Envision Healthcare Holdings, Inc.
Form 10-Q
November 03, 2015
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 001-36048

ENVISION HEALTHCARE HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	45-0832318
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

6200 S. Syracuse Way, Suite 200	
Greenwood Village, CO	80111
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 303-495-1200

Former name, former address and former fiscal year, if changed since last report:

Not applicable

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer’s classes of common stock as of the latest practicable date:

At October 30, 2015, the registrant had 186,730,276 shares of common stock, par value $0.01 per share, outstanding.

ENVISION HEALTHCARE HOLDINGS, INC.

TABLE OF CONTENTS

Table of Contents

ENVISION HEALTHCARE HOLDINGS, INC.

EXPLANATORY NOTE

Unless the context indicates otherwise, any reference in this report to “EVHC,” “the “Company,” “we,” “our,” or “us” refers to Envision Healthcare Holdings, Inc. and its direct and indirect subsidiaries and any reference to “Corporation” refers to Envision Healthcare Corporation, an indirect wholly-owned subsidiary of the Company.

Table of Contents

ENVISION HEALTHCARE HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	September 30, 2015 (Unaudited)	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 129,890	$ 318,895
Insurance collateral	27,808	32,828
Trade and other accounts receivable, net	1,133,615	950,115
Parts and supplies inventory	25,220	24,484
Prepaids and other current assets	57,084	36,917
Total current assets	1,373,617	1,363,239
Non-current assets:		
Property, plant and equipment, net	231,873	211,276
Intangible assets, net	783,766	524,482
Insurance collateral	9,455	10,568
Goodwill	2,808,187	2,538,633
Other long-term assets	90,042	55,555
Total assets	$ 5,296,940	$ 4,703,753
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 68,625	$ 47,584
Accrued liabilities	498,243	412,657
Current deferred tax liabilities	108,031	104,278
Current portion of long-term debt and capital lease obligations	12,374	12,349
Total current liabilities	687,273	576,868
Long-term debt and capital lease obligations	2,226,210	2,025,877
Long-term deferred tax liabilities	193,535	130,963
Insurance reserves	222,387	180,639
Other long-term liabilities	23,351	20,365
Total liabilities	3,352,756	2,934,712
Commitments and contingencies		
Equity:		
Common stock ($0.01 par value; 2,000,000,000 shares authorized, 186,337,930 and 183,679,113 issued and outstanding as of September 30, 2015 and December 31, 2014, respectively)	1,863	1,837
	—	—

Preferred stock ($0.01 par value; 200,000,000 shares authorized, none issued and outstanding as of September 30, 2015 and December 31, 2014)		
Additional paid-in capital	1,667,325	1,616,747
Retained earnings	246,876	143,849
Accumulated other comprehensive income (loss)	(1,915)	(1,856)
Total Envision Healthcare Holdings, Inc. equity	1,914,149	1,760,577
Noncontrolling interest	30,035	8,464
Total equity	1,944,184	1,769,041
Total liabilities and equity	$ 5,296,940	$ 4,703,753

The accompanying notes are an integral part of these financial statements.

Table of Contents

ENVISION HEALTHCARE HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(in thousands, except share and per share amounts, unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue, net of contractual discounts	$ 2,478,177	$ 1,989,957	$ 7,147,906	$ 5,802,153
Provision for uncompensated care	(1,110,807)	(839,628)	(3,181,776)	(2,562,286)
Net revenue	1,367,370	1,150,329	3,966,130	3,239,867
Compensation and benefits	997,213	819,353	2,874,328	2,330,021
Operating expenses	165,099	129,535	472,954	364,885
Insurance expense	41,091	27,527	114,783	90,091
Selling, general and administrative expenses	29,463	22,851	87,161	65,820
Depreciation and amortization expense	44,547	36,796	129,364	108,786
Restructuring and other charges	30,000	366	30,000	4,906
Income from operations	59,957	113,901	257,540	275,358
Interest income from restricted assets	149	175	442	507
Interest expense, net	(27,579)	(25,742)	(82,360)	(84,793)
Realized gains (losses) on investments	—	(466)	(34)	648
Other income (expense), net	(221)	(660)	(593)	(3,432)
Loss on early debt extinguishment	—	—	—	(66,397)
Income (loss) before income taxes and equity in earnings of unconsolidated subsidiary	32,306	87,208	174,995	121,891
Income tax benefit (expense)	(13,795)	(34,437)	(69,009)	(49,700)
Income (loss) before equity in earnings of unconsolidated subsidiary	18,511	52,771	105,986	72,191
Equity in earnings of unconsolidated subsidiary	59	72	202	185
Net income (loss)	18,570	52,843	106,188	72,376
Less: Net (income) loss attributable to noncontrolling interest	(1,334)	(67)	(3,161)	3,233
Net income (loss) attributable to Envision Healthcare Holdings, Inc.	$ 17,236	$ 52,776	$ 103,027	$ 75,609
Net income (loss) per share attributable to Envision Healthcare Holdings, Inc.:			.	

Basic	$ 0.09	$ 0.29	$ 0.56	$ 0.42
Diluted	$ 0.09	$ 0.28	$ 0.54	$ 0.40
Weighted-average common shares outstanding:				
Basic	185,969,475	182,564,837	185,214,021	181,502,232
Diluted	191,769,107	190,184,323	191,373,606	189,707,609
Comprehensive income (loss):				
Net income (loss)	$ 18,570	$ 52,843	$ 106,188	$ 72,376
Other comprehensive income (loss), net of tax:				
Unrealized holding gains (losses) during the period	(378)	(310)	(480)	(1,012)
Unrealized gains (losses) on derivative financial instruments	(348)	(74)	421	240
Total other comprehensive income (loss), net of tax	(726)	(384)	(59)	(772)
Comprehensive income (loss)	17,844	52,459	106,129	71,604
Less: Comprehensive (income) loss attributable to noncontrolling interest	(1,334)	(67)	(3,161)	3,233
Comprehensive income (loss) attributable to Envision Healthcare Holdings, Inc.	$ 16,510	$ 52,392	$ 102,968	$ 74,837

The accompanying notes are an integral part of these financial statements.

Table of Contents

ENVISION HEALTHCARE HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands, unaudited)

	Nine Months Ended September 30, 2015	2014
Cash Flows from Operating Activities		
Net income (loss)	$ 106,188	$ 72,376
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	135,716	116,133
(Gain) loss on disposal of property, plant and equipment	250	(2,094)
Equity-based compensation expense	4,786	3,612
Excess tax benefits from equity-based compensation	(34,051)	(38,520)
Loss on early debt extinguishment	—	66,397
Equity in earnings of unconsolidated subsidiary	(202)	(185)
Dividends received	370	430
Deferred income taxes	3,503	1,456
Changes in operating assets/liabilities, net of acquisitions:		
Trade and other accounts receivable, net	(83,065)	(92,537)
Parts and supplies inventory	(485)	(574)
Prepaids and other current assets	(3,548)	(10,959)
Accounts payable and accrued liabilities	67,740	85,008
Insurance reserves	(2,257)	(6,539)
Net cash provided by (used in) operating activities	194,945	194,004
Cash Flows from Investing Activities		
Purchases of available-for-sale securities	(2,507)	(52,654)
Sales and maturities of available-for-sale securities	9,409	40,425
Purchases of property, plant and equipment	(65,687)	(55,659)
Proceeds from sale of property, plant and equipment	377	2,299
Acquisition of businesses, net of cash received	(568,570)	(199,261)
Net change in insurance collateral	(1,250)	2,021
Other investing activities	(1,226)	(1,774)
Net cash provided by (used in) investing activities	(629,454)	(264,603)
Cash Flows from Financing Activities		
Borrowings under the ABL Facility	365,000	50,000
Proceeds from issuance of senior notes	—	740,625
Repayments of the Term Loan	(10,029)	(6,686)
Repayments of the ABL Facility	(155,000)	(50,000)

Repayments of senior notes	—	(607,750)
Payment for debt extinguishment premiums	—	(37,630)
Debt issuance costs	(27)	(2,221)
Proceeds from stock options exercised	11,767	7,405
Excess tax benefits from equity-based compensation	34,051	38,520
Shares repurchased for tax withholdings	—	(14,430)
Contributions from (distributions to) noncontrolling interest, net	100	250
Other financing activities	(358)	(5,026)
Net cash provided by (used in) financing activities	245,504	113,057
Change in cash and cash equivalents	(189,005)	42,458
Cash and cash equivalents, beginning of period	318,895	204,712
Cash and cash equivalents, end of period	$ 129,890	$ 247,170

The accompanying notes are an integral part of these financial statements.

Table of Contents

1.General

Basis of Presentation of Financial Statements

Envision Healthcare Holdings, Inc. is organized as a holding company that operates through various subsidiaries. Envision Healthcare Corporation is a wholly-owned subsidiary of the Company.

The accompanying interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") to reflect the consolidated financial position, results of operations and cash flows of the Company for interim reporting, and accordingly, do not include all of the disclosures required for annual financial statements.

In the opinion of management, the consolidated financial statements of the Company include all normal recurring adjustments necessary for a fair presentation of the periods presented. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year ending December 31, 2015. For further information on the Company's significant accounting policies and other information, see the Company's consolidated financial statements, including the accounting policies and notes thereto for the year ended December 31, 2014, which includes all disclosures required by GAAP, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

The Company's business is conducted primarily through two operating subsidiaries, EmCare Holdings, Inc. ("EmCare"), its facility-based and post-acute care physician services segment, and American Medical Response, Inc. ("AMR"), its healthcare transportation services segment.

2.Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements of the Company include all of its wholly-owned subsidiaries, including Corporation, EmCare and AMR and their respective subsidiaries and affiliated physician groups. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions relating to the reporting of results of operations, financial condition and related disclosure of contingent assets and liabilities at the date of the financial statements including, but not limited to, estimates and assumptions for accounts receivable and insurance related reserves. Actual results may differ from those estimates under different assumptions or conditions.

Insurance Collateral

Insurance collateral is comprised of investments in U.S. Treasuries and marketable equity and debt securities held by the Company’s captive insurance subsidiary that supports the Company’s insurance program and reserves, as well as cash deposits with third parties. Certain of these investments, if sold or otherwise liquidated, would have to be replaced by other suitable financial assurances and are, therefore, considered restricted. These investments are designated as available-for-sale and reported at fair value with the related temporary unrealized gains and losses reported as a separate component of accumulated other comprehensive income (loss), net of deferred income tax. Declines in the fair value of a marketable investment security which are determined to be other-than-temporary are recognized in the statements of operations, thus establishing a new cost basis for such investment. Investment income earned on these investments is reported as interest income from restricted assets in the statements of operations.

Realized gains and losses are determined based on an average cost basis.

Table of Contents

Insurance collateral also includes a receivable from insurers of $0.5 million and $1.5 million as of September 30, 2015 and December 31, 2014, respectively, for liabilities in excess of the Company's self-insured retention.

Trade and Other Accounts Receivable, net

The Company estimates its allowances based on payor reimbursement schedules, historical collections and write-off experience and other economic data. The Company's billing systems do not provide contractual allowances or uncompensated care reserves on outstanding patient accounts. The allowance for uncompensated care is related principally to receivables recorded for self-pay patients and is not recorded on specific accounts due to the volume and variability of individual patient receivable collections. While the billing systems do not specifically record the allowance for doubtful accounts to individual accounts owed or specific payor classifications, the portion of the allowance for uncompensated care associated with fee-for-service charges as of December 31, 2014 was equal to approximately 86% and 82% of outstanding self-pay receivables for EmCare and AMR, respectively, consistent with the Company's collection history. Account balances are charged off against the uncompensated care allowance when it is probable the receivable will not be recovered and to the contractual allowance when payment is received. The Company's accounts receivable and allowances as of September 30, 2015 and December 31, 2014 were as follows (in thousands):

	September 30, 2015	December 31, 2014
Gross trade accounts receivable	$ 5,818,544	$ 4,978,738
Allowance for contractual discounts	(3,037,462)	(2,800,852)
Allowance for uncompensated care	(1,647,742)	(1,227,799)
Trade accounts receivable, net	1,133,340	950,087
Other receivables, net	275	28
Trade and other accounts receivable, net	$ 1,133,615	$ 950,115

Other receivables primarily represent employee advances and other miscellaneous receivables.

Accounts receivable allowances at EmCare are estimated based on cash collection and write-off experience at a facility level contract and facility specific payor mix. These allowances are reviewed and adjusted monthly through revenue provisions. The Company continuously compares actual cash collected on a date of service basis to the revenue recorded for that period and records any adjustment necessary for an overage or deficit in these allowances based on actual collections.

AMR contractual allowances are determined primarily on payor reimbursement schedules that are included and regularly updated in the billing systems, and by historical collection experience. The billing systems calculate the difference between payor specific gross billings and contractually agreed to, or governmentally driven, reimbursement rates. The allowance for uncompensated care at AMR is related principally to receivables recorded for self-pay patients. AMR's allowances on self-pay accounts receivable are estimated based on historical write-off experience.

Business Combinations

Assets and liabilities of an acquired business are recorded at their fair values at the date of acquisition. The excess of the acquisition consideration over the estimated fair values is recorded as goodwill. All acquisition costs are expensed as incurred. While the Company uses its best estimates and assumptions as a part of the acquisition consideration allocation process to accurately value assets acquired and liabilities assumed at the acquisition date, the estimates are inherently uncertain and subject to refinement. As a result, during the measurement period the Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period any subsequent adjustments are recorded as income or expense.

Insurance Reserves

Insurance reserves are established for automobile, workers compensation, general liability and professional liability claims utilizing policies with both fully-insured and self-insured components. This includes the use of an off-shore

Table of Contents

captive insurance program through a wholly-owned subsidiary for certain liability programs for both EmCare and AMR. In those instances where the Company has obtained third-party insurance coverage, the Company normally retains liability for the first $1 to $3 million of the loss. Insurance reserves cover known claims and incidents within the level of Company retention that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from activities through the balance sheet date.

The Company establishes reserves for claims based upon an assessment of actual claims and claims incurred but not reported. The reserves are established based on quarterly consultation with third-party independent actuaries using actuarial principles and assumptions that consider a number of factors, including historical claim payment patterns and legal costs, changes in case reserves and the assumed rate of inflation in healthcare costs and property damage repairs. Claims are discounted at a rate of 1.5% which is commensurate with the risk free rate.

The Company's most recent actuarial valuation was completed in September 2015. As a result of this and previous actuarial valuations, the Company recorded increases in its provision for insurance liabilities of $5.1 million and $9.1 million for the three and nine months ended September 30, 2015, respectively, as compared to a decrease of $0.7 million and an increase of $6.6 million for the three and nine months ended September 30, 2014, respectively, related to reserves for losses in prior years.

Public Offerings

On each of February 5, 2014 and July 10, 2014, the Company registered the offering and sale of 27,500,000 shares of common stock, and an additional 4,125,000 shares of common stock, upon the underwriters' exercise of their overallotment option in each offering, which were sold by certain stockholders of the Company, including investment funds sponsored by, or affiliated with Clayton, Dubilier & Rice, LLC ("CD&R Affiliates"), to the underwriters at $30.50 per share and $34.00 per share, respectively, less an underwriting discount. On September 30, 2014, the Company registered the offering and sale of 17,500,000 shares of common stock by certain stockholders of the Company, including the CD&R Affiliates, to the underwriter at $34.97 per share. Additionally, on March 5, 2015, the Company registered the offering and sale of 50,857,145 shares of common stock by CD&R Affiliates, which constituted the remaining shares beneficially owned by them, to the underwriter at $36.25 per share, less an underwriting discount.

The underwriters in these selling stockholder transactions offered the shares to the public from time to time at prevailing market prices or at negotiated prices. The Company did not receive any of the proceeds from the sale of the shares sold by the selling stockholders in these transactions, including any shares sold pursuant to any exercise of the underwriters' overallotment option.

Financial Instruments and Concentration of Credit Risk

The Company’s cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, insurance collateral, long-term debt and other long-term liabilities constitute financial instruments. Based on management’s estimates, the carrying value of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximates fair value as of September 30, 2015 and December 31, 2014. Concentration of credit risks in accounts receivable is limited, due to the large number of customers comprising the Company’s customer base throughout the United States. A significant component of the Company’s revenue is derived from Medicare and Medicaid. Given that these are government programs, the credit risk for these customers is considered low. The Company performs ongoing credit evaluations of its other customers, but does not require collateral to support customer accounts receivable. The Company establishes an allowance for uncompensated care based on the credit risk applicable to particular customers, historical trends and other relevant information. For the nine months ended September 30, 2015 and 2014, the Company derived approximately 35% and 33%, respectively, of its revenue from Medicare and Medicaid, 62% and 64%, respectively, from insurance providers and contracted payors, and 3% and 3%, respectively, directly from patients.

The Company estimates the fair value of its fixed rate senior notes based on an analysis in which the Company evaluates market conditions, related securities, various public and private offerings, and other publicly available information (Level 2, as defined below). The estimated fair value of the senior notes as of September 30, 2015 and December 31, 2014 was approximately $744.4 million, with a carrying amount of $750.0 million.

Table of Contents

Fair Value Measurement

The Company classifies its financial instruments that are reported at fair value based on a hierarchal framework which ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is impacted by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1—Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The Company does not adjust the quoted price for these assets or liabilities, which include investments held in connection with the Company's captive insurance program.

Level 2—Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Balances in this category include derivatives and corporate bonds.

Level 3—Pricing inputs are unobservable as of the reporting date and reflect the Company's own assumptions about the fair value of the asset or liability. Balances in this category include the Company's estimate, using a combination of internal and external fair value analyses, of contingent consideration for acquisitions described in Note 4.

The following table summarizes the valuation of the Company's financial instruments by the above fair value hierarchy levels as of September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015			
Description	Level 1	Level 2	Level 3	Total
Assets:				

Available-for-sale securities (insurance collateral)	$ 19,170	$ 5,106	$ —	$ 24,276
Liabilities:				
Contingent consideration	—	—	4,095	4,095
Fuel hedge	—	2,253	—	2,253

	December 31, 2014			
Description	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities (insurance collateral)	$ 30,243	$ —	$ —	$ 30,243
Liabilities:				
Contingent consideration	—	—	2,000	2,000
Fuel hedge	—	1,433	—	1,433
Interest rate swap	—	1,493	—	1,493

The contingent consideration balance classified as a Level 3 liability has increased $2.1 million since December 31, 2014 as a result of acquisitions completed during the nine months ended September 30, 2015.

During the nine months ended September 30, 2015, the Company had transfers of $5.1 million out of Level 1 and into Level 2 due to limited quoted market prices at the measurement date for certain available-for-sale securities. During the nine months ended September 30 2014, the Company had no transfers between Level 1 and Level 2 fair value measurements.

Table of Contents

Revenue Recognition

Fee-for-service revenue is recognized at the time of service and is recorded net of provisions for contractual discounts and estimated uncompensated care. Fee-for-service revenue represents billings for services provided to patients, for which the Company receives payment from the patient or their third-party payor. Provisions for contractual discounts are related to differences between gross charges and specific payor, including governmental, reimbursement schedules. The Company records fee-for-service revenue, net of the contractual discounts based on the information entered into the Company's billing systems from received medical charts. An estimate for unprocessed medical charts for a given service period is made and adjusted in future periods based on actual medical charts processed. Information entered into the billing systems is subject to change, e.g. change in payor status, and may impact recorded fee-for-service revenue, net of the contractual discounts. Such changes are recognized in the period the change is known.

Revenue from home health services, net of revenue adjustments and provisions for contractual discounts, is earned and billed either on an episode of care basis ("episodic-based revenue"), on a per visit basis, or on a daily basis depending upon the payment terms and conditions established with each payor for services provided. Revenue recognized on a non-episodic basis is recorded in a similar manner to the Company's fee-for-service revenue.

Home health service revenue under the Medicare prospective payment system is based on a 60-day episode payment rate that is subject to adjustment based on certain variables including, but not limited to: (a) a low utilization payment adjustment if the number of visits was fewer than five; (b) a partial payment if the patient transferred to another provider or the Company received a patient from another provider before completing the episode; (c) an outlier payment if the patient's care was unusually costly (capped at 10% of total reimbursement per provider number); (d) a payment adjustment based upon the level of therapy services required; (e) acceleration if an episode concludes satisfactorily before the end of the 60-day episode period. Adjustments are made to reflect differences between estimated and actual payment amounts, the inability to obtain appropriate billing documentation or authorizations and other reasons unrelated to credit risk. These adjustments are estimated based on historical experience and are recorded in the period in which services are rendered as an estimated revenue adjustment and a corresponding reduction to patient accounts receivable.

In addition to revenue recognized on completed episodes, a portion of revenue is recognized on episodes in progress. Episodes in progress are 60-day episodes of care that are active during the reporting period, but were not completed as of the end of the period. Revenue is estimated on a monthly basis based upon historical trends. The primary factors underlying this estimate are the number of episodes in progress at the end of the reporting period, expected Medicare revenue per episode and the calculation of the number of days episodes were active in the period based on the 60-day estimate from the episode start date.

Non-Medicare episodic-based revenue is recognized in a similar manner as the Medicare episodic-based revenue; however, rates paid by other insurance carriers can vary based upon the negotiated terms.

Revenue from contract staffing assignments, net of sales adjustments and discounts, are recognized when earned, based on the hours worked by the Company's contract professionals. Conversion and direct hire fees are recognized when the employment candidate accepts permanent employment and all obligations are satisfied. The Company includes reimbursed expenses in revenue, net of contractual discounts and the associated amount of reimbursement expense in compensation and benefits.

Subsidy and fee revenue primarily represent hospital subsidies and fees at EmCare and fees for stand-by, special event and community subsidies at AMR. Provisions for estimated uncompensated care, or bad debts, are related principally to the number of self-pay patients treated in the period.

Table of Contents

The Company has historically reported Medicare and Medicaid managed care in the line “Commercial insurance and managed care”. During 2014, the Company determined that Medicare and Medicaid managed care programs would be better categorized in the Medicare and Medicaid payor class and has reclassified those encounters in the presentation below and conformed prior periods to current period presentation. Net revenue for the three and nine months ended September 30, 2015 and 2014 consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue, net of contractual discounts, excluding subsidies and fees:				
Medicare	$ 411,001	$ 310,412	$ 1,193,665	$ 861,152
Medicaid	155,955	119,991	454,050	286,432
Commercial insurance and managed care (excluding Medicare and Medicaid managed care)	708,149	641,840	2,092,339	1,894,590
Self-pay	943,314	728,598	2,671,969	2,205,326
Sub-total	2,218,419	1,800,841	6,412,023	5,247,500
Subsidies and fees	259,758	189,116	735,883	554,653
Revenue, net of contractual discounts	2,478,177	1,989,957	7,147,906	5,802,153
Provision for uncompensated care	(1,110,807)	(839,628)	(3,181,776)	(2,562,286)
Net revenue	$ 1,367,370	$ 1,150,329	$ 3,966,130	$ 3,239,867

Healthcare reimbursement is complex and may involve lengthy delays. Third-party payors are continuing their efforts to control expenditures for healthcare, including proposals to revise reimbursement policies. The Company has from time to time experienced delays in reimbursement from third-party payors. In addition, third-party payors may disallow, in whole or in part, claims for payment based on determinations that certain amounts are not reimbursable under plan coverage, determinations of medical necessity, or the need for additional information. Laws and regulations governing the Medicare and Medicaid programs are very complex and subject to interpretation. Revenue is recognized on an estimated basis in the period in which related services are rendered. As a result, there is a reasonable possibility that recorded estimates will change materially in the short-term. Such amounts, including adjustments between provisions for contractual discounts and uncompensated care, are adjusted in future periods, as adjustments become known. These adjustments in the aggregate decreased the contractual discount and uncompensated care provisions (and correspondingly increased net revenue) by approximately $4.2 million and $11.6 million for the three and nine months ended September 30, 2015, respectively, and by approximately $1.1 million for the three months ended September 30, 2014 and increased the contractual discount and uncompensated care provisions (and correspondingly decreased net revenue) by approximately $2.7 million for the nine months ended September 30, 2014.

The Company provides services to patients who have no insurance or other third-party payor coverage. In certain circumstances, federal law requires providers to render services to any patient who requires care regardless of their ability to pay. Services to these patients are not considered to be charity care and provisions for uncompensated care for these services are estimated accordingly.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”) to clarify the principles for recognizing revenue and to develop a common revenue standard for GAAP and International Financial Reporting Standards. The guidance will be effective for public companies for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, with early adoption for annual reporting periods beginning after December 15, 2016, permitted. The Company has not yet determined the effects, if any, that adoption of ASU 2014-09 may have on its consolidated financial position or results of operations or the method of adoption.

In February 2015, the FASB issued ASU No. 2015-02, Amendments to the Consolidation Analysis (“ASU 2015-02”), which amends existing accounting standards for consolidation under the variable interest entity and voting interest entity models. The new guidance changes the analysis for determining whether a fee paid to a decision maker or service provider is a variable interest. ASU 2015-02 is effective for interim and annual periods beginning after December 15, 2015. Early adoption is permitted. Entities may choose to adopt the standard using either a full retrospective approach or a modified retrospective approach. The Company has not yet determined the effects, if any, that adoption of ASU 2015-02 may have on its consolidated financial position or results of operations or the method of adoption.

In April 2015, the FASB issued ASU No. 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”) which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. The Company expects to adopt this guidance when effective, and does not expect this guidance to have a significant impact on its financial statements.

3.Basic and Diluted Net Income (Loss) Per Share

The Company presents both basic earnings per share (“EPS”) and diluted EPS. Basic EPS excludes potential dilution and is computed by dividing “Net income (loss) attributable to Envision Healthcare Holdings, Inc.” by the “Weighted-average common shares outstanding” for the period. Diluted EPS reflects the potential dilution that could occur if stock awards were exercised. The potential dilution from stock awards was computed using the treasury stock method based on the average market value of the Company’s common stock. The following table presents EPS amounts for all periods and the basic and diluted weighted-average shares outstanding used in the calculation (in thousands, except share and per share amounts).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income (loss) attributable to Envision Healthcare Holdings, Inc.	$ 17,236	$ 52,776	$ 103,027	$ 75,609
Weighted-average common shares outstanding — common stock:				
Basic	185,969,475	182,564,837	185,214,021	181,502,232
Dilutive impact of stock awards outstanding	5,799,632	7,619,486	6,159,585	8,205,377
Diluted	191,769,107	190,184,323	191,373,606	189,707,609

Net income (loss) per share attributable to Envision Healthcare Holdings, Inc.:				
Basic	$ 0.09	$ 0.29	$ 0.56	$ 0.42
Diluted	$ 0.09	$ 0.28	$ 0.54	$ 0.40

For the three and nine months ended September 30, 2015, there were stock awards to acquire 57,087 shares and 63,654 shares of common stock outstanding, respectively, not included in the weighted-average common shares outstanding above, as their effect is anti-dilutive. For the three and nine months ended September 30, 2014, there were no stock awards of common stock outstanding excluded from the weighted-average common shares outstanding above.

4.Acquisitions

2015 Acquisitions

Scottsdale Emergency Associates, LTD ("SEA"). On January 30, 2015, the Company acquired the stock of SEA for total purchase consideration of $104.8 million paid in cash. SEA is an emergency physician group serving the greater Phoenix market, with 40 physicians and more than a dozen mid-level providers. The Company acquired SEA to achieve certain operational and strategic benefits.

Table of Contents

The goodwill recognized in connection with the SEA acquisition is assigned to the EmCare segment and is primarily attributable to synergies that are expected to be achieved through the integration of SEA into the existing operations of EmCare. Of the goodwill recorded, none is tax deductible.

The allocation of the purchase price is in the table below, which is subject to adjustment based upon the completion of purchase price allocations (in thousands):

Cash and cash equivalents	$ 545
Accounts receivable	7,516
Prepaid and other current assets	10,286
Acquired intangible assets	86,200
Goodwill	47,259
Accounts payable	(1,153)
Accrued liabilities	(10,258)
Long-term deferred tax liabilities	(35,561)
Total purchase price	$ 104,834

During the nine months ended September 30, 2015, the Company made purchase price allocation adjustments including a reclassification from goodwill to intangible assets of $49.2 million, an increase in the long-term deferred tax liabilities of $19.0 million, an increase in accrued liabilities of $10.1 million to record the fully funded retirement plan with a corresponding increase in prepaid and other current assets, and other adjustments to opening balances for assets and liabilities.

VISTA Staffing Solutions ("VISTA"). On February 1, 2015, the Company acquired the stock of VISTA, a leading provider of locum tenens staffing and permanent placement services for physicians, nurse practitioners and physician assistants for total purchase consideration of $123.8 million, subject to a working capital adjustment of $0.5 million, paid in cash. VISTA operates throughout the United States as well as in Australia and New Zealand. The Company acquired VISTA to expand into locum tenens staffing.

The goodwill recognized in connection with the VISTA acquisition is assigned to the EmCare segment and is primarily attributable to synergies that are expected to be achieved through the integration of VISTA into the existing operations of EmCare. Of the goodwill recorded, $13.8 million is tax deductible.

The allocation of the purchase price is in the table below, which is subject to adjustment based upon the completion of purchase price allocations (in thousands):

Cash and cash equivalents	$ 1,062
Accounts receivable	22,548
Prepaid and other current assets	1,245
Property, plant and equipment	2,739
Acquired intangible assets	53,270
Goodwill	76,253
Other long-term assets	5,920
Accounts payable	(1,784)
Accrued liabilities	(5,493)
Long-term deferred tax liabilities	(16,651)
Insurance reserves	(13,639)
Other long-term liabilities	(1,132)
Total purchase price	$ 124,338

During the nine months ended September 30, 2015, the Company made purchase price allocation adjustments including a reclassification from goodwill to intangible assets of $8.4 million, an increase in the long-term deferred tax liabilities of $6.2 million, and other adjustments to opening balances for assets and liabilities.

Table of Contents

Emergency Medical Associates. On February 27, 2015, the Company acquired the stock of Emergency Medical Associates of New Jersey, P.A. and assets of Alpha Physician Resources, LLC (collectively “EMA”) for total purchase consideration of $271.8 million, subject to working capital adjustments, paid in cash. EMA provides emergency department, hospitalist and urgent care services at 47 facilities in New Jersey, New York, Rhode Island, and North Carolina. The Company acquired EMA to achieve certain operational and strategic benefits.

The goodwill recognized in connection with the EMA acquisition is assigned to the EmCare segment and is primarily attributable to synergies that are expected to be achieved through the integration of EMA into the existing operations of EmCare. Of the goodwill recorded, $98.1 million is tax deductible.

The allocation of the purchase price is in the table below, which is subject to adjustment based upon the completion of purchase price allocations (in thousands):

Cash and cash equivalents	$ 7,388
Accounts receivable	52,828
Prepaid and other current assets	4,848
Property, plant, and equipment	2,276
Acquired intangible assets	147,300
Goodwill	107,650
Other long-term assets	22,327
Accounts payable	(12,863)
Accrued liabilities	(33,597)
Long-term deferred tax liabilities	(4,091)
Insurance reserves	(22,300)
Total purchase price	$ 271,766

During the nine months ended September 30, 2015, the Company made purchase price allocation adjustments including a reclassification from goodwill to intangible assets of $52.3 million, an increase in long-term deferred liabilities of $0.6 million and other adjustments to opening balances for assets and liabilities.

The Company has accounted for the acquisitions of SEA, VISTA, and EMA using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill.

The Company's statements of operations for the three and nine months ended September 30, 2015 include net revenue of $120.2 million and $288.3 million for SEA, VISTA, and EMA, respectively.

Other 2015 Acquisitions.

On February 23, 2015 the Company acquired the stock of CareFirst, Inc., a provider of home health services in Birmingham, Alabama and surrounding areas for total purchase consideration of $7.3 million, subject to a working capital adjustment of $0.7 million, paid in cash.

On July 10, 2015, the Company completed the acquisition of Vital Enterprises, Inc., Emergency Medical Transportation, Inc., and Marlboro Hudson Ambulance & Wheelchair Service, Inc. (together the "Vital/ Marlboro Entities"), providers of ambulance service operations located in the northeastern United States for total purchase consideration of $42.5 million, subject to working capital adjustments, paid in cash. The goodwill recognized in connection with the Vital/ Marlboro Entities is assigned to the AMR segment and is primarily attributable to synergies that are expected to be achieved through the integration of Vital/ Marlboro Entities into the existing operations of AMR. Of the goodwill recorded, $8.5 million is tax deductible.

On September 30, 2015, the Company completed the acquisition of Northwest Tucson Emergency Physicians ("NTEP"), an emergency physician group serving the greater Tucson market, with 27 physicians and five mid-level

Table of Contents

providers for total purchase consideration of $25.0 million, subject to working capital adjustments, paid in cash, including an estimate of $2.0 million of additional payments to be made in future periods as contingent consideration. The goodwill recognized in connection with the NTEP acquisition is assigned to the EmCare segment and is primarily attributable to synergies that are expected to be achieved through the integration of NTEP into the existing operations of EmCare. Of the goodwill recorded, none is tax deductible.

The Company has accounted for these acquisitions using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. The total purchase price for these acquisitions was allocated to goodwill of $23.3 million, other acquired intangible assets of $47.1 million, net assets of $3.4 million and long-term deferred tax liabilities of $6.3 million. These allocations are subject to adjustment based upon the completion of purchase price allocations.

2014 Acquisitions

Phoenix Physicians, LLC (“Phoenix Physicians”). On June 17, 2014, the Company acquired the stock of Phoenix Physicians for a total purchase price of $169.5 million paid in cash (the “Phoenix Physicians Acquisition”). Phoenix Physicians, in part through management services agreements with professional entities, is engaged in providing medical practices support and emergency department management and staffing services to hospitals, physicians and healthcare facilities in Florida. The Company has accounted for the acquisition of Phoenix Physicians using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. All of the goodwill is tax deductible and assigned to the EmCare segment.

The final allocation of the purchase price is in the table below (in thousands):

Cash and cash equivalents	$ 24,795
Accounts receivable	16,748
Prepaid and other current assets	139
Property, plant, and equipment	92
Acquired intangible assets	57,630
Goodwill	98,408
Accounts payable	(1,073)
Accrued liabilities	(13,128)
Long-term deferred tax liabilities	(445)
Insurance reserves	(13,716)
Total purchase price	$ 169,450

During the nine months ended September 30, 2015, the Company made a purchase price allocation adjustment that increased goodwill by $1.2 million with a corresponding increase to accrued liabilities to record an adjustment to accrued wages and benefits.

Other 2014 Acquisitions. The Company completed the acquisitions of Life Line Ambulance Service, Inc., an emergency medical transportation service provider with operations in Arizona, on February 6, 2014, MedStat EMS, Inc., an emergency and non-emergency medical ground transportation service provider with operations in Mississippi, on March 7, 2014, and Streamlined Medical Solutions, LLC, a healthcare technology company which has developed proprietary software to enhance patient direct admission and referral management processes, on May 21, 2014 for total aggregate purchase consideration of approximately $38.0 million paid in cash.

The Company has accounted for these acquisitions using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. During the nine months ended September 30, 2015, the Company made purchase price allocation adjustments including a reclassification from goodwill to intangible assets of $1.3 million. The total purchase price for these acquisitions was

Table of Contents

allocated to goodwill of $9.5 million, $4.9 million of which is tax deductible goodwill, other acquired intangible assets of $28.7 million, net current assets of $3.5 million and long-term deferred tax liabilities of $3.7 million.

Pro Forma Information

The following unaudited pro forma operating results give effect to the Phoenix Physicians, SEA, VISTA and EMA acquisitions, as if they had been completed as of January 1, 2014. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if these transactions had occurred on such date. The pro forma adjustments are based on certain assumptions that the Company believes are reasonable.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2015	2014	2015	2014
Net revenue	$ 1,367,370	$ 1,256,723	$ 4,023,161	$ 3,604,603
Net income (loss)	18,570	54,604	107,972	80,690

5.Insurance Collateral

Insurance collateral consisted of the following as of September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
Available-for-sale securities:		
U.S. Treasuries	$ 1,196	$ 1,191
Corporate bonds/ Fixed income	13,160	15,397
Corporate equity	9,920	13,655
Total available-for-sale securities	24,276	30,243
Insurance receivable	501	1,470
Cash deposits and other	12,486	11,683
Total insurance collateral	$ 37,263	$ 43,396

Amortized cost basis and aggregate fair value of the Company's available-for-sale securities as of September 30, 2015 and December 31, 2014 were as follows (in thousands):

	September 30, 2015			
Description	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasuries	$ 1,193	$ 8	$ (5)	$ 1,196
Corporate bonds/ Fixed income	13,107	55	(2)	13,160
Corporate equity	10,881	—	(961)	9,920
Total available-for-sale securities	$ 25,181	$ 63	$ (968)	$ 24,276

	December 31, 2014			
Description	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasuries	$ 1,182	$ 12	$ (3)	$ 1,191
Corporate bonds/ Fixed income	15,339	59	(1)	15,397
Corporate equity	13,885	27	(257)	13,655
Total available-for-sale securities	$ 30,406	$ 98	$ (261)	$ 30,243

As of September 30, 2015, available-for-sale securities included U.S. Treasuries and corporate bonds/ fixed income securities of $5.1 million with contractual maturities within one year and $9.3 million with contractual maturities extending longer than one year through five years. Actual maturities may differ from contractual maturities as a result of the Company's ability to sell these securities prior to maturity.

The Company's temporarily impaired investment securities available-for-sale as of September 30, 2015 and December 31, 2014 were as follows (in thousands):

	September 30, 2015		December 31, 2014	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Treasuries:				
Less than 12 months	$ —	$ —	$ —	$ —
12 months or more	129	(5)	130	(3)
Corporate bonds/ Fixed income:				
Less than 12 months	1,965	—	1,312	(1)
12 months or more	1,752	(2)	251	—
Corporate equity:				
Less than 12 months	9,920	(961)	11,160	(257)
12 months or more	—	—	—	—
Total	$ 13,766	$ (968)	$ 12,853	$ (261)

The Company evaluates the investment securities available-for-sale on a quarterly basis to determine whether declines in the fair value of these securities are other-than-temporary. This quarterly evaluation consists of reviewing the fair value of the security compared to the carrying amount, the historical volatility of the price of each security, and any industry and company specific factors related to each security.

The Company is not aware of any specific factors indicating that the underlying issuers of the U.S. Treasuries and corporate bonds/ fixed income securities would not be able to pay interest as it becomes due or repay the principal amount at maturity. Therefore, the Company believes that the changes in the estimated fair values of these debt securities are related to temporary market fluctuations. Additionally, the Company is not aware of any specific factors which indicate the unrealized losses on the investments in corporate equity securities are due to anything other than temporary market fluctuations.

The Company realized net losses of less than $0.1 million on the sale and maturities of available-for-sale securities for the three and nine months ended September 30, 2015, and net losses of $0.5 million and net gains of $0.6 million on the sale and maturities of available-for-sale securities for the three and nine months ended September 30, 2014, respectively.

6.Accrued Liabilities

Accrued liabilities were as follows as of September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
Accrued wages and benefits	$ 248,104	$ 190,220
Accrued paid time-off	36,375	27,156
Current portion of self-insurance reserve	76,416	74,212
Accrued severance and related costs	5,437	8,376
Current portion of compliance and legal	37,212	3,407
Accrued billing and collection fees	1,304	3,823
Accrued incentive compensation	31,742	32,324
Accrued interest	11,199	22,324
Other	50,454	50,815
Total accrued liabilities	$ 498,243	$ 412,657

Table of Contents

7.Debt and Capital Lease Obligations

Senior Unsecured Notes due 2019

On May 25, 2011, Corporation issued $950 million of senior unsecured notes due 2019 (“2019 Notes”). During the second quarter of 2012, the Company’s captive insurance subsidiary purchased $15.0 million of the 2019 Notes through an open market transaction and currently holds none of the 2019 Notes subsequent to the redemption of the 2019 Notes on December 30, 2013 and June 18, 2014.

On December 30, 2013, Corporation redeemed $332.5 million in aggregate principal amount of the 2019 Notes, of which $5.2 million was held by the Company’s captive insurance subsidiary, at a redemption price of 108.125%, plus accrued and unpaid interest of $2.2 million. During the year ended December 31, 2013, the Company recorded a loss on early debt extinguishment of $38.7 million related to premiums and unamortized debt issuance costs from the partial redemption of the 2019 Notes.

On June 18, 2014, Corporation redeemed the remaining $617.5 million in aggregate principal amount of the 2019 Notes, of which $9.8 million was held by the Company’s captive insurance subsidiary, at a redemption price of 106.094%, plus accrued and unpaid interest of $2.4 million. During the year ended December 31, 2014, the Company recorded a loss on early debt extinguishment of $66.4 million related to premiums, financing fees paid to the creditors of the unsecured senior notes due 2022, and unamortized debt issuance costs from the redemption of the 2019 Notes.

Senior Secured Credit Facilities

On May 25, 2011, Corporation entered into $1.8 billion of senior secured credit facilities (“Senior Secured Credit Facilities”) that consisted of a $1.44 billion senior secured term loan facility due 2018 (the “Term Loan Facility”) and a $350 million asset-backed revolving credit facility due 2016 (the “ABL Facility”). The Senior Secured Credit Facilities are secured by substantially all of the assets of the Company.

Term Loan Facility

On February 7, 2013, Corporation, the borrower under the Term Loan Facility, entered into a First Amendment (the “Term Loan Amendment”) to the credit agreement governing the Term Loan Facility (as amended, the “Term Loan Credit Agreement”). Under the Term Loan Amendment, the Company incurred an additional $150 million in incremental borrowings under the Term Loan Facility, the proceeds of which were used to pay down the ABL Facility. In addition, the rate at which the loans under the Term Loan Credit Agreement bear interest was amended to equal (i) the higher of (x) the rate for deposits in U.S. dollars in the London Interbank Market (adjusted for maximum reserves) for the applicable interest period ("LIBOR") and (y) 1.00%, plus, in each case, 3.00% (with a step-down to 2.75% in the event that the Company meets a consolidated first lien net leverage ratio of 2.50:1.00), or (ii) the alternate base rate, which will be the highest of (w) the corporate base rate established by the administrative agent from time to time, (x) 0.50% in excess of the overnight federal funds rate, (y) the one-month LIBOR (adjusted for maximum reserves) plus 1.00% and (z) 2.00%, plus, in each case, 2.00% (with a step-down to 1.75% in the event that the Company meets a consolidated first lien net leverage ratio of 2.50:1.00). The Company recorded a loss on early debt extinguishment of $0.1 million related to unamortized debt issuance costs as a result of this modification.

If the effective yield applicable to any new incremental term loans issued under the Term Loan Facility (the "Incremental Term Loans") exceeds the effective yield on the term loans outstanding prior to the incremental borrowing (the "Initial Term Loans") by more than 50 basis points, giving effect to original issue discount, if any, the interest rate on the Initial Term Loans will increase to within 50 basis points of the interest rate on the Incremental Term Loans.

The credit agreement governing the Term Loan Facility contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants are limited to the following: limitations on the incurrence of debt, liens, fundamental changes, restrictions on subsidiary distributions, transactions with affiliates, further negative pledge, asset sales, restricted payments, investments and acquisitions, repayment of certain junior debt

Table of Contents

(including the senior notes) or amendments of junior debt documents related thereto and line of business. The negative covenants are subject to customary exceptions.

ABL Facility

On February 27, 2013, Corporation entered into a First Amendment (the “ABL Amendment”) to the credit agreement governing the ABL Facility (as amended, the “ABL Credit Agreement”), under which the Company increased its commitments under the ABL Facility to $450 million and extended the term to 2018. In addition, the rate at which the loans under the ABL Credit Agreement bear interest was amended to equal (i) LIBOR plus, (x) 2.00% in the event that average daily excess availability is less than or equal to 33% of availability, (y) 1.75% in the event that average daily excess availability is greater than 33% but less than or equal to 66% of availability and (z) 1.50% in the event that average daily excess availability is greater than 66% of availability, or (ii) the alternate base rate, which will be the highest of (x) the corporate base rate established by the administrative agent from time to time, (y) 0.50% in excess of the overnight federal funds rate and (z) the one-month LIBOR (adjusted for maximum reserves) plus 1.00% plus, in each case, (A) 1.00% in the event that average daily excess availability is less than or equal to 33% of availability, (B) 0.75% in the event that average daily excess availability is greater than 33% but less than or equal to 66% of availability and (C) 0.50% in the event that average daily excess availability is greater than 66% of availability.

On February 5, 2015, Corporation entered into a Second Amendment to the ABL Credit Agreement, under which certain lenders under the ABL Facility increased the commitments available to Corporation under the ABL Facility to $550 million.

The ABL Facility bears a commitment fee that ranges from 0.500% to 0.375%, payable quarterly in arrears, based on the utilization of the ABL Facility. The ABL Facility also bears customary letter of credit fees.

As of September 30, 2015, letters of credit outstanding, which impact the available credit under the ABL Facility were $134.1 million and the maximum amount available under the ABL Facility was $205.9 million. These letters of credit primarily secure the Company’s obligations under its captive insurance program.

The credit agreement governing the ABL Facility contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants are limited to the following: limitations on indebtedness, dividends and distributions, investments, acquisitions, prepayments or redemptions of junior indebtedness, amendments of junior indebtedness, transactions with affiliates, asset sales, mergers, consolidations and sales of all or substantially all assets, liens, negative pledge clauses, changes in fiscal periods, changes in line of business and hedging transactions. The negative covenants are subject to the customary exceptions and also permit the payment of dividends and distributions, investments, permitted acquisitions and payments or redemptions of junior indebtedness upon satisfaction of a “payment condition.” The payment condition is deemed satisfied upon 30-day average excess availability exceeding agreed upon thresholds and, in certain cases, the absence of specified events of default and compliance with a fixed charge coverage ratio of 1.0 to 1.0.

Senior Unsecured Notes due 2022

On June 18, 2014, Corporation issued $750.0 million of senior unsecured notes due 2022 (“2022 Notes”) the proceeds of which were used to redeem the remaining 2019 Notes and for general corporate purposes. The Company paid $9.4 million in financing fees to the creditors of the 2022 Notes which was recorded to loss on early debt extinguishment in the second quarter of 2014.

The 2022 Notes have a fixed interest rate of 5.125%, payable semi-annually on January 1 and July 1 with the principal due at maturity on July 1, 2022. The 2022 Notes are general unsecured obligations of the Company and are guaranteed by each of the Company’s domestic subsidiaries, except for any of the Company’s subsidiaries subject to regulation as an insurance company, including the Company’s captive insurance subsidiary.

The Company may redeem the 2022 Notes, in whole or in part, at any time prior to July 1, 2017, at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, plus the

Table of Contents

applicable make-whole premium. The Company may redeem the 2022 Notes, in whole or in part, at any time (i) on and after July 1, 2017 and prior to July 1, 2018, at a price equal to 103.844% of the principal amount of the 2022 Notes, (ii) on or after July 1, 2018 and prior to July 1, 2019, at a price equal to 102.563% of the principal amount of the 2022 Notes, (iii) on or after July 1, 2019 and prior to July 1, 2020, at a price equal to 101.281% of the principal amount of the 2022 Notes, and (iv) on or after July 1, 2020, at a price equal to 100.000% of the principal amount of the 2022 Notes, in each case, plus accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to July 1, 2017, the Company at its option may redeem up to 40% of the aggregate principal amount of the 2022 Notes with the proceeds of certain equity offerings at a redemption price of 105.125%, plus accrued and unpaid interest, if any, to the applicable redemption date.

The indenture governing the 2022 Notes contains covenants that, among other things, limit Corporation's ability and the ability of its restricted subsidiaries to: incur additional indebtedness or issue certain preferred shares; pay dividends on, redeem or repurchase stock or make other distributions in respect of its capital stock; repurchase, prepay or redeem subordinated indebtedness; make investments; create restrictions on the ability of Corporation's restricted subsidiaries to pay dividends to Corporation or make other intercompany transfers; create liens; transfer or sell assets; consolidate, merge or sell or otherwise dispose of all or substantially all of its assets; enter into certain transactions with affiliates; and designate subsidiaries as unrestricted subsidiaries. Upon the occurrence of certain events constituting a change of control, Corporation is required to make an offer to repurchase all of the 2022 Notes (unless otherwise redeemed) at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any to the repurchase date. If Corporation sells assets under certain circumstances, it must use the proceeds to make an offer to purchase the 2022 Notes at a price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase.

Debt and capital lease obligations consisted of the following as of September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
Senior unsecured notes due 2022	$ 750,000	$ 750,000
Senior secured term loan due 2018 (4.00% as of September 30, 2015 and December 30, 2014)	1,279,546	1,289,575
Discount on senior secured term loan	(2,572)	(3,317)
ABL Facility	210,000	—
Notes due at various dates from 2015 to 2022 with interest rates from 6% to 10%	443	482
Capital lease obligations due at various dates from 2015 to 2018	1,167	1,486
Total	2,238,584	2,038,226
Less current portion	(12,374)	(12,349)
Total long-term debt and capital lease obligations	$ 2,226,210	$ 2,025,877

8.Derivative Instruments and Hedging Activities

The Company manages its exposure to changes in fuel prices and interest rates and, from time to time, uses highly effective derivative instruments to manage well-defined risk exposures. The Company monitors its positions and the credit ratings of its counterparties and does not anticipate non-performance by the counterparties. The Company does not use derivative instruments for speculative purposes.

At September 30, 2015, the Company was party to a series of fuel hedge transactions with a major financial institution under one master agreement. Each of the transactions effectively fixes the cost of diesel fuel at prices ranging from $3.16 to $3.58 per gallon. The Company purchases the diesel fuel at the market rate and periodically settles with its counterparty for the difference between the national average price for the period published by the Department of Energy and the agreed upon fixed price. The transactions fix the price for a total of 3.1 million gallons, which represents approximately 18% of the Company's total estimated usage during the periods hedged, through December 2016. The Company recorded, as a component of other comprehensive income (loss) before applicable tax impacts, a liability associated with the fair value of the fuel hedge in the amount $2.3 million and $1.4 million, respectively, as of September 30, 2015 and December 31, 2014, respectively. Over the next 12 months, the Company expects to reclassify

Table of Contents

$1.1 million of deferred loss from accumulated other comprehensive income (loss) as the related fuel hedge transactions mature. Settlement of hedge agreements are included in operating expenses and resulted in net payments to the counterparty of $0.3 million and $0.7 million for the three and nine months ended September 30, 2015, respectively, and net receipts of $0.1 million and $0.4 million for the three and nine months ended September 30, 2014, respectively.

In October 2011, the Company entered into interest rate swap agreements which matured on August 31, 2015. The swap agreements were with major financial institutions and effectively converted a total of $400 million in variable rate debt to fixed rate debt with an effective rate of 4.49%. The Company will continue to make interest payments based on the variable rate associated with the debt (based on LIBOR, but not less than 1.0%). There will be no further periodic settlements with its counterparties for the difference between the rate paid and the fixed rate. The Company recorded, as a component of other comprehensive income (loss) before applicable tax impacts, a liability associated with the fair value of the interest rate swap in the amount of $1.5 million as of December 31, 2014. Settlement of interest rate swap agreements are included in interest expense and resulted in net payments to the counterparties of $0.5 million for each of the three months ended September 30, 2015 and 2014, respectively, and $1.5 million for each of the nine months ended September 30, 2015 and 2014, respectively.

9.Changes in Accumulated Other Comprehensive Income (Loss) by Component

The following table summarizes the changes in the Company's accumulated other comprehensive income (loss) ("AOCI") by component as of September 30, 2015 and December 31, 2014 (in thousands). All amounts are after tax.

	Fuel hedge	Interest rate swap	Unrealized holding gains (losses) on available-for-sale securities	Total
Balance as of January 1, 2014	$ 420	$ (1,958)	$ 699	$ (839)
Other comprehensive income (loss) before reclassifications	(1,130)	(216)	(491)	(1,837)
Amounts reclassified from accumulated other comprehensive income (loss)	(187)	1,239	(232)	820
Net current-period other comprehensive income (loss)	(1,317)	1,023	(723)	(1,017)
Balance as of December 31, 2014	(897)	(935)	(24)	(1,856)
Other comprehensive income (loss) before reclassifications	(964)	(20)	(501)	(1,485)

Amounts reclassified from accumulated other comprehensive income (loss)	450	955	21	1,426
Net current-period other comprehensive income (loss)	(514)	935	(480)	(59)
Balance as of September 30, 2015	$ (1,411)	$ —	$ (504)	$ (1,915)

Table of Contents

The following table shows the line on the statements of operations affected by reclassifications out of AOCI (in thousands):

	Amount reclassified from AOCI				
	Three Months Ended September 30,		Nine Months Ended September 30,		
Details about AOCI components	2015	2014	2015	2014	Statements of Operations
Gains and losses on cash flow hedges:					
Fuel hedge	$ (294)	$ 86	$ (709)	$ 362	Operating expenses
Interest rate swap	(513)	(496)	(1,506)	(1,489)	Interest expense, net
	(807)	(410)	(2,215)	(1,127)	Total before tax
	282	153	810	424	Tax benefit (expense)
	$ (525)	$ (257)	$ (1,405)	$ (703)	Net of tax
Unrealized holding gains (losses) on available-for-sale securities	$ —	$ (466)	$ (34)	$ 648	Realized gains (losses) on investments
	—	(466)	(34)	648	Total before tax
	—	176	13	(244)	Tax benefit (expense)
	$ —	$ (290)	$ (21)	$ 404	Net of tax

10.Equity Based Compensation

Upon completion of the Company's initial public offering in August 2013, the then-existing stock compensation plan ("Stock Compensation Plan") terminated and the Envision Healthcare Holdings, Inc. 2013 Omnibus Incentive Plan ("Omnibus Incentive Plan") was adopted pursuant to which options and awards with respect to a total of 16,708,289 shares of common stock are available for grant. As of September 30, 2015, a total of 16,406,238 shares remained available for grant under the Omnibus Incentive Plan. Awards under the Omnibus Incentive Plan include both performance and non-performance based awards. As of September 30, 2015, no grants of performance based awards under the Omnibus Incentive Plan had been made. Options are granted with exercise prices equal to the fair value of the Company's common stock at the date of grant. No participant may be granted in any calendar year awards covering more than 2.5 million shares of common stock or 1.5 million performance awards up to a maximum dollar value of $5.0 million. Non-performance based awards have time-based vesting and performance-based awards vest upon achievement of certain company-wide objectives. All options have 10 year terms.

Awards previously granted under the Stock Compensation Plan were unaffected by the termination of the Stock Compensation Plan; however no future grants will be made under the Stock Compensation Plan.

A compensation charge of $1.8 million and $1.1 million was recorded for the three months ended September 30, 2015 and 2014, respectively, and $4.8 million and $3.6 million was recorded for the nine months ended September 30, 2015 and 2014, respectively.

11.Commitments and Contingencies

Lease Commitments

The Company leases various facilities and equipment under operating lease agreements. Rental expense incurred under these leases was $13.7 million and $11.3 million for the three months ended September 30, 2015 and 2014, respectively, and $40.4 million and $34.0 million for the nine months ended September 30, 2015 and 2014, respectively.

The Company also records certain leasehold improvements and vehicles under capital leases. Assets under capital leases are capitalized using inherent interest rates at the inception of each lease. Capital leases are collateralized by the underlying assets.

Table of Contents

Letters of Credit

As of September 30, 2015 and December 31, 2014, the Company had $134.1 million and $112.3 million, respectively, in outstanding letters of credit.

Services

The Company is subject to the Medicare and Medicaid fraud and abuse laws which prohibit, among other things, any false claims, or any bribe, kickback or rebate in return for the referral of Medicare and Medicaid patients. Violation of these prohibitions may result in civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs. Management has implemented policies and procedures that management believes will assure that the Company is in substantial compliance with these laws and regulations but there can be no assurance the Company will not be found to have violated certain of these laws and regulations. From time to time, the Company receives requests for information from government agencies pursuant to their regulatory or investigational authority. Such requests can include subpoenas or demand letters for documents to assist the government agencies in audits or investigations. The Company is cooperating with the government agencies conducting these investigations and is providing requested information to the government agencies. Other than the proceedings described below, management believes that the outcome of any of these investigations would not have a material adverse effect on the Company.

Other Legal Matters

In December 2006, AMR received a subpoena from the U.S. Department of Justice (“DOJ”). The subpoena requested copies of documents for the period from January 2000 through the present. The subpoena required AMR to produce a broad range of documents relating to the operations of certain AMR affiliates in New York. The Company produced documents responsive to the subpoena. The government identified claims for reimbursement that the government believes lack support for the level billed, and invited the Company to respond to the identified areas of concern. The Company reviewed the information provided by the government and provided its response. On May 20, 2011, AMR entered into a settlement agreement with the DOJ and a Corporate Integrity Agreement (“CIA”) with the Office of Inspector General of the Department of Health and Human Services (“OIG”) in connection with this matter. Under the terms of the settlement, AMR paid $2.7 million to the federal government. In connection with the settlement, the Company entered into a CIA with a five-year period beginning May 20, 2011. Pursuant to this CIA, the Company is required to maintain a compliance program, which includes, among other elements, the appointment of a compliance officer and committee, training of employees nationwide, safeguards for its billing operations as they relate to services provided in New York, including specific training for operations and billing personnel providing services in New York, review by an independent review organization and reporting of certain reportable events. The Company entered into the settlement in order to avoid the uncertainties of litigation, and has not admitted any wrongdoing. In May 2013, a subsidiary of the Company entered into an agreement to divest substantially all the assets underlying AMR’s services in New York, although the obligations of the Company’s compliance program will remain in effect following the expected divestiture. The divesture was completed on July 1, 2013.

Four different putative class action lawsuits were filed against AMR and certain subsidiaries in California alleging violations of California wage and hour laws. On April 16, 2008, Laura Bartoni commenced a suit in the Superior Court for the State of California, County of Alameda; on July 8, 2008, Vaughn Banta filed suit in the Superior Court of the State of California, County of Los Angeles; on January 22, 2009, Laura Karapetian filed suit in the Superior Court of the State of California, County of Los Angeles; and on March 11, 2010, Melanie Aguilar filed suit in Superior Court of the State of California, County of Los Angeles. The Banta, Aguilar and Karapetian cases have been coordinated in the Superior Court for the State of California, County of Los Angeles, and the Aguilar and Karapetian cases have subsequently been consolidated into a single action. In these cases, the plaintiffs allege principally that the AMR entities failed to pay wages, including overtime wages, in compliance with California law, and failed to provide required meal breaks, rest breaks or pay premium compensation for missed breaks. The plaintiffs are seeking to certify classes on these claims and are seeking lost wages, various penalties, and attorneys' fees under California law. While it denied certification of the rest period claims in the consolidated Karapetian/ Aguilar case, the Court certified classes on claims alleging that AMR has not provided meal periods in compliance with the law as to dispatchers and call takers, that AMR has an unlawful time rounding policy, and that AMR has an unlawful practice of setting rates for those employees. On

Table of Contents

October 13, 2015, the Court decertified all classes in the Karapetian/ Aguilar case. In the Banta case, the Court denied certification of the meal and rest period claims as to EMTs and paramedics, a decision that is being appealed; the Court indicated that it would certify a class on overtime claims, but plaintiff's counsel has indicated that they intend to dismiss that claim as AMR's policy complies with a recent Court of Appeals decision. In the Bartoni case, the Court denied certification on the meal and rest period claims of all unionized employees in Northern California, a decision that is being appealed; while the Court certified a class on the overtime claims, plaintiffs' counsel stipulated to decertify and dismiss those claims as AMR's policy complies with a recent Court of Appeals decision. The Company is unable at this time to estimate the amount of potential damages, if any.

On August 7, 2012, EmCare received a subpoena from the OIG requesting copies of documents for the period from January 1, 2007 through the present that appears to be primarily focused on EmCare's contracts for services at hospitals that are affiliated with Health Management Associates, Inc. ("HMA"). During the months of December 2013 and January 2014, several lawsuits filed by whistleblowers on behalf of the federal and certain state governments against HMA were unsealed; the Company is a named defendant in two of these lawsuits (the "HMA Lawsuits"). Although the federal government intervened in these lawsuits in connection with certain of the allegations against HMA, the federal government has not, at this time, intervened in these matters as they relate to the Company. The Company has been engaged in dialogue with the relevant federal government representatives in an effort to reach a resolution of this matter. As the Company and these government representatives have made significant progress towards resolution of these matters, the Company has recorded a reserve of $30.0 million for the three months ended September 30, 2015, based on the Company's estimates of probable exposure resulting from the HMA Lawsuits. The reserve has been included in restructuring and other charges in the Company's statements of operations for the three and nine months ended September 30, 2015.

The Company is involved in other litigation arising in the ordinary course of business. Management believes the outcome of these legal proceedings will not have a material adverse impact on its financial condition, results of operations or liquidity.

12.Related Party Transactions

CD&R Affiliates

Stockholders Agreement

In connection with the Company's initial public offering in August of 2013, the Company entered into a stockholders agreement ("Stockholders Agreement") with CD&R Affiliates. Under the Stockholders Agreement, CD&R Affiliates were granted the right to designate nominees for the Company's board, subject to the maintenance of specified ownership requirements. Following the CD&R Affiliates' disposition of their remaining shares of the Company's common stock in a registered secondary offering, on March 11, 2015, the Stockholders Agreement terminated pursuant to its terms and, as a result, the CD&R Affiliates are no longer entitled to designate directors for nomination as of such date.

Registration Rights Agreement

In connection with the closing of the Merger, the Company entered into a registration rights agreement (“Registration Rights Agreement”) with the CD&R Affiliates, which granted the CD&R Affiliates specified demand and piggyback registration rights with respect to the Company’s common stock. Upon the CD&R Affiliates’ disposition of the remaining shares of the Company’s common stock beneficially owned by them in a registered secondary offering, on March 11, 2015 the Registration Rights Agreement terminated pursuant to its terms.

Table of Contents

Indemnification Agreements

In connection with the closing of the Merger, the Company entered into separate indemnification agreements with CD&R and CD&R Affiliates (the "CD&R Entities"). Under the indemnification agreement with the CD&R Entities, the Company, subject to certain limitations, agreed to indemnify the CD&R Entities and certain of their affiliates against certain liabilities arising out of performance of the Company's consulting agreement with CD&R, which was terminated in 2013, and certain other claims and liabilities.

Employment agreements with certain of the Company's executive officers include indemnification provisions whereby the Company agrees to indemnify each of these individuals against claims arising out of events or occurrences related to that individual's service as the Company's agent or the agent of any of its subsidiaries to the fullest extent legally permitted.

In connection with the Company's initial public offering, the Company entered into indemnification agreements with each of its directors. On November 11, 2013, the Company entered into an indemnification agreement with Mark V. Mactas. Under these agreements, the Company agreed to indemnify each of these individuals against claims arising out of events or occurrences related to that individual's service as the Company's agent or the agent of any of its subsidiaries to the fullest extent permitted by law.

13.Variable Interest Entities

GAAP requires the assets, liabilities, noncontrolling interests and activities of Variable Interest Entities ("VIE") to be consolidated if an entity's interest in the VIE has specific characteristics including: voting rights not proportional to ownership and the right to receive a majority of expected income or absorb a majority of expected losses. In addition, the entity exposed to the majority of the risks and rewards associated with the VIE is deemed its primary beneficiary and must consolidate the entity.

AHAH-Evolution JV

Evolution Health, LLC ("Evolution"), included within the EmCare segment, entered into an agreement in 2014 with Ascension Health to form an entity which would provide home health, hospice, and home infusion therapy pharmacy services to patients ("AHAH-Evolution JV"). AHAH-Evolution JV began providing services to patients during the first quarter of 2015 and meets the definition of a VIE. The Company determined that, although Evolution holds 50% voting control, Evolution is the primary beneficiary and must consolidate this VIE because:

- Evolution provides management services to AHAH-Evolution JV including providing comprehensive management oversight, operational reporting guidelines, recruiting, credentialing, billing, payroll, accounting, and other various administrative services and therefore substantially all of AHAH-Evolution JV's activities involve Evolution; and

- as payment for management services, Evolution is entitled to receive a variable management fee from AHAH-Evolution.

The following table summarizes the AHAH-Evolution JV assets and liabilities as of September 30, 2015, which are included in the Company's consolidated financial statements (in thousands):

	September 30, 2015
Current assets	$ 30,669
Current liabilities	8,673

During the nine months ended September 30, 2015, cash contributions of $0.1 million were made to AHAH-Evolution JV by each of the parties for working capital requirements.

Table of Contents

UHS-EmCare JV

EmCare entered into an agreement in 2014 with Universal Health Services, Inc. to form an entity which would provide physician services to various healthcare facilities (“UHS-EmCare JV”). UHS-EmCare JV began providing services to healthcare facilities during the second quarter of 2014 and meets the definition of a VIE. The Company determined that, although EmCare holds 50% voting control, EmCare is the primary beneficiary and must consolidate this VIE because:

- EmCare provides management services to UHS-EmCare JV including recruiting, credentialing, scheduling, billing, payroll, accounting and other various administrative services and therefore substantially all of UHS-EmCare JV’s activities involve EmCare; and

- as payment for management services, EmCare is entitled to receive a variable management fee from UHS-EmCare JV.

The following table summarizes the UHS-EmCare JV assets and liabilities as of September 30, 2015 and December 31, 2014, which are included in the Company’s consolidated financial statements (in thousands):

	September 30, 2015	December 31, 2014
Current assets	$ 31,690	$ 21,427
Current liabilities	11,978	6,748

During the nine months ended September 30, 2015 and 2014, cash contributions of zero and $0.3 million, respectively, were made to UHS-EmCare JV by each of the parties for working capital requirements.

HCA-EmCare JV

EmCare entered into an agreement in 2011 with an indirect wholly-owned subsidiary of HCA Holdings Inc. to form an entity which would provide physician services to various healthcare facilities (“HCA-EmCare JV”). HCA-EmCare JV began providing services to healthcare facilities during the first quarter of 2012 and meets the definition of a VIE. The Company determined that, although EmCare only holds 50% voting control, EmCare is the primary beneficiary and must consolidate this VIE because:

- EmCare provides management services to HCA-EmCare JV including recruiting, credentialing, scheduling, billing, payroll, accounting and other various administrative services and therefore substantially all of HCA-EmCare JV’s activities involve EmCare; and

- as payment for management services, EmCare is entitled to receive a base management fee from HCA-EmCare JV as well as a bonus management fee.

The following table summarizes the HCA-EmCare JV assets and liabilities as of September 30, 2015 and December 31, 2014, which are included in the Company’s consolidated financial statements (in thousands):

	September 30, 2015	December 31, 2014
Current assets	$ 180,641	$ 155,041
Current liabilities	54,401	31,163

During the nine months ended September 30, 2015 and 2014, there were no cash contributions made to HCA-EmCare JV by either of the parties for working capital requirements.

Table of Contents

14.Segment Information

The Company is organized around two separately managed business units: facility-based and post-acute care physician services and healthcare transportation services, which have been identified as reportable operating segments. The facility-based and post-acute care physician services reportable segment provides physician services to hospitals primarily for emergency department, anesthesiology, hospitalist/inpatient, radiology, tele-radiology and surgery services. It also offers physician-led care management solutions outside the hospital. The healthcare transportation services reportable segment focuses on providing a full range of medical transportation services from basic patient transit to the most advanced emergency care and pre-hospital assistance. The Chief Executive Officer has been identified as the chief operating decision maker (the "CODM") as he assesses the performance of the business units and decides how to allocate resources to the business units.

Net income (loss) before equity in earnings of unconsolidated subsidiary, income tax benefit (expense), loss on early debt extinguishment, other income (expense), net, realized gains (losses) on investments, interest expense, net, equity-based compensation expense, transaction costs related to acquisition activity, related party management fees, restructuring and other charges, severance and related costs, adjustment to net (income) loss attributable to noncontrolling interest due to deferred taxes, and depreciation and amortization expense ("Adjusted EBITDA") is the measure of profit and loss that the CODM uses to assess performance and make decisions. Adjusted EBITDA is not considered a measure of financial performance under GAAP and the items excluded from Adjusted EBITDA are significant components in understanding and assessing the Company's financial performance. Adjusted EBITDA should not be considered in isolation or as an alternative to such GAAP measures as net income, cash flows provided by or used in operating, investing or financing activities or other financial statement data presented in the Company's financial statements as an indicator of financial performance. Since Adjusted EBITDA is not a measure determined to be in accordance with GAAP and is susceptible to varying calculations, Adjusted EBITDA, as presented, may not be comparable to other similarly titled measures of other companies. Pre-tax income from continuing operations represents net revenue less direct operating expenses incurred within the operating segments. The accounting policies for reported segments are the same as for the Company as a whole (see Note 2).

During the fourth quarter of 2014, the Company included within the definition of Adjusted EBITDA transaction costs related to acquisition activity. Adjusted EBITDA for the three and nine months ended September 30, 2014 has been presented to conform to the current period presentation.

The Company's operating segment results were as follows (in thousands):

	Three Months Ended September 30,	Nine Months Ended September 30,

	2015	2014	2015	2014
Facility-Based and Post-Acute Care Physician Services				
Net revenue	$ 933,941	$ 748,080	$ 2,688,117	$ 2,082,661
Income from operations	28,858	81,246	158,964	201,325
Adjusted EBITDA	86,367	100,889	268,665	260,879
Healthcare Transportation Services				
Net revenue	$ 433,429	$ 402,249	$ 1,278,013	$ 1,157,206
Income from operations	31,099	32,655	98,576	74,033
Adjusted EBITDA	56,111	52,839	165,440	138,756
Segment Totals				
Net revenue	$ 1,367,370	$ 1,150,329	$ 3,966,130	$ 3,239,867
Income from operations	59,957	113,901	257,540	275,358
Adjusted EBITDA	142,478	153,728	434,105	399,635

Table of Contents

A reconciliation of net income (loss) to Adjusted EBITDA (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income (loss)	$ 18,570	$ 52,843	$ 106,188	$ 72,376
Add-back of non-operating expense (income):				
Interest expense, net	27,579	25,742	82,360	84,793
Income tax expense (benefit)	13,795	34,437	69,009	49,700
Loss on early debt extinguishment	—	—	—	66,397
Realized losses (gains) on investments	—	466	34	(648)
Interest income from restricted assets	(149)	(175)	(442)	(507)
Equity in earnings of unconsolidated subsidiary	(59)	(72)	(202)	(185)
Other expense (income), net	221	660	593	3,432
Income from operations — segment totals	59,957	113,901	257,540	275,358
Add-back of operating expense (income):				
Depreciation and amortization expense	44,547	36,796	129,364	108,786
Restructuring and other charges	30,000	366	30,000	4,906
Severance and related costs	863	—	3,426	—
Net (income) loss attributable to noncontrolling interest	(1,334)	(67)	(3,161)	3,233
Interest income from restricted assets	149	175	442	507
Equity-based compensation expense	1,761	1,062	4,786	3,612
Transaction costs	6,535	1,495	11,708	3,233
Adjusted EBITDA	$ 142,478	$ 153,728	$ 434,105	$ 399,635

15.Consolidating Financial Information

Pursuant to the indenture governing the 2022 Notes, so long as any of the 2022 Notes are outstanding, the Company is required to provide condensed consolidating financial information with a separate column for (i) the Company and its subsidiaries (other than Corporation and its subsidiaries) on a combined basis, (ii) Corporation and its subsidiaries, (iii) consolidating adjustments on a combined basis, and (iv) the total consolidated amount. The consolidating adjustments column represents the elimination of any intercompany activity between EVHC (excluding Corporation and its subsidiaries) and Corporation.

Table of Contents

Consolidating Balance Sheet

As of September 30, 2015

(in thousands, unaudited)

	EVHC (excluding Corporation)	Corporation and Subsidiaries	Consolidating Adjustments	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 5	$ 129,885	$ —	$ 129,890
Insurance collateral	—	27,808	—	27,808
Trade and other accounts receivable, net	—	1,133,615	—	1,133,615
Parts and supplies inventory	—	25,220	—	25,220
Prepaids and other current assets	5,019	57,084	(5,019)	57,084
Total current assets	5,024	1,373,612	(5,019)	1,373,617
Property, plant, and equipment, net	—	231,873	—	231,873
Intangible assets, net	—	783,766	—	783,766
Long-term deferred tax assets	145	—	(145)	—
Insurance collateral	—	9,455	—	9,455
Goodwill	—	2,808,187	—	2,808,187
Other long-term assets	—	90,042	—	90,042
Investment in wholly owned subsidiary	1,909,983	—	(1,909,983)	—
Total assets	$ 1,915,152	$ 5,296,935	$ (1,915,147)	$ 5,296,940
Liabilities and Equity				
Current liabilities:				
Accounts payable	$ 1,003	$ 67,622	$ —	$ 68,625
Accrued liabilities	—	501,893	(3,650)	498,243
Current deferred tax liabilities	—	109,400	(1,369)	108,031
Current portion of long-term debt and capital lease obligations	—	12,374	—	12,374
Total current liabilities	1,003	691,289	(5,019)	687,273
Long-term debt and capital lease obligations	—	2,226,210	—	2,226,210
Long-term deferred tax liabilities	—	193,680	(145)	193,535
Insurance reserves	—	222,387	—	222,387
Other long-term liabilities	—	23,351	—	23,351
Total liabilities	1,003	3,356,917	(5,164)	3,352,756
Equity:				
Common stock	1,863	—	—	1,863
Preferred stock	—	—	—	—
Additional paid-in capital	1,667,325	1,594,511	(1,594,511)	1,667,325
Retained earnings	246,876	317,387	(317,387)	246,876
	(1,915)	(1,915)	1,915	(1,915)

Accumulated other comprehensive income (loss)				
Total Envision Healthcare Holdings, Inc. equity	1,914,149	1,909,983	(1,909,983)	1,914,149
Noncontrolling interest	—	30,035	—	30,035
Total equity	1,914,149	1,940,018	(1,909,983)	1,944,184
Total liabilities and equity	$ 1,915,152	$ 5,296,935	$ (1,915,147)	$ 5,296,940

29

Table of Contents

Consolidating Balance Sheet

As of December 31, 2014

(in thousands)

	EVHC (excluding Corporation)	Corporation and Subsidiaries	Consolidating Adjustments	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 5	$ 318,890	$ —	$ 318,895
Insurance collateral	—	32,828	—	32,828
Trade and other accounts receivable, net	—	950,115	—	950,115
Parts and supplies inventory	—	24,484	—	24,484
Prepaids and other current assets	5,019	36,917	(5,019)	36,917
Total current assets	5,024	1,363,234	(5,019)	1,363,239
Property, plant, and equipment, net	—	211,276	—	211,276
Intangible assets, net	—	524,482	—	524,482
Long-term deferred tax assets	145	—	(145)	—
Insurance collateral	—	10,568	—	10,568
Goodwill	—	2,538,633	—	2,538,633
Other long-term assets	—	55,555	—	55,555
Investment in wholly owned subsidiary	1,756,407	—	(1,756,407)	—
Total assets	$ 1,761,576	$ 4,703,748	$ (1,761,571)	$ 4,703,753
Liabilities and Equity				
Current liabilities:				
Accounts payable	$ 999	$ 46,585	$ —	$ 47,584
Accrued liabilities	—	416,307	(3,650)	412,657
Current deferred tax liabilities	—	105,647	(1,369)	104,278
Current portion of long-term debt and capital lease obligations	—	12,349	—	12,349
Total current liabilities	999	580,888	(5,019)	576,868
Long-term debt and capital lease obligations	—	2,025,877	—	2,025,877
Long-term deferred tax liabilities	—	131,108	(145)	130,963
Insurance reserves	—	180,639	—	180,639
Other long-term liabilities	—	20,365	—	20,365
Total liabilities	999	2,938,877	(5,164)	2,934,712
Equity:				
Common stock	1,837	—	—	1,837
Preferred stock	—	—	—	—
Additional paid-in capital	1,616,747	1,544,222	(1,544,222)	1,616,747
Retained earnings	143,849	214,041	(214,041)	143,849
	(1,856)	(1,856)	1,856	(1,856)

Accumulated other comprehensive income (loss)				
Total Envision Healthcare Holdings, Inc. equity	1,760,577	1,756,407	(1,756,407)	1,760,577
Noncontrolling interest	—	8,464	—	8,464
Total equity	1,760,577	1,764,871	(1,756,407)	1,769,041
Total liabilities and equity	$ 1,761,576	$ 4,703,748	$ (1,761,571)	$ 4,703,753

Table of Contents

Condensed Consolidating Statement of Operations

(in thousands, unaudited)

	Three Months Ended September 30, 2015			
	EVHC (excluding Corporation)	Corporation and Subsidiaries	Consolidating Adjustments	Total
Net revenue	$ —	$ 1,367,370	$ —	$ 1,367,370
Compensation and benefits	—	997,213	—	997,213
Operating expenses	—	165,099	—	165,099
Insurance expense	—	41,091	—	41,091
Selling, general and administrative expenses	—	29,463	—	29,463
Depreciation and amortization expense	—	44,547	—	44,547
Restructuring and other charges	—	30,000	—	30,000
Income (loss) from operations	—	59,957	—	59,957
Interest income from restricted assets	—	149	—	149
Interest expense, net	—	(27,579)	—	(27,579)
Realized gains (losses) on investments	—	—	—	—
Other income (expense), net	(154)	(67)	—	(221)
Income (loss) before taxes and equity in earnings of unconsolidated subsidiary	(154)	32,460	—	32,306
Income tax benefit (expense)	63	(13,858)	—	(13,795)
Income (loss) before equity in net income (loss) of subsidiary and equity in earnings of unconsolidated subsidiary	(91)	18,602	—	18,511
Equity in net income (loss) of subsidiary	17,327	—	(17,327)	—
Equity in earnings of unconsolidated subsidiary	—	59	—	59
Net income (loss)	17,236	18,661	(17,327)	18,570
Less: Net (income) loss attributable to noncontrolling interest	—	(1,334)	—	(1,334)
Net income (loss) attributable to Envision Healthcare Holdings, Inc.	$ 17,236	$ 17,327	$ (17,327)	$ 17,236

Table of Contents

Condensed Consolidating Statement of Operations

(in thousands, unaudited)

	Three Months Ended September 30, 2014			
	EVHC (excluding Corporation)	Corporation and Subsidiaries	Consolidating Adjustments	Total
Net revenue	$ —	$ 1,150,329	$ —	$ 1,150,329
Compensation and benefits	—	819,353	—	819,353
Operating expenses	—	129,535	—	129,535
Insurance expense	—	27,527	—	27,527
Selling, general and administrative expenses	—	22,851	—	22,851
Depreciation and amortization expense	—	36,796	—	36,796
Restructuring charges	—	366	—	366
Income from operations	—	113,901	—	113,901
Interest income from restricted assets	—	175	—	175
Interest expense, net	—	(25,742)	—	(25,742)
Realized gains (losses) on investments	—	(466)	—	(466)
Other income (expense), net	(1,433)	773	—	(660)
Loss on early debt extinguishment	—	—	—	—
Income (loss) before taxes and equity in earnings of unconsolidated subsidiary	(1,433)	88,641	—	87,208
Income tax benefit (expense)	697	(35,134)	—	(34,437)
Income (loss) before equity in net income (loss) of subsidiary and equity in earnings of unconsolidated subsidiary	(736)	53,507	—	52,771
Equity in net income (loss) of subsidiary	53,512	—	(53,512)	—
Equity in earnings of unconsolidated subsidiary	—	72	—	72
Net income (loss)	52,776	53,579	(53,512)	52,843
Less: Net (income) loss attributable to noncontrolling interest	—	(67)	—	(67)
Net income (loss) attributable to Envision Healthcare Holdings, Inc.	$ 52,776	$ 53,512	$ (53,512)	$ 52,776

Table of Contents

Condensed Consolidating Statement of Operations

(in thousands, unaudited)

	Nine Months Ended September 30, 2015			
	EVHC (excluding Corporation)	Corporation and Subsidiaries	Consolidating Adjustments	Total
Net revenue	$ —	$ 3,966,130	$ —	$ 3,966,130
Compensation and benefits	—	2,874,328	—	2,874,328
Operating expenses	—	472,954	—	472,954
Insurance expense	—	114,783	—	114,783
Selling, general and administrative expenses	—	87,161	—	87,161
Depreciation and amortization expense	—	129,364	—	129,364
Restructuring charges	—	30,000	—	30,000
Income from operations	—	257,540	—	257,540
Interest income from restricted assets	—	442	—	442
Interest expense, net	—	(82,360)	—	(82,360)
Realized gains (losses) on investments	—	(34)	—	(34)
Other income (expense), net	(526)	(67)	—	(593)
Income (loss) before taxes and equity in earnings of unconsolidated subsidiary	(526)	175,521	—	174,995
Income tax benefit (expense)	207	(69,216)	—	(69,009)
Income (loss) before equity in net income (loss) of subsidiary and equity in earnings of unconsolidated subsidiary	(319)	106,305	—	105,986
Equity in net income (loss) of subsidiary	103,346	—	(103,346)	—
Equity in earnings of unconsolidated subsidiary	—	202	—	202
Net income (loss)	103,027	106,507	(103,346)	106,188
Less: Net (income) loss attributable to noncontrolling interest	—	(3,161)	—	(3,161)
Net income (loss) attributable to Envision Healthcare Holdings, Inc.	$ 103,027	$ 103,346	$ (103,346)	$ 103,027

Table of Contents

Condensed Consolidating Statement of Operations

(in thousands, unaudited)

	Nine Months Ended September 30, 2014			
	EVHC (excluding Corporation)	Corporation and Subsidiaries	Consolidating Adjustments	Total
Net revenue	$ —	$ 3,239,867	$ —	$ 3,239,867
Compensation and benefits	—	2,330,021	—	2,330,021
Operating expenses	—	364,885	—	364,885
Insurance expense	—	90,091	—	90,091
Selling, general and administrative expenses	—	65,820	—	65,820
Depreciation and amortization expense	—	108,786	—	108,786
Restructuring charges	—	4,906	—	4,906
Income from operations	—	275,358	—	275,358
Interest income from restricted assets	—	507	—	507
Interest expense, net	—	(84,793)	—	(84,793)
Realized gains (losses) on investments	—	648	—	648
Other income (expense), net	(4,232)	800	—	(3,432)
Loss on early debt extinguishment	—	(66,397)	—	(66,397)
Income (loss) before taxes and equity in earnings of unconsolidated subsidiary	(4,232)	126,123	—	121,891
Income tax benefit (expense)	1,592	(51,292)	—	(49,700)
Income before equity in net income (loss) of subsidiary and equity in earnings of unconsolidated subsidiary	(2,640)	74,831	—	72,191
Equity in net income (loss) of subsidiary	78,249	—	(78,249)	—
Equity in earnings of unconsolidated subsidiary	—	185	—	185
Net income (loss)	75,609	75,016	(78,249)	72,376
Less: Net (income) loss attributable to noncontrolling interest	—	3,233	—	3,233
Net income (loss) attributable to Envision Healthcare Holdings, Inc.	$ 75,609	$ 78,249	$ (78,249)	$ 75,609

Table of Contents

Condensed Consolidating Statement of Cash Flows

(in thousands, unaudited)

	Nine Months Ended September 30, 2015		
	EVHC (excluding Corporation)	Corporation and Subsidiaries	Total
Cash Flows from Operating Activities			
Net cash provided by (used in) operating activities	$ (315)	$ 195,260	$ 194,945
Cash Flows from Investing Activities			
Purchases of available-for-sale securities	—	(2,507)	(2,507)
Sales and maturities of available-for-sale securities	—	9,409	9,409
Purchase of property, plant and equipment	—	(65,687)	(65,687)
Proceeds from sale of property, plant and equipment	—	377	377
Acquisition of businesses, net of cash received	—	(568,570)	(568,570)
Net change in insurance collateral	—	(1,250)	(1,250)
Other investing activities	—	(1,226)	(1,226)
Net cash provided by (used in) investing activities	—	(629,454)	(629,454)
Cash Flows from Financing Activities			
Borrowings under the ABL Facility	—	365,000	365,000
Repayments of the Term Loan	—	(10,029)	(10,029)
Repayments of the ABL Facility	—	(155,000)	(155,000)
Debt issuance costs	—	(27)	(27)
Proceeds from stock options exercised	—	11,767	11,767
Excess tax benefits from equity-based compensation	—	34,051	34,051
Contributions from noncontrolling interest, net	—	100	100
Other financing activities	—	(358)	(358)
Net intercompany borrowings (payments)	315	(315)	—
Net cash provided by (used in) financing activities	315	245,189	245,504
Change in cash and cash equivalents	—	(189,005)	(189,005)
Cash and cash equivalents, beginning of period	5	318,890	318,895
Cash and cash equivalents, end of period	$ 5	$ 129,885	$ 129,890

Table of Contents

Condensed Consolidating Statement of Cash Flows

(in thousands, unaudited)

	Nine Months Ended September 30, 2014		
	EVHC (excluding Corporation)	Corporation and Subsidiaries	Total
Cash Flows from Operating Activities			
Net cash provided by (used in) operating activities	$ (859)	$ 194,863	$ 194,004
Cash Flows from Investing Activities			
Purchases of available-for-sale securities	—	(52,654)	(52,654)
Sales and maturities of available-for-sale securities	—	40,425	40,425
Purchase of property, plant and equipment	—	(55,659)	(55,659)
Proceeds from sale of property, plant and equipment	—	2,299	2,299
Acquisition of businesses, net of cash received	—	(199,261)	(199,261)
Net change in insurance collateral	—	2,021	2,021
Other investing activities	—	(1,774)	(1,774)
Net cash provided by (used in) investing activities	—	(264,603)	(264,603)
Cash Flows from Financing Activities			
Borrowings under the ABL Facility	—	50,000	50,000
Proceeds from issuance of senior notes	—	740,625	740,625
Repayments of the Term Loan	—	(6,686)	(6,686)
Repayments of the ABL Facility	—	(50,000)	(50,000)
Repayments of senior notes	—	(607,750)	(607,750)
Payment for debt extinguishment premiums	—	(37,630)	(37,630)
Debt issuance costs	—	(2,221)	(2,221)
Proceeds from stock options exercised	—	7,405	7,405
Excess tax benefits from equity-based compensation	—	38,520	38,520
Shares repurchased for tax withholdings	—	(14,430)	(14,430)
Contributions from noncontrolling interest, net	—	250	250
Other financing activities	859	(5,885)	(5,026)
Net intercompany borrowings (payments)	(81,717)	81,717	—
Net cash provided by (used in) financing activities	(80,858)	193,915	113,057
Change in cash and cash equivalents	(81,717)	124,175	42,458
Cash and cash equivalents, beginning of period	81,722	122,990	204,712
Cash and cash equivalents, end of period	$ 5	$ 247,165	$ 247,170

Table of Contents

16.Subsequent Events

On October 21, 2015, the Company’s board of directors authorized a share repurchase program of up to $500 million of the Company’s common stock. Purchases under the share repurchase program may be made through open market purchases, privately negotiated transactions, or Rule 10b5-1 trading plans, subject to market conditions and other factors including compliance with the Company’s debt covenants. The Company may elect not to purchase the maximum amount of shares allowable under this program. The share repurchase authorization has no expiration.

On October 28, 2015 the Company completed the acquisition of Rural/ Metro Corporation (“Rural/ Metro”), for total purchase consideration of $620 million in cash, subject to working capital adjustments. The acquisition of Rural/ Metro enhances the Company’s mobile integrated healthcare delivery capability, a key component of its care coordination model amongst its pre-hospital, acute care and post-acute care services.

On October 28, 2015 and in connection with the financing of the Rural/ Metro acquisition, Corporation entered into incremental $635.0 million term loans under the Term Loan Facility at an interest rate of LIBOR plus 3.25% maturing 7 years from the closing date of the acquisition. The proceeds of the incremental term loans were used to fund the purchase price of Rural/ Metro and to pay certain fees, commissions and expenses. The incremental term loans were issued with 50 basis points of original issue discount and a six month soft call protection at 101% of the principal amount of the incremental term loans then outstanding.

On November 3, 2015, the Company entered into a definitive agreement to acquire Questcare Medical Services, P.A. and QRx Medical Management, LLC (“Questcare”) for total purchase consideration of approximately $135.0 million. Questcare provides emergency department, hospitalist, urgent care, and post-acute facility based care services at more than 50 facilities located throughout Texas, Oklahoma and Colorado.

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements and Factors That May Affect Results

Certain statements and information herein may be deemed to be "forward-looking statements" within the meaning of the Federal Private Securities Litigation Reform Act of 1995. Forward-looking statements may include, but are not limited to, statements relating to our objectives, plans and strategies, and all statements (other than statements of historical facts) that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future. Any forward-looking statements herein are made as of the date this Quarterly Report on Form 10-Q is filed with the SEC, and we undertake no duty to update or revise any such statements. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. Important factors that could cause actual results, developments and business decisions to differ materially from forward-looking statements are described in this Quarterly Report on Form 10-Q and in our other filings with the SEC from time to time, including the risks described in Item 1A "Risk Factors" of Part II of this Form 10-Q and Item 1A "Risk Factors" of Part I of our Annual Report on Form 10-K for the year ended December 31, 2014 (the "2014 Form 10-K").

Among the factors that could cause future results to differ materially from those provided in this Quarterly Report on Form 10-Q are: decreases in our revenue and profit margin under our fee-for-service contracts due to changes in volume, payor mix and third party reimbursement rates, including from political discord in the federal budgeting process; the loss of existing contracts; failure to accurately assess costs under new contracts; difficulties in our ability to recruit and retain qualified physicians and other healthcare professionals, and enforce our non-compete agreements with our physicians; failure to implement some or all of our business strategies, including our efforts to grow our post-acute care physician services business and cross-sell our services; lawsuits for which we are not fully reserved; the adequacy of our insurance coverage and insurance reserves; our ability to successfully integrate strategic acquisitions, including the acquisition of Rural/ Metro Corporation ("Rural/ Metro"); expected synergies and other financial benefits of the acquisition may not be realized; unanticipated restructuring costs may be incurred or undisclosed liabilities assumed from the acquisition; attempts to retain key personnel and customers from Rural/ Metro may not succeed; the high level of competition in the markets we serve; the cost of capital expenditures to maintain and upgrade our vehicle fleet and medical equipment; the loss of one or more members of our senior management team; our ability to maintain or implement complex information systems; disruptions in disaster recovery systems, management continuity planning or information systems; our ability to adequately protect our intellectual property and other proprietary rights or to defend against intellectual property infringement claims; challenges by tax authorities on our treatment of certain physicians as independent contractors; the impact of labor union representation; the impact of fluctuations in results due to our national contract with the Federal Emergency Management Agency ("FEMA"); potential penalties or changes to our operations, including our ability to collect accounts receivable, if we fail to comply with extensive and complex government regulation of our industry; the impact of changes in the healthcare industry, including changes due to healthcare reform; our ability to timely enroll our providers in the Medicare program; our ability to restructure our operations to comply with future changes in government regulation; the outcome of government investigations of certain of our business practices; our ability to comply with the terms of our settlement agreements with the government; our ability to generate cash flow to service our substantial debt obligations; and risks related to other factors discussed in this Quarterly Report on Form 10-Q and in the 2014 Form

10-K.

Words such as “anticipates,” “believes,” “continues,” “estimates,” “expects,” “goal,” “objectives,” “intends,” “may,” “opportu “potential,” “near-term,” “long-term,” “projections,” “assumptions,” “projects,” “guidance,” “forecasts,” “outlook,” “target,” “ “could,” “would,” “will” and similar expressions are intended to identify such forward-looking statements. We qualify any forward-looking statements entirely by these cautionary factors.

Healthcare Reform

As currently enacted the Patient Protection and Affordable Care Act (the “PPACA”) changes how health care services are delivered and reimbursed, and increases access to health insurance benefits to the uninsured and underinsured population in the United States. On June 28, 2012, the U.S. Supreme Court upheld the constitutionality of the individual mandate provisions of the PPACA, but struck down the provisions that would have allowed the Department of Health and Human Services ("HHS") to penalize states that do not implement Medicaid expansion provisions through the loss of existing federal Medicaid funding.

Most of the provisions of the PPACA that seek to decrease the number of uninsured became effective January 1, 2014. Based on the government's February 2014 projection, by 2022, the PPACA will expand coverage to 25 million additional individuals. This increased coverage will occur through a combination of public program expansion and private sector health insurance and other reforms. The employer mandate, which requires firms with 100 or more full-time employees to offer health insurance or pay fines, became effective on January 1, 2015.

A number of states have opted out of the Medicaid expansion, but these states could choose to implement the expansion at a later date. It is unclear how many states will ultimately decline to implement the Medicaid expansion provisions of the law. At this point, we cannot quantify or predict with any certainty the likely impact of the PPACA on our business model, financial condition or results of operations.

Company Overview

We are a leading provider of physician-led, outsourced medical services in the United States with more than 35,000 employees and affiliated clinicians. We market our services on a stand-alone, multi-service and integrated basis, primarily under our EmCare and AMR brands. EmCare is a leading provider of integrated facility-based physician services, including emergency, anesthesiology, hospitalist/inpatient care, radiology, tele-radiology and surgery. EmCare also provides comprehensive care to patients across various settings, many of whom suffer from advanced illnesses and chronic diseases. AMR is a leading provider and manager of community based healthcare transportation services, including emergency "911", non-emergency, managed transportation, fixed-wing ambulance and disaster response.

Key Factors and Measures We Use to Evaluate Our Business

The key factors and measures we use to evaluate our business focus on the number of patients we treat and transport and the costs we incur to provide the necessary care and transportation for each of our patients.

We evaluate our revenue net of provisions for contractual payor discounts and provisions for uncompensated care. Medicaid, Medicare and certain other payors receive discounts from our standard charges, which we refer to as contractual discounts. In addition, individuals we treat and transport may be personally responsible for a deductible or co-pay under their third party payor coverage, and most of our contracts require us to treat and transport patients who have no insurance or other third party payor coverage. Due to the uncertainty regarding collectability of charges associated with services we provide to these patients, which we refer to as uncompensated care, our net revenue recognition is based on expected cash collections. Our net revenue represents gross billings after provisions for contractual discounts and estimated uncompensated care. Provisions for contractual discounts and uncompensated care have increased historically primarily as a result of increases in gross billing rates without corresponding increases in payor reimbursement.

The table below summarizes our approximate payor mix as a percentage of both net revenue and total transports and patient encounters for the three and nine months ended September 30, 2015 and 2014. In determining the net revenue payor mix, we use cash collections in the period as an approximation of net revenue recorded. With the expansion of the Medicaid program in certain states, we would expect cash collections related to the Medicaid payor class to continue to increase over time as those collections are received. During the second quarter of 2014, the Company determined that Medicare and Medicaid managed care programs would be better categorized in the Medicare and Medicaid payor class and has reclassified those encounters in the presentation below and conformed prior periods to current period presentation.

Table of Contents

	Percentage of Cash Collections (Net Revenue)				Percentage of Total Volume			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014	2015	2014	2015	2014
Medicare	25.2 %	23.6 %	25.3 %	24.0 %	31.1 %	29.9 %	31.6 %	30.5 %
Medicaid	9.5	9.0	9.6	8.7	23.9	22.3	24.3	23.0
Commercial insurance and managed care (excluding Medicare and Medicaid managed care)	42.4	47.4	43.2	46.8	30.3	31.9	29.7	30.1
Self-pay	2.8	3.6	3.0	3.4	14.7	15.9	14.4	16.4
Fees	14.7	7.6	9.6	6.9	—	—	—	—
Subsidies	5.4	8.8	9.3	10.2	—	—	—	—
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

As illustrated above, Commercial insurance and managed care (excluding Medicare and Medicaid managed care) has consistently represented our largest payor group based on net revenue. Separately, given the emergency nature of many of our services, self-pay (primarily uninsured patients) has represented approximately 14% to 16% of our total patient volume, but is only 3% to 4% of our total cash collections.

EmCare

Of EmCare's net revenue for the nine months ended September 30, 2015, approximately 74% was derived from our hospital contracts for emergency department staffing, 7% from contracts related to anesthesiology services, 9% from our hospitalist/inpatient services, 6% from our post-acute care services, 1% from our radiology/tele-radiology services, 1% from our surgery services, and 2% from other hospital management services. Approximately 83% of EmCare's net revenue was generated from billings to third party payors and patients for patient encounters and approximately 17% was generated from billings to hospitals and affiliated physician groups for professional services. EmCare's key net revenue measures are:

· Patient encounters. We utilize patient encounters to evaluate net revenue and as the basis by which we measure certain costs of the business. We segregate patient encounters into four main categories—ED visits, hospitalist encounters, radiology reads, and anesthesiology cases—due to the differences in reimbursement rates for and associated costs of providing the various services. As a result of these differences, in certain analyses we weight our patient encounter numbers according to category in an effort to better measure net revenue and costs. In calculating "weighted patient encounters", each radiology read and anesthesiology case is not counted as a full patient encounter as we apply a discount factor to reflect differences in reimbursement rates for and associated costs of providing such services.

· Number of contracts. This reflects the number of contractual relationships we have for outsourced ED staffing, anesthesiology, hospitalist/inpatient, radiology, tele-radiology, surgery and other hospital management services. We analyze the change in our number of contracts from period to period based on "net new contracts," which is the difference between total new contracts and contracts that have terminated.

· Revenue per patient encounter. This reflects the expected net revenue for each patient encounter based on gross billings less all estimated provisions for contractual discounts and uncompensated care. Net revenue per patient encounter also includes net revenue from billings to third party payors and hospitals.

The change from period to period in the number of patient encounters under our same store contracts is influenced by general community conditions as well as hospital-specific elements, many of which are beyond our direct control. The general community conditions include: (i) the timing, location and severity of influenza, allergens and other annually recurring viruses, and (ii) severe weather that affects a region's health status and/or infrastructure. Hospital-

Table of Contents

specific elements include the timing and extent of facility renovations, hospital staffing issues and regulations that affect patient flow through the hospital.

The costs incurred in our EmCare business segment consist primarily of compensation and benefits for physicians and other professional providers, professional liability costs, and contract and other support costs. EmCare's key cost measures include:

· Provider compensation per hour of coverage. Provider compensation per hour of coverage includes all compensation and benefit costs for all professional providers, including physicians, physician assistants and nurse practitioners, during each patient encounter. Providers include all full-time, part-time and independently contracted providers. Analyzing provider compensation per hour of coverage enables us to monitor our most significant cost in performing services under our contracts.

· Professional liability costs. These costs include provisions for estimated losses for actual claims, and claims likely to be incurred in the period, based on our past loss experience and actuarial analysis provided by a third party, as well as actual direct costs, including investigation and defense costs, claims payments, and other costs related to provider professional liability.

EmCare's business is not as capital intensive as AMR's and EmCare's depreciation expense relates primarily to charges for usage of computer hardware and software, and other technologies. Amortization expense relates primarily to intangibles recorded for customer relationships.

AMR

Approximately 80% of AMR's net revenue for the nine months ended September 30, 2015 was transport revenue derived from the treatment and transportation of patients, including fixed-wing air ambulance services, based on billings to third party payors, healthcare facilities and patients. The balance of AMR's net revenue is derived from direct billings to communities and government agencies, including FEMA, for the provision of training, dispatch center and other services. AMR's key measures for transport net revenue include:

· Transports. We utilize transport data, including the number and types of transports, to evaluate net revenue and as the basis by which we measure certain costs of the business. Excluded from our transport data are transports which are outsourced/ brokered through our managed transportation business. We segregate transports into two main categories—ambulance transports (including emergency, as well as non-emergency, critical care and other inter-facility transports) and wheelchair transports—due to the differences in reimbursement and the associated costs of providing ambulance and wheelchair transports. As a result of these differences, in certain analyses we weight our transport numbers according to category in an effort to better measure net revenue and costs. In calculating "weighted transports”, each wheelchair transport is not counted as a full transport, as we apply a discount factor to reflect differences in reimbursement rates for and associated costs of providing such services.

- Net revenue per transport. Net revenue per transport reflects the expected net revenue for each transport based on gross billings less provisions for contractual discounts and estimated uncompensated care. In order to better understand the trends across service lines and in our transport rates, we analyze our net revenue per transport based on weighted transports to reflect the differences in our transportation mix.

The change from period to period in the number of transports and net revenue per transport is influenced by changes in transports in existing markets from both new and existing facilities we serve for non-emergency transports, and the effects of general community conditions for emergency transports. The general community conditions may include (i) the timing, location and severity of influenza, allergens and other annually recurring viruses, (ii) severe weather that affects a region’s health status and/or infrastructure and (iii) community-specific demographic changes.

Table of Contents

The costs we incur in our AMR business segment consist primarily of compensation and benefits for ambulance crews and support personnel, direct and indirect operating costs to provide transportation services, and costs related to accident and insurance claims. AMR's key cost measures include:

- Unit hours and cost per unit hour. Our measurement of a unit hour is based on a fully staffed ambulance or wheelchair van for one operating hour. We use unit hours and cost per unit hour to measure compensation-related costs and the efficiency of our deployed resources. We monitor unit hours and cost per unit hour on a combined basis, as well as on a segregated basis between ambulance and wheelchair transports.

- Operating costs per transport. Operating costs per transport is comprised of certain direct operating costs, including vehicle operating costs, medical supplies and other transport-related costs, but excluding compensation-related costs. Monitoring operating costs per transport allows us to better evaluate cost trends and operating practices of our regional and local management teams.

- Accident and insurance claims. We monitor the number and magnitude of all accident and insurance claims in order to measure the effectiveness of our risk management programs. Depending on the type of claim (workers compensation, auto, general or professional liability), we monitor our performance by utilizing various bases of measurement, such as net revenue, miles driven, number of vehicles operated, compensation dollars, and number of transports.

We have focused our risk mitigation efforts on employee training for proper patient handling techniques, development of clinical and medical equipment protocols, driving safety, implementation of equipment to reduce lifting injuries and other risk mitigation processes.

AMR's business requires various investments in long-term assets and depreciation expense relates primarily to charges for usage of these assets, including vehicles, computer hardware and software, medical equipment, and other technologies. Amortization expense relates primarily to intangibles recorded for customer relationships.

Factors Affecting Operating Results

Rate Changes by Government Sponsored Programs

In February 2002, Centers for Medicare & Medicaid Services ("CMS") issued the Medicare Ambulance Fee Schedule Final Rule ("Ambulance Fee Schedule") that revised Medicare policy on the coverage of ambulance transport services, effective April 1, 2002. The Ambulance Fee Schedule was the result of a mandate under the Balanced Budget Act of 1997 (the "BBA") to establish a national fee schedule for payment of ambulance transport services that would control increases in expenditures under Part B of the Medicare program, establish definitions for ambulance transport services that link payments to the type of services furnished, consider appropriate regional and operational differences and consider adjustments to account for inflation, among other provisions. The Ambulance Fee Schedule provided for a five-year phase-in of a national fee schedule, beginning April 1, 2002. We estimate that the impact of the ambulance service rate decreases under the national fee schedule mandated under the BBA, as modified by the phase-in provisions of the Medicare Modernization Act, resulted in a decrease in AMR’s net revenue of approximately $18 million in 2010, an increase of less than $1 million in 2011, and an increase of $6 million in 2012. In 2013, we expected an increase of approximately $3 million from the provisions outlined above, but the sequestration cuts implemented on April 1, 2013 offset the increase resulting in a reduction of approximately $2 million for the full year 2013. While a reduced fee schedule was scheduled to go into effect in 2014, Congress extended updates preventing any reductions until April 1, 2015. On April 16, 2015, the Medicare Access and CHIP Reauthorization Act of 2015 (the “MACRA”) was enacted, which further extends any reductions to the Ambulance Fee Schedule through calendar year 2017.

Although we have been able to substantially mitigate the phased-in reductions of the BBA through additional fee and subsidy increases, we may not be able to continue to do so.

Prior to April 2015, Medicare law has required CMS to adjust the Physician Fee Schedule (“PFS”) payment rates annually based on a formula which included an application of the Sustainable Growth Rate (the “SGR”) that was adopted

Table of Contents

in the BBA. This formula yielded negative updates every year beginning in 2002, although CMS was able to take administrative steps to avoid a reduction in 2003 and Congress took a series of legislative actions to prevent reductions each year from 2004 through 2013. Legislative action by Congress in December 2013 resulted in a delay of the Physician Fee Schedule SGR cuts until April 1, 2014. In the first quarter of 2014, Congress passed a bill to avoid reductions in Medicare payments to physicians due to the Physician Fee Schedule SGR until April 1, 2015. The recent enactment of the MACRA replaces the SGR formula with a new payment model for calculating annual updates under the PFS. The MACRA payment model provides that PFS payments will remain at their current levels through June 30, 2015, will increase by 0.5% from July 1, 2015 through December 31, 2015, and will increase 0.5% annually from January 1, 2016 through 2019. Rates will remain at their 2019 level from 2020 through 2025, as Medicare transitions toward a payment model in which physicians are paid based on a merit-based incentive system, or based on their participation in alternative payment model programs.

The MACRA also extends the Ambulance Fee Schedule add-on payments through December 31, 2017.

On August 2, 2011, the Budget Control Act of 2011 (Public Law 112-25) (the “Budget Control Act”) was enacted. Under the Budget Control Act, a Joint Select Committee on Deficit Reduction (the “Joint Committee”) was established to develop recommendations to reduce the deficit, over 10 years, by $1.2 trillion to $1.5 trillion, and was required to report its recommendations to Congress by November 23, 2011. Under the Budget Control Act, Congress was then required to consider the Joint Committee’s recommendations by December 23, 2011. If the Joint Committee failed to refer agreed upon legislation to Congress or did not meet the required savings threshold set out in the Budget Control Act, a sequestration process would be put into effect, government-wide, to reduce Federal outlays by the proposed amount. Because the Joint Committee failed to report the requisite recommendations for deficit reduction, the sequestration process was set to automatically start, impacting Medicare and certain other government programs beginning in January 2013. Congress passed the American Taxpayer Relief Act, signed into law on January 2, 2013, delaying the start of sequestration until March 1, 2013. In order to provide its contractors and providers sufficient lead time to implement the cuts in Medicare, CMS delayed implementation of Medicare cuts until April 1, 2013. As there has been no further Congressional action with respect to the sequestration, reimbursements were cut by 2% for Medicare providers, including physicians and ambulance providers, starting April 1, 2013, and cuts are scheduled annually through 2021. A subsequent round of budget sequestration cuts took effect in January 2014 further reducing Medicare provider reimbursements by another 2% for 2014. The Continuing Appropriations Resolution 2014 (Public Law 113-67), enacted December 26, 2013, extends the annual budget sequestration cuts to Medicare provider payments for an additional two years through 2023.

On November 1, 2012, CMS released the final regulation which implements Section 1202 of the Patient and Affordable Care Act. This section increases Medicaid payments for specified primary care services in both the fee for service and managed care settings to Medicare levels for certain primary care physicians in 2013 and 2014 (“Medicaid Parity”). This resulted in an increase to our net revenue of approximately $24.1 million for the nine months ended September 30, 2014. Federal funding for the enhanced Medicaid payments expired on December 31, 2014.

Changes in Net New Contracts

Our operating results are affected directly by the number of net new contracts we have in a period, reflecting the effects of both new contracts and contract expirations. We regularly bid for new contracts, frequently in a formal competitive bidding process that often requires written responses to a request for proposal (“RFP”), and, in any fiscal period, certain of our contracts will expire. We may elect not to seek extension or renewal of a contract if we determine that we cannot do so on favorable terms. With respect to expiring contracts we would like to renew, we may be required to seek renewal through an RFP, and we may not be successful in retaining any such contracts, or retaining them on terms that are as favorable as present terms.

Inflation and Fuel Costs

Certain of our expenses, such as wages and benefits, insurance, fuel and equipment repair and maintenance costs, are subject to normal inflationary pressures. Fuel expense represented 9.6% and 8.9% of AMR’s operating expenses for the three and nine months ended September 30, 2015, respectively, as compared to 13.3% and 12.8% for the

Table of Contents

corresponding periods in 2014, respectively. Although we have generally been able to offset inflationary cost increases through increased operating efficiencies and successful negotiation of fees and subsidies, we can provide no assurance that we will be able to offset any future inflationary cost increases through similar efficiencies and fee changes.

Critical Accounting Policies

For a discussion of accounting policies that we consider critical to our business operations and the understanding of our results of operations that affect the more significant judgments and estimates used in the preparation of our unaudited consolidated financial statements, please refer to “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies” contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 (the “2014 Form 10-K”). As of September 30, 2015, there were no significant changes in our critical accounting policies or estimation procedures.

Results of Operations

Three and Nine Months ended September 30, 2015 Compared to the Three and Nine Months ended September 30, 2014

The following tables present a comparison of financial data from our unaudited consolidated statements of operations for the three and nine months ended September 30, 2015 and 2014 for the Company and our two reportable operating segments.

Non-GAAP Measures

Adjusted EBITDA is defined as net income (loss) before equity in earnings of unconsolidated subsidiary, income tax benefit (expense), loss on early debt extinguishment, other income (expense), net, realized gains (losses) on investments, interest expense, net, equity-based compensation expense, transaction costs related to acquisition activity, related party management fees, restructuring and other charges, severance and related costs, adjustment to net (income) loss attributable to noncontrolling interest due to deferred taxes, and depreciation and amortization expense. Adjusted EBITDA is commonly used by management and investors as a performance measure. Adjusted EBITDA is not considered a measure of financial performance under GAAP and the items excluded from Adjusted EBITDA are significant components in understanding and assessing our financial performance. Adjusted EBITDA should not be considered in isolation or as an alternative to such GAAP measures as net income, cash flows provided by or used in operating, investing or financing activities or other financial statement data presented in our financial statements as an indicator of financial performance. Since Adjusted EBITDA is not a measure determined in accordance with GAAP and is susceptible to varying calculations, Adjusted EBITDA, as presented, may not be comparable to other similarly titled measures of other companies.

During the fourth quarter of 2014, the Company included within the definition of Adjusted EBITDA transaction costs related to acquisition activity. Adjusted EBITDA for the three and nine months ended September 30, 2014 has been presented to conform to the current period presentation.

Table of Contents

The following tables set forth a reconciliation of Adjusted EBITDA to net income (loss):

Consolidated Results of Operations and as a Percentage of Net Revenue

(dollars in thousands, unaudited)

	Three Months Ended September 30,				
	2015	% of net revenue	2014	% of net revenue	
Net revenue	$ 1,367,370	100.0 %	$ 1,150,329	100.0 %
Compensation and benefits	997,213	72.9	819,353	71.2
Operating expenses	165,099	12.1	129,535	11.2
Insurance expense	41,091	3.0	27,527	2.4
Selling, general and administrative expenses	29,463	2.2	22,851	2.0
Equity-based compensation expense	(1,761)	(0.1)	(1,062)	(0.1)
Transaction costs	(6,535)	(0.5)	(1,495)	(0.1)
Severance and related costs	(863)	(0.1)	—	—
Interest income from restricted assets	(149)	(0.0)	(175)	(0.0)
Net income (loss) attributable to noncontrolling interest	1,334	0.1	67	0.0
Adjusted EBITDA	142,478	10.4	153,728	13.4
Equity-based compensation expense	(1,761)	(0.1)	(1,062)	(0.1)
Transaction costs	(6,535)	(0.5)	(1,495)	(0.1)
Severance and related costs	(863)	(0.1)	—	—
Depreciation and amortization expense	(44,547)	(3.2)	(36,796)	(3.2)
Restructuring and other charges	(30,000)	(2.2)	(366)	(0.0)
Interest expense, net	(27,579)	(2.0)	(25,742)	(2.3)
Realized gains (losses) on investments	—	—	(466)	(0.0)
Other income (expense), net	(221)	(0.0)	(660)	(0.1)
Income tax benefit (expense)	(13,795)	(1.0)	(34,437)	(3.0)
Equity in earnings of unconsolidated subsidiary	59	0.0	72	0.0
Net income (loss) attributable to noncontrolling interest	1,334	0.1	67	0.0
Net income (loss)	$ 18,570	1.4 %	$ 52,843	4.6 %

Table of Contents

Consolidated Results of Operations and as a Percentage of Net Revenue

(dollars in thousands, unaudited)

	Nine Months Ended September 30,					
	2015	% of net revenue		2014	% of net revenue	
Net revenue	$ 3,966,130	100.0	%	$ 3,239,867	100.0	%
Compensation and benefits	2,874,328	72.5		2,330,021	71.9	
Operating expenses	472,954	11.9		364,885	11.3	
Insurance expense	114,783	2.9		90,091	2.8	
Selling, general and administrative expenses	87,161	2.2		65,820	2.0	
Equity-based compensation expense	(4,786)	(0.1)		(3,612)	(0.1)	
Transaction costs	(11,708)	(0.3)		(3,233)	(0.1)	
Severance and related costs	(3,426)	(0.1)		—	—	
Interest income from restricted assets	(442)	(0.0)		(507)	(0.0)	
Net income (loss) attributable to noncontrolling interest	3,161	0.1		(3,233)	(0.1)	
Adjusted EBITDA	434,105	10.9		399,635	12.3	
Equity-based compensation expense	(4,786)	(0.1)		(3,612)	(0.1)	
Transaction costs	(11,708)	(0.3)		(3,233)	(0.1)	
Severance and related costs	(3,426)	(0.1)		—	—	
Depreciation and amortization expense	(129,364)	(3.3)		(108,786)	(3.4)	
Restructuring and other charges	(30,000)	(0.8)		(4,906)	(0.2)	
Interest expense, net	(82,360)	(2.1)		(84,793)	(2.6)	
Realized gains (losses) on investments	(34)	(0.0)		648	0.0	
Other income (expense), net	(593)	(0.0)		(3,432)	(0.1)	
Loss on early debt extinguishment	—	—		(66,397)	(2.0)	
Income tax benefit (expense)	(69,009)	(1.7)		(49,700)	(1.5)	
Equity in earnings of unconsolidated subsidiary	202	0.0		185	0.0	
Net income (loss) attributable to noncontrolling interest	3,161	0.1		(3,233)	(0.1)	
Net income (loss)	$ 106,188	2.6	%	$ 72,376	2.2	%

Segment Results of Operations and as a Percentage of Net Revenue

(in thousands, unaudited)

EmCare

	Three Months Ended September 30,							
	2015		% of net revenue		2014		% of net revenue	
Net revenue	$	933,941	100.0	%	$	748,080	100.0	%
Compensation and benefits		758,379	81.2			589,458	78.8	
Operating expenses		46,417	5.0			30,786	4.1	
Insurance expense		28,511	3.1			16,750	2.2	
Selling, general and administrative expenses		17,032	1.8			11,835	1.6	
Interest income from restricted assets		(38)	(0.0)			(64)	(0.0)	
Equity-based compensation expense		(793)	(0.1)			(478)	(0.0)	
Transaction costs		(2,820)	(0.3)			(1,163)	(0.2)	
Severance and related costs		(448)	(0.0)			—	—	
Net income (loss) attributable to noncontrolling interest		1,334	0.1			67	0.0	
Adjusted EBITDA		86,367	9.2			100,889	13.5	%
Depreciation and amortization expense		(24,744)	(2.6)			(18,030)	(2.4)	
Restructuring and other charges		(30,000)	(3.2)			25	0.0	
Interest income from restricted assets		(38)	(0.0)			(64)	(0.0)	
Equity-based compensation expense		(793)	(0.1)			(478)	(0.0)	
Transaction costs		(2,820)	(0.3)			(1,163)	(0.2)	
Severance and related costs		(448)	(0.0)			—	—	
Net income (loss) attributable to noncontrolling interest		1,334	0.1			67	0.0	
Income from operations	$	28,858	3.1	%	$	81,246	10.9	%

	Nine Months Ended September 30,							
	2015		% of net revenue		2014		% of net revenue	
Net revenue	$	2,688,117	100.0	%	$	2,082,661	100.0	%
Compensation and benefits		2,175,715	81.0			1,661,532	79.8	
Operating expenses		124,638	4.6			80,111	3.9	
Insurance expense		77,645	2.9			52,504	2.5	
Selling, general and administrative expenses		50,324	1.9			35,368	1.7	
Interest income from restricted assets		(109)	(0.0)			(174)	(0.0)	
Equity-based compensation expense		(2,154)	(0.1)			(1,626)	(0.1)	
Transaction costs		(7,288)	(0.3)			(2,701)	(0.1)	

Severance and related costs	(2,480)	(0.1)		—	—	
Net income (loss) attributable to noncontrolling interest	3,161	0.1		(3,233)	(0.2)	
Adjusted EBITDA	268,665	10.0		260,880	12.5	%
Depreciation and amortization expense	(70,831)	(2.6)		(50,949)	(2.4)	
Restructuring and other charges	(30,000)	(1.1)		(872)	(0.0)	
Interest income from restricted assets	(109)	(0.0)		(174)	(0.0)	
Equity-based compensation expense	(2,154)	(0.1)		(1,626)	(0.1)	
Transaction costs	(7,288)	(0.3)		(2,701)	(0.1)	
Severance and related costs	(2,480)	(0.1)		—	—	
Net income (loss) attributable to noncontrolling interest	3,161	0.1		(3,233)	(0.2)	
Income from operations	$ 158,964	5.9	%	$ 201,325	9.7	%

Table of Contents

Segment Results of Operations and as a Percentage of Net Revenue

(in thousands, unaudited)

AMR

	Three Months Ended September 30,					
	2015	% of net revenue		2014	% of net revenue	
Net revenue	$ 433,429	100.0	%	$ 402,249	100.0	%
Compensation and benefits	238,834	55.1		229,895	57.2	
Operating expenses	118,682	27.4		98,749	24.5	
Insurance expense	12,580	2.9		10,777	2.7	
Selling, general and administrative expenses	12,431	2.9		11,016	2.7	
Interest income from restricted assets	(111)	(0.0)		(111)	(0.0)	
Equity-based compensation expense	(968)	(0.2)		(584)	(0.2)	
Transaction costs	(3,715)	(0.9)		(332)	(0.1)	
Severance and related costs	(415)	(0.1)		—	—	
Adjusted EBITDA	56,111	12.9		52,839	13.2	
Depreciation and amortization expense	(19,803)	(4.5)		(18,766)	(4.7)	
Restructuring and other charges	—	—		(391)	(0.1)	
Interest income from restricted assets	(111)	(0.0)		(111)	(0.0)	
Equity-based compensation expense	(968)	(0.2)		(584)	(0.2)	
Transaction costs	(3,715)	(0.9)		(332)	(0.1)	
Severance and related costs	(415)	(0.1)		—	—	
Income from operations	$ 31,099	7.2	%	$ 32,655	8.1	%

	Nine Months Ended September 30,					
	2015	% of net revenue		2014	% of net revenue	
Net revenue	$ 1,278,013	100.0	%	$ 1,157,206	100.0	%
Compensation and benefits	698,613	54.7		668,489	57.8	
Operating expenses	348,316	27.3		284,774	24.6	
Insurance expense	37,138	2.9		37,587	3.3	
Selling, general and administrative expenses	36,837	2.9		30,452	2.6	
Interest income from restricted assets	(333)	(0.0)		(333)	(0.0)	
Equity-based compensation expense	(2,632)	(0.2)		(1,986)	(0.2)	
Transaction costs	(4,420)	(0.3)		(532)	(0.0)	
Severance and related costs	(946)	(0.1)		—	—	
Adjusted EBITDA	165,440	12.8		138,755	11.9	

Depreciation and amortization expense	(58,533)	(4.6)		(57,837)	(5.0)	
Restructuring and other charges	—	—		(4,034)	(0.3)	
Interest income from restricted assets	(333)	(0.0)		(333)	(0.0)	
Equity-based compensation expense	(2,632)	(0.2)		(1,986)	(0.2)	
Transaction costs	(4,420)	(0.3)		(532)	(0.0)	
Severance and related costs	(946)	(0.0)		—	—	
Income from operations	$ 98,576	7.7	%	$ 74,033	6.4	%

Table of Contents

Three months ended September 30, 2015 compared to the Three months ended September 30, 2014

Consolidated

Our results for the three months ended September 30, 2015 reflect an increase in net revenue of $217.0 million and a decrease in net income of $34.3 million compared to the three months ended September 30, 2014. The decrease in net income was attributable primarily to a $30.0 million reserve recorded for several previously disclosed lawsuits related to EmCare's contracts for physician services at hospitals affiliated with Health Management Associates, Inc. ("HMA Lawsuits").

Net revenue. For the three months ended September 30, 2015, we generated net revenue of $1,367.4 million compared to $1,150.3 million for the three months ended September 30, 2014, representing an increase of 18.9%. The increase was attributable primarily to increases in rates and volumes on existing contracts combined with increased volume from net new contracts and acquisitions, partially offset by the impact of markets exited.

Adjusted EBITDA. For the three months ended September 30, 2015, Adjusted EBITDA was $142.5 million, or 10.4% of net revenue, compared to $153.7 million, or 13.4% of net revenue, for the three months ended September 30, 2014. The decrease in Adjusted EBITDA as a percentage of net revenue was primarily attributable to increased provider compensation, loss of Medicaid Parity, increased insurance reserves, and certain underperforming contracts at EmCare.

Restructuring and other charges. For the three months ended September 30, 2015, restructuring and other charges were $30.0 million compared to $0.4 million for the three months ended September 30, 2014. The increase was attributable to a $30.0 million reserve recorded for the HMA Lawsuits.

Interest expense, net. For the three months ended September 30, 2015, interest expense was $27.6 million compared to $25.7 million for the three months ended September 30, 2014. The increase in interest expense was primarily attributable to additional borrowings on our ABL Facility made in 2015.

Other income (expense), net. For the three months ended September 30, 2015, other (income) expense, net was $0.2 million of expense compared to $0.7 million of expense for the three months ended September 30, 2014.

Income tax benefit (expense). For the three months ended September 30, 2015, income tax expense was $13.8 million compared to income tax expense of $34.4 million for the three months ended September 30, 2014. Our effective tax rate was 42.7% and 39.5% for the three months ended September 30, 2015 and 2014, respectively. Our effective tax rate for the three months ended September 30, 2015 was impacted by the reserve recorded for the HMA Lawsuits, which was not fully deductible for tax purposes.

EmCare

Net revenue. For the three months ended September 30, 2015, EmCare generated net revenue of $933.9 million compared to $748.1 million for the three months ended September 30, 2014, representing an increase of $185.8 million, or 24.8%. The increase was due to an increase in acquisition growth, an increase in patient encounters from net new hospital contracts and net revenue increases in existing contracts.

Net new contracts since September 30, 2014 accounted for a net revenue increase of $51.4 million for the three months ended September 30, 2015, of which $14.2 million came from net new contracts added in 2014, with the remaining increase in net revenue from those added in 2015.

Net revenue under our same store contracts (contracts in existence for the entirety of both periods) increased $14.0 million, or 2.1%, for the three months ended September 30, 2015. The change was due to a 2.6% increase in same store weighted patient encounters, offset by a 0.5% decrease in revenue per weighted patient primarily due to the loss of $9.5 million in Medicaid Parity and lower collection rates from certain anesthesia contracts. Revenue from recent acquisitions was $120.5 million during the three months ended September 30, 2015.

Table of Contents

Compensation and benefits. For the three months ended September 30, 2015, compensation and benefits costs were $758.4 million, or 81.2% of net revenue, compared to $589.5 million, or 78.8% of net revenue, for the three months ended September 30, 2014. Provider compensation costs increased $109.5 million from net new contract additions and acquisitions and $23.3 million from same store contracts. Our compensation and benefits costs as a percentage of net revenue increased 2.4% for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014 based on anticipated volumes and hospital expectations. Non-provider compensation and total benefits costs increased by $36.1 million for the three months ended September 30, 2015 compared to the three months ended September 30, 2014 due primarily to acquisition growth.

Operating expenses. For the three months ended September 30, 2015, operating expenses were $46.4 million, or 5.0% of net revenue, compared to $30.8 million, or 4.1% of net revenue, for the three months ended September 30, 2014 due primarily to costs from recent acquisitions and net new contracts.

Insurance expense. For the three months ended September 30, 2015, professional liability insurance expense was $28.5 million, or 3.1% of net revenue, compared to $16.8 million, or 2.2% of net revenue, for the three months ended September 30, 2014. We recorded an increase of prior year insurance provisions of $4.2 million during the three months ended September 30, 2015 compared to an increase of $0.6 million for the three months ended September 30, 2014.

Selling, general and administrative. For the three months ended September 30, 2015, selling, general, and administrative expense was $17.0 million, or 1.8% of net revenue, compared to $11.8 million, or 1.6% of net revenue, for the three months ended September 30, 2014 due primarily to expense related to recent acquisitions and net new contracts..

Depreciation and amortization. For the three months ended September 30, 2015, depreciation and amortization expense was $24.7 million, or 2.6% of net revenue, compared to $18.0 million, or 2.4% of net revenue, for the three months ended September 30, 2014.

AMR

Net revenue. For the three months ended September 30, 2015, AMR generated net revenue of $433.4 million compared to $402.2 million for the three months ended September 30, 2014, representing an increase of $31.2 million, or 7.8%. The increase in net revenue was due primarily to an increase of 6.7%, or $26.9 million, in weighted transport volume and an increase of 1.1%, or $4.3 million, in net revenue per weighted transport. Weighted transports increased 53,300 from the same quarter last year. The change was due to an increase of 25,700 weighted transports from our entry into new markets and recent acquisitions and an increase of 3.7%, or 28,500 weighted transports, in existing markets, offset by a decrease of 900 weighted transports from exited markets.

Compensation and benefits. For the three months ended September 30, 2015, compensation and benefits costs were $238.8 million, or 55.1% of net revenue, compared to $229.9 million, or 57.2% of net revenue, for the three months ended September 30, 2014. The increase in expense was primarily due to additional compensation and benefits costs from entering new markets and recent acquisitions. As a percentage of net revenue, the decrease primarily relates to managed transportation and the transition of the AMR billing function to a third-party service provider in which we do not directly employ the providers and therefore; such provider costs are included within operating expenses. Ambulance crew wages per ambulance unit hour increased by approximately 2.5%, or $3.5 million, and ambulance unit hours increased period over period by 5.5%, or $7.3 million. Non-crew compensation decreased $6.1 million for the three months ended September 30, 2015 compared to the three months ended September 30, 2014 primarily due to decreased costs associated with the transition of the AMR billing function to a third-party service provider. Total benefits related costs increased $2.4 million for the three months ended September 30, 2015, compared to the three months ended September 30, 2014. Other compensation costs increased $1.8 million for the three months ended September 30, 2015 compared to the three months ended September 30, 2014.

Operating expenses. For the three months ended September 30, 2015, operating expenses were $118.7 million, or 27.4% of net revenue, compared to $98.7 million, or 24.5% of net revenue, for the three months ended September 30, 2014. The change was due primarily to increased costs of $8.6 million related to external provider fees for our AMR billing function, increased costs of $7.1 million associated with entering new markets and recent acquisitions, increased costs of $2.3 million associated with our existing managed transportation business and increased other miscellaneous net operating costs of $3.9 million, partially offset by decreased fuel costs of $1.9 million.

Insurance expense. For the three months ended September 30, 2015, insurance expense was $12.6 million, or 2.9% of net revenue, compared to $10.8 million, or 2.7% of net revenue, for the three months ended September 30, 2014. We recorded an increase of prior year insurance provisions of $0.9 million during the three months ended September 30, 2015 compared to a decrease of $1.3 million during the three months ended September 30, 2014.

Selling, general and administrative. For the three months ended September 30, 2015, selling, general, and administrative expense was $12.4 million, or 2.9% of net revenue, compared to $11.0 million, or 2.7% of net revenue, for the three months ended September 30, 2014.

Depreciation and amortization. For the three months ended September 30, 2015, depreciation and amortization expense was $19.8 million, or 4.5% of net revenue, compared to $18.8 million, or 4.7% of net revenue, for the three months ended September 30, 2014.

Nine months ended September 30, 2015 compared to the Nine months ended September 30, 2014

Consolidated

Our results for the nine months ended September 30, 2015 reflect an increase in net revenue of $726.3 million and an increase in net income of $33.8 million compared to the nine months ended September 30, 2014. The increase in net income was attributable primarily to the loss on early debt extinguishment of the 2019 Notes in June of 2014 and operational growth, partially offset by the $30.0 million reserve recorded for the HMA Lawsuits in 2015.

Net revenue. For the nine months ended September 30, 2015, we generated net revenue of $3,966.1 million compared to $3,239.9 million for the nine months ended September 30, 2014, representing an increase of 22.4%. The increase was attributable primarily to increases in rates and volumes on existing contracts combined with increased volume from net new contracts and acquisitions, partially offset by the impact of markets exited.

Adjusted EBITDA. For the nine months ended September 30, 2015, Adjusted EBITDA was $434.1 million, or 10.9% of net revenue, compared to $399.6 million, or 12.3% of net revenue, for the nine months ended September 30, 2014.

The decrease in Adjusted EBITDA as a percentage of net revenue was primarily attributable to increased provider compensation, loss of Medicaid Parity, increased insurance reserves, and certain underperforming contracts at EmCare.

Restructuring and other charges. For the nine months ended September 30, 2015, restructuring and other charges were $30.0 million compared to $4.9 million for the nine months ended September 30, 2014. The increase was attributable to a $30.0 million reserve recorded for the HMA Lawsuits.

Interest expense, net. For the nine months ended September 30, 2015, interest expense was $82.4 million compared to $84.8 million for the nine months ended September 30, 2014. The decrease was due to the redemption of the 2019 Notes on June 18, 2014, partially offset by increased interest on the ABL Facility for the nine months ended September 30, 2015.

Other income (expense), net. For the nine months ended September 30, 2015, other (income) expense, net was $0.6 million of expense compared to $3.4 million of expense for the nine months ended September 30, 2014.

Income tax benefit (expense). For the nine months ended September 30, 2015, income tax expense was $69.0 million compared to income tax expense of $49.7 million for the nine months ended September 30, 2014. Our effective tax rate was 39.4% and 40.8% for the nine months ended September 30, 2015 and 2014, respectively.

Table of Contents

EmCare

Net revenue. For the nine months ended September 30, 2015, EmCare generated net revenue of $2,688.1 million compared to $2,082.7 million for the nine months ended September 30, 2014, representing an increase of $605.5 million, or 29.1%. The increase was due to an increase in acquisition growth, an increase in patient encounters from net new hospital contracts and net revenue increases from existing contracts.

Net new contracts since September 30, 2014 accounted for a net revenue increase of $189.9 million for the nine months ended September 30, 2015, of which $82.2 million came from net new contracts added in 2014, with the remaining increase in net revenue from those added in 2015.

Net revenue under our same store contracts (contracts in existence for the entirety of both periods) increased $74.2 million, or 4.2%, for the nine months ended September 30, 2015. The change was due to a 4.3% increase in same store weighted patient encounters offset by a 0.1% decrease in revenue per weighted patient primarily due to the loss of $24.1 million in Medicaid Parity and lower collection rates from certain anesthesia contracts. Revenue from recent acquisitions was $341.4 million during the nine months ended September 30, 2015.

Compensation and benefits. For the nine months ended September 30, 2015, compensation and benefits costs were $2,175.7 million, or 81.0% of net revenue, compared to $1,661.5 million, or 79.8% of net revenue, for the nine months ended September 30, 2014. Provider compensation costs increased $348.1 million from net new contract additions and acquisitions and $74.6 million from same store contracts. Non-provider compensation and total benefits costs increased by $91.5 million for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 due primarily to costs from acquisition growth.

Operating expenses. For the nine months ended September 30, 2015, operating expenses were $124.6 million, or 4.6% of net revenue, compared to $80.1 million, or 3.9% of net revenue, for the nine months ended September 30, 2014 due primarily to costs from recent acquisitions.

Insurance expense. For the nine months ended September 30, 2015, professional liability insurance expense was $77.6 million, or 2.9% of net revenue, compared to $52.5 million, or 2.5% of net revenue, for the nine months ended September 30, 2014. We recorded an increase of prior year insurance provisions of $7.1 million during the nine months ended September 30, 2015 compared to an increase of $3.5 million for the nine months ended September 30, 2014.

Selling, general and administrative. For the nine months ended September 30, 2015, selling, general, and administrative expense was $50.3 million, or 1.9% of net revenue, compared to $35.4 million, or 1.7% of net revenue, for the nine months ended September 30, 2014.

Depreciation and amortization. For the nine months ended September 30, 2015, depreciation and amortization expense was $70.8 million, or 2.6% of net revenue, compared to $50.9 million, or 2.4% of net revenue, for the nine months ended September 30, 2014.

AMR

Net revenue. For the nine months ended September 30, 2015, AMR generated net revenue of $1,278.0 million compared to $1,157.2 million for the nine months ended September 30, 2014, representing an increase of $120.8 million, or 10.4%. The increase in net revenue was due primarily to an increase of 7.9%, or $91.9 million, in weighted transport volume and an increase of 2.5%, or $28.9 million, in net revenue per weighted transport. Weighted transports increased 184,100 from the same period last year. The change was due to an increase of 56,300 weighted transports from our entry into new markets and recent acquisitions and an increase of 5.8%, or 130,800 weighted transports, in existing markets, offset by a decrease of 3,000 weighted transports from exited markets.

Compensation and benefits. For the nine months ended September 30, 2015, compensation and benefits costs were $698.6 million, or 54.7% of net revenue, compared to $668.5 million, or 57.8% of net revenue, for the nine months ended September 30, 2014. The increase in expense was primarily due to additional compensation and benefits costs from entering new markets and recent acquisitions. As a percentage of net revenue, the decrease primarily relates to managed transportation and the transition of the AMR billing function to a third-party service provider in which we do not directly employ the providers and therefore; such provider costs are included within operating expenses. Ambulance crew wages per ambulance unit hour increased by approximately 2.1%, or $8.4 million, and ambulance unit hours increased period over period by 6.4%, or $24.5 million. Non-crew compensation decreased $11.0 million for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 primarily due to decreased costs associated with the transition of the AMR billing function to a third-party service provider, offset by increased costs associated with the organic growth of our existing business. Total benefits related costs increased $5.4 million for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014. Other compensation costs increased $2.8 million for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014.

Operating expenses. For the nine months ended September 30, 2015, operating expenses were $348.3 million, or 27.3% of net revenue, compared to $284.8 million, or 24.6% of net revenue, for the nine months ended September 30, 2014. The change was due primarily to increased costs of $25.7 million primarily due to external provider fees for our AMR billing function, increased costs of $19.5 million associated with entering new markets and acquisitions, increased costs of $15.1 million associated with our existing managed transportation business, increased transaction costs of $3.5 million and increased other miscellaneous net operating costs of $5.4 million, partially offset by decreased fuel costs of $5.7 million.

Insurance expense. For the nine months ended September 30, 2015, insurance expense was $37.1 million, or 2.9% of net revenue, compared to $37.6 million, or 3.3% of net revenue, for the nine months ended September 30, 2014. We recorded an increase of prior year insurance provisions of $2.0 million during the nine months ended September 30, 2015 compared to an increase of $3.1 million during the nine months ended September 30, 2014.

Selling, general and administrative. For the nine months ended September 30, 2015, selling, general, and administrative expense was $36.8 million, or 2.9% of net revenue, compared to $30.5 million, or 2.6% of net revenue, for the nine months ended September 30, 2014.

Depreciation and amortization. For the nine months ended September 30, 2015, depreciation and amortization expense was $58.5 million, or 4.6% of net revenue, compared to $57.8 million, or 5.0% of net revenue, for the nine months ended September 30, 2014.

Liquidity and Capital Resources

Our primary source of liquidity is cash flows provided by the operating activities of our subsidiaries. The Company and its subsidiaries also have the ability to use the ABL Facility, described below, to supplement cash flows provided by our operating activities for strategic or operating reasons. Our liquidity needs are primarily to service long-term debt and to fund working capital requirements, to fund acquisitions, capital expenditures related to the acquisition of vehicles and medical equipment, technology-related assets and insurance-related deposits.

On October 21, 2015, the Company’s board of directors authorized a share repurchase program of up to $500 million of the Company’s common stock. Purchases under the share repurchase program may be made through open market purchases, privately negotiated transactions, or Rule 10b5-1 trading plans, subject to market conditions and other factors including compliance with the Company’s debt covenants. The Company may elect not to purchase the maximum amount of shares allowable under this program. The Company expects to fund its repurchase program from operating cash flows and new borrowings as needed. The timing of share repurchases depends upon marketplace conditions and other factors. The share repurchase authorization has no expiration.

Based on our current assumptions, we believe that our cash and cash equivalents, cash provided by our operating activities and amounts available under our ABL Facility will be adequate to meet the liquidity requirements of our business through at least the next 12 months. If our assumptions prove to be incorrect, if there are other factors that

Table of Contents

adversely affect our cash position or cash flows, or if we make substantial acquisitions in the future, we may need to seek additional funds through financing activities.

On May 25, 2011, Corporation entered into $1.8 billion of senior secured credit facilities ("Senior Secured Credit Facilities"), consisting of the $1.44 billion Term Loan Facility and the $350 million ABL Facility that was subsequently increased to $550 million, which are further described below and in Note 7 of the accompanying unaudited consolidated financial statements.

Term Loan Facility

On February 7, 2013, Corporation, the borrower under the Term Loan Facility, entered into the Term Loan Amendment to the Term Loan Credit Agreement. Under the Term Loan Amendment, the Company incurred an additional $150 million in incremental borrowings under the Term Loan Facility, the proceeds of which were used to pay down the ABL Facility. In addition, the rate at which the loans under the Term Loan Credit Agreement bear interest was amended to equal (i) the higher of (x) LIBOR and (y) 1.00%, plus, in each case, 3.00% (with a step-down to 2.75% in the event that we meet a consolidated first lien net leverage ratio of 2.50:1.00), or (ii) the alternate base rate, which will be the highest of (w) the corporate base rate established by the administrative agent from time to time, (x) 0.50% in excess of the overnight federal funds rate, (y) the one-month LIBOR (adjusted for maximum reserves) plus 1.00% and (z) 2.00%, plus, in each case, 2.00% (with a step-down to 1.75% in the event that the Company meets a consolidated first lien net leverage ratio of 2.50:1.00).

ABL Facility

On February 27, 2013, Corporation entered into the ABL Credit Agreement, under which the Company increased its commitments under the ABL Facility to $450 million and extended the term to 2018. In addition, the rate at which the loans under the ABL Credit Agreement bear interest was amended to equal (i) LIBOR plus, (x) 2.00% in the event that average daily excess availability is less than or equal to 33% of availability, (y) 1.75% in the event that average daily excess availability is greater than 33% but less than or equal to 66% of availability and (z) 1.50% in the event that average daily excess availability is greater than 66% of availability, or (ii) the alternate base rate, which will be the highest of (x) the corporate base rate established by the administrative agent from time to time, (y) 0.50% in excess of the overnight federal funds rate and (z) the one-month LIBOR (adjusted for maximum reserves) plus 1.00% plus, in each case, (A) 1.00% in the event that average daily excess availability is less than or equal to 33% of availability, (B) 0.75% in the event that average daily excess availability is greater than 33% but less than or equal to 66% of availability and (C) 0.50% in the event that average daily excess availability is greater than 66% of availability.

On February 5, 2015, Corporation entered into a Second Amendment to the ABL Credit Agreement, under which certain lenders under the ABL Facility increased the commitments available to Corporation to $550 million. The ABL Facility provides for up to $550 million of senior secured first priority borrowings, subject to a borrowing base of $550 million as of September 30, 2015. The ABL Facility is available to fund working capital and for general corporate purposes, including permitted acquisitions. As of September 30, 2015, we had available borrowing capacity of $205.9 million and $134.1 million of letters of credit issued under the ABL Facility.

While the ABL Facility generally does not contain financial maintenance covenants, a springing fixed charge coverage ratio of not less than 1.0 to 1.0 will be tested if our excess availability (as defined in the credit agreement governing the ABL Facility) falls below specified thresholds at any time. If we require additional financing to meet cyclical increases in working capital needs, to fund acquisitions or unanticipated capital expenditures, we may need to access the financial markets.

The credit agreements governing the ABL Facility and the Term Loan Facility contain significant covenants, including prohibitions on our ability to incur certain additional indebtedness and to make certain investments and to pay dividends.

Table of Contents

2022 Notes

On June 18, 2014, Corporation issued $750.0 million in aggregate principal amount of the 2022 Notes, the proceeds of which were used to redeem the then outstanding 2019 Notes and for general corporate purposes.

The indenture governing the 2022 Notes contains significant covenants, including prohibitions on our ability to incur certain additional indebtedness and to make certain investments and to pay dividends.

We may from time to time repurchase or otherwise retire or extend our debt and/or take other steps to reduce our debt or otherwise improve our financial position. These actions may include open market debt repurchases, negotiated repurchases, other retirements of outstanding debt, and/or opportunistic refinancing of debt. The amount of debt that may be repurchased or otherwise retired or refinanced, if any, will depend on market conditions, trading levels of our debt, our cash position, compliance with debt covenants and other considerations. Our affiliates may also purchase our debt from time to time, through open market purchases or other transactions. In such cases, our debt may not be retired, in which case we would continue to pay interest in accordance with the terms of the debt, and we would continue to reflect the debt as outstanding in our consolidated statements of financial position.

Other

On October 28, 2015 and in connection with the financing of the Rural/ Metro acquisition, Corporation entered into $635.0 million of incremental term loans under the Term Loan Facility at an interest rate of LIBOR plus 3.25% maturing 7 years from October 28, 2015, the closing date of the acquisition. The proceeds of the incremental term loans were used to fund the purchase price of Rural/ Metro and to pay certain fees, commissions and expenses. The incremental term loans were issued with 50 basis points of original issue discount and a 6 month soft call protection at 101% of the principal amount of the incremental term loans then outstanding.

Cash Flow

The table below summarizes cash flow information derived from our consolidated statements of cash flows for the periods indicated, amounts in thousands.

	Nine Months Ended September 30, 2015	2014
Net cash provided by (used in):		
Operating activities	$ 194,945	$ 194,004
Investing activities	(629,454)	(264,603)
Financing activities	245,504	113,057

Operating activities. Net cash provided by operating activities was $194.9 million for the nine months ended September 30, 2015 compared to net cash provided by operating activities of $194.0 million for the nine months ended September 30, 2014. Operating cash flows for the nine months ended September 30, 2014 includes a payment of $9.7 million in settlement of prior period insurance claims. Cash flow from operating activities for the nine months ended September 30, 2014 excluding this item was $203.7 million.

Accounts receivable increased $83.1 million and $92.5 million during the nine months ended September 30, 2015 and 2014, respectively. Days sales outstanding (“DSO”) increased one day during the nine months ended September 30, 2015 primarily due to delays from certain payors, which we believe to be temporary.

We regularly analyze DSO, which is calculated by dividing our net revenue for the quarter by the number of days in the quarter. The result is divided into net accounts receivable at the end of the period. DSO provides us with a gauge to measure receivables, revenue and collection activities.

Table of Contents

The following table outlines our DSO by segment and in total excluding the impact of acquisitions completed within the specific quarter:

	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
EmCare	79	76	80	78	77	79	82
AMR	70	67	68	70	66	62	62
Company	76	73	76	75	73	73	74

Investing activities. Net cash used in investing activities was $629.5 million for the nine months ended September 30, 2015 compared to $264.6 million for the nine months ended September 30, 2014. The increase was primarily related to the increase in cash outflow for acquisitions of $369.3 million.

Financing activities. Net cash provided by financing activities was $245.5 million for the nine months ended September 30, 2015 compared to cash provided by financing activities of $113.1 million for the nine months ended September 30, 2014. For the nine months ended September 30, 2015, we borrowed $365.0 million under our ABL Facility to fund recent acquisitions, offset by our partial repayment of $155.0 million.

For the nine months ended September 30, 2014, we received proceeds of $740.6 million from the issuance of the 2022 Notes offset by our payment of $645.3 million, which includes a $37.6 million premium, to redeem $617.5 million in aggregate principal amount of our 2019 Notes of which $9.8 million was held by our captive insurance subsidiary. Additionally, we paid $14.4 million of employee related taxes related to the exercise of stock options in connection with the secondary offering in February of 2014 offset by the excess tax benefit from these stock option exercises of $38.5 million.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary exposure to market risk consists of changes in fuel prices, changes in interest rates on certain of our borrowings, and changes in stock prices. While we have from time to time entered into transactions to mitigate our exposure to both changes in fuel prices and interest rates, we do not use these instruments for speculative or trading purposes.

We manage our exposure to changes in fuel prices and, as appropriate, use highly effective derivative instruments to manage well-defined risk exposures. As of September 30, 2015, we were party to a series of fuel hedge transactions with a major financial institution under one master agreement. Each of the transactions effectively fixes the cost of diesel fuel at prices ranging from $3.16 to $3.58 per gallon. We purchase the diesel fuel at the market rate and periodically settle with our counterparty for the difference between the national average price for the period published by the Department of Energy and the agreed upon fixed price. The transactions fix the price for a total of 3.1 million gallons during the periods hedged through December 2016.

On October 17, 2011, we entered into interest rate swap agreements which matured on August 31, 2015. The swap agreements were with major financial institutions and effectively converted a notional amount of $400 million in variable rate debt to fixed rate debt with an effective rate of 4.49%. We will continue to make interest payments based on the variable rate associated with the debt (based on LIBOR, but not less than 1.0%). There will be no further periodic settlements with our counterparties for the difference between the rate paid and the fixed rate.

As of September 30, 2015, we had $2,237.4 million of debt, excluding capital leases, of which $1,487.0 million was variable rate debt under our senior secured credit facilities and the balance was fixed rate debt. An increase or decrease in interest rates of 1.0%, above our LIBOR floor of 1.0%, will impact our interest costs by $18.3 million annually.

We are exposed to changes in stock prices primarily as a result of our holdings in publicly traded securities. We believe that changes in stock prices can be expected to vary as a result of general market conditions, specific industry changes, and other factors. As of September 30, 2015, the fair value of our available-for-sale securities was $24.3 million. Had the market price of such securities been 10% lower as of September 30, 2015, the aggregate fair value of such securities would have been $2.4 million lower.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains systems of disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)) that are designed to ensure that information required to be disclosed in the reports that they file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or furnishes under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, the Company’s management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As previously disclosed under “Item 9A-Controls and Procedures” in the Company’s 2014 Form 10-K, in connection with management’s assessment of the Company’s internal control over financial reporting as of December 31, 2014, management identified a material weakness in the Company’s internal control over estimates of unbilled revenue for patient encounters in its EmCare segment. Based on the evaluation of the Company’s management of the Company’s disclosure controls and procedures conducted as of the end of the period covered by this Report on Form 10-Q, the Company’s principal executive officer and principal financial officer have concluded that, as of the date of their evaluation, the Company’s disclosure controls and procedures (as defined in Rules 13e-15(e) promulgated under the Exchange Act) were not effective as of September 30, 2015 as a result of the previously identified material weakness, which continued to exist as of September 30, 2015.

Management’s Plan for Remediation of the Material Weakness in Internal Control over Financial Reporting

Management has made substantial progress to remediate the previously identified material weakness in internal control over financial reporting and continues to take actions implementing the following measures:

- enhancing and implementing policies setting forth specific requirements regarding additional review and approval procedures for manual accruals for unbilled revenues; and

- implementing additional review and analysis procedures of its manual unbilled revenue accruals process to ensure that the policies are being followed.

The previously identified material weakness will not be considered fully addressed until the enhanced internal controls over estimates of unbilled revenue for patient encounters have been in operation for a sufficient period of time for our management to conclude that the material weakness has been fully remediated. The Company will continue to work on implementing and testing the enhanced controls in order to make this final determination.

Changes in Internal Control Over Financial Reporting

Other than the remedial actions described above, there were no changes in our internal control over financial reporting that occurred during our fiscal quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding legal proceedings, please refer to Note 11 to the accompanying unaudited consolidated financial statements included herein and the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014; other than as set forth below.

Risks Related to Healthcare Regulation

Changes in the rates or methods of third-party reimbursements, including due to political discord in the budgeting process outside our control, may adversely affect our revenue and operations.

We derive a majority of our revenue from direct billings to patients and third- party payors such as Medicare, Medicaid and private health insurance companies. As a result, any changes in the rates or methods of reimbursement for the services we provide could have a significant adverse impact on our revenue and financial results. The Patient Protection and Affordable Care Act (“PPACA”) could ultimately result in substantial changes in Medicare and Medicaid coverage and reimbursement, as well as changes in coverage or amounts paid by private payors, which could have an adverse impact on our revenues from those sources.

In addition to changes from the PPACA, government funding for healthcare programs is subject to statutory and regulatory changes, administrative rulings, interpretations of policy and determinations by intermediaries and governmental funding restrictions, all of which could materially impact program coverage and reimbursements for both ambulance and physician services. In recent years, Congress has consistently attempted to curb spending on Medicare, Medicaid and other programs funded in whole or part by the federal government. For example, Congress has mandated that the Medicare Payment Advisory Commission, commonly known as “MedPAC”, provide it with a report making recommendations regarding certain aspects of the Medicare ambulance fee schedule. MedPAC issued a Report to the Congress on Medicare and the Health Care Delivery System in June 2013. In that report, MedPAC recommended reductions in payment for some types of ambulance services and increases in others. If Congress implements these recommendations it is possible that the resultant changes in the ambulance fee schedule will decrease payments by Medicare for our ambulance services. State and local governments have also attempted to curb spending on those programs for which they are wholly or partly responsible. This has resulted in cost containment measures such as the imposition of new fee schedules that have lowered reimbursement for some of our services and restricted the rate of increase for others, and new utilization controls that limit coverage of our services. For example, we estimate that the impact of the ambulance service rate decreases under the national fee schedule mandated under the Balanced Budget Act of 1997 (the “BBA”), as modified by the phase-in provisions of the Medicare Modernization Act, resulted in a decrease in AMR’s net revenue of approximately $18 million in 2010, an increase of less than $1 million in 2011, and an increase of $6 million in 2012. In 2013, we expected an increase of approximately $3 million from the provisions outlined above, but the sequestration cuts implemented on April 1, 2013 offset the increase resulting in a reduction of approximately $2 million for the full year 2013. In addition, state and local government regulations or administrative policies regulate ambulance rate structures in some jurisdictions in which we conduct transport services. We may be unable to receive ambulance service rate increases on a timely basis where rates are regulated, or to establish or maintain satisfactory rate structures where rates are not regulated.

Legislative provisions at the national level impact payments received by EmCare physicians under the Medicare program. Historically, physician services were reimbursed under the Physician Fee Schedule. Physician payments under the Physician Fee Schedule were updated on an annual basis according to a Sustainable Growth Rate (“SGR”). Because application of the statutory formula for the update factor would result in a decrease in total physician payments for the past several years, Congress has previously intervened with interim legislation to prevent the reductions under the SGR

Table of Contents

adjustment methodology. On April 16, 2015, the President signed into law the Medicare Access and CHIP Reauthorization Act of 2015. One of the primary provisions of the Medicare Access and CHIP Reauthorization Act of 2015 removed the SGR methodology from the determination of annual conversion factors in the formula for payment for physicians' services. It replaced the SGR system with a merit based incentive payment system and other alternative payment models. In light of its recent passage, the Medicare Access and CHIP Reauthorization Act of 2015 is still being analyzed and we cannot estimate the impact of this legislation on our future revenues.

On August 2, 2011, the Budget Control Act of 2011 (Public Law 112-25) (the "Budget Control Act") was enacted. Under the Budget Control Act, a Joint Select Committee on Deficit Reduction (the "Joint Committee") was established to develop recommendations to reduce the deficit, over 10 years, by $1.2 to $1.5 trillion, and was required to report its recommendations to Congress by November 23, 2011. Under the Budget Control Act, Congress was then required to consider the Joint Committee's recommendations by December 23, 2011. If the Joint Committee failed to refer agreed upon legislation to Congress or did not meet the required savings threshold set out in the Budget Control Act, a sequestration process would be put into effect, government-wide, to reduce federal outlays by the proposed amount. Because the Joint Committee failed to report the requisite recommendations for deficit reduction, the sequestration process was set to automatically start, impacting Medicare and certain other government programs beginning in January 2013. Congress passed the American Taxpayer Relief Act, signed into law on January 2, 2013, delaying the start of sequestration until March 1, 2013. In order to provide its contractors and providers sufficient lead time to implement the cuts in Medicare, Centers for Medicare & Medicaid Services delayed implementation of the cuts until April 1, 2013. As there has been no further Congressional action with respect to the sequestration, reimbursements were cut by 2% for Medicare providers, including physicians and ambulance providers, starting April 1, 2013, and cuts are scheduled annually through 2021. A subsequent round of budget sequestration cuts took effect in January 2014, further reducing Medicare provider reimbursements by another 2% for 2014. The Continuing Appropriations Resolution 2014 (Public Law 113-67), enacted December 26, 2013, extends the annual budget sequestration cuts to Medicare provider payments for an additional two years through 2023.

We believe that regulatory trends in cost containment will continue. We cannot assure you that we will be able to offset reduced operating margins through cost reductions, increased volume, the introduction of additional procedures or otherwise. In addition, we cannot assure you that federal, state and local governments will not impose reductions in the fee schedules or rate regulations applicable to our services in the future. Any such reductions could have a material adverse effect on our business, financial condition or results of operations.

The impact of recent healthcare reform legislation and other changes in the healthcare industry and in healthcare spending on us is currently unknown, but may adversely affect our business model, financial condition or results of operations.

Our revenue is from the healthcare industry and could be affected by changes in healthcare spending and policy. The healthcare industry is subject to changing political, regulatory and other influences. In March 2010, the President signed into law the PPACA, commonly referred to as "the healthcare reform legislation", which made major changes in how healthcare is delivered and reimbursed, and increased access to health insurance benefits to the uninsured and underinsured population of the United States. The PPACA, among other things, increases the number of individuals with Medicaid and private insurance coverage, implements reimbursement policies that tie payment to quality, facilitates the creation of accountable care organizations that may use capitation and other alternative payment methodologies, strengthens enforcement of fraud and abuse laws, and encourages the use of information technology. Many of these changes did not go into effect until 2014, and many require implementing regulations which have not yet been drafted or have been released only as proposed rules. For example, on May 12, 2014, the OIG issued a proposed rule that established new civil monetary penalties for certain fraud and abuse violations, including penalties of $10,000 per day for failing to repay overpayments within 60 days of discovery.

In addition, certain provisions of the PPACA authorize voluntary demonstration projects, which include the development of bundling payments for acute, inpatient hospital services, physician services, and post acute services for episodes of hospital care. The impact of these projects on us cannot be determined at this time.

Table of Contents

Furthermore, the PPACA may adversely affect payors by increasing their medical cost trends, which could have an effect on the industry and potentially impact our business and revenues as payors seek to offset these increases by reducing costs in other areas, although the extent of this impact is currently unknown.

Following challenges to the constitutionality of certain provisions of the PPACA by a number of states, on June 28, 2012, the U.S. Supreme Court upheld the constitutionality of the individual mandate provisions of the PPACA, but struck down the provisions that would have allowed HHS to penalize states that do not implement Medicaid expansion provisions through the loss of existing federal Medicaid funding. At least 29 states and the District of Columbia have implemented or are planning to implement the Medicaid expansion. It is uncertain whether the remaining states will implement the expansion at a later date, or whether any participating states will discontinue the expansion. While the PPACA will increase the likelihood that more people in the United States will have access to health insurance benefits, we cannot quantify or predict with any certainty the likely impact of the PPACA on our business model, financial condition or results of operations.

If we fail to comply with the terms of our settlement agreements with the government, or if we are unable to favorably resolve current regulatory investigations, we could be subject to additional litigation or other governmental actions, which could be harmful to our business.

In the last seven years, we have entered into two settlement agreements with the U.S. Government. In September 2006, AMR entered into a settlement agreement to resolve allegations that AMR subsidiaries provided discounts to healthcare facilities in Texas in periods prior to 2002 in violation of the federal Anti Kickback Statute. In May 2011, AMR entered into a settlement agreement with the U.S. Department of Justice (“DOJ”) and a Corporate Integrity Agreement (“CIA”) with the Office of the Inspector General of the Department of Health and Human Services (“OIG”) to resolve allegations that AMR subsidiaries submitted claims for reimbursement in periods dating back to 2000. The government believed such claims lacked support for the level billed in violation of the False Claims Act.

In connection with the September 2006 settlement for AMR, we entered into a CIA which required us to maintain a compliance program which included the training of employees and safeguards involving our contracting process nationwide (including tracking of contractual arrangements in Texas). The term of that CIA has expired, we have filed a final report with the OIG and this CIA was released in February 2012.

In December 2006, AMR received a subpoena from the DOJ. The subpoena requested copies of documents for the period from January 2000 through the present. The subpoena required us to produce a broad range of documents relating to the operations of certain AMR affiliates in New York. We produced documents responsive to the subpoena. The government identified claims for reimbursement that the government believes lack support for the level billed, and invited us to respond to the identified areas of concern. We reviewed the information provided by the government and provided our response. On May 20, 2011, AMR entered into a settlement agreement with the DOJ and a CIA with the OIG in connection with this matter. Under the terms of the settlement, AMR paid $2.7 million to the federal government. We entered into the settlement in order to avoid the uncertainties of litigation, and have not admitted any wrongdoing.

In connection with the May 2011 settlement for AMR, we entered into a CIA with the OIG which requires us to maintain a compliance program. This program includes, among other elements, the appointment of a compliance officer and committee, training of employees nationwide, safeguards for our billing operations as they relate to services provided in New York, including specific training for operations and billing personnel providing services in New York, review by an independent review organization and reporting of certain reportable events. On July 1 2013, we divested substantially all of the assets underlying AMR’s service in New York, although the specific CIA compliance program obligations remain in effect for ongoing AMR operations.

In July 2011, AMR received a subpoena from the Civil Division of the U.S. Attorney's Office for the Central District of California ("USAO") seeking certain documents concerning AMR's provision of ambulance services within the City of Riverside, California. The USAO indicated that it, together with the OIG, was investigating whether AMR violated the federal False Claims Act and/or the federal Anti Kickback Statute in connection with AMR's provision of ambulance transport services within the City of Riverside. The California Attorney General's Office conducted a parallel state investigation for possible violations of the California False Claims Act. In December 2012, we were notified that

Table of Contents

both investigations were concluded and that the agencies had closed the matter. There were no findings made against AMR, and the closure of the matter did not require any payments from AMR.

In September 2009, a qui tam action was filed against Rural/Metro in the U. S. District Court for the Northern District of Alabama. The complaint alleged that Rural/Metro had falsified Medicare required documents and billed Medicare and Medicaid improperly for ambulance services. The federal government intervened in the lawsuit on March 14, 2011 and on June 14, 2012, Rural/Metro entered into a settlement agreement with the DOJ and plaintiff, agreeing to pay $5.5 million to the federal government. In connection with this settlement, Rural/Metro entered into a CIA with the OIG (the "Rural/Metro CIA" and together with the CIA, the "CIAs"), which requires it to maintain a compliance program. This program includes, among other elements, the appointment of a compliance officer and committee, training of employees nationwide, safeguards for Rural/Metro's billing operations, review by an independent review organization and reporting of certain reportable events. The term of the Rural/Metro CIA is five years and is set to expire in June 2017. On October 28, 2015, the Company completed its acquisition of Rural/Metro and, therefore, is responsible for compliance with the terms of the Rural/Metro CIA.

We cannot assure you that the CIAs or the compliance program we have implemented have prevented, or will prevent, any repetition of the conduct or allegations that were the subject of these settlement agreements, or that the government will not raise similar allegations in other jurisdictions or for other periods of time. If such allegations are raised, or if we fail to comply with the terms of the CIAs, we may be subject to fines and other contractual and regulatory remedies specified in the CIAs or by applicable laws, including exclusion from the Medicare program and other federal and state healthcare programs. Such actions could have a material adverse effect on the conduct of our business, our financial condition or our results of operations.

On August 7, 2012, EmCare received a subpoena from the OIG requesting copies of documents for the period from January 1, 2007 through the present that appears to be primarily focused on EmCare's contracts for services at hospitals that are affiliated with Health Management Associates, Inc. ("HMA"). During the months of December 2013 and January 2014, several lawsuits filed by whistleblowers on behalf of the federal and certain state governments against HMA were unsealed; the Company is a named defendant in two of these lawsuits (the "HMA Lawsuits"). Although the federal government intervened in these lawsuits in connection with certain of the allegations against HMA, the federal government has not, at this time, intervened in these matters as they relate to the Company. The Company has been engaged in dialogue with the relevant federal government representatives in an effort to reach a resolution of this matter. As the Company and these government representatives have made significant progress towards resolution of these matters, the Company has recorded a reserve of $30.0 million for the three months ended September 30, 2015, based on management's estimates of probable exposure resulting from the HMA Lawsuits. The reserve has been included in restructuring and other charges in the Company's statements of operations for the three and nine months ended September 30, 2015. We are unable to predict the timing of final resolution of this matter, and there can be no assurance that this matter will not have a material adverse effect on the Company's financial position, results of operations or cash flow.

On December 10, 2012, an OIG subpoena was served on Mercy Hospital, Buffalo, New York, requesting documents related to interfacility specialty care transports provided by Rural/Metro's Buffalo division. Rural/Metro provided responsive documents. On April 14, 2014, the Rural/Metro received a second subpoena from the DOJ, Western District of New York, requesting additional information. In March 2015, the investigation was expanded to include Rural/Metro's Ohio and Kentucky markets. Rural/Metro is cooperating with the government and is in the process of providing additional responsive documents. The government has not made any specific claims or causes of actions related to the investigation. We are unable to determine the potential impact, if any, that will result from this investigation.

On January 8, 2015, the U.S. Attorney's Office for the District of Arizona issued a Civil Investigative Demand ("CID") for copies of documents pertaining to ambulance transports provided by Rural/Metro in its San Diego and Arizona markets. The CID does not provide any information regarding specific allegations or claims made by the government. Rural/Metro is cooperating with the government during its investigation and has provided responsive documents. We are unable to determine the potential impact, if any, that will result from this investigation.

Table of Contents

On March 27, 2015, OIG issued a Request for Information or Assistance to Rural/Metro relating to its Arvada, Colorado location. The request does not indicate any specific allegation against Rural/Metro. Rural/Metro is cooperating with the government during its investigation and has provided responsive documents. We are unable to determine the potential impact, if any, that will result from this investigation.

Risks Related to our Business

We have made and may continue to make acquisitions, such as the recently completed acquisition of Rural/ Metro, which could divert the attention of management and which may not be integrated successfully into our existing business.

We have pursued, and may continue to pursue, acquisitions to increase our market penetration, enter new geographic markets and expand the scope of services we provide. In 2014, we acquired four companies for total consideration of more than $207 million. In the first two months of 2015, we acquired three companies for total cash consideration of approximately $503 million. On October 28, 2015, we acquired Rural/Metro for total consideration of approximately $620 million. We have evaluated, and expect to continue to evaluate, possible acquisitions on an ongoing basis. We cannot assure you that we will identify suitable acquisition candidates, acquisitions will be completed on acceptable terms or at all, our due diligence process will uncover all potential liabilities or issues affecting our integration process, we will not incur break-up, termination or similar fees and expenses, or we will be able to integrate successfully the operations of any acquired business, such as Rural/Metro, into our existing business. Furthermore, acquisitions into new geographic markets and services may require us to comply with new and unfamiliar legal and regulatory requirements, which could impose substantial obligations on us and our management, cause us to expend additional time and resources, and increase our exposure to penalties or fines for non-compliance with such requirements. The acquisitions could be of significant size and involve operations in multiple jurisdictions. The acquisition and integration of another business could divert management attention from other business activities. This diversion, together with other difficulties we may incur in integrating an acquired business, could have a material adverse effect on our business, financial condition and results of operations. In addition, we may borrow money to finance acquisitions. Such borrowings might not be available on terms as favorable to us as our current borrowing terms and may increase our leverage.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

See the Exhibit Index immediately following the signature page of this Quarterly Report on Form 10-Q.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	ENVISION HEALTHCARE HOLDINGS, INC.
	(registrant)
November 3, 2015 Date	By: /s/ William A. Sanger William A. Sanger Chairman, President and Chief Executive Officer
	By: /s/ Randel G. Owen Randel G. Owen Chief Financial Officer, Chief Operating Officer and Executive Vice President

Table of Contents

EXHIBIT INDEX

2.1	Agreement and Plan of Merger, dated as of July 30, 2015, by and among AMR HoldCo, Inc., Ranch Merger Sub, Inc., WP Rocket Holdings, Inc. and Fortis Advisors LLC, solely in its capacity as initial holder representative (Incorporated by reference to Exhibit 2.1 to the Company's Form 8-K, dated July 30, 2015).
10.1	Debt Commitment Letter by and among Envision Healthcare Corporation and Barclays Bank PLC and Goldman Sachs Bank USA, dated July 30, 2015 (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K, dated July 30, 2015).
31.1*	Certification of the Chief Executive Officer of Envision Healthcare Holdings, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer of Envision Healthcare Holdings, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Chief Executive Officer and the Chief Financial Officer of Envision Healthcare Holdings, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, filed on November 3, 2015, formatted in eXtensible Business Reporting Language ("XBRL"): (1) Consolidated Balance Sheets, (2) Consolidated Statements of Operations and Comprehensive Income (Loss), (3) the Consolidated Statements of Cash Flows and (4) related notes to these financial statements.

*Filed with this Report