



## Agenda Item Summary

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**File #:** RES 19-3, **Version:** 1

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**Submitted By**

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**Reviewed By**

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**Agenda Item Title**

**A Resolution Approving a Collection Services Agreement with Northwest Collectors Inc. to Provide Debt Collection Services for Non-Resident Ambulance Service Delinquent Balances and Authorizing its Execution**

**Overview**

This item was tabled at the January 29, 2019 in order to provide more information. The Village Fire Department provides ambulances services as outlined in code sections 4-1-1 through 4-1-15. The Village is typically compensated for providing such services from Medicare, Medicaid, or private insurance (or a combination thereof). Per the code, any billed amounts not covered by public or private insurance are written off for residents. However, non-residents who are only covered by private insurance (not Medicare or Medicaid) are responsible for the full billable amount, including any such amounts not covered by insurance. This agenda item is for collection services for delinquent balances.

**Staff Recommendation**

Approve the Resolution.

**Fiscal Impact**

No impact to the budget. Fees will be paid on a contingency basis and deducted from any delinquent amounts collected.

**Background**

The Village uses the services of Andres Medical Billing (AMB) for all ambulance billings, however, the company does not provide collection services on delinquent accounts. Rather, AMB partners with several debt collection agencies which specialize or have experience with collecting delinquent ambulance account balances.

The billing company used by the Village, Andres Medical Billing, Ltd. (AMB), is holding on to various receivables for non-resident services but no action to collect such amounts has been taken up to this point. It is Staff recommendation to hire a debt collection agency experienced with ambulance receivables to recover delinquent amounts for services provided to non-residents.

AMB referred four of these debt collection agency candidates to the Village and all were interviewed by Staff. The interview panel consisted of the Fire Chief, Deputy Fire Chief, CFO, Deputy CFO, and Senior Accountant.

The primary factors used and focused on during the interview process were:

- 1) Size and/or number of company employees
- 2) Contingency fee rate or percentage
- 3) Whether the collection agency provides an option to report unpaid accounts to at least one of the three main credit bureaus
- 4) Overall general comfort level speaking with each company
- 5) Reference checks and/or current list of municipal clients

The names of the candidates which were interviewed are attached to this agenda item.

Based on the above rating variables, staff recommends execution of an agreement with Northwest Collectors, Inc (NCI) but this recommendation is contingent on allowing them to report to credit bureaus. This company handles the collections for approximately 60% of AMB customers and the highlights of the agreement and most relevant factors used in the analysis for recommending this vendor are:

- a. NCI assesses a flat contingency fee of 30% on collections
- b. NCI has approximately 10 collectors on staff
- c. NCI is well experienced with collecting on delinquent ambulance accounts
- d. NCI reports unpaid accounts (after all efforts to collect fail) to the three major credit bureaus
- e. Maintains automated technology called the Interactive Voice Response Module to maximize collections
- f. Adheres to all rules and requirement under the Fair Credit Reporting Act.

The enclosed spreadsheet summarizes all ambulance charges (gross to net) for the last three full calendar years 2016 through 2018 and is split between resident and non-resident charges. Andres Medical Billing (AMB) automatically writes down any amounts not covered for Medicare and Medicaid patients as required by Federal law and there is no distinction between resident and non-resident for these write-downs. However, write-offs (versus write-downs) are not legally required and pertain primarily to private insurance caps. As shown on the summary, there is a balance of approximately \$1,049,000 for unpaid non-resident charges going back to 2016. Please note that this number has been updated from the previously reported amount of \$470,000.

NCI stated that 100% of their municipal customers utilize credit bureau reporting. If credit bureau reporting is not permitted, NCI stated that they are unfortunately unable to execute an agreement with the Village. Should this be the case, Village staff would contact the second choice, Armor Systems, and inquire if they would be willing to enter into a contract if the Village will not authorize credit bureau reporting.

While collecting unpaid balances from non-residents for ambulatory services may be somewhat controversial, utilizing an experienced agency to collect unpaid balances would generate revenue that would otherwise not materialize. Write-offs for residents for amounts not collected by Medicare, Medicaid, or private insurance is standard practice, however, the issue then becomes whether or not residents should be subsidizing such services for non-residents if these write-offs are permitted for both residents and non-residents.

**Alternatives**

Select one of the other three alternative candidates (Armor Systems is the alternate recommendation) or opt not execute an agreement to collect delinquent ambulance charges from non-residents.

**Previous Board Action**

N/A

**Citizen Advisory Commission Action**

N/A

**Anticipated Future Actions/Commitments**

N/A

**Intergovernmental Cooperation Opportunities**

N/A

**Performance Management (MAP) Alignment**

N/A