

Report on how GF Overhead, Public Health Department administrative, central rates, and charges for direct services are incorporated into the Emergency Medical Services budget
Proviso Response – EMS Fund Proviso #1

February, 2016

Introduction

This report responds to Proviso P1 related to the Emergency Medical Services (EMS) Fund in the 2015/2016 adopted budget. The report provides a general description of overhead/indirect costs received from King County (KC) and the Department of Public Health (DPH), describes how the services provided by these cost pools are relevant to the EMS Fund, and describes how these overhead/indirect charges are distributed to King County Medic One (KCM1). The report includes a graph showing how overhead/indirect is distributed in the EMS fund and a table showing growth and changes in the rates between the 2013-14 biennium and 2015-16 biennium. It also includes plans for communicating changes in these rates to the Regional EMS community including Advanced Life Support (ALS) providers.

EMS receives County General Fund (GF) Overhead and Central Rates directly into the Emergency Medical Services Fund 1190. Information Technology rates (except GIS) are passed through DPH and distributed to the EMS Fund both as direct services for specific EMS projects (direct distributed) and as indirect/overhead for general services. The Department of Public Health distributes internal overhead/indirect costs to all divisions in DPH. The EMS Fund does not distribute internal EMS costs as overhead to projects within the fund.

EMSs 2015-16 biennial budget is \$149,615,768 with 142.05 FTEs. Overhead/indirect costs are budgeted at \$8,472,026 or 5.7% of budget. Direct Distributed costs are budgeted at \$3,151,476 or 2.1% of budget. Combined overhead/indirect and direct distributed charges are budgeted at 7.8% of budget.

KCM1s budget includes 94.05 FTEs or 66% of the total FTEs in EMS (2016); KCM1 salary and wage budget represents 74% of the salaries and wages in EMS. While KCM1 includes 74% of salary cost in EMS, only 38% of the combined overhead/indirect and direct distributed costs are included in KCM1s budget.

A. A description of general fund overhead allocation and central rate methodologies charged to public health and included in the emergency medical services budget and King County Medic One budget.

General fund and county central rates (except information technology/KCIT) are charged directly to the EMS Fund. Information technology/KCIT rates are charged to the Department of Public Health and distributed to all divisions in Public Health.

General Fund (GF) Overhead distributes the non-GF portion of the cost of general fund agencies to other funds. General fund agencies or services include the County Council, County Executive Offices, Office of

Performance, Strategy (PSB), and Budget, Human Resources, Emergency Management, Department of Executive Services (DES) Administration, State Auditor, the King County information line, bus pass subsidy, building occupancy charges, mail services, asset management services, membership and dues, Equity and Social Justice, and records management services. Costs are distributed proportionately by methodologies which best estimate the costs of providing services. Amounts charged represent EMS's portion of costs to support county functions used to support the EMS levy, programs and projects.

County central rates (CR) are directly loaded into the budget by PSB. Central rates related to indirect/overhead charges to the EMS Fund include:

Business Resource Center (BRC) is responsible for providing the functional and technical support for King County's PeopleSoft and Oracle EBS and provides new feature development, system training, and functional and technical continued optimization of the systems. Amounts charged relate to EMS's use of King County's business and financial systems.

Countywide Technology Projects Charge represents the allocation of costs to County agencies for KCIT managed countywide information technology projects. Amounts charged represent EMSs support for new information technology infrastructure projects.

Facilities Management Division Strategic Initiative Fee is used to recover the cost of space planning and building energy management services that offer countywide benefit with no other directly billable funding source. The fee is allocated from FMD to funds using the salary and wage methodology. Charges represent EMSs contribution to general space planning of of county facilities.

Financial Services covers a broad array of activities delivered by the Finance and Business Operations Division (FBOD) including accounts payable, accounts receivable, payroll processing, benefits and retirement services, financial system operations, financial reporting, grants administration, procurement of goods, services and construction contracts, and treasury functions. EMS uses the full range of services provided by FBOD including the support of a fund level accountant.

Geographic Information Systems (GIS) provides services for the capture, management, analysis, integration, and display of geographically referenced information. The outputs such as maps, charts, reports, and interactive applications are created to meet client requirements. GIS updated its cost allocation methodology in the 2015-2016 biennium to better tie the allocation to direct end-users and increase transparency. EMS uses GIS for a variety of purposes including analysis of programs and use of EMS services.

Limited Tax General Obligation (LTGO) Debt Insurance is used on projects that cover services to non-general fund agencies. The amount charged to EMSs covers costs associated with major business systems used by EMS.

Prosecuting Attorney Office (PAO) bills the County's non-General Fund agencies for legal services provided to the agencies. These costs vary biennially based on a workload factor, attorney compensation, legal support staff compensation, and overhead costs. EMS uses the PAOs office for a variety of legal services related to the Medic One system, KCM1 incidents and the EMS levy.

Risk Management (Insurance Rate) allocates the cost of risk, including insurance premiums, losses and loss adjustment expenses, to operating agencies through the Insurance Internal Service Fund. For the 2015-2016 biennial budget, the Office of Risk Management (ORM) has added an exposure basis to the insurance rate and added more incentive to reduce losses and gain transparency. This shift in methodology increases transparency, and incentivizes agencies to positively impact rates in future years. Within the EMS Fund, ORM provides rates separately to King County Medic One (based on use).

Information Technology (KCIT) services are organized into seven end users services: workstations, applications, voice, project management, business analysis, eGovernment, and end user training. Rates are charged to DPH and then distributed to each division within the Department of Public Health. EMS is a fairly robust user of information technology and has numerous information systems – from the SEND (patient information) datahub to online continuing medical education (CME) to cardiac case review analysis.

B. A description of the rates and methodologies used for direct service charges.

Direct distributed costs are costs distributed based on a rate for services – cost per transaction, cost per contract, cost per unit of service. Direct distributed costs from DPH include DPH finance and accounting services, DPH contract services, and distribution of direct KCIT services supporting EMSs applications. This section also includes a description of indirect/overhead from DPH.

DPH Finance & Accounting services include accounting and financial services provided centrally within the DPH. Specific services include general ledger maintenance, grant billing, accounts receivable, position control, cost transfers, budget development and monitoring, audit management, and chart of accounts maintenance. Charges related to these services are distributed to EMS using a direct distributed methodology and are allocated based on number of transaction lines posted in the expense (projects & grants) module of EBS. DPH distributes these amounts directly to King County Medic One (KCM1) and separately to Regional Services/Strategic Initiatives.

DPH Contracts (CPRES) provides comprehensive services related to establishing, servicing and administrating contracts. EMS uses these services to provide contracts to regional partners (ALS, BLS, dispatch), other agencies we contract with to provide services, and for other needs. These amounts are distributed to EMS using a direct distributed methodology and are allocated based on the number of contracts. DPH distributes these amounts directly to King County Medic One (KCM1) and separately to Regional Services/Strategic Initiatives.

KC Information Technology (KCIT) Direct Services – a portion of the amount KCIT charges to DPH includes direct services used to support and enhance EMS programs such as maintenance of the regional database (patients), the eCBD/CAD integration software for 9-1-1 dispatch centers, and online learning (such as EMT continuing medical education). DPH distributes these amounts directly to projects including projects at KCM1 based on KCITs standard hourly rate.

Public Health cost pools are distributed to EMS based on percent of total department salaries and wages and are generally considered overhead/indirect costs (rather than direct costs). Services include payroll processing, human resources, procurement and fleet management, public information, Board of Health,

Office of the Director, CAO and planning, and business standards and accountabilities. Costs are allocated based on a proportional share of these services (percentage of total department salaries and wages).

C. A description of how county, department and division overhead and direct charges are calculated for Medic One

Overhead/indirect costs are distributed between Regional Services/Strategic Initiatives (RSSI) and King County Medic One (KCM1). Charges that benefit the whole system are allocated to RSSI. RSSI covers all the costs related to GIS and portions of other rates associated with cost pools supporting activities related to the entire system including EMSs regional partners. No internal EMS costs are spread as overhead within EMS.

For rates not already separated by a cost pool, EMS distributes overhead/indirect charges it receives from King County and DPH in four different ways: 1) financial costs are distributed based on number of transactions; 2) cost pools that also include services related to regional partners are distributed by total expense/budget; 3) general information technology costs are distributed based on a modified workstation count; and 4) cost pools most related to services needed by King County employees are distributed by salaries and wages.

This list includes the cost pools that are included in each distribution methodology:

1. **Finance costs** include FBOD central rates. These costs are distributed by number of transactions in financial system. Costs are allocated to KCM1 based on KCM1's portion of the total financial entries in the EMS fund.
2. **Services related to the entire EMS Fund** include general county (GF) overhead, the DPH Office of the Director and DPH administration and planning staff. Costs are allocated by percent of budget/expense (budget is used for preparing budget; actual expenses are used for distribution). Costs are allocated to KCM1 based on KCM1's portion of the total budget/expenses.
3. **General Information Technology** charges include the Countywide Technology Projects Charge (KCIT CIP infrastructure projects), Business Resource Center (BRC), and KCIT charges passed through Public Health. Costs received by the EMS fund are distributed by a modified workstation count that includes desktop computers, portable computers and computers associated with response vehicles. Costs are allocated between KCM1 and RSSI proportionally based on this modified computer count.
4. Cost pools related to **King County employee costs** include the King County central rates related to FMD's Strategic Initiative fee and the Prosecuting Attorney's Office (legal services), and Public Health cost pools related to human resources, payroll, facilities management, distribution center, procurement and fleet management, public information, and compliance and business standards. Costs are allocated between KCM1 and RSSI proportionally based on salaries and wages.

The attached chart of the EMS Fund Overhead Distribution Process illustrates how these costs are allocated.

D. A review of the growth of individual charges from 2013-2014 through the 2015-2016 biennium and costs associated with the charges, as well as any plans to stabilize future costs;

The attached table compares 2013-14 actual expenses to 2015-16 budget. The table shows distribution of overhead/indirect costs from King County and DPH. Since EMS does not distribute EMS costs internally as overhead, no EMS costs are included. Overhead/indirect charges increased by \$1.9 million or 28%. Direct distributed costs increased by \$1.6 million. The largest increase in both the overhead/indirect and direct distributed category relate to Information Technology/KCIT services. Total increase in these services is \$2.4 million or 77%.

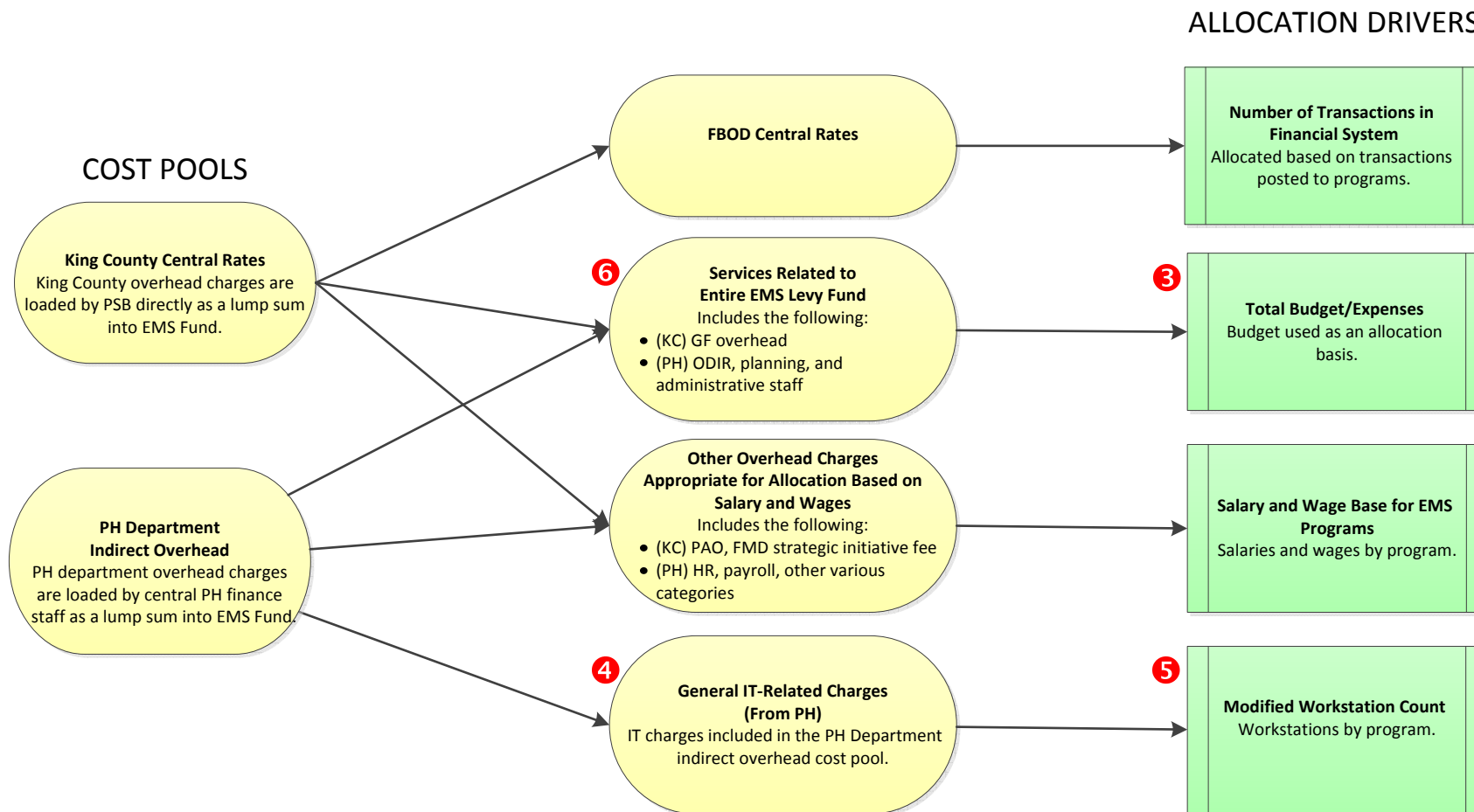
Total overhead/indirect and direct distributed charges increased by \$1.8 million or 34%. Part of the growth in overhead/indirect costs is attributed to a planned increase in FTEs related to the proposal to merge Vashon Island ALS services into King County Medic One and moving 8 FTEs supporting EMS grants and entrepreneurial projects from the PH fund to the EMS fund. This is reflected in the 16% increase in budgeted salaries and wages between the two biennia.

KCM1s overhead, indirect and direct distributed expenses increased by \$.8 million or 26% which is less than the overall fund increase of 42%. While KCM1s 2015-16 budgeted salaries and wages represent 74% of EMS fund salaries and wages, KCM1s proportion of overhead, indirect and direct distributed expenses are budgeted at 38% of overhead, indirect, and direct distributed expenses budgeted in the fund. KCM1s percentage of these costs decreased from 43% in the 2013-14 biennium to 38% in the 2015-16 biennia.

E. A communication plan for how plan the public health and the emergency medical services division will communicate future budget changes to King County Medic One providers, including charges for direct services, overhead charges, central rates and calculation methodologies that are to be included in the Medic One budget, with King County Medic One providers.

The EMS Division regularly meets regularly with our regional partners. This includes ALS and BLS working groups, the EMS Advisory Committee (EMSAC), the EMSAC Financial Subcommittee and other groups. Issues discussed include policies and procedures, economic forecasts, financial plans, major governance issues and the implementation of the regional strategic plan.

EMS will share updated indirect and overhead information with these groups as appropriate. The text and tables of this proviso will be shared with providers and through the EMS Advisory Committee (EMSAC) Financial Subcommittee. As budget information becomes available, it will be shared with these working groups as expediently as possible (based on county procedures and directions). If needed, additional or special meetings may also be scheduled to review time sensitive information.



NOTES:

- 1 Difference between budget & actuals is that actual expenses are used for accounting distribution (rather than budget or estimates).
- 2 EMS distributes overhead and indirect costs received from King County & Public Health Department proportionately to two areas: Regional Services/Strategic Initiatives (RSSI and King County Medic One (KCM1)).
- 3 Regional Services budget covers cost related to budget distributed to regional EMS programs. Posted expenses used for actual accounting distribution.
- 4 IT central rate charges supporting projects are not included in distributed overhead indirect costs. Project specific costs are charged to appropriate projects and programs.
- 5 Workstation count includes desktop computers, portable computers, and computers associated with response vehicles.
- 6 General services that support regional system are distributed by expense/budget.

EMS Fund Overhead, Indirect, and Direct Distributed Costs
2013/2014 biennium compared to 2015/2016 biennium

Updated 2/19/2016

Account & Description	2013/2014 Actuals	2015/2016 Budget	\$s Change	% Change	Distribution	Logic
General Fund (GF) Overhead	1,129,924	1,530,450	400,526	35%	Budget/Actual Expenses	Includes costs attributable to reg'l system
Business Resource Center (BRC)	251,129	357,312	106,183	42%	Modified Computer Count	Proxy for use of business systems
Countywide Infrastructure Projects	29,153	46,318	17,165	59%	Modified Computer Count	
FMD Strategic Initiative Fee	8,807	6,648	(2,159)	-25%	Salaries & Wages	Services related to facilities for employees
Financial Management Svcs (FBOD)	319,361	257,966	(61,395)	-19%	Financial Transactions	Proxy for use of financial services
GIS O&M	53,521	61,824	8,303	16%	RSSI Only	GIS is provided as a regional service
GIS Client Services	4,000	13,224	9,224		RSSI Only	GIS is provided as a regional service
LTD GO Bond Redemption Svcs	179,540	179,540	-	0%	Modified Computer Count	Bonds related to business systems
Prosecuting Attorney/Legal Svcs ¹	44,698	333,864	289,166	647%	Salaries & Wages	Mostly related to services provided by staff
Risk/Insurance Svcs ¹	485,559	140,520	(345,039)	-71%	Based on use and risk	Distributed directly to RSSI and KCM1
PH Administrative Overhead ²	2,195,696	2,465,462	269,766	12%	Budget/Actual Expenses and Salaries & Wages	Cost pool distribution based on whether related to FTEs or Regional System
KC Information Technology Costs ³	1,899,946	3,078,898	1,178,952	62%	Modified Computer Count	Related to computers
EMS Fund Overhead/Indirect	6,601,334	8,472,026	1,870,693	28%		
PH Finance Svcs	191,447	302,160	110,713	58%	Financial Transactions	Proxy for use of financial services
PH Contract Svcs	192,497	450,288	257,791	134%	Contracts	Proxy for use of services
KCIT Direct Services	1,202,703	2,399,028	1,196,325	99%	Individual projects	Actual projects worked on by KCIT staff
EMS Fund Direct Distributed Charges	1,586,647	3,151,476	1,564,829	99%		
Total Costs	8,187,981	11,623,502	3,435,522	42%		
Total budgeted salaries and wages	25,532,355	29,638,964	2,375,277	16%		
Amount distributed to King County Medic One	3,549,731	4,467,650	806,314	26%		
KCM1 portion of overhead/indirect/distributed	43%	38%				
KCM1 % of salaries & wages	75%	74%				

¹ Changes in both cost pools largely related to King county Medic One (KCM1) -- claims payments and defending KCM1 related vehicle accidents

² PH Administrative total costs decreased over \$1 million dollars between the bienniums. However, due to significant decreases elsewhere in the PH Dept, the step freeze in the PH Fund, and the increase in EMS FTEs (primarily related to the planned merger of Vashon ALS), EMS adopted budget changed from ~13.8% of DPH salaries to ~16.7% of DPH salaries.

³ Increased costs due to: 1) increase in the KCIT cost pool ; 2) increase in proportion of EMS within DPH (see footnote 2); and 3) change in allocation methodology. There have been no significant changes in workstations during this time period.