

1 **IN THE OFFICE OF ADMINISTRATIVE HEARINGS**

2  
3 In the Matter of:

**No. 2014A-EMS-0305-DHS**

4 American Medical Response of Maricopa,  
5 LLC

**ADMINISTRATIVE LAW JUDGE  
DECISION**

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8 **HEARING:** September 15 through 18, 2014; September 29 through October 3,  
9 2014.

10 **APPEARANCES:** American Medical Response of Maricopa, LLC appeared  
11 through attorney, Ronna Fickbohm. The Arizona Department of Health Services, Bureau of  
12 Emergency Medical Services & Trauma System appeared through Assistant Attorneys  
13 General Kevin Ray, Laura Flores, and Patricia LaMagna. The Intervenors appeared  
14 through attorney, Lawrence Rosenfeld.

15 **ADMINISTRATIVE LAW JUDGE:** Tammy L. Eigenheer

16  
17  
18 **INTRODUCTION**

19 American Medical Response of Maricopa, LLC (“AMR”) filed with the Arizona  
20 Department of Health Services (“Department” or “ADHS”) an Application for a certificate of  
21 necessity (“CON”) to provide immediate response, interfacility, and convalescent  
22 ambulance services. An evidentiary hearing was held in which several existing CON  
23 holders were given permission to intervene. AMR has demonstrated that a CON should be  
24 granted, principally, for the following reasons:

- 25
- 26 • AMR has shown that there is a public necessity for its proposed services.
  - 27 • AMR has shown that it is fit and proper to provide the services proposed.
  - 28 • AMR has shown that the proposed service area, type, and level of service is in the  
29 best interests of the public.
  - 30 • AMR has shown that its proposed rates and charges are just, reasonable, and  
sufficient.

**FINDINGS OF FACT**

## Background

1  
2 1. AMR, Applicant herein, is a wholly owned subsidiary of American Medical  
3 Response, Inc. AMR was established in order to hold the ADHS CON that the pending  
4 application requests issuance of, and to operate the ground ambulance service in the  
5 event the CON is issued.

6 2. American Medical Response, Inc. is a national medical transport company  
7 operated under Envision Healthcare Corp. ("EVHC"), its parent corporation.

8 3. American Medical Response, Inc. also owns River Medical, Inc., ("River  
9 Medical") the holder of CON No. 94 and Life Line Ambulance Service, Inc. ("Life Line  
10 Ambulance" or "Life Line") the holder of CON No. 62.

11 4. ADHS, through the Bureau of Emergency Medical Services & Trauma  
12 System ("BEMSTS" or "Bureau"), regulates ambulance services in Arizona. A.R.S. Title  
13 36, Chapter 21.1, Article 2; A.A.C. R9-25-901 through - 1110.

14 5. With an August 14, 2013 letter to Terry Mullins, the Bureau Chief,  
15 American Medical Response, Inc.'s President, Edward Van Horne, submitted the  
16 pending application. AMR Ex. 1A.

17 6. ADHS issued a June 6, 2014 Notice of Hearing and Appointment of  
18 Administrative Law Judge; a June 19, 2014 Notice of *Errata* and (separate) Amended  
19 Notice of Hearing; and an August 29, 2014 Second Amended Notice of Hearing.

20 7. Pursuant to A.R.S. § 36-2234, ADHS provided the required notice to other  
21 ambulance services, or other interested parties, in the affected area.

22 8. Rural/Metro Corporation (Maricopa) dba Rural/Metro Ambulance Service  
23 dba Arizona Medical Transport dba AMT (CON No. 109); Professional Medical  
24 Transport, Inc. dba PMT Ambulance (CON No. 71); R/M Arizona Holdings, Inc. dba  
25 Canyon State Ambulance dba Payson Medical Transport dba LifeStar EMS (CON No.  
26 58); Emergency Medical Transport, Inc. dba American Ambulance (CON No. 75);  
27 ComTrans Ambulance Service, Inc. dba ComTrans Ambulance dba ProMed Transport  
28 dba American ComTrans (CON No. 46); SW General, Inc. dba Southwest Ambulance  
29 (CON No. 86) and Southwest Ambulance of Casa Grande, Inc. dba Southwest  
30 Ambulance and Rescue of Arizona (CON No. 66) petitioned to intervene and were

1 granted intervenor status. Each of these legal entities is owned by the same parent  
2 entity, Rural/Metro, Inc. Collectively, these intervening CON holders are referred to  
3 herein as “Intervenors,” “Rural/Metro,” or “Rural/Metro Group”

#### 4 **The Application**

5 9. Subsequent to its receipt of AMR’s August 14, 2013 Application, on  
6 September 4, 2013, ADHS/BEMSTS, through Ambulance Services Manager Todd  
7 Jaramillo, issued an Administrative Incomplete Letter and requested nine categories of  
8 information. AMR Ex. 1B.

9 10. On October 24, 2013, AMR responded, enclosing seven additional  
10 documents to supplement AMR’s original application. AMR Ex. 1C.

11 11. By his November 8, 2013 Administrative Complete Notice, Jaramillo  
12 notified AMR the Application was administratively complete. AMR Ex. 1G.

13 12. By his January 10, 2014 Notice of Substantive Review, Jaramillo  
14 submitted fifteen requests for responses or additional information as part of the  
15 Bureau’s substantive review. AMR Ex. 1H.

16 13. On March 10, 2014, AMR responded to the Notice of Substantive Review,  
17 including a revised Ambulance Revenue and Cost Report (“ARCR”) and documents  
18 related to corporate allocations. This also amended the original Application. In this,  
19 AMR proposed response times as follows:

#### 20 **RESPONSE TIMES (ALL EMERGENCY)**

- 21
- 22 1. Ten minutes, zero seconds (10:00) on eighty (80) percent of all  
23 emergency transports.
  - 24 2. Fifteen minutes, zero seconds (15:00) on ninety-five (95) percent of all  
25 emergency transports.
  - 26 3. Twenty minutes, zero seconds (20:00) on ninety-nine (99) percent of  
27 all emergency transports.

28 In connection with formal emergency response contracts, notwithstanding  
29 specific contractual requirements, the following minimums:

#### 30 **RESPONSE TIMES (EMERGENCY SERVICE CONTRACTS)**

1 Within any of the cities granted in which the applicant has located a  
2 central operations or sub-operations station for responses within that city:

- 3
- 4 1. Ten minutes, zero seconds (10:00) on ninety (90) percent of all  
5 emergency transports.
  - 6 2. Fifteen minutes, zero seconds (15:00) on ninety-five (95) percent of all  
7 emergency transports.
  - 8 3. Twenty minutes, zero seconds (20:00) on ninety-nine (99) percent of  
9 all emergency transports.

10 For non-emergency inter-facility ambulance service requests, the  
11 following arrival times were proposed:

#### 12 INTER-FACILITY ARRIVAL TIMES<sup>1</sup>

- 13 1. Within sixty minutes, zero seconds (60:00) on ninety (90) percent of all  
14 unscheduled non-emergent transfers from a licensed healthcare  
15 facility from the time the call is taken.
- 16 2. Within thirty minutes, zero seconds (30:00) on ninety (90) percent of  
17 all unscheduled urgently needed services not available at the sending  
18 licensed healthcare facility from the time the call is taken.
- 19 3. Within twenty minutes, zero seconds (20:00) on ninety (90) percent of  
20 the scheduled pick-up, at the bedside, for all non-emergent transfers  
21 scheduled more than sixty (60) minutes but less than four (4) hours in  
22 advance from a licensed healthcare facility for the requested pick-up  
23 time.
- 24 4. Within ten minutes, zero seconds (10:00) on ninety-five (95) percent of  
25 the scheduled pick-up, at the bedside, for all non-emergent transfers  
26 scheduled more than four (4) hours in advance from a licensed  
27 healthcare facility for the requested pick-up time.

28 .AMR Ex. AI, AMR 00197-98.

29 14. By way of its April 24, 2014 Amended Identity package, AMR notified the  
30 Bureau it had amended the technical name of the Applicant and resubmitted many of

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<sup>1</sup> While the document originally called these "response times," AMR acknowledged that this is a technical term limited by statute and rule.

1 the core Application documents in order to accurately show the identity of the  
2 Applicant. This included the ultimately operative ARCR. AMR Ex. 1J.

3 15. In his April 30, 2014 letter, John Valentine alerted the Bureau that the  
4 service area had been amended so as to include the Banner Del E. Webb Medical  
5 Center located at 14502 W. Meeker Blvd., Sun City West, AZ 85375 campus. AMR Ex.  
6 1L. This led to ADHS/BEMSTS' May 12, 2014 request for additional information  
7 regarding that addition. AMR Ex. 1O. By letter dated May 16, 2014, Valentine  
8 responded with seven categories of information. AMR Ex. 1P.

9 16. In its June 5, 2014 findings letter, BEMSTS submitted its review of AMR's  
10 proposed rates and charges, recommending the same rates and charges except with  
11 regard to mileage, as follows (AMR Ex. 1Q):

- 12 ALS rate: \$862.40
- 13 BLS rate: \$768.20
- 14 Mileage rate: \$15.48
- 15 Standby/Waiting rate: \$192.05
- 16 Subscription Service rate: \$80.54
- 17 Disposable Medical Supply rate: Separate charges apply

18 During the hearing, AMR formally stated its acceptance of BEMSTS' adjustments to the  
19 proposed initial rates.

20 17. AMR submitted all information required by R9-25-902(A)(1) to BEMSTS  
21 through its amended Application and hearing testimony/exhibits:

22 A. The name of the ground ambulance service is American Medical  
23 Response of Maricopa, LLC. AMR's operations station and contact information  
24 is 1181 N. Tatum Blvd., Suite 3031, Phoenix, AZ 88403; phone: (928)855-4104;  
25 fax: (928)855-4141; and email: john.valentine@amr.net.

26 B. The name, title, address, and telephone number has been  
27 provided for the applicant (Edward B. Van Horne, President, American Medical  
28 Response, Inc., 6200 S. Syracuse Way, Suite 200, Greenwood Village, CO  
29 80111; tele: 303-495-1220), each individual responsible for managing the  
30 ground ambulance service (Glenn Kasprzyk, 1099 W. Iron Springs Road,  
Prescott, AZ 86305, tele: 928-445-3814, address at AMR will be same as listed

1 above at A; John Valentine, 415 El Camino Way, Lake Havasu City, AZ 85403,  
2 tele: 928-855-4104, address at AMR will be same as listed above at A; Leslie  
3 Mueller, 4099 McEwen Road, Suite 200, Farmer's Branch, TX 75244, tele: 925-  
4 250-5835), the business representative/designated manager (Glenn Kasprzyk &  
5 John Valentine), the individual to contact to access the ground ambulance  
6 service's records (Natalie Allen, current address 415 El Camino Way, Lake  
7 Havasu City, AZ 86403, tele: 928-855-4104), and the statutory agent (CT Corp.,  
8 3225 N. Central Ave., Suite 1601, Phoenix, AZ 85021, tele: 602-277-4792).

9 C. Upon issuance of a CON, Danniell Stites, M.D., will serve as AMR's  
10 Administrative Medical Director and John C. Lincoln, North Mountain Hospital,  
11 250 E. Dunlap Ave., Phoenix, AZ 85020, tele: 602-943-2381, will serve as  
12 AMR's Advanced Life Support ("ALS") base hospital. AMR Ex. 32.

13 D. AMR will be dispatched through Life Line Ambulance's dispatch,  
14 915 Hinman St., Prescott, AZ 86305; tele: 928-445-3811.

15 E. AMR identified the likely general area for each anticipated sub-  
16 operation station located within the proposed service area (AMR Ex. 44, at  
17 03989) but stated that precise locations will depend upon those facts existing  
18 when the CON is issued.

19 F. AMR is a limited liability company.

20 G. AMR is proprietary.

21 H. Each ambulance's mobile and portable radios will provide the  
22 necessary two-way communication with company dispatch, local PSAP, hospital  
23 emergency departments and air ambulance services. In addition to the radios,  
24 each ambulance will also be provided with a cellular telephone.

25 I. The make and year of each ground ambulance vehicle that will be  
26 used was listed in the Amended Identity package (AMR Ex. 1(J), 00633, *et seq.*).  
27  
28  
29  
30

1 J. The Application listed the ambulance personnel by Arizona  
2 certification as 58 BEMTs, 0 IEMTs, and 25 PARAMEDICS (for a total personnel  
3 number of 83).<sup>2</sup>

4 K. The proposed hours of operation are 24 hours a day, 7 days a  
5 week, 52 weeks a year.

6 L. ALS ground ambulance service will be provided, including 911  
7 system coverage.

8 M. Basic Life Support (“BLS”) ground ambulance service will be  
9 provided, including 911 system coverage.

10 N. AMR has acknowledged its receipt of the statutes and regulations  
11 governing operation of an ambulance service in the State of Arizona, and stated  
12 its intent to comply with the same.

13 O. AMR’s representative avowed the information and documents  
14 provided were true and correct.

15 P. AMR’s designated representative, Edward Van Horne, signed the  
16 application.

17 18. AMR also provided the information required by R9-25-902(A)(2):

18 A.-D. AMR generally identified where ground ambulance vehicles would  
19 be located within the subject service area, it provided its statement of proposed  
20 general public rates and proposed charges as modified by the acceptance of the  
21 reduced mileage rate recommended by BEMSTS following its review. It  
22 identified its proposed response and arrival (IFT) times as those listed above at  
23 Paragraph 14 and confirmed that its proposed response times were based on  
24 the required factors.

25 E. AMR intends to provide temporary ground ambulance service to  
26 the proposed service area during limited times when AMR is unable to provide  
27 ground ambulance service by relying upon mutual aid agreements including, per  
28 testimony elicited during the hearing, mutual aid agreements AMR intends to

29  
30 <sup>2</sup> These are not the “FTE’s” (Full Time Equivalents) numbers as reflected on the ARCR, pg. 4.

1 enter into after receiving a CON. All parts of the proposed CON service area are  
2 also already covered by at least one existing CON. AMR's sister entity, Life Line  
3 Ambulance, does extend slightly into Maricopa County and would also be  
4 available for mutual aid. If there is any cause for an extended ability to provide  
5 ground ambulance service above and beyond AMR's immediately available  
6 resources, including what is available through mutual aid agreements, AMR will  
7 call upon the vast reserve of personnel and equipment it has available nationally  
8 through its parent, American Medical Response, Inc. as well as the financial  
9 resources available through that parent company's ultimate parent company,  
10 EVHC (upon approval by ADHS/BEMSTS).

11 F. The other ground ambulance service providers currently operating  
12 in the proposed service area are the Intervenor, the City of Phoenix's Fire  
13 Department, the Buckeye Fire District - to the extent it services the Gila Bend  
14 CON area, Gila Bend Rescue/Ambulance, a small portion of the Sun City West  
15 Fire District, and a small portion of Life Line Ambulance, as represented on the  
16 maps admitted as AMR Ex. 3A and B.

17 G. Last, through the Application and testimony elicited at hearing, it  
18 was confirmed that none of the individuals who will be directly responsible for  
19 managing AMR (Edward Van Horne, Leslie Mueller, John Valentine, and Glenn  
20 Kasprzyk), have been convicted of a felony or misdemeanor involving moral  
21 turpitude, have operated a ground ambulance service without a required  
22 certification or licensure in any state, or have had a license or certificate of  
23 necessity suspended or revoked by any political subdivision or state.

24 19. AMR also provided the information required by R9-25-902(A)(3), including  
25 a description and map of the proposed service area, a projected (amended) ARCR,  
26 information regarding financing agreements for all capital acquisitions exceeding  
27 \$5,000.00, a cash flow analysis, subscription service contracts, the necessary  
28 certificate of insurance, and descriptions of the designated managers' backgrounds and  
29 experiences.  
30



1 20. As noted above, AMR has also provided the documents and information  
2 required by R9-25-902(B) - information regarding ALS medical direction and proof of  
3 professional liability insurance for ALS personnel.

4 21. With its application, AMR also paid the \$100 application filing fee  
5 required by R9-25-902(D)(1).

6 22. During his testimony, Ambulance Services Manager, Todd Jaramillo,  
7 agreed AMR had met all of the technical application requirements.

8 23. As such, the requirements of A.A.C. R9-25-902 have been met.

### 9 **Additional Evidence Submitted at the Hearing**

10 24. During the hearing, no requests were made for permission to provide  
11 public comments regarding AMR's Application.

### 12 **Exhibits**

13 25. During the course of the hearing, the following exhibits were admitted:

14 A. ADHS: Ex. 1-27; 29-31.

15 B. AMR: Ex. 1A-1Q; 2A.20; 3A and B; 5A-G; 6; 7F; 7H; 8A1 and A2;  
16 9A; 10A; 11A; 12A; 13A; 14A; 18; 20; 22-24; 26A-D; 32; 34; 35B, D, F, H,  
17 J, K and Q; 36-37C; 39; 41; 44-45H; 47; 48; 50G; 52A-D; 53A, D-K, M, O  
18 and P; 59; 61; 62; 64-66.

19 C. Rural/Metro: Ex. 1A, E, I and Q; 2A-G; 3A-F; 4B, C and G; 8A-E;  
20 22; 30; 31.

### 21 **Witnesses called by AMR**

22 26. **Edward Van Horne**, American Medical Response, Inc.'s President,  
23 testified in support of AMR's application, establishing his own experience and  
24 qualifications (summarizing his work in the EMS field since 1989), as detailed in his  
25 resume (AMR Ex. 1C at 0158-0160). He testified as follows:

26 A. American Medical Response, Inc. provides ground ambulance  
27 services, doing over 3 million transports a year in 40 states and the District of  
28 Columbia, serving over 2,000 communities. These communities range in size  
29 from major metropolitan to very rural. About 60% of the ground ambulance  
30 transports are 911 system transports. Approximately 40% are non-emergency.

1 It provides disaster management services across the country for FEMA, under  
2 contract. The company also runs air ambulance services and provides stretcher  
3 van/wheelchair transportation for Medicaid populations. RT V1 at 21-22.<sup>3</sup>

4 B. American Medical Response, Inc.'s business model is to have an  
5 individually licensed entity for every community served, with each business unit  
6 custom-designed for the unique aspects of its EMS system. *Id.* at 22-23.

7 C. Van Horne is familiar with ADHS/BEMTS' regulations and  
8 ambulance system designs in Arizona. *Id.* at 24-27.

9 D. If granted a CON, AMR would have a team/organization behind it  
10 possessing the necessary knowledge and expertise to keep it compliant with  
11 Arizona's regulations and statutes. *Id.* at 27-28.

12 E. Mr. Van Horne discussed and elaborated upon the entire amended  
13 Application package (AMR Ex. 1A-Q), including the rapid submission of the  
14 initial Application due to the fear of a complete system failure as a result of  
15 Rural/Metro's bankruptcy. He elaborated upon what the parent company does  
16 by way of its FEMA contract (including being able to deploy two sets of 300  
17 ambulances at any one time, within seventy-two hours, for any natural or man-  
18 made disasters, and company management of all the associated financing). He  
19 explained the amendment of the Applicant's name. He discussed the fact that  
20 through Deutsche Bank, American Medical Response, Inc. (through EVHC) has  
21 \$280 million worth of cash available to support the organization. *Id.* at 28-39;  
22 48-52.

23 F. AMR has not received any objection or negative feedback from  
24 Sun City West Fire District regarding inclusion of the Banner Del E. Webb  
25 campus in AMR's proposed service area. *Id.* at 40.

26 G. Van Horne stated AMR's acceptance of ADHS/BEMSTS'  
27 recommendations regarding the proposed rates and charges, including a lesser  
28 mileage rate than what is set forth in the Application. *Id.* at 43.

29  
30 <sup>3</sup> The Reporter's Transcript of Proceedings ("RT") will be referenced by volume ("V") and page.

1 H. AMR's medical direction would be provided by Danniell Stites,  
2 M.D., with John C. Lincoln functioning as AMR's ALS base hospital. *Id.* at 44.

3 I. Van Horne testified to the integrity and experience of AMR's  
4 management team, on both a local and regional level, including the efforts  
5 American Medical Response, Inc. takes to check into the backgrounds of its  
6 employees. He established the fact that regional management would be  
7 provided by Leslie Mueller, and that local management would be provided by  
8 John Valentine and Glenn Kasprzyk. *Id.* at 45-47.

9 J. Business units wholly-owned by American Medical Response, Inc.  
10 have previously been found fit and proper to hold CONs in Arizona, specifically  
11 River Medical and Life Line Ambulance. *Id.* at 47-48.

12 K. American Medical Response, Inc. has experience stepping into  
13 communities that unexpectedly or suddenly lost the sole ambulance transport  
14 provider, to fill that void, including a provider that went bankrupt in Tennessee, a  
15 provider that went bankrupt across fourteen counties in Mississippi, when a  
16 company went bankrupt in Virginia and Ohio in the last twelve months, and when  
17 there was a system failure in Monterey, California. After Rural/Metro recently, in  
18 connection with its bankruptcy, pulled out of certain 911 communities in Indiana  
19 and Tennessee, American Medical Response, Inc. became active in discussions  
20 with those communities about their alternative plans. *Id.* at 53-54.

21 L. American Medical Response, Inc.'s position on the pending  
22 Application is that it is "absolutely a hundred percent committed to establishment  
23 of a high-quality EMS, both for 911 services that proposals get let on in the  
24 county here and then, also, the entire secondary healthcare transportation  
25 system, which is one that [Van Horne] believe[s] has been underserved,  
26 specifically recently." *Id.* at 54:14-20. This is why AMR's Application has  
27 proposed arrival times and quality standards for the non-911 transportation  
28 services, which he sees as a critical piece of the entire healthcare continuum.  
29 Changes in healthcare, including moving paramedics and EMTs into home-  
30 based care, increased freestanding emergency rooms and urgent care facilities,

1 combine to a situation in which there is a need for a very robust system to move  
2 patients within those (non-911) areas. *Id.* at 54-55.

3 M. AMR applied for a CON 10 days after Rural/Metro filed bankruptcy  
4 because it felt the state may need a new provider if the bankruptcy led to  
5 administrative or operational failures. In discussing the timing of the pending  
6 Application, American Medical Response, Inc. had looked carefully at the  
7 Maricopa County needs, to see what was happening with the current providers,  
8 specifically Rural/Metro consolidating the seven CONs that it now operates, and  
9 considered feedback from the municipalities that were issuing requests for  
10 proposals (“RFP”) for ambulance transportation services, including concern that  
11 there was only one provider to whom these RFPs could be submitted. It was  
12 American Medical Response, Inc.’s intent to finance a start-up in either the event  
13 of a Rural/Metro entity collapse or due to major administrative or operational  
14 failures. The national company is available to step in on a much larger scale, if  
15 necessary, on an emergent basis. *Id.* at 55-60.

16 N. American Medical Response, Inc. has operations that provide  
17 service to all types of communities from the smallest to those with more than 3 or  
18 4 million people, including communities in California, Florida, Seattle, and  
19 Portland. *Id.* at 86-87.

20 O. On cross-examination, Van Horne testified to his awareness of all  
21 of the local subsidiary companies owned by Rural/Metro being included in the  
22 Rural/Metro bankruptcy (not just the parent company), and because of that, and  
23 the amount of capitalization for operations and revenue recognition that has to  
24 occur in order to have a healthy EMS system, he does believe the bankruptcy  
25 will have a significant impact on the local business units such that this will  
26 ultimately lead to those companies ceasing to do business or leaving the market.  
27 He established his familiarity with this scenario over time, on a national basis.  
28 *Id.* at 74-75.

29 27. **Edward Armijo** retired from his job with ADHS/BEMSTS, after  
30 approximately 23 years, as Deputy Bureau Chief, where he oversaw all aspects of the

1 Bureau including the CON process, including analyzing ARCRs. Through that  
2 ADHS/BEMSTS work, he became familiar with ambulance transport regulation and the  
3 history of the different providers in Arizona. *Id.* at 88-90. He testified to the following:

4 A. Explanation of what CON service areas cover Maricopa County  
5 (referencing maps found at AMR Ex. 3A and B) and what fire districts are  
6 excluded from AMR's proposed CON service area. *Id.* at 91-95.

7 B. The small portion of Intervenor Canyon State that is found in the  
8 northeastern part of Maricopa County has very little population and is largely  
9 wilderness. *Id.* at 96-97.

10 C. The proposed CON service area overlaps all of the City of Phoenix  
11 and overlaps the CON service areas of the Intervenor to the extent their service  
12 areas are in Maricopa County. *Id.* at 97-100.

13 D. Witness introduced AMR Ex. 48, showing 2010 population  
14 densities as concentrated in Phoenix and the other municipalities.

15 E. Before 1997, in Maricopa County, there were six CONs owned by  
16 five different private individuals/entities (as opposed to those CONs held by  
17 public entities): CON Nos. 46, 66, 71, 75, 86, and 109. Two of those six were  
18 owned by the same private company such that there were five different private  
19 persons/entities holding CONs to serve portions of Maricopa County.  
20 Additionally, as of June 1997, Canyon State Ambulance (CON No. 58), which  
21 extends into a small part of the northeastern corner of Maricopa County, was  
22 also privately owned. Over the course of the next approximately fifteen years,  
23 Rural/Metro, Inc. acquired all of these private companies. In June 1997, CON  
24 Nos. 66 and 86 were transferred to Rural/Metro (wholly owned subsidiaries)  
25 resulting in the greater metropolitan Phoenix area/Maricopa County population  
26 center being covered by a public entity (the City of Phoenix Fire Department)  
27 and CONs held by four different private individuals and entities. Then, between  
28 2002 and 2005, CON Nos. 46, 71, and 75 were acquired by a single private  
29 entity (Star West Associates, LLC). This resulted in ownership, as of 2005, of  
30 the privately held Maricopa CONs to be further reduced to a total of two different

1 entities (Star West Associates, LLC and Rural/Metro, Inc.). Then, in 2012, CON  
2 Nos. 46, 58, 71, and 75 were transferred to Rural/Metro, Inc., creating a situation  
3 in which Rural/Metro then owned, and continues to own, all of the privately held  
4 CONs serving Maricopa County, with the exception of the small portion of Life  
5 Line Ambulance's CON No. 62 found in the northwest corner of Maricopa  
6 County. *Id.* at 102-11; see also, AMR Ex.6.

7 F. The following letters of support for the Application were sent to  
8 ADHS Director Humble (RT V1 at 111-12):

- 9 - 07/09/14 Arizona Healthcare Association "represents the vast majority  
10 of long term care skilled nursing providers in the State of Arizona." It  
11 believes the ambulance and emergency transportation system is critical to  
12 the success of its care of vulnerable residents and patients. Because of  
13 this, it believes "a choice of providers is both a good and necessary  
14 thing." It asks the Director to consider opening the CON arena to AMR,  
15 which company it looks forward to collaborating with in patient care. AMR  
16 Ex. 26A.
- 17 - 07/23/14 Letter from Tempe Vice Major includes statement that  
18 "recent developments in the emergency medical service industry are  
19 cause for concern. Industry consolidation, financial instability and state  
20 processes have left Tempe in need of additional options. One emergency  
21 medical service provider option for a community of 168,000 residents is  
22 problematic." Additionally, "one service provider unnecessarily places  
23 Tempe residents at risk." Tempe supports "efforts to introduce multiple  
24 emergency medical service providers into the Maricopa County market,"  
25 as this will lead to improved patient satisfaction, improve community  
26 health and reduced costs. AMR Ex. 26B.
- 27 - 07/17/14 Town of Gilbert Mayor states Gilbert's prior partnership with  
28 its East Valley neighbors in a regional consortium for emergency medical  
29 services was done to "raise the quality of emergency ambulance service  
30 and response times being provided to [their] residents and promote a

1 safer, less vulnerable community.” However, “provider consolidation and  
2 financial uncertainty are creating serious concerns for [the] consortium.”  
3 Gilbert “needs more than one medical service provider option in order for  
4 [it] to properly provide the higher level of service and safety [its] residents  
5 need and deserve.” Gilbert supports efforts to allow multiple emergency  
6 medical service providers into the market. AMR Ex. 26C.

- 7 - 07/17/14 Letter from Gilbert’s Town Manager compliments the  
8 Mayor’s observations by stating that Gilbert’s “efforts to provide a higher  
9 level of care for [its] residents appear to be in jeopardy as the sole  
10 remaining provider for ambulance services continues to struggle with  
11 contract compliance and equipment issues.” It has become “very clear”  
12 that “to properly provide the higher level of service [its] residents deserve,  
13 the Town of Gilbert needs more than one medical service provider option  
14 in the marketplace.” AMR Ex. 26D.

15 G. The witness also introduced State Representative Paul Boyer’s  
16 July 28, 2014 letter to Director Humble which noted Rural/Metro’s status as the  
17 sole private provider in Maricopa County and observed that “the lack of service  
18 options coupled with recent financial questions have left some municipalities  
19 with only one service provider option.” In particular, he noted the City of  
20 Glendale. Because of this situation, he supports “efforts to introduce multiple  
21 emergency medical service providers into the Maricopa County market.” A  
22 single service provider under the current market conditions “unnecessarily  
23 places residents at risk.” AMR Ex. 47.

24 H. On cross-examination, Armijo also established the fact that within  
25 the City of Phoenix, the Phoenix Fire Department does most of the 911  
26 transports, Rural/Metro does some, and that the need for ambulance transports  
27 in the City of Phoenix area is primarily for inter-facility transports (including  
28 convalescent) (“IFT”). RT V1 at 122-24.

29 I. Armijo had no role in obtaining the letters sent to the Director  
30 (AMR Ex. 26A through D and 47). *Id.* at 132-33.

1           28. **Bryce Cook** is a consultant with Navigant Consulting, a large  
2 international firm that consults on business, economic, and litigation matters through its  
3 approximately 40 offices and 2,000 employees. Its clients include large fortune 500  
4 companies, government agencies, hospital systems, healthcare providers, and a vast  
5 array of other companies. His qualifications include his MBA, membership in the  
6 National Association of Certified Valuation Analysts, and his Certification as a  
7 Management Accountant (CMA), which is broader in scope than a CPA because in  
8 addition to financial accounting and auditing, it includes economics, business strategy,  
9 corporate finance, and management accounting topics. He has experience assessing  
10 the financial condition of companies and making projections as to future financial  
11 events, as well as extensive experience in the healthcare industry. He has previously  
12 been qualified as an expert in both federal and state courts. He was retained by AMR  
13 to analyze the financial health of EVHC, including its ongoing financial viability, and to  
14 compare EVHC with Rural/Metro, Inc. in terms of financial health and viability. Cook's  
15 testimony included financial information for both Rural/Metro, Inc. and EVHC from  
16 quarterly reports that came out in August, after his July 2014 report was prepared. His  
17 PowerPoint presentation incorporated the information that became available in August.  
18 *Id.* at 140-48. He testified to the following (see also, AMR Ex. 59, Cook's PowerPoint  
19 presentation, and 23, Cook's report):

20           A. Neither Cook nor Navigant had any previous relationship with  
21 EVHC or its wholly owned subsidiary companies, including AMR. *Id.* at 149.

22           B. Cook was not requested or directed to try to achieve any particular  
23 results. Navigant's desire is to be completely independent and to arrive at  
24 opinions and conclusions based on the evidence and analysis. *Id.*

25           C. In connection with analyzing financial viability, documents that  
26 have been subject to an independent auditor's review and analysis are optimal.  
27 EVHC's financial statements do have this review and the company is subject to  
28 another level of assurance through the regulations and standards of the  
29 Securities & Exchange Commission. *Id.* at 150.



1 D. All corporate finance texts or basic investing literature will use  
2 three building blocks to assess financial condition of a company: financial  
3 performance (revenue received as compared to expenses incurred), solvency (a  
4 company's ability to meet long-term financial commitments/obligations; including  
5 debt level and whether there is sufficient equity to cushion difficult times), and  
6 liquidity (a company's ability to meet its short-term obligations through cash on  
7 hand or generated through operations). *Id.* at 152-55.

8 E. Using these metrics, Cook analyzed EVHC's financial performance  
9 as having a "very strong" earnings growth from 2011 through 2014. He  
10 attributed EVHC's net revenue growth primarily to it obtaining new contracts, as  
11 well as increasing volume and/or rates under existing contracts and continuing  
12 acquisitions. He analyzed EVHC's profitability as trending upward from  
13 approximately \$25 million in net income in 2011 to currently being on track to  
14 have approximately \$46 million in net revenue through calendar year 2014,  
15 although he thinks it will probably be higher. He explained the decline in 2013  
16 as associated with EVHC's strategic decision to retire a large portion of its debt  
17 early, which in the long run makes the company much more healthy from a  
18 financial risk standpoint. A certain level of debt is good for a company unless  
19 the company leverages to a critical or high risk point, when the debt then  
20 becomes a problem. EVHC retiring much of its debt provides it greater financial  
21 flexibility in the event of hard times or an economic downturn. Cook also looked  
22 at operating income to address profitability: if a company is not making a good  
23 operating income margin, there are problems with how the business is being run.  
24 He observed that EVHC had been able to increase its operating income over  
25 time, growing at over 16%, while revenue was growing at just over 10%. The  
26 last metric of financial performance, cash flow, is distinguishable from income,  
27 which is an accounting measure. Healthcare providers must especially be  
28 concerned with cash flow deficits given their billing cycles. EVHC had a "very  
29 strong" cash flow. Cook compared stock analyst reports to his own conclusions  
30 to double check them, referencing one opining that EVHC is out performing

1 original expectations on growth and the analysts expect continued high  
2 performance in sales growth and profitability. *Id.* at 156-65.

3 F. With regard to solvency, Cook examines a company's leverage,  
4 debt load and equity cushion. EVHC's equity cushion had gone from 14% to  
5 37% in 2014 (37% cushion). This cushion mitigates risk. *Id.* at 165-67.

6 G. With regard to liquidity (short-term ability to meet obligations),  
7 Cook looked at cash on hand and the cash conversion cycle. EVHC has  
8 significant cash balances. *Id.* 168.

9 H. The overall picture of EVHC's financial health is that the company  
10 "is definitely financially sound and financially competent." Based on its historic  
11 financial performance, as well as trending, it can reasonably be expected to  
12 continue having strong financial performance into the future. *Id.* 169.

13 I. Cook also compared EVHC to Rural/Metro Corporation, observing  
14 that through American Medical Response, Inc., EVHC had approximately 2.8  
15 million patient transports in 2013, about twice as many as Rural/Metro reports,  
16 that Rural/Metro operates in 21 states while American Medical Response, Inc.  
17 operates in 41, that American Medical Response, Inc. has 169 emergency  
18 contracts compared to Rural/Metro's 90, and that Rural/Metro has about half as  
19 many employees (including its employees for fire service). *Id.* at 169-70.

20 J. In doing this comparison, Cook could not prepare as many  
21 charts/analyses as he did for his inquiries into EVHC's financial stability, as  
22 Rural/Metro, Inc. does not publicly report its finances the way EVHC does. But  
23 he was able to obtain information from Rural/Metro's quarterly reportings to the  
24 Bankruptcy Court. *Id.* at 171.

25 K. EVHC's projected net revenue has been growing steadily, while  
26 Rural/Metro's is basically flat. AMR Ex. 59 - Chart 22.

27 L. EVHC holds a much stronger operating income margin position  
28 (between 6.7% and 8.7% during the last three quarters) than Rural/Metro  
29 (showing two negative quarters, and a positive 2% in the second quarter of  
30 2014). *Id.* at Chart 23. It does not appear Rural/Metro is on track to meet its

1 bankruptcy plan projections, which included 2014 operating income of \$20  
2 million, when halfway through the year it is at a \$1 million loss, meaning it will  
3 have to basically make \$21 million over the last two quarters of 2014, which  
4 absent “something dramatic” happening, is unlikely. RT V1 at 179-80.

5 M. Cook next looked at operating cash flow (AMR Ex. 59, Chart 24).  
6 EVHC’s is strong for the last three quarters available (going from over \$29  
7 million in the fourth quarter of 2013 to more than \$63 million in the second  
8 quarter of 2014) while Rural/Metro’s was negative the first two quarters and  
9 positive (just over \$11 million) for the second quarter of 2014. The negative  
10 operating cash flow means Rural/Metro had to continue to rely on either cash  
11 balances or debtor financing. The second quarter of 2014 improvement still is  
12 not enough to put it on track to meet its bankruptcy court forecasts. Cash flow is  
13 important to the capital expenditures an ambulance transportation company  
14 must make, such as vehicles. EVHC has a very healthy cash flow.  
15 Rural/Metro’s is much lower. Cook noted that Rural/Metro’s bankruptcy filings  
16 indicated its capital expenditures have also been lower than what it put in its  
17 forecast (a negative when a company is in financial distress). It appears  
18 Rural/Metro reduced capital expenditures, which would be one reason they were  
19 able to bring its last quarterly operating cash flow ratio up. Rural/Metro is in a  
20 fairly precarious position, not having enough operating income to cover interest  
21 payments, and therefore having to rely on existing cash reserves or outside debt  
22 (see also his Charts 25 and 26). *Id.* at 180-82.

23 N. Cook discussed quarterly equity percentages (his Chart 27) noting  
24 EVHC’s cushion of between 37% and 38% as of the last three quarters reported  
25 as “pretty good,” as compared to Rural/Metro’s cushion of between 11% and  
26 12%, despite its cutting its debt in half through the bankruptcy. This “poses  
27 significant financial risk to the company” as it is not much cushion in the event of  
28 difficult times, such as an economic recession, difficulties with payments under  
29 the contracts it enters into, etc. *Id.* at 182-83.

1 O. Cook's final comparison was a "Z-score" analysis that is "a very  
2 well-known score for predicting bankruptcy" that has been supplemented by four  
3 additional studies, is generally acceptable, and is used in bankruptcy courts, by  
4 academics, and by practitioners. Long term studies show an accuracy rating of  
5 approximately 90% to 95% with respect to within one year of predicting  
6 insolvency. Rural/Metro's score was about half of EVHC's and Rural/Metro was  
7 in the distress zone which represents "companies that are likely to enter into  
8 bankruptcy within a year." *Id.* at 183-85.

9 P. EVHC is financially sound and can reasonably be expected to  
10 exhibit strong ongoing financial performance into the future; it exhibits a stronger  
11 financial condition based upon operating performance, operating margins,  
12 revenue growth and debt level as compared to Rural/Metro. EVHC's ongoing  
13 viability is also more secure. *Id.* at 185. This is further detailed in Cook's report,  
14 AMR Ex. 23.

15 Q. Even if Rural/Metro was able to meet its projected \$20 million in  
16 income for 2014, this would not allow it enough income to service the interest  
17 obligation on its debt (which appears to be approximately \$36 million per year).  
18 *Id.* at 187.

19 R. On cross-examination, Cook further established Navigant's  
20 impartiality by testifying that it had previously provided services to both  
21 Rural/Metro and Rural/Metro's equity owner, Oaktree Capital. *Id.* at 192-93.

22 S. EVHC is the appropriate entity for the comparison with  
23 Rural/Metro, as opposed to American Medical Response, Inc., because  
24 American Medical Response, Inc. is a subsidiary of EVHC and it would be  
25 impossible to allocate, for example, that segment's share of the company's debt.  
26 It is appropriate to look at the parent company because it is one consolidated  
27 company. *Id.* at 203; 229-31.

28 T. Cook also clarified he focused primarily on Rural/Metro's first and  
29 second quarters (2014) to give it the benefit of the doubt, only looking to the  
30 bankruptcy period for background and context. *Id.* at 210-12.

1 U. At one place in his report, Cook used adjusted EBITDA (earnings  
2 before interest, taxes, depreciation and amortization), which was not one of the  
3 charts discussed during his presentation on direct examination, for which he  
4 instead relied upon the first and second quarter bankruptcy reports filed by  
5 Rural/Metro. He clarified that whether an adjusted EBITDA metric should be  
6 considered would depend upon the metric one was looking at and what the  
7 generally acceptable calculation is. He disagreed that it would be relevant to the  
8 operating margin trend and that restructuring costs would already be taken into  
9 account in looking at the cash flow to capex and operating cash flow to revenue  
10 ratios. Restructuring costs would not be added back into the short term debt  
11 coverage ratio. *Id.* at 216-17.

12 V. Also on cross-examination, when engaging in counsel's  
13 "conceptual questions" (*Id.* at 218), Cook pointed out that had adjust EBITDA  
14 been used for his comparison between Rural/Metro and EVHC, this would have  
15 changed not just Rural/Metro's numbers, but would have also changed EVHC's  
16 numbers (raising EVHC's margins), which is why he chose to simply use  
17 operating income, to have a consistent comparison (*Id.* at 222). He elaborated  
18 that there are "countless numbers" one can look at when discussing adjusted  
19 EBITDA. He attempted to simplify his analysis by examining operating income  
20 and bottom line net income. *Id.* at 224.

21 W. When asked why he had not made adjustments for "non-recurring  
22 expenses," Cook explained that this would be subjective, and disagreed that  
23 because he had not adjusted for "non-recurring expenses," his conclusions were  
24 inaccurate - taken as a whole, when everything is looked at (revenue growth,  
25 various levels of profitability) regardless of whether one metric is changed to  
26 include or exclude non-recurring costs, it is still pretty evident if a company is  
27 having financial difficulty or performing well. Operating cash flow already  
28 includes all non-cash expenses, Cook does not know if it is even feasible to  
29 adjust the cash flow to capex ratio for "non-recurring expenses." Whether or not  
30 non-recurring expenses are added back to short term debt coverage ratios is not

1 important, what is important is doing an apples-to-apples comparison when  
2 looking at two companies, which is what he did. *Id.* at 229-31.

3 X. One has to be careful about the footnotes in the quarterly reports  
4 filed by Rural/Metro with the bankruptcy court, as there is no representation from  
5 an independent auditor that these reports are compliant with generally accepted  
6 accounting principles (“GAAP”) and sometimes management “tries to paint or  
7 represent a better picture, to the extent they can.” EBITDA is not a GAAP  
8 measure, which is why Cook chose to use GAAP measurements in order to do  
9 his comparisons. He did not do the “add back ins” discussed on cross-  
10 examination because these are subjective and because of his desire to keep as  
11 close to GAAP accounting standards as is possible. He does not believe by not  
12 adding those numbers back in he provided any unfair disadvantage to  
13 Rural/Metro in his calculations. Adding back in the one-time expenses does not  
14 fundamentally change Rural/Metro’s ability to pay its interest expenses going  
15 forward. Its interest expense is “very high” going forward, as related to its  
16 operating income. One could “do all kinds of little footnote adjustments to try to  
17 make that ratio better; but at the end of the day, it appears that [Rural/Metro’s]  
18 interest expense is going to be higher - it is higher than what they projected even  
19 in their operating income on their own financial projections.” The “add back in  
20 issue” does not change his opinion that Rural/Metro is not on track to meet its  
21 projections for operating income for 2014. *Id.* at 242-46.

22 Y. Oaktree tried to get Navigant to withdraw from the project it  
23 undertook for AMR (*Id.* at 240-41).

24 29. **Leslie Mueller** is South Region CEO for American Medical Response,  
25 Inc. It is her responsibility to make sure the individual business units in her region are  
26 financially sound and that the clinical expertise, medicine, and customer experience is  
27 also strong. All Arizona operations fall within her responsibility. She would be the  
28 leader for the Maricopa operation, supporting Glenn Kasprzyk and John Valentine with  
29 the resources and talent they need. *Id.* at 248-49. She testified to the following:

1 A. Her expertise for the management role includes 32 years in EMS  
2 (beginning as an EMT and working her way up through management), her  
3 oversight of large operations, her familiarity with working on behalf of private  
4 companies to forge partnerships with public entities - including through RFPs,  
5 her experience in recruiting and retaining employees, and her focus on financial  
6 sustainability. *Id.* at 249-56. (See also, AMR Ex. 39).

7 B. Financial sustainability of an organization is interrelated with  
8 clinical care. If a company is struggling to make payroll, or cannot collect  
9 revenues needed to invest in capital improvements, it will be distracted from the  
10 clinical medicine and have trouble attracting the right talent and motivating  
11 workforce toward clinical metrics. *Id.* at 255.

12 C. She is familiar with populations the size of Maricopa County,  
13 including communities in Florida and Las Vegas. *Id.* at 256-57.

14 D. She also has familiarity and experience with American Medical  
15 Response, Inc. addressing an ambulance system collapse or failure, such as an  
16 exclusive provider suddenly departing. American Medical Response, Inc. has  
17 stepped in when this has occurred in the past, including in Monterey County,  
18 California, and contingency planning for Santa Clara County, California. *Id.* at  
19 257-59.

20 E. Loudon County, Tennessee (Knoxville) has contacted American  
21 Medical Response, Inc. for contingency planning given service level concerns  
22 and the recent bankruptcy of its provider - Rural/Metro. *Id.* at 259-60.

23 F. She is familiar with the operations work done for AMR by John  
24 Valentine and Glenn Kasprzyk. She is familiar with Arizona's regulated  
25 environment, which she prefers. *Id.* at 260-61.

26 G. American Medical Response, Inc. was not included in the  
27 bankruptcy of its prior owner, LaidLaw. RT V2 at 290-91.

28 H. When questioned regarding AMR being the exclusive provider in  
29 various urban markets, she clarified that this involved situations in which the  
30 company had been selected through an RFP, which does not mean that other

1 ambulance transport companies were not available to bid or would not be  
2 available if the governmental entity became dissatisfied with American Medical  
3 Response, Inc. *Id.* at 282; 291-92.

4 30. **Nicholas Poan**, Senior Vice President of Accounting and Chief  
5 Accounting Officer for EVHC, has a background in auditing for Deloitte & Touche and  
6 as the Senior Vice President of Finance and Chief Accounting Office for a publicly  
7 traded healthcare company in southern California - Alliance Healthcare Services. He  
8 also is a CPA in California. At EVHC, he is responsible for all of the accounting, books  
9 and records, and SEC filings. It is his job to be intimately familiar with EVHC's financial  
10 status. On a consolidated front, he is the most knowledgeable person in this regard.  
11 This includes knowledge of its wholly owned subsidiaries, such as American Medical  
12 Response, Inc. *Id.* at 294-97. He testified to the following:

13 A. Financially, EVHC is a "very healthy" company. This is primarily  
14 measured through profitability and cash flow, as well as its ability to do capital  
15 transactions needed and finance business operations. As of EVHC's June 30,  
16 2014 SEC reporting, it had approximately \$160 million in cash and borrowing  
17 capacity of approximately \$315 million, available to fund American Medical  
18 Response, Inc.'s operations. *Id.* at 297-98 (see also AMR Ex. 1J at 00668).

19 B. Financially, American Medical Response, Inc. is "very healthy"  
20 based upon profitability and ability to generate cash flow to fund the needs of the  
21 company such as capital requirements. The company provides cash flow to  
22 EVHC, and EVHC provides its full support to American Medical Response, Inc.  
23 (including borrowing power and financial stability). *Id.* at 297-300.

24 C. EVHC is fully supportive of AMR's pending Application. *Id.* at 303-  
25 04.

26 31. **Rich Bartus**, American Medical Response, Inc.'s Regional Operations  
27 and Finance Officer (south region), has established both operational and financial  
28 expertise obtained over the course of more than 20 years in the ambulance  
29 transportation services industry. The southern region he oversees includes Arizona, he  
30 has directly prepared all of the ARCRs for River Medical over the last five years and is



1 familiar with Arizona's regulatory environment. Arizona's ARCR preparation is  
2 consistent with other work he does on a weekly and daily basis. He prepared AMR's  
3 estimated first full year of operations ARCR (amended). *Id.* at 309-18. He testified to  
4 the following:

5 A. AMR's estimated first year ARCR (amended) was calculated  
6 through communications with the operations team based upon its research and  
7 due diligence, including projected population growth, anecdotal information from  
8 customers and the community, strategic review of market opportunities and  
9 estimations of the projected community needs. To arrive at the approximately  
10 29,000 transports, AMR examined population data, population growth  
11 particularly in the aging population, discussions from customers about their  
12 needs, estimation of "lost transports" (calls not in the system because of service  
13 issues or lack of availability).<sup>4</sup> This information includes that found in AMR Ex.  
14 36 (population growth and changes). Bartus looked at similarly sized markets  
15 and demographics, the needs of those communities, including comparisons with  
16 Las Vegas, Miami, Dallas, and Denver. His analysis included whether there  
17 would be any room for AMR to enter the system or whether the Application  
18 would be a waste of money. If AMR did not think it could not meet the ARCR, it  
19 would not be in the hearing. The operant ARCR is reasonable and achievable.  
20 *Id.* at 319-30.

21 B. There are synergist opportunities available as between AMR and  
22 the River Medical and Life Line operations, including the ability to maintain a  
23 lower cost structure, translating into better rates for the community. This  
24 includes purchasing power, enhanced communications and dispatch, patient  
25 billing, employment pool opportunities, and ongoing exchanges of information.  
26 This will also benefit Life Line and River Medical by distributing costs among  
27 multiple locations, maintaining a lower cost structure, and maintaining lower  
28 growth rates in each unit's cost structures. From the equipment side, the  
29 synergistic purchasing power allows for lower costs for the most state of the art  
30

1 clinical equipment and allows the negotiation of favorable purchasing power with  
2 medical suppliers. *Id.* at 330-33.

3 C. A unit hour utilization analysis was used in connection with  
4 preparation of the ARCR. It is a common metric to measure efficiency. *Id.* at  
5 333-34.

6 D. In formulating the ARCR, Bartus was aware the proposed service  
7 area's 911 needs are primarily served by the City of Phoenix and the  
8 Intervenors' contracts with other municipalities. Because of this, he  
9 conservatively did not rely upon any material 911 revenue as part of the first  
10 year financial model. However, this does not mean AMR does not want to be  
11 involved in the 911 market. Nationally, approximately 60% of its revenue is  
12 derived from 911 contracts. *Id.* at 336-41.

13 E. Bartus also considered the Intervenors' historical ARCR  
14 reportings. In doing so, he observed the Intervenors' over reporting of revenue  
15 in 2012, which then required a reduction of income in 2013 (as this relates to  
16 Rural/Metro's financial impact calculations and bankruptcy). *Id.* at 342-46; 352-  
17 53 (see also AMR Ex. 18; 37A and B).

18 F. Bartus' evaluation of the consolidated financial data from the  
19 Intervenors' ARCR reports (2010 through 2013) is that with their deteriorating  
20 financial performance, there is a risk of their not being able to meet the future  
21 needs of the community. The risk for day-to-day care is that a financially  
22 struggling company can improve its situation by seeking abnormal rate increases  
23 or by removing expenses otherwise incurred to support day-to-day operations  
24 (such as payroll), thereby potentially reducing adequate care. *Id.* at 349-51 (see  
25 also AMR Ex. 37C).

26 G. AMR's estimated 29,000 first year transports cannot be strictly  
27 compared to the number of transports done by the Intervenors in 2013 due to  
28 population growth and transports that may have been "lost" to the system  
29 because there were no services available for the patient. The future (2015)

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30 <sup>4</sup> "Lost calls" are in the context of non-911/inter-facility transports.

1 impact on the existing providers will not be the loss of 29,000 calls. The  
2 Intervenor provided between 210,000 to 220,000 total transports as of calendar  
3 year 2013. This is a combination of IFT and 911 transports. *Id.* at 353-55.

4 H. Bartus also help calculate the proposed rates and charges by  
5 looking at existing rates for certificated holders in Maricopa County, agreeing  
6 those were reasonable, just, and appropriate for AMR's Application. These  
7 worked compatibly with Bartus' other calculations for the estimated first year  
8 ARCR. The adjustment in the mileage rate, as recommended by the Bureau, is  
9 not a cause for concern. The proposed rates will support the proposed  
10 operation, will support the requested response time criteria and are not  
11 inconsistent with the suggested operations plan. American Medical Response,  
12 Inc. has no reason to request rates that it believes would be too low to support a  
13 sustainable business unit. *Id.* at 359-61.

14 I. Mr. Bartus affirmed AMR's "every intention in pursuing 911  
15 opportunities in the community" but he was unable to state unequivocally that  
16 any particular opportunity would be pursued, because no opportunities currently  
17 exist. 911 transport work is not seen by AMR as "less desirable" than IFT work.  
18 *Id.* at 364-65; 517; 520.

19 J. He also explained the changes as between the original ARCR and  
20 the subsequent submissions including certain cost adjustments done over time  
21 due to the parent company's growth, which resulted in a lower cost structure for  
22 individual business units. *Id.* at 368-83.

23 K. The reason AMR should be able to be profitable at the same rates  
24 and charges the Rural/Metro Group utilized is a result of the parent company's  
25 cost and debt structures, meaning it can run more efficiently, it anticipates  
26 seeing a lower cost per transport to provide certain support services, and it has  
27 a lower interest expense to charge its subsidiaries for capital borrowings. *Id.* at  
28 508-10.

29 L. While AMR's proposed rates and charges were modeled on the  
30 existing providers when the Application was submitted, since that time there was

1 a general rate inflator, approved by ADHS, which increased rates for all existing  
2 certificate holders. As such, AMR's proposed rates are less than those currently  
3 being charged by the Intervenor and the City of Phoenix. *Id.* at 521.

4 M. On rebuttal, Bartus testified that the Rural/Metro assumptions  
5 regarding Rural/Metro Ex. 4C were wrong, this was just a budgetary model he  
6 uses nationwide, picking line items where appropriate, and with regard to  
7 Maricopa County the terminology of day/night on the document is not applicable.  
8 RT V9 at 1983-86; 1988-90.

9 N. Bartus is actively involved in the preparation of all monthly  
10 financial statements within AMR's south region, directly preparing the same in  
11 coordination with AMR's corporate office. He personally reviews and extracts  
12 the data using GAAP. He applies the data to the ARCR reportings in Arizona  
13 and then reviews them to ensure accuracy. AMR requires a secondary review  
14 as a check/balance. This is done on at least two levels. As such, AMR will have  
15 no problem providing ADHS with the balance sheets and cash flow statements  
16 found on pp. 15 and 16 of the ARCR form, utilizing GAAP - Bartus has been  
17 doing this voluntarily over the past couple of years. *Id.* at 1990-94.

18 O. If ADHS requires audited financial statements for any specific CON  
19 holder, AMR will comply. *Id.* at 1995.

20 P. The region Bartus oversees would be equal to approximately 80%  
21 of the size of Rural/Metro's overall national operation (from a revenue  
22 perspective). *Id.* at 1995-96.

23 Q. Bartus explained significant events impacting corporate allocations  
24 between when AMR submitted its Application in August 2013 and when its  
25 amended ARCR was submitted in March 2014. This included the acquisition of  
26 Life Line and American Medical Response, Inc. securing large contracts  
27 nationally, leading to a tremendous amount of growth, which reduced corporate  
28 allocations for all business units. *Id.* at 1997-98.

29 R. There are certain risks any ambulance transport company has that  
30 require working capital, including delays in payment for services, changes in

1 reimbursements allowed, cost of fuel, and accidents. While EBITDA may  
2 measure financial performance to investors, it is not a measure of financial  
3 condition. If an ambulance company does not have cash, it cannot withstand  
4 risks associated with obtaining revenue reimbursements. Without cash, it  
5 cannot pay its costs, it cannot make debt payments. A company protects itself  
6 from risks such as fluctuations in fuel costs (which can nationally be a multi-  
7 million dollar impact) or labor strikes, by having available cash reserves (working  
8 capital). *Id.* at 1998-2003.

9 S. Rural/Metro Corporation and American Medical Response, Inc.,  
10 via its parent EVHC, are not on comparative financial footing. One can look at  
11 adjusted EBITDA or EBITDA, but most important is free cash flow and net  
12 income. American Medical Response, Inc. has produced solid financial results  
13 over the previous years and has the backing of a significantly strong parent with  
14 sufficient cash and working capital to fund any growth objective in the  
15 foreseeable future. In contrast, Rural/Metro is not meeting revenue  
16 expectations, while being on track with transport volume. To meet its bottom line  
17 objectives, it has to reduce expenses by \$30 to \$35 million. Fixed costs do not  
18 change. This means Rural/Metro has to look at things like fuel and labor to  
19 achieve any significant reduction in expenses. *Id.* at 2003-2007.

20 T. Based on the testimony of Rural/Metro's witnesses, Bartus  
21 prepared an estimate of Rural/Metro's capital equipment replacement cycle  
22 (AMR Ex. 66), using John Karolzak's testimony, information available about the  
23 Intervenor's annual revenue, and Rural/Metro Corporate's 2015 ambulance  
24 revenue projections. Based upon the information that was available from  
25 Rural/Metro, Bartus' best estimates are that simply to replace ambulances in  
26 Maricopa County (fully equipped) will require over \$6 million. However, after  
27 subtracting an estimated \$1 million for all Rural/Metro fire equipment  
28 replacement from its annual national capital expenditure projection number,  
29 Maricopa County's proportionate share of the national capital expenditure fund  
30 (estimated), based upon its proportionate share of revenue, will only be

1 approximately \$3.5 million. Its projected deficiency is over \$2.6 million. As  
2 such, Rural/Metro will either not follow its age and mileage caps or money will  
3 have to be pulled away from other parts of the country or other counties in  
4 Arizona to support Maricopa due to the shortage in free cash flow. In looking at  
5 the net change in cash over time from Rural/Metro's bankruptcy projections  
6 (AMR Ex. 66, p. 2), Bartus' opinion is that the margin of error and tolerance of  
7 risk are very difficult. Without being able to maintain policies and procedures on  
8 replacement schedules, vehicles will get older, equipment will become out of  
9 date (technology), equipment problems will happen. A company cannot spend  
10 amortization or other adjusted EBITDA "add backs" to fund these expenditures.  
11 *Id.* at 2007-08; 2012-21.

12 U. American Medical Response, Inc. is able to purchase equipment  
13 such as ambulances at a lower cost than Rural/Metro, given its larger size and  
14 resulting its collective purchasing power. *Id.* at 2047.

15 32. **Philip Drake, Ph.D.** is a Clinical Professor of Accounting at Arizona State  
16 University, and he testified to the following:

17 A. Drake possesses accounting expertise through both private  
18 experience and his academic pursuits, including his Ph.D. in accounting, his  
19 CPA, and his certification as a financial planner (AMR Ex. 22). RT V2 at 387-93.

20 B. Drake has no prior relationship with AMR, American Medical  
21 Response, Inc., or EVHC. He was retained to analyze EVHC's fitness and  
22 speak to the issue of whether there is a need for an additional provider of  
23 ambulance transportation services in Maricopa County. His conclusions are  
24 detailed in his report (AMR Ex. 20). Entirely independent of Mr. Cook, he also  
25 looked at liquidity, solvency, and operational performance. *Id.* at 393-96.

26 C. Using audited financial statements is important in order to have  
27 confidence in the results. *Id.* at 399-401.

28 D. Using the audited financial statements, which provide the cleanest  
29 understanding of operating performance, is also preferable to using EBITDA  
30 calculations. *Id.* at 404.

1 E. The problem with an EBITDA analysis is that one looks at earnings  
2 without considering the cost of borrowing funds, the assumption that there will  
3 not be any taxes paid, and the assumption that there will be no replenishment of  
4 capital equipment, which is an unrealistic way to look at a company's  
5 performance. If a business is successful, it will pay its taxes, pay its creditors,  
6 reinvest in its infrastructure. If one does not consider all of these things, that  
7 person is believing in a "fairytale." *Id.* at 405.

8 F. Drake's operating performance analysis revealed that EVHC is  
9 doing well, making progress and improving, getting good returns on its  
10 investments, and generating a good operating cash flow. *Id.* at 401-04.

11 G. EVHC has no negative liquidity issues. *Id.* at 405-08.

12 H. EVHC's debt to equity and long term debt ratios are all within  
13 industry averages. *Id.* at 408.

14 I. Recent events support EVHC's financial stability, including  
15 upgrading of its bond ratings and EVHC's substantial refinancing of its debt  
16 structure. There were no negative recent events that would cause concern. *Id.*  
17 at 409-10.

18 J. EVHC has the financial strength and operating performance  
19 necessary to build and sustain an ambulance service. *Id.* at 410-11.

20 K. To examine Rural/Metro Corporation's financial condition, Drake  
21 emphasized its post-bankruptcy status and looked at what it had reported to the  
22 bankruptcy court (which are unaudited statements - management's  
23 representations, which one must be a bit more cautious with). To double check  
24 what was reported, Drake looked online and found information associated with  
25 Rural/Metro's Santa Clara County performance reports. He determined  
26 Rural/Metro's operating cash flows were negative in its first quarter 2014, which  
27 means it has to sell assets or get someone to invest in the company. *Id.* at 411-  
28 15.

29 L. Rural/Metro putting a tax benefit on its balance sheet and in its  
30 financial statements is of concern because this is a tax benefit that it cannot

1 realize; its projections filed with the bankruptcy court are that it will not pay any  
2 federal taxes for at least five years. That means there cannot be the “tax  
3 benefit” Rural/Metro uses in its financial reportings. If it does not make money, it  
4 cannot take advantage of deductions. *Id.* at 416-17.

5 M. Rural/Metro is also continuing to pay fees and expenses for its  
6 bankruptcy. *Id.* at 418.

7 N. Rural/Metro is showing an operating loss after taxes of \$2.6  
8 million, which is probably more appropriately \$4 million because there is no  
9 visible tax benefit (which is how it got to the \$2.6 million loss instead of \$4  
10 million). *Id.* at 418.

11 O. Unless something changes operationally within Rural/Metro, it will  
12 have to continue to be supported by outside money, it cannot generate enough  
13 money to support itself going forward. *Id.* at 418-19.

14 P. Drake did take Rural/Metro’s claimed “one time” post-bankruptcy  
15 costs into consideration. Even so, it still will not break even on its operating  
16 activities. It cannot generate enough income to meet its debt load. Because this  
17 is just based on one quarter, Drake compared it to pre-bankruptcy information  
18 and the Santa Clara County reports and saw that they are directionally  
19 consistent. *Id.* at 419-24.

20 Q. Even taking into consideration the \$4 million spent on bankruptcy  
21 restructuring fees, when comparing Rural/Metro’s 2014 first quarter reporting to  
22 pre-bankruptcy and its Santa Clara County reportings, everything tells the same  
23 story: Rural/Metro’s operating performance is not sufficient to meet its debt  
24 covenant, which gives rise to concern about its ongoing strength. This is in  
25 contrast to EVHC which has audited financial statements, good and stable  
26 liquidity, solvency that is improving, and a positive operating performance.  
27 Rural/Metro, using self-reported numbers has good liquidity coming out of  
28 bankruptcy, but it is diminishing as its operating performance declines. This  
29 gives rise to the question of whether there is the need for another entity to  
30 support Rural/Metro. *Id.* at 424-25.



1 R. After completion of his report, Rural/Metro's second quarter  
2 bankruptcy reporting became available and Drake did consider this to see if  
3 there were any substantial changes. The second quarter self-reporting did not  
4 change his bottom line conclusions. Rural/Metro showed some improvement on  
5 its income statement, but it is still not enough to meet its debt obligation,  
6 operating performance is barely at break even, and the company is still running  
7 at a multi-million dollar loss for the quarter. Before any proposed income tax  
8 benefit, it is showing a loss of nearly \$6 million and the income tax benefit is  
9 questionable. If it cannot actualize this, its true loss is \$5.8 million. If it  
10 actualizes the tax benefit, its loss will be \$3.3 million. *Id.* at 426-28; 430-31.

11 S. Per Drake's report, "there is a public benefit for an additional  
12 private company to operate an ambulance service in the Maricopa County  
13 service area" given his financial analysis (AMR Ex. 20, p. 12).

14 T. Drake does teach in the area of corporate restructuring. RT V2 at  
15 434.

16 U. Adjustments for Rural/Metro's bankruptcy professional fees, in  
17 connection with the metrics utilized, would be "di minimis." Certain ratios would  
18 not be impacted at all, such as current assets divided by liabilities. In discussing  
19 where the adjustments might have been considered, Drake clarified this would  
20 not have affected the ultimate qualitative conclusion, it would only have made  
21 minor changes. *Id.* at 449-53.

22 V. Drake also pointed out that one would have to determine whether  
23 the alleged "non-recurring expenses," were truly one-time fees. *Id.* at 456-57.

24 W. Notably, the Rural/Metro quarterly bankruptcy reportings do not  
25 call the professional fees "one-time, non-recurring." AMR Ex. 2A20, p. 2.

26 X. It is also incorrect to calculate supposed "non-recurring" expenses  
27 in analyzing cash flow. RT V2 at 467.

28 Y. If EVHC entered the Maricopa County market, there would be  
29 more stability in the for-profit entities serving the ambulance transports needs of  
30 the community. *Id.* at 469-70.

1           Z.     The fact of Rural/Metro submitting unaudited financials to the  
2 bankruptcy court is a red flag, as they are management’s assertions. *Id.* at 471.

3           AA.    While post-bankruptcy Rural/Metro may appear solvent from a  
4 point in time view (static), what is of concern is the decline in its position. *Id.* at  
5 476.

6           BB.    Despite the second quarter improvement in Rural/Metro’s  
7 reportings to the bankruptcy court, there are still concerns about Rural/Metro  
8 Corporation’s financial stability going forward. While some of the number  
9 discussions raised by Rural/Metro are “intriguing,” the bottom line is that  
10 Rural/Metro is a \$600 million company that is “barely breaking even, if at best.”  
11 A \$2 million, \$4 million, or even \$11 million adjustment will not make that big a  
12 change in the picture. *Id.* at 481-82.

13        33.    **John Valentine**, currently the General Manager for American Medical  
14 Response, Inc.’s business unit River Medical testified to his 33 years in the emergency  
15 medical services businesses, starting as an EMT and working his way up through  
16 various ambulance transportation service management positions. With the AMR team,  
17 he assisted in compiling the Application and gathering the underlying information. RT  
18 V3 at 546-49. He testified as follows:

19           A.     Maricopa County has a population of almost 4 million people. *Id.*  
20 at 549.

21           B.     Representatives from hospitals and long term care facilities in  
22 Maricopa, as IFT users, articulated their discomfort with the current “Rural/Metro  
23 only” situation and reported a degradation in some of the services provided,  
24 which was attributed to the fact of Rural/Metro’s consolidation of essentially all  
25 the private providers in the County. *Id.* at 550.

26           C.     Based upon Intervenors’ ARCR reportings, well over 200,000  
27 ambulance transports a year are being done by Rural/Metro. This does not  
28 include transports done by the Phoenix Fire Department or the fire districts that  
29 are not part of the proposed service area. *Id.* at 551.

1 D. Based upon AMR's inquiries, the outlying fire districts did not  
2 appear to need any additional ambulance transportation services. *Id.* at 552.

3 E. Calls for ambulance transportation received via the 911  
4 (emergency) system are primarily covered by the Phoenix Fire Department (in its  
5 certificated area), the fire districts located mostly around the edges of the  
6 County, by Rural/Metro in the other unincorporated county areas and Fountain  
7 Hills, and then the other municipalities are covered by RFPs, or contracts, such  
8 that emergency transports done through the 911 system are done by way of a  
9 "very closed system." *Id.* at 552-54.

10 F. Rural/Metro is the largest provider of ambulance services in  
11 Arizona. It is estimated to have more than 250 registered ambulances. It would  
12 be almost impossible for the other certificated providers in the State to fill the  
13 void that would exist if the Rural/Metro Corporation collapsed and was unable to  
14 continue providing ambulance transportation services. *Id.* at 554-57.

15 G. Distinguished from 911 system (emergency) transports, the IFT  
16 needs of Maricopa are primarily provided by the Rural/Metro Group. Sun City  
17 West Fire District does some, but they cannot do all in their service area. Most  
18 of Sun City West Fire District's IFTs come from the campus of the Del Webb  
19 hospital facility included in AMR's proposed service area, an inclusion done after  
20 discussions with Sun City West Fire District (who did not intervene in this  
21 proceeding or object to the inclusion). *Id.* at 555-57.

22 H. AMR has proposed to provide ALS and BLS transports, both 911  
23 and inter-facility, 24 hours a day, 7 days week. The response times proposed  
24 are ones that AMR believed would meet or exceed the current providers existing  
25 response times. *Id.* at 557-58.

26 I. AMR sees a need for additional 911 transportation services in  
27 Maricopa County. Once granted a CON, AMR's intention is to reopen  
28 discussions with the current providers of 911 services, attempt to enter into  
29 mutual aid agreements, offer to assist the existing providers, and offer itself as a  
30 resource in the event coverage by the existing 911 contract based provider was

1 insufficient. It would look to take part in the RFP bid process, although this can  
2 take some time, because when the RFPs become available, they are held open  
3 for a period of time to allow responses, then there is a waiting period while they  
4 are considered, then after a contract is awarded, there is a “ramp up” period of  
5 time that might include required training, obtaining particular equipment, or other  
6 RFP requirements. Because of this, AMR was unable to say, for certain, that it  
7 would be able to provide 911 ambulance transportation services under a RFP  
8 within its first full year of operation. That is why the ARCR was put together the  
9 way it was. *Id.* at 558-63.

10 J. AMR has a national model for public/private partnerships, for  
11 example, staffing ambulances in partnership with a municipal fire department.  
12 AMR would look for opportunities to do the same in Maricopa County. *Id.* at  
13 563-65.

14 K. 911 transports are as important to AMR as IFTs. River Medical  
15 does 80 percent 911 and 20 percent IFT. *Id.* at 565.

16 L. Over the last few years, the nature of IFT services has changed.  
17 More freestanding emergency rooms exist, and hospitals do not all have the  
18 same capacities and capabilities. This means there are more high acuity calls,  
19 where a person is being moved from a hospital emergency room/urgent care  
20 facility that does not have all the capacity it needs, to a more acute care facility.  
21 This includes heart attacks and trauma patients. These patients need to be  
22 moved more quickly; the transports are more urgent. *Id.* at 565-68.

23 M. IFT users related to Valentine that before the Rural/Metro Group  
24 consolidation, these critical IFT calls were handled in a timely manner, with a 30  
25 to 45 minute to 1 hour response. The facilities could reach out to a second  
26 provider if the first was unable to so respond. Since the consolidation, there is  
27 no ability to look to a second provider and IFT arrival times seem to be getting  
28 longer. While these arrival times are not regulated by ADHS, it is an important  
29 patient care measure. *Id.* at 568-69.

1 N. The increased importance of timely IFT arrival times is why AMR  
2 has offered to have its CON require certain IFT arrival times. This is also why  
3 AMR's proposed IFT arrival times differentiate between "urgent need," "non-  
4 emergent," and scheduled pickups. The respective times have been calculated  
5 based upon acuity of the situation and urgent versus non-urgent considerations.  
6 Even scheduled pickups must be done in a timely fashion in order to free up  
7 needed bed spaces in hospitals, including emergency rooms. *Id.* at 569-73.

8 O. AMR's Application includes enhanced response times for  
9 municipalities where AMR has a 911 contract and an established a sub-  
10 operation station. This will allow ADHS to have oversight. *Id.* at 573-74.

11 P. None of the Intervenor's have required IFT arrival times as a  
12 requirement on their CONs. *Id.* at 574.

13 Q. To the extent Intervenor's tried to compare response times or  
14 financials associated with the River Medical CON, that service area is  
15 comparable in size to Maricopa County, but there were only a little over 16,000  
16 ambulance transports, on average, over the past couple of years. That CON  
17 area is largely rural and very sparsely populated. River Medical was the  
18 exclusive provider of the area long before American Medical Response, Inc.  
19 purchased it. *Id.* at 575-77.

20 R. Both River Medical and Life Line use what is known as ePCR  
21 technology (electronic patient care records). If AMR is granted a CON, it will  
22 also use ePCR technology. *Id.* at 579.

23 S. River Medical and Life Line both submit that data to the Arizona  
24 PIERS System, which AMR will also do if it is granted a CON. *Id.* at 580.

25 T. River Medical and Life Line fully participate in the Premier EMS  
26 Agencies Program. AMR will also participate if it receives a CON. *Id.* at 580-81.

27 U. River Medical and Life Line participate in other BEMSTS programs  
28 directed at quality improvement and assurances, including the SHARE program  
29 and EPIC-TBI. AMR will do the same. *Id.* at 581.  
30

1 V. While the AMR Application was filed quickly after the Rural/Metro,  
2 Inc.'s bankruptcy filing, the AMR team had been looking at Maricopa for several  
3 years, monitoring customer service and ability to serve the area. *Id.* at 586-87.

4 W. In addition to speaking with hospitals and long term care facilities,  
5 the AMR team also met with skilled nursing facilities, fire departments, city  
6 leaders and others interested in the local EMS system. *Id.* at 588.

7 X. AMR did not call the hospital, skilled nursing facility, etc.  
8 representatives it spoke with. They indicated they were hesitant to come  
9 forward because Rural/Metro is the only private provider in the County. *Id.*

10 Y. Certain facilities Mr. Valentine spoke with did not want their names  
11 used because they have contracts with the Rural/Metro Group for reduced rates,  
12 and they expressed concern that if AMR was unsuccessful, they would be  
13 subject to retaliation, including readjustment of rates. *Id.* at 603-04.

14 Z. AMR's proposed response times are stated in terms of minutes  
15 and seconds in order to avoid any confusion or manipulation of the second field  
16 (proposing that 10 minutes, 59 seconds is still 10 minutes). *Id.* at 591-98.

17 AA. AMR's proposed response times are equal to or faster than the  
18 certificated response times of each of the Intervenor except ComTrans (which  
19 only does behavioral health transports). *Id.* at 591-98; 600-01.

20 BB. In the event a CON is granted to AMR, it would require 30 to 45  
21 days to "go live," in order to handle matters such as ambulance inspection and  
22 licensing and hiring and training employees. Were there a need to provide  
23 services under a crisis mode or system collapse, American Medical Response,  
24 Inc. could assist by moving in assets from around the country on an accelerated  
25 basis. *Id.* at 671-72.

26 34. **John Ford** is currently an AMR employee; before that he spent  
27 approximately 34 years working with Rural/Metro Corp., retiring for health reasons. In  
28 his last 5 or 6 years with Rural/Metro, he was responsible for customer relations,  
29 including contracts and working directly with the cities, local governments, and  
30 legislature. *Id.* at 677-80. He testified as follows:

1 A. Ford has been a member of the Arizona Healthcare Association  
2 (AHCA) for approximately 22 years, including serving as a Board member until  
3 approximately 2012. He remains a member and is the Vice President of its  
4 foundation. This is the same organization that sent the Director the letter  
5 admitted as AMR Ex. 26(A). *Id.* at 681-82.

6 B. AMR Ex. 52(B) is a good representation of the nursing homes in  
7 Maricopa County. *Id.* at 685.

8 C. AMR Ex. 52(A) substantially lists the acute care hospitals in  
9 Maricopa County. *Id.* at 686-88.

10 D. AMR Ex. 52(C) is a good representation of the urgent care centers  
11 throughout Maricopa County. *Id.* at 688-89.

12 E. AMR Ex. 52(D) is a listing of rehabilitation hospitals in Maricopa  
13 County and is substantially complete. *Id.* at 689-90.

14 F. Ford left Rural/Metro's employment in February 2014. At the time,  
15 he had been using his personal mobile phone for business purposes (after  
16 Rural/Metro decided to discontinue providing mobile phones to employees in  
17 November 2013). Following his departure, he continued to get phone calls from  
18 his customers (users of IFT services), which he would then refer to Rural/Metro.  
19 He received many calls from nursing homes and hospital personnel and some  
20 calls from fire departments. All were expressing frustration with Rural/Metro.  
21 This includes the Dignity Health, Scottsdale Lincoln Health System, what used to  
22 be Abrazo - which is now part of Tenent Health Systems, the East Valley  
23 Regional EMS group, and three of the West Valley fire departments - Avondale,  
24 Goodyear, and Sun City. *Id.* at 691-95. These callers articulated the fact that  
25 they had been receiving slower responses than they were used to, and they  
26 were placing many calls for service that took over an hour for a pickup.  
27 Previously, when Ford was there, Rural/Metro had tried to respond within a 30  
28 minute to 1 hour mark. Ford estimates he received 40 to 50 of these calls. He  
29 also learned that a young man continued to receive calls like this after Ford  
30

1 returned his phone to Verizon. Ford talked to this person who related that “he  
2 was getting many, many calls . . . .” *Id.* at 695-96.

3 G. The Arizona Healthcare Association (AHCA) membership also  
4 communicated with Ford regarding their frustration with the state of IFT services  
5 in Maricopa County as of 2014. The nursing homes appeared to get the slowest  
6 response of anybody, articulating averages of over an hour, and sometimes as  
7 long as three hours. *Id.* at 696-97.

8 H. Mr. Ford testified that he has seen a decrease in responsiveness  
9 (for IFT arrivals) subsequent to the Rural/Metro bankruptcy. *Id.* at 698.

10 I. Ford has continued his relationships with the different fire chiefs in  
11 Maricopa County. Since he left Rural/Metro, these individuals have told him  
12 they have noticed either somewhat slower responses or units responding that  
13 are not the ones dedicated to their cities; the city representatives have also  
14 stated that because there is no other option (beyond Rural/Metro), they have to  
15 deal with whatever the situation is. *Id.* at 698-701.

16 J. Ford, with his extensive background, personally believes Maricopa  
17 County has a need for IFT arrival times to be committed to at a regulatory level.  
18 He offered examples of why this is a medical necessity. *Id.* at 701-03.

19 K. Ford’s contacts have been telling him that in recent times there  
20 have been more delays for critical IFT arrivals (such as active heart attacks,  
21 strokes, and trauma) than there ever was before. *Id.* at 703-04.

22 L. During the September 2014 AHCA conference, AHCA members  
23 stated their concerns/perceptions about current IFT services. They were having  
24 problems getting phone calls returned and experiencing extended response  
25 times. *Id.* at 705-06.

26 M. Ford disagreed with Rural/Metro’s attempt to characterize the 40 to  
27 50 calls received after his February 2014 retirement as “occasional.” *Id.* at 725.

28 35. **Glenn Kasprzyk** is Chief Operations Officer with Life Line Ambulance.  
29 His EMS experience and background began in 1989 and he worked his way through all  
30 field positions, and into various management positions. Part of his employment history



1 was with Rural/Metro, where he was the Operations Manager for Orlando, Florida.  
2 Currently, he is responsible for the day-to-day activities, both clinical and operational,  
3 of the Life Line operation. His Orlando employment provided him with experience in a  
4 large, urban market. *Id.* at 729-33. He testified to the following:

5 A. Serving on the Arizona Ambulance Association and the Arizona  
6 EMS Council, Kasprzyk had a lot of connectivity with ambulance transport  
7 providers and partners across the state, and before AMR's Application, a  
8 general idea of the Maricopa market. As part of the Application, he had an  
9 estimated 100 meetings with various people involved in Maricopa County's EMS  
10 system, including fire departments, hospital system representatives, government  
11 officials, elected officials, and city managers. In general, everyone expressed  
12 concerns about Rural/Metro's fiscal health, the lack of a competitive bid process  
13 since the consolidation of private providers, and degradation in services. There  
14 was much interest in having another provider enter the system. *Id.* at 733-35.

15 B. A specific meeting with Gilbert Hospital was especially remarkable  
16 as Kasprzyk had never met with an official who exemplified so much frustration,  
17 using expletives and describing Rural/Metro as "a terrorist organization." The  
18 CEO commented there was no partnership with Rural/Metro, he was concerned  
19 about degradation in response service and Rural/Metro failed to communicate  
20 with them when there as a "bypass" situation (providing bypass information is a  
21 common practice of Life Line, which does a report so the bypassed facility will  
22 have relevant information and feel like they are part of a partnership). AMR  
23 would also do bypass reports. *Id.* at 735-41.

24 C. Other users of ambulance transport services were reluctant to  
25 specifically state their complaints and identifying themselves, due to the  
26 Rural/Metro consolidation, given that it was now their sole option and concern  
27 about what would happen to their future service. *Id.* at 742-43.

28 D. Through a public record request, City of Gilbert records were  
29 obtained (AMR Ex. 53 series), which relate to a regional group (Apache  
30 Junction, Town of Gilbert, Queen Creek and City of Mesa) and their contract with

1 a Rural/Metro entity for 911 services. This included departmental incident  
2 reports from March 21, 2014, through April 20, 2014, raising concerns about the  
3 contracted provider, Southwest Ambulance (“SW” or “Southwest”) exhibiting a  
4 “trend” of its crews being more fatigued than usual, articulation of a safety  
5 concern associated with this, and the ambulance crews reporting they were short  
6 on staff. This led to Mesa Fire not feeling safe sending a patient to the  
7 emergency room without having one of its members ride along solely to spot the  
8 fatigued driver and the statement that its community expectations of safe and  
9 reliable EMS transportation were not being met. The reports also included a  
10 problem with the rear doors of ambulances not opening, which the SW  
11 paramedics stated was “common” and only being addressed when a problem  
12 occurred, despite there being a repair for the issue. The complaints also  
13 included an unusually long response time under rather urgent conditions  
14 because the ambulance that would have usually responded was not available, a  
15 report of recurring problems with SW not restocking supplies, and SW “downing”  
16 (reducing) crews. One of the Mesa Fire reports stated the belief that SW’s  
17 “continued practice of ‘downing’ rides . . . is placing [its] patients’ welfare at risk.”  
18 The reports included a SW ambulance not having medical equipment that is  
19 required to be carried (an OB kit). *Id.* at 744; 748-60 (see also AMR Ex. 53D).

20 E. The Gilbert records demonstrated these concerns were brought to  
21 the attention of Rural/Metro (SW) representative Edward Podol on April 22,  
22 2014; that on April 24, 2014, Mr. Podol was notified of the region’s intent to  
23 renew its agreement with SW; that on April 28, 2014, Mr. Podol was more  
24 formally notified regarding concerns about continuing safety issues as a result of  
25 crew fatigue and ambulance door latches; and a May 3, 2014 email indicating  
26 that SW’s insurance certificate on file had expired. *Id.* at 760-66 (see also AMR  
27 Ex. 53E-H). The documentation also contained a June 3, 2014 email from  
28 Gilbert Fire and Rescue indicating a systemic altered deployment of  
29 ambulances. Over the weekend, they had been down to one unit and the  
30 observation was that it seemed “the situation is escalating.” *Id.* at 766-68 (AMR

1 Ex. 53I). Then, on June 12, 2014, SW (through Edward Podol) was notified of  
2 the intent to assess liquidated damages under the Regional Emergency Medical  
3 Transportation Services Agreement for failure to meet response times. *Id.* at  
4 769-70 (AMR Ex. 53J). Six days later Edward Podol wrote the Mesa City  
5 Manager terminating the agreement. *Id.* at 770-71 (AMR Ex. 53K). Then, on  
6 June 25, 2014, another shortage of SW ambulances was observed. *Id.* at 771-  
7 73 (AMR Ex. 53M). Ultimately, in July 2014, the Regional Group formally  
8 complained to Director Humble regarding “recent and significant service  
9 declines” causing them to question SW’s commitment to the Region’s standard  
10 of care, including “an unprecedented reduction of ambulances, which in turn  
11 delayed patient care and compromised the safety of patients and EMS  
12 responders.” *Id.* at 773-75 (AMR Ex. 53O). The Mesa Fire Chief (Harry Beck)  
13 described this in an email to other members of the East Valley Consortium as  
14 “our untenable situation,” which situation “is clearly off track.” *Id.* at 775-76  
15 (AMR Ex. 53P).

16 F. In March 2014, Life Line Ambulance received a call from the  
17 organizers of a “tough mudder” event indicating they had asked SW and PMT  
18 Ambulance for ambulance coverage at a Mesa event, and had been told they  
19 were not available. This was an unusual call as Life Line is located in Prescott.  
20 *Id.* at 780-81.

21 G. Life Line Ambulance has an existing relationship with Banner Del  
22 E. Webb (Life Line’s base hospital for Wickenburg) and the Sun City West Fire  
23 District. Kasprzyk discussed including the Banner Del E. Webb campus in  
24 AMR’s proposed service area with both to get an idea about the rough number of  
25 IFT responses, and what the need for additional services might be. Sun City  
26 West Fire District was comfortable with the inclusion and the transports from that  
27 Banner Del E. Webb campus are quite limited. *Id.* at 789-94.

28 H. AMR’s intended operations model is to staff ambulances with both  
29 EMT/Paramedic teams and EMT/EMT teams. This does serve an advantage to  
30 the customer base. It is important to provide the right level of care for each

1 unique situation. If greater resources are utilized than are appropriate, it can  
2 impact the system from a cost and resource availability perspective (that  
3 resource is then not available to a patient requiring a higher level of care). It  
4 costs more to staff an EMT/Paramedic unit than an EMT/EMT unit. Using mixed  
5 teams will allow AMR to be more efficient. *Id.* at 794-97.

6 I. Mr. Kasprzyk also introduced AMR's estimated operations plan  
7 (AMR Ex. 44). The plan encompasses both inter-facility and 911 markets. It  
8 provides a detailed scenario for starting operations, including initial hiring and  
9 management decisions, then securing an operation center with managerial, fleet,  
10 and logistical support. It includes working collaboratively with local and regional  
11 EMS committees and BEMSTS. Many of these steps are already underway.  
12 The plan includes AMR's commitment to become a CAAS accredited agency  
13 (Commission on Accreditation of Ambulance Services), which is the gold  
14 standard for the industry. This involves an intense third party review of the  
15 operation in order to validate all processes, policies, and procedures. Life Line  
16 is currently CAAS accredited. RT V4 at 804-11.

17 J. None of the Rural/Metro Group entities operating in Maricopa  
18 County are CAAS accredited. RT V9 at 2070.

19 K. Glenn Kasprzyk and John Valentine will initially manage the  
20 operation until it is up and running and an operations manager is hired. Leslie  
21 Mueller, the Regional CEO, will provide oversight at that level. Dr. Racht and  
22 Dr. Warren Porter will support the local medical director who oversees clinical  
23 services. RT V4 at 813-15. The operations plan includes an implementation  
24 plan with benchmarks to hold people accountable. It includes a hiring plan that  
25 is unique to the greater Phoenix/Maricopa County area and includes tapping into  
26 American Medical Response, Inc.'s national database and online job offerings.  
27 The plan includes contacting local community healthcare partners as soon as a  
28 CON is granted and committing to leases for sub-operation stations in the areas  
29 that have been generally described. *Id.* at 815-25. Training will start, dispatch  
30 will be handled by Life Line Ambulance, and all vehicles will be put into service

1 with appropriate new equipment. Each ambulance will have a cellular telephone  
2 (in addition to having a radio) which allows the crews to talk to their base  
3 hospitals without using a two-way radio and tying up air time (and to keep the  
4 medical information more private). *Id.* at 825-33. The operation plan includes  
5 standards to enhance accountability and performance. AMR wants to be  
6 engaged and innovative; it wants to be a leader. It wants to push the standard  
7 bar higher, which AMR's national level expertise supports. *Id.* at 833-34. The  
8 operations plan does not include any 24 hour shifts. In a metropolitan, high-  
9 performance area, 24 hour shifts are no longer the industry standard as data  
10 shows that the fatigue associated can create patient care concerns. Instead,  
11 AMR will use 8, 10 and 12 hour shifts. *Id.* at 835-37. The sub-operation station  
12 locations are not set in stone, AMR intends a nimble system that can evolve to  
13 accommodate changes and need in the entire system, including where the  
14 volume of calls is coming from, time of day considerations, etc. *Id.* at 837-40.  
15 The plan includes engaging with all EMS stakeholders, from ADHS/BEMSTS to  
16 Rural/Metro. *Id.* at 839.

17 L. Kasprzyk used "heat maps" (drive time maps) to check the plan  
18 against estimated response times, which in his opinion it does support (the  
19 response times are reasonably achievable). *Id.* at 841-47 (AMR Ex. 45A-H).

20 M. AMR is not "cherry picking" or "cream skimming" through its  
21 Application. Instead, it has applied to cover most of Maricopa County, including  
22 outlying rural areas. *Id.* at 848.

23 N. On cross-examination, Mr. Kasprzyk was asked about the parts of  
24 the County where no color from the drive time mapping is shown. These are  
25 sparsely populated and have been anticipated in the Applicant's propose  
26 response times by way of the 99 percent compliance within the 20 minute  
27 fractile. Very few calls should come from these specific areas, and there are  
28 other providers. If there appears to be a need for greater coverage in these  
29 areas than currently appears, AMR will adjust placement of its sub-operation  
30

1 stations/unit placement, which would necessarily adjust the look of the drive time  
2 mapping. *Id.* at 854-56; 901-04.

3 O. AMR's plan for a robust, ongoing benchmarking and performance  
4 improvement process encompassing all components of the EMS system from  
5 emergency medical dispatch through emergency department arrival was  
6 detailed. It will follow the same parameters that American Medical Response,  
7 Inc., nationally, focuses upon. *Id.* at 895-97.

8 P. AMR also has a plan to initiate guideline-based pre-arrival  
9 instructions for all callers accessing 911 for assistance (as explained by  
10 Kasprzyk). *Id.* at 897-98.

11 Q. Kasprzyk is already part of the Regional EMS meeting group, both  
12 he and John Valentine participate in their Regional EMS committees, Kasprzyk  
13 is a member of the State EMS Council (Vice Chair and serving on the  
14 Educational Committee as the Chair of Education). AMR will regularly attend  
15 and participate in all regional and state EMS Council meetings. *Id.* at 899.

16 R. AMR's overall plan includes ensuring the maintenance and  
17 improvement of ambulance service for rural communities, which is supported by  
18 the fact that the proposed service area is not just for urban areas, it is designed  
19 to provide backup/additional services for rural Maricopa County. *Id.* at 900.

20 S. AMR's service model is intended to be cost-effective, not resulting  
21 in higher ambulance rates, due to the available synergies through River Medical  
22 and Life Line, and due to the strength of American Medical Response, Inc.'s  
23 corporate presence and resources, which will allow them to ensure they are  
24 maintaining cost controls. *Id.* at 900.

25 T. There is a need for enforcement of appropriate IFT arrival times,  
26 especially related to cardiac, stroke, and trauma patients (as well as other  
27 critical medical conditions that could require a patient to be moved in a timely  
28 fashion). AMR is willing to be committed to this. It wants to be an innovator in  
29 the field. *Id.* at 910-12.

1 U. AMR intends to be dispatched out of American Medical Response,  
2 Inc.'s wholly owned subsidiary, Life Line. Kasprzyk detailed how the dispatching  
3 would occur and how AMR planned its ongoing benchmarking in performance  
4 and improvement process for the Maricopa operation, beginning with that  
5 dispatch and continuing through emergency department arrival. Part of this is  
6 Life Line being a CAAS organization. This also includes AMR's intention to seek  
7 CAAS certification should it be granted a CON. RT V9 at 2063-71.

8 V. AMR's first year estimated call volume (projection) was calculated  
9 to not cause substantial harm to the system or the existing providers. It is  
10 intended to encompass some growth, outlier calls, provide backup for unusual  
11 circumstances (such as large scale incidents), and to be active in the entire  
12 Maricopa system. For example, while the Buckeye Fire District currently covers  
13 the large (rural) Gila area, if they approached AMR and asked it to partner, AMR  
14 would not dilute the system by spreading the vehicles currently projected. It  
15 would add resources, which American Medical Response, Inc. provides the  
16 financial strength to do. RT V9 at 2071-75.

17 W. AMR intends to support the need for another IFT provider, and to  
18 also support the 911 system's needs by first being available at the request of  
19 those in control of the closed system and eventually through obtaining municipal  
20 911 contracts. The overall concern AMR sees is that in a county of 4 million  
21 people, if something were to happen to impact the only existing private  
22 provider's ability to do the IFTs, and the bulk of the 911 transports, AMR would  
23 be present and able to obtain the equipment and personnel to fully staff the  
24 system *Id.* at 2071-76; 2078.

25 36. **Todd Jaramillo** is the Ambulance Services Manager for BEMSTS and is  
26 primarily responsible for overseeing regulatory matters such as this. *Id.* at 914. He  
27 testified as follows:

28 A. Administrative Incomplete Notices are routine (not unusual) in  
29 applications such as this. *Id.*

1 B. His office is charged with assisting applicants through the  
2 application process. *Id.* at 915.

3 C. If the Bureau recommends different rates and charges than are  
4 detailed in an applicant's ARCR, there is no need for the applicant to redo the  
5 ARCR submitted. *Id.* at 919.

6 D. AMR submitted all basic information required by R9-25-902. *Id.*

7 E. AMR's description of its proposed service area (the final, amended  
8 version) is in an acceptable form for BEMSTS, and is consistent with ADHS'  
9 historic interpretation of statutory requirements. *Id.* at 921.

10 37. **Edward Racht, M.D.** is Evolution Health and American Medical  
11 Response, Inc.'s Chief Medical Officer. Dr. Racht has served on the CAAS Board. He  
12 is the clinical conscience of the organization, it is his job to evaluate the literature, best  
13 practices, and available data, and to then work with the organization's clinical  
14 leadership on education, problem solving, and developing best clinical practices. *Id.* at  
15 925-28 (see also AMR Ex. 34). He testified as follows:

16 A. The cornerstone of American Medical Response's best clinical  
17 practices philosophy is that of using the scientific evidence as it evolves,  
18 applying that evidence to patient care so care providers have the tools to deliver  
19 pre-hospital care to positively impact their patients in the best possible way.  
20 With Dr. Racht's assistance, American Medical Response participates in the  
21 developing art and science of pre-hospital care. *Id.* at 928-31; 934-36.

22 B. Racht discussed examples of the company's attention to data  
23 collection, analysis, and pushing the clinical information down to the street level  
24 (local practices). He testified that if an organization knows the available  
25 evidence on a clinical care issue is growing, it is critical to collect that data and  
26 provide it in an appropriate manner to the scientific community in order to  
27 analyze what makes a difference in patient care, which philosophy American  
28 Medical Response adheres to. He testified to the multiple uses of the data  
29 collected, including improvement in patient care, using the data to benchmark  
30 performance in various communities, seeing how often local clinical leaders



1 access that data (from a management standpoint), supporting research,  
2 examining resource utilization at the clinical level, looking for trends, providing  
3 public education, and for professional interaction and support. *Id.* at 942-49.

4 C. One of Dr. Racht's examples was a study examining overall  
5 survival to hospital discharge from cardiac arrest, showing that overall American  
6 Medical Response, Inc. practices at an 11.3% survival to hospital discharge,  
7 where the national average, collected through the CARES (Cardiac Registry to  
8 Enhance Survival) program, is 10.3%. Its statistics on survivability with  
9 neurological function is also excellent. American Medical Response, nationally,  
10 showed a 9.3% score, versus the 7.8% average. *Id.* at 931-33 (AMR Ex. 35K).

11 D. Dr. Racht supported American Medical Response, Inc.'s plan for  
12 adopting clinical guidelines and operating procedures for time sensitive illnesses  
13 consistent with best practice guidelines. This is central to the organization's  
14 clinical care philosophies. He offered specific examples such as incorporation of  
15 "discomfort" into pain analysis, as discomfort is not always the result of pain.  
16 Another is the focus upon safe and effective maintenance of airway and  
17 ventilation, which includes evaluation and management of a patient's airway and  
18 techniques to enhance the same. Another example is the focus on, and  
19 standards for, assuring patient safety not only in terms of making sure they  
20 receive the right drugs and tubes are placed in the correct position, but infection  
21 control, and rapidly recognizing patient deterioration. *Id.* at 934-39; 946-47.

22 E. Dr. Racht testified that he has worked in numerous capacities with  
23 many different kinds of pre-hospital care providers, both public and private, and  
24 he has not experienced any of those organizations being more collectively  
25 focused than American Medical Response, Inc. is on making improvements in  
26 patient care, including attention to sharing its data with people outside the  
27 company to move the science of EMS forward. *Id.* at 958-62.

28 F. While Dr. Racht does not engage in day-to-day oversight of all  
29 local operations, he does work closely with the clinical managers and medical  
30 directors who provide that oversight to the local operations to ensure good

1 science “trickles down.” AMR will be included in this and thereby receive the  
2 benefit of his expertise. *Id.* at 965-66.

3 G. Dr. Racht also testified to how AMR would establish a cost  
4 effective business model from a clinical perspective: there is a limited pool of  
5 money and examining best practices from a cost effective approach is part of  
6 what AMR does (examples given). *Id.* at 967-68.

7 **Witnesses called by BEMSTS**

8 38. **Terry Mullins** was called as a witness on behalf of ADHS, and has been  
9 Chief of BEMSTS for 8½ years. He testified as follows:

10 A. He helped develop the Bureau’s “guidance document” (AMR Ex.  
11 1F), which includes the Bureau’s response to a perceived public misconception  
12 that the CON process was designed to limit the number of ambulance services.  
13 This document clarifies that “public necessity” does not mean the existing CON  
14 holder is not meeting the needs of the community, but instead that an identified  
15 population needs or requires all or part of the proposed services. Likewise, the  
16 primary focus in evaluating public necessity is upon the interests of the public,  
17 not upon protecting the territory or property rights of the current providers in the  
18 area. RT V5 at 984-90.

19 B. The witness introduced the Bureau’s exhibits “[t]he majority of  
20 [which] relate to the Department’s concern about Rural/Metro’s financial and  
21 operation stability and fit and proper status prior to, during, and following the  
22 bankruptcy of the company.” *Id.* at 997.

23 C. Bankruptcy of a CON holder in Arizona is unusual, Mullins could  
24 not recall any CON holder the size of Rural/Metro ever declaring bankruptcy. *Id.*

25 D. The Rural/Metro bankruptcy caused ADHS to be concerned as to  
26 whether Rural/Metro would be capable to meet its CON obligations in the State.  
27 There was also concern about Rural/Metro’s failure to meet certain response  
28 times in several of its CONs, and concerns regarding the Bureau’s ability to  
29 obtain requested documentation from Rural/Metro. The Director believes this  
30 information is germane to AMR’s Application and should be considered in

1 connection with the determination of public necessity, and this includes issues  
2 existing outside of the service area proposed by AMR. *Id.* at 997-99.

3 E. By a letter of July 26, 2013 (DHS Ex.1), the Director requested  
4 specific information from Rural/Metro relating to its financial stability and what  
5 resources would be made available to Arizona operations. The Director and  
6 Bureau were concerned about how financial issues outside of Arizona might  
7 affect Arizona operations. Soon thereafter, the Director sent a second letter  
8 (DHS Ex. 2) asking whether any Arizona contracts were part of the unprofitable  
9 contracts mentioned in Rural/Metro's bankruptcy filing. *Id.* at 999-1003.

10 F. Rural/Metro's response (DHS Ex. 3) did not answer all of the  
11 questions posed in those first two letters, including the negotiation of  
12 unprofitable contracts, the possible impact on Rural/Metro's Arizona operations,  
13 and other requested financial information. Rural/Metro did provide 911  
14 response time information. *Id.* at 1004-06.

15 G. Rural/Metro's information regarding 911 response times for the  
16 one year immediately preceding the bankruptcy demonstrated that several of its  
17 Arizona CON holders were out of compliance. Even though some of those CON  
18 holders have service areas that do not overlap with AMR's proposed service  
19 area, the Director believes all should be considered as relevant to the public  
20 necessity determination. Those CON holders who were out of compliance with  
21 their response time performance were identified as Kord's Southwest (CON No.  
22 54), Canyon State Ambulance (CON No. 58), Rural/Metro (Yuma) (CON No. 65),  
23 Southwest Ambulance (CON No. 86), and Rural/Metro (Maricopa) (CON No.  
24 109). Both Southwest No. 86 and Rural/Metro No. 109 have service areas  
25 significantly overlapped by AMR's proposed service area. Canyon State has a  
26 small overlap. *Id.* at 1006-13 (see also DHS Ex. 3).

27 H. On September 19, 2013, Mullins again wrote Rural/Metro to notify  
28 it that the information requested to determine whether Rural/Metro remains "fit  
29 and proper" had not been entirely provided by Rural/Metro and that the Bureau  
30

1 was opening investigations with regard to the response time failures (DHS Ex.  
2 4). *Id.* at 1014-15.

3 I. As a result of that investigation, four of the complaints were  
4 determined to be substantive (the CON holder was determined to have not met  
5 its response times and to have therefore been in violation of governing Arizona  
6 Statutes, and to have demonstrated substandard performance) - the complaints  
7 regarding Kord's Southwest (CON No. 54), Rural/Metro (Yuma) (CON No. 65),  
8 and Southwest (Maricopa) (CON No. 86), and with regard to Area C of its CON,  
9 Rural/Metro (Maricopa)(CON No. 109) (DHS Ex. 5, 7 - 9). *Id.* at 1016-37; 1095.

10 J. BEMSTS' analysis was that if Rural/Metro failed (partially or  
11 completely) the ambulance transport resources for emergency responses in the  
12 markets served by Rural/Metro entities would be reduced, and in a few situations  
13 eliminated. IFTs would be very heavily impacted. While the Bureau believes it  
14 would have little problem finding agencies to step-up and provide temporary  
15 authority for 911 service in Maricopa County, access to the Rural/Metro assets  
16 (vehicles and equipment) was uncertain due to the bankruptcy. And filling in IFT  
17 responses would be problematic, the Bureau did not know how long it would take  
18 to bring in sufficient assets to meet market demand. The IFT portion is a "large  
19 volume" issue in Maricopa County, so the Bureau expects they would have more  
20 difficulty, there (DHS Ex. 10). *Id.* at 1037-40.

21 K. As of August 9, 2013, Rural/Metro had failed to make payments  
22 due to the City of Chandler under their contract for 911 ambulance  
23 transportation services (DHS Ex. 11). *Id.* at 1041-42.

24 L. Rural/Metro's financial difficulties causes ADHS to be "very  
25 concerned," because of its very large footprint - especially in Maricopa, Pima  
26 and Pinal Counties. Rural/Metro's financial problems have "the potential to  
27 cause significant community impacts" (DHS Ex. 12). *Id.* at 1046-47.

28 M. Rural/Metro requested a 45 day extension to ADHS's deadline for  
29 complete ARCRs to be submitted for each Rural/Metro subsidiary CON within 60  
30 days of conclusion of the bankruptcy. Mullins allowed an additional 31 days.

1 However, Rural/Metro did not comply with that deadline, instead requesting  
2 another extension of time. The Bureau allowed that extension but opened an  
3 investigation for each of the Intervenors to determine whether each remains “fit  
4 and proper” as Rural/Metro emerges from bankruptcy (DHS Ex. 17 - 21). That  
5 investigation remains open, to date. *Id.* at 1055-65.

6 N. BEMSTS was notified by the East Valley Consortium (Apache  
7 Junction, Gilbert, Queen Creek, and Mesa) regarding problems they were having  
8 with their regional medical transportation services agreement, including  
9 Rural/Metro’s Regional Director, Edward Podol’s termination of the contract on  
10 June 18, 2014, and issues brought to the attention of Rural/Metro’s President,  
11 Scott Bartos, regarding contract performance (DHS Ex. 22). *Id.* at 1065-68.

12 O. ADHS/BEMSTS was also made aware of the fact that the  
13 Superstition Fire & Medical District, as of June 26, 2014, had “serious concerns  
14 over a growing trend of poor performance and ambulance service provided by  
15 the Rural-Metro Corp...., including an alarming rate of non-compliance” with  
16 contractual requirements, failure to meet response time requirements, arbitrarily  
17 taking units out of service, all of which suggested that the company was in a  
18 financial and operational turmoil (DHS Ex. 23). Mullins considered this to be in  
19 line with communications received from the East Valley Consortium. *Id.* at 1069-  
20 72.

21 P. On July 1, 2014, the Superstition Fire & Medical District wrote  
22 Director Humble asking for his “support and attention to a very serious matter  
23 regarding Rural-Metro Corporation’s inability to adequately meet the  
24 requirements of our regional service agreement.” The Fire Chief observed that  
25 Rural/Metro appeared “more focused on cutting corners and canceling contracts  
26 than quality of care and customer service . . . .” He stated that his community  
27 and residents had “grown weary of the chaos that appears to be pervasive in  
28 [the Rural/Metro] organization” (DHS Ex. 24).

29 Q. By way of a letter dated June 10, 2014, the City of Mesa’s Fire  
30 Chief alerted ADHS to concerns about Southwest Ambulance’s performance

1 under the regional emergency medical transportation services agreement,  
2 including the contract possibly not being renewed, “recent and significant service  
3 declines” causing the contracting agencies “to question Southwest’s commitment  
4 to the region’s standards of care.” He detailed “an unprecedented reduction of  
5 ambulances, which in turn delayed patient care and compromised the safety of  
6 patients and EMS responders.” The attachment highlighted such details as “an  
7 unprecedented reduction of ambulances available for dispatch began occurring  
8 on a daily basis” beginning in March 2014 - with between 2 and 5 being taken  
9 out of service per day, reports of excessive fatigue of ambulance staff and  
10 potential safety concerns, ambulances being sent out without proper  
11 communication equipment, with defective equipment (*i.e.* Southwest taking 18  
12 months to replace all of the defective latches), and “ongoing supplies restock  
13 delays and lack of communication regarding restock” (DHS Ex. 27).

14 R. The Town of Gilbert also notified Director Humble of its belief that  
15 Rural/Metro’s “consolidation and financial uncertainty [had] created concerns . . .  
16 .” The Town Manager stated it had become clear that to properly provide the  
17 higher level of service Gilbert residents deserved, they need more than one  
18 option (DHS Ex. 28).

19 S. On July 26, 2014, Director Humble, Mullins, and the East Valley  
20 Consortium representatives met. During this meeting, those representatives  
21 gave several examples of recent declines in ambulance service levels (BHS Ex.  
22 29). ADHS’s response included the fact that the Department “continues to have  
23 concerns about Rural/Metro’s operational and financial stability following the  
24 conclusion of the bankruptcy process . . . .” *Id.* at 1081-84.

25 T. While Mullins observed that since September 2013 there had been  
26 “steady progress” with regard to response time issues (Rural/Metro Group  
27 showing compliance on a month-to-month basis), as of Mullins’ September 29,  
28 2014 testimony, Rural/Metro had not yet provided to ADHS/BEMSTS all of the  
29 specific financial/operational information requested by way of Director Humble’s  
30 July 26, 2013 and August 6, 2013 letters. This included information about a

1 Rural/Metro operations contract issues with Santa Clara (California) County and  
2 its failure to meet the debt payment; a description of the Rural/Metro assets,  
3 liabilities, revenue, and debt, including segment reporting for its Arizona  
4 operations; an assessment and description of current assets, including cash;  
5 whether cash was adequate to cover cash outflows, and if it was not, what the  
6 plan was for addressing that; and what efforts had been taken to ensure events  
7 outside of Arizona would not have a negative impact on the Rural/Metro  
8 operations in Arizona. *Id.* at 1089; 1092-94.

9 U. In the event of a Rural/Metro collapse, BEMSTS does not know if  
10 there would be sufficient ambulances in Arizona to cover its transportation  
11 needs. *Id.* at 1099-100.

12 V. Were it to be brought to Mullins' attention that Rural/Metro's post-  
13 bankruptcy cash flow projection of \$26 million for 2014 was not on track to be  
14 fulfilled, this would be a matter of concern. *Id.* at 1103-04.

15 W. Regardless of renewals of the Rural/Metro Group's CONs (some  
16 for just one year as opposed to the normal three year cycle), ADHS "has  
17 developed and continues to have a concern about Rural/Metro's financial and  
18 operational stability. That concern began in August 2013 and has - and  
19 components of that remain to this day." *Id.* at 1109.

20 X. Mullins was informed, by John Karolzak, that Rural/Metro would be  
21 closing some operations in Indiana based on volume concerns and whether the  
22 communities were willing to renegotiate the contracts to make them more  
23 profitable or achievable for Rural/Metro. Because this dealt with some rural  
24 areas, this did cause Mullins additional concern. *Id.* at 1114-15.

25 Y. In connection with Rural/Metro's purchase of PMT (CON No. 71),  
26 American Ambulance (CON No. 75), Com Trans (CON No. 46), and Canyon  
27 State (CON No. 58) in 2012, Rural/Metro would have had to have to represent  
28 that it would be able to run financially healthy ambulance companies. *Id.* at  
29 1122-23.

30 **Witnesses called by Rural/Metro**

1           39.   **Michael Evans, CPA** was called by Intervenors to testify that AMR would  
2 not be able to achieve its financial projections due to under reported expenses and to  
3 provide his calculations regarding the adverse financial impact each Intervenor would  
4 suffer if AMR's Application was granted. He testified as follows:

5           A.    Evans prepared Rural/Metro's ARCR reportings for both calendar  
6 years 2012 and 2013, during the same period of time that the "difficulty  
7 appropriately accounting for revenue" as referenced in the Farber Bankruptcy  
8 Declaration as one of the reasons leading to the bankruptcy - a \$60 million error  
9 occurring during the June 2012 through March 2013 accounting period (AMR Ex.  
10 18, ¶31). RT V6 at 1317-20.

11           B.    Evans' opinion that AMR will not be able to achieve its financial  
12 projections was based on his estimates of under reported expenses, primarily a  
13 discrepancy between the corporate and regional support allocations done in  
14 River Medical's most recent (2013) ARCR and AMR's projected first year ARCR  
15 reporting and his comparison of River Medical's billing expenses from its 2013  
16 ARCR and AMR's projected first year ARCT. RT V5 at 1180-90.

17           C.    Evans' adverse financial impact analysis was based largely on  
18 information provided to him by Edward Podol, the Rural/Metro representative,  
19 who provided the lost transport numbers, calculated the possible staffing  
20 reduction, and provided the average miles per transport. Evans had no  
21 knowledge regarding the processes or facts used to obtain these numbers. RT  
22 V6 at 1396-98.

23           D.    Likewise, Evans relied on the financial data provided to him by  
24 Rural/Metro to prepare the Rural/Metro Group's ARCR (2013) reportings that  
25 were used in the adverse financial impact analyses. *Id.* at 1312-13.

26           E.    Evans' adverse financial impact exhibits (the Rural/Metro Ex. 2  
27 series) calculated the return on gross revenue for each entity, which Evans  
28 testified is a performance metric used by ADHS to measure the profitability of  
29 each ambulance company. *Id.* at 1240-41. His calculations regarding the rate  
30 increase he testified would be required also focus on "return on gross revenue."



1 R/M Ex. 2G. He characterized return on gross revenue as “the most pertinent  
2 piece of data.” RT V6 at 1284. Likewise, his summaries of financial impact  
3 focused on percentage of net income lost. R/M Ex. 3A-F.

4 F. The four Intervenors that are part of the Phoenix Rate Group,  
5 Southwest Ambulance (Maricopa), PMT Ambulance, American Ambulance, and  
6 Rural Metro Ambulance (Maricopa) (collectively, “the Phoenix Rate Group  
7 Intervenors”), had a -1.36% return on gross revenue in 2013. RT V6 at 1286.

8 G. After adjustments for projected lost transports to AMR, the Phoenix  
9 Rate Group Intervenors anticipated a -3.79% return on gross revenue. *Id.*

10 H. To return to the pre-existing -1.36% return on gross revenue, the  
11 Phoenix Rate Group Intervenors anticipate needing to apply for a 9.16% rate  
12 increase. *Id.* at 1289.

13 I. Evans understood AMR’s first year of operations would not be any  
14 earlier than 2015, yet his financial impact analysis still utilized the Intervenor’s  
15 2013 financial reportings to predict 2015 results if AMR is allowed to enter the  
16 Maricopa County market. He did not take population growth, growth of the 65  
17 year old and older segment of the population, or the 2.1% rate increase all but  
18 one of the Intervenors received (automatically) after 2013 into consideration. He  
19 did not factor in the 2013 decreases in revenue done on each of the Intervenors’  
20 2013 ARCRs in order to balance out the 2012 income over reporting. For PMT  
21 alone, this involved a more than \$3.3 million reduction in net revenue. RT V6 at  
22 1330-36. He did not factor in any claimed “one-time” fee adjustments associated  
23 with the Rural/Metro bankruptcy which would have reduced expenses. He made  
24 no consideration for any changes to corporate overhead that the Rural/Metro  
25 Group might have in calendar year 2015 as a result of expenses discharged  
26 through the bankruptcy – including the interest on debt, he did not attempt to  
27 account for any savings associated with Rural/Metro changing who does its  
28 billings, no adjustments were made for Southwest giving up its large rented  
29 facility (its Mesa compound), and he could not say what part of the  
30 approximately \$2.65 million in rented real estate expense shown on the

1 Southwest 2013 ARCR that facility contributed to. Even while agreeing that  
2 these changes might or would occur, he carried all of them forward from 2013 to  
3 2015 without adjustment. *Id.* at 1339-53. While admitting that adjusting these  
4 items would adjust the return on gross revenue, he stated that these line items  
5 were irrelevant, eventually calling them “noise.” For example, see RT V7 at  
6 1419 and 1428.

7 J. Southwest, PMT, and Rural/Metro all carried a negative return on  
8 revenue during calendar year 2013 despite having no competition for IFT calls  
9 or 911 contracts outside of the Rural/Metro organization. Evans added that  
10 “historically” each had made money. However, he agreed that “historically”  
11 meant before 2012, the year that Rural/Metro completed its final purchase  
12 effecting the consolidation of essentially all the private ambulance transportation  
13 service companies holding CONs in Maricopa County. RT V6 at 1366-70.

14 40. **Steven Varner**, Managing Director with Alvarez & Marsal, and head of its  
15 Los Angeles restructuring and turn around practice, was called by Rural/Metro to  
16 comment on Mr. Cook and Dr. Drake’s reports and opinions, and his evaluation of  
17 Rural/Metro’s financial performance since emerging from bankruptcy on January 1,  
18 2014. He testified as follows:

19 A. Varner was paid \$750 per hour by Rural/Metro for his engagement  
20 in connection with the hearing. His firm was paid more than \$4.5 million by the  
21 Rural/Metro Corporation to help it successfully restructure itself and emerge  
22 from the bankruptcy. *Id.* at 1446; 1608-10.

23 B. Varner does not hold an MBA, is not a CPA or CMA, and does not  
24 hold a Ph.D. in finance. *Id.* at 1610-11.

25 C. Varner has never worked on any kind of reorganization in Arizona’s  
26 regulatory ambulance environment. He also did not testify, in describing his  
27 background and expertise, to assisting any other ambulance company with a  
28 reorganization. *Id.* at 1440-45; 1607.

29 D. To reach his conclusions regarding Rural/Metro’s financial  
30 performance, which he characterized as positive, he relied upon adjusted

1 EBITDA, which he characterized as important to assess a company's fiscal  
2 health, and "the typical measure of both public and private companies". His  
3 primary criticism of Mr. Cook and Dr. Drake were their failure to follow the type of  
4 adjusted EBITDA analysis that he proposes is appropriate. *Id.* at 1532-33; for  
5 example, see also *id.* at 1473-81.

6 E. The adjusted EBITDA analysis adds back in what Varner called  
7 "non-recurring charges" (approximately \$4.4 million in restructuring costs), even  
8 though those monies were actually spent. *Id.* at 1486. Adding back in \$4.4  
9 million spent makes Rural/Metro Corporation's financial situation look better.

10 F. Varner also applied an adjusted EBITDA calculation to operating  
11 cash flow, claiming Mr. Cook had materially miscalculated cash flow because he  
12 failed to add back in money that had been spent (the "non-recurring" charges)  
13 and he failed to consider restricted monies (even though those monies are  
14 restricted). By adding back in these monies, Varner concluded Rural/Metro had  
15 a positive cash flow for the first quarter. *Id.* at 1482-85. He did a similar "add  
16 back" for other financial comparisons, calling Cook's failure to do the same a  
17 "math error." *Id.* at 1486. His criticisms of Dr. Drake's report were similar. For  
18 example, see *id.* at 1503-07.

19 G. Rural/Metro is paying approximately \$30 million in cash interest  
20 annually. This is secured by substantially all of the assets and equity interests  
21 in all of Rural/Metro's subsidiaries. *Id.* at 1521-22.

22 H. Varner agreed that to date Rural/Metro's revenue is less than the  
23 financial projections it provided to the Bankruptcy Court, unless one applies  
24 adjusted EBITDA principles, which puts it close to performance. *Id.* at 1553-54.

25 I. Even though the Rural/Metro bankruptcy quarterly reports did not  
26 use the word "non-recurring" when discussing the \$4.4 million worth of  
27 professional fees and other restructuring related expenses that Varner added  
28 back in to Rural/Metro's finances, he said that he feels comfortable adding them  
29 all back in. *Id.* at 1559-60.

1 J. Despite its reporting to the Bankruptcy Court, the witness would not  
2 agree that Rural/Metro had an operating cash flow deficit of -\$6.3 million in the  
3 first quarter of 2014, based on the calculations described above. *Id.* at 1566-67.

4 K. Varner agreed the company would need \$44 million in cash during  
5 2015 to fund the capital expenditures and pay down debt. When asked how the  
6 company would achieve that given its current numbers, Varner referenced  
7 adjusted EBITDA. *Id.* at 1573-74.

8 L. Regulatory agencies such as the Security and Exchange  
9 Commission (SEC) require GAAP style accounting so there are consistent  
10 measurement of financial metrics. EBITDA allows management a certain  
11 amount of discretion about what numbers are pulled back in and what numbers  
12 are not. *Id.* at 1586-87.

13 41. **John Karolzak** has been with Rural/Metro for 30 years and became  
14 Rural/Metro's Vice President of Operations for Arizona approximately 8 to 10 weeks  
15 before the date of his testimony. He testified as follows:

16 A. Before Rural/Metro's August 2013 bankruptcy filing, he was the  
17 South and Southwest Zone President. At the time of the bankruptcy filing, he  
18 became the National Chief Relations Officer. *Id.* at 1635.

19 B. Rural/Metro was formed in 1948 in Maricopa County and presently  
20 provides emergency and IFT services in 21 states. *Id.* at 1638-39; AMR Ex. 23  
21 at 3760.

22 C. In his current position, Karolzak has overall responsibility for the  
23 ambulance operations of the Intervenors. RT V7 at 1638.

24 D. In preparation for the hearing, Karolzak directed his staff to collect  
25 emergency response time data for the Intervenors for the 12-month period from  
26 August 1, 2013, through July 31, 2014. This includes the time Rural/Metro was  
27 in bankruptcy and seven months after emerging from bankruptcy. *Id.* at 1672-  
28 77.

1 E. An analysis of the data indicates that Intervenor were meeting or  
2 bettering its required response times in all instances over the 12-month period.  
3 *Id.* at 1679-87; AMR Ex 8A-E.

4 F. During the first eight months of 2014, the Rural/Metro Intervenor  
5 provided inter-facility transportation services to 915 facilities, doing more than  
6 100,000 transports. *Id.* at 1704-05.

7 G. Intervenor cover hundreds of standby events every year, including  
8 for example, the Arizona Coyotes games, all events at the University of Phoenix  
9 Stadium, U.S. Airways Arena, marathons, triathlons, and swimming events.  
10 Intervenor have never been unable to cover a standby event, including the  
11 “tough mudder” event described previously. *Id.* at 1737-40.

12 H. Intervenor have procedures and training in place to address crew  
13 fatigue. Unit hour utilization was not indicative of the crews being overworked,  
14 but Intervenor re-inserted 1½ units into the system. *Id.* at 1764-67.

15 I. The door latch issue described previously was a manufacturing  
16 defect and was corrected. *Id.* at 1768-69.

17 J. On one occasion, there was an issue regarding restocking  
18 supplies. An investigation revealed that the crew forgot to submit a form to  
19 request more supplies. The crew was counseled and this was considered an  
20 isolated incident. *Id.* at 1771-72.

21 K. The “downing” of ambulances was a common practice based on  
22 the overall system used by Rural/Metro. Additional personnel report to work, on  
23 a volunteer basis, so that any shortages resulting from crew members not  
24 reporting, due to illness or other exigent circumstance, may be filled. Once the  
25 shift is fully staffed, volunteer extra staff are permitted to home. *Id.* at 1772-74.

26 L. On one occasion, a crew member failed to stock an “OB Kit.” The  
27 crew member was counseled. *Id.* at 1775.

28 M. The delivery of the insurance certificate to the Town of Gilbert was  
29 delayed by a couple of days, but the insurance coverage never lapsed. *Id.* at  
30 1777-78.

1 N. Karolzak agreed that to fully evaluate the 911 and IFT needs of a  
2 given system, one of the things a provider would look at is the history of  
3 transports and calls for service; he also agreed that the Rural/Metro Group-with  
4 regard to private providers, is in exclusive control of that historic information.  
5 Likewise, until AMR enters the system, it will not be able to accumulate its own  
6 data. When asked whether Rural/Metro would share its raw data regarding  
7 those issues with AMR should they be granted a CON, the answer was “no.” *Id.*  
8 at 1792-99.

9 O. For AMR to enter the Maricopa County 911 call system, the  
10 following would need to occur:

11 (i) The City of Phoenix would have to decide it wanted to start  
12 dispatching some of the calls from the City to AMR;

13 (ii) As most of the other municipalities have contracts for 911  
14 service, absent an extraordinary or isolated event, AMR would  
15 need to obtain a 911 municipal contract; or

16 (iii) Rural/Metro, which dispatches the county area not covered  
17 by the municipal contracts, would need to dispatch 911 calls to  
18 AMR.

19 *Id.* at 1799-808.

20 P. Mr. Karolzak testified it is unlikely the City of Phoenix would  
21 dispatch any normal day-to-day 911 calls to AMR, the Intervenors currently  
22 cover all municipalities via 911 contracts except for the City of Glendale, which it  
23 is currently in negotiations with. Finally, Rural/Metro would not dispatch any 911  
24 calls from the County to AMR. As such, Karolzak agreed that the 911  
25 ambulance transport system is therefore “closed,” and that if a separate private  
26 provider was granted a CON, until municipal contracts come up for bid, the only  
27 ability to provide 911 ambulance transport services would be through mutual aid  
28 agreement requests or some extraordinary isolated event. *Id.*

29 Q. As with AMR’s representatives, Mr. Karolzak stated there is no  
30 guarantee the Rural/Metro Intervenors would bid on every single municipal RFP

1 issued, that Rural/Metro would need to evaluate the contract, and if it had  
2 unrealistic terms, Rural/Metro would go back to the entity issuing the RFP to  
3 discuss that fact. *Id.* at 1809-11.

4 R. Karolzak's comparison of Intervenor's "achieved" response times  
5 (R/M Ex. 8A - E) to AMR's proposed CON fractile response time tolerances was  
6 an apples-to-bananas comparison, as one was mandatory minimum response  
7 times and the other was achieved response times. *Id.* at 1813-16.

8 S. Karolzak did not know how many of Intervenor Canyon States'  
9 transports are done in Maricopa County. *Id.* at 1817-18.

10 T. The IFT needs of Maricopa County are not comparable to the IFT  
11 needs within River Medical or Life Line's certificated service areas. *Id.* at 1821.

12 U. While BEMSTS stated the limits on discussing one of its active  
13 investigations only applied to the agency, that the subject could comment,  
14 Karolzak refused to state the nature of what was at issue in BEMSTS' open  
15 investigation into Intervenor's. *Id.* at 1822-23.

16 V. Labor is Rural/Metro's greatest expense. *Id.* at 1827.

17 W. The Rural/Metro Group, in 2013, did approximately 220,000  
18 transports in Maricopa County. Rural/Metro owned entities did approximately  
19 300,000 in Arizona. *Id.* at 1828-29.

20 X. Currently (and in 2012 and 2013), Rural/Metro Ambulance,  
21 Southwest Ambulance, PMT Ambulance, Southwest Ambulance & Rescue all  
22 use 24 hour shifts for ambulance staff. *Id.* at 1833-34.

23 Y. Karolzak was unable to state which municipal contracts held by  
24 Rural/Metro entities have performance bonds. *Id.* at 1835.

25 Z. The only two large acquisitions done by Rural/Metro Corporation  
26 during calendar year 2012 that Karolzak is aware of were the Arizona acquisition  
27 (PMT, Canyon State, American Ambulance and ComTrans) and a California  
28 acquisition. *Id.* at 1841-42. These acquisitions were included in the causes for  
29 Rural/Metro's bankruptcy. AMR Ex. 18 (Farber Declaration), ¶33.

1 AA. With regard to Maricopa County capital expenditures, the  
2 Intervenor have approximately 248 registered ambulances, which generally  
3 have a 5 to 7 year life (certain municipal contracts may require quicker  
4 replacement because they want new vehicles). Without equipment, these cost  
5 approximately \$125,000 each. The heart monitor, stretcher and supplies  
6 required would be about another \$75,000. The witness did not know how many  
7 new ambulances had been put into place in Arizona during 2014. *Id.* at 1843-  
8 47.

9 BB. Rural/Metro Corporation also provides fire services in Arizona  
10 (Maricopa, Pima, and Yuma Counties). A fire truck costs approximately  
11 \$250,000, a refurbished ladder truck costs approximately \$375,000. He believes  
12 these trucks have a useful life of up to 15 years. *Id.* at 1850-52.

13 CC. Karolzak agreed that Southwest Ambulance (CON No. 86) has  
14 saved money, going forward, by departing its Mesa campus which costs  
15 approximately \$200,000 per month. *Id.* at 1848.

16 DD. Southwest Ambulance employees are part of the International  
17 Association of Fire Fighters, Local I-60 (union) working under a collective  
18 bargaining agreement. That union is involved in active litigation in the  
19 Rural/Metro bankruptcy. *Id.* at 1854-55.

20 EE. Karolzak testified that the bankruptcy litigation with the union is not  
21 causing Rural/Metro any ongoing bankruptcy related attorney fees because that  
22 cost is being handled by in-house counsel. *Id.* at 1860.

23 FF. In an Arizona Republic September 12, 2014 article, Glendale Fire  
24 Chief Burdick was quoted as saying more Rural/Metro ambulances seem to be  
25 responding to calls without paramedics, which means the City of Glendale  
26 paramedics often have to care for patients needing higher acuity care, such as a  
27 heart monitor or IV, and that because of this reduction in paramedics, Glendale  
28 Fire's units cannot respond to new calls until the hospital assumes care. Chief  
29 Burdick said this was a reduction in service from the level they were used to  
30 seeing. *Id.* at 1860-62.



1 GG. During the course of the hearing, the Glendale Fire Department  
2 applied for a CON. *Id.* at 1879.

3 HH. One of the first steps in Rural/Metro Corporation's reorganization  
4 was to lay off 90 employees, including some in Arizona on April 16, 2013. At  
5 that same time, Rural/Metro made large cash donations, including hundreds of  
6 thousands of dollars in Arizona, some of which went to entities with which the  
7 Intervenor's have IFT contracts. Karolzak was unable to state how these  
8 donations were allocated among the Intervenor's ARCR reportings. *Id.* at 1863-  
9 70 (see also, AMR Ex. 64, Bankruptcy "Global Notes").

10 II. Karolzak was unable to state how many Rural/Metro entity  
11 employees had been laid off since approximately three months before the  
12 bankruptcy started, or in calendar year 2014. *Id.* at 1873.

13 JJ. Rural/Metro has been in Maricopa County for approximately 30  
14 years, but did not produce any letters or witnesses to state that the Rural/Metro  
15 Group is doing a good job and has their support. *Id.* at 1875-77.

16 42. **Greg James**, Rural/Metro's West Region Division President, had been  
17 with Rural/Metro for two months at the time of his testimony. *Id.* at 1900. He did not  
18 know what percentage of Rural/Metro's transports come out of Arizona, and refused to  
19 state what the Arizona or Maricopa County percentage contributions to national  
20 revenue are. RT V9 at 1935-37. He testified as follows:

21 A. None of the capital identified in the bankruptcy filings has been set  
22 aside for any particular region or market. He did not know how much the  
23 Maricopa County operations had requested for 2015, or how much was allocated  
24 in 2014. *Id.* at 1938-39.

25 B. In 2014, Rural/Metro provided 10 to 15 new ambulances to  
26 Maricopa County. *Id.* at 1939.

27 C. In the event Rural/Metro strikes an agreement with the East Valley  
28 Consortium to avoid duplication of labor expense through using fire department  
29 paramedics, that would bring about a cost savings, but Rural/Metro would not  
30 commit to whether the monies saved would be used to reduce Southwest

1 Ambulance's overall expenses, or whether the savings would be passed on to  
2 the public via lower rates and charges. *Id.* at 1940-45.

3 D. Santa Clara County's statement that Rural/Metro is projecting an  
4 \$8.5 million loss, under its contract, for 2014 is generally accurate (AMR Ex. 61).  
5 *Id.* at 1947

6 E. The Santa Clara County loss will be covered by Rural/Metro  
7 Corporate, who in turn would obtain that money from corporate allocations to  
8 individual business units, including the Maricopa County operations. *Id.* at  
9 1954-56.

10 F. The attorneys handling the union litigation against Rural/Metro  
11 Corporation, within the Rural/Metro bankruptcy, are not in-house counsel. The  
12 witness could not state how much the outside law firm was charging Rural/Metro  
13 for the ongoing bankruptcy litigation during any particular month or calendar  
14 year 2014. *Id.* at 1956-57.

#### 15 **CONCLUSIONS OF LAW**

16 1. This administrative hearing was held under the authority of, and pursuant  
17 to, A.R.S. §§ 36-2234 and 41-1092, *et seq.* and A.A.C. R2-19-101, *et seq.*

18 2. AMR has the burden to prove, by a preponderance of the evidence, that  
19 the proposed CON should be granted. A.A.C. R2-19-119.

20 3. A preponderance of evidence is "[t]he greater weight of the evidence not  
21 necessarily established by the greater number of witnesses testifying to a fact but by  
22 evidence that has the most convincing force; superior evidentiary weight that, though  
23 not sufficient to free the mind wholly from all reasonable doubt, is still sufficient to  
24 incline a fair and impartial mind to one side of the issue rather than the other." BLACK'S  
25 LAW DICTIONARY 1301 (9th ed. 2009).

26 4. The Director and ADHS have jurisdiction over ground ambulance services  
27 under Arizona Revised Statutes Title 36, Chapter 21.1, Article 2 and A.A.C. Title 9,  
28 Chapter 25, Articles 9-11.

29 5. The Legislature, through the enactment of the CON statutes, mandated a  
30 fully regulated ambulance industry. ADHS, through BEMSTS, regulates ambulance

1 services in the State of Arizona, including the CON application process and the CON  
2 renewal process. See A.R.S. §§ 36-2232 through 36-2246.

3 6. In addition to the statutory framework, the ADHS adopted rules to regulate  
4 ambulance and ambulance services. See A.A.C. R9-25-901 through R9-25-1110.

5 7. Any entity that wants to operate an ambulance in the State of Arizona may  
6 do so only after being granted a CON by ADHS. A.R.S. § 36-2233.

7 8. A.R.S. § 36-2233 governs the issuance of a CON for the operation of  
8 ambulance services in this State, and requires in pertinent part:

9 A. That a CON applicant must apply for a CON on forms prescribed by  
10 the Director. A.R.S. § 36-2233(A);

11 B. That a CON applicant must demonstrate that public necessity  
12 requires the proposed service or any part of the service. A.R.S. § 36-2233(B)(2);  
13 and

14 C. That a CON applicant must demonstrate that it is fit and proper to  
15 provide the service. A.R.S. § 36-2233(B)(3).

16 9. A.A.C. R9-25-902 outlines the application requirements for a CON.

17 10. Public necessity means “an identified population needs or requires all or  
18 part of the services of a ground ambulance service.” A.A.C. R9-25-901(33). Public  
19 necessity includes, but is not limited to, a review of the need for additional transports,  
20 the financial impact of granting a new CON on the current providers, whether there is  
21 evidence of substandard performance by the existing providers, a review of current  
22 providers and the Applicant’s proposed response times. A.A.C. R9-25-903.

23 11. In determining public necessity, the Director shall also consider any  
24 information introduced at hearing on the applicable factors of A.A.C. R9-25-903. The  
25 failure to provide information on any factors identified in this rule does not, by itself,  
26 constitute grounds to deny the application. A.A.C. R9-25-903.

27 12. Further guidance on public necessity can be found in Guidance  
28 Document GC-099-PHS-EMS. AMR 1F. The concept of public necessity recognizes  
29 that the primary focus of the inquiry should be on the best interests of the public and  
30 not upon protecting the territory or property rights of current providers in the area,

1 though the impact on the current providers of service is one of the factors to be  
2 considered. See e.g., A.R.S. § 36-2236(A).

3 13. According to the Guidance Document, information to be considered  
4 includes:

- 5 • A plan for a robust, on-going benchmarking and performance  
6 improvement process that encompasses all components of the EMS  
7 system from emergency medical dispatch through emergency department  
8 arrival;
- 9 • A plan to collect and submit electronic patient care reports consistent  
10 with BEMSTS guidelines;
- 11 • A plan to adopt clinical guidelines and operating procedures for time  
12 sensitive illness consistent with best practice guidelines;
- 13 • A plan to initiate guideline-based pre-arrival instructions for all callers  
14 accessing 9-1-1 for assistance;
- 15 • Evidence of regular attendance and participation in meetings of the  
16 regional and State EMS Councils;
- 17 • A plan to ensure that ambulance service will be maintained and  
18 improved for rural communities; and
- 19 • Assurance that the service model will be cost effective and not result  
20 in higher ambulance rates.

21 14. Public necessity necessarily includes an inquiry into “need,” but this  
22 concept of need is different than the outdated Arizona Corporation Commission  
23 concept of “unmet need,” which conferred a right of first refusal upon a CON holder.

24 15. Fit and proper means “that the director determines that an application for  
25 a certificate of necessity or a certificate holder has the expertise, integrity, fiscal  
26 competence, and resources to provide ambulance service in the service area.” A.R.S.  
27 § 36-2201(21).

28 16. The Director has the authority to determine, fix, alter, and regulate just,  
29 reasonable, and sufficient rates and charges for the provision of ambulances, including  
30 rates and charges for ALS service, BLS service, mileage, standby waiting, subscription  
service contracts and other contracts related to the provision of ambulance services.  
A.R.S. § 36-2232(A)(1); A.R.S. § 36-2239; A.A.C. R9-25-1101, *et seq.*

1 17. ADHS can set uniform rates and charges for common service areas when  
2 all ambulance services in that common service area request uniform rates and charges.  
3 A.R.S. § 36-2232(E).

4 18. A.R.S. § 36-2234(E) and A.R.S. § 36-2239(A) authorizes CON holders to  
5 apply for automatic rate increases annually. These rate increases are separate and  
6 apart from any general rate increases that CON holders may request.

7 19. The Director may consider any other information or documents that may  
8 assist in evaluating the application or the proposed rates and charges. A.A.C. R9-25-  
9 902(A)(4); A.A.C. R9-25-1101(A)(10).

10 20. A CON is not a franchise, may be revoked by the Director, and does not  
11 confer a property right upon its holder. A.R.S. § 36-2236(A).

### 12 **Hearing Issues**

13 21. Pursuant to the Second Amended Notice of Hearing, the following issues  
14 were established, and based upon AMR's Application package, as amended, the  
15 exhibits admitted during the course of the hearing, the testimony of the witnesses, the  
16 issues were considered as follows:

17 **A. Whether public necessity requires the service or any part of the service**  
18 **proposed by the Applicant, and if such service would be in the public's best**  
19 **interest, as required by A.R.S. § 36-2233(B)(2) and A.A.C. R9-25-903.**

20 22. The evidence presented established that in 2012, Rural/Metro acquired  
21 additional ambulance service providers in Maricopa County, which resulted in  
22 Rural/Metro being the only private ambulance provider in the county.

23 23. Without options to seek other providers, municipalities have to rely on  
24 Rural/Metro to respond to any RFPs and to provide service to their areas.

25 24. It was uncontroverted that having only one private provider poses a risk to  
26 Maricopa County in so far as the withdrawal of that single provider, for any reason,  
27 would cause significant chaos in the delivery of ambulance service.

28 25. In 2013, Rural/Metro filed for bankruptcy. Though the bankruptcy is not,  
29 in and of itself, a concern going forward, the financial health and stability of Rural/Metro  
30

1 as it emerges from bankruptcy is a valid concern for the Department as it seeks to  
2 regulate ambulance service providers in Maricopa County.

3 26. Though the testimony presented by Rural/Metro paints a rosy picture of  
4 Rural/Metro's financial future, that picture is based on a variety of manipulations to the  
5 records submitted to the bankruptcy court to reach a conclusion that it was meeting  
6 projections. Most notably, the insistence that "non-recurring" expenses should be  
7 added back in to the calculations because they were not meant to be included is  
8 disingenuous. To the extent the expenses were those incurred prior to the bankruptcy  
9 being approved, that argument may be valid, but for additional legal expenses going  
10 forward, like those incurred in this matter and in the bankruptcy litigation with the union  
11 members, those are a cost of doing business that cannot be ignored.

12 27. It appears from the records provided that Rural/Metro will be unable to  
13 meet the financial projections for 2014 that allowed it to emerge from bankruptcy. This  
14 is not to say that Rural/Metro will collapse and withdraw from the Maricopa County  
15 market. However, since its bankruptcy, Rural/Metro has withdrawn from other markets  
16 that it deemed were not profitable.

17 28. Similarly, Rural/Metro downplayed the service issues raised as being  
18 singular events and not a systemic problem. However, prior to the bankruptcy filing  
19 and in the months since, BEMSTS has received complaints and concerns regarding  
20 Rural/Metro's performance. In fact, BEMSTS has found Rural/Metro being out of  
21 compliance with certificated response times and has ongoing investigations regarding  
22 whether Rural/Metro is still fit and proper to operate an ambulance service in Arizona.

23 29. As to the adverse financial impact to the existing CON holders, the  
24 testimony offered by Rural/Metro was incomplete and was based on data that was  
25 known to be inaccurate going forward. Using data from before the reorganization and  
26 other known changes to Rural/Metro's expenses cannot provide an accurate picture of  
27 the real financial impact.

28 30. It is noted that the statutes and regulations do not require that existing  
29 CON holders remain whole and suffer no adverse financial impact, which would  
30

1 necessarily occur at some level. Rather, an adverse financial impact is one factor to be  
2 considered.

3 31. American Medical Response, Inc. has a strong national presence and is  
4 the largest provider of ambulance service in the country. Its focus on advancing clinical  
5 excellence and improving clinical outcomes, both within its own business entities and  
6 with the public further supports its inclusion in the Maricopa County EMS system.

7 32. AMR has established that its proposed operation in Maricopa County is in  
8 the public's best interest.

9 **B. Whether the Applicant is fit and proper to provide the services proposed,  
10 as required by A.R.S. § 36-2233(B)(3).**

11 33. American Medical Response, Inc.'s has a strong nation presence in the  
12 ambulance services arena including two subsidiaries already holding CONs in Arizona.  
13 The experience and qualifications of AMR's initial management team, together with  
14 American Medical Response, Inc.'s experience, focus on clinical excellence, and  
15 financial strength and resources available through its parent, EVHC, evidence that it  
16 has the expertise, integrity, fiscal competence, and resources to provide the proposed  
17 ambulance service in the proposed service area.

18 34. AMR established by a preponderance of the evidence that it is fit and  
19 proper to provide the services proposed as defined by A.R.S. § 36-2201(21) and  
20 required by A.R.S. § 36-2233(B)(3).

21 **C. Whether the Applicant's proposed service area as set forth below is in the  
22 best interests of the public, or if some other service area should be granted by  
23 the Director, as required by A.R.S. §§ 36-2232(A)(3), 36-2233(B)(2) and 36-2233(E);  
24 A.A.C. R9-25-902 and A.A.C. R9-25-903.**

25 **Proposed Service Area (in accordance with A.R.S. § 36-2233(E)(2):**

26 **The political subdivision of Maricopa County, not limited to a  
27 specific date, with the exception of those geographic areas covered  
28 by the following C.O.N.s:**

- 29 **1. Buckeye Valley Rural Volunteer Fire District dba Buckeye Valley  
30 Volunteer Unit (C.O.N. No. 8);**

1           **2. The Fire District of Sun City West dba Fire District of Sun City**  
2           **West Ambulance Service (C.O.N. No. 114); other than the medical**  
3           **campus of Banner Del E. Webb Medical Center.**

4           **3. Daisy Mountain Fire District (C.O.N. No. 105)**

5           **4. Sun Lakes Fire District (C.O.N. No. 12)**

6           **5. Life Line Ambulance Service, Inc. (C.O.N. No. 62)**

7  
8           **The geographic area AMR requests in its C.O.N. Application does overlap**  
9           **the C.O.N. service area covered by the Phoenix Fire Department (C.O.N. No.**  
10           **76) and all C.O.N. service areas covered by the Rural/Metro and its**  
11           **subsidiaries: Canyon State Ambulance (C.O.N. No. 58), Southwest**  
12           **Ambulance and Rescue of Arizona (C.O.N. No. 66), Southwest Ambulance -**  
13           **Maricopa (C.O.N. No. 86), Rural/Metro Corp - Maricopa (C.O.N. No. 109),**  
14           **Com Trans Ambulance Service, Inc. (C.O.N. No. 46), Professional Medical**  
15           **Transport, Inc. (C.O.N. 71), American Ambulance (C.O.N. No. 75), and the**  
16           **hospital grounds of Banner Del E. Webb Medical Center at 14502 W.**  
17           **Meeker Blvd., Sun City West, AZ 85375 located within the certificated**  
18           **service area of Fire District of Sun City West Ambulance Service, C.O.N.**  
19           **No. 114.**

20           35. Though Rural/Metro raised some questions as to AMR's ability to meet  
21           response times in rural areas on the proposed service areas in addition to populated  
22           areas not covered by the "heat map," the evidence established many of the populated  
23           areas in the Phoenix metro area were covered by existing contracts in which  
24           Rural/Metro was the provider or that AMR would be able to meet the response times.

25           36. AMR established by a preponderance of the evidence that the proposed  
26           service area is in the best interests of the public.

27           **D. Whether the Applicant's proposed rates and charges, as set forth below, are**  
28           **just, reasonable, and sufficient or whether other rates and charges should be**  
29           **granted by the Director, as required by A.R.S. §§ 36-2232(A)(1) and 36-2239;**  
30           **A.A.C. R9-902, A.A.C. R9-25-903 and A.A.C. R9-25-1101, et seq.**

31           **Proposed rates and charges:**

32           i. Advanced Life Support Base Rate	<b>\$862.40</b>
33           ii. Basic Life Support Base Rate	<b>\$768.20</b>
34           iii. Mileage Rate (Per Loaded Patient Mile)	<b>\$ 17.88</b>



iv. Standby Waiting Charge (per hour)	\$192.05
v. Subscription Service	\$ 80.54
vi. Disposable supplies, medical supplies and medication and oxygen related costs	Per A.R.S. § 36-2239(D)

37. BEMSTS recommended that AMR's proposed Mileage Rate be adjusted to \$15.48 instead of the \$17.88 originally proposed. No evidence was offered to establish that the other rates were not just, reasonable, or sufficient.

38. AMR established by a preponderance of the evidence that the proposed rates and charges, with the adjusted Mileage Rate were just, reasonable, and sufficient.

**E. Whether the type and level of service proposed by the Applicant is in the best interest of the public, as required by A.R.S. § 36-2201(11)(b)-(c); A.A.C. R9-25-903(A)(4), (B), (C), and A.A.C. R9-25-901(26) and (51).**

39. AMR established by a preponderance of the evidence that the 24 hours a day, 7 days a week, emergency (911) and non-emergency inter-facility (including convalescent) transportation service proposed by AMR is in the best interests of the public.

**F. Whether the Applicant has addressed or will provide the necessary information set forth in A.A.C. R9-25-902 and as required by A.R.S. § 36-2233.**

40. AMR provided uncontroverted evidence that it has addressed all the necessary information set forth in A.A.C. R9-25-902, except for certain ministerial items that will be provided following a decision to issue a CON, but before starting operations.

41. AMR established by a preponderance of the evidence that it has address or will provide the necessary information set forth in A.A.C. R9-25-902 and as required by A.R.S. § 36-2233.

**G. If the initial C.O.N. is approved, will the C.O.N. holder operated by American Medical Response of Maricopa, LLC begin using e-PCR technology?**

42. AMR provided uncontroverted testimony that it will use e-PCR technology in connection with its proposed operation.

43. AMR established by a preponderance of the evidence that it will use e-PCR technology in connection with its proposed operation.

1 **H. If the initial C.O.N. is approved, will the C.O.N. holder operated by American**  
2 **Medical Response of Maricopa, LLC begin submitting e-PCR data to the AZ-**  
3 **PIERS system?**

4 44. AMR provided uncontroverted testimony that it will submit e-PCR data to  
5 the AZ-PIERS system.

6 45. AMR established by a preponderance of the evidence that it will submit e-  
7 PCR data to the AZ-PIERS system.

8 **I. If the initial C.O.N. is approved, will the C.O.N. holder operated by American**  
9 **Medical Response of Maricopa, LLC fully participate in the Premier EMS Agencies**  
10 **program?**

11 46. AMR provided uncontroverted testimony that it will fully participate in the  
12 Premier EMS Agency's program.

13 47. AMR established by a preponderance of the evidence that it will fully  
14 participate in the Premier EMS Agency's program.

15 **J. If the initial C.O.N. is approved, will the C.O.N. holder operated by American**  
16 **Medical Response of Maricopa, LLC fully participate in Bureau of EMS and**  
17 **Trauma System quality improvement initiatives including but not limited to**  
18 **SHARE and E.P.I.C.-TBI?**

19 48. AMR provided uncontroverted testimony that it will fully participate in all  
20 BEMSTS quality improvement initiatives, including those specifically listed.

21 49. AMR established by a preponderance of the evidence that it will fully  
22 participate in all BEMSTS quality improvement initiatives, including those specifically  
23 listed.

### 24 **RECOMMENDED DECISION**

25 In view of the foregoing, it is recommended that the Director approve the  
26 proposed Application, directing BEMSTS to issue a CON to American Medical  
27 Response of Maricopa, LLC ("AMR") upon AMR's confirmation that it is ready to  
28 immediately assume all rights and responsibilities under that CON.

29 *In the event of certification of the Administrative Law Judge Decision by the*  
30 *Director of the Office of Administrative Hearings, the effective date of the Order is five*  
*days after the date of that certification.*

Done this day, December 8, 2014.

/s/ Tammy L. Eigenheer  
Administrative Law Judge

Transmitted electronically to:

Will Humble, Director  
Arizona Department of Health Services