Envision Healthcare Holdings, Inc.
Form 10-Q
May 08, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended March 31, 2015

Or

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

For the transition period from to

Commission file number: 001-36048

ENVISION HEALTHCARE HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**45-0832318**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
6200 S. Syracuse Way, Suite 200 Greenwood Village, CO	**80111**
(Address of principal executive offices)	(Zip Code)

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

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

Not applicable

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

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 x No o

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 x	Accelerated filer o

Non-accelerated filer o
(Do not check if a smaller reporting company)

Smaller reporting company o

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

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

At May 1, 2015, the registrant had 185,637,644 shares of common stock, par value $0.01 per share, outstanding.

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ENVISION HEALTHCARE HOLDINGS, INC.

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ENVISION HEALTHCARE HOLDINGS, INC.

EXPLANATORY NOTE

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

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ENVISION HEALTHCARE HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

		March 31, 2015 (Unaudited)		December 31, 2014
Assets				
Current assets:				
Cash and cash equivalents	$	92,875	$	318,895
Insurance collateral		37,521		32,828
Trade and other accounts receivable, net		1,098,573		950,115
Parts and supplies inventory		24,805		24,484
Prepaids and other current assets		36,119		36,917
Total current assets		1,289,893		1,363,239
Non-current assets:				
Property, plant and equipment, net		214,350		211,276
Intangible assets, net		680,614		524,482
Insurance collateral		10,535		10,568
Goodwill		2,869,408		2,538,633
Other long-term assets		82,119		55,555
Total assets	$	5,146,919	$	4,703,753
Liabilities and Equity				
Current liabilities:				
Accounts payable	$	56,824	$	47,584
Accrued liabilities		477,936		412,657
Current deferred tax liabilities		104,890		104,278
Current portion of long-term debt and capital lease obligations		12,358		12,349
Total current liabilities		652,008		576,868
Long-term debt and capital lease obligations		2,257,654		2,025,877
Long-term deferred tax liabilities		161,451		130,963
Insurance reserves		220,367		180,639
Other long-term liabilities		22,616		20,365
Total liabilities		3,314,096		2,934,712
Commitments and contingencies				
Equity:				
Common stock ($0.01 par value; 2,000,000,000 shares authorized, 184,586,249 and 183,679,113 issued and outstanding as of March 31, 2015 and December 31, 2014, respectively)		1,846		1,837
Preferred stock ($0.01 par value; 200,000,000 shares authorized, none issued and outstanding as of March 31, 2015 and December 31, 2014)				
Additional paid-in capital		1,632,584		1,616,747
Retained earnings		177,224		143,849
Accumulated other comprehensive income (loss)		(1,719)		(1,856)
Total Envision Healthcare Holdings, Inc. equity		1,809,935		1,760,577
Noncontrolling interest		22,888		8,464
Total equity		1,832,823		1,769,041
Total liabilities and equity	$	5,146,919	$	4,703,753

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

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ENVISION HEALTHCARE HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

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

	Three months ended March 31,	
	2015	**2014**
Revenue, net of contractual discounts	$ 2,252,718	$ 1,858,494
Provision for uncompensated care	(1,008,216)	(844,283)
Net revenue	1,244,502	1,014,211
Compensation and benefits	907,657	743,661
Operating expenses	151,726	114,635
Insurance expense	35,526	30,981
Selling, general and administrative expenses	26,449	19,375
Depreciation and amortization expense	39,881	36,432
Restructuring charges		809
Income from operations	83,263	68,318
Interest income from restricted assets	130	86
Interest expense, net	(26,687)	(30,049)
Realized gains (losses) on investments		606
Other income (expense), net	(332)	(808)
Income (loss) before income taxes and equity in earnings of unconsolidated subsidiary	56,374	38,153
Income tax benefit (expense)	(22,516)	(16,675)
Income (loss) before equity in earnings of unconsolidated subsidiary	33,858	21,478
Equity in earnings of unconsolidated subsidiary	72	47
Net income (loss)	33,930	21,525
Less: Net (income) loss attributable to noncontrolling interest	(555)	3,300
Net income (loss) attributable to Envision Healthcare Holdings, Inc.	$ 33,375	$ 24,825
Net income (loss) per share attributable to Envision Healthcare Holdings, Inc.:		
Basic	$ 0.18	$ 0.14
Diluted	$ 0.17	$ 0.13
Weighted-average common shares outstanding:		
Basic	184,586,249	180,782,025
Diluted	191,241,676	189,391,612
Comprehensive income (loss):		
Net income (loss)	$ 33,930	$ 21,525
Other comprehensive income (loss), net of tax:		
Unrealized holding gains (losses) during the period	(120)	(337)
Unrealized gains (losses) on derivative financial instruments	257	51
Total other comprehensive income (loss), net of tax	137	(286)
Comprehensive income (loss)	34,067	21,239
Less: Comprehensive (income) loss attributable to noncontrolling interest	(555)	3,300
Comprehensive income (loss) attributable to Envision Healthcare Holdings, Inc.	$ 33,512	$ 24,539

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

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ENVISION HEALTHCARE HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands, unaudited)

	Three months ended March 31, 2015	2014
Cash Flows from Operating Activities		
Net income (loss)	$ 33,930	$ 21,525
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	42,004	39,667
(Gain) loss on disposal of property, plant and equipment	27	(1,981)
Equity-based compensation expense	1,353	1,062
Excess tax benefits from equity-based compensation	(10,945)	(14,790)
Equity in earnings of unconsolidated subsidiary	(72)	(47)
Dividends received	370	430
Deferred income taxes	520	928
Changes in operating assets/liabilities, net of acquisitions:		
Trade and other accounts receivable, net	(56,224)	(35,429)
Parts and supplies inventory	(122)	(327)
Prepaids and other current assets	6,930	(3,468)
Accounts payable and accrued liabilities	22,799	34,183
Insurance reserves	4,745	(11,533)
Net cash provided by (used in) operating activities	45,315	30,220
Cash Flows from Investing Activities		
Purchases of available-for-sale securities	(472)	(2,458)
Sales and maturities of available-for-sale securities	200	8,160
Purchases of property, plant and equipment	(13,507)	(10,714)
Proceeds from sale of property, plant and equipment	44	2,156
Acquisition of businesses, net of cash received	(498,283)	(35,791)
Net change in insurance collateral	(4,508)	1,200
Other investing activities	(912)	(2,526)
Net cash provided by (used in) investing activities	(517,438)	(39,973)
Cash Flows from Financing Activities		
Borrowings under the ABL Facility	285,000	
Repayments of the Term Loan	(3,343)	(3,343)
Repayments of the ABL Facility	(50,000)	
Debt issuance costs	(27)	
Proceeds from stock options exercised	3,548	
Excess tax benefits from equity-based compensation	10,945	14,790
Shares repurchased for tax withholdings		(14,430)
Contributions from (distributions to) noncontrolling interest, net	100	250
Other financing activities	(120)	(1,230)
Net cash provided by (used in) financing activities	246,103	(3,963)
Change in cash and cash equivalents	(226,020)	(13,716)
Cash and cash equivalents, beginning of period	318,895	204,712
Cash and cash equivalents, end of period	$ 92,875	$ 190,996

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

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1. General

Basis of Presentation of Financial Statements

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

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

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

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

2. Summary of Significant Accounting Policies

Consolidation

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

Use of Estimates

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

Insurance Collateral

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

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

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

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Trade and Other Accounts Receivable, net

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

		March 31, 2015		December 31, 2014
Gross trade accounts receivable	$	5,201,221	$	4,978,738
Allowance for contractual discounts		(2,808,703)		(2,800,852)
Allowance for uncompensated care		(1,293,978)		(1,227,799)
Trade accounts receivable, net		1,098,540		950,087
Other receivables, net		33		28
Trade and other accounts receivable, net	$	1,098,573	$	950,115

Other receivables primarily represent employee advances and other miscellaneous receivables.

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

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

Business Combinations

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

Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period any subsequent adjustments are recorded as expense.

Insurance Reserves

Insurance reserves are established for automobile, workers compensation, general liability and professional liability claims utilizing policies with both fully-insured and self-insured components. This includes the use of an off-shore captive insurance program through a wholly-owned subsidiary for certain liability programs for both EmCare and AMR. In those instances where the Company has obtained third-party insurance coverage, the Company normally retains liability for the first $1 to $3 million of the loss. Insurance reserves cover known claims and incidents within the level of Company retention that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from activities through the balance sheet date.

The Company establishes reserves for claims based upon an assessment of actual claims and claims incurred but not reported. The reserves are established based on quarterly consultation with third-party independent actuaries using actuarial principles and assumptions that consider a number of factors, including historical claim payment patterns and legal costs, changes in case

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reserves and the assumed rate of inflation in healthcare costs and property damage repairs. Claims are discounted at a rate of 1.5% which is commensurate with the risk free rate.

The Company s most recent actuarial valuation was completed in March 2015. As a result of this and previous actuarial valuations, the Company recorded increases in its provision for insurance liabilities of $2.6 million and $5.2 million during the three months ended March 31, 2015 and 2014, respectively, related to reserves for losses in prior years.

Public Offerings

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

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

Financial Instruments and Concentration of Credit Risk

The Company s cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, insurance collateral, long-term debt and other long-term liabilities constitute financial instruments. Based on management s estimates, the carrying value of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximates fair value as of March 31, 2015 and December 31, 2014. Concentration of credit risks in accounts receivable is limited, due to the large number of customers comprising the Company s customer base throughout the United States. A significant component of the Company s revenue is derived from Medicare and Medicaid. Given that these are government programs, the credit risk for these customers is considered low. The Company performs ongoing credit evaluations of its other customers, but does not require collateral to support customer accounts receivable. The Company establishes an allowance for uncompensated care based on the credit risk applicable to particular customers, historical trends and other relevant information. For the three months ended March 31, 2015 and 2014, the Company derived approximately 34% and 33%, respectively, of its revenue from Medicare and Medicaid, 64% and 64%, respectively, from insurance providers and contracted payors, and 2% and 3%, respectively, directly from patients.

The Company estimates the fair value of its fixed rate senior notes based on an analysis in which the Company evaluates market conditions, related securities, various public and private offerings, and other publicly available information (Level 2, as defined below). The estimated fair value of the senior notes as of March 31, 2015 and December 31, 2014 was approximately $766.9 million and $744.4 million, respectively, with a carrying amount of $750.0 million.

Fair Value Measurement

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

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

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

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

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

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

	March 31, 2015			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Available-for-sale securities (insurance collateral)	$ 31,632	$	$	$ 31,632
Liabilities:				
Contingent consideration			2,000	2,000
Fuel hedge		1,528		1,528
Interest rate swap		987		987

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

The contingent consideration balance classified as a Level 3 liability has remained unchanged since December 31, 2014.

During the three months ended March 31, 2015 and 2014, the Company had no transfers in and out of Level 1 and Level 2 fair value measurements.

Revenue Recognition

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

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

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

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

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

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

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

The Company has historically reported Medicare and Medicaid managed care in the line Commercial insurance and managed care . During 2014, the Company determined that Medicare and Medicaid managed care programs would be better categorized in the Medicare and Medicaid payor class and has reclassified those encounters in the presentation below and conformed prior periods to current period presentation. Net revenue for the three months ended March 31, 2015 and 2014 consisted of the following (in thousands):

	Three months ended March 31,	
	2015	**2014**
Revenue, net of contractual discounts, excluding subsidies and fees:		
Medicare	$ 362,069	$ 250,312
Medicaid	130,976	55,817
Commercial insurance and managed care (excluding Medicare and Medicaid managed care)	651,816	645,183
Self-pay	856,115	724,507
Sub-total	2,000,976	1,675,819
Subsidies and fees	251,742	182,675
Revenue, net of contractual discounts	2,252,718	1,858,494
Provision for uncompensated care	(1,008,216)	(844,283)
Net revenue	$ 1,244,502	$ 1,014,211

Healthcare reimbursement is complex and may involve lengthy delays. Third-party payors are continuing their efforts to control expenditures for healthcare, including proposals to revise reimbursement policies. The Company has from time to time experienced delays in reimbursement from third-party payors. In addition, third-party payors may disallow, in whole or in part, claims for payment based on determinations that certain amounts are not reimbursable under plan coverage, determinations of medical necessity, or the need for additional information. Laws and regulations governing the Medicare and Medicaid programs are very complex and subject to interpretation. Revenue is recognized on an

estimated basis in the period in which related services are rendered. As a result, there is a reasonable possibility that recorded estimates will change materially in the short-term. Such amounts, including adjustments between provisions for contractual discounts and uncompensated care, are adjusted in future periods, as adjustments become known. These adjustments in the aggregate increased the contractual discount and uncompensated care provisions (decreased net revenue) by approximately $3.6 million and $1.1 million for the three months ended March 31, 2015 and 2014, respectively.

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.

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Recent Accounting Pronouncements

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

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

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

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

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

	Three months ended March 31,	
	2015	**2014**
Net income (loss) attributable to Envision Healthcare Holdings, Inc.	$ 33,375	$ 24,825
Weighted-average common shares outstanding common stock:		
Basic	184,586,249	180,782,025
Dilutive impact of stock awards outstanding	6,655,427	8,609,587
Diluted	191,241,676	189,391,612

Net income (loss) per share attributable to Envision Healthcare Holdings, Inc.:				
Basic	$	0.18	$	0.14
Diluted	$	0.17	$	0.13

As of March 31, 2015 and 2014, there were stock awards to acquire 36,957 shares and zero shares of common stock outstanding, respectively, not included in the weighted-average common shares outstanding above, as their effect is anti-dilutive.

4. Acquisitions

2015 Acquisitions

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

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

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

Accounts receivable	$	7,000
Acquired intangible assets		37,000
Goodwill		77,914
Accounts payable		(81)
Accrued liabilities		(450)
Long-term deferred tax liabilities		(16,549)
Total purchase price	$	104,834

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

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

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

Cash and cash equivalents	$	1,062
Accounts receivable		22,468
Prepaid and other current assets		1,139
Property, plant, and equipment		2,739
Acquired intangible assets		44,867
Goodwill		78,205
Other long-term assets		5,552
Accounts payable		(740)
Accrued liabilities		(6,300)
Long-term deferred tax liabilities		(10,422)
Insurance reserves		(13,655)
Other long-term liabilities		(1,132)
Total purchase price	$	123,783

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

The goodwill recognized in connection with the EMA acquisition is assigned to the EmCare segment and is primarily attributable to synergies that are expected to be achieved through the integration of EMA into the existing operations of EmCare. Of the goodwill recorded, $154.5 million is tax deductible.

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

Cash and cash equivalents	$	7,393
Accounts receivable		52,907
Prepaid and other current assets		4,859
Property, plant, and equipment		2,273
Acquired intangible assets		95,000
Goodwill		163,434
Other long-term assets		22,315
Accounts payable		(12,168)
Accrued liabilities		(38,430)
Long-term deferred tax liabilities		(3,518)
Insurance reserves		(22,300)
Total purchase price	$	271,765

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

Unaudited pro forma operating results giving effect to the SEA, VISTA, and EMA acquisitions as if they had been completed as of January 1, 2014 are not presented due to the lack of available information at the time of this filing.

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

2014 Acquisitions

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

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

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

During the three months ended March 31, 2015, the Company made a purchase price allocation adjustment that increased goodwill by $1.2 million with a corresponding increase to accrued liabilities to record an adjustment to accrued wages and benefits.

The following unaudited pro forma operating results give effect to the Phoenix Physicians Acquisition, as if it had been completed as of January 1, 2014. These pro forma amounts are not necessarily indicative of the operating results that would have

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occurred if these transactions had occurred on such date. The pro forma adjustments are based on certain assumptions that the Company believes are reasonable.

(in thousands)	Three months ended March 31, 2014
Net revenue	$ 31,698
Net income	3,017

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

The Company has accounted for these acquisitions using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. During the three months ended March 31, 2015, the Company made purchase price allocation adjustments including a reclassification from goodwill to intangible assets of $1.3 million. The total purchase price for these acquisitions was allocated to goodwill of $9.5 million, $4.9 million of which is tax deductible goodwill, other acquired intangible assets of $28.7 million, net current assets of $3.5 million and long-term deferred tax liabilities of $3.7 million.

5. Insurance Collateral

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

	March 31, 2015	December 31, 2014
Available-for-sale securities:		
U.S. Treasuries	$ 1,204	$ 1,191
Corporate bonds /Fixed income	16,663	15,397
Corporate equity	13,765	13,655
Total available-for-sale securities	31,632	30,243
Insurance receivable	1,470	1,470
Cash deposits and other	14,954	11,683
Total insurance collateral	$ 48,056	$ 43,396

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

	March 31, 2015			
Description	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasuries	$ 1,192	$ 16	$ (4)	$ 1,204
Corporate bonds /Fixed income	16,603	64	(4)	16,663
Corporate equity	14,182	45	(462)	13,765
Total available-for-sale securities	$ 31,977	$ 125	$ (470)	$ 31,632

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

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As of March 31, 2015, available-for-sale securities included U.S. Treasuries and corporate bonds/ fixed income securities of $4.0 million with contractual maturities within one year and $13.9 million with contractual maturities extending longer than one year through five years. Actual maturities may differ from contractual maturities as a result of the Company s ability to sell these securities prior to maturity.

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

	March 31, 2015		December 31, 2014	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Treasuries:				
Less than 12 months	$	$	$	$
12 months or more	131	(4)	130	(3)
Corporate bonds /Fixed income:				
Less than 12 months	2,667	(1)	1,312	(1)
12 months or more	2,540	(3)	251	
Corporate equity:				
Less than 12 months	11,208	(462)	11,160	(257)
12 months or more				
Total	$ 16,546	$ (470)	$ 12,853	$ (261)

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

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

The Company realized net gains of zero and $0.6 million on the sale and maturities of available-for-sale securities for the three months ended March 31, 2015 and 2014, respectively.

6. Accrued Liabilities

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

	March 31, 2015	December 31, 2014
Accrued wages and benefits	$ 252,034	$ 190,220
Accrued paid time-off	30,542	27,156
Current portion of self-insurance reserves	74,787	74,212
Accrued severance and related costs	7,109	8,376
Current portion of compliance and legal	5,395	3,407
Accrued billing and collection fees	3,191	3,823
Accrued incentive compensation	24,112	32,324
Accrued income taxes	8,941	
Accrued interest	11,029	22,324
Other	60,796	50,815
Total accrued liabilities	$ 477,936	$ 412,657

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7. Debt and Capital Lease Obligations

Senior Unsecured Notes due 2019

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

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

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

Senior Secured Credit Facilities

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

Term Loan Facility

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

to unamortized debt issuance costs as a result of this modification.

The credit agreement governing the Term Loan Facility contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants are limited to the following: limitations on the incurrence of debt, liens, fundamental changes, restrictions on subsidiary distributions, transactions with affiliates, further negative pledge, asset sales, restricted payments, investments and acquisitions, repayment of certain junior debt (including the senior notes) or amendments of junior debt documents related thereto and line of business. The negative covenants are subject to the customary exceptions.

ABL Facility

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

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(adjusted for maximum reserves) plus 1.00% plus, in each case, (A) 1.00% in the event that average daily excess availability is less than or equal to 33% of availability, (B) 0.75% in the event that average daily excess availability is greater than 33% but less than or equal to 66% of availability and (C) 0.50% in the event that average daily excess availability is greater than 66% of availability.

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

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

As of March 31, 2015, letters of credit outstanding which impact the available credit under the ABL Facility were $120.6 million and the maximum available under the ABL Facility was $194.4 million.

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

Senior Unsecured Notes due 2022

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

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

The Company may redeem the 2022 Notes, in whole or in part, at any time prior to July 1, 2017, at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, plus the applicable make-whole premium. The Company may redeem the 2022 Notes, in whole or in part, at any time (i) on and after July 1, 2017 and prior to July 1, 2018, at a price equal to 103.844% of the principal amount of the 2022 Notes, (ii) on or after July 1, 2018 and prior to July 1, 2019, at a price equal to 102.563% of the principal amount

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

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

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

	March 31, 2015	December 31, 2014
Senior unsecured notes due 2022	$ 750,000	$ 750,000
Senior secured term loan due 2018 (4.00% at March 31, 2015 and December 31, 2014)	1,286,232	1,289,575
Discount on senior secured term loan	(3,068)	(3,317)
ABL Facility	235,000	
Notes due at various dates from 2015 to 2022 with interest rates from 6% to 10%	466	482
Capital lease obligations due at various dates from 2015 to 2018	1,382	1,486
Total	2,270,012	2,038,226
Less current portion	(12,358)	(12,349)
Total long-term debt and capital lease obligations	$ 2,257,654	$ 2,025,877

8. Derivative Instruments and Hedging Activities

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

At March 31, 2015, the Company was party to a series of fuel hedge transactions with a major financial institution under one master agreement. Each of the transactions effectively fixes the cost of diesel fuel at prices ranging from $3.30 to $3.58 per gallon. The Company purchases the diesel fuel at the market rate and periodically settles with its counterparty for the difference between the national average price for the period published by the Department of Energy and the agreed upon fixed price. The transactions fix the price for a total of 2.6 million gallons, which represents approximately 11% of the Company s total estimated usage during the periods hedged, through December 2016. The Company recorded, as a component of other comprehensive income (loss) before applicable tax impacts, a liability associated with the fair value of the fuel hedge in the amount $1.5 million and $1.4 million, respectively, as of March 31, 2015 and December 31, 2014, respectively. Over the next 12 months, the Company expects to reclassify $0.8 million of deferred loss from accumulated other comprehensive income (loss) as the related fuel hedge transactions mature. Settlement of hedge agreements are included in operating expenses and resulted in net payments to the counterparty of $0.2 million for the three months ended March 31, 2015 and net receipts of $0.2 million for the three months ended March 31, 2014.

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 4.49%. The Company will continue to make interest payments based on the variable rate associated with the debt (based on LIBOR, but not less than 1.0%) 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 (loss) before applicable tax impacts, a liability associated with the fair value of the interest rate swap in the amount of $1.0 million and $1.5 million as of March 31, 2015 and December 31, 2014, respectively. Over the next 12 months, the Company expects to reclassify $1.0 million of deferred loss from accumulated other comprehensive income (loss) to interest expense as the related interest rate swap transactions mature. Settlement of interest rate swap agreements are included in interest expense and resulted in net payments to the counterparties of $0.5 million and $0.5 million for the three months ended March 31, 2015 and 2014, respectively.

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

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

	Fuel hedge	Interest rate swap	Unrealized holding gains on available-for-sale securities	Total
Balance as of January 1, 2014	$ 420	$ (1,958)	$ 699	$ (839)
Other comprehensive income (loss) before reclassifications	(1,130)	(216)	(491)	(1,837)
Amounts reclassified from accumulated other comprehensive income (loss)	(187)	1,239	(232)	820
Net current-period other comprehensive income (loss)	(1,317)	1,023	(723)	(1,017)
Balance as of December 31, 2014	(897)	(935)	(24)	(1,856)
Other comprehensive income (loss) before reclassifications	(182)	7	(120)	(295)
Amounts reclassified from accumulated other comprehensive income (loss)	122	310		432
Net current-period other comprehensive income (loss)	(60)	317	(120)	137
Balance as of March 31, 2015	$ (957)	$ (618)	$ (144)	$ (1,719)

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

	Amount reclassified from AOCI Three months ended March 31,		
Details about AOCI components	2015	2014	Statements of Operations
Gains and losses on cash flow hedges:			
Fuel Hedge	$ (196)	$ 181	Operating expenses
Interest rate swap	(496)	(496)	Interest expense, net
	(692)	(315)	Total before tax
	260	119	Tax benefit (expense)
	$ (432)	$ (196)	Net of tax
Unrealized holding gains on available-for-sale securities	$	$ 606	Realized gains (losses) on investments
		606	Total before tax
		(228)	Tax benefit (expense)
	$	$ 378	Net of tax

10. Equity Based Compensation

Upon completion of the Company s initial public offering in August of 2013, the then-existing stock compensation plan (Stock Compensation Plan) terminated and the Envision Healthcare Holdings, Inc. 2013 Omnibus Incentive Plan (Omnibus Incentive Plan) was adopted pursuant to which options and awards with respect to a total of 16,708,289 shares of common stock are available for grant. As of March 31, 2015, a total of 16,439,875 shares remained available for grant under the Omnibus Incentive Plan. Awards under the Omnibus Incentive Plan include both performance and non-performance based awards. As of March 31, 2015, no grants of performance based awards under the Omnibus Incentive Plan had been made. Options are granted with exercise prices equal to the fair value of the Company s common stock at the date of grant. No participant may be granted in any calendar year awards covering more than 2.5 million shares of common stock or 1.5 million performance awards up to a maximum dollar value of $5.0 million. Non-performance based awards have time-based vesting and performance-based awards vest upon achievement of certain company-wide objectives. All options have 10 year terms.

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

A compensation charge of $1.4 million and $1.1 million was recorded for the three months ended March 31, 2015 and 2014, respectively.

11. Commitments and Contingencies

Lease Commitments

The Company leases various facilities and equipment under operating lease agreements. Rental expense incurred under these leases was $12.8 million and $11.3 million for the three months ended March 31, 2015 and 2014, respectively.

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

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.

Letters of Credit

As of March 31, 2015 and December 31, 2014, the Company had $120.6 million and $112.3 million, respectively, in outstanding letters of credit.

Other Legal Matters

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

Four different putative class action lawsuits were filed against AMR and certain subsidiaries in California alleging violations of California wage and hour laws. On April 16, 2008, Laura Bartoni commenced a suit in the Superior Court for the State of California, County of Alameda; on July 8, 2008, Vaughn Banta filed suit in the Superior Court of the State of California, County of Los Angeles; on January 22, 2009, Laura Karapetian filed suit in the Superior Court of the State of California, County of Los

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Angeles; and on March 11, 2010, Melanie Aguilar filed suit in Superior Court of the State of California, County of Los Angeles. The Banta, Aguilar and Karapetian cases have been coordinated in the Superior Court for the State of California, County of Los Angeles, and the Aguilar and Karapetian cases have subsequently been consolidated into a single action. In these cases, the plaintiffs allege principally that the AMR entities failed to pay wages, including overtime wages, in compliance with California law, and failed to provide required meal breaks, rest breaks or pay premium compensation for missed breaks. The plaintiffs are seeking to certify classes on these claims and are seeking lost wages, various penalties, and attorneys fees under California law. The Court has certified classes in the consolidated Karapetian/ Aguilar case on claims alleging that AMR has not provided meal periods in compliance with the law as to dispatchers and call takers, that AMR has an unlawful time rounding policy, and that AMR has an unlawful practice of setting rates for those employees; the Court denied certification of the rest period claims of these employees. In the Banta case, the Court denied certification of the meal and rest period claims as to EMTs and paramedics, a decision that is being appealed; the Court indicated that it would certify a class on overtime claims, but plaintiff s counsel has indicated that they intend to dismiss that claim as AMR s policy complies with a recent Court of Appeals decision. In the Bartoni case, the Court denied certification on the meal and rest period claims of all unionized employees in Northern California, a decision that is being appealed. While the Court certified a class on the overtime claims, plaintiffs counsel stipulated to decertify and dismiss those claims as AMR s policy complies with a recent Court of Appeals decision. The Company is unable at this time to estimate the amount of potential damages, if any.

Merion Capital, L.P. (Merion), a former stockholder of Corporation, filed an action in the Delaware Court of Chancery seeking to exercise its right to appraisal of its holdings in Corporation prior to the merger of Corporation with a wholly-owned subsidiary of the Company on May 25, 2011 (the Merger). During the year ended December 31, 2013, the Company expensed $8.4 million of legal settlement costs and $1.9 million of interest. On April 15, 2013, the Company paid $52.1 million in a settlement of Merion s appraisal action, in which Merion agreed to release its claims against the Company. $13.7 million of this payment is included in cash flows from operations and $38.3 million is included in cash flows from financing activities on the statements of cash flows for the year ended December 31, 2013.

On August 7, 2012, EmCare received a subpoena from the OIG requesting copies of documents for the period from January 1, 2007 through the present that appears to primarily be focused on EmCare s contracts for services at hospitals that are affiliated with Health Management Associates, Inc. (HMA). The Company has been cooperating with the government during its investigation and, as such, continues to gather responsive documents. During the months of December 2013 and January 2014, several lawsuits filed by whistleblowers on behalf of the federal and certain state governments against HMA have been unsealed; the Company is a named defendant in two of these lawsuits. Although the federal government intervened in these lawsuits in connection with certain of the allegations against HMA, the federal government has not, at this time, disclosed whether it will intervene in these matters as they relate to the Company. The Company continues to engage in meaningful dialogue with the relevant government representatives and, at this time, the Company is unable to determine the potential impact, if any, that will result from this investigation.

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

12. Related Party Transactions

CD&R Affiliates

Stockholders Agreement

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

Registration Rights Agreement

In connection with the closing of the Merger, the Company entered into a registration rights agreement (Registration Rights Agreement) with the CD&R Affiliates, which granted the CD&R Affiliates specified demand and piggyback registration rights with respect to the Company s common stock. Under the Registration Rights Agreement, if the Company registered common stock under the Securities Act of 1933, as amended (the Securities Act), holders of the common stock, including CD&R

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Affiliates, had the right to require the Company to use reasonable best efforts to include in the Company s registration statement shares of common stock held by them, subject to certain limitations and at the expense of the Company. Upon the CD&R Affiliate disposition of the remaining shares of the Company s common stock beneficially owned by them in a registered secondary offering, on March 11, 2015 the registration rights agreement terminated pursuant to its terms, and, as a result, the CD&R Affiliates are no longer entitled to specified demand and piggyback registration rights as of such date.

Indemnification Agreements

In connection with the closing of the Merger, the Company entered into separate indemnification agreements with CD&R and CD&R Affiliates (the CD&R Entities). Under the indemnification agreement with the CD&R Entities, the Company, subject to certain limitations, agreed to indemnify the CD&R Entities and certain of their affiliates against certain liabilities arising out of performance of the Consulting Agreement and certain other claims and liabilities.

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

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

13. Variable Interest Entities

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

AHAH-Evolution JV

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

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

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

The following table summarizes the AHAH-Evolution JV assets and liabilities as of March 31, 2015, which are included in the Company s consolidated financial statements (in thousands):

		March 31, 2015
Current assets	$	18,427
Current liabilities		9,045

During the three months ended March 31, 2015, cash contributions of $0.1 million were made to AHAH-Evolution JV by each of the parties for working capital requirements.

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UHS-EmCare JV

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

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

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

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

	March 31, 2015	December 31, 2014
Current assets	$ 23,998	$ 21,427
Current liabilities	5,960	6,748

During the three months ended March 31, 2015 and 2014, cash contributions of zero and $0.3 million were made to UHS-EmCare JV by each of the parties for working capital requirements.

HCA-EmCare JV

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

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

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

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

	March 31, 2015	December 31, 2014
Current assets	$ 141,008	$ 155,041
Current liabilities	46,993	31,163

During the three months ended March 31, 2015 and 2014, there were no cash contributions made to HCA-EmCare JV by each of the parties for working capital requirements.

14. Segment Information

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

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

During the fourth quarter of 2014, the Company included within the definition of Adjusted EBITDA transaction costs related to acquisition activity. Adjusted EBITDA for the three months ended March 31, 2014 has been presented to conform to the current period presentation.

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

	Three months ended March 31,			
	2015		2014	
Facility-Based Physician Services				
Net revenue	$	825,108	$	644,566
Income from operations		52,175		51,235
Adjusted EBITDA		77,095		71,682
Healthcare Transportation Services				
Net revenue	$	419,394	$	369,645
Income from operations		31,088		17,083
Adjusted EBITDA		51,771		39,098
Segment Totals				
Net revenue	$	1,244,502	$	1,014,211
Income from operations		83,263		68,318
Adjusted EBITDA		128,866		110,780

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

	Three months ended March 31,	
	2015	2014
Net income (loss)	$ 33,930	$ 21,525
Add-back of non-operating expense (income):		
Interest expense, net	26,687	30,049
Income tax expense (benefit)	22,516	16,675
Realized losses (gains) on investments		(606)
Interest income from restricted assets	(130)	(86)
Equity in earnings of unconsolidated subsidiary	(72)	(47)
Other expense (income), net	332	808
Income from operations segment totals	83,263	68,318
Add-back of operating expense (income):		
Depreciation and amortization expense	39,881	36,432
Restructuring charges		809
Severance and related costs	1,694	
Net (income) loss attributable to noncontrolling interest	(555)	3,300
Interest income from restricted assets	130	86
Equity-based compensation expense	1,353	1,062
Transaction costs	3,100	773
Adjusted EBITDA	$ 128,866	$ 110,780

15. Consolidating Financial Information

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

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Consolidating Balance Sheet

As of March 31, 2015

(in thousands, unaudited)

	EVHC (excluding Corporation)	Corporation and Subsidiaries	Consolidating Adjustments	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 5	$ 92,870	$	$ 92,875
Insurance collateral		37,521		37,521
Trade and other accounts receivable, net		1,098,573		1,098,573
Parts and supplies inventory		24,805		24,805
Prepaids and other current assets	5,019	36,119	(5,019)	36,119
Total current assets	5,024	1,289,888	(5,019)	1,289,893
Property, plant, and equipment, net		214,350		214,350
Intangible assets, net		680,614		680,614
Long-term deferred tax assets	145		(145)	
Insurance collateral		10,535		10,535
Goodwill		2,869,408		2,869,408
Other long-term assets		82,119		82,119
Investment in wholly owned subsidiary	1,805,764		(1,805,764)	
Total assets	$ 1,810,933	$ 5,146,914	$ (1,810,928)	$ 5,146,919
Liabilities and Equity				
Current liabilities:				
Accounts payable	$ 998	$ 55,826	$	$ 56,824
Accrued liabilities		481,586	(3,650)	477,936
Current deferred tax liabilities		106,259	(1,369)	104,890
Current portion of long-term debt and capital lease obligations		12,358		12,358
Total current liabilities	998	656,029	(5,019)	652,008
Long-term debt and capital lease obligations		2,257,654		2,257,654
Long-term deferred tax liabilities		161,596	(145)	161,451
Insurance reserves		220,367		220,367
Other long-term liabilities		22,616		22,616
Total liabilities	998	3,318,262	(5,164)	3,314,096
Equity:				
Common stock	1,846			1,846
Preferred stock				
Additional paid-in capital	1,632,584	1,559,864	(1,559,864)	1,632,584
Retained earnings	177,224	247,619	(247,619)	177,224
Accumulated other comprehensive loss	(1,719)	(1,719)	1,719	(1,719)
Total Envision Healthcare Holdings, Inc. equity	1,809,935	1,805,764	(1,805,764)	1,809,935
Noncontrolling interest		22,888		22,888
Total equity	1,809,935	1,828,652	(1,805,764)	1,832,823
Total liabilities and equity	$ 1,810,933	$ 5,146,914	$ (1,810,928)	$ 5,146,919

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Consolidating Balance Sheet

As of December 31, 2014

(in thousands)

	EVHC (excluding Corporation)	Corporation and Subsidiaries	Consolidating Adjustments	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 5	$ 318,890	$	$ 318,895
Insurance collateral		32,828		32,828
Trade and other accounts receivable, net		950,115		950,115
Parts and supplies inventory		24,484		24,484
Prepaids and other current assets	5,019	36,917	(5,019)	36,917
Total current assets	5,024	1,363,234	(5,019)	1,363,239
Property, plant, and equipment, net		211,276		211,276
Intangible assets, net		524,482		524,482
Long-term deferred tax assets	145		(145)	
Insurance collateral		10,568		10,568
Goodwill		2,538,633		2,538,633
Other long-term assets		55,555		55,555
Investment in wholly owned subsidiary	1,756,407		(1,756,407)	
Total assets	$ 1,761,576	$ 4,703,748	$ (1,761,571)	$ 4,703,753
Liabilities and Equity				
Current liabilities:				
Accounts payable	$ 999	$ 46,585	$	$ 47,584
Accrued liabilities		416,307	(3,650)	412,657
Current deferred tax liabilities		105,647	(1,369)	104,278
Current portion of long-term debt and capital lease obligations		12,349		12,349
Total current liabilities	999	580,888	(5,019)	576,868
Long-term debt and capital lease obligations		2,025,877		2,025,877
Long-term deferred tax liabilities		131,108	(145)	130,963
Insurance reserves		180,639		180,639
Other long-term liabilities		20,365		20,365
Total liabilities	999	2,938,877	(5,164)	2,934,712
Equity:				
Common stock	1,837			1,837
Preferred stock				
Additional paid-in capital	1,616,747	1,544,222	(1,544,222)	1,616,747
Retained earnings	143,849	214,041	(214,041)	143,849
Accumulated other comprehensive loss	(1,856)	(1,856)	1,856	(1,856)
Total Envision Healthcare Holdings, Inc. equity	1,760,577	1,756,407	(1,756,407)	1,760,577
Noncontrolling interest		8,464		8,464
Total equity	1,760,577	1,764,871	(1,756,407)	1,769,041
Total liabilities and equity	$ 1,761,576	$ 4,703,748	$ (1,761,571)	$ 4,703,753

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Condensed Consolidating Statement of Operations

(in thousands, unaudited)

	Three months ended March 31, 2015			
	EVHC (excluding Corporation)	Corporation and Subsidiaries	Consolidating Adjustments	Total
Net revenue	$	$ 1,244,502	$	$ 1,244,502
Compensation and benefits		907,657		907,657
Operating expenses		151,726		151,726
Insurance expense		35,526		35,526
Selling, general and administrative expenses		26,449		26,449
Depreciation and amortization expense		39,881		39,881
Restructuring charges				
Income from operations		83,263		83,263
Interest income from restricted assets		130		130
Interest expense, net		(26,687)		(26,687)
Realized gains (losses) on investments				
Other income (expense), net	(332)			(332)
Income (loss) before taxes and equity in earnings of unconsolidated subsidiary	(332)	56,706		56,374
Income tax benefit (expense)	129	(22,645)		(22,516)
Income (loss) before equity in net income (loss) of subsidiary and equity in earnings of unconsolidated subsidiary	(203)	34,061		33,858
Equity in net income (loss) of subsidiary	33,578		(33,578)	
Equity in earnings of unconsolidated subsidiary		72		72
Net income (loss)	33,375	34,133	(33,578)	33,930
Less: Net (income) loss attributable to noncontrolling interest		(555)		(555)
Net income (loss) attributable to Envision Healthcare Holdings, Inc.	$ 33,375	$ 33,578	$ (33,578)	$ 33,375

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Condensed Consolidating Statement of Operations

(in thousands, unaudited)

	Three months ended March 31, 2014			
	EVHC (excluding Corporation)	Corporation and Subsidiaries	Consolidating Adjustments	Total
Net revenue	$	$ 1,014,211	$	$ 1,014,211
Compensation and benefits		743,661		743,661
Operating expenses		114,635		114,635
Insurance expense		30,981		30,981
Selling, general and administrative expenses		19,375		19,375
Depreciation and amortization expense		36,432		36,432
Restructuring charges		809		809
Income from operations		68,318		68,318
Interest income from restricted assets		86		86
Interest expense, net		(30,049)		(30,049)
Realized gains (losses) on investments		606		606
Other income (expense), net	(1,142)	334		(808)
Income (loss) before taxes and equity in earnings of unconsolidated subsidiary	(1,142)	39,295		38,153
Income tax benefit (expense)	380	(17,055)		(16,675)
Income (loss) before equity in net income (loss) of subsidiary and equity in earnings of unconsolidated subsidiary	(762)	22,240		21,478
Equity in net income (loss) of subsidiary	25,587		(25,587)	
Equity in earnings of unconsolidated subsidiary		47		47
Net income (loss)	24,825	22,287	(25,587)	21,525
Less: Net (income) loss attributable to noncontrolling interest		3,300		3,300
Net income (loss) attributable to Envision Healthcare Holdings, Inc.	$ 24,825	$ 25,587	$ (25,587)	$ 24,825

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Condensed Consolidating Statement of Cash Flows

(in thousands, unaudited)

	Three months ended March 31, 2015		
	EVHC (excluding Corporation)	Corporation and Subsidiaries	Total
Cash Flows from Operating Activities			
Net cash provided by (used in) operating activities	$ (204)	$ 45,519	$ 45,315
Cash Flows from Investing Activities			
Purchases of available-for-sale securities		(472)	(472)
Sales and maturities of available-for-sale securities		200	200
Purchase of property, plant and equipment		(13,507)	(13,507)
Proceeds from sale of property, plant and equipment		44	44
Acquisition of businesses, net of cash received		(498,283)	(498,283)
Net change in insurance collateral		(4,508)	(4,508)
Other investing activities		(912)	(912)
Net cash provided by (used in) investing activities		(517,438)	(517,438)
Cash Flows from Financing Activities			
Borrowings under the ABL Facility		285,000	285,000
Repayments of the Term Loan		(3,343)	(3,343)
Repayments of the ABL Facility		(50,000)	(50,000)
Debt issuance costs		(27)	(27)
Proceeds from stock options exercised		3,548	3,548
Excess tax benefits from equity-based compensation		10,945	10,945
Proceeds from noncontrolling interest		100	100
Other financing activities		(120)	(120)
Net intercompany borrowings (payments)	204	(204)	
Net cash provided by (used in) financing activities	204	245,899	246,103
Change in cash and cash equivalents		(226,020)	(226,020)
Cash and cash equivalents, beginning of period	5	318,890	318,895
Cash and cash equivalents, end of period	$ 5	$ 92,870	$ 92,875

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Condensed Consolidating Statement of Cash Flows

(in thousands, unaudited)

	Three months ended March 31, 2014		
	EVHC (excluding Corporation)	Corporation and Subsidiaries	Total
Cash Flows from Operating Activities			
Net cash provided by (used in) operating activities	$	$ 30,220	