




MANAGEMENT OF AIR AMBULANCE SERVICES

Public Interest Report

June 2013



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INTRODUCTION

1. In May 2012, the Office of the Auditor General (OAG) reported on its audit of the government owned insurance company, Cayman Islands National Insurance Company Ltd. (CINICO), and its management practices related to overseas medical services. In the work we performed, we identified potential issues regarding the provision of air ambulance services. Following up on these issues, the OAG decided that there was a clear public interest in the OAG reporting on this matter to the Legislative Assembly.
2. Public interest reports provide information on issues that are identified or requested during the year, and which in the public interest, should be reported to the Legislative Assembly in a reasonably short time frame. In general, these reviews are reactive and cover single issues at an individual entity, and to an extent draw from significant issues identified through our normal financial audit work. The overriding factor for the OAG to report to the Legislative Assembly is that a Public Interest Report should add value for decision making and accountability. The work is carried out in accordance with auditing and assurance standards and is focused on reporting information and issues.
3. As the Public Accounts Committee may only consider reports which have been presented to the Legislative Assembly, a Public Interest Report is the mechanism through which the OAG makes the information available for its consideration. In determining what represents added value, the OAG has identified certain circumstances in which a Public Interest Report may be produced. Note that these circumstances are not intended to be exhaustive and judgment will be exercised in individual cases:
 - where the audit of the financial statements raises an issue which needs to be publicly drawn to the Legislative Assembly’s attention through a separate report;
 - where the Auditor General believes that an issue related to an entity merits public disclosure or emphasis through a Public Interest Report; and
 - where a statutory requirement has been breached which is therefore contrary to the intention of the Legislative Assembly and should be drawn to their attention through a Public Interest Report.

4. The objective of this report is to inform the Legislative Assembly about the provision of air ambulance services procured by CINICO and the licensing environment in the Cayman Islands, and to determine whether there are appropriate management practices in place to ensure that these services are provided in a cost effective manner and the regulatory agency for such services, the Cayman Islands Airport Authority (CIAA), are performing effectively.

BACKGROUND

5. The cost of claims incurred by the Cayman Islands National Insurance Company Ltd. (CINICO) for medical services provided overseas for the fiscal year ending June 30, 2011 was \$29,139,644. Included in the cost of these claims are the following services:
 - a. medical treatment at hospital facilities and physicians' offices overseas;
 - b. case management provided by a company that takes control of cases after overseas referrals are approved;
 - c. network access to hospital facilities and physicians at discounted rates;
 - d. claims management provided by a company that processes payments for claims made for CINICO; and
 - e. air ambulances.

6. The cost of claims paid by CINICO for air ambulance services for the fiscal year ending on June 30, 2012 was US\$ 814,623 consisting of 71 emergency air evacuations. In addition to the cost of the air ambulances, the medical teams and equipment on board, the following costs are incurred by CINICO: (i) fees paid to a third party administrator (TPA) for procuring air ambulances; (ii) fees paid to a local air ambulance broker, who is also the ground handler, for procuring air ambulances; and (iii) fees paid by air ambulance companies to the Air Ambulance Broker for ground handling services at the Owen Roberts International Airport (Airport).

7. There are several key players involved in the provision of air ambulance services, and their roles and responsibilities are summarized below:
 - a. **CINICO** - It is responsible for the provision, costs and oversight of air ambulance services.
 - b. **CMO** - The Chief Medical Officer (CMO) is responsible for authorizing each air ambulance transfer.
 - c. **HSA** - After the CMO has authorized an air ambulance transfer, the Referrals Office of the Health Services Authority (HSA) begins the process of coordinating the air ambulance transfer. It does this by sending the authorization form signed by the CMO, together with medical notes, to either the TPA or the Ground Handler, who will begin the process of procuring an air ambulance.
 - d. **TPA** - According to its contract with CINICO, the TPA procures air ambulances for transfers to the U.S. Under the terms of its agreement, the TPA is required to select air ambulance carriers based on clinical criteria, provide estimated time of arrival and cost with the guidance of the relevant medical personnel to ensure a safe transportation environment. In addition to the air ambulance, the TPA is also responsible for the securing of the required medical services,

including the appropriate facility, the relevant personnel and any other services to ensure a medically thorough transfer.

- e. **Air Ambulance Broker**- This company also procures air ambulances for certain transfers to the U.S. and Jamaica. It also provides ground handling services to air ambulances at the Airport.
- f. **CIAA** - The Cayman Islands Airport Authority (CIAA) is involved to the extent that its facilities are used by air ambulances and it provides access to the Ground Handler to enter its premises for the purpose of providing ground handling services to air ambulances. The CIAA is also responsible for the licensing of any air handling services.

8. The findings identified in this report are broken into two sections:

- findings related to CINICO; and
- findings related to CIAA.

FINDINGS RELATED TO CINICO

MANAGEMENT OF AIR AMBULANCE SERVICES

NO TENDERING PROCESS FOR AN AIR AMBULANCE TPA

9. As we reported in our audit of overseas medical expenses in May 2012, CINICO contracted with a case management company in 2005 (the “TPA”). The TPA was the company contracted by CINICO for overseas case management, network access and air ambulance procurement services prior to a new company being contracted to perform case management services in April 2012. CINICO informed us that the new case management company was selected to carry out overseas case management on the basis of a public tendering process. However, the air ambulance procurement and network access services were not part of that public tender.
10. It is a requirement under the *Public Management and Finance Law* and Regulations that all Government Companies conduct a public tender for any contract for the purchase of supplies, services and assets over \$50,000.
11. We expected to find evidence of the tendering process for air ambulance procurement and network access services. We found that CINICO entered into a new contract with the TPA in April 2012 for network access and air ambulance procurement services without conducting a public tender for such services and without providing support for the sole source arrangement.

AIR AMBULANCE PROCEDURES NOT PROPERLY DOCUMENTED

12. In order for organisations to provide consistent and effective services, such as the provision of air ambulance services, clear procedures must be created, implemented and updated to ensure that good practices are used and clear direction is provided to officials doing this work.
13. We found that HSA has no documented procedures for how it deals with the provision of air ambulances, resulting in uncertainty and lack of consistency for how this work is to be carried out. For example, CINICO informed us that in some cases, a family member of a patient will call the Air Ambulance Broker directly to procure an air ambulance. It is not clear if the HSA is aware of this practice.
14. We expected to find current and clear procedures for how the Referrals Office of the HSA initiates the process of air ambulance procurement. What we found was a collection of undated procedures that are not consistently followed. Some of these procedures were updated after we visited the Referrals Office.

15. An example of a procedure not being consistently followed is the procedure used by the Referrals Office for routine air ambulance transfers to the U.S. This procedure indicates that only the TPA is used to procure such air ambulance transfers, but we were informed by CINICO that the Air Ambulance Broker is also used to procure some air ambulance transfers to the U.S. Another example is the procedure followed by the Referrals Office for air ambulance transfers to Jamaica, which indicates that only the Air Ambulance Broker is used for such transfers. However, CINICO informed us that the TPA is also used for about half of its air ambulance transfers to Jamaica.
16. The procedures followed by TPA when it procures air ambulances on behalf of CINICO is set out clearly in a workflow agreement related to its contract with CINICO.

OPERATIONS OF AIR AMBULANCE BROKER SERVICES

NO CONTRACT WITH THE AIR AMBULANCE BROKER FOR PROCURING AIR AMBULANCES

17. We expected to find a contract between CINICO and the Air Ambulance Broker setting out the relationship between the parties and the obligations and responsibilities of the Air Ambulance Broker for acquiring air ambulance services. There is no such contract.
18. Without a contract in place, there are significant risks that are not effectively managed, including the following:
 - uncertainty as to the services being provided;
 - lack of transparency as to what fees are being paid for the services;
 - uncertainty as to how and on what basis the air ambulances are selected and if value-for-money is being achieved;
 - uncertainty as to whether a nurse or other medically trained professional is used for guidance in the selection of the of air ambulances and the medical teams on board; and
 - potential liability exposure to CINICO if liability insurance is not carried for the services provided.

FINDINGS RELATED TO CIAA

NO LICENSE OR AUTHORISATION FOR GROUND HANDLING SERVICES FOR AIR AMBULANCES AT THE AIRPORT

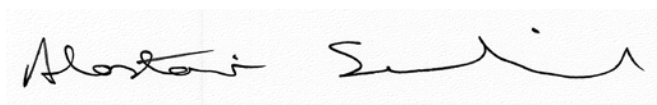
19. We expected to find evidence that the Air Ambulance Broker was licensed and/or authorized to perform ground handling services at the Airport and collect fees for such services.
20. There is no contract between CINICO and the Air Ambulance Broker for such services, but CINICO is being charged by the air ambulance companies that pay the Air Ambulance Broker \$900 for each air ambulance that lands at the Airport. CINICO was not aware of this fee or how it was collected by the Air Ambulance Broker. We have not been able to ascertain why the “ground handling service” that is provided by the Air Ambulance Broker to air ambulances are necessary. We understand from the CIAA that the Air Carrier Operating Agreements, issued by the Civil Aviation Authority of the Cayman Islands, permit air ambulance carriers to “self-handle” at the Airport and that air ambulances do not require the services of an Air Ambulance Broker for this purpose.
21. The Air Ambulance Broker does not hold a permit or license issued by the CIAA to operate as a “ground handler” or otherwise at the Airport.

THE AIR AMBULANCE BROKER IS NOT OPERATING WITH A VALID LICENCE

22. The Air Ambulance Broker is not licensed to carry on the activities of an agent to procure air ambulances or ground handling services on behalf of CINICO by way of a trade and business license. The Air Ambulance Broker is licensed only to carry on the trade or business of “air ambulance charters” which it doesn’t do.
23. We found evidence that the former Premier, McKeever Bush, had informed the Board of CIAA to restrict ground handling licenses to only three companies. There was no rationale or reason provided. The former managing director informed us that he had recommended the licensing of all companies operating at the airport, but was precluded from doing so by the direction of the former Premier.

CONCLUSION

24. The operations relating to the provision, costs and oversight of air ambulance services have not been managed effectively, resulting in uncertain value-for-money for services solicited through the Air Ambulance Broker.
25. Furthermore, we believe that the practice of utilizing the services of a non-contracted Air Ambulance Broker, if continued, represents an unmanaged risk to the Government in the event of a catastrophic incident because of the lack of prudent management of public resources.



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Freedom of Information

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