

Up Front



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News & Analysis



He's smiling after buying former Pinecrest School. **PAGE 7**

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Life Support: American Medical Response vehicle in Lancaster.

PHOTO BY MIKE BAKER

Driving Down Prices

Ambulances face huge losses under Obamacare

By **STEPHANIE HENKEL** Staff Reporter

Two consequences of health care reform – lower reimbursement rates and more patients – have put some local ambulance companies on life support as they struggle to balance higher volumes of trips with less money in return. As a result, ambulance companies have left certain regions of the state amid consolidations and closures.

“California has one of the lowest reimbursements for ambulance services in the country, and at the same time, the cost of doing business

here is probably the highest in the nation,” said **Jason Sorrick**, director of communications for **American Medical Response Inc.**, which operates ambulances in the Antelope and Santa Clarita valleys. “(Medi-Cal reimbursement rates are) below 1999 levels. It is (now) \$10 less, and in that same period, our cost of providing care has more than doubled.”

Medi-Cal, California’s version of Medicaid, which is paid for by state and federal funding but is primarily administered by the California

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Will Politics Poison Valley Projects?

DEVELOPMENT: Ballot measures could render building ‘unfeasible.’

By **CAROL LAWRENCE** Staff Reporter

If you are one of the many Valley residents who think the cost to rent apartments or buy homes here is too high now, get ready to pay more – way more.

That’s the warning developers are relaying about two initiatives up for public vote in the City of Los Angeles in November and March that aim to sharply curb residential and other types of construction.

Measure JJJ, also called Build Better LA, is scheduled for the November ballot. It proposes new labor and wage requirements on most new housing projects – those that would build higher, larger and denser than city planning limits allow.

It would make affordable housing a standard part of those projects but also offer ways to get around doing that, such as building the units somewhere else.

Backers of the measure – the **L.A. County Federation of Labor, AFL-CIO**, which is the nation’s second-largest central labor organization, and the local electrical workers’ union, among others – say it’s needed to help residents afford housing in Los Angeles and to create good-paying jobs.

The second measure, the LA Neighborhood Integrity Issue, is on the ballot in March. That initiative would temporarily halt most new construction of any building type for two years, specifically those projects that need exceptions to city limits on height, size and density.

The backer of that initiative, L.A.’s **AIDS Healthcare Foundation**, says the measure would stop local politicians from approving mega-projects that intensify development. Also, it would require updates to the city’s General Plan on a five-year cycle starting immediately.

Developers and real estate investors predict similar

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Supply Software Clicks for Clients

TECHNOLOGY: Procurement firm secures \$4 million in funding.

By **MARK R. MADLER** Staff Reporter

Purchasing is not the sexiest part of managing a firm, but **Shaz Khan** and the other executives at **Vrooz** see it as an opportunity.

The Sherman Oaks company has developed a cloud-based system for ordering office supplies, computer equipment or anything else a business needs for its operations, and doing so more efficiently, easily and quickly than the old-fashioned manual alternative.

After all, Khan believes, if you can book a hotel room or make a dinner reservation online, you should also be able to do the same with routine business purchases.

“We look to take that paper process and move it to a complete digital process,” said Khan, chief strategy officer.

Founded in 2012, by Khan and **Richard**

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PHOTO BY DAVID SPRAGUE

Shortcutter: **Krugliack** in editing room.

Video Snacks Feed Audience

MEDIA: NoHo studio moves from TV to web content.

Five years ago, when the television production business was in collapse, **Seth Krugliack** decided to re-invent his business for the future. That entailed taking his skills as a producer of promotions – those quick commercials about upcoming TV shows – to create content for corporate websites.

But the transition for **Krugliack’s** North Hollywood studio **5 Guys Named Moe Inc.** proved tougher than expected as the budgets for website content are tight, a sharp contrast to his past experience in Hollywood when budgets were nearly unlimited.

Find out how his company’s web division, called **Snackable Video**, has learned to appease the online appetite for video – at a starting price of just \$5,000.

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Looking to start or expand your business?

VEDC offers business loans \$1,000 to \$700,000



vedc.org

Health Care: Patient Counts Up, Payments Down

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Department of Health Care Services in Sacramento, currently repays \$118.20 for each emergency medical transport by ground, plus a little extra for mileage or ancillary services, according to the department.

However, Sorrick said hard costs for such a trip amount to about \$600 for ambulance companies, leaving an almost \$480 discrepancy that the service provider has to eat. In comparison, he said the reimbursement rate for Medicare, the national social insurance program for people 65 and older, is about \$500, which is a lot closer to how much it actually costs to transport a patient.

'Double hit'

Medicaid and California's comparable Medi-Cal are programs designed to pay for medical expenses – such as doctor visits, hospital stays and prescription drugs as well as ambulance services – for people with lower incomes. According to **Ross Elliott**, executive director of the California Ambulance Association in Sacramento, more than 6 million Californians have been added to the rolls of these programs since expansion under the Affordable Care Act, also known as health care reform or Obamacare. Previously, ambulance companies would accept government money from Medi-Cal and bill the patient some in addition. Now billing the patient is illegal, Elliott explained.

“By law, the (ambulance companies) have to accept the Medi-Cal rate, and there are more people that are covered by it, so it's a double hit,” he said.

Greenwood Village, Colo.-based American Medical Response, which has its Los Angeles County headquarters in Lancaster, has a size and infrastructure advantage in the industry as it is one of the larger providers. Yet according to the company's Sorrick, about half of its charges for service go unpaid.

“The 20 percent of the patient population that is on commercial insurance and not on the exchange or government insurance is essentially paying for all these other patients,” he said. “When people complain about why health care costs are going up so much, it's because the 25 percent of patients on Medi-Cal are paying hundreds of dollars below cost.”

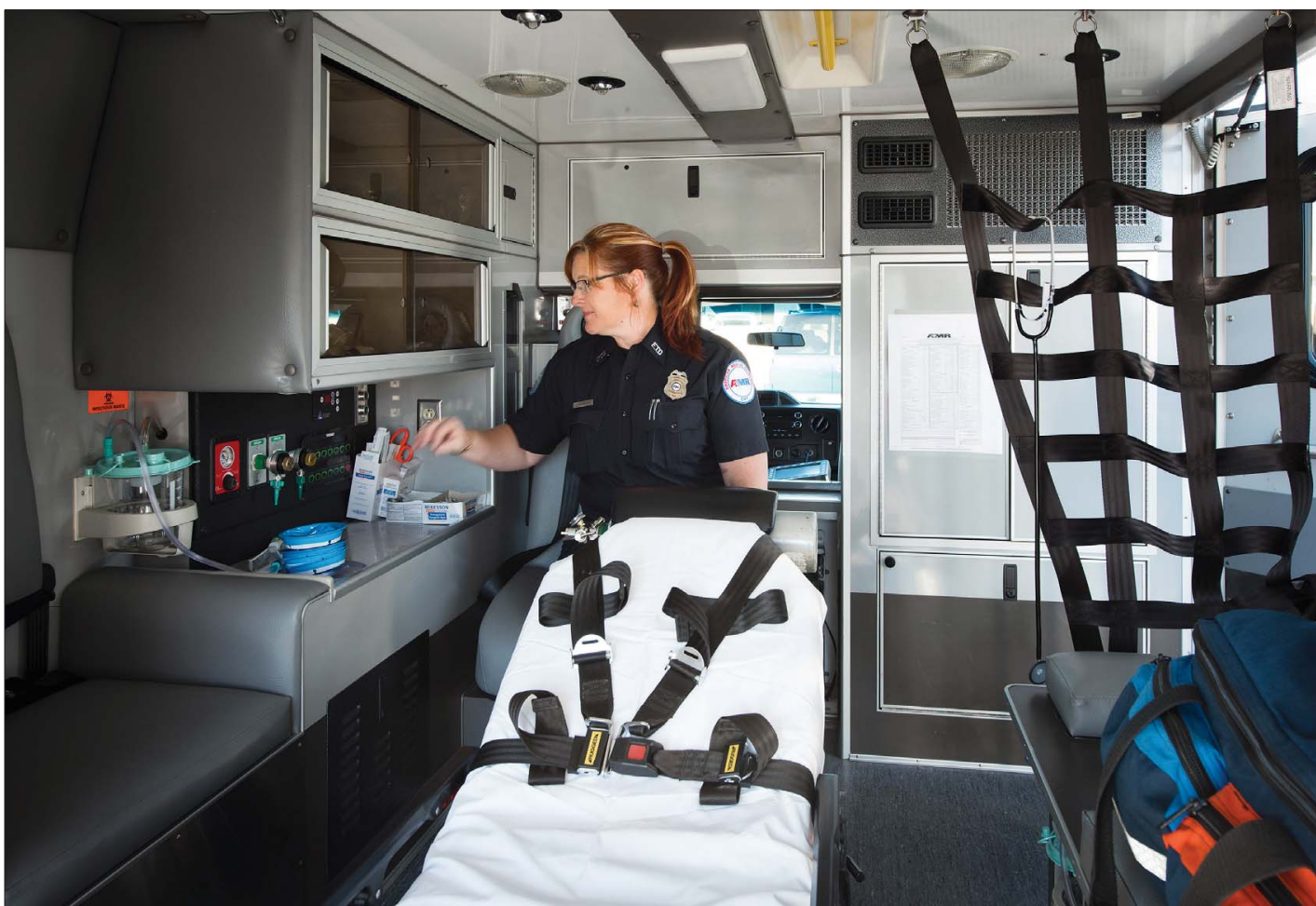
Aside from transferring the cost to the commercially insured, American Medical Response has been forced to resort to other tactics to make up for the lost revenue. For example, the company was forced to completely discontinue its emergency services in Tulare County in Central California.

“It is usually a last resort for an ambulance service to pull out of an area,” said **Tristan North**, senior vice president of government affairs for the American Ambulance Association headquartered in McLean, Va. “In some cases, it may be the only access to emergency medical services in a small rural community.”

Sorrick said while the problem is more critical in rural areas than in the suburbs such as the San Fernando Valley, the financial impact is across the board. He said even though American Medical Response is a large ambulance company, it is still not financially viable to be in certain rural markets as call volumes are lower and the population is spread out so far, making it almost impossible to serve.

As for the smaller providers, which made up the majority of ambulance companies in the Valley, they have a harder time absorbing the revenue decline.

“Locally, there has been a massive consolidation and multiple bankruptcies of ambulance companies,” said Founding Partner **Harry Nelson** of boutique health care law firm **Nelson Hardiman** in Los Angeles. “Many ambulance companies have been driven out of business and forced to sell to competitors. On the ground, there are far fewer providers, and



PHOTOS BY MIKE BAKER

Strapped: Chana Alexander inside an American Medical Response ambulance in Lancaster; left, vehicle in action. The company recently closed its facility in North Hollywood.

the ones that are left are bigger.”

Over the summer, American Medical Response ceased its Bowers Ambulance operation, closing its two facilities in North Hollywood and Long Beach. The reasons the company cited for the shutdown was it already had an existing presence in these areas and that it wasn't a viable option to continue both services.

In Torrance, Gerber Ambulance Service folded last year after losing the city's ambulance contract, which led to not having the volume to support the costs associated with its services. Since 2015, Cotati-based ambulance and transport service **ProTransport-1** acquired PRN Ambulance of North Hills, Century Ambulance Service of Jacksonville, Fla. as well as ATS Medical Services of Loves Park, Ill.

A study by the American Ambulance Association found the industry has lost more than \$2 billion due to health care reform. The Business Journal reached out to several small ambulance companies in the San Fernando Valley that declined to comment because of their poor financial condition. One executive who wished to remain anonymous said the loss to the industry is at least that amount.

Alternative transportation

As ambulance companies close their doors, response times grow longer and certain services become scarce. California Ambulance

Association's Elliott believes government agencies will have to start picking up the slack if the trend continues.

“Fire departments will have to fill in the gap where private ambulance companies can't do it anymore, and the price to the public will be astronomical,” he said.

The cost could approach as much as four times more – or about \$2,400 – if government takes over ambulance service rather than private businesses, Elliott figured, citing the high salaries and benefits packages public employees receive. And if fire departments begin to fill the market void, the costs will be passed onto taxpayers.

Conversely, the California Department of Health Care Services said there is not an issue with access to care.

“DHCS is not aware of ambulance companies closing or limiting these services in certain geographical areas,” wrote **Katharine Weir**, information officer for the department, in an email to the Business Journal. “However, should DHCS become aware of any access to care issues, the department will review the circumstances, the geography and whether there are alternative providers available.”

Nevertheless, during the last legislative session, American Medical Response along with other major ambulance providers formed a coalition that lobbied in Sacramento for Senate Bill 1300, which would increase Medi-Cal rates closer to federal levels. California

Ambulance Association's Elliott said the bill should bring reimbursement rates to approximately \$300 or \$340, which is closer to cost but still about half.

The bill passed the legislature with both Republican and Democratic support, and at press time, faced a Sept. 30 deadline for Gov. **Jerry Brown** to either sign or veto the bill.

But the outlook appeared bleak for SB-1300 as many believed it would be vetoed by the governor.

“If this fails, I don't know how soon ambulance companies will close their doors, but they will certainly stop providing services,” said Elliott. “They can't afford to continue.”

Another alternative lies in finding market substitutes for ambulances. For example, San Francisco-based **Uber Technologies Inc.** is beginning to enter the health transport industry.

“Uber has jumped into this space,” said attorney Nelson. “The company is working with a number of large managed care groups and home care companies and has specifically built out a service to transport patients. It's not reimbursed, but generally people are paying out of pocket and are being subsidized by hospitals and managed care organizations.”

He said it can be cheaper to use low cost services like Uber and **Lyft Inc.**, also of San Francisco, to provide patient transport. However, it only works in non-emergency situations, such as moving patients to a clinic or nursing home.

On the emergency transport side of the business, health care reform has resulted in a financial tailspin in which training, equipment, medications, call centers and the ambulance vehicles themselves are subsidized for Medi-Cal patients.

“If you calculate all the people who work in bringing you that service, it (Medi-Cal reimbursement) would not cover paying minimum wage,” said American Medical Response's Sorrick. “It's ironic the state demands companies pay livable wages based on location, yet they pay an amount that doesn't even meet their own standard.”