

# **Ambulance Levy**

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**QLD Research Reports**

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**On behalf of the Health and Community Services Union**



Introduction .....	3
Research Report – David Curtis .....	4
Introduction .....	4
Quotes .....	4
Queensland History .....	4
The Current Tasmanian System .....	6
Research Report – Tim Rider .....	10
Introduction .....	10
Community Ambulance Cover Levy .....	12
Reaction to the CAC Levy .....	13
Private Health Insurance Ambulance Cover .....	13

## Introduction<sup>1</sup>

In the 2007-08 State Budget the Tasmanian Government announced the introduction of an Ambulance Fee to provide additional funding to the Tasmanian Ambulance Service.

Following the Governments announcement the Health and Community Services Union embarked on a process to determine the exact nature of the arrangements in other States and Territories where similar arrangements exist.

Fundamentally, HACSU is keen to ensure that an new funding arrangements provide the necessary security in terms of providing a secure funding base and a socially responsible approach to accessing Emergency as well as other types of Ambulance Services into the future.

Other states run a variety of different Ambulance Funding Schemes, ranging from a health insurance levy in NSW, subscription schemes directly run by the State Ambulance Service and charge for use (Ambulance Fees) arrangements. Fees for use also vary widely between states.

It has become apparent that fee structures and subscription schemes implemented in other States and Territories have been largely unsuccessful due to large numbers of bad debts and high costs in administration. In Queensland following widespread concerns about an ambulance user pays system, in 2003 the Queensland Government put in place an Ambulance Levy. This new approach to Ambulance funding has been successful and provides regular and predictable income to the Ambulance Service and did not have the high administration costs other states experience.

In other States which have an Ambulance Fee or similar scheme there has been a high incidence of unpaid accounts, concerns about the low revenue and take up of an ambulance fee and an unpredictable and precarious funding base.

In August 2007 the Health and Community Services Union sent three Ambulance Employees Sub Branch members to Queensland to investigate the issues that led the QLD Government to introduce an Ambulance levy in 2003. Attached are reports from David Curtis and Tim Rider, two of the participants in the investigation.

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<sup>1</sup> Introduction – Miranda Jamieson, HACSU AESB Organiser

# **Research Report – David Curtis on behalf of the Health and Community Services Union**

## **Subject Focus – Social Impacts of a Fee and Levy**

### **Introduction**

It has been comforting to see that the State Government has recognized the need to provide additional funding for the Tasmanian Ambulance Service. It is also refreshing to see a degree of innovation in an attempt to provide this funding. However, it is worrying to see the Tasmanian Ambulance Service move to a funding model that other states regard as ineffective and are tending to move away from. It is also of concern to Ambulance practitioners to see a system introduced that impacts on people when they are at their most vulnerable.

To explore this issue more closely HACSU decided to send a research team to Queensland to explore first hand what the problems were with the subscription and fee system and why they changed to a levy system.

### **Quotes**

QAS staff -

“The workload has shot through the roof. It’s killing our guys.”

“The subscription system doesn’t work.”

### **Queensland History**

The subscription system was introduced into the ambulance service in Queensland under their old QATB(Queensland Transport Brigade) system. The Queensland ambulance service was at this stage divided up into numerous small areas running their own ambulance transport brigades. Each of these brigades were run by a community board which generally required their staff to sell raffle tickets etc as

means of raising funds to run the service. Staff were also required to encourage community members to take out ambulance subscriptions. These subscriptions were a form of insurance against a fee for the ambulance. If people did not pay a subscription they would be charged for the ambulance when they needed it.

Staff we spoke to indicated that there was a reluctance on the part of staff to accurately record billing details for people who required an ambulance, but did not have a current subscription, as the last thing someone needed when they were seriously ill or injured was to also be concerned about a bill. Also staff indicated that patients were often reluctant to give their details to ambulance staff as they realized this would result in a significant bill. There was also hostility on the part of patients who would have recently had a bill for another ambulance case – understandable if they were sick enough to require repeated ambulance transport.

The uptake on the subscription scheme was around 20% which was similar to that reported by other states with similar schemes. This meant 80% of the state's population were liable for ambulance bills. Many of the bills were never sent as it was not possible to get accurate billing information from all patients (and some staff did not consistently get this information). Another large proportion of these bills were never paid as the people who required an ambulance were often unable to afford an ambulance bill, especially at a time when they were seriously ill or injured. The ambulance service tried to recover the outstanding fees and so spent a considerable amount of their budget chasing bad debt – much of which was later written off. An extreme example was of one patient who had in excess of 300 ambulance calls over a period of 10 years – this debt had to be written off.

The bureaucracy that was required to manage the fee system was extensive. It was reported to us by QAS that when they replaced the fee system with the Levy system they were able to redeploy approximately 200 office staff and close over 25 offices.

In 1991 the multiple ambulance brigades were incorporated into the Queensland Ambulance Service which was also incorporated into the Bureau of Emergency Services along with Fire and the State Emergency Services.

In 1997 it was recognized that many aged pensioners were reluctant to call an ambulance because they may be faced with a significant bill. The government changed the legislation so that pensioners were automatically covered for ambulance transport. This improved the service for pensioners but still often required additional administration as often pensioners would not have a pension card with them at the time of calling an ambulance in an emergency, this would necessitate the service sending out a letter requesting their pensioner number or payment of an ambulance fee.

It was recognized that the QAS fee system was not efficient in terms of producing a cost effective way of raising funds for the ambulance service. The amount of money raised could not easily be predicted and so the treasury contribution required to fund the ambulance service was difficult to predict. The amount of staff and resources required to administer this system was significant and as such a lot of the money raised was lost into this bureaucracy rather than into funding the ambulance service.

The fear of a fee for the ambulance would also discourage people who should have used the service from calling or as some QAS staff noted “People would ring up and ask how much an ambulance would cost and then decide not to have an ambulance – they’d bundle little Johnny with his broken leg into the back of the car to be transported in pain and at risk of complicating his injury”.

Also people would debate their obligation to pay “I didn’t call the ambulance, so I’m not paying for it.”

In 2003 the Queensland Government changed the system from a fee / subscription system to a levy. The levy was attached to the power bill so that the cost of the service was distributed throughout the community. Ambulance transport was made free for all Queensland residents. The current cost of the ambulance levy is approximately \$24 per quarter, per household. In Queensland this raises in excess of \$100 million. It is an easy system to administer and the amount of bad debt is negligible.

More important than this, the system has a high degree of social justice. Everyone pays for the system and people do not have to second guess whether or not they can afford to call for an ambulance. The system was equitable and accessible to all Queensland residents.

The Levy provides approximately 1/3 of the QAS budget, Treasury provide approximately 1/3 of the budget and approximately 1/3 of the budget is gained from charges. The QAS still charges for the following cases:

- Hospital transfers
- Department of Veterans Affairs Patients
- Interstate Visitors (not covered by the memorandum of understanding)
- Worker’s Compensation Cases
- Motor Vehicle Crashes - Motor Accident Insurance Commission

## The Current Tasmanian System

The current system is often said to be a free service for Tasmanian residents and is primarily paid for by the Tasmanian Government, however, the Tasmanian Ambulance Service charges for the following cases:

- Department of Veterans Affairs Patients
- Interstate Visitors (not covered by the memorandum of understanding)
- Worker’s Compensation Cases
- Motor Vehicle Crashes - Motor Accident Insurance Board

The service used to charge hospitals for transport of patients but as it is a part of the same department it was considered a waste of resources to administer a billing system to transfer funds from one part of the department to another. The problem with not having a charge for inter-hospital transfers is that there is no financial consideration for the hospitals in utilising the ambulance service – it does not impact on their budget – only on the Tasmanian Ambulance Service budget.



In 1997 when QAS made ambulance free for pensioners it allowed pensioners to call for an ambulance without the fear of a significant bill. This was followed by an increase in ambulance cases.

The increase in ambulance cases is a very significant point to understand clearly. The increase was not in nuisance calls (people calling because they have a cut finger etc) but in quite serious cases. Hospitals Australia wide categorise their patients into 5 different categories number 1 to 5. Category 1 patients are critically ill or injured and need immediate life saving intervention through to Category 5 patients who have some illness or injury but of a very minor nature. When the case increase was analysed it was found that whilst some of the increase was in the category 1 cases most of the increase was in the categories 2 and 3. What is the reason for this?

The most likely reason for this is that Category 1 cases were always going to get an ambulance called anyway "This is too serious – blow whether or not there is a bill, just get the ambulance". Category 2 and 3 cases could be quite life threatening but may be able to be bundled into a car and "rushed" to hospital. Category 4 and 5 cases were often people who would expect the service to provide for them regardless of whether or not there was a bill as they wouldn't pay it anyway. By removing the fee for the ambulance people could then appropriately get assistance when it was required without any concern about whether or not there would be a bill.

In Queensland, before the removal of the ambulance fee only 81% of Category 1 patients were taken to hospital by the ambulance service. After the service was made free to Queensland residents the percentage of Category 1 patients taken to hospital by ambulance increased to 89%. This was a significant improvement – it is still a concern that 11% of Category 1 patients arrive at hospital without utilising the ambulance service.

There will always be people who will call an ambulance when it is not required for a range of reasons. An example which was highlighted by QAS staff was an office worker that got a bad paper cut that bled for a short period of time. When asked why they needed an ambulance the caller said "We need this injury looked at as it's a workplace injury and we've paid for an ambulance." This type of abuse of the ambulance service did not seem to be reflected in the change in case numbers. The number of lower acuity cases did not increase significantly with the introduction of a levy and free service, the largest increase in cases was in the serious cases that previously were taken in by private car.

This concept of removing a fee for an emergency ambulance actually seemed to increase the appropriate utilization of the service.

Privatisation of the subscription system occurred as health insurance companies got into the fee system. Health insurance companies recognized that an ambulance fee of just over \$700 was a reasonable risk when spread over a significant number of the community. People could get health insurance to cover their risk of getting an ambulance bill for less than the QAS charged for the ambulance subscription. This privatisation of the ambulance fee system added a degree of confusion to the system.

The private health insurance companies were keen to ensure they were not paying for ambulance transport when this was not necessary. This is a reasonable position in that some people call an

ambulance for transport to hospital under the belief that they will be seen sooner once they arrive at hospital simply because they have arrived in an ambulance. However, some patients are taken to hospital by ambulance as a part of a system to check for hidden injuries or to rule out significant illness.

An example of the complications caused by this fiscal approach to whether or not an ambulance should be paid for can be seen in the case described to us by QAS officers. A 25 year old woman fell from a tree approximately 4 meters to the ground. Apart from a few bruises and some tenderness she appeared to be fine but a by-passer had seen her fall and so called an ambulance. The ambulance crew arrived and recognized that the fall, being in excess of 3 meters, fitted into the significant mechanism criteria as described in international literature on trauma. Such a significant mechanism means the person could have a significant hidden injury such as a ruptured spleen. The crew therefore transported the patient to hospital for further assessment and a period of observation. The hospital assessed the patient and after a period of observation discharged the patient from the Emergency Department finding that she had no injury. The woman received a bill from the ambulance service for approximately \$700. The woman took this bill to the health insurance company which refused to pay it as she clearly did not need ambulance transport.

Similar stories were encountered where health insurance companies decided not to pay for the ambulance:

- patients with a fractured arm – was considered to be able to be transported by car
- patient with pre-eclampsia (a serious condition in pregnancy which may cause fitting and premature delivery of the fetus) – was not considered an emergency by the health insurance company

This strategy of insurance companies to insure against the risk and then try to minimise the cost to them by selecting which case they will pay for left many people who thought they were covered for ambulance transport being faced with a bill.

Another point that is worth considering is that an ambulance levy is tax deductible and as such, redirects some taxation money which would otherwise go to the federal government into the state run ambulance service.

Whatever funding model is developed it needs to incorporate an ability to cover a growing and ageing population, with the associated increased workload for the ambulance service.

# Research Report – Tim Rider on behalf of the Health and Community Services Union

## Subject Focus – Fee and Levy Statistics

### Introduction

Prior to the introduction of the Community Ambulance Cover (CAC) levy the Queensland Ambulance Service (QAS) maintained a subscription scheme that was a leftover from the amalgamation of the 96 Queensland Ambulance Transport Brigades when the QAS was formed in 1991. The subscription scheme was then developed into a state-wide scheme that was administered by the QAS through its marketing department.

The ambulance subscription scheme was voluntary and people could opt in or take the risk in regards to receiving a bill for service if not a member of the subscription scheme. Interhospital transfers and workers compensation cases were charged to respective hospitals and insurance companies. The scheme required ambulance officers to be part of the marketing strategy and most ambulance stations were used as offices for the collection and receipt of fees and charges. This placed an un-necessary administrative load on operational ambulance staff. In some cases ambulances carried receipt books so as to be able to collect money whilst away from stations.

Changes to the way the scheme was applied meant that there was significant impact on the viability of the scheme to maintain its feasibility and provide QAS with the necessary funding that it required.

These changes included:

- The introduction of “free” ambulance coverage for pensioners. Queensland traditionally required pensioners to pay a subscription although there was a pensioner rate. The state government initially compensated the QAS for this by raising the amount of consolidated revenue that it contributed. The impact however, of providing free coverage to pensioners was that the number of people contributing to the subscription scheme was reduced.
- Traditionally private health insurance companies offered a rebate on the ambulance subscription to their members. The introduction of the Commonwealth Government’s 30% health insurance rebate excluded the voluntary ambulance subscription scheme. Private health insurance companies decide to take on the risk by offering to pay for actual ambulance transport through their schemes. This led to a significant “dropout” of people taking up or renewing subscriptions. This placed a huge pressure on the viability of the subscription scheme especially as the administration costs of the scheme still had to be factored in.

- This change, however, led to some serious community concerns such as:
  - The private health insurance companies would generally only cover emergency ambulance transport. This meant people would not be covered for non-urgent transport and in some cases for transport by fixed or rotary wing aircraft.
  - The private health insurance companies would determine (usually outcome based) whether the ambulance trip constituted an emergency. This led to refusal to pay in some cases even though the person assumed the ambulance transport was deemed to be an emergency. There are many stories of people who had claims for payment denied because the insurance company decided that the ambulance transport was not medically indicated. Many of these people were informed by ambulance staff that they should be transported to be checked out (often based on time critical guidelines). When the patient was cleared of any injury the insurance company would deem that because of this clearance that the transport was not deemed medically indicated.
  - These concerns placed some issues on people deciding when to use ambulances for emergency use as they were concerned about the ability to pay bills for service. This led to communication officers being asked to provide “quotes” when requests for ambulances were made. Ambulance officers were often asked to provide an idea on cost and in some cases people, though requiring ambulance treatment and transport, would refuse service.

Under the subscription scheme there was a significant amount of bad debt. This would be attempted to be pursued by customer service representatives but a significant amount was written off. One case sighted that one person had 300 trips in an ambulance over a 3 year period totalling approximately \$30,000. It was never recovered and written off.

The demise of the subscription scheme and the cravats placed on users of ambulances by private health insurance companies was the impetus for change in replacing this mechanism for funding of the QAS. This meant that another method needed to be found to ensure that the QAS had a secure funding base.

Many options were considered including:

- Collecting an ambulance levy via the local government rates system as is done with the fire levy in Queensland. This was not received favourably by local government so was rejected.
- Introducing an emergency services levy but for the reasons above was rejected.
- Having private health insurance companies collect a levy on extras cover policies. Opportunity would be available for people without private health insurance to pay a levy to provide ambulance cover. This was rejected as there was resistance from private health insurance companies. It was also voluntary so did place the burden on the whole of the community.

It was deemed that there needed to be a levy that spread the burden of responsibility across the community. The electricity network was seen as a way to do this as most people had electricity accounts either as residential and/or commercial premises customers. It was decided that even if you

do not pay for electricity (private power generation) that the community ambulance cover would cover all people whose principal place of residence is in Queensland.

## Community Ambulance Cover Levy

The levy was introduced in 2003 with the passing of the *Community Ambulance Cover Act 2003* by the Queensland Parliament. This act provides the legislative framework for the administration and collection of the community ambulance cover. The community ambulance cover is payable by all residential and commercial premises with some exemptions such as government customers. Community Ambulance Cover is not a 'user-pays' system for ambulance services but a broad-based charge for ambulance services and is spread as widely as possible across the community. Linking payment of the levy to the supply of electricity to a household provides a consistent system that ensures the funding for ambulance services remains as stable as possible. The CAC levy contributes about 30% of the QAS operating budget.

No matter who pays for the electricity supplied to a business or household, the levy ensures that all Queensland residents are automatically covered for the cost of emergency ambulance services anywhere in Australia. Electricity retailers and suppliers collect the levy on behalf of the Queensland Government as agents for the Commissioner of State Revenue through the retailers' billing arrangements. All funds raised through the Community Ambulance Cover levy, less administration fees paid to electricity retailers, go towards funding the Queensland Ambulance Service.

The Community Ambulance Cover Act 2003 provides for a range of exemptions by certain electricity customers from the levy. These include:

- Pensioner Concession Card issue by Department of Veteran's Affairs
- Pensioner Concession Card issue by Centrelink
- Queensland Government Seniors Card
- Repatriation Health Card for all conditions (Department of Veteran's Affairs Gold Card).

There is an opportunity for those that are eligible for an exemption but still wish to contribute to the ambulance services, to make a voluntary contribution of \$5 per quarter.

When it was brought in 2003 and the cost was \$88 per year or 24.044 cents per day. The levy may be adjusted annually on 1 July in line with movements in the Australian Bureau of Statistics Capital Cities Consumer Price Index (CPI) for Brisbane, for the year to 31 March. Currently at the 1<sup>st</sup> July 2007 it is \$97.99 per year or 26.773 cents per day. By law, any payment that an electricity retailer receives for an electricity account must first be allocated as payment for the levy before being allocated as payment for the electricity supply. Electricity retailers are required to take usual debt recovery action to recover any outstanding levy amounts. The electricity companies receive a 10% handling fee on all CAC levies collected.

The State Government has advised health funds of Queensland ambulance cover arrangements and has sought a reduction in premiums. As the Commonwealth approves private health insurance premium

increases, the Premier has written to the Prime Minister regarding introduction of the cover and requesting he ensure the adjustment of health insurance premiums. The Queensland Government's decision to provide free ambulance services to Queensland residents will result in reduced costs to private health funds. The fund's decision to effectively share that saving across members is a matter for the fund and its members.

## Reaction to the CAC Levy

Initially there was some public outcry on the new broad based levy. This lasted for approximately 1 year but now seems to have been generally accepted by most people. One community who did not have a local ambulance station reacted by utilising generators not connected to the power grid. Whilst these people do not pay for a CAC levy they are still covered.

There is mixed opinions from ambulance staff management and staff on the introduction of the levy. Ambulance management maintain that there were some increases in demand but this most likely represents an unmet demand under the old system. This is substantiated in that prior to the introduction of the CAC levy only 81% of category one patients arriving at Queensland hospitals were by ambulance. After the introduction of the levy this increased to 89%. On-road staff suggest that whilst there has been an increase in cases that genuinely require ambulances there is also a perception by some that since they now pay for ambulance transport that they have the “right” to use it.

One aspect that staff found was that there is decreased administrative workload once a patient is identified as being a Queensland resident. Once this determination is made crews do not have to find out any billing details on their report forms. This is only required for interstate and international visitors.

Ambulance crews were sometimes reluctant to collect details from patients under the old system as a mechanism to ensure patients who needed transport to hospital were more likely to be compliant to accept ambulance transport. Patients were also reluctant to give details that could identify them so as to avoid getting an account.

## Private Health Insurance Ambulance Cover

One of the major concerns that cause a rethink on providing an equitable ambulance fee or levy coverage model was the differences in the level of cover offered by the private insurance companies. This led to a number of problems with “insured” people being denied payment of ambulance transport costs and then having to bear the costs themselves. Below is an extract from the MBF website on its description of its ambulance cover.

*With MBF Emergency Ambulance cover, you're covered for 100% of recognised casualty or medical emergency transportation costs, up to \$5,000 per person, per year in total, anywhere in Australia. That includes the cost of emergency air ambulance services, excluding helicopter services.*

*MBF Emergency Ambulance cover is designed to protect you against the cost of ambulance transport received due to emergencies. Non-emergency ambulance charges, or charges for interhospital transfers which occur as part of hospital treatment, are not covered, unless you have prior approval from MBF. Benefits are only available for emergency or casualty transportation where, in the opinion of a medical officer, a member requires immediate treatment in circumstances where there is serious threat to the member's life or health. Benefits are not payable for transportation from a hospital to your home, nursing home or other hospital, or for transportation for ongoing medical treatment. (<http://www.medibank.com.au/Health-Covers/About-Ambulance-Cover.aspx>)*

Whilst some private health insurance companies cover more circumstances it is apparent that there needs to be caution taken to ensure that people depending upon private health insurance ambulance cover need to be fully aware of what they are and are not covered for.