

Emergency Medical Services L.P.
Form 10-Q
May 04, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended March 31, 2011

Or

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

For the transition period from to

Commission file numbers:

001-32701

333-127115

EMERGENCY MEDICAL SERVICES CORPORATION

EMERGENCY MEDICAL SERVICES L.P.

(Exact name of Registrants as Specified in their Charters)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-3738384

20-2076535

(IRS Employer
Identification Numbers)

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

(Address of principal executive offices)

80111

(Zip Code)

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

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

Not applicable

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

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

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

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Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

Shares of class A common stock outstanding at April 29, 2011 30,485,293; shares of class B common stock outstanding at April 29, 2011 52,228; LP exchangeable units outstanding at April 29, 2011 13,724,676.

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EMERGENCY MEDICAL SERVICES CORPORATION

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ON FORM 10-Q

FOR THE THREE MONTHS ENDED

MARCH 31, 2011

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Table of Contents**EMERGENCY MEDICAL SERVICES CORPORATION****PART I. FINANCIAL INFORMATION****FOR THE THREE MONTHS ENDED****MARCH 31, 2011****ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)****Emergency Medical Services Corporation****Consolidated Statements of Operations and Comprehensive Income****(unaudited; in thousands, except share and per share data)**

| | Quarter ended March 31, | |
|--|----------------------------|------------|
| | 2011 | 2010 |
| Net revenue | \$ 760,835 | \$ 679,354 |
| Compensation and benefits | 537,077 | 480,317 |
| Operating expenses | 96,963 | 86,529 |
| Insurance expense | 26,539 | 22,070 |
| Selling, general and administrative expenses | 17,835 | 16,858 |
| Depreciation and amortization expense | 17,525 | 16,180 |
| Income from operations | 64,896 | 57,400 |
| Interest income from restricted assets | 396 | 855 |
| Interest expense | (4,817) | (8,266) |
| Realized (loss) gain on investments | (4) | 92 |
| Interest and other (expense) income | (1,746) | 265 |
| Income before income taxes and equity in earnings of unconsolidated subsidiary | 58,725 | 50,346 |
| Income tax expense | (22,652) | (19,410) |
| Income before equity in earnings of unconsolidated subsidiary | 36,073 | 30,936 |
| Equity in earnings of unconsolidated subsidiary | 91 | 94 |
| Net income | 36,164 | 31,030 |
| Other comprehensive income, net of tax: | | |
| Unrealized holding gains during the period | 629 | 442 |
| Unrealized gains on derivative financial instruments | 984 | 478 |
| Comprehensive income | \$ 37,777 | \$ 31,950 |
| Basic earnings per common share | \$ 0.82 | \$ 0.71 |
| Diluted earnings per common share | \$ 0.80 | \$ 0.70 |
| Weighted average common shares outstanding, basic | 44,247,581 | 43,571,705 |
| Weighted average common shares outstanding, diluted | 45,012,235 | 44,534,858 |

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

Table of Contents**Emergency Medical Services Corporation****Consolidated Balance Sheets**

(in thousands, except share and per share data)

| | March 31, 2011 (Unaudited) | December 31, 2010 |
|---|----------------------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 334,772 | \$ 287,361 |
| Insurance collateral | 24,499 | 33,476 |
| Trade and other accounts receivable, net | 505,133 | 489,658 |
| Parts and supplies inventory | 23,332 | 23,031 |
| Prepays and other current assets | 24,386 | 18,617 |
| Total current assets | 912,122 | 852,143 |
| Non-current assets: | | |
| Property, plant and equipment, net | 139,346 | 133,731 |
| Intangible assets, net | 173,714 | 180,374 |
| Insurance collateral | 133,263 | 136,063 |
| Goodwill | 453,920 | 427,405 |
| Other long-term assets | 17,617 | 18,836 |
| Total assets | \$ 1,829,982 | \$ 1,748,552 |
| Liabilities and Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 49,309 | \$ 39,581 |
| Accrued liabilities | 287,779 | 259,638 |
| Current deferred tax liabilities | 5,614 | 5,114 |
| Current portion of long-term debt | 19,723 | 16,333 |
| Total current liabilities | 362,425 | 320,666 |
| Long-term debt | 399,587 | 404,943 |
| Long-term deferred tax liabilities | 5,971 | 5,971 |
| Insurance reserves and other long-term liabilities | 174,638 | 169,767 |
| Total liabilities | 942,621 | 901,347 |
| Equity: | | |
| Preferred stock (\$0.01 par value; 20,000,000 shares authorized, 0 issued and outstanding) | | |
| Class A common stock (\$0.01 par value; 100,000,000 shares authorized, 30,485,118 and 30,404,572 issued and outstanding in 2011 and 2010, respectively) | 305 | 304 |
| Class B common stock (\$0.01 par value; 40,000,000 shares authorized, 52,228 and 65,052 issued and outstanding in 2011 and 2010, respectively) | 1 | 1 |
| Class B special voting stock (\$0.01 par value; 1 share authorized, issued and outstanding in 2011 and 2010) | | |
| LP exchangeable units (13,724,676 shares issued and outstanding in 2011 and 2010) | 90,776 | 90,776 |
| Treasury stock at cost (51,247 and 30,778 shares in 2011 and 2010, respectively) | (2,987) | (1,684) |
| Additional paid-in capital | 308,939 | 305,258 |
| Retained earnings | 486,930 | 450,766 |
| Accumulated other comprehensive income | 3,397 | 1,784 |
| Total equity | 887,361 | 847,205 |
| Total liabilities and equity | \$ 1,829,982 | \$ 1,748,552 |

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

Table of Contents**Emergency Medical Services Corporation****Consolidated Statements of Cash Flows**

(unaudited; in thousands)

| | Quarter ended March 31, | |
|---|-------------------------|------------|
| | 2011 | 2010 |
| Cash Flows from Operating Activities | | |
| Net income | \$ 36,164 | \$ 31,030 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 18,315 | 16,687 |
| Loss on disposal of property, plant and equipment | 39 | 44 |
| Equity-based compensation expense | 1,962 | 1,104 |
| Excess tax benefits from stock-based compensation | (1,169) | (10,581) |
| Equity in earnings of unconsolidated subsidiary | (91) | (94) |
| Dividends received | 427 | 403 |
| Deferred income taxes | 345 | (133) |
| Changes in operating assets/liabilities, net of acquisitions: | | |
| Trade and other accounts receivable | (10,762) | 2,191 |
| Parts and supplies inventory | (81) | (162) |
| Prepays and other current assets | (4,741) | (3,388) |
| Accounts payable and accrued liabilities | 29,087 | 6,006 |
| Insurance accruals | 2,504 | 1,478 |
| Net cash provided by operating activities | 71,999 | 44,585 |
| Cash Flows from Investing Activities | | |
| Purchases of property, plant and equipment | (15,306) | (6,516) |
| Proceeds from sale of property, plant and equipment | 10 | 42 |
| Acquisition of businesses, net of cash received | (32,720) | (3,300) |
| Net change in insurance collateral | 12,406 | 2,366 |
| Other investing activities | 474 | 290 |
| Net cash used in investing activities | (35,136) | (7,118) |
| Cash Flows from Financing Activities | | |
| EMSC issuance of class A common stock | 551 | 4,402 |
| Class A common stock repurchased as treasury stock | (1,303) | |
| Repayments of capital lease obligations and other debt | (1,966) | (1,184) |
| Excess tax benefits from stock-based compensation | 1,169 | 10,581 |
| Net change in bank overdrafts | 12,097 | (3,099) |
| Net cash provided by financing activities | 10,548 | 10,700 |
| Change in cash and cash equivalents | 47,411 | 48,167 |
| Cash and cash equivalents, beginning of period | 287,361 | 332,888 |
| Cash and cash equivalents, end of period | \$ 334,772 | \$ 381,055 |

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

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Emergency Medical Services Corporation

Notes to Unaudited Consolidated Financial Statements

(in thousands, except share and per share data)

1. General

Basis of Presentation of Financial Statements

The accompanying interim consolidated financial statements for Emergency Medical Services Corporation ("EMSC" or the "Company") have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim reporting and, accordingly, do not include all of the disclosures required for annual financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal, recurring nature. Operating results for the three months ended March 31, 2011 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2011. For further information, see the Company's consolidated financial statements, including the accounting policies and notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

The consolidated financial statements of EMSC include those of its direct subsidiary, Emergency Medical Services L.P. ("EMS LP"), a Delaware limited partnership. The Company's business is conducted primarily through two operating subsidiaries, American Medical Response, Inc. ("AMR"), its medical transportation services segment, and EmCare Holdings Inc. ("EmCare"), its facility-based physician services segment.

The Company is party to a management agreement with a wholly-owned subsidiary of Onex Corporation, the Company's principal equityholder. In exchange for an annual management fee of \$1.0 million, the Onex subsidiary provides the Company with corporate finance and strategic planning consulting services. For the three months ended March 31, 2011 and 2010, the Company expensed \$250 in respect of this fee.

Merger Agreement

On February 13, 2011, the Company entered into an Agreement and Plan of Merger ("Merger Agreement") with CDRT Acquisition Corporation, a Delaware corporation ("Parent"), and CDRT Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Parent ("Sub"). Parent and Sub are affiliates of Clayton, Dubilier & Rice, LLC. Pursuant to the Merger Agreement and subject to the conditions set forth therein, Sub will merge with and into the Company (the "Merger") with the Company as the surviving entity and a wholly-owned subsidiary of Parent. At the time the Merger is effective, each issued and outstanding share of class A common stock and class B common stock (including shares of Class B common stock issued immediately prior to the effective time of the Merger in exchange for the LP exchangeable units of EMS LP, but excluding treasury shares, shares held by Parent or Sub and shares held by stockholders who perfect their appraisal rights), will be converted into the right to receive \$64.00 per share in cash, without interest and subject to any applicable withholding taxes.

2. Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements include all wholly-owned subsidiaries of EMSC, including AMR and EmCare and their respective subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions relating to the reporting of results of operations, financial condition and related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates under different assumptions or conditions.

Insurance

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

Insurance reserves are established for automobile, workers compensation, general liability and professional liability claims utilizing policies with both fully-insured and self-insured components. This includes the use of an off-shore captive insurance program through a wholly-owned subsidiary for certain liability programs for both EmCare and AMR. In those instances where the Company has obtained third-party insurance coverage, the Company normally retains liability for the first \$1 to \$2 million of the loss. Insurance reserves cover known claims and incidents within the level of Company retention that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from activities through the balance sheet date.

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

The Company's most recent actuarial valuation was completed in March 2011. As a result of this and previous actuarial valuations, the Company recorded an increase in its provisions for insurance liabilities of approximately \$2.5 million in the three months ended March 31, 2011 compared to a decrease of \$2.8 million during the same period in 2010 related to reserves for losses in prior years.

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The long-term portion of insurance reserves was \$162.0 million and \$158.3 million as of March 31, 2011 and December 31, 2010, respectively.

Trade and Other Accounts Receivable, net

The Company estimates its allowances based on payor reimbursement schedules, historical collections and write-off experience and other economic data. The allowances for contractual discounts and uncompensated care are reviewed monthly. Account balances are charged off against the uncompensated care allowance, which relates principally to receivables recorded for self-pay patients, when it is probable the receivable will not be recovered. Write-offs to the contractual allowance occur when payment is received. The Company's accounts receivable and allowances are as follows:

| | March 31, 2011 | December 31, 2010 |
|-------------------------------------|---------------------------|------------------------------|
| Gross trade accounts receivable | \$ 2,257,572 | \$ 2,119,854 |
| Allowance for contractual discounts | 1,175,961 | 1,092,188 |
| Allowance for uncompensated care | 673,260 | 629,419 |
| Net trade accounts receivable | 408,351 | 398,247 |
| Other receivables, net | 96,782 | 91,411 |
| Net accounts receivable | \$ 505,133 | \$ 489,658 |

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

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

Accounts receivable allowances at EmCare are estimated based on cash collection and write-off experience at a facility level contract and facility specific payor mix. These allowances are reviewed and adjusted monthly through revenue provisions. In addition, a look-back analysis is done, typically after 15 months, to compare actual cash collected on a date of service basis to the revenue recorded for that period. Any adjustment necessary for an overage or deficit in these allowances based on actual collections is recorded through a revenue adjustment in the current period.

Revenue Recognition

Revenue is recognized at the time of service and is recorded net of provisions for contractual discounts and estimated uncompensated care. Provisions for contractual discounts are related principally to differences between gross charges and specific payor, including governmental,

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reimbursement schedules. Provisions for estimated uncompensated care are related principally to the number of self-pay patients treated in the period. Provisions for contractual discounts and estimated uncompensated care as a percentage of gross revenue and as a percentage of gross revenue less provision for contractual discounts are as follows:

| | Quarter ended | |
|--|---------------|--------|
| | March 31, | |
| | 2011 | 2010 |
| Gross revenue | 100.0% | 100.0% |
| Provision for contractual discounts | 53.5% | 52.1% |
| Revenue net of contractual discounts | 46.5% | 47.9% |
| Provision for uncompensated care as a percentage of gross revenue | 18.8% | 18.8% |
| Provision for uncompensated care as a percentage of gross revenue less contractual discounts | 40.5% | 39.2% |

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

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and Medicaid programs are very complex and subject to interpretation. Revenue is recognized on an estimated basis in the period in which related services are rendered. As a result, there is a reasonable possibility that recorded estimates will change materially in the short-term. Such amounts, including adjustments between provisions for contractual discounts and uncompensated care, are adjusted in future periods, as adjustments become known. These adjustments were less than 1% of net revenue for the three month periods ended March 31, 2011 and 2010.

The Company also 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.

Equity Structure

On December 21, 2005, the Company effected a reorganization and issued 8.1 million shares of class A common stock in an initial public offering. Pursuant to the reorganization, EMS LP, the former top-tier holding company of AMR and EmCare, became the consolidated subsidiary of EMSC, a newly formed corporation. To effect the reorganization, the holders of the capital stock of the sole general partner of EMS LP contributed that capital stock to the Company in exchange for class B common stock; the general partner was merged into the Company and the Company became the sole general partner of EMS LP. Concurrently, the holders of class B units of EMS LP contributed their units to the Company in exchange for shares of the Company's class A common stock, and the holders of certain class A units of EMS LP contributed their units to the Company in exchange for shares of the Company's class B common stock.

As of March 31, 2011, the Company holds 68.9% of the equity interests in EMS LP. LP exchangeable units, held by persons affiliated with the Company's principal equity holder, represent the balance of the EMS LP equity. The LP exchangeable units are exchangeable at any time, at the option of the holder, for shares of the Company's class B common stock on a one-for-one basis. The holders of the LP exchangeable units have the right to vote, through the trustee holder of the Company's class B special voting stock, at all stockholder meetings at which holders of the Company's class B common stock or class B special voting stock are entitled to vote.

In the EMS LP partnership agreement, the Company has agreed to maintain the economic equivalency of the LP exchangeable units and the class B common stock, and the holders of the LP exchangeable units have no general voting rights. The LP exchangeable units, when considered with the class B special voting stock, have the same rights, privileges and characteristics of the Company's class B common stock. The LP exchangeable units are intended to be economically equivalent to the class B common stock of the Company in that the LP exchangeable units carry the right to vote (by virtue of the class B special voting stock) with the holders of class B common stock as one class, and entitle holders to receive distributions only if the equivalent dividends are declared on the Company's class B common stock. Accordingly, the Company accounts for the LP exchangeable units as if the LP exchangeable units were shares of its common stock, including reporting the LP exchangeable units in the equity section of the Company's balance sheet and including the number of outstanding LP exchangeable units in both its basic and diluted earnings per share calculations.

Fair Value Measurement

The Company classifies its financial instruments that are reported at fair value based on a hierarchical framework which ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is impacted by a number of factors,

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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.

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 mortgage backed securities, corporate bonds, and derivatives.

Level 3 Pricing inputs are unobservable as of the reporting date and reflect the Company's own assumptions about the fair value of the asset or liability.

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

| Description | Total | Level 1 | Level 2 | Level 3 |
|--------------------------|------------|------------|-----------|-----------|
| Assets: | | | | |
| Securities | \$ 116,851 | \$ 101,032 | \$ 15,819 | \$ |
| Derivatives | \$ 3,338 | \$ | \$ 3,338 | \$ |
| Liabilities: | | | | |
| Contingent consideration | \$ 18,096 | \$ | \$ | \$ 18,096 |

The contingent consideration balance classified as a level 3 liability decreased by \$2.2 million since December 31, 2010 due to payments made by the Company during the three months ended March 31, 2011.

Recent Accounting Pronouncements

In August 2010, the Financial Accounting Standards Board (FASB) further defined the requirements for measurement and disclosure of charity care provided. The amendments require that cost, both direct and indirect, be used as the measurement basis for charity care disclosure purposes. These amendments were effective for the Company beginning January 1, 2011. Adoption of this guidance did not have a material effect on the Company's consolidated financial statements and related disclosures.

Also in August 2010, the FASB clarified that healthcare entities should not net insurance recoveries against a related claim liability. These amendments were effective for the Company beginning January 1, 2011. Adoption of this guidance did not have a material effect on the Company's consolidated financial statements and related disclosures.

3. Acquisitions

On January 11, 2011, the Company completed the acquisition of Northwood Anesthesia Associates, and an affiliate of the Company completed the acquisition of the related professional entity, North Pinellas Anesthesia Associates (collectively referred to as North Pinellas), an anesthesia provider based in Tampa, Florida. On February 17, 2011, the Company completed the acquisition of Doctor's Ambulance Service, which provides emergency and non-emergency ambulance services in Orange County, California. The total cost of these acquisitions was \$30.2 million and the Company has recorded \$24.2 million of goodwill, which amount is subject to adjustment based upon completion of purchase price allocations.

4. Accrued Liabilities

Accrued liabilities were as follows at March 31, 2011 and December 31, 2010:

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| | March 31, 2011 | December 31, 2010 |
|--|-------------------|----------------------|
| Accrued wages and benefits | \$ 118,088 | \$ 103,238 |
| Accrued paid time-off | 27,372 | 24,420 |
| Current portion of self-insurance reserves | 48,890 | 50,064 |
| Accrued restructuring | 155 | 160 |
| Current portion of compliance and legal | 7,323 | 5,929 |
| Accrued billing and collection fees | 3,756 | 3,500 |
| Accrued incentive compensation | 13,916 | 21,446 |
| Accrued interest | 841 | 979 |
| Accrued income taxes payable | 17,644 | |
| Other | 49,794 | 49,902 |
| Total accrued liabilities | \$ 287,779 | \$ 259,638 |

5. Long-Term Debt

Long-term debt consisted of the following at March 31, 2011 and December 31, 2010:

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| | March 31, | December 31, |
|---|------------------|---------------------|
| | 2011 | 2010 |
| Senior secured term loan due 2015 (3.27% at March 31, 2011) | \$ 417,031 | \$ 419,688 |
| Notes due at various dates from 2011 to 2022 with interest rates from 6% to 10% | 1,566 | 832 |
| Capital lease obligations due at various dates from 2011 to 2018 | 713 | 756 |
| | 419,310 | 421,276 |
| Less current portion | (19,723) | (16,333) |
| Total long-term debt | \$ 399,587 | \$ 404,943 |

6. Derivative Instruments and Hedging Activities

The Company manages its exposure to changes in fuel prices 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, 2011, 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 \$3.07 to \$3.29 per gallon. The Company purchases the diesel fuel at the market rate and periodically settles with its counterparty for the difference between the national average price for the period published by the Department of Energy and the agreed upon fixed price. The transactions fix the price for a total of 3.9 million gallons, which represents approximately 29% of the Company's total estimated annual usage, and are spread over periods from April 2011 through June 2012. As of March 31, 2011, the Company recorded, as a component of other comprehensive income before applicable tax impacts, an asset associated with the fair value of the fuel hedge in the amount of \$3.3 million, compared to \$1.7 million as of December 31, 2010. Settlement of hedge agreements during the three months ended March 31, 2011 resulted in a reduction in operating expenses of \$0.6 million compared to an increase in operating expenses of less than \$0.1 million for transactions settled during the three months ended March 31, 2010.

7. Commitments and Contingencies*Lease Commitments*

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

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

Services

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

Other Legal Matters

In December 2006, AMR received a subpoena from the 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, provided its response, and is currently in discussions with the DOJ and the Office of the Inspector General of Health and Human Services regarding resolution of this matter. During the second quarter of 2010, the Company recorded a \$3.1 million reserve for its estimate of likely exposure in this matter.

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Four different lawsuits purporting to be class actions have been filed against AMR and certain subsidiaries in California alleging violations of California wage and hour laws. On April 16, 2008, Lori Bartoni commenced a suit in the Superior Court for the State of California, County of Alameda; on July 8, 2008, Vaughn Banta filed suit in the Superior Court of the State of California, County of Los Angeles; on January 22, 2009, Laura Karapetian filed suit in the Superior Court of the State of California, County of Los Angeles, and on March 11, 2010, Melanie Aguilar filed suit in Superior Court of the State of California, County of Los Angeles. The Banta and Karapetian cases have been coordinated with the Bartoni case in the Superior Court for the State of California, County of Alameda. At the present time, courts have not certified classes in any of these cases. Plaintiffs allege principally that the AMR entities failed to pay overtime charges pursuant to California law, and failed to provide required meal breaks or pay premium compensation for missed meal breaks. Plaintiffs are seeking to certify the classes and are seeking lost wages, punitive damages, attorneys' fees and other sanctions permitted under California law for violations of wage hour laws. The Company is unable at this time to estimate the amount of potential damages, if any.

Eleven purported shareholder class actions relating to the transactions contemplated by the Merger Agreement described in Note 11 herein have been filed in state court in Delaware and federal and state courts in Colorado against various combinations of the Company, the members of the Company's board of directors, and other parties. Seven actions were filed in the Delaware Court of Chancery beginning on February 22, 2011, which have since been consolidated into one action entitled *In re Emergency Medical Services Corporation Shareholder Litigation, Consolidated C.A. No. 6248-VCS*. On April 4, 2011, the Delaware plaintiffs filed their consolidated class action complaint. Two actions, entitled *Scott A. Halliday v. Emergency Medical Services Corporation, et al.*, Case No. 2011CV316 (filed on February 15, 2011), and *Alma C. Howell v. William Sanger, et. al.*, Case No. 2011CV488 (filed on March 1, 2011), were filed in the District Court, Arapahoe County, Colorado. Two other actions, entitled *Michael Wooten v. Emergency Medical Services Corporation, et al.*, Case No. 11-CV-00412 (filed on February 17, 2011) (the Wooten action), and *Neal Greenberg v. Emergency Medical Services Corporation, et. al.*, Case No. 11-CV-00496 (filed on February 28, 2011), were filed in the U.S. District Court for the District of Colorado. These actions generally allege that the directors of the Company, Onex Corporation and/or Onex Corporation's subsidiaries breached their fiduciary duties by, among other things: approving the transactions contemplated by the Merger Agreement, which allegedly were financially unfair to the Company and its public stockholders; agreeing to provisions in the Merger Agreement that will allegedly prevent the board from considering other offers; permitting the unitholders agreement (which secures the majority votes in favor of the Merger) and failing to require a provision in the Merger Agreement requiring that a majority of the public stockholders approve the transactions contemplated by the Merger Agreement; and/or making allegedly materially inadequate disclosures. These actions further allege that certain defendants aided and abetted these breaches. In addition, the two actions filed in the U.S. District Court for the District of Colorado contain individual claims brought under Section 14(a) and Section 20(a) of the Securities Exchange Act of 1934, as amended, pertaining to the purported dissemination of allegedly misleading proxy materials. These actions seek unspecified damages and equitable relief, including an injunction halting the Merger or rescission of the Merger, as applicable. The plaintiffs in the consolidated Delaware action have filed a motion for a preliminary injunction. The Company believes that all of the allegations in these actions are without merit and intends to vigorously defend these matters. If any one of the plaintiffs is successful in obtaining an injunction prohibiting the completion of the Merger on the agreed-upon terms, then such injunction may prevent the Merger from becoming effective, or from becoming effective within the expected timeframe.

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

8. Equity Based Compensation

The Company's stock options are valued using the Black-Scholes valuation method on the date of grant. Equity based compensation has been issued under the plans described below.

Long-Term Incentive Plan

The Company's original 2007 Long-Term Incentive Plan was approved by stockholders in May 2007 and a Second Amended and Restated 2007 Long-Term Incentive Plan (the "Plan") was approved by stockholders in May 2010. The Plan provides for the grant of long-term incentives, including various equity-based incentives, to those persons with responsibility for the success and growth of the Company and its subsidiaries. Options granted under the Plan vest and become exercisable ratably over a period of four years from the date of grant and have a maximum term of ten years. In addition, for options granted under the Plan prior to January 1, 2009, certain performance measures must be met for 50% of certain of these options to become exercisable; these performance measures were satisfied during the first quarter of 2010. The Company also grants shares of restricted stock under the Plan, which currently lapse ratably over a period of three years from the date of grant. In addition, with respect to grants of restricted stock to the Company's named executive officers and persons deemed "covered employees" under section 162(m) of the Internal Revenue Code of 1986, as amended, certain profitability-based performance measures must be met within that three-year period for restricted stock grants to vest.

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The Company recorded a compensation charge of \$1,762 and \$979 during the three months ended March 31, 2011 and 2010, respectively, in connection with the Plan.

Non-Employee Director Compensation Plan

The Non-Employee Director Compensation Plan, approved in May 2007, is available to non-employee directors of the Company, other than the Chair of the Compliance Committee. Under this plan, eligible directors are granted restricted stock units (RSUs) following each annual stockholder meeting with each RSU representing one share of the Company's class A common stock. Eligible directors receive a grant of RSUs having a fair market value of \$133 on the date of grant based on the closing price of the Company's class A common stock on the business day immediately preceding the grant date. The Non-Employee Director Compensation Plan allows directors to defer income from the grant of RSUs, which vest immediately prior to the election of directors at the next annual stockholder meeting. In connection with this plan, the Company granted 2,324 RSUs per director following the 2010 annual stockholder meeting and granted an additional 1,854 RSUs to a director upon his election to the board of directors in July 2010. As the 2011 annual stockholder meeting has not been held as of March 31, 2011, there have been no RSUs granted to date in 2011. The Company expensed \$200 and \$125 during the three months ended March 31, 2011 and 2010, respectively.

9. Segment Information

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

Net income before equity in earnings of unconsolidated subsidiary, income tax expense, interest and other (expense) income, realized (loss) gain on investments, interest expense, and depreciation and amortization expense (Adjusted EBITDA) is the measure of profit and loss that the CODM uses to assess performance, measure liquidity and make decisions. The accounting policies for reported segments are the same as for the Company as a whole.

| | Quarter ended March 31, | |
|--|-------------------------|------------|
| | 2011 | 2010 |
| Medical Transportation Services | | |
| Net revenue | \$ 364,208 | \$ 336,962 |
| Segment Adjusted EBITDA | 35,589 | 32,402 |
| Facility-Based Physician Services | | |
| Net revenue | 396,627 | 342,392 |
| Segment Adjusted EBITDA | 47,228 | 42,033 |
| Total | | |
| Total net revenue | 760,835 | 679,354 |
| Total Adjusted EBITDA | 82,817 | 74,435 |

Reconciliation of Adjusted EBITDA to Net**Income**

| | | | | |
|---|----|----------|----|----------|
| Adjusted EBITDA | \$ | 82,817 | \$ | 74,435 |
| Depreciation and amortization expense | | (17,525) | | (16,180) |
| Interest expense | | (4,817) | | (8,266) |
| Realized (loss) gain on investments | | (4) | | 92 |
| Interest and other (expense) income | | (1,746) | | 265 |
| Income tax expense | | (22,652) | | (19,410) |
| Equity in earnings of unconsolidated subsidiary | | 91 | | 94 |
| Net income | \$ | 36,164 | \$ | 31,030 |

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

| | Quarter ended March 31, | |
|--|-------------------------|-----------|
| | 2011 | 2010 |
| Adjusted EBITDA | \$ 82,817 | \$ 74,435 |
| Interest expense (less deferred loan fee amortization) | (4,017) | (7,759) |
| Change in accounts receivable | (10,762) | 2,191 |
| Change in other operating assets/liabilities | 26,769 | 3,934 |
| Equity based compensation | 1,962 | 1,104 |
| Excess tax benefits from stock-based compensation | (1,169) | (10,581) |
| Income tax expense, net of change in deferred taxes | (22,307) | (19,543) |
| Other | (1,294) | 804 |
| Cash flows provided by operating activities | \$ 71,999 | \$ 44,585 |

10. Guarantors of Debt

EMS LP's wholly-owned subsidiaries, AMR HoldCo, Inc. and EmCare HoldCo, Inc., are the borrowers under the senior secured credit facility, which includes a full, unconditional and joint and several guarantee by EMSC, EMS LP and EMSC's domestic subsidiaries. The senior secured credit facility does not include a guarantee by the Company's captive insurance subsidiary and only limited guarantees from any future non-domestic subsidiaries. All of the operating income and cash flow of EMSC, EMS LP, AMR HoldCo, Inc. and EmCare HoldCo, Inc. is generated by AMR, EmCare and their subsidiaries. As a result, funds necessary to meet the debt service obligations under the senior secured credit facility are provided by the distributions or advances from the subsidiary companies, AMR and EmCare. Investments in subsidiary operating companies are accounted for on the equity method. Accordingly, entries necessary to consolidate EMSC, EMS LP, AMR HoldCo, Inc., EmCare HoldCo, Inc. and all of their subsidiaries are reflected in the Eliminations/Adjustments column. Separate complete financial statements of the borrowers, EMS LP and subsidiary guarantors would not provide additional material information that would be useful in assessing the financial composition of the borrowers, EMS LP or the subsidiary guarantors. The condensed consolidating financial statements for EMSC, EMS LP, the borrowers, the guarantors and the non-guarantor are as follows:

Consolidating Statement of Operations

For the quarter ended March 31, 2011

| | EMSC | EMS LP | Issuer AMR HoldCo, Inc. | Issuer EmCare HoldCo, Inc. | Subsidiary Guarantors | Subsidiary Non-Guarantor | Eliminations/ Adjustments | Total |
|--|------|--------|-------------------------------|----------------------------------|--------------------------|-----------------------------|------------------------------|------------|
| Net revenue | \$ | \$ | \$ | \$ | \$ 760,835 | \$ 17,990 | \$ (17,990) | \$ 760,835 |
| Compensation and benefits | | | | | 537,077 | | | 537,077 |
| Operating expenses | | | | | 96,963 | | | 96,963 |
| Insurance expense | | | | | 26,378 | 18,151 | (17,990) | 26,539 |
| Selling, general and administrative expenses | | | | | 17,835 | | | 17,835 |
| Depreciation and amortization expense | | | | | 17,525 | | | 17,525 |
| Income (loss) from operations | | | | | 65,057 | (161) | | 64,896 |
| | | | | | 231 | 165 | | 396 |

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| | | | | | | | | | |
|---|----|--------|----|--------|----|----------|-----|--------|-----------|
| Interest income from restricted assets | | | | | | | | | |
| Interest expense | | | | | | (4,817) | | | (4,817) |
| Realized loss on investments | | | | | | | (4) | | (4) |
| Interest and other (expense) income | | | | | | (1,746) | | | (1,746) |
| Income before income taxes | | | | | | 58,725 | | | 58,725 |
| Income tax expense | | | | | | (22,652) | | | (22,652) |
| Income before equity in earnings of unconsolidated subsidiaries | | | | | | 36,073 | | | 36,073 |
| Equity in earnings of unconsolidated subsidiaries | | 36,164 | | 36,164 | | 12,208 | | 23,956 | 91 |
| Net income | \$ | 36,164 | \$ | 36,164 | \$ | 12,208 | \$ | 23,956 | \$ 36,164 |

Table of Contents**Consolidating Statement of Operations****For the quarter ended March 31, 2010**

| | EMSC | EMS LP | Issuer AMR HoldCo, Inc. | Issuer EmCare HoldCo, Inc. | Subsidiary Guarantors | Subsidiary Non-Guarantor | Eliminations/ Adjustments | Total |
|---|-----------|-----------|-------------------------------|----------------------------------|--------------------------|-----------------------------|------------------------------|------------|
| Net revenue | \$ | \$ | \$ | \$ | \$ 679,354 | \$ 7,238 | \$ (7,238) | \$ 679,354 |
| Compensation and benefits | | | | | 480,317 | | | 480,317 |
| Operating expenses | | | | | 86,529 | | | 86,529 |
| Insurance expense | | | | | 21,467 | 7,841 | (7,238) | 22,070 |
| Selling, general and administrative expenses | | | | | 16,858 | | | 16,858 |
| Depreciation and amortization expense | | | | | 16,180 | | | 16,180 |
| Income (loss) from operations | | | | | 58,003 | (603) | | 57,400 |
| Interest income from restricted assets | | | | | 344 | 511 | | 855 |
| Interest expense | | | | | (8,266) | | | (8,266) |
| Realized gain on investments | | | | | | 92 | | 92 |
| Interest and other income | | | | | 265 | | | 265 |
| Income before income taxes | | | | | 50,346 | | | 50,346 |
| Income tax expense | | | | | (19,410) | | | (19,410) |
| Income before equity in earnings of unconsolidated subsidiaries | | | | | 30,936 | | | 30,936 |
| Equity in earnings of unconsolidated subsidiaries | 31,030 | 31,030 | 10,285 | 20,744 | 94 | | (93,089) | 94 |
| Net income | \$ 31,030 | \$ 31,030 | \$ 10,285 | \$ 20,744 | \$ 31,030 | \$ | \$ (93,089) | \$ 31,030 |

Consolidating Balance Sheet**As of March 31, 2011**

| Assets | | | | | | | | |
|--|----|----|----|----|------------|-----------|-------|------------|
| Current assets: | | | | | | | | |
| Cash and cash equivalents | \$ | \$ | \$ | \$ | \$ 309,558 | \$ 25,214 | \$ | \$ 334,772 |
| Insurance collateral | | | | | 6,040 | 10,473 | 7,986 | 24,499 |
| Trade and other accounts receivable, net | | | | | 504,793 | 340 | | 505,133 |
| Parts and supplies inventory | | | | | 23,332 | | | 23,332 |
| | | | | | 24,593 | 23 | (230) | 24,386 |

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| | | | | | | | | | | |
|--|------------|------------|------------|------------|--------------|------------|----------------|--------------|-----------|--|
| Prepays and other current assets | | | | | | | | | | |
| Current deferred tax assets | | | | | (4,111) | 4,111 | | | | |
| Current assets | | | | | 864,205 | 40,161 | 7,756 | | 912,122 | |
| Non-current assets: | | | | | | | | | | |
| Property, plant, and equipment, net | | | | | 139,346 | | | | 139,346 | |
| Intercompany receivable | | | 282,161 | 126,833 | | | | (408,994) | | |
| Intangible assets, net | | | | | 173,714 | | | | 173,714 | |
| Non-current deferred tax assets | | | | | 4,126 | (6,120) | 1,994 | | | |
| Insurance collateral | | | | | 26,225 | 115,081 | (8,043) | | 133,263 | |
| Goodwill | | | | | 453,462 | 458 | | | 453,920 | |
| Other long-term assets | | | 7,282 | 3,271 | 7,064 | | | | 17,617 | |
| Investment and advances in subsidiaries | 887,361 | 887,361 | 462,756 | 422,931 | 33,206 | | | (2,693,615) | | |
| Assets | \$ 887,361 | \$ 887,361 | \$ 752,199 | \$ 553,035 | \$ 1,701,348 | \$ 149,580 | \$ (3,100,902) | \$ 1,829,982 | | |
| Liabilities and Equity | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | |
| Accounts payable | \$ | \$ | \$ | \$ | \$ 49,181 | \$ 128 | \$ | \$ | \$ 49,309 | |
| Accrued liabilities | | | 645 | 196 | 258,586 | 28,352 | | | 287,779 | |
| Current deferred tax liabilities | | | | | 5,614 | | | | 5,614 | |
| Current portion of long-term debt | | | 12,830 | 5,764 | 1,129 | | | | 19,723 | |
| Current liabilities | | | 13,475 | 5,960 | 314,510 | 28,480 | | | 362,425 | |
| Long-term debt | | | 274,922 | 123,516 | 1,149 | | | | 399,587 | |
| Long-term deferred tax liabilities | | | | | 5,971 | | | | 5,971 | |
| Insurance reserves and other long-term liabilities | | | | | 93,861 | 79,070 | 1,707 | | 174,638 | |
| Intercompany payable | | | | | 400,170 | 8,824 | (408,994) | | | |
| Liabilities | | | 288,397 | 129,476 | 815,661 | 116,374 | (407,287) | | 942,621 | |
| Equity: | | | | | | | | | | |
| Class A common stock | 305 | | | | | 30 | (30) | | 305 | |
| Class B common stock | 1 | | | | | | | | 1 | |
| Partnership equity | 90,776 | 397,034 | 322,770 | 74,264 | 393,858 | | (1,187,926) | | 90,776 | |
| Treasury stock at cost | (2,987) | | | | | | | | (2,987) | |
| Additional paid-in capital | 308,939 | | | | | 4,316 | (4,316) | | 308,939 | |
| Retained earnings | 486,930 | 486,930 | 138,632 | 348,298 | 488,432 | 26,522 | (1,488,814) | | 486,930 | |
| Comprehensive income | 3,397 | 3,397 | 2,400 | 997 | 3,397 | 2,338 | (12,529) | | 3,397 | |
| Equity | 887,361 | 887,361 | 463,802 | 423,559 | 885,687 | 33,206 | (2,693,615) | | 887,361 | |
| Liabilities and Equity | \$ 887,361 | \$ 887,361 | \$ 752,199 | \$ 553,035 | \$ 1,701,348 | \$ 149,580 | \$ (3,100,902) | \$ 1,829,982 | | |

Table of Contents**Consolidating Balance Sheet**

As of December 31, 2010

| Assets | | | | | | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|---------------------|-------------------|-----------------------|---------------------|----|------------------|----------------|
| Current assets: | | | | | | | | | | | |
| Cash and cash equivalents | \$ | \$ | \$ | \$ | \$ | 265,761 | \$ | 21,600 | \$ | 287,361 | |
| Insurance collateral | | | | | | 6,409 | | 30,046 | | (2,979) | 33,476 |
| Trade and other accounts receivable, net | | | | | | 489,411 | | 247 | | | 489,658 |
| Parts and supplies inventory | | | | | | 23,031 | | | | | 23,031 |
| Prepays and other current assets | | | | | | 22,637 | | 179 | | (4,199) | 18,617 |
| Current deferred tax assets | | | | | | (3,834) | | 3,834 | | | |
| Current assets | | | | | | 803,415 | | 55,906 | | (7,178) | 852,143 |
| Non-current assets: | | | | | | | | | | | |
| Property, plant, and equipment, net | | | | | | 133,731 | | | | | 133,731 |
| Intercompany receivable | | | 283,557 | 125,791 | | | | | | (409,348) | |
| Intangible assets, net | | | | | | 180,374 | | | | | 180,374 |
| Non-current deferred tax assets | | | | | | 4,126 | | (6,120) | | 1,994 | |
| Insurance collateral | | | | | | 31,664 | | 109,669 | | (5,270) | 136,063 |
| Goodwill | | | | | | 426,947 | | 458 | | | 427,405 |
| Other long-term assets | | | 7,820 | 3,513 | | 7,503 | | | | | 18,836 |
| Investment and advances in subsidiaries | 847,205 | 847,205 | 448,376 | 398,816 | 32,981 | | | | | (2,574,583) | |
| Assets | \$ 847,205 | \$ 847,205 | \$ 739,753 | \$ 528,120 | \$ 1,620,741 | \$ 159,913 | \$ (2,994,385) | \$ 1,748,552 | | | |
| Liabilities and Equity | | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | | |
| Accounts payable | \$ | \$ | \$ | \$ | \$ | 39,460 | \$ | 121 | \$ | \$ 39,581 | |
| Accrued liabilities | | | 747 | 232 | | 231,297 | | 27,362 | | 259,638 | |
| Current deferred tax liabilities | | | | | | 5,114 | | | | 5,114 | |
| Current portion of long-term debt | | | 10,997 | 4,941 | | 395 | | | | 16,333 | |
| Current liabilities | | | 11,744 | 5,173 | | 276,266 | | 27,483 | | 320,666 | |
| Long-term debt | | | 278,587 | 125,163 | | 1,193 | | | | 404,943 | |
| Long-term deferred tax liabilities | | | | | | 5,971 | | | | 5,971 | |
| Insurance reserves and other long-term liabilities | | | | | | 89,596 | | 90,625 | | (10,454) | 169,767 |
| Intercompany payable | | | | | | 400,524 | | 8,824 | | (409,348) | |
| Liabilities | | | 290,331 | 130,336 | | 773,550 | | 126,932 | | (419,802) | 901,347 |
| Equity: | | | | | | | | | | | |
| Class A common stock | | 304 | | | | | | 30 | | (30) | 304 |

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| | | | | | | | | |
|----------------------------|------------|------------|------------|------------|--------------|------------|----------------|--------------|
| Class B common stock | 1 | | | | | | | 1 |
| Partnership equity | 90,776 | 394,655 | 321,581 | 73,075 | 393,139 | | (1,182,450) | 90,776 |
| Treasury stock at cost | (1,684) | | | | | | | (1,684) |
| Additional paid-in capital | 305,258 | | | | | 4,316 | (4,316) | 305,258 |
| Retained earnings | 450,766 | 450,766 | 126,425 | 324,341 | 452,268 | 26,522 | (1,380,322) | 450,766 |
| Comprehensive income | 1,784 | 1,784 | 1,416 | 368 | 1,784 | 2,113 | (7,465) | 1,784 |
| Equity | 847,205 | 847,205 | 449,422 | 397,784 | 847,191 | 32,981 | (2,574,583) | 847,205 |
| Liabilities and Equity | \$ 847,205 | \$ 847,205 | \$ 739,753 | \$ 528,120 | \$ 1,620,741 | \$ 159,913 | \$ (2,994,385) | \$ 1,748,552 |

Table of Contents**Condensed Consolidating Statement of Cash Flows****For the three months ended March 31, 2011****Cash Flows from Operating Activities**

| | | | | | | | | | | |
|---|----|----|----|----|----|--------|----|-------|----|--------|
| Net cash provided by operating activities | \$ | \$ | \$ | \$ | \$ | 62,424 | \$ | 9,575 | \$ | 71,999 |
|---|----|----|----|----|----|--------|----|-------|----|--------|

Cash Flows from Investing Activities

| | | | | | | | | | | |
|---|--|--|--|--|--|----------|--|---------|--|----------|
| Purchase of property, plant and equipment | | | | | | (15,306) | | | | (15,306) |
| Proceeds from sale of property, plant and equipment | | | | | | 10 | | | | 10 |
| Acquisition of businesses, net of cash received | | | | | | (32,720) | | | | (32,720) |
| Net change in insurance collateral | | | | | | 18,367 | | (5,961) | | 12,406 |
| Net change in deposits and other assets | | | | | | 474 | | | | 474 |
| Net cash used in investing activities | | | | | | (29,175) | | (5,961) | | (35,136) |

Cash Flows from Financing Activities

| | | | | | | | | | | |
|--|---------|----|---------|-------|---------|---------|----|--------|----|---------|
| EMSC issuance of class A common stock | 551 | | | | | | | | | 551 |
| Class A common stock repurchased as treasury stock | (1,303) | | | | | | | | | (1,303) |
| Repayments of capital lease obligations and other debt | | | (1,273) | (572) | (121) | | | | | (1,966) |
| Excess tax benefits from stock-based compensation | | | | | | 1,169 | | | | 1,169 |
| Net change in bank overdrafts | | | | | | 12,097 | | | | 12,097 |
| Net intercompany borrowings (payments) | 752 | | 1,273 | 572 | (2,597) | | | | | |
| Net cash provided by financing activities | | | | | | 10,548 | | | | 10,548 |
| Change in cash and cash equivalents | | | | | | 43,797 | | 3,614 | | 47,411 |
| Cash and cash equivalents, beginning of period | | | | | | 265,761 | | 21,600 | | 287,361 |
| Cash and cash equivalents, end of period | \$ | \$ | \$ | \$ | \$ | 309,558 | \$ | 25,214 | \$ | 334,772 |

Condensed Consolidating Statement of Cash Flows**For the three months ended March 31, 2010**

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| | | | | | | | | | | |
|--|----|----|----|----|----|---------|----|---------|----|---------|
| Net cash provided by (used in) operating activities | \$ | \$ | \$ | \$ | \$ | 47,576 | \$ | (2,991) | \$ | 44,585 |
| Purchase of property, plant and equipment | | | | | | (6,516) | | | | (6,516) |
| Acquisition of businesses, net of cash received | | | | | | (3,300) | | | | (3,300) |
| Net change in deposits and other assets | | | | | | 290 | | | | 290 |
| Cash Flows from Financing Activities | | | | | | | | | | |
| Repayments of capital lease obligations and other debt | | | | | | (1,184) | | | | (1,184) |
| Increase in bank overdrafts | | | | | | (3,099) | | | | (3,099) |
| Net cash provided by financing activities | | | | | | 10,700 | | | | 10,700 |
| Cash and cash equivalents, beginning of period | | | | | | 317,538 | | 15,350 | | 332,888 |

11. Subsequent Events

The Company's management has evaluated events subsequent to March 31, 2011 through the issuance date of this report to identify any necessary changes to the consolidated financial statements or related disclosures. Below is a description of events for which disclosure was deemed necessary.

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Completion of the Merger contemplated by the Merger Agreement (see Note 1 - General; Merger Agreement) is subject to customary closing conditions, including, among others, (a) approval of the adoption of the Merger Agreement by a majority of the voting power of the outstanding capital stock of the Company, (b) expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended and (c) the absence of any material adverse change in the Company. The holders of the LP exchangeable units, who hold approximately 81% of the voting power of the capital stock of EMSC, have agreed to vote to approve the adoption of the Merger Agreement. A special meeting of the stockholders to vote on the approval of the adoption of the Merger Agreement has been called for on May 20, 2011.

On April 1, 2011, the Company acquired all the capital stock of BestPractices, Inc., an emergency department staffing and management company based in Virginia.

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

Forward-Looking Statements and Factors That May Affect Results

Certain statements and information herein may be deemed to be forward-looking statements within the meaning of the Federal Private Securities Litigation Reform Act of 1995. Forward-looking statements may include, but are not limited to, statements relating to our objectives, plans and strategies, and all statements (other than statements of historical facts) that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future. Any forward-looking statements herein are made as of the date this Quarterly Report on Form 10-Q is filed with the Securities and Exchange Commission, and EMSC undertakes no duty to update or revise any such statements. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. Important factors that could cause actual results, developments and business decisions to differ materially from forward-looking statements are described in EMSC's filings with the SEC from time to time, including in the section entitled "Risk Factors" in EMSC's most recent Annual Report on Form 10-K and in subsequent Quarterly Reports on Form 10-Q. Among the factors that could cause future results to differ materially from those provided in this Quarterly Report on Form 10-Q are: the impact on our revenue of changes in transport volume, mix of insured and uninsured patients, and third party reimbursement rates and methods; the adequacy of our insurance coverage and insurance reserves; potential penalties or changes to our operations if we fail to comply with extensive and complex government regulation of our industry, both as it exists now and as it may change in the future; the impact of changes in the healthcare industry; our ability to recruit and retain qualified physicians and other healthcare professionals, and enforce our non-compete agreements with our physicians; the loss of one or more members of our senior management team; the outcome of government investigations of certain of our business practices; our ability to generate cash flow to service our debt obligations and fund the cost of capital expenditures to maintain and upgrade our vehicle fleet and medical equipment; and the loss of existing contracts and the accuracy of our assessment of costs under new contracts; the high level of competition in our industry; our ability to maintain or implement complex information systems; our ability to implement our business strategy; our ability to successfully integrate strategic acquisitions; and our ability to comply with the terms of our settlement agreements with the government.

All references to we, our, us or EMSC refer to Emergency Medical Services Corporation and its subsidiaries, including Emergency Medical Services L.P., or EMS LP. Our business is conducted primarily through two operating subsidiaries, American Medical Response, Inc., or AMR, and EmCare Holdings Inc., or EmCare.

This Report should be read in conjunction with EMSC's consolidated financial statements and notes thereto included in our Annual Report on Form 10-K filed with the SEC on February 18, 2011.

Company Overview

We are a leading provider of medical transportation services and facility-based physician services in the United States. We operate our business and market our services under the AMR and EmCare brands. AMR, over its more than 50 years of operating history, is a leading provider of ground and fixed-wing ambulance services in the United States based on net revenue and number of transports. EmCare, over its more than 35 years of operating history, is a leading provider of physician services in the United States based on number of contracts with hospitals and affiliated physician groups. Through EmCare, we provide facility-based physician services for emergency departments and hospitalist/inpatient, anesthesiology, radiology, and teleradiology programs.

Key Factors and Measures We Use to Evaluate Our Business

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

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

The table below summarizes our approximate payor mix as a percentage of both net revenue and total transports and patient encounters for the quarters ended March 31, 2011 and 2010. In determining the net revenue payor mix, we use cash

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collections in the period as an approximation of net revenue recorded.

| | Percentage of Cash Collections (Net Revenue) | | Percentage of Total Volume | |
|---|---|---------|----------------------------|---------|
| | Q1 2011 | Q1 2010 | Q1 2011 | Q1 2010 |
| Medicare | 22.3% | 22.1% | 26.4% | 25.0% |
| Medicaid | 6.0% | 5.0% | 13.2% | 12.2% |
| Commercial insurance and managed care | 48.4% | 49.6% | 42.4% | 42.8% |
| Self-pay | 4.6% | 4.2% | 18.0% | 20.0% |
| Fees and subsidies | 18.7% | 19.1% | | |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

Our 2011 volume mix has been positively impacted compared to our 2010 volume mix primarily by the continued expansion of our anesthesia business, which has a lower percentage of self-pay volume than our emergency department, radiology and inpatient services businesses.

In addition to continually monitoring our payor mix, we also analyze certain measures in each of our business segments.

AMR

Approximately 87% of AMR's net revenue for the three months ended March 31, 2011 was transport revenue derived from the treatment and transportation of patients, including fixed wing medical transportation services, based on billings to third party payors, healthcare facilities and patients. The balance of AMR's net revenue is derived from direct billings to communities and government agencies for the provision of training, dispatch center and other services. AMR's measures for net revenue include transports, segregated into ambulance and wheelchair transports and that we weight in certain analyses, and net revenue per transport.

The change from period to period in the number of transports and net revenue per transport is influenced by the mix of emergency versus non-emergency transports, changes in transports in existing markets from both new and existing facilities we serve for non-emergency transports, the effects of general community conditions for emergency transports and the impact of newly acquired businesses and markets AMR has exited.

The costs we incur in our AMR business segment consist primarily of compensation and benefits for ambulance crews and support personnel, direct and indirect operating costs to provide transportation services, and costs related to accident and insurance claims. AMR's key cost measures include unit hours and cost per unit hour (to measure compensation-related costs and the efficiency of our ambulance deployment), operating costs per transport, and accident and insurance claims.

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We have focused our risk mitigation efforts on employee training for proper patient handling techniques, development of clinical and medical equipment protocols, driving safety, implementation of technology to reduce auto incidents and other risk mitigation processes which we believe have resulted in a reduction in the frequency, severity and development of claims.

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

EmCare

Of EmCare's net revenue for the three months ended March 31, 2011, approximately 73% was derived from our hospital contracts for emergency department staffing, 16% from contracts related to anesthesiology services, 5% from our hospitalist/inpatient services, 4% from our services provided to radiology/teleradiology services, and 2% from other hospital management services. Approximately 78% of EmCare's net revenue was generated from billings to third party payors and patients for patient encounters and approximately 22% was generated from billings to hospitals and affiliated physician groups for professional services. EmCare's key net revenue measures are patient encounters, segregated into emergency department visits, radiology reads, and anesthesiology and hospitalist encounters and that we weight in certain analyses, net revenue per patient encounter, and number of contracts.

The change from period to period in the number of patient encounters under our same store contracts is influenced by general community conditions as well as hospital-specific elements, many of which are beyond our direct control.

The costs incurred in our EmCare business segment consist primarily of compensation and benefits for physicians and

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other professional providers, professional liability costs, and contract and other support costs. EmCare's key cost measures include provider compensation per patient encounter and professional liability costs.

We have developed extensive professional liability risk mitigation processes, including risk assessments on medical professionals and hospitals, extensive incident reporting and tracking processes, clinical fail-safe programs, training and education and other risk mitigation programs which we believe have resulted in a reduction in the frequency, severity and development of claims.

Our EmCare business segment is less capital intensive than AMR, and EmCare's depreciation expense relates primarily to charges for usage of computer hardware and software, and other technologies. Amortization expense relates primarily to intangibles recorded for customer relationships.

Factors Affecting Operating Results

Changes in Net New Contracts

Our operating results are affected directly by the number of net new contracts and related volumes we have in a period, reflecting the effects of both new contracts and contract expirations. We regularly bid for new contracts, frequently in a formal competitive bidding process that often requires written responses to a Request for Proposal, or RFP, and, in any fiscal period, certain of our contracts will expire. We may elect not to seek extension or renewal of a contract, or may reduce certain services, if we determine that we cannot continue to provide such services on favorable terms. With respect to expiring contracts we would like to renew, we may be required to seek renewal through an RFP, and we may not be successful in retaining any such contracts, or retaining them on terms that are as favorable as present terms. For the year ended December 31, 2010, AMR and EmCare's contract retention rates were 99% and 88%, respectively.

Inflation

Certain of our expenses, such as wages and benefits, insurance, fuel and equipment repair and maintenance costs, are subject to normal inflationary pressures. Fuel expense represented 10.7% and 9.6% of AMR's operating expenses for the three months ended March 31, 2011 and 2010, respectively. Although we have generally been able to offset inflationary cost increases through increased operating efficiencies and successful negotiation of fees and subsidies, we can provide no assurance that we will be able to offset any future inflationary cost increases through similar efficiencies and fee changes.

Critical Accounting Policies

Revenue Recognition

Revenue is recognized at the time of service and is recorded net of provisions for contractual discounts and estimated uncompensated care. We estimate our provision for contractual discounts and uncompensated care based on payor reimbursement schedules, historical collections and write-off experience and other economic data. As a result of the estimates used in recording the provisions and the nature of healthcare collections, which may involve lengthy delays, there is a reasonable possibility that recorded estimates will change materially in the short-term.

The changes in the provisions for contractual discounts and uncompensated care are primarily a result of changes in our gross fee-for-service rate schedules and gross accounts receivable balances. These gross fee schedules, including any changes to existing fee schedules, generally are negotiated with various contracting entities, including municipalities and facilities. Fee schedule increases are billed for all revenue sources and to all payors under that specific contract; however, reimbursement in the case of certain state and federal payors, including Medicare and Medicaid, will not change as a result of the change in gross fee schedules. In certain cases, this results in a higher level of contractual and uncompensated care provisions and allowances, requiring a higher percentage of contractual discount and uncompensated care provisions compared to gross charges.

In addition, management analyzes the ultimate collectability of revenue and accounts receivable after certain stages of the collection cycle using a look-back analysis to determine the amount of receivables subsequently collected. Adjustments related to this analysis are recorded as a reduction or increase to net revenue each month, and were less than 1% of net revenue for the each of three month periods ending March 31, 2011 and 2010.

Results of Operations

Quarter Ended March 31, 2011 Compared to the Quarter Ended March 31, 2010

The following tables present a comparison of financial data from our unaudited consolidated statements of operations for

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the three months ended March 31, 2011 and 2010 for EMSC and our two operating segments.

Non-GAAP Measures

Adjusted EBITDA. Adjusted EBITDA is defined as net income before equity in earnings of unconsolidated subsidiary, income tax expense, interest and other (expense) income, realized (loss) gain on investments, interest expense and depreciation and amortization expense. Adjusted EBITDA is commonly used by management and investors as a performance measure and liquidity indicator. Adjusted EBITDA is not considered a measure of financial performance under U.S. generally accepted accounting principles, or GAAP, and the items excluded from Adjusted EBITDA are significant components in understanding and assessing our financial performance. Adjusted EBITDA should not be considered in isolation or as an alternative to such GAAP measures as net income, cash flows provided by or used in operating, investing or financing activities or other financial statement data presented in our financial statements as an indicator of financial performance or liquidity. Since Adjusted EBITDA is not a measure determined in accordance with GAAP and is susceptible to varying calculations, Adjusted EBITDA, as presented, may not be comparable to other similarly titled measures of other companies. The tables set forth a reconciliation of Adjusted EBITDA to net income and cash flows provided by operating activities.

Unaudited Consolidated Results of Operations and as a Percentage of Net Revenue

(dollars in thousands)

EMSC

| | Quarter ended March 31, 2011 | | Quarter ended March 31, 2010 | |
|---|---------------------------------|---------------------|---------------------------------|---------------------|
| | | % of net revenue | | % of net revenue |
| Net revenue | \$ 760,835 | 100.0% | \$ 679,354 | 100.0% |
| Compensation and benefits | 537,077 | 70.6 | 480,317 | 70.7 |
| Operating expenses | 96,963 | 12.7 | 86,529 | 12.7 |
| Insurance expense | 26,539 | 3.5 | 22,070 | 3.2 |
| Selling, general and administrative expenses | 17,835 | 2.3 | 16,858 | 2.5 |
| Interest income from restricted assets | (396) | (0.1) | (855) | (0.1) |
| Adjusted EBITDA | 82,817 | 10.9 | 74,435 | 11.0 |
| Depreciation and amortization expense | (17,525) | (2.3) | (16,180) | (2.4) |
| Interest expense | (4,817) | (0.6) | (8,266) | (1.2) |
| Realized (loss) gain on investments | (4) | (0.0) | 92 | 0.0 |
| Interest and other (expense) income | (1,746) | (0.2) | 265 | 0.0 |
| Income tax expense | (22,652) | (3.0) | (19,410) | (2.9) |
| Equity in earnings of unconsolidated subsidiary | 91 | 0.0 | 94 | 0.0 |

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Net income \$ 36,164 4.8% \$ 31,030 4.6%

Unaudited Reconciliation of Adjusted EBITDA to Cash Flows Provided by Operating Activities

(dollars in thousands)

| | Quarter ended March 31, | |
|--|-------------------------|-----------|
| | 2011 | 2010 |
| Adjusted EBITDA | \$ 82,817 | \$ 74,435 |
| Interest expense (less deferred loan fee amortization) | (4,017) | (7,759) |
| Change in accounts receivable | (10,762) | 2,191 |
| Change in other operating assets/liabilities | 26,769 | 3,934 |
| Equity based compensation | 1,962 | 1,104 |
| Excess tax benefits from stock-based compensation | (1,169) | (10,581) |
| Income tax expense, net of change in deferred taxes | (22,307) | (19,543) |
| Other | (1,294) | 804 |
| Cash flows provided by operating activities | \$ 71,999 | \$ 44,585 |

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(dollars in thousands)

AMR

| | Quarter ended March 31, 2011 | % of net Revenue | Quarter ended March 31, 2010 | % of net revenue |
|---|---|-----------------------------|---|-----------------------------|
| Net revenue | \$ 364,208 | 100.0% | \$ 336,962 | 100.0% |
| Compensation and benefits | 222,038 | 61.0 | 208,351 | 61.8 |
| Operating expenses | 84,290 | 23.1 | 75,639 | 22.4 |
| Insurance expense | 11,882 | 3.3 | 11,185 | 3.3 |
| Selling, general and administrative expenses | 10,640 | 2.9 | 9,729 | 2.9 |
| Interest income from restricted assets | (231) | (0.1) | (344) | (0.1) |
| Adjusted EBITDA | 35,589 | 9.8 | 32,402 | 9.6 |
| Reconciliation of Adjusted EBITDA to income from operations | | | | |
| Adjusted EBITDA | 35,589 | 9.8 | 32,402 | 9.6 |
| Depreciation and amortization expense | (11,571) | (3.2) | (11,234) | (3.3) |
| Interest income from restricted assets | (231) | (0.1) | (344) | (0.1) |
| Income from operations | \$ 23,787 | 6.5% | \$ 20,824 | 6.2% |

EmCare

| | Quarter ended March 31, 2011 | % of net revenue | Quarter ended March 31, 2010 | % of net revenue |
|---|---|-----------------------------|---|-----------------------------|
| Net revenue | \$ 396,627 | 100.0% | \$ 342,392 | 100.0% |
| Compensation and benefits | 315,039 | 79.4 | 271,966 | 79.4 |
| Operating expenses | 12,673 | 3.2 | 10,890 | 3.2 |
| Insurance expense | 14,657 | 3.7 | 10,885 | 3.2 |
| Selling, general and administrative expenses | 7,195 | 1.8 | 7,129 | 2.1 |
| Interest income from restricted assets | (165) | (0.0) | (511) | (0.1) |
| Adjusted EBITDA | 47,228 | 11.9 | 42,033 | 12.3 |
| Reconciliation of Adjusted EBITDA to income from operations | | | | |

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| | | | | |
|--|-----------|-------|-----------|-------|
| Adjusted EBITDA | 47,228 | 11.9 | 42,033 | 12.3 |
| Depreciation and amortization expenses | (5,954) | (1.5) | (4,946) | (1.4) |
| Interest income from restricted assets | (165) | (0.0) | (511) | (0.1) |
| Income from operations | \$ 41,109 | 10.4% | \$ 36,576 | 10.7% |

Quarter ended March 31, 2011 compared to the quarter ended March 31, 2010

Consolidated

Our results for the three months ended March 31, 2011 reflect an increase in net revenue of \$81.5 million and an increase in net income of \$5.1 million compared to the three months ended March 31, 2010. The increase in net income is attributable primarily to growth in income from operations and a decrease in interest expense, partially offset by an increase in income tax expense. During the three months ended March 31, 2011, we also recorded \$2.0 million for fees associated with the proposed Merger transaction with affiliates of Clayton, Dubilier & Rice, LLC which are included in interest and other (expense) income (see Note 1 to the accompanying unaudited consolidated financial statements). Basic and diluted earnings per share were \$0.82 and \$0.80, respectively, for the three months ended March 31, 2011. Basic and diluted earnings per share were \$0.71 and \$0.70, respectively, for the same period in 2010.

Net revenue. For the three months ended March 31, 2011, we generated net revenue of \$760.8 million compared to net revenue of \$679.4 million for the three months ended March 31, 2010, representing an increase of 12.0%. The increase is attributable primarily to increases in rates and volumes on existing contracts combined with increased volume from net new contracts and acquisitions.

Adjusted EBITDA. Adjusted EBITDA was \$82.8 million, or 10.9% of net revenue, for the three months ended March 31, 2011 compared to \$74.4 million, or 11.0% of net revenue, for the three months ended March 31, 2010.

Interest expense. Interest expense for the three months ended March 31, 2011 was \$4.8 million compared to \$8.3 million for

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the three months ended March 31, 2010. The decrease was due to the reduction of our effective interest rate from our new credit facility entered into in April 2010 and the redemption of our senior subordinated notes. In conjunction with entering into our new credit facility, we reduced our total outstanding debt by \$25.0 million.

Income tax expense. Income tax expense increased by \$3.2 million for the three months ended March 31, 2011 compared to the same period in 2010. Our effective tax rate was 38.6% for the three months ended March 31, 2011 and 2010.

AMR

Net revenue. Net revenue for the three months ended March 31, 2011 was \$364.2 million, an increase of \$27.2 million, or 8.1%, from \$337.0 million for the same period in 2010. The increase in net revenue was due primarily to an increase of 4.7%, or \$15.8 million, in weighted transport volume and an increase in net revenue per weighted transport of 3.4%, or \$11.4 million. The increase in net revenue per weighted transport of 3.4% was due to a 1.8% increase in net revenue per transport resulting from a higher mix of emergency versus non-emergency transports and rate increases in several markets, with the remaining increase coming from growth in our managed transportation business. AMR's managed transportation business represented 6.0% of AMR's net revenue for the quarter ended March 31, 2011 compared to 4.5% for the quarter ended March 31, 2010. Weighted transports increased 33,700 from the same quarter last year. The change was due to an increase in weighted transport volume in existing markets of 3.0%, or 21,100 weighted transports, an increase of 9,700 weighted transports from acquisitions, and an increase of 4,200 weighted transports from our entry into new markets, which increases were partially offset by a decrease of 1,300 weighted transports from the exit of certain markets.

Compensation and benefits. Compensation and benefit costs for the three months ended March 31, 2011 were \$222.0 million, or 61.0% of net revenue, compared to \$208.4 million, or 61.8% of net revenue, for the same period last year. Ambulance crew wages per ambulance unit hour increased by approximately 2.7%, or \$3.1 million, attributable primarily to annual wage rate increases. Ambulance unit hours increased period over period by 3.3%, or \$3.8 million, due primarily to our entry into new markets. Non-crew compensation increased period over period by \$2.1 million due primarily to acquisitions and increases in our managed transportation business. Total benefits related costs increased \$4.6 million due primarily to increases in payroll taxes and higher costs for our health insurance plans.

Operating expenses. Operating expenses for the three months ended March 31, 2011 were \$84.3 million, or 23.1% of net revenue, compared to \$75.6 million, or 22.4% of net revenue, for the three months ended March 31, 2010. The change is due primarily to increased costs associated with our managed transportation business of \$6.2 million and an increase in fuel costs of \$1.7 million.

Insurance expense. Insurance expense for the three months ended March 31, 2011 was \$11.9 million, or 3.3% of net revenue, compared to \$11.2 million, or 3.3% of net revenue, for the same period in 2010. We recorded an increase of prior year insurance provisions of \$0.8 million during the three months ended March 31, 2011 compared to a decrease of \$0.9 million during the three months ended March 31, 2010.

Selling, general and administrative. Selling, general and administrative expense for the three months ended March 31, 2011 was \$10.6 million, or 2.9% of net revenue, compared to \$9.7 million, or 2.9% of net revenue, for the three months ended March 31, 2010.

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Depreciation and amortization. Depreciation and amortization expense for the three months ended March 31, 2011 was \$11.6 million, or 3.2% of net revenue, compared to \$11.2 million, or 3.3% of net revenue, for the same period in 2010.

EmCare

Net revenue. Net revenue for the three months ended March 31, 2011 was \$396.6 million, an increase of \$54.2 million, or 15.8%, from \$342.4 million for the three months ended March 31, 2010. The increase was due primarily to an increase in patient encounters from net new hospital contracts and net revenue increases in existing contracts. Following December 31, 2009, we added 44 net new contracts which accounted for a net revenue increase of \$43.3 million for the three months ended March 31, 2011. Of the 44 net new contracts added since December 31, 2009, 40 were added in 2010 resulting in an incremental increase in 2011 net revenue of \$43.1 million. EmCare has added 25 new contracts and terminated 21 contracts to date in 2011, resulting in an increase in net revenue of \$0.2 million for the three months ended March 31, 2011. Net revenue under our same store contracts (contracts in existence for the entirety of both periods) increased \$15.5 million, or 5.5%, for the three months ended March 31, 2011. The change was due primarily to a 7.1% increase in same store weighted patient encounters, partially offset by a 1.6% decrease in revenue per weighted patient encounter. The increase in same store net revenue was due primarily to additional volume, partially offset by a lower average charge per patient, related to a stronger flu season in the first quarter of 2011 compared to the same period in 2010.

Compensation and benefits. Compensation and benefits costs for the three months ended March 31, 2011 were \$315.0 million, or 79.4% of net revenue, compared to \$272.0 million, or 79.4% of net revenue, for the same period in 2010. Provider

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compensation costs increased \$32.3 million from net new contract additions. Same store provider compensation costs were \$7.0 million higher than the prior period due primarily to a 7.1% increase in same store weighted patient encounters, partially offset by a 3.5% decrease in provider compensation per weighted patient encounter. Non-provider compensation and total benefits costs increased by \$3.7 million due primarily to our recent acquisitions and organic growth.

Operating expenses. Operating expenses for the three months ended March 31, 2011 were \$12.7 million, or 3.2% of net revenue, compared to \$10.9 million, or 3.2% of net revenue, for the same period in 2010. Operating expenses increased \$1.8 million due primarily to our recent acquisitions and organic growth.

Insurance expense. Professional liability insurance expense for the three months ended March 31, 2011 was \$14.7 million, or 3.7% of net revenue, compared to \$10.9 million, or 3.2% of net revenue, for the three months ended March 31, 2010. We recorded an increase of prior year insurance provisions of \$1.7 million during the three months ended March 31, 2011 compared to a decrease of \$1.9 million during the three months ended March 31, 2010.

Selling, general and administrative. Selling, general and administrative expense for the three months ended March 31, 2011 was \$7.2 million, or 1.8% of net revenue, compared to \$7.1 million, or 2.1% of net revenue, for the three months ended March 31, 2010.

Depreciation and amortization. Depreciation and amortization expense for the three months ended March 31, 2011 was \$6.0 million, or 1.5% of net revenue, compared to \$4.9 million, or 1.4% of net revenue, for the three months ended March 31, 2010. The \$1.1 million increase is due primarily to additional amortization expense associated with contract intangible assets recorded on acquisitions completed since December 31, 2009.

Critical Accounting Policies

For a discussion of accounting policies that we consider critical to our business operations and the understanding of our results of operations that affect the more significant judgments and estimates used in the preparation of our unaudited condensed consolidated financial statements, please refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies contained in our annual report on Form 10-K for the year ended

December 31, 2010 and incorporated by reference herein. As of March 31, 2011, there were no significant changes in our critical accounting policies or estimation procedures.

Liquidity and Capital Resources

Our primary source of liquidity is cash flows provided by our operating activities. We can also use our revolving senior secured credit facility, described below, to supplement cash flows provided by our operating activities if we decide to do so for strategic or operating reasons. Our liquidity needs are primarily to service long-term debt and to fund working capital requirements, capital expenditures related to the acquisition

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of vehicles and medical equipment, technology-related assets and insurance-related deposits.

We believe our cash and cash equivalents, cash provided by our operating activities, and amounts available under our senior secured credit facility will meet the liquidity requirements of our business through at least the next 12 months. We have available to us, upon compliance with customary conditions, \$150 million under the revolving credit facility, less any letters of credit outstanding. As of March 31, 2011, outstanding letters of credit which impacted our available credit under the revolving credit facility totaled \$47.3 million. As of March 31, 2011, EMCA Insurance Company, Ltd., our captive insurance company, also had letters of credit outstanding which totaled \$27.4 million.

Cash Flow

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

| | Quarter ended March 31, | |
|---------------------------------|-------------------------|-----------|
| | 2011 | 2010 |
| Net cash provided by (used in): | | |
| Operating activities | \$ 71,999 | \$ 44,585 |
| Investing activities | (35,136) | (7,118) |
| Financing activities | 10,548 | 10,700 |

Operating activities. Net cash provided by operating activities was \$72.0 million for the three months ended March 31, 2011 compared to \$44.6 million for the same period in 2010. The change in operating cash flows was affected primarily by an increase in net income combined with changes in operating assets and liabilities and the cash flow benefit related to tax

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deductions from stock-based compensation, which has been reported as an increase in financing cash flows. Accounts payable and accrued liabilities increased cash flows from operations \$29.1 million during the three months ended March 31, 2011 compared to \$6.0 million during the three months ended March 31, 2010. The change is due primarily to the timing of income tax related payments, and lower incentive compensation payments during the three months ended March 31, 2011 compared to the same period in 2010. Accounts receivable increased \$10.8 million and days sales outstanding, or DSO, decreased 1 day during the three months ended March 31, 2011.

We regularly analyze DSO which is calculated by dividing our net revenue for the quarter by the number of days in the quarter. The result is divided into net accounts receivable at the end of the period. DSO provides us with a gauge to measure receivables, revenue and collection activities. The reductions since December 31, 2009 shown below are due to additional collections on accounts receivable as a result of continued billing and collection enhancements at both AMR and EmCare. The following table outlines our DSO by segment and in total excluding the impact of acquisitions completed within the specific quarter:

| | Q1 2011 | Q4 2010 | Q3 2010 | Q2 2010 | Q1 2010 | Q4 2009 |
|--------|---------|---------|---------|---------|---------|---------|
| AMR | 66 | 69 | 70 | 68 | 66 | 68 |
| EmCare | 54 | 54 | 54 | 55 | 56 | 60 |
| EMSC | 60 | 61 | 61 | 62 | 61 | 64 |

Investing activities. Net cash used in investing activities was \$35.1 million for the three months ended March 31, 2011 compared to \$7.1 million for the same period in 2010. The change relates primarily to increases in acquisition activity. Acquisitions of businesses totaled \$32.7 million during the three months ended March 31, 2011 compared to \$3.3 million during the same period in 2010.

Financing activities. Net cash provided by financing activities was \$10.5 million for the three months ended March 31, 2011 compared to \$10.7 million for the same period in 2010. At March 31, 2011, there were no amounts outstanding under our revolving credit facility.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

We manage our exposure to changes in fuel prices and, as appropriate, use highly effective derivative instruments to manage well-defined risk exposures. As of March 31, 2011, we were party to a series of fuel hedge transactions with a major financial institution under one master agreement. Each of the transactions effectively fixes the cost of diesel fuel at prices ranging from \$3.07 to \$3.29 per gallon. We purchase the diesel fuel at the market rate and periodically settle with our counterparty for the difference between the national average price for the period published by the Department of Energy and the agreed upon fixed price. The transactions fix the price for a total of 3.9 million gallons and are spread over periods from April 2011 through June 2012.

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As of March 31, 2011, we had \$418.6 million of debt, excluding capital leases, of which \$417.0 million was variable rate debt under our senior secured credit facility and the balance was fixed rate debt. An increase or decrease in interest rates of 0.2% will impact our interest costs by \$0.8 million annually.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

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Based on their evaluation of our disclosure controls and procedures conducted within 90 days of the date of filing this Report on Form 10-Q, our principal executive officer and our principal financial officer have concluded that, as of the date of their evaluation, our disclosure controls and procedures (as defined in Rules 13a -15(e) and 15d -15(e) promulgated under the Exchange Act) are effective.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our fiscal quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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EMERGENCY MEDICAL SERVICES CORPORATION

PART II. OTHER INFORMATION

FOR THE THREE MONTHS ENDED

MARCH 31, 2011

ITEM 1. LEGAL PROCEEDINGS

For additional information regarding legal proceedings, please refer to note 7, under the caption "Commitments and Contingencies" of the notes accompanying the consolidated financial statements included herein, and to our Annual Report on Form 10-K filed with the SEC on February 18, 2011.

Eleven purported shareholder class actions relating to the transactions contemplated by the Agreement and Plan of Merger, dated as of February 13, 2011, among EMSC, CDRT Acquisition Corporation and CDRT Merger Sub, Inc. (the "Merger Agreement"), have been filed in state court in Delaware and federal and state courts in Colorado against various combinations of EMSC, the members of our board of directors, and other parties. Seven actions were filed in the Delaware Court of Chancery beginning on February 22, 2011, which have since been consolidated into one action entitled In re Emergency Medical Services Corporation Shareholder Litigation, Consolidated C.A. No. 6248-VCS. On April 4, 2011, the Delaware plaintiffs filed their consolidated class action complaint. Two actions, entitled Scott A. Halliday v. Emergency Medical Services Corporation, et al., Case No. 2011CV316 (filed on February 15, 2011), and Alma C. Howell v. William Sanger, et al., Case No. 2011CV488 (filed on March 1, 2011), were filed in the District Court, Arapahoe County, Colorado. Two other actions, entitled Michael Wooten v. Emergency Medical Services Corporation, et al., Case No. 11-CV-00412 (filed on February 17, 2011) (the "Wooten action"), and Neal Greenberg v. Emergency Medical Services Corporation, et al., Case No. 11-CV-00496 (filed on February 28, 2011), were filed in the U.S. District Court for the District of Colorado. These actions generally allege that the directors of EMSC, Onex Corporation and/or Onex Corporation's subsidiaries breached their fiduciary duties by, among other things: approving the transactions contemplated by the Merger Agreement, which allegedly were financially unfair to EMSC and its public stockholders; agreeing to provisions in the Merger Agreement that will allegedly prevent the board from considering other offers; permitting the unitholders agreement (which secures the majority votes in favor of the merger contemplated by the Merger Agreement (the "Merger")) and failing to require a provision in the Merger Agreement requiring that a majority of the public stockholders approve the transactions contemplated by the Merger Agreement; and/or making allegedly materially inadequate disclosures. These actions further allege that certain defendants aided and abetted these breaches. In addition, the two actions filed in the U.S. District Court for the District of Colorado contain individual claims brought under Section 14(a) and Section 20(a) of the Securities Exchange Act of 1934, as amended, pertaining to the purported dissemination of allegedly misleading proxy materials. These actions seek unspecified damages and equitable relief, including an injunction halting the Merger or rescission of the Merger, as applicable. The plaintiffs in the consolidated Delaware action have filed a motion for a preliminary injunction. We believe that all of the allegations in these actions are without merit and intend to vigorously defend these matters. If any one of the plaintiffs is successful in obtaining an injunction prohibiting the completion of the Merger on the agreed-upon terms, then such injunction may prevent the Merger from becoming effective, or from becoming effective within the expected timeframe.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in the "Risk Factors" section of EMSC's Annual Report on Form 10-K for the year ended December 31, 2010.

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ITEM 2. ISSUER PURCHASES OF EQUITY SECURITIES

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that may yet be Purchased under the Plans or Programs |
|---|---|---|---|---|
| January 1, 2011 through January 31, 2011 | | | | N/A |
| February 1, 2011 through February 28, 2011 | | | | N/A |
| March 1, 2011 through March 31, 2011 | 20,469(1) | \$ 63.66 | | N/A |

(1) Represents shares of restricted stock held by employees under the Company's Amended and Restated Long-Term Incentive Plan and delivered to the Company upon vesting to satisfy the recipients' tax withholding obligation to the Company.

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ITEM 6. EXHIBITS

- 2.1 Agreement and Plan of Merger, among CDRT Acquisition Corporation, CDRT Merger Sub, Inc. and Emergency Medical Services Corporation, dated as of February 13, 2011 (incorporated by reference to Exhibit 2.1 of the Current Report on Form 8-K filed on February 17, 2011).
- 2.2 Unitholders Agreement, among Emergency Medical Services Corporation, Emergency Medical Services L.P., CDRT Acquisition Corporation, CDRT Merger Sub, Inc. and Onex Corporation, solely in its capacity as Trustee under the Voting and Exchange Trust Agreement, dated December 2005 among Emergency Medical Services Corporation, Emergency Medical Services L.P. and Onex Corporation, and the Limited Partners listed on the signature pages thereto, dated as of February 13, 2011 (incorporated by reference to Exhibit 2.2 of the Current Report on Form 8-K filed on February 17, 2011).
- 31.1 Certification of the Chief Executive Officer of Emergency Medical Services Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- 31.2 Certification of the Chief Executive Officer of Emergency Medical Services Corporation, as general partner of Emergency Medical Services L.P., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- 31.3 Certification of the Chief Financial Officer of Emergency Medical Services Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- 31.4 Certification of the Chief Financial Officer of Emergency Medical Services Corporation, as general partner of Emergency Medical Services L.P., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- 32.1 Certification of the Chief Executive Officer and the Chief Financial Officer of Emergency Medical Services Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
- 32.2 Certification of the Chief Executive Officer and the Chief Financial Officer of Emergency Medical Services Corporation, as general partner of Emergency Medical Services L.P. pursuant to 18 U.S.C. Section 1350, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
- 101 The following materials from EMSC's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations and Comprehensive Income, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Cash Flows, (iv) Notes to the Unaudited Consolidated Financial Statements.*

* Filed with this Report

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

EMERGENCY MEDICAL SERVICES CORPORATION

(registrant)

May 4, 2011
Date

By: /s/ William A. Sanger
William A. Sanger
Chairman and Chief Executive Officer

By: /s/ Randel G. Owen
Randel G. Owen
Chief Financial Officer and Executive Vice President

EMERGENCY MEDICAL SERVICES L.P.

(registrant)

May 4, 2011
Date

By: Emergency Medical Services Corporation, its General
Partner

By: /s/ William A. Sanger
William A. Sanger
Chairman and Chief Executive Officer

By: /s/ Randel G. Owen
Randel G. Owen
Chief Financial Officer and Executive Vice President

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