



Richmond Ambulance Authority

2400 Hermitage Road
Richmond, VA 23220-1200

March 21, 2022

Richmond City Council
Richmond City Hall,
900 E. Broad Street, Suite # 305
Richmond, VA 23219

RE: Richmond Ambulance Authority FY2023 City Subsidy

Dear Members of Richmond City Council,

The Richmond Ambulance Authority (“RAA”) has been on the frontline of the COVID-19 pandemic for the last two years; a pandemic which has impacted the services we provide the citizens of Richmond, our workforce, and our financial bottom line. Over the course of the last two years, we have seen drastic increases in the cost of basic medical supplies. We have seen our workforce impacted by turnover, stress, and fatigue. Richmond citizens increasingly used RAA as their primary medical care. Yet, RAA’s overall call volume has declined steadily as the people of Richmond have declined to seek our services or medical care in general for fear of COVID-19. Therefore, to continue to provide world-class services to the people of Richmond, we are seeking the Richmond City Council members to approve a subsidy allocation for RAA in the amount of \$7,500,000. This request is an increase over our original request of \$5,900,000 and reflects updated projections. This increase is also \$3,500,000 over what Mayor Levar Stoney included in his proposed budget.

Please understand that we do not make this request lightly. We recognize the need to be good stewards of public funding, and RAA prides itself on its ability to do so. However, the reality is that other sources of revenue are simply not available to RAA to continue operating at its highest level.

For example, reimbursement rates from our primary sources of funding for services, which include the Centers for Medicare and Medicaid Services (Medicare), Virginia Department of Medical Assistance Services (Medicaid), and commercial payors, have not increased their billable rates in proportion to the supply chain economics that we have seen from the pandemic. Additionally, Medicare, and commercial insurance payors are increasing their customers’ deductibles, co-pays, and co-insurance payments, which increases the financial burden for patients, resulting in a decrease in RAA’s collection percentages. RAA does not receive revenue unless we transport the patient. Currently, about one third of our responses do not result in a transport or any revenue.

RAA's net service revenues, the difference between what we bill and how much we receive, have steadily declined since the inception of the pandemic. For example, in FY2020, RAA's net services revenue stood at \$15,848,257. In FY2021, RAA's net service revenues declined to \$14,233,994. In FY2022, RAA budgeted \$13,332,352 factoring in the decline in transports, but the projected revenue now appears lower at \$12,561,093. RAA further expects a decline in this revenue stream for FY2023, and we have budgeted net revenue at \$12,287,606 accordingly. This is primarily due to the decline in transports.

In FY2023, RAA's projected operating budget is \$24,961,941 with a projected available funds totaling \$21,528,217. RAA is funded through service revenue, the city subsidy, and carryover funds from the prior year. Without the requested level of funding, RAA is predicting an operating deficit that is directly related to the effects of the pandemic. The amount of that deficit is the reason for this vital request.

Likewise, it is important to note the increased costs of medical supplies and equipment during the pandemic, which is an unavoidable expense. For example, the price for Personal Protective Equipment (PPE) doubled or, in some cases, tripled in cost. RAA shouldered increased costs of cleaning supplies and chemicals and purchased new medical equipment essential for keeping our patients and staff as safe as possible during the pandemic. Additionally, long wait times to transfer care to hospitals, though improving, still contributes to system inefficiency.

RAA also took measures to ensure our frontline workers had the necessary resources to cope with stress and fatigue as well as improve morale and reduce employee turnover. In doing so, RAA improved the work/life balance and reduced the workweek for frontline workers from 48 hours to 42 hours. Additionally, RAA increased wages this year to align general employees with the city initiative for a minimum living wage at the Silver level (\$12/hour) and we are working towards funding the Gold level.

However, the emergency medical services industry has experienced significant upheaval and workforce defections due to COVID-19. An American Ambulance Association ambulance industry employee turnover study from July 2021 showed an annual turnover rate of emergency medical technicians and paramedics to be 20%-30%. RAA has not been immune to this phenomenon and competition for emergency medical services (EMS) providers is fierce nationwide. As such, RAA has increased salaries of key positions and instituted a "cadet" program to certify new recruits as emergency medical technicians. Most paramedic courses are two years long and the schools teaching these courses closed during the pandemic adding to the nationwide shortage of paramedics. RAA must be able to persuade existing experienced paramedics to leave their current job and come work in the City of Richmond.

Another reality impacting RAA's finances during the pandemic is RAA's inability to receive full funding of its prior subsidy requests. In FY2020, RAA requested \$5,620,500 and received \$5,000,000. In FY2021, as it was clear we were in a pandemic, RAA requested \$6,200,000 to address the rising expenses of treating patients and to retain employees while experiencing reduced transport volume. RAA received \$5,000,000. In FY2022, RAA was experiencing the direct impact of the heights of the pandemic, and we requested \$6,900,000 in order to be successful. However, RAA received \$4,000,000, a drastic cut from prior funding levels. Now entering FY2023, RAA's subsidy funding is being proposed at the same \$4,000,000 level. I cautioned last year this level of funding would not be sustainable as the costs of providing this essential service has skyrocketed.

To be clear, RAA uses the city subsidy to fund the delivery of the services the city created RAA to provide. This additional funding is necessary to address the increased costs of essential medical supplies, equipment, and attract and retain our most valuable asset, our professionals. It also helps fund the services we provide for free to our most vulnerable populations, so they always have access to EMS healthcare.

RAA is one of the four pillars of public safety within the City of Richmond as well as public health. Thirty years ago, when the city sought to provide a service the citizens so desperately needed, RAA was created as a not-for-profit entity. But 'not-for-profit' does not mean 'all-for-free.' If you genuinely want to provide for the essential service you and the citizens expect, this is the predicted cost.

We ask City Council to grant the Richmond Ambulance Authority a FY2023 subsidy in the amount of \$7,500,000. RAA has been good stewards of public funding but forces outside of our control, such as COVID-19, supply costs, and fierce talent competition have impacted our ability to provide the service. What will the citizens get for their money? It will enable RAA to more quickly return to the consistent level of excellent service the citizens of Richmond expect and deserve.

Sincerely,

A handwritten signature in dark ink, appearing to read 'TB' followed by a stylized flourish.

Richard Bennett, M.D.

Treasurer, Richmond Ambulance Authority Board of Directors

Chairman, Richmond Ambulance Authority Finance Standing Committee

cc: Matt Conrad, Chairman, Richmond Ambulance Authority Board of Directors
Chip Decker, Chief Executive Officer