Key Findings:
Analysis of California Assembly Bill 651
Air Ambulance Services
Summary to the 2019–2020 California State Legislature, April 15, 2019

CONTEXT
In California, there are 33 air ambulance service providers operating 134 aircrafts across 95 bases. About 48% are independent contractors, about 48% are government entities, and the remaining are hospital-based. Prior to the 2002 increase in the Medicare rate, most air ambulance services were hospital-based.

Reimbursement for air ambulance service generally consists of both a transport rate (applicable to all trips) and a mileage rate (varying by distance traveled). For air ambulance services provided to Medi-Cal beneficiaries in the fee-for-service (FFS) program, California’s Emergency Medical Air Transport Act (EMATA) currently adds a supplemental payment.

“Balance billing” refers to any provider billing enrollees for the difference between the billed charge and the amount paid by the health plan or insurer plus any amount paid by the enrollee as cost sharing. Balance billing is typically not allowed for in-network providers.

An existing Federal Law, the Airline Deregulation Act of 1978, prohibits much state regulation related to air transport. In addition, changes to Medi-Cal rates may require federal agreement. For this analysis, CHBRP has assumed that federal agreement would be obtained and federal law would not preempt AB 651’s prohibition on balance billing.

BILL SUMMARY
AB 651 addresses coverage of air ambulance services.

For commercial and California Public Employees’ Retirement System (CalPERS) enrollees in plans and polices regulated by California Department of Managed Health Care (DMHC) and the California Department of Insurance (CDI), AB 651 would require enrollee cost sharing be the same for in-network and out-of-network (OON) air ambulance service providers, and would require

1 Refer to CHBRP’s full report for full citations and references.
that such cost-sharing count towards deductible and annual out-of-pocket limits.

AB 651 would also prohibit air ambulance service providers from balance billing enrollees in DMHC-regulated plans and CDI-regulated policies.

In addition, AB 651 would place requirements on the Medi-Cal program which would be applicable to the benefit coverage of Medi-Cal beneficiaries enrolled in DMHC-regulated plans, enrolled in County Operated Health System (COHS) managed care, or in the Medi-Cal FFS program. The bill would require Medi-Cal to set and maintain a transport rate for air ambulance services and would require that contracted and noncontracted air ambulance service providers accept that rate. AB 651 would require a rate similar to the rural Medicare transport rate for those services. AB 651 would not alter the Medi-Cal mileage rate.

Figure A notes how many Californians have health insurance that would be subject to AB 651.

**Figure A. Health Insurance in CA and AB 651**

Notes: *Medicare beneficiaries, enrollees in self-insured products, etc.

**IMACTS**

**Benefit Coverage, Utilization, and Cost**

**Benefit Coverage**

At baseline, all enrollees in DMHC-regulated plans and CDI-regulated policies (as well as all Medi-Cal beneficiaries) have coverage for air ambulance services. However, none have AB 651–compliant benefit coverage.

Postmandate, all commercial and CalPERS enrollees would have air ambulance service coverage that includes only in-network cost sharing and that prohibits balance billing.

Post mandate, all Medi-Cal beneficiaries, including those enrolled in DMHC-regulated plans, would have benefit coverage that includes a particular transport rate for air ambulance service.

**Utilization**

CHBRP does not anticipate changes in utilization due to AB 651 because a patient in a life-threatening emergency is unlikely to refuse air ambulance services regardless of possible costs.

**Balance Billing**

Balance billing is generally associated with out-of-network (OON) providers. Balance billing of Medi-Cal beneficiaries is already prohibited.²

CHBRP estimates that 15% of air ambulance services for commercial and CalPERS enrollees will be delivered by OON providers. However, not every OON provider balance bills, and not every balance-billed enrollee pays balance bills. For this analysis, CHBRP has estimated — as an upper threshold — that 20% of OON air ambulance services to commercial and CalPERS enrollees would generate a balance bill that would be paid by the enrollee. Post mandate, CHBRP has assumed that no balance billing of enrollees in DMHC-regulated plans and CDI-regulated policies would occur.

As noted in Figure B, for an upper threshold in the expected number of balance bills, this would mean a $2,174,700 decrease in enrollee expenses for noncovered benefits (balance billing). The decrease represents an average $24,200 decrease for an enrollee who would have received a balance bill.

**Unit Cost**

CHBRP estimates that there will be a shift in the average unit cost for using air ambulance services resulting from

² Welfare and Institutions Code 14019.4
the prohibition of balance billing for commercial/CalPERS enrollees. For commercial/CalPERS enrollees, the in-network and OON air ambulance average unit cost will be unchanged ($32,288 and $27,727, respectively). However, the postmandate prohibition on balance billing will decrease the total paid for OON air ambulance service, as enrollees would no longer pay balance bills.

**Expenditures**

As noted in Figure B, AB 651 would decrease total net annual expenditures by $8,039,400 (0.005%) for enrollees in DMHC-regulated plans and CDI-regulated policies.

**Figure B. Expenditure Impacts of AB 651**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Employer Premiums</td>
<td>$13,500</td>
</tr>
<tr>
<td>Individual Premiums</td>
<td>$2,600</td>
</tr>
<tr>
<td>Employee Premiums</td>
<td>$2,300</td>
</tr>
<tr>
<td>Medi-Cal Managed Care Plan Expenditures</td>
<td>$10,211,000</td>
</tr>
<tr>
<td>Enrollee Expenses for Covered Benefits</td>
<td>$2,174,700</td>
</tr>
</tbody>
</table>


For commercial/CalPERS enrollees, this is due to:

- An $18,500 increase in total commercial/CalPERS health insurance premiums paid by employers and enrollees;
- A $15,000 decrease in enrollee expenses for covered benefits (as OON cost sharing will be reduced to the same as in-network cost sharing); and
- A $2,174,700 decrease in enrollee expenses for noncovered benefits (balance billing).

For Medi-Cal beneficiaries enrolled in DMHC-regulated plans, this is due to a $10,211,000 increase in expenditures related to the new Medi-Cal transport rate.

**Medi-Cal**

As previously noted, for the 7.6 million Medi-Cal beneficiaries in DMHC-regulated plans, CHBRP would expect a $10,211,000 increase in expenditures as a result of the new Medi-Cal transport rate. Considering other Medi-Cal beneficiaries, CHBRP would expect a similar per capita impact for the 1.6 million Medi-Cal beneficiaries enrolled in COHS managed care, resulting in an additional $2,200,000 increase in expenditures. CHBRP would also expect that the new rates required by AB 651 would require, for the 1.4 million Medi-Cal beneficiaries in the FFS program, to result in a further $1,800,000 expenditure because Medi-Cal must pay, for these beneficiaries, the amount that had been supplied by EMATA supplements.

**CalPERS**

CalPERS total premiums for enrollees in DMHC-regulated plans would increase by approximately $500.

**Number of Uninsured in California**

No measureable impact on the number of uninsured Californians is projected.

**Essential Health Benefits and the Affordable Care Act**

As the bill would not require coverage for a new benefit, the bill does not appear to exceed essential health benefits (EHBs).