaving instructions over the phone to 911 callers with medical emergencies;
- equipment and software in the dispatch/communications center was upgraded;
- the provider—Sunstar—received the Accredited Center of Excellence Award for its communications center (only the 34th issued in the world);
- ambulance vehicles are replaced every five years; and
- Pinellas County will save between \$13 million and \$21 million over the next 11 years.

CONCLUSION

Private ambulance firms that survived the 1990s may find conditions better in which to thrive in the 2000s. Data show that private firms perform better, have faster access to technology, and are more cost-effective than public agencies. As shown above, new strategies are emerging that ensure a role for private firms in cooperation with public agencies. While “ambulance wars” may continue in some parts of the nation, trends indicate a brighter future for privatization of EMS. ■

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The 1990s were a tumultuous decade for public and private officials seeking to privatize ambulance services. Public officials had hoped that local battles among providers early in the decade would bring greater competition and better services. However, consolidation and changes in reimbursements in the mid-1990s altered the landscape. Now, at the beginning of the 2000s, new models are emerging that offer public officials viable alternatives for achieving market-based solutions.

AMBULANCE WARS: FIRE TRUCKS VS. AMBULANCES

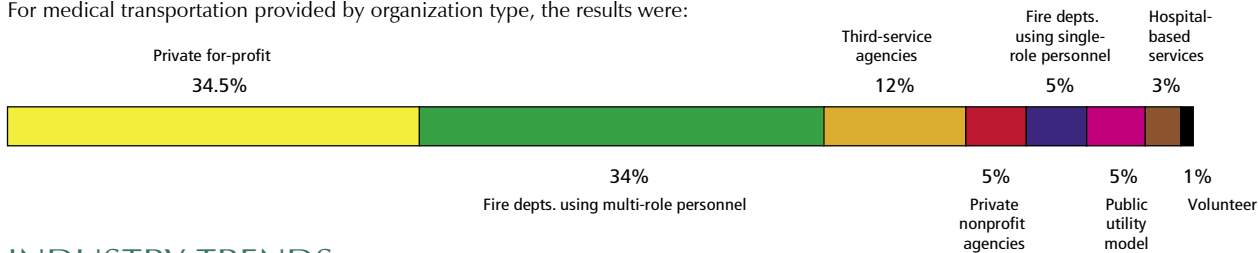
The early 1990s witnessed heated controversies between private firms and public agencies over responsibility for ambulance services. So-called “ambulance wars” broke out across the country, especially in California and Florida, with separate public and private crews sometimes arriving simultaneously at accident sites.

The ambulance wars were primarily due to fire departments expanding their scope of activities beyond firefighting. The number of home and building fires in the U.S. plunged 40 percent during the past two decades to 1.8 million annually, while the number of paid firefighters increased 20 percent to 275,000. Fire departments needed more activities to ensure their survival, and so branched into providing other emergency services. Now, in cities such as Los Angeles, Chicago, and Miami, 90 percent of the emergency calls to firehouses are in response to auto accidents and other medical emergencies.

The 2000 *Journal of Emergency Medical Services (JEMS)* survey of the 200 largest municipalities in the nation found that 188 have fire departments that provide first response for medical emergencies.



For medical transportation provided by organization type, the results were:



INDUSTRY TRENDS

Changing conditions in the marketplace also have influenced the way emergency medical services (EMS) are provided. For one thing, many ambulance firms consolidated in the past decade. Previously, the market was fragmented and decentralized with a large number of “mom-and-pop” operations. Small ambulance firms still exist in some markets, but a large number have been bought out by larger firms. The current trend began in 1992, when four ambulance companies merged into American Medical Response (AMR). Then, in 1997, AMR and another major provider, Laidlaw, merged, narrowing the market down to two national firms: AMR and Rural/Metro.

Also, in the mid-1990s, the federal government began to tighten reimbursements for Medicare, a large source of funds for ambulance providers, while the amount of federal dollars available began to dry up. New guidelines issued under managed care had the effect of restricting reimbursement emergency medical transport. The combination of lower federal reimbursements and managed care restrictions will force ambulance providers to become more efficient in the future.

THE RISE OF EMS PRIVATIZATION

According to a 1997 survey by the International City/County Managers Association (ICMA), approximately 16.3 percent of cities nationwide have privatized ambulance services. In a similar 1988 ICMA survey, ambulance services were not privatized by any responding cities. Such dramatic growth may not be consistently sustainable over the long term, but the results from the ICMA surveys indicate the potential for future growth in privatization of EMS.

1. Performance

According to the *JEMS* survey, several performance-related issues suggest that private EMS offers better quality and efficiency. For example, private for-profit agencies have the greatest number—66 percent—of providers subject to external reviews. Seventy percent of private agencies have defibrillation devices (used for heart attacks), compared to 40% of fire departments. More private agencies (48 percent) are using advanced technology, such as the automotive vehicle locator, than fire departments (20 percent).

Private EMS providers also can provide services less expensively than fire departments. Privately employed paramedics typically make about 75 percent of the wages and benefits that firefighters do, and six ambulances cost less than one hook-and-ladder truck.

In addition, private agencies are moving to performance-based systems faster than fire departments. Finally, they also are making better use of technology and accessing advanced equipment more quickly than public agencies—and enhanced technology promises to increase efficiency and save lives.

2. Outlook

While the competition between private ambulance firms and fire departments abated somewhat during the mid-1990s, things are heating up again, as private firms and fire departments do battle for ambulance services in large cities such as New York City, Denver, and Portland.

A hybrid approach is being used in some cities, with evidence of success. Chicago and Los Angeles, for example, use private providers who work in conjunction with fire departments to assure more rapid response times and lower per capita EMS costs.

Following are two other examples of recent EMS privatization, which show new approaches that local officials are using.

