2013/2014 Ambulance Industry Report

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Note: This report is provided as a resource only and does not purport to offer legal or other investment advice or provide data to support such decisions solely on this report’s merits. Readers should seek independent advice before making such decisions.

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Introduction

Since 1999, The Abaris Group has analyzed changes in the ambulance industry as well as internal and external factors shaping the future of U.S. emergency medical services (EMS) ground medical transportation, particularly in the private sector. The reports, compiled from an array of public documents and interviews with industry leaders, are frequently referenced by analysts, media and healthcare industry decision-makers.

Over the past several years, significant changes in healthcare have occurred that hold both opportunities and risks for ambulance providers, as well as the potential to alter the role ambulance providers play in their communities. Unless EMS is able to deftly navigate the changes, the shifts in healthcare could adversely impact reimbursement. If EMS can participate in efforts to find new ways of delivering healthcare more effectively and cost-efficiently, ambulance providers have the opportunity of solidifying a stronger, more integrated position for EMS in the larger healthcare system, as well as diversifying ambulance providers’ sources of income.

External changes that have impacted the industry in recent years include a serious, prolonged recession that put pressure on governmental entities from the municipal to federal level to control spending; the passage of the Patient Protection and Affordable Care Act in 2010; and the overall health reform movement, which has a central goal of moving away from a fee-for-service payment model to one that rewards cost-effective, high-quality care. Internal changes include an increasing emphasis on bringing evidence-based medicine to EMS; the growing use of technology to track performance and results; an increasing acceptance that the changes coming as a result of healthcare reform are here to stay; and an awareness that ambulance providers may need to adjust their business model and rethink their delivery strategy to accommodate the shift.

From a financial perspective, recent months and years have also been marked by a degree of upheaval among the largest private ambulance providers. Chief among them: major 911 ambulance contracts in Santa Clara County, Calif., Alameda County, Calif. and most recently, Tulsa, Okla., changing hands; Rural/Metro declaring Chapter 11 bankruptcy; and a successful IPO for American Medical Response (AMR), the nation’s largest ambulance provider.

This update will focus on the years 2011 through the present, with background and context from earlier years provided to help the reader understand how EMS has reached its current state. Most of the material covered in previous reports will not be repeated here, although many of those issues remain important. The reader who desires a comprehensive understanding of the evolution of the ambulance industry and the factors that have influenced its current form may find it helpful to review the earlier reports.

In this report, The Abaris Group provides an analysis of the industry’s growth, key challenges and changes that have occurred or are on the horizon that affect the industry across the spectrum of provider types, including private, public, third service, fire-based and volunteer. The Abaris Group also takes an in-depth look at the industry’s two largest providers—AMR and Rural/Metro, as well as several smaller ambulance companies whose in-roads into the marketplace are influencing the industry dynamic. Finally, with so much in flux as a result of health reform, The Abaris Group offers our predictions for what the future may hold.
Sources

This document was developed with research compiled from a variety of documents, including the U.S. Securities and Exchange Commission, court filings, court transcripts, websites, reports by leading EMS organizations, interviews, business and public media sources and other publicly available materials. Noteworthy resources include:

- **National EMS Assessment**, March 2011
- **JEMS 200-City Survey**, February 2013
- **Ambulance Providers: Costs and Expected Medicare Margins Varied Widely; Transport of Beneficiaries Have Increased**, U.S. Government Accountability Office report to Congressional Committees, October 2012
- Ambulance Fee Schedule Public Use Files, CY 2013
- **Medicare Payment Advisory Commission (MedPAC) Report to the Congress**, June 2013
- Testimony from American Medical Response West vs. Paramedics Plus, LLC, Alameda County Civil Court
- Rural/Metro, 13-bk-19952, U.S. Bankruptcy Court, District of Delaware (Wilmington), Aug. 4, 2013

No proprietary documents were used to prepare this report.

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