



# THE DARK SIDE OF THE AIR AMBULANCE MARKET

**Navigating the Complexities of Air Ambulance Services  
in the Less Than Friendly Skies**



**Air ambulance services** are a critical component of modern healthcare, providing rapid transport for critically ill or injured patients to specialized medical facilities. These services have become increasingly important as the healthcare landscape evolves, with an expanding market and a growing number of patients relying on them each year.

However, a regulatory framework intended to stimulate competition in passenger air travel has ironically resulted in the protection of local monopolies by air ambulance providers. The Airline Deregulation Act of 1978<sup>1</sup>, originally designed to deregulate the airline industry, has created a legal loophole that allows air ambulance providers to operate without state-level oversight, giving them price-setting power and the freedom to bill payors dramatically higher rates than would be seen in a competitive market.



The air ambulance market's expansion has been fueled by the increasing demand for rapid and specialized care, particularly in rural and underserved areas where ground transportation may not be feasible. However, this growth has also highlighted significant disparities in access to affordable care, with patients and payors in these regions often facing higher charges due to the lack of competition.

The absence of regulatory oversight has allowed unscrupulous air ambulance providers to exploit this loophole, resulting in exorbitant charges for life-saving services. These high-profit opportunities have attracted private equity (PE) firms<sup>2</sup>, further exacerbating the issue by driving up costs and prioritizing financial returns over patient care.

## PRIVATE EQUITY AND MARKET DYNAMICS IN THE AIR AMBULANCE INDUSTRY

Private equity firms have aggressively entered the air ambulance market, driven by the pursuit of outsized returns for their investors. These firms have rapidly acquired independent air ambulance providers, consolidating operations under larger corporate entities.

The result is a market dominated by PE-backed providers that charge significantly higher rates compared to services owned by hospitals, nonprofits, and independent transport businesses. A study by Brookings<sup>3</sup> highlights that private equity-owned air ambulances receive significantly higher payments, often prioritizing financial gain over patient care.

The market dynamics created by these PE firms lead to a situation where the most vulnerable populations, including

patients and employer-sponsored health plans, bear the brunt of the financial burden. These equity investors focus on maximizing returns, often resulting in inflated costs that payors must absorb. This financial model places the emphasis on revenue generation rather than on patient well-being, creating a system that exploits those in need of urgent medical care.

Furthermore, the consolidation of the air ambulance market under a few large private equity-backed firms has diminished competition, further driving up prices. As these firms acquire more providers, they gain increased market power, allowing them to set prices without the checks and balances that would typically be present in a more competitive environment.





## CONSEQUENCES OF MARKET DYNAMICS: THE EROSION OF CONSUMER AND PAYOR CHOICE

The aggressive tactics of PE-backed air ambulance providers have led to a market where patients and payors have little to no choice, information, or alternatives at the point of care. When a medical emergency occurs, the immediate need for transport leaves patients and their families vulnerable to the pricing whims of air ambulance providers.

This lack of transparency and choice at the point of care means that patients and payors are often unaware of the costs they will incur until they receive the bill. This system favors providers who can set prices without facing competition or regulation, leaving payors and patients with few, if any, options.

The lack of choice is further compounded by the fact that air ambulance services are often used in life-threatening situations where patients and their families have no time to research or compare providers. In such scenarios, the immediate need for care overrides any concerns about cost, leaving patients and payors at the mercy of providers who can charge exorbitant fees without fear of push back. This dynamic creates a perfect storm for price gouging<sup>4</sup>, as providers exploit the urgency of the situation for their financial benefit.

## SUPPLIER-INDUCED DEMAND AND OVER-UTILIZATION

The expansion of Emergency Medical Services (EMS) aircraft supply has further complicated the issue by driving over-utilization of air ambulance services. Providers, incentivized by their revenue and profit imperatives, often encourage the use of air transport even in cases where ground transportation would suffice.

This phenomenon, known as supplier-induced demand, results in unnecessary air ambulance transport, further inflating healthcare costs. The growth in the number of EMS aircraft has not necessarily correlated with an increase in patient need but rather with the financial motivation for providers to create and then seize market opportunities.

Supplier-induced demand is a significant concern in the air ambulance industry, as it not only drives up costs but also puts patients at unnecessary risk. Air transport, while essential in certain situations, carries its own set of risks, including the potential for in-flight complications and the need for highly specialized medical personnel. By promoting air transport in situations where it may not be medically necessary, providers are not only increasing costs but also exposing patients to these additional risks.



## FALSIFICATION OF MEDICAL NECESSITY

Compounding the problem of over-utilization is the deliberate falsification of medical necessity by some air ambulance personnel. In an effort to justify the use of air transport and secure higher reimbursements, some providers have been found to exaggerate the severity of a patient's condition or misrepresent the need for air transport.

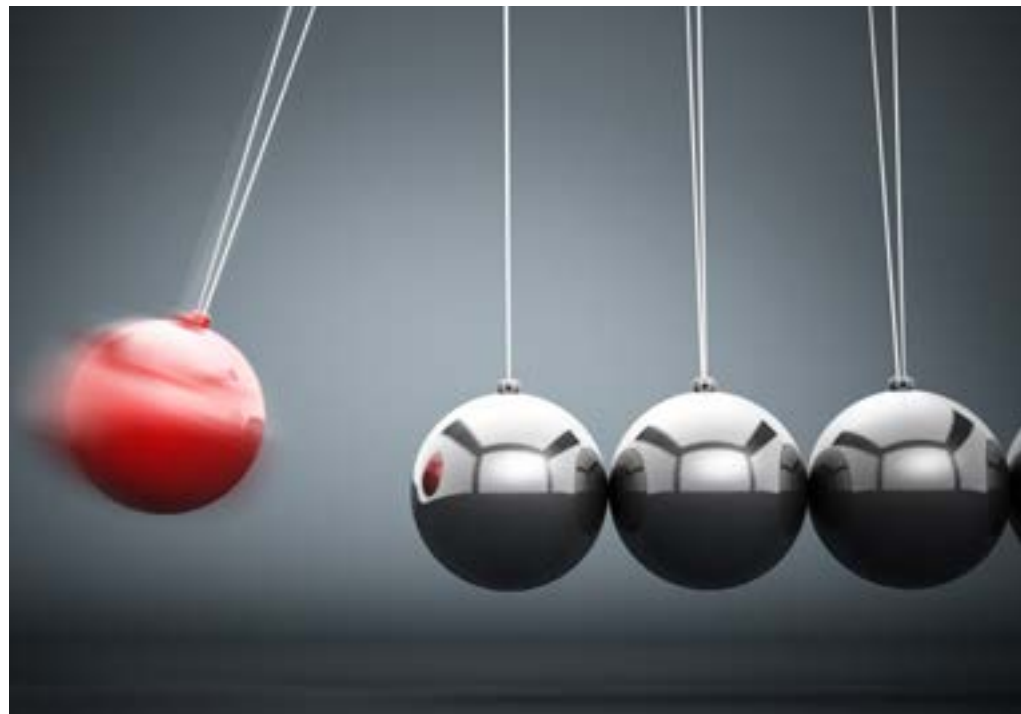
This unethical practice not only drives up costs but also compromises the integrity of the healthcare system. The exploitation of medical necessity to justify exorbitant charges highlights the need for stricter oversight and regulatory enforcement to prevent such abuses.

The falsification of medical necessity is particularly egregious as it directly undermines the trust between patients and healthcare providers. When providers exaggerate or fabricate the need for air transport, they not only inflate costs but also erode the credibility of the healthcare system.

## IMPACT OF THE NO SURPRISES ACT

The No Surprises Act<sup>5</sup>, which was designed to protect patients from surprise medical bills, has had the unintended consequence of shifting even higher charges onto payors. With providers unable to balance bill patients directly, many have responded by transferring the financial burden to insurers and payors.

This shift has led to a situation where the cost of air ambulance services continues to rise, further straining the financial resources of employer-sponsored health plans and other payors. The Act, while beneficial in shielding patients from unexpected costs, has not fully addressed the underlying issues of price inflation driven by market dynamics and the actions of PE-backed providers.



## THE ETHICAL RAMIFICATIONS AND NEED FOR REFORM

The ethical implications of these practices are deeply troubling. Rather than celebrating advancements in life-saving transportation, the air ambulance market has become a story of exploitation and greed. Vulnerable patients, often in critical need of emergency care, are being taken advantage of by providers who prioritize profit over patient well-being or reasonable charges for payors.

This exploitation underscores the urgent moral need for reform in the air ambulance market. The current system, driven by financial motives and protected by regulatory loopholes, fails to serve the best interests of those it is meant to help.



## THE INEFFECTIVENESS OF THE IDR PROCESS: CHALLENGES IN CURBING AGGRESSIVE PRICING

To address disputes between health care providers and payors, including billing abuses in the air ambulance market, the federal government implemented the Independent Dispute Resolution (IDR) process<sup>6</sup> as a supplement to the No Surprises Act. However, this process has proven largely ineffective in curbing the aggressive pricing strategies of air ambulance providers, particularly those backed by private investors.

The IDR process was intended to provide a fair and balanced mechanism for resolving billing disputes, but in practice, it has fallen short of its goals. Providers have continued to find ways to circumvent the process, leaving payors with few avenues for relief.

The ineffectiveness of the IDR process highlights the need for more robust regulatory oversight and enforcement. While the process was designed to promote fair and reasonable reimbursement, the realities of the market have rendered it insufficient in addressing the underlying issues of price inflation and exploitation.

Furthermore, the complexity and opacity of the IDR process have made it difficult for smaller payors and employers to effectively navigate the system. The process requires a deep understanding of healthcare billing practices, as well as the resources to engage in lengthy and often contentious negotiations.

For many smaller entities, the costs associated with participating in the IDR process can outweigh the potential benefits, leading them to accept inflated charges or accept an incremental discount from the provider rather than engage in a protracted dispute.

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## WELLRITHMS: A VITAL ALTERNATIVE IN CHALLENGING AND REDUCING EXORBITANT CHARGES

Amid the challenges posed by the current air ambulance market, WellRithms offers a vital alternative. The company utilizes a physician-led medical review team to validate the medical necessity of the air transport. Then, by employing a detailed review, WellRithms challenges and reduces exorbitant charges, bringing much-needed transparency and fairness to a market that desperately lacks both.

WellRithms' approach involves scrutinizing billing practices, comparing charges against industry standards, and ensuring that payors are not overcharged for services. This process includes the use of an automated repricing system that evaluates the actual cost of services performed during air ambulance transport. The cost data is compared with accepted payment data from commercial insurers, private payors, and the Centers for Medicare and Medicaid Services (CMS). This analysis is further refined with geographical and state-specific financial considerations and inflationary adjustments to recommend a price that aligns with industry standards. WellRithms also utilizes a physician-led medical review team to validate the medical necessity of the transport.

For instance, in a notable case in Nebraska, an injured worker required a 125-mile one-way air ambulance transport.

The base price charged for this service was \$93,500.

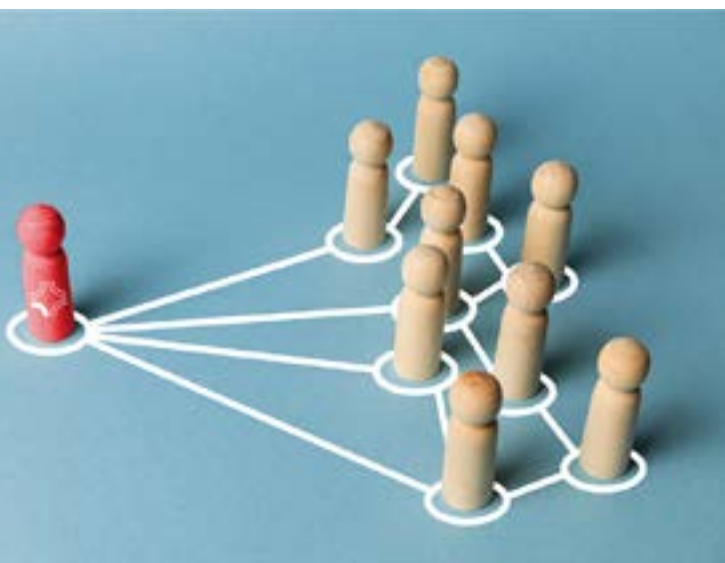
However, after WellRithms conducted a thorough review utilizing automated repricing and physician oversight, it was determined that the charges were excessive. The recommended payment, based on validated cost data and a physician review, was \$14,135—an 85% reduction. The provider challenged this reduction, leading to arbitration. Despite the challenge, WellRithms' detailed and defensible analysis was upheld, demonstrating the effectiveness of the company's methodology in ensuring fair pricing.

The success of this case highlights the importance of having a robust review process in place to challenge inflated charges and advocate for reasonable pricing, including a reasonable provider profit, in the healthcare market. WellRithms' ability to reduce costs so significantly without compromising the quality of care underscores the company's role as a critical player in managing healthcare expenses for insurers and protecting payors from unjustified financial burdens.

## A CALL FOR URGENT REGULATORY REFORMS

The current state of the air ambulance market, marked by exploitation, inflated costs, and ethical concerns, underscores the urgent need for regulatory reforms. Closing the existing loopholes in the Airline Deregulation Act of 1978 and implementing stronger oversight mechanisms are crucial steps in bringing transparency and fairness to the market. These reforms are not just about controlling costs—they are about protecting vulnerable patients and payors from financial exploitation.

Stakeholders across the healthcare industry must work together to advocate for these reforms and ensure that air ambulance services are provided in a manner that prioritizes patient care and ethical practices. The involvement of WellRithms and similar organizations will be critical in achieving these goals and reshaping the air ambulance market into one that serves the needs of patients and payors.



## ENDNOTES

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