

Emergency Medical Services CORP
Form 10-Q
May 11, 2012
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**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 March 31, 2012

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:

001-32701

EMERGENCY MEDICAL SERVICES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-3738384

(IRS Employer
Identification Number)

**6200 S. Syracuse Way, Suite 200
Greenwood Village, CO**

(Address of principal executive offices)

80111

(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

Smaller reporting company

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(Do not check if a 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 o No x

The registrant is a privately held corporation, and its common stock is not publicly traded. Shares of common stock outstanding at May 9, 2012 1,000. All of our outstanding stock was held at such date by CDRT Acquisition Corporation, our sole stockholder.

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(unaudited; in thousands)

	Successor Quarter ended March 31, 2012	Predecessor Quarter ended March 31, 2011
Revenue, net of contractual discounts	\$ 1,407,790	\$ 1,279,120
Provision for uncompensated care	(601,496)	(518,285)
Net revenue	806,294	760,835
Compensation and benefits	565,865	537,077
Operating expenses	107,581	96,963
Insurance expense	24,890	26,539
Selling, general and administrative expenses	18,993	17,835
Depreciation and amortization expense	30,490	17,525
Restructuring charges	5,979	
Income from operations	52,496	64,896
Interest income from restricted assets	287	396
Interest expense	(43,452)	(4,817)
Realized gain (loss) on investments	298	(4)
Interest and other income (expense)	162	(1,746)
Income from operations before income taxes, equity in earnings of unconsolidated subsidiary and noncontrolling interest	9,791	58,725
Income tax expense	(4,238)	(22,652)
Income from operations before equity in earnings of unconsolidated subsidiary and noncontrolling interest	5,553	36,073
Equity in earnings of unconsolidated subsidiary	109	91
Net loss attributable to noncontrolling interest	130	
Net income attributable to Emergency Medical Services Corporation	5,792	36,164
Other comprehensive income, net of tax:		
Unrealized holding gains during the period	42	629
Unrealized (losses) gains on derivative financial instruments	(11)	984
Comprehensive income	\$ 5,823	\$ 37,777

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

Table of Contents**EMERGENCY MEDICAL SERVICES CORPORATION****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share data)

	March 31, 2012 (Unaudited)	December 31 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 229,361	\$ 134,023
Insurance collateral	26,387	40,835
Trade and other accounts receivable, net	561,069	525,722
Parts and supplies inventory	22,742	22,693
Prepays and other current assets	25,903	26,175
Current deferred tax assets	25,062	24,228
Total current assets	890,524	773,676
Non-current assets:		
Property, plant and equipment, net	190,653	191,946
Intangible assets, net	547,669	564,227
Insurance collateral	55,188	105,763
Goodwill	2,273,319	2,269,140
Other long-term assets	106,775	108,356
Total assets	\$ 4,064,128	\$ 4,013,108
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 58,270	\$ 50,512
Accrued liabilities	352,932	323,251
Current portion of long-term debt	15,138	14,590
Total current liabilities	426,340	388,353
Long-term debt	2,354,413	2,357,699
Long-term deferred tax liabilities	151,308	151,308
Insurance reserves and other long-term liabilities	209,127	202,258
Total liabilities	3,141,188	3,099,618
Equity:		
Common stock (\$0.01 par value; 1,000 shares authorized, issued and outstanding in 2012 and 2011)		
Additional paid-in capital	904,226	903,173
Retained earnings	18,811	13,019
Accumulated other comprehensive loss	(2,671)	(2,702)
Total Emergency Medical Services Corporation equity	920,366	913,490
Noncontrolling interest	2,574	
Total equity	922,940	913,490
Total liabilities and equity	\$ 4,064,128	\$ 4,013,108

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

Table of Contents**EMERGENCY MEDICAL SERVICES CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited; in thousands)

	Successor Quarter ended March 31, 2012	Predecessor Quarter ended March 31, 2011
Cash Flows from Operating Activities		
Net income	\$ 5,792	\$ 36,164
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	34,724	18,315
Loss on disposal of property, plant and equipment	4	39
Equity-based compensation expense	1,062	1,962
Excess tax benefits from equity-based compensation		(1,169)
Equity in earnings of unconsolidated subsidiary	(109)	(91)
Noncontrolling interest in earnings	(130)	
Dividends received	611	427
Deferred income taxes	100	345
Changes in operating assets/liabilities, net of acquisitions:		
Trade and other accounts receivable	(35,347)	(10,762)
Parts and supplies inventory	(49)	(81)
Prepays and other current assets	272	(4,741)
Accounts payable and accrued liabilities	46,049	29,087
Insurance accruals	(2,929)	2,504
Net cash provided by operating activities	50,050	71,999
Cash Flows from Investing Activities		
Purchases of property, plant and equipment	(12,710)	(15,306)
Proceeds from sale of property, plant and equipment	73	10
Acquisition of businesses, net of cash received	(1,000)	(32,720)
Net change in insurance collateral	54,527	12,406
Other investing activities	(2,805)	474
Net cash provided by (used in) investing activities	38,085	(35,136)
Cash Flows from Financing Activities		
EMSC issuance of class A common stock		551
Repayments of capital lease obligations and other debt	(3,649)	(1,966)
Debt issue costs	(95)	
Proceeds from noncontrolling interest	2,704	
Excess tax benefits from equity-based compensation		1,169
Class A common stock repurchased as treasury stock		(1,303)
Net change in bank overdrafts	8,243	12,097
Net cash used in financing activities	7,203	10,548
Change in cash and cash equivalents	95,338	47,411
Cash and cash equivalents, beginning of period	134,023	287,361
Cash and cash equivalents, end of period	\$ 229,361	\$ 334,772

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

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EMERGENCY MEDICAL SERVICES CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

1. General

Basis of Presentation of Financial Statements

The accompanying interim consolidated financial statements for Emergency Medical Services Corporation (EMSC or the Company) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim reporting, and accordingly, do not include all of the disclosures required for annual financial statements. For further information, see the Company s consolidated financial statements, including the accounting policies and notes thereto, included in the Company s Annual Report on Form 10-K for the year ended December 31, 2011.

On May 25, 2011, EMSC was acquired through a merger transaction (Merger) by investment funds (the CD&R Affiliates) sponsored by, or affiliated with, Clayton, Dubilier & Rice LLC (CD&R). As a result of the Merger, EMSC became a wholly-owned subsidiary of CDRT Acquisition Corporation and the Company s stock ceased to be traded on the New York Stock Exchange. Details of the Merger are more fully discussed in Note 2. The accompanying consolidated statements of operations and cash flows are presented for two periods: Successor (the three month period ended March 31, 2012) and Predecessor (the three month period ended March 31, 2011), which relate to the period succeeding the Merger and the period preceding the Merger, respectively. The Company applied purchase accounting to the opening balance sheet and results of operations on May 25, 2011. The Merger resulted in a new basis of accounting beginning on May 25, 2011 and the financial reporting periods are presented as follows:

- The three month period ended March 31, 2012 is presented on a Successor basis, reflecting the Merger of the Company and the affiliate of CD&R.

- The three month period ended March 31, 2011 is presented on a Predecessor basis. The consolidated financial statements for all Predecessor periods have been prepared using the historical basis of accounting for the Company. As a result of the Merger and the associated purchase accounting, the consolidated financial statements of the Successor are not comparable to periods preceding the Merger.

In the opinion of management, the consolidated financial statements 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, 2012.

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

2. Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements include all wholly-owned subsidiaries of EMSC, including EmCare and AMR and their respective subsidiaries. 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. Actual results may differ from those estimates under different assumptions or conditions.

Insurance

Insurance collateral is comprised principally of government and investment grade securities and cash deposits with third parties and supports the Company's insurance program and reserves. Certain of these investments, if sold or otherwise liquidated, would have to be replaced by other suitable financial assurances and are, therefore, considered restricted.

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Insurance collateral also includes a receivable from insurers of \$10.8 million as of December 31, 2011 for liabilities in excess of our self-insured retention. This receivable was reversed in the first quarter of 2012 upon settlement of the related liability.

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 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 \$2 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 (including legal costs) and changes in case reserves and the assumed rate of inflation in healthcare costs and property damage repairs.

The Company's most recent actuarial valuation was completed in March 2012. As a result of this and previous actuarial valuations, the Company recorded a decrease in its provisions for insurance liabilities of \$0.4 million during the Successor quarter ended March 31, 2012 compared to an increase of \$2.5 million during the Predecessor quarter ended March 31, 2011 related to reserves for losses in prior years.

The long-term portion of insurance reserves was \$188.1 million and \$186.0 million as of March 31, 2012 and December 31, 2011, respectively.

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 allowances for contractual discounts and uncompensated care are reviewed monthly. Account balances are charged off against the uncompensated care allowance, which relates principally to receivables recorded for self-pay patients, when it is probable the receivable will not be recovered. Write-offs to the contractual allowance occur when payment is received. The Company's accounts receivable and allowances are as follows:

	March 31, 2012	December 31, 2011
Gross trade accounts receivable	\$ 2,677,603	\$ 2,435,233
Allowance for contractual discounts	1,307,993	1,254,452
Allowance for uncompensated care	809,150	655,419
Net trade accounts receivable	560,460	525,362
Other receivables, net	609	360
Net accounts receivable	\$ 561,069	\$ 525,722

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Other receivables primarily represent EmCare hospital subsidies and fees, and AMR fees for stand-by and special events and subsidies from community organizations.

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. In addition, a look-back analysis is done, typically after 15 months, to compare actual cash collected on a date of service basis to the revenue recorded for that period. Any adjustment necessary for an overage or deficit in these allowances based on actual collections is recorded through a revenue adjustment in the current period.

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 on claim level, 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

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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 expense.

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. 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 debt expense, are related principally to the number of self-pay patients treated in the period and are based primarily on historical collection experience to reduce revenues net of contractual discounts to the estimated amounts the Company expects to collect.

Net revenue for the quarter ended March 31, 2012 and 2011 consisted of the following:

	Quarter ended March 31,	
	2012	2011
Fee-for-service revenue, net of contractals:		
Medicare	\$ 192,710	\$ 195,348
Medicaid	46,110	53,483
Commercial insurance and managed care	502,099	443,880
Self-pay	528,545	448,605
Sub-total	1,269,464	1,141,316
Subsidies and fees	138,326	137,804
Revenue, net of contractals	1,407,790	1,279,120
Provision for uncompensated care	(601,496)	(518,285)
Net revenue	\$ 806,294	\$ 760,835

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 were less than 1% of net revenue for the Successor and Predecessor periods.

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.

Merger

On February 13, 2011, the Company entered into an Agreement and Plan of Merger (Merger Agreement) with CDRT Acquisition Corporation, a Delaware corporation (Parent), and CDRT Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Parent (Sub). On May 25, 2011, pursuant to the Merger Agreement, Sub merged with and into the Company, with the Company as the surviving entity and a wholly-owned subsidiary of Parent (the Merger). The Company finalized its business combination accounting during the first quarter of 2012 with adjustments related to goodwill allocations between segments. For additional details, refer to Note 2 to the consolidated financial statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2011.

The allocation of goodwill by segment is as follows as of March 31, 2012 (in millions):

EmCare	\$	1,366
AMR		832
	\$	2,198

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During the three months ended March 31, 2011, the Company recorded \$2.0 million of pretax Merger related costs consisting primarily of legal fees, which are included in interest and other income (expense) on the accompanying statement of operations.

Unaudited Pro Forma Combined Consolidated Statements of Operations

The following Unaudited Pro Forma Combined Consolidated Statement of Operations reflects the consolidated results of operations of the Company as if the Merger had occurred on January 1, 2011. The historical financial information has been adjusted to give effect to events that are (1) directly attributed to the Merger, (2) factually supportable, and (3) with respect to the statement of operations, expected to have a continuing impact on the combined results. Such items include interest expense related to debt issued in conjunction with the Merger as well as additional amortization expense associated with the valuation of intangible assets. This unaudited pro forma information should not be relied upon as necessarily being indicative of the historical results that would have been obtained if the Merger had actually occurred on that date, nor of the results that may be obtained in the future. Balances for the quarter ended March 31, 2012 are not shown as there are no adjustments necessary in the Successor period.

Unaudited Pro Forma Combined Consolidated Statements of Operation

	Quarter ended March 31, 2011
Net revenue	\$ 760,835
Compensation and benefits	537,077
Operating expenses	96,963
Insurance expense	26,539
Selling, general and administrative expenses	18,650
Depreciation and amortization expense	29,193
Income from operations	52,413
Interest income from restricted assets	396
Interest expense	(42,873)
Realized loss on investments	(4)
Interest and other income	209
Income before income taxes and equity in earnings of unconsolidated subsidiary	10,141
Income tax expense	(4,390)
Income before equity in earnings of unconsolidated subsidiary	5,751
Equity in earnings of unconsolidated subsidiary	91
Net income	\$ 5,842

Fair Value Measurement

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The Company classifies its financial instruments that are reported at fair value based on a hierarchical 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.

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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 fixed income mortgage backed securities, corporate bonds, and derivatives.

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 made in prior periods.

The following table summarizes the valuation of EMSC's financial instruments by the above fair value hierarchy levels as of March 31, 2012 and December 31, 2011:

Description	March 31, 2012				December 31, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Securities	\$ 44,111	\$ 12,521	\$	\$ 56,632	\$ 96,875	\$ 12,579	\$	\$ 109,454
Fuel hedge	\$	\$ 646	\$	\$ 646	\$	\$ 245	\$	\$ 245
Liabilities:								
Contingent								
consideration	\$	\$	\$ 5,030	\$ 5,030	\$	\$	\$ 5,030	\$ 5,030
Interest rate swap	\$	\$ 2,791	\$	\$ 2,791	\$	\$ 2,373	\$	\$ 2,373

Recent Accounting Pronouncements

In July 2011, the FASB issued Accounting Standards Update No 2011-7, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* (ASU 2011-7) to give further transparency about a health care entity's net patient service revenue and the related allowance for doubtful accounts.

ASU 2011-7 requires the following:

- presentation of bad debt expense, which the Company classifies as uncompensated care, as contra-revenue on the statement of operations;
- the Company's policy for considering collectability in the timing of revenue and bad debt recognized;
- disclosure of the amount of revenue, net of contractual discounts by major payor source; and

- quantitative and qualitative information about changes in the bad debt allowance, including judgments and changes in estimates.

The Company adopted this new guidance effective January 1, 2012 by separating out its uncompensated care provision on the statement of operations and by providing additional disclosure to footnote 2 under *Revenue Recognition* for each of the quarters ended March 31, 2012 and 2011.

3. Accrued Liabilities

Accrued liabilities were as follows at March 31, 2012 and December 31, 2011:

	March 31, 2012	December 31, 2011
Accrued wages and benefits	\$ 118,968	\$ 110,761
Accrued paid time-off	27,966	26,210
Current portion of self-insurance reserves	46,102	61,865
Accrued restructuring	8,888	4,598
Current portion of compliance and legal	4,749	3,268
Accrued billing and collection fees	5,051	4,940
Accrued incentive compensation	23,442	18,591
Accrued interest	28,283	10,550
Accrued income taxes	5,805	2,036
Transaction related liabilities	40,405	38,782
Other	43,273	41,650
Total accrued liabilities	\$ 352,932	\$ 323,251

4. Long-Term Debt

Long-term debt and capital leases consisted of the following at March 31, 2012 and December 31, 2011:

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	March 31, 2012	December 31, 2011
Senior subordinated unsecured notes due 2019	\$ 950,000	\$ 950,000
Senior secured term loan due 2018 (5.25% at March 31, 2012)	1,417,853	1,421,101
Notes due at various dates from 2012 to 2022 with interest rates from 6% to 10%	1,138	590
Capital lease obligations due at various dates from 2012 to 2018	560	598
	2,369,551	2,372,289
Less current portion	(15,138)	(14,590)
Total long-term debt	\$ 2,354,413	\$ 2,357,699

5. 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 March 31, 2012, 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 \$3.24 to \$4.06 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 2.2 million gallons, which represents approximately 12% of the Company's total estimated usage during the periods hedged, and are spread over periods from April 2012 through December 2013. As of March 31, 2012, the Company recorded, as a component of other comprehensive income before applicable tax impacts, an asset associated with the fair value of the fuel hedge in the amount of \$0.6 million, compared to \$0.2 million as of December 31, 2011. Settlement of hedge agreements are included in operating expenses and resulted in net receipts from the counterparty of \$0.4 million for the quarter ended March 31, 2012 and \$0.6 million for the quarter ended March 31, 2011. Over the next 12 months, the Company expects to reclassify \$0.6 million of deferred gain from accumulated comprehensive income as the related fuel hedge transactions mature.

In October 2011, the Company entered into interest rate swap agreements which mature on August 31, 2015. The swap agreements are with major financial institutions and effectively convert a total of \$400 million in variable rate debt to fixed rate debt with an effective rate of 5.74%. The Company will continue to make interest payments based on the variable rate associated with the debt (based on LIBOR, but not less than 1.5%) and will periodically settle with its counterparties for the difference between the rate paid and the fixed rate. The Company recorded, as a component of other comprehensive income before applicable tax impacts, a liability associated with the fair value of the interest rate swap in the amount of \$2.8 million as of March 31, 2012, compared to \$2.4 million as of December 31, 2011. As of March 31, 2012, there have not been any additional payments made or received under these hedge agreements. Over the next 12 months, the Company expects to reclassify \$0.7 million of deferred loss from accumulated other comprehensive income to interest expense as the related interest rate swap transactions mature.

6. Restructuring Charges

The Company recorded a restructuring charge of \$6.0 million during the three months ended March 31, 2012 related to continuing efforts to re-align AMR's operations. Payments currently under this plan are expected to be complete by March 2013. The accrued restructuring liability as of March 31, 2012 of \$8.9 million includes accruals on restructuring plans from prior years in addition to the 2012 plan outlined below.

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	2012 Plan		
	Lease & Other Contract Termination Costs	Severance	Total
Incurred	\$ 5,000	\$ 979	\$ 5,979
Paid		(101)	(101)
March 31, 2012	\$ 5,000	\$ 878	\$ 5,878

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7. Commitments and Contingencies

Lease Commitments

The Company leases various facilities and equipment under operating lease agreements.

The Company also leases certain leasehold improvements 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.

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.

Like other ambulance companies, AMR has provided discounts to its healthcare facility customers (nursing homes and hospitals) in certain circumstances. The Company has attempted to comply with applicable law where such discounts are provided. During the first quarter of fiscal 2004, the Company was advised by the U.S. Department of Justice (DOJ) that it was investigating certain business practices at AMR. The specific practices at issue were (1) whether ambulance transports involving Medicare eligible patients complied with the medical necessity requirement imposed by Medicare regulations, (2) whether patient signatures, when required, were properly obtained from Medicare eligible patients, and (3) whether discounts in violation of the federal Anti-Kickback Statute were provided by AMR in exchange for referrals involving Medicare eligible patients. In connection with the third issue, the government alleged that certain of AMR's hospital and nursing home contracts in effect in Texas in periods prior to 2002 contained discounts in violation of the federal Anti-Kickback Statute. The Company negotiated a settlement with the government pursuant to which the Company paid \$9 million and obtained a release of all claims related to such conduct alleged to have occurred in Texas in periods prior to 2002. In connection with the settlement, AMR entered into a Corporate Integrity Agreement (CIA) which was effective for a period of five years beginning September 12, 2006, and which 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 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 CIA with the Office of Inspector General of the Department of Health and Human Services (OIG) in connection with this

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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 July 2011, AMR received a request from the Civil Division of the U.S. Attorney's Office for the Central District of California (USAO) asking AMR to preserve certain documents concerning AMR's provision of ambulance services within the City of Riverside, California. The USAO indicated that it, together with the Department of Health and Human Services, Office of the Inspector General, are 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 is conducting a parallel state investigation for possible violations of the California

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False Claims Act. The Company complied with the USAO's request to preserve documents. In October 2011, the USAO served AMR with a subpoena compelling production of certain documents, and AMR is in the process of complying with the USAO's subpoena.

Other Legal Matters

Four different lawsuits purporting to be class actions have been filed against AMR and certain subsidiaries in California alleging violations of California wage and hour laws. On April 16, 2008, Lori 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 and Karapetian cases have been coordinated with the Bartoni case in the Superior Court for the State of California, County of Alameda. At the present time, courts have not certified classes in any of these cases. Plaintiffs allege principally that the AMR entities failed to pay overtime charges pursuant to California law, and failed to provide required meal breaks or pay premium compensation for missed meal breaks. Plaintiffs are seeking to certify the classes and are seeking lost wages, punitive damages, attorneys' fees and other sanctions permitted under California law for violations of wage hour laws. The Company is unable at this time to estimate the amount of potential damages, if any.

All of the eleven purported class actions relating to the transactions contemplated by the Agreement and Plan of Merger, dated as of February 13, 2011, among EMSC, CDRT Acquisition Corporation and CDRT Merger Sub, Inc., or the Merger Agreement, which were filed in state court in Delaware and federal and state courts in Colorado against various combinations of EMSC, the members of EMSC's board of directors, and other parties have now been voluntarily dismissed or settled. Seven of the eleven actions were filed in the Delaware Court of Chancery beginning on February 22, 2011, and were consolidated into one action entitled *In re Emergency Medical Services Corporation Shareholder Litigation*, Consolidated C.A. No. 6248-VCS. That consolidated class action was voluntarily dismissed without prejudice by the plaintiffs on September 26, 2011. Two actions, entitled *Scott A. Halliday v. Emergency Medical Services Corporation, et al.*, Case No. 2011CV316 (filed on February 15, 2011), and *Alma C. Howell v. William Sanger, et. al.*, Case No. 2011CV488 (filed on March 1, 2011), were filed in the District Court, Arapahoe County, Colorado. Those two actions were voluntarily dismissed without prejudice by the plaintiffs on September 16, 2011 and October 24, 2011, respectively. Two other actions, entitled *Michael Wooten v. Emergency Medical Services Corporation, et al.*, Case No. 11-CV-00412 (filed on February 17, 2011), and *Neal Greenberg v. Emergency Medical Services Corporation, et. al.*, Case No. 11-CV-00496 (filed on February 28, 2011), were filed in the U.S. District Court for the District of Colorado and were also consolidated. On March 23, 2012, the U.S. District Court issued a final order of judgment approving the impending settlement that EMSC had previously disclosed in its Annual Report on Form 10-K for the year ended December 31, 2011, and EMSC incurred no material charges in connection with the settlement. That order approved the settlement as set forth in a Stipulation of Settlement among the parties dated as of November 28, 2011 and released all of the plaintiffs' and the class's claims against the defendants.

In addition to the foregoing shareholder class actions, Merion Capital, L.P., a former stockholder of the Company, has filed an action in the Delaware Court of Chancery seeking to exercise its right to appraisal of its holdings in the Company prior to the Merger. Merion Capital was the holder of 599,000 shares of class A common stock in the Company prior to the Merger. The Company has not paid any merger consideration for these shares and has recorded a reserve in the amount of \$38.3 million for such unpaid merger consideration pending conclusion of the appraisal action.

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 effect on its financial condition, results of operations or liquidity.

8. Equity Based Compensation

Successor Equity Plans

Management of EMSC was allowed to rollover stock options of the Predecessor into fully vested options of the Successor. In addition, EMSC established a stock compensation plan after the Merger whereby certain members of management were awarded stock options in the Successor Company. The stock options are valued using the Black-Scholes valuation model on the date of grant. These options have a \$64.00 strike price and vest ratably through December 2015. A compensation charge of \$1.1 million was recorded for the quarter ended March 31, 2012.

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In August 2011, the non-employee directors of the Company, other than the Chairman of the Board, were given the option to defer a portion of their director fees and receive it in the form of Restricted Stock Units (RSUs). During the quarter ended March 31, 2012, the Company granted 986 RSUs based on a market price of \$64.00 per share.

Predecessor Equity Plans

For a detailed description of the Company s pre-merger stock compensation plans, refer to Note 12 to the Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2011.

Total equity-based compensation expense recognized in the Consolidated Statements of Operations resulting from stock options, non-vested restricted stock awards and non-vested restricted stock units was \$2.0 million for the quarter ended March 31, 2011.

9. Related Party Transactions

Upon completion of the Merger, the Company and CDRT Holding Corporation (Holding), the Company s indirect parent company, entered into a consulting agreement with CD&R, dated May 25, 2011 (the Consulting Agreement), pursuant to which CD&R will provide Holding and its subsidiaries, including the Company, with financial, investment banking, management, advisory and other services. Pursuant to the consulting agreement, Holding, or one or more of its subsidiaries, will pay CD&R an annual fee of \$5.0 million, plus expenses. CD&R may also charge a transaction fee for certain types of transactions completed by Holding or one or more of its subsidiaries, plus expenses. The Company expensed \$1.25 million during the quarter ended March 31, 2012.

The Company was party to a management agreement with a wholly-owned subsidiary of Onex Corporation, the Company s prior principal equityholder, until May 25, 2011. In exchange for an annual management fee of \$1.0 million, the Onex subsidiary provided the Company with corporate finance and strategic planning consulting services. For the Predecessor quarter ended March 31, 2011, the Company expensed \$0.25 million in respect of this fee.

10. Variable Interest Entities

GAAP requires the assets, liabilities, noncontrolling interests and activities of Variable Interest Entities (VIEs) 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.

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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 is a summary of the HCA-EmCare JV assets and liabilities as of March 31, 2012, which are included in the consolidated financial statements. There were no balances in the HCA-EmCare JV as of December 31, 2011.

	March 31, 2012	
Current assets	\$	6,482
Current liabilities		4,210

Table of Contents**11. Segment Information**

The Company is organized around two separately managed business units: outsourced facility-based physician services and medical transportation services, which have been identified as operating segments. The facility-based physician services reportable segment provides physician services to hospitals primarily for emergency departments and urgent care centers, as well as for hospitalist/inpatient, radiology, teleradiology and anesthesiology services. The medical 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 (CODM) as he assesses the performance of the business units and decides how to allocate resources to the business units.

Net income attributable to EMSC before equity in earnings of unconsolidated subsidiary, income tax expense, interest and other income (expense), realized gain (loss) on investments, interest expense, equity-based compensation, related party management fees, restructuring charges, depreciation and amortization expense, and net loss attributable to noncontrolling interest (Adjusted EBITDA) is the measure of profit and loss that the CODM uses to assess performance, measure liquidity and make decisions. The Company modified the definition of Adjusted EBITDA following the Merger. The accounting policies for reported segments are the same as for the Company as a whole.

The following tables present the Company's operating segment results for the Successor quarter ended March 31, 2012 and the Predecessor quarter ended March 31, 2011:

	Successor Quarter ended March 31, 2012	Predecessor Quarter ended March 31, 2011
Facility-Based Physician Services		
Net revenue	\$ 449,004	\$ 396,627
Segment Adjusted EBITDA	56,714	48,201
Medical Transportation Services		
Net revenue	357,290	364,208
Segment Adjusted EBITDA	34,850	36,828
Total		
Total net revenue	806,294	760,835
Total Adjusted EBITDA	91,564	85,029
Reconciliation of Adjusted EBITDA to Net Income		
Adjusted EBITDA	\$ 91,564	\$ 85,029
Depreciation and amortization expense	(30,490)	(17,525)
Restructuring charges	(5,979)	
Equity-based compensation expense	(1,062)	(1,962)
Related party management fees	(1,250)	(250)
Interest expense	(43,452)	(4,817)
Realized gain (loss) on investments	298	(4)
Interest and other income (expense)	162	(1,746)
Income tax expense	(4,238)	(22,652)
Equity in earnings of unconsolidated subsidiary	109	91
Net loss attributable to noncontrolling interest	130	
Net income attributable to EMSC	\$ 5,792	\$ 36,164

A reconciliation of Adjusted EBITDA to cash flows provided by operating activities is as follows:

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	Successor Quarter ended March 31, 2012	Predecessor Quarter ended March 31, 2011
Adjusted EBITDA	\$ 91,564	\$ 85,029
Related party management fees	(1,250)	(250)
Restructuring charges	(5,979)	
Interest expense (less deferred loan fee amortization)	(39,215)	(4,017)
Change in accounts receivable	(35,347)	(10,762)
Change in other operating assets/liabilities	43,343	26,769
Excess tax benefits from equity-based compensation		(1,169)
Interest and other income (expense)	162	(1,746)
Income tax expense, net of change in deferred taxes	(4,138)	(22,307)
Other	910	452
Cash flows provided by operating activities	\$ 50,050	\$ 71,999

12. Guarantors of Debt

EMSC is the issuer of the senior unsecured notes and the borrower under the Credit Facilities. The senior unsecured notes and the Credit Facilities are guaranteed by each of EMSC's domestic subsidiaries, except for any subsidiaries subject to regulation as an insurance company, including EMSC's captive insurance subsidiary. All of the operating income and cash flow of EMSC is generated by AMR, EmCare and their subsidiaries. As a result, funds necessary to meet the debt service obligations under the senior unsecured notes and the Credit Facilities are provided by the distributions or advances from the subsidiary companies, AMR and EmCare. Investments in subsidiary operating companies are accounted for on the equity method. Accordingly, entries necessary to consolidate EMSC and all of its subsidiaries are reflected in the Eliminations/Adjustments column. Separate complete financial statements of EMSC and subsidiary guarantors would not provide additional material information that would be useful in assessing the financial composition of EMSC or the subsidiary guarantors.

EMSC's payment obligations under the senior unsecured notes are jointly and severally guaranteed on a senior unsecured basis by the guarantors. Each of the guarantors is wholly owned, directly or indirectly, by EMSC, and all guarantees are full and unconditional. A guarantor will be released from its obligations under its guarantee under certain customary circumstances, including, (i) the sale or disposition of the guarantor, (ii) the release of the guarantor from all of its obligations under all guarantees related to any indebtedness of EMSC, (iii) the merger or consolidation of the guarantor as specified in the indenture governing the senior unsecured notes, (iv) the guarantor becomes an unrestricted subsidiary, (v) the defeasance of EMSC's obligations under the indenture governing the senior unsecured notes or (vi) the payment in full of the principal amount of the senior unsecured notes.

The condensed consolidating financial statements for EMSC, the guarantors and the non-guarantors are as follows:

Table of Contents**Consolidating Statements of Operations**

	Successor					Total
	For the quarter ended March 31, 2012					
	EMSC	Subsidiary Guarantors	Subsidiary Non-Guarantor	Eliminations/ Adjustments		
Net revenue	\$	\$ 805,844	\$ 19,292	\$ (18,842)	\$ 806,294	
Compensation and benefits		565,726	139		565,865	
Operating expenses		107,579	2		107,581	
Insurance expense		24,532	19,200	(18,842)	24,890	
Selling, general and administrative expenses		18,971	22		18,993	
Depreciation and amortization expense		30,490			30,490	
Restructuring charges		5,979			5,979	
Income from operations		52,567	(71)		52,496	
Interest income from restricted assets		244	43		287	
Interest expense		(43,452)			(43,452)	
Realized (loss) gain on investments		(4)	302		298	
Interest and other income (expense)		316	(154)		162	
Income before income taxes		9,671	120		9,791	
Income tax expense		(4,235)	(3)		(4,238)	
Income before equity in earnings of unconsolidated subsidiaries and noncontrolling interest		5,436	117		5,553	
Equity in earnings of unconsolidated subsidiaries	5,792		109	(5,792)	109	
Net loss attributable to noncontrolling interest		130			130	
Net income attributable to EMSC	\$ 5,792	\$ 5,566	\$ 226	\$ (5,792)	\$ 5,792	

	Predecessor					Total
	For the quarter ended March 31, 2011					
	EMSC	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations/ Adjustments		
Net revenue	\$	\$ 760,450	\$ 18,375	\$ (17,990)	\$ 760,835	
Compensation and benefits		536,741	336		537,077	
Operating expenses		96,954	9		96,963	
Insurance expense		26,355	18,174	(17,990)	26,539	
Selling, general and administrative expenses		17,398	437		17,835	
Depreciation and amortization expense		17,525			17,525	
Income (loss) from operations		65,477	(581)		64,896	
Interest income from restricted assets		231	165		396	
Interest expense		(4,817)			(4,817)	
Realized loss on investments			(4)		(4)	
Interest and other (expense) income		(1,695)	(51)		(1,746)	
Income (loss) before income taxes		59,196	(471)		58,725	
Income tax expense		(22,647)	(5)		(22,652)	
Income (loss) before equity in earnings of unconsolidated subsidiaries		36,549	(476)		36,073	
Equity in earnings of unconsolidated subsidiaries	36,164		91	(36,164)	91	
Net income (loss)	\$ 36,164	\$ 36,549	\$ (385)	\$ (36,164)	\$ 36,164	

Table of Contents**Consolidating Balance Sheet**

As of March 31, 2012

	EMSC	Subsidiary Guarantors	Successor Subsidiary Non-Guarantor	Eliminations/ Adjustments	Total
Assets					
Current assets:					
Cash and cash equivalents	\$	\$ 219,924	\$ 9,437	\$	\$ 229,361
Insurance collateral		11,877	80,416	(65,906)	26,387
Trade and other accounts receivable, net		559,334	1,735		561,069
Parts and supplies inventory		22,742			22,742
Prepays and other current assets		28,213	39	(2,349)	25,903
Current deferred tax assets		21,692	3,370		25,062
Current assets		863,782	94,997	(68,255)	890,524
Non-current assets:					
Property, plant, and equipment, net		190,653			190,653
Intercompany receivable	2,378,900			(2,378,900)	
Intangible assets, net		547,669			547,669
Non-current deferred tax assets		707	(2,702)	1,995	
Insurance collateral		15,269	39,919		55,188
Goodwill		2,271,894	1,425		2,273,319
Other long-term assets	95,687	9,777	1,311		106,775
Investment and advances in subsidiaries	881,518	2,548		(884,066)	
Assets	\$ 3,356,105	\$ 3,902,299	\$ 134,950	\$ (3,329,226)	\$ 4,064,128
Liabilities and Equity					
Current liabilities:					
Accounts payable	\$	\$ 57,945	\$ 325	\$	\$ 58,270
Accrued liabilities	67,886	269,419	15,627		352,932
Current portion of long-term debt	14,400	738			15,138
Current liabilities	82,286	328,102	15,952		426,340
Long-term debt	2,353,453	960			2,354,413
Long-term deferred tax liabilities		151,308			151,308
Insurance reserves and other long-term liabilities		156,634	118,753	(66,260)	209,127
Intercompany payable		2,381,203	(2,303)	(2,378,900)	
Liabilities	2,435,739	3,018,207	132,402	(2,445,160)	3,141,188
Equity:					
Common stock			30	(30)	
Additional paid-in capital	904,226	867,377		(867,377)	904,226
Retained earnings	18,811	16,539	2,272	(18,811)	18,811
Accumulated other comprehensive (loss) income	(2,671)	(2,398)	246	2,152	(2,671)
Total EMSC equity	920,366	881,518	2,548	(884,066)	920,366
Noncontrolling interest		2,574			2,574
Total equity	920,366	884,092	2,548	(884,066)	922,940
Liabilities and Equity	\$ 3,356,105	\$ 3,902,299	\$ 134,950	\$ (3,329,226)	\$ 4,064,128

Table of Contents**Consolidating Balance Sheet**

As of December 31, 2011

	EMSC	Subsidiary Guarantors	Successor Subsidiary Non-Guarantor	Eliminations/ Adjustments	Total
Assets					
Current assets:					
Cash and cash equivalents	\$	\$ 104,657	\$ 29,366	\$	\$ 134,023
Insurance collateral		23,236	83,505	(65,906)	40,835
Trade and other accounts receivable, net		524,235	1,487		525,722
Parts and supplies inventory		22,693			22,693
Prepays and other current assets		26,566	225	(616)	26,175
Current deferred tax assets		20,615	3,613		24,228
Current assets		722,002	118,196	(66,522)	773,676
Non-current assets:					
Property, plant, and equipment, net		191,946			191,946
Intercompany receivable	2,926,448			(2,926,448)	
Intangible assets, net		564,227			564,227
Non-current deferred tax assets		4,111	(6,106)	1,995	
Insurance collateral		7,317	98,446		105,763
Goodwill		2,265,811	3,329		2,269,140
Other long-term assets	102,652	3,880	1,824		108,356
Investment and advances in subsidiaries	304,377	1,549		(305,926)	
Assets	\$ 3,333,477	\$ 3,760,843	\$ 215,689	\$ (3,296,901)	\$ 4,013,108
Liabilities and Equity					
Current liabilities:					
Accounts payable	\$	\$ 50,196	\$ 316	\$	\$ 50,512
Accrued liabilities	48,886	256,614	17,751		323,251
Current portion of long-term debt	14,400	190			14,590
Current liabilities	63,286	307,000	18,067		388,353
Long-term debt	2,356,701	998			2,357,699
Long-term deferred tax liability		151,308			151,308
Insurance reserves and other long-term liabilities		130,899	135,886	(64,527)	202,258
Intercompany payable		2,866,261	60,187	(2,926,448)	
Liabilities	2,419,987	3,456,466	214,140	(2,990,975)	3,099,618
Equity:					
Common stock			30	(30)	
Additional paid-in capital	903,173	296,332		(296,332)	903,173
Retained earnings	13,019	10,747	2,272	(13,019)	13,019
Accumulated comprehensive loss	(2,702)	(2,702)	(753)	3,455	(2,702)
Equity	913,490	304,377	1,549	(305,926)	913,490
Liabilities and Equity	\$ 3,333,477	\$ 3,760,843	\$ 215,689	\$ (3,296,901)	\$ 4,013,108

Table of Contents**Condensed Consolidating Statements of Cash Flows**

	EMSC	Successor		Total
		For the quarter ended March 31, 2012 Subsidiary Guarantors	Subsidiary Non-guarantors	
Cash Flows from Operating Activities				
Net cash provided by (used in) operating activities	\$	\$ 121,292	\$ (71,242)	\$ 50,050
Cash Flows from Investing Activities				
Purchase of property, plant and equipment		(12,710)		(12,710)
Proceeds from sale of property, plant and equipment		73		73
Acquisition of businesses, net of cash received		(1,000)		(1,000)
Net change in insurance collateral		(7,089)	61,616	54,527
Other investing activities		(2,805)		(2,805)
Net cash (used in) provided by investing activities		(23,531)	61,616	38,085
Cash Flows from Financing Activities				
Repayments of capital lease obligations and other debt	(3,649)			(3,649)
Debt issue costs	(95)			(95)
Receipts from noncontrolling interest		2,704		2,704
Net change in bank overdrafts		8,243		8,243
Net intercompany borrowings (payments)	3,744	6,559	(10,303)	
Net cash provided by (used in) financing activities		17,506	(10,303)	7,203
Change in cash and cash equivalents		115,267	(19,929)	95,338
Cash and cash equivalents, beginning of period		104,657	29,366	134,023
Cash and cash equivalents, end of period	\$	\$ 219,924	\$ 9,437	\$ 229,361

	EMSC	Successor		Total
		For the quarter ended March 31, 2011 Subsidiary Guarantors	Subsidiary Non-guarantors	
Cash Flows from Operating Activities				
Net cash provided by operating activities	\$	\$ 71,843	\$ 156	\$ 71,999
Cash Flows from Investing Activities				
Purchase of property, plant and equipment		(15,306)		(15,306)
Proceeds from sale of property, plant and equipment		10		10
Acquisition of businesses, net of cash received		(32,720)		(32,720)
Net change in insurance collateral		12,406		12,406
Other investing activities		474		474
Net cash used in investing activities		(35,136)		(35,136)
Cash Flows from Financing Activities				
EMSC issuance of class A common stock	551			551
Class A common stock repurchased as treasury stock	(1,303)			(1,303)

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Repayments of capital lease obligations and other debt	(1,966)			(1,966)
Excess tax benefits from stock-based compensation	1,169			1,169
Net change in bank overdrafts		12,097		12,097
Net intercompany borrowings (payments)	1,549	(2,243)	694	
Net cash provided by financing activities		9,854	694	10,548
Change in cash and cash equivalents		46,561	850	47,411
Cash and cash equivalents, beginning of period		282,434	4,927	287,361
Cash and cash equivalents, end of period	\$	\$ 328,995	\$ 5,777	\$