



February 9, 2009

The Honorable Robert L. Sumwalt
Chairman, Board of Inquiry
National Transportation Safety Board
490 L'Enfant Plaza, SW
Washington, DC 20594

Dear Mr. Sumwalt:

Thank you for your leadership in conducting the inquiry and hearings into the causes and solutions to the unacceptable crash rate in the helicopter emergency medical service (HEMS) industry. I use the word crash, as opposed to accident, because the cause(s) of most of these events were foreseeable and therefore preventable.

As you know, CareFlite was chosen to represent smaller HEMS operators at last week's hearings. While the hearings focused on the strengthening of FAA oversight, one panel discussed the economic structure of the industry including the federal government's role as one of the largest purchasers of HEMS services on behalf of Medicare recipients. While Medicaid was not discussed, the federal government's contribution of approximately two thirds of the funds used for Medicaid by the states is another large source of funding to the HEMS industry. Taken together, the federal government is the single largest purchaser of HEMS. The quickest path to changing the behaviors of this, or any industry, is to change the behavior of the customers of a business. Our country's current economic predicament illustrates this principle clearly. In other words, you need a carrot and a stick.

The FAA's rule making authority represents the federal government's stick. Medicare and Medicaid reimbursement to HEMS is the carrot.

One of the most fundamental barriers to improved HEMS safety is the current methodology of reimbursement. The government programs Medicare (federal) and Medicaid (state administered, jointly financed) use a flat rate structure. While the rates vary (urban or rural), the amount paid per patient flight is based upon the location from which the patient loaded flight departs and the distance flown to the receiving hospital. There is no differential payment for different levels of safety. The use of such a flat rate payment methodology creates an economic incentive to those entities that operate with the lowest capital and operating costs. By not recognizing and paying for those patient transports that operate with additional levels of sophisticated technology (such as IFR, twin engine, NVG's, TAWS), Medicare and Medicaid's payment methodology creates an incentive to operate in a lower cost (and therefore less safe) manner. Unlike the FAA (a regulatory agency that is required to set minimum standards), the government programs that finance HEMS service should move



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immediately to a tiered payment system that pays higher rates for those flights conducted with equipment and procedures that are recognized as providing a higher level of safety.

Medicare and Medicaid already have a system in place to pay different rates for ambulance transports based on different levels of safety. Operators of ground ambulance are in fact paid based on the level of care provided (generally Basic Life Support, Advanced Life Support and Critical Care) by Medicare nationally and by Medicaid in some states. In order to provide levels of care above BLS, ambulances must have additional, specialized equipment and attendants trained to a higher level (EMT Basic for BLS, Paramedic of ALS, and Registered Nurse for most critical care). In responding to a 911 emergency, for example, ground ambulance operators may respond with BLS ambulances if that is the only level available. Conversely, that same patient would be in a safer environment for that transport if the 911 EMS operator responded with an ALS ambulance. The Medicare rules have certain minimum requirements for the operator to be paid for a particular transport at an ALS versus BLS level. Assuming those requirements are met, the ambulance operator is paid a higher rate for providing a higher level of care and safety. This creates an economic incentive to provide a higher level of care if appropriate to the patient. Those operators that choose to offer and deliver a higher level transport, receive higher reimbursement from the government. So these agencies already have experience with a differential payment system for ambulance transports which could be easily extended to air ambulance.

Unless the federal government adopts a similar approach that economically rewards those operators who move to provide a higher level of safety and quality, the economic incentive will remain at odds with the NTSB's efforts to increase safety. Relying solely upon the FAA to set higher minimum standards to improve safety without modifying the economic incentives to match the desire for increased safety in operations, means that the government is economically favoring those operations performed on a lower cost basis. In the air medical industry, that equates directly to a lower level of safety. The federal government and the states are huge customers for air medical transport services. Since the federal government provides the majority of the funding for Medicaid, it is able to set certain requirements for the states to meet in order to receive funding. If our objective is higher levels of safety and quality, then we must be prepared to set up incentives to reward those that do so and penalize those that don't. This reconfiguration of reimbursement can be done on a budget neutral basis.

In addition to issuing recommendations to the FAA, we urge the NTSB to issue recommendations to the U.S. Department of Health and Human Services and the Center for Medicare Service (an agency within HHS) concerning reimbursement practices at Medicare and Medicaid that support higher payments for those operations that are operated in a higher level of safety. These federal agencies as well as the new administration and Congress need to be put on notice that unless they participate in this effort to improve safety and quality, they share the responsibility for a continuation of the past practices that have brought us to this point. Without being part of the solution, they would remain an extremely significant part of the problem.

Only by aligning the minimum standards set by the FAA with the economic incentives that result from reimbursement policies in Medicare and Medicaid, would the NTSB be recommending the comprehensive solution that the federal government alone could undertake to make the whole system operate in the safest possible manner.

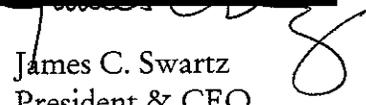
One stated goal of the new administration is to fundamentally restructure the payment methodology in order to extend health care to more Americans. Indeed the President has already signed revisions to the State Children's Health Insurance Program (part of Medicaid) that extends the program's coverage to millions of additional children across the country. In addition, a new Secretary for HHS will be appointed shortly. I cannot remember a better time from this perspective to introduce HEMS safety into the conversation about the nation's health care.

We both know by life experience as air carrier pilots that most large human organizations have inertia and bureaucracy built in by design or mistake. Such inertia is the enemy of safety advancement. The state of the automotive industry is a perfect example of what happens to bureaucratic companies/industries that fail to heed the desires of its customers. We have heard the various excuses and watched the explanations. Neither is very persuasive. If you fail to meet the needs of your customers, you should and will go out of business.

Having raised three children, I found that a combination of positive and negative incentives was always more successful in reaching the desired behaviors than using one approach to the exclusion of the other.

The Safety Board's authority is to issue recommendations to federal government agencies. I would consider the failure of the Safety Board to use its powers of persuasion by issuing recommendations to all appropriate federal agencies that have a direct impact on safety a sentinel event for the NTSB.

Sincerely,



James C. Swartz
President & CEO

- cc: Dr. David Mayer, Board of Inquiry
- Mr. Thomas Haueter, Board of Inquiry
- Dr. Vernon S. Ellingstad, Board of Inquiry
- Ms. Lorenda Ward, Hearing Officer
- Dr. Robert S. Dodd, Chief- Safety Studies
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