



## Economic Affairs Interim Committee

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### 64th Montana Legislature

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as of 11/23/2015

## Survey Responses from (Most) Air Ambulances Serving Montana

by Pat Murdo, Legislative Researcher

A 73-question survey sent this fall to 13 air ambulances licensed by Montana<sup>1</sup> covered a range of topics from response times to costs, and whether services were in insurance networks or offered memberships. The survey was an attempt to help the Economic Affairs Interim Committee better understand the variation in air ambulance services in Montana and also to learn if there was a common approach by for-profit entities or not-for-profit entities regarding costs and billing. The survey and related panel discussions are part of a study requested under House Joint Resolution No. 29 in the 2015 legislative session.

Highlights of the survey (as these findings relate to the 10 responding entities) show that air ambulances serving Montana in 2014:

- Flew nearly 7 times as many in-state missions as out-of-state missions:
  - 1,428 in-state with fixed-wing aircraft;
  - 1,133 in-state with helicopters;
  - 386 out-of-state with fixed-wing aircraft and 4 out-of-state with helicopters.
- Had response times ranging from a low of 5 minutes for a hospital-based helicopter to 50 minutes for a contract fixed-wing service.
- Generally responded that Montana does not have uniform protocols for dispatching services.
- Generally responded that the referring medical provider, sometimes in consultation with the receiving physician, decided whether a situation was an emergency that could not be handled at the initial facility.
- Generally were in at least one insurance network, based on 6 of the 10 respondents' answers to the question of whether they were in an insurance network.
- Serve a mix of insured and uninsured clients. Of the transports done in 2014, respondents said uninsured patients made up anywhere from 4% to 23% of the patients served by the air ambulances, with a high of 42% of the population being on Medicare for one service. Only Sanford Health out of North Dakota responded that more than half (55%) of its patients had insurance that was accepted as full payment. For the three other respondents to this question, in 2014 one service had no cases in which insurance was accepted as full payment (perhaps because the insurance was not in-network) and the other two respondents said 25% and 27% of their patients' insurance was accepted as full payment.
- Had lift-off rates that ranged from a low of \$8,596 for a fixed-wing flight to a high of \$15,246 for a helicopter flight. Mileage rates ranged from a low of \$26 for a fixed-wing flight to a high of \$133.10 for a helicopter flight. (Later independent information showed Summit Air Ambulance's liftoff rate at \$15,965 for a fixed-wing lift-off rate and \$175 for a fixed-wing loaded passenger mile.<sup>2</sup>)
- Did not provide a clear indication that for-profit or not-for-profit status affected costs or pricing.

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<sup>1</sup>The survey initially went to 12 representatives of air ambulances because one of the air ambulance firms, EagleMed, had been acquired shortly before the survey went out in October by Summit Air Ambulance, which itself became a subsidiary of REACH Air Medical Services in May 2015. After learning that each service was more likely to respond independently, the survey was sent to an EagleMed representative. No one responded for any of the Summit Air Ambulance services.

<sup>2</sup>Data on a health insurance claim form received by the Montana Association of Counties in August 2015.

If a bottom line finding were to be reached from the survey, that would be that air ambulances are a business primarily, whether they are for-profit or not-for-profit. This briefing paper on the survey responses will provide some background on the Montana licensees' business models along with information on air ambulance charges in workers' compensation along with information on which services offer memberships. Three tables feature highlights from the survey based on overall information, billing information, and medical components for the services.

### **Business Models**

Some of Montana's air ambulances have been in service for more than 30 years. Others are relative newcomers. Of the ones in existence for many years, they tend to be affiliated with hospitals, although even some of the new ones also have hospital affiliations. An analysis of the types of business models in the air ambulance industry shows there are hospital-based not-for-profit services, hospital-affiliated not-for-profit services, and for-profit models that may be affiliated with a hospital as well as "under the wing" or an umbrella group that provides legal, accounting, and other services.

Hospital-based not-for-profit air ambulances include:

- A.L.E.R.T. based at Kalispell Regional Medical Center (hospital crew, KRMC-owned fixed/rotor units). Serves entire state with fixed wing aircraft, 150-mile radius of Kalispell with helicopter.
- Benefis Mercy Flight in Great Falls (hospital crew, contracted fixed wing and rotor craft) serves Northcentral area of Montana with helicopter and full state with fixed-wing aircraft.
- Billings Clinic MedFlight (hospital crew, contracted fixed-wing plane) serves all of Montana with its fixed-wing aircraft.
- HELP Flight at St. Vincent Healthcare in Billings (hospital crew and flight team) serves 150-mile radius around Billings with its helicopter and entire state with its fixed-wing aircraft.

Hospital-affiliated not-for-profit air ambulances include:

- Northeast Montana STAT Air Ambulance Co-Operative, serving Northeast Montana hospitals in a cooperative agreement and based at Frances Mahon Deaconness Hospital in Glasgow, which handles billing, insurance filing, and medical records. Service area is eastern Montana.
- NW MedStar, owned by Inland Northwest Health Services, is affiliated with Providence Health and Services and operates fixed wing and rotor craft from a base in Missoula. Serves western Montana.
- Sanford AirMed, affiliated with Sanford Health in Bismarck, ND. Serves Montana with fixed wing and rotor craft from a base in Dickinson, ND, where Sanford Health operates a clinic. Its fixed-wing aircraft can serve state of Montana but typically gets requests from eastern Montana.

For-profit air ambulance operations include:

- Air Idaho Rescue, a part of Air Methods Corp., which trades on the New York Stock Exchange and has \$1.1 billion in revenues, a profit margin of 10.65% and a return on equity of 22.12%.<sup>3</sup> Air Idaho Rescue has fixed wing aircraft based in Idaho Falls, ID, and a helicopter based in West Yellowstone from March to October. Its Montana service area is southwest Montana.
- Montana Medical Transport, part of ExecAir Montana, based in Helena where it operates fixed wing aircraft serving the Pacific Northwest.
- Valley Med Flight, Inc. said on the survey that it does not have a parent company and is not controlled by other business entities, but the company does have a connection to Air Medical Resources Group (AMRG). For example, the voicemail for the president of the Valley Med Flight says he is with Air Medical Resource Group. The general counsel for AMRG, who was at the Sept. 1, 2015, Economic Affairs Interim Committee meeting, also identified Valley Med Flight as in his organization but later over the phone said that Valley Med Flight is independent and gets services like legal and accounting from AMRG. Among AMRG's companies, according to the

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<sup>3</sup>Information accessed from New York Times business news on Nov. 19, 2015. See <http://topics.nytimes.com/top/news/business/companies/air-methods-corp/index.html>.

AMRG website, are Valley Med Flight in North Dakota and Guardian Flight in Wyoming and Utah. Valley Med Flight operates both fixed-wing and helicopters but on the survey did not say what its areas of service are in Montana. The company website says Valley Med Flight serves Sidney MT.

Of interest regarding the umbrella groups that are acquiring air ambulance services in the United States is that Summit Air Ambulance, which serves Montana out of Belgrade and Helena, recently was acquired by REACH Air Medical Services out of Santa Rosa, California. REACH also recently acquired EagleMed and closed its Butte location. None of the Summit Air Ambulances responded to the survey. REACH is part of Air Medical Group Holdings, which has been described as the largest independent provider of air medical services in the world.<sup>4</sup> A June 2015 report by Zacks Equity Research said that KKR & Co., had announced a deal to acquire Air Medical Group Holdings Inc. from Bain Capital LLC, for \$2 billion. Bain had acquired Air Medical from Brockway Moran & Partners in 2010 for \$1 billion, according to a Reuters news report.<sup>5</sup>

### Charges

Air ambulances charge based on a lift-off rate and loaded mile rate. One of the companies, NW MedStar, noted that additional charges include supplies and medications used in transport. As explained at the Sept. 1, 2015, Economic Affairs Interim Committee meeting, an air ambulance called into service but not then used to transport a critically ill or injured patient does not charge for being called out. The survey responses indicated the following range of charges from responding air ambulance services:

For helicopters:

- HELP Flight (St. Vincent's) - \$11,530 helicopter lift-off rate, \$100 loaded mile rate
- NW MedStar - \$15,246 helicopter lift-off rate, \$133.10 loaded mile rate
- Sanford AirMed - \$11,062 helicopter lift-off rate, \$88 loaded mile rate

For fixed-wing craft:

- Billings Clinic MedFlight - \$12,625 fixed-wing lift-off rate, \$60 loaded mile rate
- HELP Flight (St. Vincent's) - \$9,916 fixed-wing lift-off rate, \$80 loaded mile rate
- Montana Medical Transport - \$9,023 fixed-wing lift-off rate, \$26 loaded mile rate
- Northeast Montana STAT Air - \$13,534 fixed-wing lift-off rate, \$38.40 loaded mile rate
- NW MedStar - \$13,116.40 fixed-wing lift-off rate, \$110.10 loaded mile rate
- Sanford AirMed - \$8,596 fixed-wing lift-off rate, \$37 loaded mile rate

For workers' compensation cases, the National Council on Compensation Insurance, which serves as Montana's workers' compensation advisory organization, ran data comparing Montana's average payments with regional payments and countrywide payments. The complete charts are available at the end of this report. What is surprising in light of the survey data is that Montana's costs are lower across the board than either regionally or countrywide. NCCI's data person said that the reason for that was Montana's fee schedule. The fee schedule states, "Air ambulances that are regulated by federal law will be paid at the usual and customary charge for the carrier." Montana State Fund similarly gathered information on its workers' compensation payments to air ambulance codes, which showed an average cost for a bill increasing from \$11,585.90 in 2011 to \$16,821.06 in 2015, still not as high as some air ambulance bills reported to the Economic Affairs Committee.<sup>6</sup>

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<sup>4</sup>See information from Brockway Moran & Partners, accessed on Nov. 19, 2015, at: <http://www.brockwaymoran.com/index.php?page=investments&category=airmed>.

<sup>5</sup>The news reports on the KKR acquisition is at: <http://www.zacks.com/stock/news/167506/kkr-to-buy-air-medical-in-a-2b-deal-from-bain-capital>. The Reuter news report is at: <http://www.reuters.com/article/2015/02/10/us-airmedicalgroup-m-a-idUSKBN0LE00U20150210>.

<sup>6</sup>The [HJR 29 background report](#) at the June 2015 Economic Affairs Interim Committee, Appendix A, pp. 5-9, showed charges from selected claims ranging from \$31,378 to a high of \$80,149.

## **Survey Responses**

See Tables 1 through 3 for comparisons of responses to the survey. Not all questions are included in the Tables, but the responses are available upon request. No returns were provided by any of the Summit Air Ambulance services, owned by REACH Air, nor were there responses from the Life Flight Air Ambulance out of Butte. Air Idaho Rescue did not respond to any of the billing questions.

## **Membership Information**

Only two of the survey respondents said they had membership availability. Five respondents said they did not. One of the respondents that did not sell memberships, NW MedStar, has not operated in the state long enough to sell memberships (three months short of the two years required by 50-6-320, MCA). But the firm does have reciprocity agreements with other air ambulances for services outside its area of service in Montana. One of the agreements is a two-party agreement, and the other seven arrangements are through the Association of Air Medical Transports. The service that sells memberships in Montana and also belongs to an organization of providers, listed as AAMMP, is HELP Flight of St. Vincent's. That service began selling memberships in Montana in October this year and currently has about 100 memberships. The cost for an individual is the same as for a family, \$59 a year.

Although not a respondent in the survey, Summit Air Ambulance also sells memberships. The Montana Association of Counties in October sent a notice to Montana County Commissioners and County Attorneys listing concerns about an effort by Subscription Service Air Ambulance Providers to sign counties to a direct service contract. The notice recommended against signing direct service contracts because, in part, of uncertainty as to billing practices, in particular whether bills would still be submitted to a county's health insurance provider, and also a concern that the particular air ambulance provider might not be the called-upon air ambulance provider. See Appendix 1 for both the e-mail from the Montana Association of Counties and a copy of an agreement between Air Med Care Network and Park County, which says that Park County will pay \$72,409 annually to cover "any individual whom resides within the boundaries of Park County, Montana when transported for medical necessity by Summit Air Ambulance (or any AirMedCare Network Provider...".

Although the 50-6-320, MCA, statute says that "Any private air ambulance service membership program must have arrangements with other air ambulance service providers in Montana", the language of the statute also says "to the extent reasonably possible" -- a phrase that allows room for interpretation.

## **Possible Questions for Legislators to Ask Air Ambulance Operators**

- What would a reasonable rate based on Medicare be for air ambulance charges?
- Is legislation regulating charges possible based on a set percentage of Medicare, if air ambulances bill according to Medicare or usual and customary charges for workers' compensation?
- Is there overcapacity in the Montana market?
- If legislation were to be proposed to regulate the medical aspects of air ambulances, what would you propose?
- If legislation were to be proposed to put only the insurance-related component of air ambulance charges under the oversight of the insurance commissioner, would your organization oppose this?
- If legislation were to be proposed to revise the reciprocity terms of 50-6-320 for recognizing memberships, what parameters ought to be addressed? Should this section be removed because of concerns about workability?
- Should Montana have uniform protocols for dispatching air ambulances by type of aircraft, considering the range of care available in rural Montana as well as in Montana's urban areas?

## Appendix 1

From: MACO  
Sent: Friday, October 23, 2015 12:23 PM  
To: MACO  
Subject: Urgent! Subscription Service Air Ambulance Provider Contracts  
Importance: High

Dear Montana County Commissioners and County Attorneys,

It has come to the attention of MACo and State Auditor Monica Lindeen's office that several Montana Counties have recently been approached by Subscription Service Air Ambulance Providers to enter into a direct contract for services.

There are a number of concerns with the proposed service contracts:

- )Many other air ambulance providers, and the majority of medical providers, in Montana contract directly with Claims Administration Companies (Blue Cross/EBMS/Allegiance, etc.) to accept the pre-negotiated network payments without charging any additional fees and will not balance bill the individual after the insurance payment has been made.
- )The Subscription Service Air Ambulance Providers are offering Counties a contract in the form of an annual premium, so they won't balance bill an individual down the road should they ever need to use the contracted air ambulance services. However, the Subscription Service Air Ambulance Providers will still submit their bill to the individual's insurance plan and will be paid the plan rate, which can be up to 250% of the Medicare Allowable Rate. So they are getting paid by the insurance carrier the same as any network air ambulance provider. Also, even with a direct County contract in place, the Subscription Service Air Ambulance Providers will also bill uninsured individual's at the Medicare Allowable Rate.
- )There is no guarantee that the Subscription Service Air Ambulance Providers that you contract with will be the carrier that is used in an emergency situation. There are numerous documented instances where these Subscription Service Air Ambulance Providers balance bill individuals for tens of thousands of dollars even after they received insurance payments.

Please be advised that MACo is actively working with the Montana State Legislature, the Auditor's Office and other stakeholders to evaluate the validity and legality of the proposals being presented to Montana Counties.

Subscription Service Air Ambulance Providers operating within the State of Montana, and their billing practices are currently being investigated by a Legislative Interim Committee, and the State Auditor's Office will be issuing a Consumer Advisory regarding this issue in the next few days.

In the meantime, **Montana Counties are strongly urged not to enter into any direct contracts with Subscription Service Air Ambulance providers.**

More information will be forthcoming as it becomes available.

