



Providing Funds to Our Fire Departments
www.firerecoveryusa.com

Here are answers to some questions we have received from Fire Departments.

Why bill for Motor Vehicle Incidents?

In today's economic environment, governmental entities are facing two conflicting stresses as they strive to efficiently operate their Fire Departments. Most areas are seeing a decrease in their tax base while also seeing consistent, if not increasing, demand for emergency response calls. They recognize the large tax burden that is already being borne by their residents and realize a tax increase isn't the correct course of action.

They also know incident victims deserve the highest level of response to prevent loss of life. They don't want to enact measures (brownouts, layoffs, etc.) that will reduce the levels of service, i.e.: longer response times. Therefore, Fire Departments are searching for new ways to avoid increasing taxes and/or decreasing levels of service. Fire Departments are searching for non-traditional answers to avoid the unacceptable responses of increasing taxes and/or decreasing levels of service. One such measure being adopted to defray emergency response costs is the filing of claims against the at-fault responsible party in vehicle incidents.

Is billing really justifiable?

Many local governments see their Fire Departments as infrastructure provided by tax payers, but believe the cost of mitigating a various incidents should be borne by the responsible party.

Adopting these widely accepted mitigation rates as a basis, cities and counties easily support filing claims against the at-fault responsible party for the cost of mitigating the emergency response resulting from their actions.

Also, in regards to motor vehicle incidents, many Fire Departments provide emergency services to non-resident drivers who are not part of the Fire Department's tax base. **For this reason, many cities and counties adopt ordinances allowing them to file claims against at-fault, non-resident drivers; however, local residents remain uncharged.** In this case, this program is not double taxation because there is no out of pocket expense to taxpayers. In fact, all costs recovered are a direct benefit to the taxpayer and the community in which their safety service department is committed to protect and serve.

Is this double taxation?

The short answer is no, it's not. Our service is simply the attempt to recover a portion of the costs incurred to mitigate an emergency incident.

The confusion lies in the misunderstanding of the "Municipal Cost Recovery Rule". This rule bans government agencies from suing for some response costs. The courts came to the conclusion that this was a type of "taxation through litigation".

The court felt, however, that if the local government agrees that the costs of certain public services should be borne by the parties whose conduct necessitates that service (rather than the taxpayers in general), then it has the right to enact a statute by ordinance or resolution to expressly authorize recovery of such cost.

Virtually all state legislatures have passed laws stating that the responsible party is liable for the mitigation costs of those incidents, rather than the taxpayers in general. Most municipalities need to pass ordinances to specifically define what they will hold the responsible party accountable for.

Is billing legal?

In all states it's legal to bill for some services a fire department provides. Depending on the state and local laws, most fire departments can recover many of their costs for responding to emergencies like motor vehicle incidents, hazmat calls, car fires, false alarms, gas pipeline and power line incidents, structure fires, water incidents, special rescue calls, and more.

Some states are more restrictive, but it is still legal to bill for many services. There are websites saying it's illegal to bill in some states, but that's false and usually in regards to police departments - the laws have nothing to do with our fire departments. We have a database of laws by state, so if a fire department wants to know their options to bill, they can just email or call us.

How long has fire department billing been around?

Some fire departments have been billing for services for over 15 years although it has become much more common in recent years. This is very similar to when ambulance billing began a few decades ago. The reality is most fire department's funding is down while their costs are steady or rising. Many fire departments have only three choices; they can lower services, increase taxes, or begin billing the at-fault party for services rendered.

How much will your billing service cost?

There is absolutely no charge to you. We simply take a portion of only what we collect as our fee.

What is the potential revenue for billing Motor Vehicle Incidents?

Because we have the highest collection rate in the industry, our clients average about \$500 per run!

How were these mitigation rates established?

Fire Recovery USA surveyed dozens of fire departments nationwide in order to determine the average time-on-scene, type of equipment, materials and supplies, and labor used during the various types of responses that we wanted to pursue for our clients. The mitigation rates were determined by itemizing costs for a typical run (from the time a fire apparatus leaves the station until it returns to the station).

Using these surveys we put together various “billing levels” to describe the typical responses a fire department provides to various incidents. These levels are based on a normal response for each category. Being an average, some of the actual calls would have justified a slightly higher billing level while others would have justified a slightly lower billing level.

These rates are based on actual mitigation costs using amortized schedules for apparatus (including useful life, equipment, repairs, and maintenance). Labor rates include an average department’s actual burdened costs and not just a firefighter’s wage. These true costs include wages, retirement benefits, health benefits, workers comp, etc.

Have these rates been accepted by the industry?

Using our current client base as a sample, our actual collection rate of over 75% for several years is proof that these rates have been justified to the satisfaction of the insurance companies paying these claims.

And why wouldn’t they be? These rates are real – they’re the actual mitigation costs to provide the services rendered. The small amount of claims not being paid (less than 25%) are typically due to things like an excluded driver on the policy, the insurance policy’s limits being exceeded, a lapse in the policy, or some other unusual occurrence.

What costs are used in developing your mitigation rate schedule?

Depending on the emergency service provided, the mitigation rate schedule includes:

1. **Apparatus:** fully equipped for all services. Plus, maintenance and repair cost.
2. **Personnel:** fully burdened labor (wages, benefits, insurance, overhead, etc.)
3. **Special Material used per incident**
4. **Administration rate**

What percentage of fire departments use your mitigation rate schedule, rather than adopt their own?

Virtually all of our clients use our mitigation rate schedule (over 90% of our clients). This is due to the fact that the majority of mitigation costs associated with an emergency response are equal throughout the US. The cost for equipment, apparatus, materials and supplies, etc. does not vary much nationwide.

The only real variable is personnel costs (fully burdened labor costs). While these personnel rates can vary a bit, it's negligible other than for volunteer departments. However, volunteer departments incur a greater cost for equipment, apparatus, materials and supplies based on a lower run volume.

Cost Assumptions (based on national averages)

National Average Engine Company Cost = \$400,000 (without tools)
Average Maintenance/Fuel Cost = \$141,250
Average Tool Cost = \$55,000
Total Average Engine Company Cost = \$59,625 per year

National Average Truck Company Cost = \$688,000 (without tools)
Average Maintenance/Fuel Cost = \$141,250
Average Tool Cost = \$75,000
Total Average Truck Company Cost = \$90,425 per year

National Average Battalion = \$60,000 without tools
Average Maintenance/Fuel Cost = 10,000
Average Tool Cost = \$25,000
Total Average Battalion Cost = \$9,500 per year

- * Heavy Rescue and Air Units typically close to Engine Company Cost.
- ** Average Liability Insurance for a fire department is \$200,000 per year.
- *** Actual Cost Recovery includes total call volume per department.

What else can we bill for?

In most states, besides billing for Motor Vehicle Incidents, Fire Recovery USA can customize a plan based upon your needs and your local laws, which may include

- Vehicle fires
- Structure fires
- Water Incidents
- Hazmat calls
- False Alarms
- Pipeline Incidents
- Power Line Incidents
- Fire Investigations
- Special Rescue
- Mutual Aid ... and more ...

Do insurance companies cover incident response fees?

We are not billing for an "incident response" fee - we are billing to mitigate the actual emergency service and for the cost of the products used during this response; man-hours to and from, gasoline, equipment wear amortization, absorbents, hazardous material clean-up, extrication of victims, rescue tools, traffic control services, etc. It is not a fee, but cost recovery for the actual costs to mitigate the incident.

Will billing for Motor Vehicle Incidents increase insurance premiums?

Historically, no. Insurance rates may increase to the person deemed "at-fault", however this is due to the overall costs of the incident, not the small addition of a bill from a Fire Department. Keep in mind that in an incident, the mitigation rate from the fire department is a very small percentage of the total claim, so if the individual's insurance does increase, it's usually due to the costs associated with the total claim, and not just the fire department's small portion.

What if the responsible party does not pay?

We're a billing service, not a collection agency. We specialize in proving to the responsible party, their fiscal responsibility. If they do not pay after a reasonable period of time, the account will be written off. Using this method, our collection rate is over 70% for all calls - the highest in the industry.

Don't see your question answered here?

Contact us: info@firerecoveryusa.com