

Case Study

Specialty Air Ambulance Transportation Support Services Arrangement

A hospital needed air ambulance (helicopter) transportation services related to its patients and was seeking to contract with a third-party air ambulance supplier in the market to provide these transports.

Situation

The hospital was looking to contract with a third-party air ambulance supplier for the provision of on-demand helicopter transportation services related to the hospital's patients. The air medical transport company did not have the capabilities or resources to provide the incremental specialty clinical staff, specialty consumable medical supplies, or specialty medical equipment necessary for NICU/HROB transports and required the hospital to assist with providing these support services and resources when a NICU/HROB would take place. Under the arrangement, the air medical transport company would bill and collect from third-party payors for the transport services rendered. Since the air medical transport company would receive reimbursement intended to cover all necessary expenses associated with patient transport from third-party payors, the hospital needed a mechanism to charge the air medical transport company for its NICU/HROB support services on an as-needed basis. Not charging the air medical transport company in this scenario could also create a compliance risk since third-party medical transport companies can be seen as a source of referrals.

Solution

VMG Health has substantial experience valuing contracted rates for medical transport arrangements and assisted hospital management in determining a fair market value rate for its support services that could be charged to the air medical transport company. Due to differences in state regulations for ambulances, differences in acuity among patient populations, and differences in operational decisions, VMG Health has observed a wide range in the type and quantity of staff, supplies, and equipment that may be required for a transport. VMG Health worked with the hospital to identify the specifications for the type and quantity of specialty clinical staff (RNs, RTs, etc.) and consumables/assets (tecotherm, isolette, etc.) required to go on each transport. Next, VMG Health employed a cost approach methodology to reasonably ensure the hospital would cover its costs of providing the subject services and resources. VMG Health considered cost of readiness, utilization, time on transport, underlying cost detail, willing sellers of similar services, and other pertinent value drivers as part of this analysis. VMG Health concluded a fixed fee per transport for the hospital's support services that simplified the arrangement, despite the situation's complexity.

Success

VMG Health determined a fixed fee per transport for the hospital's specific NICU/HROB helicopter support services that was consistent with fair market value. The fixed fee was customized and tailored to the exact services provided by the hospital and helped ensure the hospital would reasonably recoup its costs for the services provided. The hospital then used VMG Health's fair market value conclusion to charge for its services on a per transport basis and to support regulatory compliance.

Services Provided

Fair Market Value Analysis

Does your organization have a valuation, strategy, or compliance need? Reach out today for a complimentary assessment from a VMG Health expert.

Contact

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Client Results

92%

Client Satisfaction
Rating

About VMG Health

VMG Health is a leading, national, full-service healthcare strategy and transaction advisory firm providing solutions exclusively for the healthcare industry with a long-standing reputation of excellence in client service. Whether you need assistance with traditional transactions or emerging physician compensation models based on value and performance, VMG Health provides the expertise you can rely upon.

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