

Envision Healthcare Holdings, Inc.  
 Form 10-K  
 March 14, 2014

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**UNITED STATES  
 SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-K**

Mark one:

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

For the fiscal year ended December 31, 2013

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	Exact Name of Registrant as specified in its charter	State or Other Jurisdiction of Incorporation or Organization	IRS Employer Identification Number
001-36048	Envision Healthcare Holdings, Inc.	Delaware	45-0832318
001-32701	Envision Healthcare Corporation	Delaware	20-3738384

**ENVISION HEALTHCARE HOLDINGS, INC.**  
 6200 S. Syracuse Way, Suite 200  
 Greenwood Village, CO 80111

(Address of principal executive offices)

**(303) 495-1200**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

**ENVISION HEALTHCARE CORPORATION**  
 6200 S. Syracuse Way, Suite 200  
 Greenwood Village, CO 80111

(Address of principal executive offices)

**(303) 495-1200**

(Registrant's telephone number, including area code)

**Title of each class:**

Envision Healthcare Holdings, Inc.: **Common Stock, \$0.01 par value**

Envision Healthcare Corporation: **None**

Securities registered pursuant to Section 12(g) of the Act: **None**

**Name of each exchange on which registered**

New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

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Envision Healthcare Holdings, Inc. Yes  No       Envision Healthcare Corporation Yes  No   
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Envision Healthcare Holdings, Inc. Yes  No       Envision Healthcare Corporation Yes  No   
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.

Envision Healthcare Holdings, Inc. Yes  No       Envision Healthcare Corporation 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).

Envision Healthcare Holdings, Inc. Yes  No       Envision Healthcare Corporation Yes  No   
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K.

Envision Healthcare Holdings, Inc.       Envision Healthcare Corporation   
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.

Envision Healthcare Holdings, Inc.

Large accelerated filer <input type="radio"/>	Accelerated filer <input type="radio"/>	Non-accelerated filer <input checked="" type="radio"/>	Smaller reporting company <input type="radio"/>
		(Do not check if a smaller reporting company)	

Envision Healthcare Corporation

Large accelerated filer <input type="radio"/>	Accelerated filer <input type="radio"/>	Non-accelerated filer <input checked="" type="radio"/>	Smaller reporting company <input type="radio"/>
		(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).

Envision Healthcare Holdings, Inc. Yes  No       Envision Healthcare Corporation Yes  No   
The aggregate market value of the voting and non-voting common equity of Envision Healthcare Holdings, Inc. held by non-affiliates as of the close of business on June 30, 2013 was \$0.

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

**Envision Healthcare Holdings, Inc.**      At March 1, 2014, the registrant had 181,131,273 shares of common stock, par value \$0.01 per share, outstanding.

**Envision Healthcare Corporation**      At March 1, 2014, the registrant had 1,000 shares of common stock, par value \$0.01 per share, outstanding. All of Envision Healthcare Corporation's outstanding stock was held at such date by Envision Healthcare Intermediate Corporation, its sole stockholder.

Envision Healthcare Corporation meets the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and is therefore filing this Form with the reduced disclosure format applicable to Envision Healthcare Corporation.

### Documents incorporated by reference:

Portions of Envision Healthcare Holdings, Inc.'s proxy statement to be filed with the Securities and Exchange Commission in connection with Envision Healthcare Holdings, Inc.'s 2014 Annual Meeting of Stockholders (the "Proxy Statement") are incorporated by reference into Part III hereof. Such Proxy Statement will be filed within 120 days of Envision Healthcare Holdings, Inc.'s fiscal year ended December 31, 2013.

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ENVISION HEALTHCARE CORPORATION**

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DECEMBER 31, 2013**

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**EXPLANATORY NOTE**

This Form 10-K is a combined annual report being filed separately by two registrants: Envision Healthcare Holdings, Inc. (formerly known as CDRT Holding Corporation) and Envision Healthcare Corporation (formerly known as Emergency Medical Services Corporation). Unless the context indicates otherwise, any reference in this annual report to "Holding" refers to Envision Healthcare Holdings, Inc., any reference to "Corporation" refers to Envision Healthcare Corporation, the indirect, wholly-owned subsidiary of Holding, and any references to "EVHC," the "Company," "we," "our," or "us" refer to Envision Healthcare Holdings, Inc. and its direct and indirect subsidiaries, including Corporation. Our business is conducted primarily through two operating subsidiaries, EmCare Holdings, Inc. ("EmCare") and American Medical Response, Inc. ("AMR"). Each registrant hereto is filing on its own behalf all of the information contained in this annual report that relates to such registrant. Each registrant hereto is not filing any information that does not relate to such registrant, and therefore makes no representation as to any such information.

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**ENVISION HEALTHCARE HOLDINGS, INC.  
ENVISION HEALTHCARE CORPORATION**

**ANNUAL REPORT ON FORM 10-K**

**FORWARD-LOOKING STATEMENTS AND FACTORS THAT MAY AFFECT RESULTS**

This Annual Report on Form 10-K contains statements about future events and expectations that constitute forward-looking statements. Forward-looking statements are based on our beliefs, assumptions and expectations of our future financial and operating performance and growth plans, taking into account the information currently available to us. These statements are not statements of historical fact. Forward-looking statements involve risks and uncertainties that may cause our actual results to differ materially from the expectations of future results we express or imply in any forward-looking statements and you should not place undue reliance on such statements. Factors that could contribute to these differences include, but are not limited to, the following:

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 Evolution Health, LLC ("Evolution Health") 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;

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;

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Disruptions in disaster recovery systems or management continuity planning;

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;

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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;

The significant influence of investment funds sponsored by, or affiliated with, Clayton, Dubilier & Rice, LLC (the "CD&R Affiliates") over us; and

Risks related to other factors discussed in this Annual Report on Form 10-K.

Words such as "anticipates," "believes," "continues," "estimates," "expects," "goal," "objectives," "intends," "may," "opportunity," "plans," "potential," "near-term," "long-term," "projections," "assumptions," "projects," "guidance," "forecasts," "outlook," "target," "trends," "should," "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.

Other risks, uncertainties and factors, including those discussed under "Risk Factors," could cause our actual results to differ materially from those projected in any forward-looking statements we make. Readers should read carefully the factors described in the "Risk Factors" section of this Annual Report on Form 10-K to better understand the risks and uncertainties inherent in our business and underlying any forward-looking statements.

We assume no obligation to update or revise these forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

## **PART I.**

### **ITEM 1. BUSINESS**

#### **Company Overview**

We are a leading provider of physician-led, outsourced medical services in the United States with more than 20,000 affiliated clinicians. We offer a broad range of clinically-based and coordinated care solutions across the patient continuum, by which we mean the patient treatment cycle, from medical transportation to hospital encounters to comprehensive care alternatives in various settings. We believe that our capabilities offer a powerful value proposition to healthcare facilities, communities and payors by helping to improve the quality of care and lower overall healthcare costs. We market our services on a stand-alone, multi-service and integrated basis, primarily under our EmCare and AMR brands. EmCare, with 40 years of operating history and nearly 8,000 affiliated physicians and other clinicians, is a leading provider of integrated facility-based physician services, including emergency, anesthesiology, hospitalist/inpatient care, radiology, tele-radiology and surgery. EmCare also offers physician-led care management solutions outside the hospital. AMR, with more than 55 years of operating history and more than 12,000 paramedics and emergency medical technicians, is a leading provider and manager of community-based medical transportation services, including emergency ("911"), non-emergency, managed transportation, fixed-wing air ambulance and disaster response.





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Since May 2011, our management has implemented a number of value-enhancing initiatives to expand our service offerings, increase our market presence and position us for future growth. Some of these initiatives include:

Optimizing our contract portfolio and prioritizing markets at EmCare and AMR;

Developing further EmCare's integrated service offerings, resulting in a meaningful acceleration of new contract growth;

Re-aligning AMR's business model and strategy by improving productivity, clinical outcomes and the use of technology, leading to operating margin improvements and revenue growth opportunities; and

Leveraging the core competencies of EmCare and AMR to extend our clinical capabilities into various settings outside the hospital.

In 2012, we expanded EmCare's physician-led services outside the hospital through the formation of Evolution Health. Evolution Health provides comprehensive care management solutions through a suite of physician-led services, including transitional care teams, direct patient care and care coordination by clinicians outside the acute-care setting, as well as tele-monitoring and tele-medicine. Evolution Health serves patients who require comprehensive care across various settings, many of whom suffer from advanced illnesses and chronic diseases. Our Evolution Health solutions leverage many of the competencies of EmCare and AMR, including clinical resource management, patient flow coordination, evidence-based clinical protocols, community-based clinical and medical transportation services, patient monitoring and clinician recruitment.

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The following table presents an overview of our core services, key types of customers, results of operations and contracts. References in this annual report to number of contracts, clinicians and employees are as of December 31, 2013, unless otherwise noted.

	<b>EmCare</b>	<b>AMR</b>
Core Services:	Facility-based physician services Emergency Department Anesthesiology Hospitalist/inpatient care Radiology/tele-radiology Surgery  Physician-led care management solutions outside the hospital	Emergency "911" medical transportation services  Non-emergency medical transportation services  Managed transportation services  Fixed-wing air ambulance services  Disaster response  Event medical services
Key Customers:	Healthcare facilities Payors Attending medical staff Independent physician groups	Communities Government agencies Healthcare facilities Payors
Net Revenue (2013):	\$2.3 billion (63% of total net revenue)	\$1.4 billion (37% of total net revenue)
Adjusted EBITDA (2013):	\$294.0 million (66% of total Adjusted EBITDA)	\$151.8 million (34% of total Adjusted EBITDA)
Number of Contracts:	706 facility contracts	169 "911" contracts 3,677 non-emergency transport arrangements
Patient Volume (2013):	12.1 million weighted patient encounters	2.8 million weighted transports

### ***General Development of our Business***

#### ***Company History***

EmCare was founded in Dallas, Texas in 1972 and initially grew by providing emergency department staffing and related management services to larger hospitals in the Texas marketplace. EmCare then expanded its presence nationally, primarily through a series of acquisitions in the 1990s. Over its 40 years of operating history, EmCare has become a leading provider of integrated facility-based physician services to healthcare facilities in the United States. EmCare has recently further expanded the company's comprehensive care management solutions outside the hospital through Evolution Health.

AMR was founded in 1992 through the consolidation of several well-established regional ambulance companies and has grown organically and through acquisitions. In February 1997, AMR merged with another leading ambulance company and became a leading provider and manager of community-based medical transportation services.

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In January 2005, an investor group led by Onex, including members of management, purchased our operating subsidiaries, EmCare and AMR which became indirect wholly owned subsidiaries of Corporation.

Holding was formed in 2011 in connection with the acquisition of Corporation in a merger transaction (the "Merger") by the CD&R Affiliates. In May 2011, in connection with the Merger, substantially all of the outstanding shares of common stock of the Company were purchased by the CD&R Affiliates, and Corporation became an indirect wholly owned subsidiary of the Company. As a result of the Merger, information for the year ended December 31, 2011 is generally separated into two periods, the periods preceding the Merger ("Predecessor") and the period succeeding the Merger ("Successor"). Financial information for the Predecessor period is for Corporation.

In 2012, we formed Evolution Health through the combination of two acquired businesses, a provider of primary care physician healthcare services to patients at their place of residence with operations in Texas, and a post-acute care services provider with operations in Indiana, Ohio, Oklahoma and Texas. We have subsequently expanded Evolution Health's service offerings and sought to integrate its services with our other lines of business.

In June 2013, we changed our name from CDRT Holding Corporation to Envision Healthcare Holdings, Inc., and our indirect wholly owned subsidiary, Emergency Medical Services Corporation, changed its name to Envision Healthcare Corporation.

On July 29, 2013, Holding effected a 9.3 for 1.0 stock split of Holding's common stock, resulting in 132,082,885 shares of common stock issued, not including 504,197 treasury shares. The accompanying consolidated financial statements for Holding give retroactive effect to the stock split for all periods presented.

On August 13, 2013, Holding's Registration Statement was declared effective by the SEC for an initial public offering of its common stock, par value \$0.01 per share ("Common Stock"). Holding registered the offering and sale of 42,000,000 shares of Common Stock and an additional 6,300,000 shares of Common Stock, to be sold to the underwriters pursuant to their option to purchase additional shares at a price of \$23 per share. On August 19, 2013, Holding completed the offering of 48,300,000 shares of Common Stock, at a price of \$23 per share, for an aggregate offering price of \$1,110.9 million. At the closing, we received net proceeds of approximately \$1,025.9 million, after deducting the underwriters' discounts and commissions paid and offering expenses of approximately \$85.0 million, including a \$20.0 million payment to Clayton, Dubilier & Rice, LLC ("CD&R") in connection with the termination of the Consulting Agreement which was recorded to "Selling, general and administrative expenses" in Holding's Consolidated Statements of Operations.

On February 5, 2014, Holding registered the offering and sale of 27,500,000 shares of Common Stock and an additional 4,125,000 shares of Common Stock, which were sold by CD&R Affiliates to the underwriters pursuant to their option to purchase additional shares at \$30.50 per share less the underwriting discount. The CD&R Affiliates, certain executive officers and directors of Holding and certain non-executives were the selling stockholders in the offering. Holding did not receive any of the proceeds from the sale of the shares being sold by the selling stockholders, including any shares sold pursuant to any exercise of the underwriters' option to purchase additional shares. Upon completion of this offering, Holding had 181,131,273 shares of Common Stock outstanding.

## *Description of our Business*

### *Industry Overview*

We operate in the facility-based physician services and community-based medical transportation markets, two large and growing segments of the healthcare market that are supported by favorable

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demographics, including the growth and aging of the population. Our services are offered on a stand-alone basis or as part of an integrated services program combining two or more services.

***Emergency Department ("ED")***

We provide outsourced ED physician services to hospitals and other facilities. Facility-based ED physician services providers such as EmCare are primarily focused on improving the patient experience and enhancing the quality of care at their customers' healthcare facilities through broader physician access, physician retention and training programs, better management tools and risk mitigation expertise. In addition, we believe leading facility-based outsourced physician services providers are well-positioned to improve operational efficiency, reducing wait times and increasing the productivity in a hospital ED.

We believe the physician reimbursement component of the ED services market represents annual expenditures of nearly \$20 billion. The market for outsourced ED staffing and related management services is highly fragmented, with more than 1,000 national, regional and local providers handling an estimated 130 million patient visits in 2013. There are nearly 5,000 hospitals in the United States that operate EDs, of which approximately 67% outsource their ED physician staffing and management. We believe we are one of only six national providers and the largest provider based on number of ED contracts.

Between 2000 and 2010, the total number of patient visits to hospital EDs increased from approximately 108 million to approximately 130 million per annum, an increase of 20%. We believe that a portion of the historical and expected growth of ED visits is driven by the shortage of primary care physicians in the United States, which causes many patients to utilize the ED as their primary source for healthcare. This trend, combined with a decline in the number of hospital EDs, has resulted in a substantial increase in the average number of patient visits per hospital ED during this period. In addition, the Patient Protection and Affordable Care Act ("PPACA") is designed to provide healthcare coverage to previously uninsured individuals through the expansion of state Medicaid programs and the creation of federal and state healthcare exchanges, which we anticipate will increase overall utilization and reimbursement for ED services. We believe increased volumes through EDs and cost pressures facing hospitals have resulted and will result in an increased focus by facilities on improving the operating efficiency of their EDs, a core competency of EmCare.

***Anesthesiology Services***

We provide anesthesiology services to hospitals, free-standing ambulatory surgery centers and physician offices. These services are performed by anesthesiologists and certified registered nurse anesthetists. Anesthesiologists are a key part of the effective management and productivity of surgery departments and free-standing ambulatory surgery centers. These clinicians can have a significant impact on surgeon satisfaction, which is crucial to the financial viability of the surgery department in hospitals and free-standing ambulatory surgery centers. The anesthesiology market is estimated to have annual expenditures of approximately \$19 billion and is currently serviced primarily by hospitals, which self-operate their programs, and by local outsourced providers.

***Hospitalist Services***

We provide inpatient service physicians, or hospitalists, for patients who are admitted to hospitals and either have no primary care physician or the attending physician requests that our hospitalist manage the patient. This program benefits hospitals by optimizing the average length of stay for patients and can improve patient flow and care coordination through effective working relationships with EDs. Inpatient service physicians are also an integral part of the post-discharge coordination of patient care by directing how care outside the hospital setting should be established and coordinated.

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Certain studies indicate better patient outcomes and lower costs with these hospitalist programs. The market for this healthcare specialty, with estimated annual expenditures of approximately \$18 billion, is expected to continue to grow as hospitals face additional cost pressures and added focus on improving patient outcomes. This market is currently serviced primarily by regional and local outsourced providers.

***Physician-Led Care Management Solutions Outside the Hospital***

In 2012, we expanded EmCare's physician-led services outside the hospital through the formation of Evolution Health. Evolution Health provides comprehensive care management solutions through a suite of physician-led services, including transitional care teams, direct patient care and care coordination by clinicians outside the acute-care setting, as well as tele-monitoring and tele-medicine. Evolution Health serves patients who require comprehensive care across various settings, many of whom suffer from advanced illnesses and chronic diseases. We believe that leading providers of care management solutions outside the hospital can offer an attractive value proposition through our business model which helps payors reduce their cost of care, promote the most appropriate care in the most appropriate setting, identify member health risks, enable self-care and independence at home, and reduce hospital lengths of stay and readmissions. For hospitals, we believe leading providers can improve patient flow coordination, decrease lengths of stay and reduce readmission rates. We believe the addressable market for care management solutions outside the hospital represents annual expenditures of approximately \$64 billion.

***Radiology/Tele-radiology Services***

We provide radiology, including tele-radiology, services to hospitals. The industry for these services comprises a number of smaller local and regional groups, which are at a disadvantage compared to national providers having the ability to recruit, train and leverage existing capital and infrastructure support. Tele-radiology, the process whereby digital radiologic images are sent from one point to another, has become a fast-growing healthcare service. This technology allows hospitals to have access to full-time radiology support, even when access to full-time radiologists on-site may be limited. The market for radiology and tele-radiology service has estimated annual expenditures of approximately \$11 billion and is currently serviced primarily by hospitals, which self-operate their programs, and by local outsourced providers.

***Surgery Services***

We offer management, oversight and surgeon staffing for trauma surgery services. This service gives hospitals the opportunity to raise their trauma designation by providing expanded coverage and management for surgery services. While the market for this service is still emerging, we estimate annual expenditures of approximately \$2 billion.

***Ambulance Services***

Ambulance services encompass both "911" emergency response and non-emergency transport services, including critical care transfers, wheelchair transports and other inter-facility transports. Emergency response services include the dispatch of ambulances equipped with life support equipment and staffed with paramedics and/or emergency medical technicians ("EMTs") to provide immediate medical care to injured or ill patients. Non-emergency services utilize paramedics, EMTs and/or nurses to transport patients between healthcare facilities or between facilities and patient residences.

"911" emergency response services are provided primarily under exclusive long-term contracts with communities and government agencies which by law are generally required to provide such services. These contracts typically specify maximum fees a provider may charge and set forth minimum

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requirements, such as response times, staffing levels, types of vehicles and equipment, quality assurance and insurance coverage. The rates that a provider is permitted to charge for services under a contract for "911" emergency ambulance services and the amount of the subsidy, if any, the provider receives from a community or government agency depend in large part on the nature of the services it provides, the payor mix and the performance requirements.

Non-emergency services generally are provided pursuant to non-exclusive contracts with healthcare facilities and payors. Usage tends to be controlled by the facility discharge planners, nurses and physicians who are responsible for requesting transport services. Non-emergency services are provided primarily by private ambulance companies.

We believe that the ambulance services market, including both emergency and non-emergency transports, represents annual expenditures of approximately \$18 billion. The ambulance services market is highly fragmented, with more than 15,000 private, public and not-for-profit service providers accounting for an estimated 43 million ambulance transports in 2013. There are a limited number of regional ambulance providers, and we are the largest national ambulance provider based on net revenue.

***Managed Transportation***

We provide managed transportation administration services to insurers, government entities and healthcare providers. Through partnerships with external transportation providers, our services include managing ambulance, wheelchair and other types of transportation to provide a cost-effective solution for those we serve. We believe the managed transportation market represents annual expenditures of approximately \$2 billion.

***Fixed-Wing Air Transport Services***

We also provide fixed-wing air ambulance transport services, including the specialized medical care required by patients during the transports. Our services focus on patients who require longer travel distances to retain the appropriate care, both in emergency and non-emergency situations. Additionally, we offer international repatriation services for emergency medical needs. We believe the medical air transportation market represents annual expenditures of approximately \$3 billion.

**Business Segments and Services**

We operate our business and market our services under our two business segments: EmCare and AMR. We provide integrated facility-based physician services in 45 states and the District of Columbia and provide and manage medical transportation services in 40 states and the District of Columbia.

The following is a detailed business description for our two business segments.

**EmCare**

EmCare is a leading provider of integrated facility-based physician services to healthcare facilities in the United States. EmCare has contracts covering 706 clinical departments with hospitals and independent physician groups to provide emergency, anesthesiology, hospitalist/inpatient care, radiology, tele-radiology and surgery services as well as other administrative services. During 2013, EmCare had approximately 12.1 million weighted patient encounters in 45 states and the District of Columbia. As of December 31, 2013, EmCare had a 9% share of the total ED services market and a 13% share of the outsourced ED services market, the largest share among outsourced providers based on number of contracts. EmCare's share of the combined markets for anesthesiology, hospitalist, radiology and surgery services was approximately 1% as of such date.

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We recruit and hire or subcontract with physicians and other healthcare professionals, who then provide services to patients in the facilities with whom we contract. EmCare bills and collects from each patient or the patient's insurance provider for the medical services performed. We also have practice support agreements with independent physician groups and hospitals pursuant to which we provide management services such as billing and collection, recruiting, risk management and certain other administrative services.

As derived from our annual audited consolidated financial statements, EmCare's net revenue, income from operations and total identifiable assets were as follows for each of the periods indicated (amounts in thousands).

	As of and for the year ended December 31,		
	2013	2012	2011
Net revenue	\$ 2,358,787	\$ 1,915,148	\$ 1,667,062
Income from operations	219,842	199,300	164,242
Total identifiable assets	2,624,161	2,468,605	2,459,724

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further information on EmCare's financial results.

**Hospital-Based Services**

We provide a full range of hospital-based physician staffing and related management services for EDs, anesthesiology, hospitalist/inpatient care, radiology, tele-radiology and surgery programs, which include:

**Contract Management.** We utilize an integrated approach to contract management that involves physicians, non-clinical business experts and operational and quality assurance specialists. An on-site medical director is responsible for the day-to-day oversight of the relationship, including clinical quality, and works closely with the facility's management in developing strategic initiatives and objectives. A quality manager develops site-specific quality improvement programs, and a practice improvement staff focuses on chart documentation, operational improvement and physician utilization patterns. The regional-based management staff provides support for these efforts and ensures that each customer's expectations are identified, that service plans are developed and executed to meet those expectations, and that our and the customer's financial objectives are achieved.

**Staffing.** We provide a full range of staffing services to meet the unique needs of each healthcare facility. Our dedicated clinical teams include qualified physicians and other healthcare professionals responsible for the delivery of high-quality, cost-effective care. These teams also rely on managerial personnel, many of whom have clinical experience, who oversee the administration and operations of the clinical area. Ensuring that each contract is staffed with the appropriate mix of qualified physicians and other medical professionals and that coverage is provided without any service deficiencies is critical to the success of the contract.

**Recruiting.** Many healthcare facilities lack the dedicated resources and expertise necessary to identify and attract specialized physicians. We have committed significant resources to the development of proprietary recruiting support systems, such as EmSource, a proprietary national physician database, and EmForce, a recruiting management and tracking program that we utilize in our recruiting programs across the country. Our marketing and recruiting staff continuously updates our database of more than 900,000 physicians with relevant data and contact information to allow us to match potential physician candidates to specific openings based upon personal preferences. This targeted recruiting method increases the success and efficiency of our recruiters, and we believe significantly increases our



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physician retention rates. We actively recruit physicians through various media options including social media, telemarketing, direct mail, conventions, journal advertising and our internet site.

**Scheduling.** Our scheduling departments schedule, or assist our medical directors in scheduling, physicians and other healthcare professionals in accordance with the coverage model at each facility. We provide 24-hour service to ensure that unscheduled situations such as physician illness and personal emergencies do not result in a disruption of coverage.

**Operational Improvement Assessments.** We implement process improvement programs for our hospital customers that are directed toward enhancement of operating and triage systems, and improvement of critical operational metrics, including turnaround times, "left without being treated", and throughput times. Through an initial assessment, we establish baseline values, which are used to develop and implement process improvement programs, and then we monitor the success of the initiatives. We also design and implement customized patient satisfaction programs for our hospital customers. These programs are delivered to the clinical and non-clinical members of the hospital ED as well as other areas of a healthcare facility where outsourced services are being provided.

**Practice Support Services.** We provide a substantial portion of our services to healthcare facilities through our affiliate physician groups. However, in some situations facilities and physicians are interested in receiving stand-alone management services such as billing and collection, scheduling, recruitment and risk management, and at times we unbundle our services to meet these needs. Pursuant to these practice support agreements, which generally will have a term of one to three years, we provide these services to independent physician groups and healthcare facilities. During 2013, we had 11 practice support agreements which generated \$42 million in net revenue.

**Practice Improvement.** We provide ongoing support to our affiliated physicians through targeted leadership development programs, risk management review and support and comprehensive documentation review and training for our affiliated physicians. We review certain statistical indicators that allow us to provide specific training to individual physicians, and we tailor training for broader groups of physicians as we see trends developing in these areas.

**Non-Hospital Based Services**

**Physician-Led Care Management Solutions.** We provide physician-led care management solutions to patients outside the hospital. We provide comprehensive care management solutions through a suite of physician-led techniques and services, including transitional care teams, direct patient care and care coordination by clinicians outside the acute-care setting, tele-monitoring and tele-medicine. We market these services to payors and healthcare systems.

**Risk Management**

We utilize our risk management function, senior medical leadership and on-site medical directors to conduct aggressive risk management and quality assurance programs. We take a proactive role in promoting early reporting, evaluation and resolution of incidents that may evolve into claims. Our risk management function is designed to mitigate risk associated with the delivery of care and to prevent or minimize costs associated with medical professional liability claims and includes:

**Incident Reporting Systems.** We have established a comprehensive support system for medical professionals. Our Risk Management Hotline provides each physician with the ability to discuss medical issues with a peer, an attorney or a risk management specialist.

**Tracking and Trending Claims.** We utilize an extensive claims database developed from our experience in the ED setting to identify claim trends and risk factors so that we can better target our risk management initiatives. Periodically, we target the medical conditions associated with our most

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frequent professional liability claims, and provide detailed education to assist our affiliated medical professionals in treating these medical conditions.

**Professional Risk Assessment.** We conduct risk assessments of our medical professionals. Typically, a risk assessment includes a thorough review of professional liability claims against the professional, assessment of issues raised by hospital risk management and identification of areas where additional education may be advantageous for the professional.

**Hospital Risk Assessment.** We conduct risk assessments of potential hospital customers in conjunction with our sales and contracting process. As part of the risk assessment, we conduct a detailed analysis of the hospital's operations affecting the services of our affiliated medical professionals, including the triage procedures, on-call coverage, transfer procedures, nursing staffing and related matters in order to address risk factors contractually during negotiations with potential customer hospitals.

**Clinical Fail-Safe Programs.** We review and identify key risk areas which we believe may result in increased incidence of patient injuries and resulting claims against us and our affiliated medical professionals. We have developed "fail-safe" clinical tools and make them available to our affiliated physicians for use in conjunction with their practice. These "fail-safe" tools assist physicians in identifying common patient attributes and complaints that may identify the patient as being at high risk for certain conditions (*e.g.*, a heart attack).

**Professional Liability Claims Committee.** Each professional liability claim brought against an EmCare affiliated medical professional or EmCare affiliated company is reviewed by EmCare's Claims Committee, consisting of physicians, attorneys and company executives, before any resolution of the claim. The Claims Committee periodically instructs EmCare's risk management personnel to undertake an analysis of particular physicians or hospital locations associated with a given claim.

**Billing and Collections**

We receive payment for patient services from:

federal and state governments, primarily under the Medicare and Medicaid programs;

health maintenance organizations ("HMOs"), preferred provider organizations and private insurers;

hospitals in the form of subsidies;

fees for management services provided; and

individual patients.

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The table below presents EmCare's payor mix as a percentage of cash collections in the period as an approximation of net revenue recorded:

	Percentage of EmCare cash collections		
	Year ended December 31,		
	2013	2012	2011
Medicare	16.6%	14.0%	14.3%
Medicaid	3.5	3.7	4.4
Commercial insurance/managed care	59.4	60.3	57.1
Self-pay	3.0	3.3	2.8
Fees/other			