

# 3 EMERGENCY HEALTH SERVICES

## BACKGROUND

- 3.1** The Emergency Health Services Act was proclaimed effective September 30, 2005. It gives the Minister of Health responsibility for the provision of emergency health services in the Province.
- 3.2** Emergency Health Services Nova Scotia (EHS) is a division of the Department of Health (DOH). EHS' mission indicates that it "assures best practices in prehospital emergency services and emergency preparedness to the communities [it serves] through regulation, prevention, education and research." EHS fulfills its mission by:
- "setting the system's strategic direction through planning, policy development and standard setting
  - funding
  - monitoring, evaluating and reporting on performance and outcomes
  - ensuring the provision of quality care" (EHS website: <http://www.gov.ns.ca/health/ehs/Homepage/strategy.htm>)
- 3.3** EHS is responsible for a number of programs including ground ambulance services, Lifeflight (air ambulance), the Nova Scotia Trauma Program, the Atlantic Health Training and Simulation Center, and the EHS Medical First Response Program.
- 3.4** The 2006-07 Estimates for the Department of Health include \$75.1 million for Emergency Health Services. This is comprised of gross costs of \$86.5 million less fees and recoveries of \$11.4 million. \$65.7 million of the net costs (88%) are related to the operation of the ground ambulance system including communications and dispatch.
- 3.5** EHS is not a direct service provider of emergency health services. The Act gives the Minister the authority to contract with service providers. The day-to-day operation of emergency health services programs is contracted to various service providers. Operation of the ground ambulance system including communications and dispatch is contracted to EMC Emergency Medical Care Inc. (EMC). Exhibit 3.2 provides details of the respective responsibilities of EHS and EMC with respect to the provision of ambulance services.
- 3.6** The ambulances are leased by the Province from another contractor and provided to EMC for use in the program. EMC is responsible for maintenance of the vehicles according to standards.
- 3.7** EMC is a wholly-owned subsidiary of Medavie Blue Cross which has been administering the Medical Services Insurance (MSI) program for the Province since April 1968. EMC is the first Canadian ambulance service to be accredited by the

international Commission on Accreditation of Ambulance Services. It employs more than 900 professional paramedics and support staff and responds to all ground ambulance emergency calls across the Province.

- 3.8** The Province's agreement with EMC became effective April 1, 1999 and originally covered an eight-year period to March 31, 2007. On December 31, 2002 the agreement term was extended to March 31, 2009 as provided for by the agreement. The Province awarded the initial contract to EMC on a sole-sourced basis. The Province received an "expression of interest" dated April 1997 which was approved by Executive Council.
- 3.9** The contract between the Province and EMC is *performance-based*. It includes performance targets such as response times and qualifications for paramedics which must be met, and penalties for failure to meet these targets. Contract payments to EMC are made in accordance with a base budget that is fixed for the term of the contract based on defined service levels. However, the contract permits adjustments for price increases in certain costs including wages, fuel and facility rentals and for service volume increases above threshold levels specified in the contract. The contract also includes incentives in certain areas such as achievement of cost savings. For example, 60% of cost savings remain with EMC and 40% are returned to the Province. The initial base budget was \$29.75 million in 1999. The contract does not include specific provisions regulating how EMC can spend the funds it receives from the Province. The contract emphasizes performance and holds EMC accountable for achieving specified results in the area of service delivery. For 2006-07, payments to EMC totaled \$82.1 million (2005-06 - \$81.9 million).
- 3.10** EMC provides annual audited financial statements to the Department of Health. The auditors provided an unqualified opinion on EMC's March 31, 2006 financial statements. The financial statements show that EMC received 99% of its total revenue for that year from the Province and is economically dependent on the Province. Although Medavie Blue Cross is a not-for-profit corporation which is not subject to corporate income tax provisions, EMC is a taxable entity.
- 3.11** In 2001, EHS engaged a consultant to complete a performance evaluation of emergency health services in N.S. The consultant concluded as follows:

*"The Nova Scotia EHS system has made dramatic improvements over the last few years. As performance continues to improve, both EHS and EMC can work on some of the remaining issues to insure that the citizens of Nova Scotia can receive the highest level of emergency health services possible within the resources available. A pertinent question to be asked is: Are the taxpayers of Nova Scotia receiving good value for the money spent on its emergency health services? The answer is an unequivocal-yes." (Performance Evaluation of Nova Scotia Emergency Health Services, Fitch & Associates, LLC, November 2001, page 5. Full report is available at [http://www.gov.ns.ca/health/downloads/Nova\\_Scotia\\_Final\\_Report.pdf](http://www.gov.ns.ca/health/downloads/Nova_Scotia_Final_Report.pdf))*

- 3.12** We performed our audit of certain aspects of the ground ambulance program in early 2007. We last audited emergency health services in 2000 and the results of that audit were reported in Chapter 8 of the 2000 Report of the Auditor General.

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## RESULTS IN BRIEF

- 3.13** The following are the principal observations from our audit.
- The ground ambulance contract gives DOH the right to audit EMC's financial records. DOH has not exercised these rights since 2000. DOH receives performance information from EMC. However, we recommend that DOH exercise its audit rights under the contract to enhance its monitoring of EMC's performance and expenditure of public funds.
  - The contract between the Province and EMC does not provide audit rights for the Auditor General. We believe that any significant service delivery contracts should include audit access for the Auditor General to ensure the House of Assembly receives assurance that public funds are appropriately controlled and expended with due regard for economy and efficiency.
  - Most of the financial risk related to the provision of ambulance services remains with the government although an outside company has been contracted to provide the service. We recommend that the issue of risk transfer be reexamined when future contracts are awarded to ensure that contracts are cost-effective.
  - EHS should improve its monitoring practices related to user fees collected by EMC. In addition, EHS does not account for user fee revenues and receivables in accordance with generally accepted accounting principles.
  - Optimal deployment of ambulances to communities in the Province is essential for achievement of value for money. In 2001, a report by an emergency services consulting firm identified certain communities where unit hours could possibly be reduced without impacting contractual response times. We recommend that government follow up on the recommendations of this report prior to the next ground ambulance contract to ensure ambulance deployment optimizes service levels and costs.
  - We examined issues with respect to significant delays in ambulance turnaround times at certain emergency departments and concluded there is risk of a negative impact on response times although EMC has processes in place to mitigate the risk. We note a working group comprised of representatives of EMC, EHS and Capital Health has been formed to review the issue of ambulance delays in emergency departments and encourage the group to proceed with its work to resolve this issue.
  - We reviewed EMC's policies governing certain administrative expenses to determine whether they reflect adequate control and due regard for economy

and efficiency. We concluded that policies exist and that they are generally complied with but we recommend improvements in some aspects.

- We found that EMC had paid bonuses to six senior managers which, although included in the company's financial statements, were not appropriately classified as salaries. EHS had not identified the amount of the bonuses or the fact that the bonuses had been partially funded by DOH as operating expenses of the company. We acknowledge that EMC is not a government organization and that the agreement does not govern the level or type of compensation payments which EMC can make. The payments do not violate the company's agreement with the Province.

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## AUDIT SCOPE

**3.14** The objectives of our audit of EHS were to assess adequacy of EHS' processes to:

- ensure the ground ambulance service provider complies with contract terms and achieves due regard for economy and efficiency;
- establish user fees for ambulance trips and ensure collection of all user fees to which the Province is entitled; and
- ensure timely completion of maintenance on leased ambulances and minimize penalties at lease end.

**3.15** In addition, we also performed audit work on-site at EMC. This was our first audit of financial aspects of EMC's operations although we had audited certain non-financial areas in 2000. We met with EMC management and requested the right to audit certain aspects of the company's operations. The contract between EMC and the Province does not specifically address the right of the Office of the Auditor General to audit EMC's operations. The Auditor General Act also does not clearly address this specific situation where the Province procures services from contractors. However, we believe that the Office of the Auditor General should have audit rights in this case because EMC receives virtually all of its revenue from the Province and operates a significant government program. EMC management agreed to our request to perform the audit.

**3.16** The objectives of our audit work at EMC were to:

- analyze certain aspects of EMC's financial transactions for 2005-06 and test selected transactions for compliance with EMC's policies;
- review and assess the impact of EMC's plans for expansion to other provinces on the delivery of emergency health services in Nova Scotia;
- review and assess the processes for deployment of ambulances to determine compliance with policies and contracts and due regard for economy and efficiency; and

- examine issues associated with reported delays in discharging ambulance patients at certain hospitals.

**3.17** Our audit criteria were taken from sources including the agreement between the Province and EMC relating to ground ambulance services, and standards of the Canadian Council on Health Services Accreditation. We discussed our audit plan and criteria with management of the Department of Health and EMC. Our audit approach included interviews with staff of EHS and EMC, and detailed examination of contracts, files, reports and other documentation. During the course of our audit, EMC provided statistical information on ambulance deployment and response times. We did not audit the underlying data used to create this information. We selected certain accounts from EMC's general ledger and were provided information with respect to the transaction detail. We then selected certain transactions for detailed testing. In addition, we reviewed the working paper files of the public accounting firm which performs the financial statement audit of EMC.

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## PRINCIPAL FINDINGS

**3.18** Our findings are reported below under two major headings. First we report our audit findings relating to EHS' responsibilities and then the findings from our audit work at EMC.

### EMERGENCY HEALTH SERVICES

#### Monitoring Performance under the Ground Ambulance Contract

**3.19** *Summary of observations* - Our objectives were to assess adequacy of EHS's processes to ensure the ground ambulance service provider complies with contract terms; and achieves due regard for economy and efficiency. We concluded that while EHS has processes for monitoring key performance aspects of the contract, financial monitoring could be improved. We recommended that EHS exercise its audit rights under the contract. We also recommended that future contracts provide audit access rights for the Office of the Auditor General and improve financial information provided to EHS by the contractor. While certain operational and financial risks were transferred to the contractor, we noted that the majority of financial risks were retained by the Province. We recommended that the issue of risk transfer be reviewed when developing future contracts to ensure that contracts are cost-effective.

**3.20** *Non-financial performance* - The ground ambulance contract includes provisions that specify response times for various types of calls based on call location - urban versus rural - and urgency of situation. EMC report detailed response times to EHS on a daily basis. The information for the response time reports comes from EMC systems. We were informed that the system automatically stamps the time when a call comes in and dispatchers enter information as the ambulance is dispatched and arrives at the call location. At this time, EHS does not verify the accuracy of

the data used by EMC to create monthly response time reports. However, EHS management informed us they are considering purchasing a software program called First Watch. This program allows live monitoring and analysis of data. EHS indicated this will allow them to better monitor system performance in real-time and minimize their reliance on other parties for information.

- 3.21** Response time reports are received shortly after month end and EHS management are satisfied with the timeliness of the reports. We reviewed a sample response time report, but did not audit the underlying data. We concluded that the report provided good information to monitor EMC's compliance with performance aspects of the contract. We also noted evidence of regular review of these reports by EHS, including discussions by a contract management committee comprised of senior EHS staff. Based on the information included in the reports and evidence of regular monitoring, we concluded there is good accountability for performance aspects of the ground ambulance contract.
- 3.22** **Financial performance** - Monitoring of financial results is another aspect of accountability. We were interested in determining whether contract administration and monitoring were adequate to ensure due regard for economy and efficiency. To complete our work in this regard we assessed EHS' review of financial information provided by EMC and recommended EHS include requirements for accountability information, including detailed financial reporting, in future contracts.
- 3.23** The ground ambulance contract provided for regular performance reporting but did not provide for regular reporting of financial information. EHS does not receive such detailed information from EMC on a regular basis. EHS staff informed us that they periodically request and are provided forecast information from EMC. However the contract did not provide for the provision of forecast information.
- 3.24** EHS monitor financial costs of the ground ambulance contract through monthly review of year-to-date contract costs. Although this level of monitoring provides information regarding whether payments will be within the established budget, it does not provide an indication of whether EMC's expenditures were made with due regard for economy and efficiency.
- 3.25** Section 9.10 of the contract states "EHS may require annual audited financial statements by chartered accountants of the Contractor's operations." EHS management and staff informed us that the audited statements are reviewed with EMC's chief financial officer. If EHS has questions regarding certain line items on the statements, they will ask EMC for explanations and support if necessary.

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### **Recommendation 3.1**

**We recommend requirements for accountability information, including requirements for submission of detailed financial information at specified intervals, be included in contracts to ensure information required for appropriate monitoring is received on a regular basis.**

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- 3.26** **Audit access to EMC** - Although the contract is performance-based as discussed in paragraph 3.9, it includes a provision that any cost efficiencies implemented by EMC will be shared; 60% of the savings remain with EMC and 40% are returned to EHS. Once EMC's budget for a fiscal year is approved by EHS, any excess of budget over actual expenditures is considered to be cost savings. The amount payable to EHS under the cost savings provision is a separate line item on EMC's audited financial statements. However, EHS does not have any assurance that expenditures were made with due regard for economy and efficiency.
- 3.27** The ground ambulance contract provides DOH with audit rights "...Contractor shall make available to EHS for its examination any and all business records including financial records...EHS may audit and inspect any and all Contractor's records and documents as may be necessary for EHS to fulfill its oversight role." (Section 9.10, ground ambulance contract) Since 2000, DOH has not audited EMC. We note that EHS could use this provision to gain assurance that EMC expends funds with due regard for economy and efficiency.

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### Recommendation 3.2

**We recommend that DOH exercise its right to audit financial records under the ground ambulance contract to monitor EMC's performance and gain assurance that EMC's expenditures were incurred with due regard for economy and efficiency.**

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- 3.28** **Audit access by Auditor General** - The contract with EMC does not provide any audit rights for the Office of the Auditor General. As described in paragraph 3.7, EMC is a subsidiary of Medavie Blue Cross. We note that Medavie's most recent contract with the Province of Nova Scotia provides full audit rights for this Office. We believe that any significant service delivery contracts with non-government operators should include audit access for the Office of the Auditor General to ensure there is a mechanism in place to provide assurance to the House of Assembly that public funds are controlled and expended with due regard for economy and efficiency. We acknowledge that EMC voluntarily provided access to the Office of the Auditor General in this case, but there is no contractual or legal requirement for the company to do this.

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### Recommendation 3.3

**We recommend that any new contracts negotiated for provision of ground ambulance services or any other significant contracts between government and service providers include provision for audits by the Office of the Auditor General.**

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- 3.29** **Risk sharing between government and contractor** - EHS contracts with EMC for provision of ground ambulance services. See Exhibit 3.6 for a summary of key contract provisions. In exchange for providing services, EMC receives an annual management fee. If EMC is able to deliver ambulance services for less than the

budgeted costs, these cost savings are shared between EMC and EHS on a 60%/40% basis. In each year of the contract, if the management fee plus EMC's share of the cost savings does not exceed a specified minimum amount, EMC is guaranteed to receive that minimum. EMC has always made a profit on this contract due to the management fee and cost savings.

- 3.30** The ground ambulance contract is not a level-of-effort contract. EMC is required to provide services within specified response times for various areas and types of calls. The company is paid a lump sum to cover the cost of providing those services. If services cost less than the budgeted amount, the contract does not provide for reductions to budget in subsequent years. However, cost savings are shared between EMC and EHS.
- 3.31** We reviewed various sections of the ground ambulance contract that deal with risk. Risks transferred to EMC include responsibility for equipment damaged by negligent use and paying license fees for ambulances. Among the risks retained by EHS are various cost increases such as increases in the consumer price index, fuel, and wages. The original ground ambulance contract had a budget of \$29.7 million; with a communications centre addendum signed shortly after at a cost of \$1.7 million. By fiscal 2006-07, the total budget for the contract was \$73.2 million, an increase of 238%. Of the \$43.5 million increase, \$33.0 (76%) is due to labour cost increases and \$3.1 million (7%) relates to adding new territories (providing services to areas previously not covered by EMC). The remaining \$7.3 million increase relates to various areas which are contractual in nature (e.g., fuel increases). The current contract has resulted in large cost increases for DOH because most of the program's financial risk remains with the Province, while EMC records a profit on the contract as a result of earning the management fee specified in the contract and sharing in cost savings when actual expenditures are less than the budget. DOH should reexamine the issue of risk sharing in future contracts to ensure cost-effectiveness.

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#### **Recommendation 3.4**

**We recommend that EHS review risk sharing when negotiating contracts to ensure there is an appropriate balance between risks transferred to the contractor, risks retained by the Province and cost of the contract.**

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### **User Fees**

- 3.32** *Summary of observations* - We assessed whether there is clear responsibility and accountability for assessment and collection of ambulance user fees, and whether the fee structure is clearly defined, appropriately approved and well documented. We also assessed whether EHS has a system in place to ensure the completeness of user fee revenues collected and submitted by the contractor. We concluded that improvements could be made to EHS' monitoring processes and recommended that EHS verify the completeness and accuracy of user fee revenue submitted

by EMC. User fee revenues and receivables are not accounted for by EHS in accordance with generally accepted accounting principles and we recommended that EHS modify its accounting practices for these revenues.

- 3.33** **User fee rate structure** - Ambulance Fee Regulations made under Section 17A of the Health Services and Insurance Act enable EHS to collect ambulance user fees based on rates approved by Executive Council. The rate structure dates back to before 1998. At that time, it was determined that 20% of average operating costs relate to transportation while 80% represents essential medical services which are covered under the Canada Health Act. Fees were set based on this allocation. However, we noted there was no documentation on file to substantiate the split between transportation and medical costs. The basic fee for ambulance transports in 2006-07 was \$120 for residents of Nova Scotia, with higher rates for work-related and motor vehicle accidents and non-residents. A summary of rate history is shown in Exhibit 3.3. Based on 2005-06 financial data, the current ambulance rate for residents of Nova Scotia represents 14.3% of ambulance costs.
- 3.34** **Billing and collection of user fees** - In accordance with the ground ambulance contract, EMC is responsible for all aspects of billing and collection of ambulance fees. EHS is responsible for establishing ambulance fee regulations and policies as well as monitoring EMC's collection efforts under the contract. Our audit indicated that EHS has not reviewed the billing and collections system used by EMC or attempted to verify EMC's user fee reports.
- 3.35** EMC uses patient care reports completed by on-duty paramedics as supporting documents for ambulance fee billing. During our review of the ambulance fee billing process, we noted appropriate reconciliations were not completed. We were informed by EMC management that they are considering implementation of a monthly reconciliation process to ensure accuracy of billings.

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### Recommendation 3.5

**We recommend that EHS verify the completeness and accuracy of user fee revenues submitted by EMC.**

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- 3.36** The ground ambulance contract requires EMC to meet a minimum collection target of 75% of amounts billed. Collections in excess of this amount are shared equally between EMC and EHS to provide EMC with an incentive for collection. EMC has consistently exceeded the collection target established in the contract and has collected more than 80% of user fees since 2002-03 as shown in Exhibit 3.4. In 2005-06, EMC billed \$9.8 million in user fees and collected \$8.2 million (84%); of which \$0.8 million was shared equally between EMC and EHS.
- 3.37** There are no write-off policies for ambulance user fees and no amounts have been written off. Standard practice in most organizations is to review accounts receivable each year to determine whether any amounts are deemed uncollectible,

and to write off uncollectible amounts. EHS and EMC are unclear as to who is responsible for developing such policies and reviewing outstanding accounts receivable. As of March 31, 2006, there were \$13.3 million in outstanding ambulance user fees. Of this total, 44% or \$5.9 million, were more than five years old.

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### **Recommendation 3.6**

**We recommend that EHS establish write-off policies for ambulance user fee accounts receivable and review receivables annually to identify and write off uncollectible amounts.**

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- 3.38** **Accounting for user fees** - EMC has been contracted to collect ambulance user fees on EHS' behalf. The related user fee accounts receivable are not included on EMC's audited financial statements because EMC does not have ownership of the receivables. EHS accounts for ambulance fee receivables based on the net amounts submitted by EMC. As a result, outstanding ambulance fee receivables for amounts yet to be collected are not recorded on the books of the Province and are not included in the Province's consolidated financial statements in accordance with generally accepted accounting principles (GAAP). The impact of including these receivables on the government's financial statements would not be material since a significant portion of the user fees would likely be uncollectible. However, we note that recording user fee receivables and related revenues would provide EHS with better financial information and improve control over receivables.

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### **Recommendation 3.7**

**We recommend that EHS record ambulance user fee revenues and receivables to provide better control over uncollected amounts and ensure compliance with generally accepted accounting principles.**

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## **Fleet Maintenance**

- 3.39** In the 2000 Report of the Auditor General, we reported that minor and major preventative maintenance was not always performed on leased ambulances resulting in lost return rebates of \$562,000 because of disputes over the condition of ambulances returned at lease end. In 2000, we also recommended that EHS establish more rigorous monitoring of EMC compliance with maintenance standards. In our current audit, we assessed whether Emergency Health Services had dealt with this issue by establishing an adequate system to ensure maintenance is completed on leased ambulances on a timely basis and whether the maintenance program had successfully eliminated financial penalties at lease end.
- 3.40** EMC is required to maintain the leased ambulances in sufficient condition to pass Provincial motor vehicle inspection requirements as well as more stringent

inspection requirements set forth in the EHS Fleet Inspection Manual. The Fleet Inspector performs random and annual inspections on the ambulance fleet and reports his findings to EHS and EMC. We examined fifteen inspection reports prepared by the Fleet Inspector and noted only minor deficiencies found during inspections. We also examined documentation for ten lease returns and determined that penalties have not been incurred since our 2000 Report. Accordingly, we concluded that adequate maintenance is completed on leased ambulances on a timely basis, therefore eliminating penalties at lease end.

## EMERGENCY MEDICAL CARE INC. (EMC)

### Ambulance Deployment

- 3.41** **Summary of observations** - Our objectives were to assess whether EHS has procedures in place to ensure that EMC's ambulance deployment system is in accordance with the terms of the contract, and considers due regard for economy and efficiency. We concluded that EHS is aware of the deployment plan used by EMC and a reporting system is in place to ensure EMC is in compliance with the terms of agreement. We recommended that EHS and EMC review available ambulance resources and deployment to communities prior to the next ground ambulance contract.
- 3.42** We also examined issues with respect to ambulance turnaround times at certain emergency departments and whether EMC has processes to minimize the risk associated with ambulance redeployment and emergency department delays. We noted a working group has been formed to review the issue of ambulance delays in emergency departments. We encourage the group to continue its work to resolve the delays on a timely basis.
- 3.43** **System status plan** - EMC uses a centralized dispatch and communication system for receiving and processing emergency and non-emergency requests for ambulance services throughout Nova Scotia. EMC employs a System Status Plan (SSP) that posts ambulances at strategic locations to provide coverage to multiple communities, while ensuring clinical standards and required response times are met. The location of ambulance posts and fleet centres is shown in Exhibit 3.1.
- 3.44** **Achievement of performance standards** - EMC is responsible for developing deployment methods to meet ground ambulance performance standards detailed in the Community Categorization and Response Times agreements which are supplementary to the ground ambulance contract. We noted that EHS receives information on ambulance deployment. EHS also receives information from EMC that indicates EMC is meeting the required performance standards.
- 3.45** We examined statistical data prepared by EMC which indicated that contractual standards for response times have been met in all community categories. The contract provides an incentive for EMC to achieve a high level of efficiency since EMC retains 60% of cost savings. See paragraph 3.26 for further discussion of cost savings.

**3.46** [Follow up of consultant's report on ambulance deployment](#) - Optimal deployment of ambulances to communities around the Province is essential for achievement of due regard for economy and efficiency. There is a risk that certain communities which presently have ambulances may not meet deployment criteria due to low call volume or available ambulance resources in the adjacent communities. Fitch & Associates, LLC, an emergency services consulting firm, was commissioned to assess the ground ambulance program in 2001. The Fitch Report identified several communities where unit hours could be reduced while still achieving contractual response times. A unit hour represents one ambulance staffed with two paramedics. We compared data provided by EMC for 2001 and 2006 and noted call volumes remained fairly constant over this time period.

**3.47** EMC informed us there have been changes in the delivery of health services in the Province since the 2001 Fitch Report which must be considered.

- The scope of pre-hospital care has evolved. Paramedics are now performing treatments that were performed by nurses or emergency physicians. EMC staff indicated this is often due to the lack of on-duty emergency physicians or health care services in rural communities.
- Ambulance redeployment to Halifax draws from some of the communities identified in the Fitch Report when there are significant delays in Halifax emergency departments.
- Response times for communities in categories three, four and five had not been finalized at the time of the 2001 Report. Target response times have since been developed and these could possibly impact on the communities identified in the Fitch Report.

**3.48** We note that the frequency of redeployment among communities might be reduced if emergency department delays, discussed in paragraph 3.50 below, are resolved.

**3.49** EHS management indicated the extent to which the Fitch recommendations will be implemented is beyond the control of EHS and depends on government policy decisions about ambulance deployment in rural communities.

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### **Recommendation 3.8**

**We recommend government follow up the Fitch Report and review deployment of all ground ambulance resources prior to the next ground ambulance contract to ensure optimal deployment of ambulances and due regard for economy and efficiency.**

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**3.50** [Delays at emergency departments](#) - Ambulance turnaround time is the time required for paramedics to discharge a patient at an emergency department. EMC has a Provincial target turnaround time of 20 minutes or less, 90% of the time.

Management reports indicate this target is met by most hospitals in Nova Scotia. However these reports identify three hospitals where the target is not met. Cape Breton Regional Hospital meets the target approximately 88% of the time. Reports indicate turnaround times at the Halifax Infirmity (HI) and Dartmouth General Hospital (DGH) are often considerably longer than the target. Average turnaround has exceeded 160 minutes at the HI and 100 minutes at the DGH. Based on the data provided by EMC, these hospitals were meeting the 20 minute target 85% of the time in 2004. This has decreased to less than 10% in 2006. The amount of time lost by paramedics due to delays at hospitals has increased 254% since 2004.

- 3.51** EMC redeploys ambulances from adjacent communities to Halifax to cover ambulances delayed in emergency departments. This approach creates a ripple effect by redeploying ambulances from rural communities which could result in certain communities having no local ambulance coverage. During those times, the communities would be covered by ambulances in adjacent communities. This redeployment can also result in increased overtime and other operating costs.
- 3.52** We reviewed an example of the impact of redeployment of ambulances due to emergency department delays based on information provided by EMC. In this instance, we noted that ambulance redeployment due to delays in Halifax emergency departments affected communities as far as Bridgewater, Oxford, and Yarmouth. We concluded that EHS is subject to an increased risk of not being able to respond effectively to emergency situations due to unavailability of ambulances during these time periods.
- 3.53** The Department of Health (DOH) established a Turnaround Time Working Group in 2004 comprised of members from DOH, Capital Health (CDHA), EHS, and EMC. The final report from this group was tabled on March 8, 2007. Two decisions were made:
- EHS will deploy three additional ambulances to the metro region for a trial period of three months; and
  - CDHA will assemble a working group to address emergency overcrowding issues.
- 3.54** We understand that CDHA has established a working group to oversee the expansion of the emergency department at the HI site. The committee includes representatives from EMC and EHS.

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### **Recommendation 3.9**

**We encourage EHS, EMC and Capital Health to continue to work together to resolve ambulance turnaround delays on a timely basis.**

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## Due Regard for Economy and Efficiency

- 3.55** **Summary of observations** - Because EMC expends public money, we reviewed certain of the company's policies to determine whether they adequately consider due regard for economy and efficiency. We assessed EMC's compliance with its internal policies for a sample of meals, travel, and executive expense transactions. We concluded that there is general compliance with internal expense policies, however, we made recommendations to strengthen certain policies. We also found that EMC had paid bonuses to six senior managers which, although included in the company's financial statements, were not appropriately classified as salaries. EHS did not have sufficient information to allow it to identify the amount of the bonuses or the fact that the bonuses had been partially funded by DOH as operating expenses of the company. We acknowledge that the agreement does not govern the level or type of compensation payments which EMC can make and that the payments do not violate the agreement.
- 3.56** **EMC's administrative policies** - EMC has formal policies for meals, travel and purchases made using corporate procurement cards. These policies provide guidelines for expenses incurred by employees on behalf of EMC. We found the following areas where the policies require clarification in order to better achieve due regard for economy and efficiency.
- EMC's current policy requires all meal claims be reasonable and supported by receipts but does not set per diems or a dollar guideline. This leaves the policy open to interpretation. Controls over meal expenses could be enhanced by setting reasonable per diem rates as a guideline.
  - The policy states that alcohol will not normally be reimbursed but does not detail the circumstances under which alcohol may be eligible for reimbursement. The policy should include specific instances where alcohol may be reimbursed.
  - We noted from discussions with EMC management that detailed invoices are no longer required for meal amounts less than \$50 purchased using corporate procurement cards. While EMC still requires the credit card receipt to support these purchases, detailed receipts should be required to ensure all amounts claimed fall within EMC's policies and are appropriate.
- 3.57** **Compliance with EMC's policies** - Our audit of compliance with policies included examination of 34 management and employee expense claims for meals and travel. We identified one or more instances of non-compliance in four of the expense claims related to management expense transactions.
- 3.58** We noted the following deficiencies with management expense claims.
- One expense claim had three instances of meals expensed with inadequate descriptions on the receipt. Examples of missing information include names of the attendees or purpose of the meals.

- Three expense claims had six instances of meals reimbursed without detailed receipts.
- Two expense claims had three instances of expenses reimbursed without receipts.
- When reviewing CEOs' expense claims, we noted there is no requirement for those expenses to be reviewed or approved prior to reimbursement.

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### Recommendation 3.10

We recommend that EMC clarify and strengthen meal and travel policies by:

- requiring submission of original supporting invoices rather than signed credit card vouchers;
  - providing more detail regarding acceptable dollar guidelines for meals and specifying circumstances under which alcohol is claimable;
  - requiring the people for whom meals are claimed to be identified;
  - requiring documentation of the purpose of meetings or events for which meals are claimed; and
  - requiring review and approval of the CEO's travel expenses by the Chair of the Board.
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**3.59** **Retention bonuses** - When reviewing EMC's accounting records, we noted entries had been made to accrue and pay retention bonuses to six senior managers. In 2005, EMC's CEO retired and a new CEO was appointed. The company wished to ensure the senior managers remained with EMC over a 20-month period surrounding the change in CEO. The bonus amounts were 30% of the annual salaries of the individuals involved. All bonuses were approved by the CEO of Medavie Blue Cross and the former CEO of EMC. Although the bonuses are not something typically seen in the public sector environment, there is nothing in the contract that specifically prohibits this type of expenditure. The bonuses were paid to eligible individuals in January 2007.

**3.60** When we reviewed the documentation surrounding the bonuses we noted that the expenditures, although included in the company's financial statements, were not appropriately classified as salaries. The amounts had not been charged to salary accounts and were not included in the payroll registers but the statutory payroll deductions were remitted. Rather the bonuses were included in the "other operating expenses" line on the financial statements which meant that the increase in management salaries was not obvious to readers of the audited financial statements. DOH management were aware that bonuses had been paid but did not know the amount of the bonuses or the fact that the bonuses had been partially funded by DOH as operating expenses of EMC. Given the impact of the cost savings calculation, DOH effectively paid 40% of the total bonuses. We acknowledge that the agreement does not govern the level or type of compensation payments which EMC can make and that the payments do not violate the agreement. However, such

bonuses are not paid in the Nova Scotia public sector and our concern is that EHS did not have sufficient information to allow it to identify the bonuses as an issue that potentially could have a negative impact on achievement of due regard for economy and efficiency in the delivery of ground ambulance services.

- 3.61** EMC management has indicated that this practice may be common in the private sector and EMC felt that ensuring the continuity of senior management through this transition period would benefit the EHS system. EMC has subsequently offered to repay the Province's 40% share in recognition of the fact that the accounting treatment of these payments was not explicitly discussed with EHS prior to charging it in the company's records.

### EMC Expansion

- 3.62** We were informed by the Department of Health that EMC and/or its sister companies had recently been selected by the governments of Prince Edward Island and New Brunswick to provide ground ambulance services in those provinces. Our objectives were to assess the impact of EMC's plans for expansion into other provinces on the delivery of emergency health services in Nova Scotia, utilization of Province of Nova Scotia assets and due regard for economy and efficiency. EMC informed us that the company is not directly providing services to other provinces but that sister companies were formed for this purpose. Assets owned by the Nova Scotia government are not being used in the other provinces. Accordingly, we concluded that Nova Scotia assets are protected and that expansion has not resulted in a negative impact on due regard for economy and efficiency.
- 3.63** Two subsidiaries of Medavie (sister companies to EMC) were created to provide ambulance services in New Brunswick and Prince Edward Island. (See Exhibit 3.5.) Certain members of EMC's executive team provide management services to the sister companies. We were informed by EMC that the other companies will be compensating EMC and, therefore, EHS for time spent working with the sister companies in 2006-07. For 2007-08, EMC has reduced its budget request to EHS by an amount to compensate for anticipated time required for sister companies. We have not audited the accuracy of EMC's estimates of time spent on sister company activities.

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### CONCLUDING REMARKS

- 3.64** Government contracts the delivery of many significant services to non-government contractors who are paid from public funds. In all cases where government contracts services, we believe that the establishment of appropriate accountability is essential to ensure control of public monies and due regard for economy and efficiency.
- 3.65** EHS has adequate processes to ensure EMC complies with the performance standards established in the ground ambulance contract. Accountability could be improved if DOH opted to exercise its audit rights under the contract on a regular

basis. Requirements for regular receipt of detailed financial information by EHS should be included in future contracts. Significant contracts should also include full audit access for the Office of the Auditor General to provide assurance to the House of Assembly that public funds directed towards service provision have been expended with due regard for economy and efficiency.

- 3.66** The optimal deployment of ambulances to communities across the Province is essential to achievement of value for money. EMC uses sophisticated techniques to deploy ambulances and meet response times. However, there are two issues which should be examined by government. Delays at emergency rooms pose a risk that response times may not be achieved and there is a risk that some ambulances may be deployed to communities which do not meet deployment criteria.
- 3.67** User fees for ambulances generate a significant amount of revenue for the Province. We believe that there is a need for EHS to improve its accounting controls and financial statement disclosure relating to these fees.
-



## Ground Ambulance Services - Responsibilities of Emergency Health Services (EHS) and EMC Emergency Medical Care Inc. (EMC)

EHS, as the Ambulance System Authority, has the following functions:

- System ownership. EHS either owns or has unimpeded access through the contract with EMC to all elements of production, such as the communications system, ambulances, bases, equipment, and supplies.
- Approves paramedic training and registration to practice within three levels of competency.
- Approves the regulations and medical protocols that provide the medical framework for the service.
- Provides the medical authority and medical oversight of the system.
- Provides the communications systems, vehicles and equipment used in the service.
- Contracts out the management of the service throughout the province by private contractor(s) and provides the performance expectations for the services.
- Monitors and evaluates the service provided by the private contractor(s).
- Provides for public accountability for the system.
- EHS, as the system authority, ensures the provision of the ambulance and related services to Nova Scotians.

EMC, as primary contractor, has the following functions:

- Manage the ambulance service delivery system with the responsibility to achieve provincial performance requirements relating primarily to response time reliability and medical quality.
- Hires and manages registered paramedics and other staff to operate the system.
- Develops and delivers post employment training programs for paramedics.
- Creates a province-wide ambulance management system to match available ambulances to the changing patterns of demand for those ambulances at specific hours of the day and days of the week.
- Builds/leases/manages the bases and physical infrastructure for the system.
- Manages the Communications Centre that receives calls from the public for emergency and non-emergency health resources and dispatches ambulances to people in need.
- Maintains the communications system, bases, vehicles and equipment to Authority established standards.
- Purchases the supplies and services for the system.
- Reports on the performance expectations required by the Authority.

Source: Department of Health's website

[http://www.gov.ns.ca/health/ehs/ground\\_ambulance/ehsemc\\_roles.htm](http://www.gov.ns.ca/health/ehs/ground_ambulance/ehsemc_roles.htm)

## Ambulance Fee Rate History

Type of Transport	Effective Date			
	May 1, 2000	April 1, 2002	April 1, 2004	April 1, 2007
Nova Scotia resident (ground and air)	\$ 85	\$ 105	\$ 120	\$ 128
Non-resident other province	500	600	600	640
Non-resident other country	750	750	900	961
Work related (WCB)	500	600	600	640
Motor vehicle accidents	500	600	600	640
Mobility challenged	125	150	150	160
Private pay	500	600	600	640
Inter-facility transfer	No fee	No fee	No fee	No fee

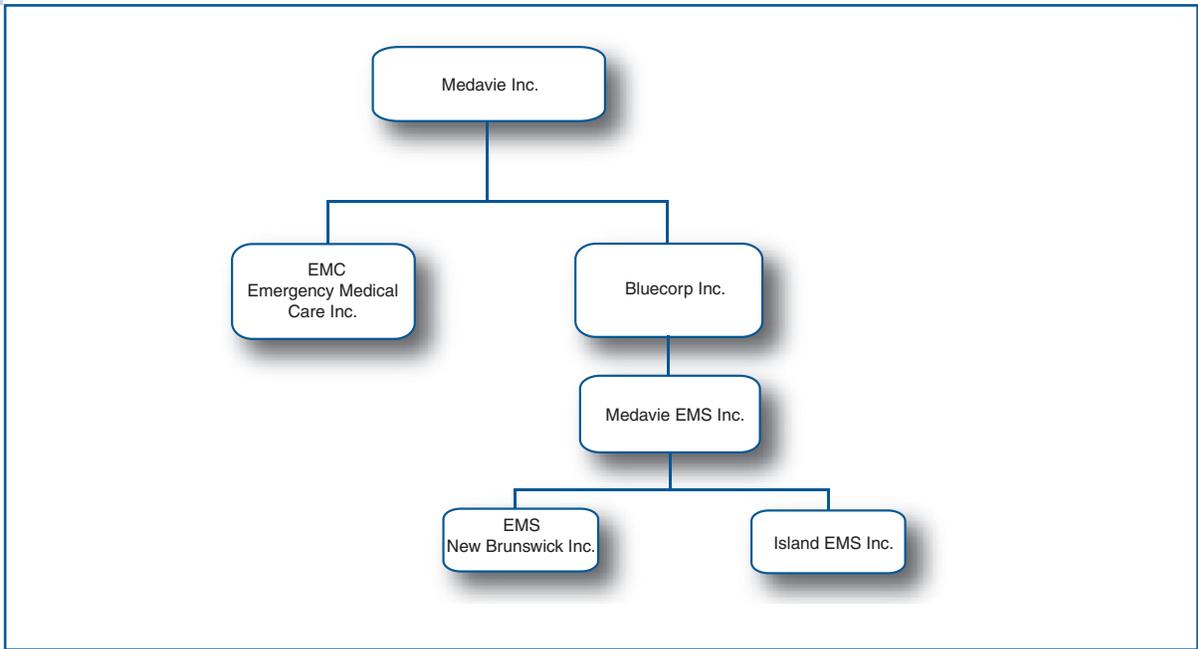
Source: EHS report and Ambulance Fee Regulations

## Summary of Ambulance Transports and Ambulance Fees

Type of Transport	2002-03		2003-04		2004-05		2005-06	
	Total Transports (#)	Amount Billed (\$)						
Inter-Facility	24,809	Nil	26,779	Nil	27,311	Nil	29,319	Nil
Resident	53,789	5,520,375	54,306	5,702,130	53,904	6,544,326	54,831	6,580,140
Motor Vehicle Accident	3,181	1,920,600	2,981	1,788,600	2,939	1,764,600	2,798	1,678,860
Work Related Injury	599	355,800	500	303,000	466	279,600	441	264,600
Non-Resident	1,625	1,038,450	1,659	1,101,900	1,685	1,126,500	1,662	1,110,620
Mobility Challenged	58	7,800	155	23,550	91	13,650	177	26,550
Private Pay	225	135,00	289	173,400	309	185,400	254	152,400
<b>Total</b>	<b>84,286</b>	<b>8,978,025</b>	<b>86,669</b>	<b>9,092,580</b>	<b>86,705</b>	<b>9,914,076</b>	<b>89,482</b>	<b>9,813,170</b>
% of Fee Collected	81.3%		80.1%		84.8%		84.0%	

Source: EHS trend report

### Medavie Inc. Group of Companies



Note: Includes only those companies that are involved in the delivery of emergency medical services.

## Summary of Principal Terms and Conditions - Ground Ambulance Contract

Exhibit 3.6

Scope	Terms												
Contractor	Emergency Medical Care Inc., wholly owned subsidiary company of Medavie Blue Cross												
Contract term	Effective April 1, 1999 - March 31, 2009												
Termination	Either party may terminate the contract with at least 90 days advance notice or EHS may terminate in the event of major breach of the agreement.												
Initial base budget	Initial base budget (April 1999): \$29,750,000 plus management fee of \$975,000 less applicable savings incentive shared 60% contractor and 40% EHS.												
General scope of services	<ul style="list-style-type: none"> <li>• Ground ambulance transportation</li> <li>• Ambulance personnel training</li> <li>• Communication and dispatch</li> <li>• Management of ambulance fleet</li> <li>• Collection of user fees on behalf of EHS</li> </ul>												
Response time performance compliance	<p>Response time standard, at least 90% of the time:</p> <table border="1"> <thead> <tr> <th>Population</th> <th>Urgent code, 1, 11</th> <th>Non-urgent code 2, 22</th> </tr> </thead> <tbody> <tr> <td>&gt;15,000</td> <td>&lt; 9 minutes</td> <td>&lt;15 minutes</td> </tr> <tr> <td>2,500 to 14,999</td> <td>&lt;15 minutes</td> <td>&lt;20 minutes</td> </tr> <tr> <td>&lt;2,500</td> <td>&lt;30 minutes</td> <td>&lt;40 minutes</td> </tr> </tbody> </table>	Population	Urgent code, 1, 11	Non-urgent code 2, 22	>15,000	< 9 minutes	<15 minutes	2,500 to 14,999	<15 minutes	<20 minutes	<2,500	<30 minutes	<40 minutes
Population	Urgent code, 1, 11	Non-urgent code 2, 22											
>15,000	< 9 minutes	<15 minutes											
2,500 to 14,999	<15 minutes	<20 minutes											
<2,500	<30 minutes	<40 minutes											
Ambulance personnel certification	Ambulance personnel requiring registration and licensure are appropriately certified. Progression to Advanced Life Support certification.												
Equipment and facilities provisions	EMC is responsible for maintaining ambulances in accordance with vehicle lease requirements.												
Incentives	<ul style="list-style-type: none"> <li>- User fees collected in excess of 75% are shared equally with EHS</li> <li>- Cost savings incentive: actual costs less than budgeted shared 60% EMC and 40% EHS.</li> <li>- EMC may obtain outside work for-profit</li> <li>- Exclusive market right to provide ground ambulance services subject to conditions detailed in the agreement</li> </ul>												
Penalties	<p>Penalties may be imposed if EMC fails to meet the following:</p> <ul style="list-style-type: none"> <li>- Required response times</li> <li>- EHS policy and report requirements</li> <li>- Equipment maintenance as required per lease agreements</li> </ul>												
Call volume	Call volume range from 65,000 to 85,000 covered by the contract. EHS will absorb incremental costs for calls received beyond 85,000 and deduct costs if call volume falls below 65,000.												

## DEPARTMENT OF HEALTH'S RESPONSE

Thank you for the comprehensive auditor's report on the Ground Ambulance System of EHS, and the operator EMC. The objectives of the audit were well understood, and the report clearly provides valuable information on opportunities for continuous improvement in processes associated with this high value, high performance system.

We have welcomed the opportunity to inform the Auditor General's office about this system of care and to discuss recommendations in the spirit of full accountability to the people of Nova Scotia.

The following seven recommendations were made in regard to the EHS portion of the report:

### **Recommendation 3.1**

**We recommend that requirements for accountability information, including requirements for submission of detailed financial information at specified intervals, be included in contracts to ensure information required for appropriate monitoring is received on a regular basis.**

### **Recommendation 3.2**

**We recommend that DOH exercise its right to audit financial records under the ground ambulance contract to monitor EMC's performance and gain assurance that EMC's expenditures were incurred with due regard for economy and efficiency.**

### **Recommendation 3.3**

**We recommend that any new contracts negotiated for provision of ground ambulance services or any other significant contracts between government and service providers include provision for audits by the Office of the Auditor General.**

### **Recommendation 3.4**

**We recommend that EHS review risk sharing when negotiating contracts to ensure there is an appropriate balance between risks transferred to the contractor, risks retained by the Province and cost of the contract.**

### **Recommendation 3.5**

**We recommend that EHS verify the completeness and accuracy of user fee revenues submitted by EMC.**

**Recommendation 3.6**

**We recommend that EHS establish write-off policies for ambulance user fee accounts receivable and review receivables annually to identify and write off uncollectible amounts.**

**Recommendation 3.7**

**We recommend that EHS record ambulance user fee revenues and receivables to provide better control over uncollected amounts and ensure compliance with generally accepted accounting principles.**

EHS and the Department of Health agree that these are helpful recommendations to ensure continued effective and efficient governance of the system.

**EMERGENCY MEDICAL CARE INC.'S (EMC) RESPONSE**

As part of our ongoing review of policies within EMC, we are reviewing our Meal and Travel policies to ensure consistent application throughout the company. The implementation of the recommended financial policies and controls should not be the only standard against which due regard to economy and efficiency should be measured. Our experience has shown that there can be more cost effective internal controls, including the ones that presently exist at EMC, than the ones that are being recommended to accomplish the same objectives.

While there was no specific recommendation with respect to retention bonuses, it is important to address the comment in the report with respect to the accounting treatment of this transaction. There are no specific general accounting principles that state these types of payments must be allocated to a salary line item. Given the fact that this was a non-recurring item and that the expense was immaterial in amount, we chose to account for this item in a separate account and allocate it to a line item where other expenditures associated with CEO transaction had been accumulated. It has been consistent accounting practice for EMC to allocate non-recurring expenses in other years to this same expense line and this accounting practice has been validated with our external auditors.