

Letter to Towns Declaring FY 2011 Subsidy Amount

December 1, 2009

[Municipal Contact]
[Address]
[Town]

Dear [Contact]:

We at **NorthStar EMS** are pleased to be providing ambulance and community services to the [town of/county of/plantation of] _____.

At this time of year, the Automatic Renewal terms of the **NorthStar Regional EMS Participation Agreement** call for us to inform you of the amount of your subsidy for the next fiscal year. This amount will be due for the period from **July 1, 2010 to June 30, 2011**.

We are also pleased to include a picture of our financials for the past two years, our budget for our current year (FY2010) and a projection for FY2011. NorthStar did made a “profit” in FY2009. In accordance with our agreement with FMH, this money, less the loss from FY2008, has been set aside exclusively for NorthStar’s future use. More details are in the attachments.

NorthStar is proud to continue to serve your community. With your continued support, we are providing excellent care whenever and wherever it is needed. NorthStar is active in many local community activities and services. We have received the HeartSafe Community Award from the State for the last four years in a row. From House Calls to athletic events, from CPR training to Bike Rodeos, in hundreds of ways, we give back to our communities in time and programs.

With five bases strategically located throughout the area, **NorthStar** provides the strength of a 24/7 *regional* organization while keeping its patient care operations *local* to the community.

Once again, we are continuing the same basic demographic formula we originally presented to all towns when **NorthStar** was formed five years ago. **NorthStar** has implemented cost savings and efficiencies that have allowed us to keep the subsidy amounts as low as possible. This formula, developed with the **NorthStar** Advisory Board*, allocates **NorthStar**’s overall operating deficit (total expenses minus total income) fairly and equitably among all the towns and counties **NorthStar** serves. Every municipality’s amount continues to be based on a single formula applied in a consistent way to each municipality’s unique demographics. As was done for the last fiscal year, the Board formula continues to move those towns below their equitable target amount toward the formula target. The attachment describes the formula and the demographics used to arrive at the subsidy amounts.

Under that formula, the amount declared for your municipality for the fiscal year beginning July 1, 2010 under Section 2.1(a) is \$_____.**

Reminder: Under the Agreement terms, you have until April 1 to notify us if you do *not* want to renew the Agreement. *No action is required on your part to continue the contract under the terms in this letter.*

As always, your ambulance service is strong because **NorthStar** covers every square mile of its service area with equal dedication - bringing prompt response times, highly trained staff, community involvement, and multiple backup support to every town, township, citizen and visitor wherever they are in the territory. As we continue this seamless coverage, it is critical that every town and county area contribute its fair share to the support of the service.

Please do not hesitate to call me at 779-2770 (or email at drobie@fchn.org) if you have any questions or if you have suggestions about how to make our service better for your residents and visitors. And you can always get the latest information about NorthStar, including run statistics for your town, at our website, www.fchn.org/NorthStar.

Thank you again for allowing **NorthStar** to be your local ambulance service.

Very truly yours,

David B. Robie
Director

* The current members and other information about the NorthStar Advisory Board members can be found by going to www.fchn.org/NorthStar and clicking on "About **NorthStar**."

** Should you wish to change over to the alternate method under 2.1(b), the amount would be \$2,492 Per Run during this FY2011 period and increasing 4.5% each contract period thereafter. You must notify David Robie, NorthStar Director, no later than April 1 if you are electing this alternate payment option.

SUBSIDY FORMULA DISCUSSION

The subsidy formula has several elements and is intended to cover *NorthStar*'s deficit from operations (income from all insurance, Medicare, MaineCare and other sources less expenses of personnel costs, vehicle costs, supply costs, and administrative costs.)

Because of our focus on keeping our operations as efficient as possible, we are able to budget for a breakeven year with the small increase in the overall subsidy in FY 2011. Franklin Memorial Hospital provides no subsidies to *NorthStar* nor does it benefit from any potential gain at the end of the year. *NorthStar* is funded exclusively from patients' insurance and town support.

Parts of the Formula

Demographics. When the initial formula was developed, several demographic categories were considered, and the formula was narrowed down by the *NorthStar* Advisory Board to the three elements that best represented the region's diverse aspects. These are:

Population (using 2000 Census data). Since the ambulance business is about people, population is a broad indicator of how often the services will be used.

Residential Valuation (using most current year State Equalized Values). Again, focusing on the "people" by using Residential Valuation instead of the broader Total Valuation, this is an indication of overall development in the area. This factor is weighted less than the other factors but is the only value that changes based on inflation and/or with development in the area. Use of this factor allows a small inflationary increase for *NorthStar*'s operations.

Housing Units (using 2000 Census data). In most towns that do not have seasonal fluctuation, the housing units correspond to the population but it is a good measure of the potential of seasonal visitors and residents (and taxpayers) and thus, along with population, is an overall measure of projected activity in the town.

County Unorganized Territory (UT) information was estimated based on the latest UT annual reports and state valuation reports.

How the Formula Works

Fee. A single Flat Fee for each town and a single fee for each UT (unchanged for four years).

A Dollar Value. A dollar amount in each category is applied to each town's demographic value. These amounts continue to be: \$.075 per mil of valuation, \$11.00 per person and \$31 per housing unit. The product of each category is then added together with the fee.

A Distance Factor. The center of population for the region that *NorthStar* serves is, in fact, in southern Farmington. However, *NorthStar* has positioned crews and ambulances at strategic points around the region to assure that we respond quickly throughout the territory. Four of these five bases are crewed 24/7 to assure timely coverage of the entire area, including those in sparsely settled areas. The farther away from the center of population, there are fewer people per square mile and thus fewer runs per day. With fewer runs, there is less income to offset the expenses of keeping an ambulance ready all the time for that town.

Since the subsidy is based on *NorthStar*'s overall deficit, a distance factor is appropriate when looking at the financial impact of serving very rural areas with an ambulance always staffed and ready to respond. In this formula, the total sum of the fee and other factors described above is multiplied by this distance factor. (Specifically, the distance factor is the ratio of distance to the town from the population center point divided by the average distance). To limit the effects of both very short and very long distances the factor has been 'capped' with a minimum and a maximum ratio value. To begin to bring towns at either end of the distance spectrum closer to central parity, for FY2011, the maximum factor has been reduced to 0.95 and the minimum has increased to 0.23.

Limiting Factor. In some cases, this common formula would result in a significant one-time change for the town if it were immediately increased to their target amount. After the distance factor has been applied to set the *target subsidy amount*, any increase from the prior year is limited to one-third (1/3) of the amount needed to reach the town's target and no more than a 10% decrease for those towns paying in excess of their target subsidy amount.

Barring any unforeseen circumstances, we do not anticipate that the formula will change significantly until new census figures are available after 2011 although there will continue to be changes in the amounts of each town's support due to changes in valuation and the "run-out" of the effects of the Limiting Factors. Of course, each November/December, we will advise you of the actual amount for the following fiscal year.

Should you wish further information on how the formula was developed, please feel free to call or email David Robie, *NorthStar*'s Director at 779-2770 or drobie@fchn.org.