



CONSULTANT ANALYSIS

Prepared for:

Contra Costa County, CA

Prepared by:

FITCH & ASSOCIATES, LLC

303 Marshall Road, Box 170
Platte City, MO 64079

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**Consultant Analysis of
StarWest's Protest and AMR's Response**

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Consultant Analysis of StarWest's Protest and AMR's Response

The Contra Costa EMS Agency requested that Fitch & Associates provide an analysis of the issues raised in StarWest's Protest regarding the recommendation of American Medical Response be awarded the emergency ambulance service contract.

Four areas form the basis of StarWest's protest. The items identified by StarWest are:

- A. Proposal Pricing
- B. Misleading Information
- C. Ownership and Legal Structure
- D. Sale of AMR

Each of the areas of protest will be discussed below:

Proposal Pricing

StarWest Protest:

Three areas will be reviewed regarding StarWest's issue regarding proposal pricing and evaluation: They are:

1. StarWest asserts that the "evaluation panel was required to assess each proposer's submission of proposed patient charges."
2. StarWest further contends that by their not proposing a "treat and no transport" charge and AMR submitting \$198.00 fee, that almost \$14 million in patient charges could be avoided over the initial 5 years of the contract.
3. StarWest identified an issue with the optional pricing necessary to achieve a 9:59 / 90% response time requirement for ambulances in the urban and suburban areas of the East Contra Costa Fire Protection District. StarWest offers to achieve the requirement at no additional cost while AMR included in its Proposal an additional cost of \$1.258 million to achieve this level of performance.

AMR Response:

1. AMR stipulated that its intent for the "treat and no transport" charge was pursuant to current practice and only be applied to a limited number of calls where "Paramedic Assessment, and IV start, or medications [are] given." Currently, 0.2% of the patients receive such a charge for total annual billings of approximately \$19,800.
2. AMR indicated that it interpreted the provision in the Optional Services Price List for a Guaranteed Paramedic Response Time Performance for East Contra Costa

County to include the 9:59 / 90% response to cover the entire emergency response zone. This would require the additional funds of \$1.258 million to achieve.

3. AMR indicates that the paramedic response of 9:59 / 90% for the urban/suburban areas of the zone is included in the pricing of its proposal, and only if the rural areas are included would the additional funding be required.

Consultant Analysis:

1. The Review Panel did not review, discuss, or score the pricing component of the Proposals. This was accomplished by formulaic processes that awarded the maximum points for the price components to the lowest price proposal and a proportional lower score to the higher priced components. (See the Proposal Evaluation Process description for more details)
2. The RFP clearly indicated that the pricing for Optional Services would not be considered in the evaluation of the Proposals. The RFP states “The Optional services prices will not be considered in the scoring of the Proposals but will allow the County to determine the costs of the identified services for possible implementation.”
3. StarWest assumed that all calls not resulting in transport would be billed at the “treat and no transport” rate. County procedures stipulate that specific treatment must be provided to the patient to incur these charges in limited circumstances. The matrix of the service mix used to calculate a projected average patient charge identified the percentage of calls expected to be billed at the emergency, non-emergency, ALS, and BLS rates includes an estimate of 5% of the billable calls to fall into the “treat and no transport” category. StarWest’s \$0 charge and AMR’s \$198.00 charge was used to calculate the average patient charge and the scores for this criterion included the impact of this specific charge.
4. AMR misinterpreted the language used on the Optional Services Price List. Specifically, the RFP requested the annual cost, if any, “to establish a performance-based response time requirement of 9:59/90% for the urban/suburban area of the East Contra Costa Fire Protection District (***covering the cities of Brentwood and Oakley, the unincorporated communities of Bethel Island, Knightsen, Byron, and Discovery Bay and other unincorporated territory of the County served by the East Contra Costa Fire Protection District***) and allows the Contractor to include response times of both ambulance units and Quick Response Vehicles.” The parenthetical identified above in bold italics was intended to describe the East Contra Costa Fire Protection District’s area and the relevant areas for the required response was intended to be those areas of the zone classified as urban/suburban (underlined above). AMR indicated that the stipulated response to these areas classified as urban/suburban is included in its base proposal pricing and the additional funds identified for this category would be required to achieve the response times in all areas of the zone including rural.

Misleading Information

StarWest Protest:

1. StarWest contends that AMR's inclusion of 6 Supplemental Transport Ambulance Resource (STAR) Cars represented an arrangement that implies a contractual agreement was in place with the fire agencies. These 6 units would not be staffed and would be equipped, supplied and located in fire stations to be staffed by fire personnel under specific circumstances.

AMR Response:

1. STAR Car deployment is not included in its 4,024 weekly unit hours committed to in its Proposal.
2. AMR states that its proposal "clearly states on numerous occasions that AMR "will" enter into contracts, etc. This clearly connotes intention and future action and does not represent prior actions or commitments."

Consultant Analysis:

1. AMR did not clearly indicate the status of fire agency discussions regarding the deployment of STAR Cars.
2. The implementation of STAR Cars would be dependent on County EMS Agency approval of the concept and procedures for activation; the County, municipal, or District approval of agreements for locating STAR Cars in fire stations and staffing with fire personnel. This approval process would be lengthy and could not be achieved within the time frames allowed for preparation and submission of the Proposals.
3. The RFP requests that each Proposer provide optional pricing for equipping, supplying, and maintaining of a Reserve Ambulance Fleet to be located throughout the County. As with other Optional Services this component was not included in the scoring of the Proposals.

Ownership and Legal Structure

StarWest Protest:

StarWest contends that AMR's description of its ownership does not include the organization's "ultimate parent, Laidlaw International."

AMR Response:

AMR responds that "inquiries were made to County staff regarding the exact level of reporting desired and/or required by the County....Specifically, AMR reported AMR West (the proposing entity) and AMR, Inc (the parent company and largest parent organization relevant to ambulance transportation).

Consultant Analysis:

1. AMR did request clarification regarding the level of the organization that would be required to provide financial information. The County responded that "If the company is diversified in other business lines, the County desires the "parent" to be the entity holding its medical transportation operations." AMR reported its financial information at the American Medical Response West and the American Medical Response, Inc. levels.
2. The audited financial statements for both American Medical Response West and American Medical Response, Inc. clearly identify Laidlaw International, Inc. as the parent company with AMR, Inc. being a "wholly owned subsidiary of Laidlaw International, Inc." and AMR West as a "wholly owned subsidiary of American Medical Response, Inc."

Sale of American Medical Response, Inc.

StarWest Protest:

StarWest contends that AMR failed “to disclose the sale-in-process to the evaluation committee and to the County’s EMS Agency” and further states that this disclosure is “absolutely material to this RFP process.” StarWest states that “This information could very well have resulted in a different scoring outcome by the evaluators.”

AMR Response:

1. AMR responds that the timing and disclosure of this type of transactional information by a publicly traded company is tightly regulated by the Securities and Exchange Commission and “AMR contacted the County EMSA as soon as legally permissible to advise of the sale.”
2. AMR indicates that there have been “substantial and prevalent rumors about a potential sale for months” and that many committee members would have been aware of these rumors.

Consultant Analysis:

1. The intent of Laidlaw International to sell AMR, Inc. has been public knowledge in the industry. The County EMSA, Consultant, and many committee members were aware of this status.
2. Acquisition, consolidation, and change in ownership have been common in the ambulance industry for the last 15 years.
3. The S.E.C. does have very strict rules regarding the timing and release of information of specific transactional activities of publicly traded companies. AMR notified the County EMSA by telephone of the definitive agreement to sell AMR prior to the public announcement on December 6, 2004.
4. Disclosure of current ownership is required by the RFP and was fulfilled by AMR. The disclosure of a non-finalized sale of a Proposer was not addressed and none of the criteria scored address the potential or future sale of a Proposer.

Summary

After review of the StarWest and AMR documents, the following summary reflects the opinion of the Consultant.

1. The pricing difference between StarWest and AMR for “treat and no transport” calls was considered and the variation was reflected in the calculated pricing scores.
2. The enhancements to response times offered by the Proposers at no additional cost were considered by the Review Panel and the scoring reflects the Panel members’ individual assessment of the importance of the offerings.
3. AMR did not clearly document the status of the STAR Cars in its proposal. The Review Panel did not consider the STAR Cars in scoring the initial deployment plans of the Proposers. Only ambulance unit hours were considered. AMR proposed 4,024 ambulance unit hours per week and StarWest’s ambulance unit hours totaled 3,400 per week (not including on-call units).
4. AMR adequately documented in its audited financial statements the ownership of the related companies.
5. The RFP required the Proposer to divulge current ownership of the Proposer’s organization. There is no requirement in the RFP to notify the County of any potential sale. The intention of Laidlaw to divest AMR was public knowledge and known to many of the Review Panel members prior to the Proposal review process.