

Testimony of J. A. "Tony" Patterson, Jr., Chief Administrative Officer and General Counsel of Kalispell Regional Healthcare System before the Economic Affairs Interim Committee of the Montana Legislature Related to Air Ambulances under House Joint Resolution 29

Thank you for the opportunity to address you this morning about the air ambulance service of Kalispell Regional Medical Center ("KRMC"). KRMC directly owns and operates the Advanced Life Support and Emergency Rescue Team, called A.L.E.R.T. It is a service of KRMC like any other service we offer; not a separate organization or contracted service.

Like all of our services, A.L.E.R.T. was born of a community need in Northwest Montana. More than three decades ago a logger working in a remote area was seriously injured. A private helicopter bravely rescued the young man, but no medical crew was available to assist. The patient, transported in an outside basket, patterned after the kind used during the Korean War, could not be treated during flight, and unfortunately died. Shaken and heartbroken, his employer and other loggers rallied the medical community of the Flathead Valley to establish an air ambulance service and reduce future fatalities in the field.

At that time, in 1975, there was only one hospital-based helicopter advanced life support system, St. Anthony Hospital's Flight for Life out of Denver. The originators of the KRMC program used that system and Seattle's Medic One, the premier ground Advanced Life Support in the United States, as their examples to mold KRMC's program into a unique model in America. For over four decades, A.L.E.R.T. I has provided crucial advanced life support and critical care transport to remote communities of Northwest Montana.

Today, A.L.E.R.T. has the crew, equipment, and capability to respond to a diverse range of missions, including:

- Calls to the scene of emergencies in the field, from road side to mountain side.
- Transportation of critically ill patients to specialized facilities in Spokane and Seattle, Washington; Denver, Colorado; Palo Alto, California; Salt Lake City, Utah; Rochester, Minnesota; and elsewhere.
- Care of patients demanding specialized care, including high risk obstetrics, critically ill infants, complex cardiac and neurological patients, and trauma patients.
- Search and rescue assistance, including water rescue, avalanche search, and night vision.

The A.L.E.R.T. team is made up of: 10 pilots, 25 flight nurses and paramedics, 2 pediatric flight nurses, 5 NICU/OB flight nurses and trained respiratory therapists. All of our pilots are Airline-Transport rated, which is the highest level of certificate granted by the Federal Aviation

Administration. The medical on-board crew consists of a critical care trained Registered Nurse and Paramedic, or a specially trained Neonatal or an Obstetrics Nurse. A.L.E.R.T. has three respiratory therapists who have been trained to go on flights in extreme situations when airway management, ventilator management or other airway issues will benefit the patient. Our fixed wing air ambulance, called A.L.E.R.T. II, also utilizes Intensive Care Unit ("ICU") nurses who will fly when patients on a balloon pump are transported. On rare occasions when necessary, a physician may also travel with the patient.

A.L.E.R.T. carries on its air program through a helicopter and a fixed wing airplane. The helicopter is based at KRMC, just across from the Emergency Room. The fixed wing flies out of Glacier International Airport. KRMC has its own FAA part 135 Air Taxi Certificate, no outside contractor is involved. The A.L.E.R.T. Bell 407 helicopter, called A.L.E.R.T. I, is owned directly by KRMC. It carries a pilot, nurse, and medic. A.L.E.R.T. I transports approximately 345 patients per year. The fixed wing air ambulance service, called A.L.E.R.T. II, uses a Pilatus PC-12 turboprop air ambulance. The A.L.E.R.T. II aircraft is leased at a favorable rate from a local citizen. Typical missions include flights from smaller Montana towns (including Libby, Cut Bank, Havre, and Browning) to bring patients to KRMC to receive services not available locally. Additionally, ALERT II is available to support larger communities, like Great Falls and Missoula, when their air ambulance programs are unavailable or out on a mission. Other ALERT II flights include transporting patients to specialized care facilities in Denver, Colorado; Seattle, Washington; Palo Alto, California; Portland, Oregon; Salt Lake City, Utah; and Rochester, Minnesota. A.L.E.R.T. II can operate out of the smaller airports in Montana, which are more easily accessible for local patients. It usually flies at 290 MPH, making the flight time to Seattle, Washington, about 1 hour 35 minutes. In addition to the flight and medical crew, and patient, A.L.E.R.T. II can also normally transport a single family member with the patient, which can make a real positive difference to the patient and family.

The A.L.E.R.T. service is very expensive, as you would expect. Because A.L.E.R.T. provides more than just air ambulance services to the community, many without any charge, A.L.E.R.T. faced financial difficulties in 1978. The local community responded by forming the A.L.E.R.T. Advisory Board. Composed of community members from businesses, primary rescue services, the timber industry, Glacier National Park and forest service representatives, the group established a widespread effort to build community financial support, including an annual A.L.E.R.T. fund-raising banquet. The A.L.E.R.T. Board continues to organize this annual fundraiser banquet and serves as a champion for the A.L.E.R.T. air ambulance service. This fundraising effort has helped considerably in allowing A.L.E.R.T. to continue to provide its air ambulance services, as well as search and rescue services, including for lost hunters, hikers, snowmobilers, and avalanche searches, at no cost to the individual or the community.

The A.L.E.R.T. Program operates at a significant financial loss each year. The amount of the loss appears as financial assistance (charity care and financial assistance discounts) or as subsidized health care services community support, depending on the classification of the amounts, on KRMC's IRS Annual Report Form 990 (which amounts [in total, not just A.L.E.R.T.] totaled \$24,518,658 for the fiscal year ended March 31, 2014).

The A.L.E.R.T. service is not carried on with the purpose to be a money maker for KRMC. It would be wonderful if its revenues made A.L.E.R.T. a positive revenue source, but that is not the case. As demonstrated by its history, it is carried on to meet the community need. We believe that A.L.E.R.T. has competitive rates with other hospital sponsored or contracted air ambulance services in the state. As a service of KRMC, if an insurance company or employer sponsored health care benefits plan has a provider agreement with KRMC that offers air ambulance services coverage, the patient is only responsible for the plan's copayment and deductible obligations. Health benefit plans providing this coverage include preferred provider contracts with Blue Cross and Blue Shield of Montana and Allegiance Healthcare, and we accept those plans' payment schedule for A.L.E.R.T. air ambulance flights. KRMC is a participating provider in Medicare and Montana Medicaid for air ambulance services, with the patient, again, being responsible only for the required self-pay obligations. Patients who do not have private or governmental health care benefit plan coverage are billed for the service, but they, as well as patients who are covered by health benefit plans, may take advantage of the KRMC financial assistance policies, including full charity care. KRMC's IRS Form 990 for 2014 shows \$7,344,591 as the aggregate cost of charity care and \$6,051,710 in Medicaid payment shortfalls provided by KRMC for its fiscal year ended March 31, 2015.

The A.L.E.R.T. dispatch protocols have no differentiation among patients based on insured status or ability to pay. In the case of non-emergent transportation, because it is more likely that health benefit plan coverage is a lesser payment than an emergency transport or is not a covered benefit, A.L.E.R.T. makes an effort to discuss the pricing and the likelihood of patient financial responsibility before the flight is scheduled.

KRMC also sponsors a private air ambulance membership program under MCA 50-6-320. The membership for an individual is \$59 and \$100 for a family. The program is called A.L.E.R.T. Access. It provides members with A.L.E.R.T. I helicopter emergency air transport financial assistance. This program is designed for individuals and families that have medical insurance coverage or Medicare. When A.L.E.R.T. I is dispatched by 911 or direct dispatch, using its normal protocols, and provides helicopter air transportation to a critically ill or injured A.L.E.R.T. Access member, the member will not be charged any out of pocket expenses related to the flight. All costs above and beyond what the patient's insurance pays is taken care of by the membership. A.L.E.R.T. I transportation is to the closest medically appropriate facility. The pickup site must be located in the A.L.E.R.T. I local service area. The pricing of this membership program must meet rules prescribed by the federal Medicare program.

Because A.L.E.R.T. I has, essentially, a 115 mile operating radius, KRMC is open to cooperative programs for its membership program, but none are in place currently. The membership program is offered to the community on the KRMC website and through community announcements, like at the annual A.L.E.R.T. fundraiser event and local newspaper inserts and advertisements.

The A.L.E.R.T. service is dispatched if the patient requires Advanced Life Support (“ALS”) care or is located in a remote area that is inaccessible to a ground ambulance (such as backcountry mountainous areas). A.L.E.R.T. is dispatched on all ALS calls by the Flathead County 911 system. Once A.L.E.R.T. arrives at the site, the medical team determines whether air or ground transport is the better option. If the patient does not need air ambulance transport, A.L.E.R.T. returns to its base at KRMC and no charge is made to the person(s) involved. If the ground ambulance crew requests additional help, members of the A.L.E.R.T. medical crew will ride with the ambulance crew to the hospital, again, without any charge to the patient. Importantly, A.L.E.R.T. will go to the scene of the accident or other event to rescue the patient when ground transportation cannot transport the patient to an appropriate pickup point. We understand that other air ambulance services may wait at the hospital or airport for the patient to be delivered to them. On occasion, A.L.E.R.T. will provide search and rescue services to the region at the request of surrounding governmental agencies, and provide avalanche rescue beacon searches, at no cost to the requesting agency or person involved.

Air ambulance service is expensive. It is also very important to the citizens of a frontier state like Montana. Finding a path that addresses the needs of air ambulance providers to generate sufficient revenues to maintain the service; insurance companies and health benefit plans to provide adequate coverage of air ambulance services; and Montana citizens to avoid “sticker shock” from the cost of air ambulance transport is not an easy task. It is complicated by the various federal statutes governing air ambulance providers, and health benefits plans covered by the Employee Retirement Income Security Act (“ERISA”), and their preemption provisions. Any Montana legislative or regulatory action should address the interests of each of the groups involved and not add costs and other burdens to the mix.

State specified dispatch protocols would not be helpful to A.L.E.R.T. because of the geographic diversity of the area in which we operate and the use of the Flathead County 911 service for dispatch. However, we do have several suggestions for consideration by the Interim Committee:

1. All air ambulances need to dispatch in emergency situations without asking about insured status beforehand.
2. Health insurance plans subject to state regulation should have air ambulance transport as a covered benefit, at a minimum in emergency situations.
3. It has been suggested that a preference be given initially in a dispatch protocol to an air ambulance service that is a participating provider in health benefit plans before non-participating air ambulance services. We question the benefit to this. Does this mean being a participating provider in one plan, two plans, the patient’s plan? There is little time in emergency cases to make such a determination. In cases of non-emergency transport, the patient ought to be apprised of the probable cost and then the patient can address the cost issue with the health benefits plan or the air ambulance company directly.

4. The website of the Montana Commissioner of Securities and Insurance (the "Commissioner") should have a web page that addresses the issues a citizen should consider in purchasing health insurance or reviewing ERISA plan benefits coverage for air ambulance transport and list information about the air ambulance providers in the state.
5. The Legislature should consider statutory provisions, or regulatory action by the Commissioner, that requires third-party administrators of ERISA covered health benefit plans to have a toll-free number or plan beneficiary can call to determine exactly what coverage is provided by the plan.
6. Air ambulance transportation providers should have a disclosure/notice form, with an example form provided by the Commissioner, that addresses the nature of air ambulance transport services offered (emergency and non-emergency), insurance and health benefit plans in which the provider is an "in-network"/ "participating" provider and, for non-emergent transport, an estimate of the charge that the patient may anticipate from a proposed transport, and any financial assistance or payment programs offered by or through the provider.