UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2024

OR

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

For the transition period from ______ to ______

Commission File Number 001-34221

ModivCare Inc.

(Exact name of registrant as specified in its charter)

Delaware	**86-0845127**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

6900 E Layton Avenue, 12th Floor,

Denver, Colorado	**80237**
(Address of principal executive offices)	(Zip Code)

(720) 258-2130
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, $0.001 par value per share	MODV	The NASDAQ Global Select Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§223.405 of this chapter) during the preceding 12-months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates computed by reference to the price at which the common equity was last sold on The NASDAQ Global Select Market as of the last business day of the registrant’s most recently completed second fiscal quarter was $291.8 million.

As of February 21, 2025, there were 14,340,049 shares outstanding (excluding treasury shares of 5,420,769) of the registrant’s common stock, $0.001 par value per share.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference into Part III of this Annual Report on Form 10-K: the registrant’s definitive proxy statement to be filed with the Securities and Exchange Commission under cover of Schedule 14A with respect to the registrant’s 2025 Annual Meeting of Stockholders; provided, however, that if such proxy statement is not filed on or before April 30, 2025, such information will be included in an amendment to this Annual Report on Form 10-K filed on or before such date.

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Part I

In this Annual Report on Form 10-K (this "Annual Report"), the words the “Company”, the “registrant”, “we”, “our”, “us”, “ModivCare” and similar terms refer to ModivCare Inc. and, except as otherwise specified herein, its consolidated subsidiaries. When such terms are used in reference to the Company’s common stock, $0.001 par value per share, or our “Common Stock”, we are referring specifically and only to the capital stock of ModivCare Inc.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains statements that may be deemed “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Rule 175 promulgated thereunder, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Rule 3b-6 promulgated thereunder, including statements related to the Company’s strategies or expectations about revenues, liabilities, results of operations, cash flows, ability to fund operations, profitability, ability to meet financial covenants, contracts or market opportunities. The Company may also make forward-looking statements in other reports and statements filed with the Securities and Exchange Commission (the “SEC”), in materials delivered to stockholders and in press releases. In addition, the Company’s representatives may from time to time make oral forward-looking statements. In many cases, you may identify forward looking-statements by words such as “may”, “will”, “should”, “could”, “expect”, “plan”, “project”, “intend”, “anticipate”, “believe”, “seek”, “estimate”, “predict”, “potential”, “target”, “forecast”, “likely”, the negative of such terms or comparable terminology. In addition, statements that are not historical statements of fact should also be considered forward-looking statements. These forward-looking statements are based on the Company’s current expectations, assumptions, estimates and projections about its business and industry, and involve risks, uncertainties and other factors that may cause actual events to be materially different from those expressed or implied by such forward-looking statements. The factors included below under the caption “Summary Risk Factors” and described in further detail below under Item 1A. *Risk Factors* in Part I of this Annual Report are included among such risks and uncertainties.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made and are expressly qualified in their entirety by the cautionary statements set forth herein. The Company is under no obligation to (and expressly disclaims any such obligation to) update any of the information in any forward-looking statement if such forward-looking statement later turns out to be inaccurate, whether as a result of new information, future events or otherwise, except to the extent otherwise required by applicable law. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

SUMMARY OF RISK FACTORS

An investment in shares of our common stock involves a high degree of risk. If any of the factors listed below and described in more detail with the other identified risk factors included in the section entitled "Risk Factors" under Item 1A of this Annual Report occurs, our business, financial condition, liquidity, results of operations and prospects could be materially adversely affected. In that case, the market price of our common stock could decline, and you could lose some or all of your investment. Some of the most material risks relating to an investment in our common stock include the impact or effect on our Company and its operating results, or its investors, of:

Risks Related to Our Industry

- government or private insurance program funding reductions or limitations;
- alternative payment models or the transition of Medicaid and Medicare beneficiaries to Managed Care Organizations;
- our inability to control reimbursement rates received for our services;
- cost containment initiatives undertaken by private third-party payors and an inability to maintain or reduce our cost of services below rates set forth by our payors;
- inadequacies in, or security breaches of, our information technology systems, including the systems intended to protect our own, our clients', our consumers', and our employees' confidential information; and
- the effects of any public health emergency;

Risks Related to Our Business and Operations

- any changes in the funding, financial viability or our relationships with our payors;
- delays in collection, or non-collection, of our accounts receivable, particularly during any business integration;
- an impairment of our goodwill and long-lived assets;
- any failure to maintain or to develop reliable, efficient and secure information technology systems;
- an inability to attract and retain qualified employees;
- any acquisition or acquisition integration efforts;
- weakening of general economic conditions in the markets in which we do business, including the impact of inflationary pressures, rising interest rates, labor shortages, higher labor costs, and supply chain challenges;
- estimated income taxes being different from income taxes that we ultimately pay;
- any failure to successfully implement our business plan, including planned strategic divestitures of certain assets;
- historical operating losses and negative cash flow and any failure to improve our financial condition;
- significant turnover of our senior management team and across our organization;
- ongoing negotiations related to new capital investments may require a substantial portion of time from our management; and
- pandemics and other infectious diseases;

Risks Related to Our NEMT Segment

- our contracts not surviving until the end of their stated terms, or not being renewed or extended;
- our failure to compete effectively in the marketplace;
- our not being awarded contracts through the government's requests for proposals process, or our awarded contracts not being profitable;
- any failure to satisfy our contractual obligations or to maintain existing pledged performance and payment bonds;
- a failure to estimate accurately the cost of performing our contracts;
- the extended collection periods and uncertainty concerning the timing of the collection of outstanding contract receivables; and
- any misclassification of the drivers we engage as independent contractors rather than as employees; and
- significant interruptions in our communication and data services;

Risks Related to Our PCS Segment

- not successfully executing on our strategies in the face of our competition;
- any inability to maintain relationships with existing patient referral sources;
- certificates of need, or CON, laws or other regulatory and licensure obligations that may adversely affect our personal care integration efforts and expansion into new markets;
- any failure to obtain the consent of the New York Department of Health to manage the day to day operations of our licensed in-home personal care services agency business;
- changes in the case-mix of our personal care patients, or changes in payor mix or payment methodologies;
- our loss of existing favorable managed care contracts;
- our experiencing labor shortages in qualified employees and management;
- labor disputes or disruptions, in particular in New York; and
- becoming subject to malpractice, professional negligence or other similar claims;

Risks Related to Our Monitoring Segment

- our operating in the competitive patient monitoring industry, and failing to develop and enhance related technology applications; and
- any failure to innovate and provide services that are useful to customers and to achieve and maintain market acceptance;

Risks Related to Our Corporate and Other Segment

- our lack of sole decision-making authority with respect to our minority investment in Matrix and any failure by Matrix to achieve positive financial position and results of operations;
- our investment in innovation includes a management services organization ("MSO") - professional corporation ("PC") model, whereby the PC is owned and operated by a licensed physician and provides virtual clinical care management services, and the MSO provides administrative services under an administrative services agreement, which could become subject to legal challenges;
- the PC and medical practitioners providing virtual clinical care services may become subject to medical liability claims which may impact their ability to deliver the service; and
- failure for telehealth flexibilities currently permitted under the Consolidated Appropriations Act of 2023 to be extended, which would limit our ability for new patient encounters to occur;

Risks Related to Governmental Regulations

- the cost of our compliance or non-compliance with existing laws;
- changes to the healthcare regulatory landscape applicable to our businesses including the final rule by the Centers for Medicare and Medicaid Services ("CMS") titled *Ensuring Access to Medicaid Services Final Rule*;
- a loss of Medicaid coverage by Medicaid beneficiaries as a result of state Medicaid eligibility redetermination processes;
- changes in budgetary priorities of the government entities or private insurance programs that fund our services;
- regulations relating to privacy and security of patient and service user information, including recent and future revisions to the HIPAA Rules related to reproductive health and cybersecurity, among others;
- any failure to comply with applicable interoperability and information blocking rules and nondiscrimination requirements;
- actions for false claims or recoupment of funds;
- civil penalties or loss of business for failing to comply with bribery, corruption and other regulations governing business with public organizations;
- increasing scrutiny and changing expectations with respect to environmental, social and governance (“ESG”) matters may impose additional costs on us, impact our access to capital, or expose us to new or additional risks;
- changes to, or violations of, licensing regulations, including regulations governing surveys and audits; and
- our contracts being subject to audit and modification by the payors with whom we contract, at their sole discretion;

Risks Related to Our Indebtedness and Economic Conditions

- our existing debt agreements containing financial covenants and cross-default provisions that limit our flexibility in operating our business;
- inability to generate sufficient cash to service all of our indebtedness which may require us to raise additional capital in the future;
- any expiration of our Credit Agreement (as defined below) or loss of available financing alternatives;
- our ability to incur substantial additional indebtedness; and
- our substantial doubt about our ability to meet our obligations as they come due within one year from the date of issuance of the financial statements included within this report;

Risks Related to Our Common Stock

- any failure to successfully remediate any control deficiency or material weakness in our internal control over financial reporting;
- future sales of shares of our common stock by existing stockholders;
- our stock price volatility;
- our dependence on our subsidiaries to fund our operations and expenses;
- securities analysts failing to publish research or publishing misleading or unfavorable research about us; and
- anti-takeover provisions could discourage a change of control of our company and affect the trading price of our stock.

The foregoing risk factors are not necessarily all of the factors that could cause our actual results, performance or achievements to differ materially from expectations. Other unknown or unpredictable factors also could harm our results. Investors and other interested parties are encouraged to read the information included under the section captioned “Risk Factors” below, which describes other risk factors not summarized above, in its entirety before making an investment decision about our securities.

Item 1. *Business.*

Overview

ModivCare Inc. ("ModivCare" or the "Company") is a technology-enabled healthcare services company that provides a suite of integrated supportive care solutions for public and private payors and their members. Its value-based solutions address the social determinants of health ("SDoH") by connecting members to essential care services. By doing so, ModivCare helps health plans manage risks, reduce costs, and improve health outcomes. ModivCare is a provider of non-emergency medical transportation ("NEMT"), personal care services ("PCS"), and in-home monitoring solutions ("Monitoring"), which serve similar, highly vulnerable patient populations. The technology-enabled operating model in its NEMT segment includes the coordination of non-emergency medical transportation services supported by an infrastructure of core competencies in risk underwriting, contact center management, network credentialing, and claims management. Additionally, its personal care services in its PCS segment include placements of non-medical personal care assistants, home health aides and nurses primarily to Medicaid patient populations in need of care monitoring and assistance performing daily living activities in the home setting. ModivCare's in-home monitoring solutions in its Monitoring segment include in-home clinical monitoring and quality improvement services that leverage personal emergency response systems, vitals monitoring devices, relationship-based care, and data-driven patient engagement solutions.

ModivCare also holds a 43.6% minority interest in CCHN Group Holdings, Inc. and its subsidiaries, which operates under the Matrix Medical Network brand ("Matrix"). Matrix, which is included in its Corporate and Other segment, maintains a national network of community-based clinicians who deliver in-home and on-site services.

Our Development

ModivCare Inc. is a Delaware corporation that was formed in 1996. The Company completed its initial public offering, or IPO, of its common stock in August 2003 and its shares have been listed for trading on the Nasdaq Stock Market, or NASDAQ, since its IPO. ModivCare's shares of common stock currently trade on the NASDAQ Global Select Market under the ticker symbol "MODV".

ModivCare has grown its business since its IPO into the company it is today through organic growth as well as a series of acquisitions of companies operating primarily in related, or tangentially related, industries, as follows, with respect to its continuing operations:

- In December 2007, we acquired all of the outstanding equity of Charter LCI Corporation, the parent company of LogistiCare, Inc. (now ModivCare Solutions, LLC), which formed the foundation of our NEMT segment operations, for cash and 418,952 shares of our common stock totaling approximately $220.0 million;
- In October 2014, we acquired all of the outstanding equity of Matrix for cash and common stock totaling approximately $390.7 million, and subsequently in October 2016, affiliates of Frazier Healthcare Partners (Frazier) obtained a 53.2% majority interest in Matrix through a stock subscription, and we received a distribution from Matrix totaling approximately $381.2 million;
- In September 2018, we acquired all of the outstanding equity not already owned by us of Circulation, Inc., which extended our business to include an NEMT technology platform that allows for real time notifications to members on their mobile devices, integration with a wide variety of advanced traffic management systems, or ATMS, and transportation network companies, real time ride tracking, network management and analytics, for cash totaling approximately $45.1 million;
- In May 2020, we acquired all of the outstanding equity of National MedTrans, LLC, which expanded our NEMT business to include more than five million trips to its approximately two million members on behalf of state Medicaid agencies and Managed Care Organizations (MCOs) across 12 states, for cash totaling approximately $80.0 million;
- In November 2020, we acquired all of the outstanding equity of OEP AM, Inc., a Delaware corporation doing business as Simplura Health Group, or Simplura, which formed the foundation of our PCS segment operations, for cash totaling approximately $575.0 million subject to customary adjustments;
- In May 2021, we acquired the transportation management software WellRyde from nuVizz which increased the Company's technology platform for its NEMT network, for cash totaling approximately $12.0 million;
- In September 2021, we acquired all of the outstanding equity of Care Finders Total Care, or Care Finders, which added to our existing PCS segment operations, for cash totaling approximately $340.0 million subject to customary adjustments;
- In September 2021, we acquired all of the outstanding equity of VRI Intermediate Holdings, LLC, or VRI, which formed the foundation of our Monitoring segment operations, for cash totaling approximately $315.0 million subject to customary adjustments;

- In May 2022, we acquired all of the outstanding equity of Guardian Medical Monitoring, or GMM, which expanded our Monitoring segment operations, for cash totaling approximately $71.3 million subject to customary adjustments;
- In May 2022, we acquired customer contracts from an entity in the personal care industry, which expanded our PCS segment operations, for cash totaling approximately $7.6 million subject to customary adjustments; and
- In March 2023, we acquired developed technology in our Corporate and Other segment as an investment in innovation related to expanding our virtual care, digital engagement, monitoring capabilities, and member insights and analytics.

O***ur Strategies***

ModivCare has grown from a stand-alone non-emergency medical transportation provider to a company with multi-faceted supportive care solutions focused on improving SDoH. Our services include non-emergency medical transportation, personal care services and in-home monitoring solutions. Our strategic framework emphasizes our focus on centralizing and standardizing operations to support all of our supportive care services. By adhering to this strategy, we aim to cultivate best practices, achieve operational scalability and efficiencies, and standardize processes to ensure an optimal experience for both our members and customers. ModivCare is focused on aligning our people, processes, and technology for each business segment while integrating data across our point solutions to better serve our members and customers.

ModivCare is focused on execution, growth, and results. To highlight a couple of strategic initiatives in our business segments:

- NEMT – our transportation network is selected using a partnership model with credentialed transportation providers to ensure we provide our members with high quality service and on-time performance. Our multi-modal strategy ensures that members receive the most appropriate type of ride, whether it is a traditional sedan, ride share, public transit, or a family member driving the member and receiving mileage reimbursement. Our focus is to make sure our members have the best transportation experience tailored to their individualized transportation needs. Our NEMT segment strategy is to drive operational efficiencies and optimize performance, using our omnichannel member engagement model, multi-modal network strategy, and digital customer integration.

- PCS – our personal care team remains focused on streamlining its operations through centralizing and standardizing non-clinical functions and certain operational processes across our network of personal care offices. This strategy will empower and enable caregivers to focus on providing high quality services to members and minimize the time spent on administrative functions and expand our workforce development to improve recruiting and retention efforts. This operational advancement in PCS coupled with the recruiting and retention efforts deployed to enhance our caregiver engagement will drive growth and ensure increased member and caregiver satisfaction.

- Monitoring – our monitoring team is focused on gaining market share through referral sales growth and strengthening our long-standing relationships with managed care organizations. We are continuing to innovate and invest in technology and comprehensive data analytics to advance our position as a leader in the in-home monitoring industry.

Technology Enhancements

At the core of our operational and technological strategies is a focus on driving member satisfaction and enhancing our technological capabilities to support each members care experience. Our technology solutions at our NEMT segment aim to improve the member experience by providing real-time visibility into trip status, optimized trip routing, and automated trip assignments and billing. Our technology platform and continued technological enhancements reduce inbound calls from members that require assistance identifying the location of the transportation provider, improve on-time performance, and reduce costs while increasing efficiency and member satisfaction. Specifically, our platform and continuous investment in technology improvements, as well as digital customer integration, provide opportunities for revenue growth and reduced costs as well as the following additional benefits:

- member communications through texting, email and automated calls, including the ability for the member to see the location of the transportation provider in real time on a mobile device;
- optimized routing from industry-leading technology software;
- automated trip assignments allowing for proactive management for rejected, canceled and late rides;
- automated billing allowing for more precise and timely mileage logs and service outcomes; and
- driver application enhancements for transportation providers.

With respect to our PCS segment, process improvements, augmented by technology, are expected to help reduce costs while maintaining quality patient care. In addition, we strive to become the employer of choice in each of our PCS segment markets. Our scale and density in these markets allow us to provide the number of weekly work hours our caregivers desire, which gives us a competitive advantage in recruitment and retention of caregivers that might otherwise need to work for several agencies to obtain the desired number of work hours.

With respect to our Monitoring segment, the suite of technology-enabled in-home solutions provides improved patient outcomes with peace-of-mind support and reduced costs to payers which drives value and deepens our engagement with members. Greater access to real time information, enabled through our technology and monitoring devices, provides us the ability to shorten cycle times to help identify and resolve client and member issues.

Organic Growth

- *NEMT Segment*. Across the healthcare market, we see an increasing understanding of the benefit of removing transportation as a barrier to care and a way to improve other determinants of health, such as access to food, shelter, socialization, and medication. We believe that our scale, deep experience, operational strategy, and technology tools uniquely position us to address member needs related to access to transportation for vulnerable populations. We approach sales, marketing and business development in a manner that is focused on driving market share in our core Medicaid market, including states and MCOs, Medicare Advantage plans, health systems and providers. Simultaneously, we target business development efforts with partners to enter new transportation markets, including the movement of home health providers, pharmacy delivery and beneficiaries of workers compensation.

- *PCS Segment*. We intend to continue to grow in our existing markets for personal care services by:

    - increasing recruiting and expanding our caregiver workforce;
    - developing and retaining our caregivers;
    - delivering consistent and reliable quality of care;
    - leveraging and expanding existing payor and referral source relationships; and
    - strategic de novo sites to increase density and scale.

  Our business development activities in this area include community outreach in each of our markets, where we educate referral sources about the benefits of personal care services and the programs available to patients. We believe that demographic trends such as an aging population and longer life expectancies will increase the size of our addressable market, and that the demand for in-home personal care will further increase because it is the lowest cost healthcare setting and therefore preferred by payors and also by patients, who also tend to prefer to receive care in their own homes over institutional settings. We also believe that the carve-in of personal care into Medicare Advantage plans provides further opportunity for organic growth. As one of the largest platforms providing in-home personal care, we differentiate our services by providing broad geographic coverage in both urban and rural areas and the capability to offer a broad suite of services and manage complex cases involving high-needs patients. In addition, we are working with MCOs and other payors to lower the overall cost of care and improve outcomes by managing risk factors, such as falls, and using technology solutions to provide early indicators of change in condition to avoid hospitalization. With these capabilities, we strive to be the provider of choice for in-home personal care services and intend to continue differentiating our services from the competition and winning market share by relying on strong regional leadership, clinical capabilities, qualified and well-trained caregivers and investment in technology.

- *Monitoring Segment*. We see the opportunity for in-home clinical monitoring and quality improvement services that leverage personal emergency response systems, vitals monitoring devices, relationship-based care, and data-driven patient engagement solutions, to provide an alternative to existing costly healthcare services, which can be obtained in the safety and comfort of our members' homes. We believe that there is a natural untapped market with considerable growth opportunities that we can reach by leveraging our existing relationships with Medicaid and Medicare Advantage plans and marketing the reduced cost of providing coverage for in-home monitoring solutions while also resulting in improved patient outcomes and enhanced patient engagement and experience. Further, we believe that demographic trends such as the aging population and increasing prevalence of chronic illness increase the addressable market to support patients that demand in-home solutions where they are able to maintain their independence and avoid long-term care facilities, preventable emergency room use, hospitalization, and hospital readmission. Along with the demographic trends, structural changes in the healthcare industry driven by the pandemic have accelerated the shift to virtual healthcare solutions and highlighted the efficiencies and cost effectiveness of providing virtual health solutions. By addressing this sizable market that is expected to increase with the shift in the demographic trends and structural changes in the industry toward value-based solutions, we also see an opportunity to address additional payors in order to provide awareness of the benefits of in-home monitoring solutions in order to expand the number of payors that offer coverage for this solution and expand our geographic span as we strive to be the provider of choice for in-home monitoring services.

Inorganic Growth

- NEMT Segment. We believe our experience, relationships in the industry, scale and executive team strongly position us to be a consolidator in healthcare transportation. Our acquisition strategy may include an evaluation of new entrants, which may not be able to otherwise compete without the benefits of scale and experience, and closely-held businesses that may seek a new capital structure or sale to achieve liquidity for founders. With our strong team and track record, we believe we are a natural consolidator.

- PCS Segment. We believe there is a significant opportunity for continued growth through acquisition in both new and existing personal care services markets. The personal care services industry is highly fragmented, and smaller competitors are finding it increasingly difficult to compete as payors look to narrow their provider networks and contract with providers of scale that can offer a wide breadth of services and capabilities across a broad geographic area. Moreover, smaller competitors may not have the capital to invest in technology and lack the market density to attract caregivers. We will continue to explore opportunities to acquire regional providers to enter into new markets, and tuck-in acquisitions to grow our presence in existing markets, as well as to branch out into adjacent businesses.

- Monitoring Segment. We believe there are opportunities for growth through acquisitions in the in-home monitoring market. The in-home monitoring industry is highly fragmented, and we believe that our scale and healthcare-centric platform provide us with the ability to acquire companies in new markets and regions and expand our breadth of operations. Technological innovation is also a critical component of the industry's growth. We believe that our technology agnostic platform allows us to efficiently acquire companies that offer newer technologies and service offerings that we can leverage to accelerate our existing technology and offerings. We will continue to evaluate acquisition opportunities in the Monitoring segment to supplement our growth going forward.

Strategic Capital Allocation

We seek to manage and allocate capital in a way that creates value and supports the execution of our business strategy. The operations of our respective business segments contribute the primary source of capital to the Company supplemented by any issuances by the Company in the capital markets. Our NEMT segment has continued to generate strong revenue growth for the Company. Further, our PCS segment has shown consistent revenue growth and maintains an asset-light model. Our Monitoring segment has also contributed to our continued growth with a strong profit margin. We will continue to focus on operational efficiencies by investing in platforms that streamline our operations and seek to enhance our technical capabilities through technological initiatives in an effort to enhance our client and member experience. We are implementing technology enhancements and service protocols intended to promote best practices, enhance the member experience, and improve the operating effectiveness and efficiency of our case management, training, staffing, scheduling and labor management. We will also continue to assess the opportunities for capital deployment in order to create value for stockholders, which may include dividends, share repurchases and acquisitions.

Our Operations

We are a technology-enabled, healthcare services company that is the nation's largest manager of non-emergency medical transportation programs for state governments and MCOs, a leading in-home personal care services provider in the seven eastern states where we provide those services, and a leading provider of in-home monitoring solutions. Our core competencies in NEMT include contact center management, network credentialing, claims management and non-emergency medical transport management. Our in-home personal care services include placements of non-medical personal care assistants, home health aides and nurses primarily to Medicaid patient populations in need of care monitoring and assistance performing daily living activities, including senior citizens and disabled adults. Our in-home monitoring services include in-home clinical monitoring and quality improvement services that leverage personal emergency response systems, vitals monitoring devices, relationship-based care, and data-driven patient engagement solutions.

By offering our suite of integrated supportive care solutions for our payors and members, we are focused on becoming among the nation's preeminent SDoH companies and delivering better care in the home, enhancing patient lives, and reducing healthcare costs. We report our operations as described above under four separate business segments: NEMT; PCS; Monitoring; and Corporate and Other, each of which is described below in greater detail following the next subsection captioned "Business Trends".

Business Trends

Our performance is affected by a number of trends that drive the demand for our services. In particular, the markets in which we operate are exposed to healthcare industry trends and shifts in demographic dynamics. Over the long term, we believe there are numerous factors that could affect growth within the industries in which we operate, including:

- an aging population, which is expected to increase demand for healthcare services including required transportation to such healthcare services, in-home personal care services, and monitoring services;
- increasing prevalence of chronic illnesses that require active and ongoing monitoring of health data which can be accomplished at a lower cost and result in better health outcomes through in-home personal care and monitoring services;
- a movement towards value-based care versus fee-for-service and cost plus care and budget pressure on governments, both of which may increase the use of corporations to provide necessary and innovative services;
- increasing demand for in-home care, driven by cost pressures on traditional reimbursement models and technological advances enabling remote engagement, including remote monitoring and similar internet-based health related services;
- a shift in membership dynamics as a result of any Medicaid redetermination efforts, which have and may continue to decrease membership levels at our NEMT segment;
- advancement of regulatory priorities, which include the Centers for Medicare and Medicaid Services ("CMS") final rule, *Ensuring Access to Medicaid Services*, which, in six years, requires states to generally ensure that a minimum of 80.0% of Medicaid payments are used toward compensation for direct care workers, which may lower profit margins at our PCS segment;
- technological advancements, which may be utilized by us to improve services and lower costs, but may also be utilized by others, which may increase industry competitiveness;
- MCO, Medicaid and Medicare plans increasing coverage of non-emergency medical transportation services for a variety of reasons, including increased access to care, improved patient compliance with treatment plans, social trends, and to promote SDoH, and this trend may be accelerated or reinforced by The Consolidated Appropriations Act of 2021 ("H.R.133"), a component of which mandates that state Medicaid programs ensure that Medicaid beneficiaries have necessary transportation to and from health care providers;
- macroeconomic conditions, including the impact of inflationary matters and changes in interest rates, which may impact the industries in which we operate and our customers' ability to utilize the services we and our competitors provide; and
- extended collection periods, which may cause uncertainty concerning the timing of the collection of outstanding contract receivables with some customers due to complexities in Medicare, Medicaid, and nongovernmental payor arrangements.

Changes in the composition of the United States population are expected to continue to drive an increase in demand for all health-related services, including non-emergency medical transportation, in-home personal care, and monitoring services. These demographic shifts include, but are not limited to, an aging U.S. population, increased life expectancy, increased prevalence of chronic health conditions, and patients' preference to receive home-based care. The population of individuals aged 65 years and older nationally has been consistently growing and the U.S. Census Bureau estimates that starting in 2030, when all baby boomers will be older than 65 years, Americans 65 years and older will make up 20.6% of the population. Presently, Americans 65 years and older are estimated to make up 18.3% of the population. Concurrently, approximately 60.0% of adults in the U.S. have one reported chronic health condition with approximately 40.0% of adults in the U.S. reporting two or more. With the increasing population of Americans aged 65 and older and the significant increase in the occurrence of chronic diseases, demand for lower-cost solutions in lieu of costly doctor visits and institutional care will continue to grow.

This demographic shift will continue to drive an increase in demand for transportation services from this vulnerable population. Each year, millions of members are estimated to miss out on medical care due to lack of transportation. Non-emergency medical transportation solutions enable access to care that not only improves the quality of life and health of the patients receiving services, but also enable many of the individuals to pursue independent living in their homes rather than in more expensive institutional care settings. In addition, studies have shown that missed medical appointments disrupt ongoing patient care plans which can lead to delayed care and increased emergency room visits as well as unresolved medical problems. Moreover, providing access to healthcare transportation services allows patients to utilize preventive care solutions to identify and mitigate health risks at earlier intervals which can lower the cost of overall care by avoiding potentially more serious, costly emergency services at the onset of a health condition. In our NEMT segment, we specialize in offering services tailored to individuals with specific transportation needs. To ensure the highest standards of service, we complete the credentialing process for our transportation providers well before any service is rendered. This proactive approach ensures that we accurately match each member with a transportation provider that best suits their unique requirements, guaranteeing a seamless experience.

Members are thus assured of receiving personalized service, with their sole responsibility being to initiate the scheduling of their ride.

The U.S. personal care services market also benefits from the strong demographic trends of the aging U.S. population, increased life expectancy, and a shift toward value-based care, which is moving care away from more expensive institutional settings and into the preferred setting of the individuals' home. Personal care services are a significant component of home and community-based services, which have grown in significance and demand in recent years. Many consumers in this segment need services on a long-term basis to address chronic conditions. Payors establish their own eligibility standards, determine the type, amount, duration and scope of services, and establish the applicable reimbursement rate in accordance with applicable law, regulations or contracts. By providing services in the home to members who require long-term care and support with the activities of daily living, personal care service providers lower the cost of treatment by delaying or eliminating the need for care in more expensive settings, such as nursing homes and long-term rehabilitation facilities. In addition, caregivers observe and report changes in the condition of patients for the purpose of facilitating early intervention in the disease progression, which often reduces the cost of medical services by preventing unnecessary emergency room visits and/or hospital admissions and re-admissions. By providing care in the preferred setting of the home and by providing opportunities to improve the patient's conditions and allow early intervention, personal care also is designed to improve patient outcomes and satisfaction.

The personal care services industry developed in a highly fragmented manner, with few large participants and many small ones. Few companies have a significant market share across multiple regions or states. We expect ongoing consolidation within the industry, driven by the desire of payors to narrow their networks of service providers, and as a result of the industry's increasingly complex regulatory, operating and technology requirements. We believe we are well positioned to capitalize on a consolidating industry given our reputation in the market, strong payor relationships and integration of technology into our business model.

The in-home monitoring services market also supports the shift toward value-based care as it provides patient self-management and care management operations which support and enable seniors, the chronically ill, and persons with disabilities to maintain their independence and avoid long-term care facilities, preventable emergency room use, hospitalization, and hospital readmission. With the increasing population of Americans 65 and older and the significant increase in the occurrence of chronic diseases, demand for at-home care solutions in lieu of costly doctor visits and institutional care will continue to grow. This is further driven by structural changes that have occurred in the healthcare industry as a result of the COVID-19 pandemic toward virtual healthcare solutions. As in-home monitoring has continued to grow in popularity, this has supported the underlying trend showing increased desire of seniors and individuals to "age-in-place" while also receiving a comparable standard of care.

Monitoring also provides the ability to leverage the data analytics obtained in order to produce actionable insights to drive proactive patient interventions which are especially valuable given the growing occurrence of chronic illness, as discussed above. These conditions require ongoing and active management and the use of remote monitoring solutions can work to manage symptoms and keep costs for individuals lower in the long-term. Remote monitoring services allow patients to monitor symptoms from home which decreases the strain on hospitals that have capacity constraints and ensures continued care and interaction with patients. This tech-enabled healthcare solution is covered by Medicare, Medicaid, and many private insurers that set eligibility criteria and establish reimbursement rates in accordance with applicable law, regulations or contracts and has gained significant traction during the COVID-19 pandemic where patients and providers were able to experience the value of remote health solutions while increasing patient experience and retention. This solution has many facets and we believe we are well positioned as the preeminent leader in providing solutions to address the social determinants of health that will work in tandem to increase payor and member value across our holistic suite of solutions.

NEMT Segment

We provide non-emergency medical transportation solutions to our members after obtaining contracts with the third-party payors that we have relationships with, including state governments and MCOs, in 48 states and the District of Columbia. Throughout 2024, approximately 29.5 million average monthly members were eligible to receive our transportation services and we managed approximately 36.8 million trips.

We primarily contract with state Medicaid programs and MCOs, including Medicare Advantage plans, for the coordination of their members', who are our "end-users", non-emergency medical transportation needs. Our customers are typically Medicaid or Medicare eligible members whose limited mobility or financial resources hinder their ability to access necessary healthcare and social services. We believe our transportation services enable access to care, as well as access to meals, shelter, socialization, and the pharmacy, that not only improve the quality of life and health of the populations we serve, but also enable many of the individuals we serve to pursue independent living in their homes rather than in more expensive institutional care settings. We provide access to non-emergency medical transportation services on a more cost-effective basis than self-administered state Medicaid or MCO transportation programs while improving the lives and health outcomes of the populations we serve.

To fulfill the transportation needs of our customers, we apply our proprietary technology platform to an extensive network of approximately 4,100 transportation resources. This includes our in-network roster of fully contracted third-party transportation providers who operate sedans, wheelchair equipped vehicles, multi-passenger vans and ambulances. Our system also utilizes relationships with on-demand transportation network companies, mass transit entities, mileage reimbursement programs, taxis and county-based emergency medical service providers. To promote safety, quality and compliance, our in-network transportation providers undergo an in-depth credentialing and education process.

Our transportation management services also include fraud, waste, and abuse prevention and identification through utilization review programs designed to monitor that our transportation services are provided in compliance with Medicaid and Medicare program rules and regulations as well as to remediate issues that are identified. Compliance controls include ongoing monitoring, auditing and remediation efforts, such as validating end-user eligibility for the requested date of service and employing a series of gatekeeping questions to verify that the treatment type is covered and the appropriate mode of transportation is assigned. We also conduct post-trip confirmations of attendance directly with the healthcare providers for certain repetitive trips, and we employ field monitors to inspect transportation provider vehicles and to observe transports in real time. Our claims validation process generally limits payment to trips that are properly documented, have been authorized in advance, and are billed at the pre-trip estimated amount. Our claims process is increasingly digital, which provides more protection to member protected health information and reduces the impact on the environment. Transportation providers are able to submit their bills and supporting documentation directly to us through a secured web portal.

Contracts with state Medicaid agencies are typically for three to five years with multiple renewal options. Contracts with MCOs continue until terminated by either party upon reasonable notice in accordance with the terms of the contract and allow for regular price adjustments based upon utilization and transportation cost. As of December 31, 2024, 24.0% of NEMT segment revenue was generated under state Medicaid contracts that are subject to renewal within the next 12 months. While we typically expect to renew these contracts as they approach their term, we may receive notice from customers that they are terminating or not renewing their contracts upon expiration.

The NEMT segment generated 80.9% of its revenue in 2024 under capitated contracts. Under capitated contracts, payors pay a fixed amount per eligible member. We assume the responsibility of meeting the covered healthcare related transportation requirements based on per-member per-month fees for the number of eligible members in the customer's program. Revenue is recognized based on the population served during the period. Certain of our capitated contracts are structured as shared risk contracts and have provisions for reconciliations, risk corridors or profit rebates. For shared risk contracts with reconciliation provisions, capitation payment is received as a prepayment during the month service is provided. These prepayments are periodically reconciled based on actual cost and/or trip volume and may result in refunds to the customer, or additional payments due from the customer. Contracts with risk corridor or profit rebate provisions allow for profit within a certain corridor and once we reach profit level thresholds or maximums, we discontinue recognizing revenue and instead record a liability within the accrued contract payable account. This liability may be reduced through future increases in trip volume or periodic settlements with the customer. While a profit rebate provision could only result in a liability from this profit threshold, a risk corridor provision could potentially result in receivables if the Company does not reach certain profit minimums, which would be recorded in the contract receivables account.

The remaining 19.1% of NEMT segment revenue was generated under other types of fee arrangements, including administrative services only and fee-for-service ("FFS"), under which fees are generated based upon billing rates for specific services or defined membership populations. Revenue under FFS contracts represents revenue earned under non-capitated contracts in which we bill and collect a specified amount for each service that we provide. FFS revenue is recognized in the period in which the services are rendered and is reduced by the estimated impact of contractual allowances.

As further discussed in the sections titled "*Risk Factors*" and "*Management's Discussion and Analysis - Liquidity*," shared risk contracts with provisions for reconciliation, risk corridors, or profit rebates have resulted in an extended amount of time between the fulfillment of our performance obligations and the collection of cash owed for our services. In an effort to shorten collection times, we have been focused on transitioning some of our shared risk contracts to FFS contracts.

- *Customers*. In 2024, contracts with state Medicaid agencies and MCOs, including Medicare agencies, represented 100.0% of NEMT segment revenue. The NEMT segment does not derive any of its revenue from private pay or other contracts. The NEMT segment derived approximately 10.9%, 11.2% and 10.9% of its revenue from a single state Medicaid agency for the years ended December 31, 2024, 2023 and 2022, respectively. The next four largest NEMT segment customers by revenue comprised in the aggregate approximately 22.4%, 19.8% and 19.8% of NEMT segment revenue for the years ended December 31, 2024, 2023 and 2022, respectively.

- *Development Efforts and New Product Offerings*. The delivery of our NEMT program is dependent upon a highly integrated platform of technology and business processes as well as the management of a multifaceted network of third-party transportation providers. Our technology platform is purpose-built for the unique needs of our industry and is highly scalable; capable of supporting substantial growth in our clients' current and future membership base. In addition, our technology platform efficiently provides a broad interconnectivity among end-users, customers, and our network of transportation providers. We believe this technological capability and our industry experience position us well as a leader in the evolving healthcare industry to introduce valuable population insights. We also believe that it will enable us to deliver to our customers and end-users a single repeatable model that standardizes our offerings and is more customer-centric across each contact center. We provide service offerings and technological features for end-users to improve service levels, lower costs and build the foundation for additional data analytics capabilities. We have implemented a modern, cloud based, interactive, voice responsive automated call distribution and work force management system across all contact centers. Our technology also allows for real time notifications to members on their mobile devices, integration with a wide variety of ATMS and transportation network companies, real time ride tracking, network management and analytics.

- *Competition*. We compete with a variety of national organizations that provide similar healthcare and social services related to transportation, such as Medical Transportation Management, Southeastrans (nka Verida), Access2Care, and SafeRide, as well as local and regional providers. Most local competitors seek to win contracts for specific counties or small geographic territories, whereas we and other larger competitors seek to win contracts for an entire state or large regional area. We compete based upon a number of factors, including our nationwide network, technical expertise, experience, service capability, service quality, and price.

- *Seasonality*. While we experience minor fluctuations in trip volume as a result of seasonal variations in the business, principally due to lower transportation demand during the winter season and higher demand during the summer season, our quarterly operating income and cash flows do not materially fluctuate as a result of these minor seasonal shifts.

PCS Segment

We provide in-home personal care services to our customers with agency branches across various states, including in several of the nation's largest home care markets: New York, New Jersey, Florida, Pennsylvania, Massachusetts, West Virginia and Connecticut. We place non-medical personal care assistants, home health aides and skilled nurses primarily to Medicaid patient populations in need of care monitoring and assistance performing daily living activities in the home setting, including persons who are at increased risk of hospitalization or institutionalization. Our personal care services include bathing, personal hygiene, grooming, oral care, dressing, medication reminders, meal planning, preparation and feeding, housekeeping, transportation services, prescription reminders, and assistance with dressing and ambulation, all of which enable aging-in-place and support overall wellness. Within New York, Pennsylvania and New Jersey, our PCS Private Duty Nursing program provides services targeted to assisting medically fragile children. As of December 31, 2024, we had approximately 18,300 trained caregivers throughout all of our branch locations serving, on average, approximately 20,700 patients and providing approximately 28.2 million hours of patient care annually.

Our PCS segment payor clients include federal, state and local governmental agencies, MCOs, commercial insurers and private individuals. The federal, state and local programs under which these organizations operate are subject to legislative, budgetary and other risks that can influence reimbursement rates. MCOs that operate as an extension of our government payors are subject to similar economic pressures. Our commercial insurance payor clients are continuously seeking opportunities to control costs.

Most of our personal care services are provided pursuant to agreements with state and local governmental aging services agencies, Medicaid waiver programs, and home and community based long-term living programs. These agreements generally have an initial term of one to two years and may be terminated with 60 days' notice. They are typically renewed in our experience for one to five-year terms, provided that we have complied with licensing, certification and program standards, and other regulatory requirements.

Reimbursement rates and methods vary by state and type of service, but are typically fee-for-service based on hourly or other unit-of-service bases. MCOs are becoming an increasing portion of our PCS segment payor mix as states shift from administering FFS programs to utilizing managed care models.

- *Customers.* In 2024, contracts with state Medicaid agencies and MCOs represented approximately 96.7% of PCS segment revenue, with the remaining revenue derived from private pay and other contracts. The PCS segment derived approximately 12.5%, 11.3% and 12.0% of its revenue from a single state Medicaid agency for the years ended December 31, 2024, 2023 and 2022, respectively. The next four largest PCS segment customers by revenue comprised in the aggregate approximately 33.5%, 32.2% and 29.6% of segment revenue for the years ended December 31, 2024, 2023, and 2022, respectively.

- *Development Efforts and New Product Offerings*. We do not deploy proprietary technology in our PCS segment, but we continue to invest in new technology to improve efficiency and team member experience. CareConnect, a scheduling optimization application, was piloted in Lynbrook, New York. This application integrates with the enterprise technology solution Homecare Software Solutions, LLC, which operates under the HHAeXchange brand and which we refer to as "HHAeXchange", and has enabled caregivers to independently schedule their shifts. The goal of this pilot was to increase the acceptance rate of unfulfilled caregiver shifts, reduce overtime, and enhance Care Coordinator efficiency. Caribou Rewards, an employee recognition program that aligns incentives with desired outcomes, was piloted in both Massachusetts and our largest Pennsylvania branch. This application integrates with our existing home care platforms and applicant tracking system. We have demonstrated success with caregiver referrals in converting to new hires in Massachusetts and sustained an increased use of electronic visit verification (EVV) in our Pennsylvania branch. In addition to these technology solutions, we continue to identify new technologies that we can invest in to further unify our PCS segment across one streamlined technology platform. Additionally, we have invested in Nevvron for an all-in-one e-learning solution that enables required training to be delivered remotely and helps improve utilization by reducing time lost for training.

- *Competition*. The personal care services industry in which we operate is highly competitive and fragmented. Providers range from facility-based agencies (e.g., day health centers, live-in facilities, government agencies) to independent home care companies. They can be not-for-profit organizations or for-profit organizations. There are relatively few barriers to entry in some of the home healthcare services markets in which we operate. We believe, however, that we have a favorable competitive position, attributable mainly to:

    - the consistently high quality and targeted services we have provided over the years to our patients;
    - our ability to serve complex, high-needs patient populations;
    - our scale and density in the markets we serve;
    - our strong relationships with payors and referral sources; and
    - our investments in technology.

- *Seasonality*. While we experience minor fluctuations in hours of care provided as a result of seasonal variations in the business, principally due to somewhat lower demand for in-home services from caregivers during the summer and periods with major holidays, as patients may spend more time with family and less time alone needing outside care during those periods, our quarterly operating income and cash flows do not materially fluctuate as a result of these minor seasonal shifts.

Monitoring Segment

We provide in-home monitoring services to support patient self-management and care management operations that enable seniors, the chronically ill, and persons with disabilities to maintain their independence and avoid long-term care facilities, preventable emergency room use, hospitalization, and hospital readmission. Services include in-home clinical monitoring and quality improvement services that leverage personal emergency response systems, vitals monitoring devices, relationship-based care and data-driven patient engagement solutions. With high-touch engagement, the Monitoring segment has several million annual person-to-person interactions which served a population of approximately 247,000 actively monitored health plan members throughout 2024.

We market our in-home monitoring services to national and regional health plans, government funded benefit programs, healthcare provider organizations, and individuals. Our commercial insurance payor clients are continuously seeking opportunities to control costs.

- *Customers*. In 2024, the Company served approximately 247,000 members within national and regional health plans, government-funded benefit programs, and healthcare provider organizations members, and individuals across the country. We have a diverse base of customers across multiple end markets including Medicare Advantage, State and Managed Medicaid, and Health Systems or Distributors.

- ◦ *Development Efforts and New Product Offerings*. Our device-agnostic technology platform allows our Monitoring segment to rapidly adopt and seamlessly integrate new products as hardware innovation continues across the industry. Currently, the Company is contracted with over 30 manufacturers and integrated across more than 200 devices. The Monitoring segment continuously evaluates new products, integrating several devices annually with rapid onboarding for quick deployment in the field.

- ◦ *Competition*. We compete with a variety of Monitoring solution providers that include both new entrants to the healthcare industry and legacy healthcare providers. Top providers include Livongo, Omada, Medical Guardian, Connect America, and Best Buy Health. Given the rapidly changing technology that supports the health-tech industry, any Company that is able to innovate and provide a more efficient and effective solution could enter the Monitoring market, however there are significant barriers to entry, including long contracting and licensing timeframes, multiple compliance audits necessitating numerous internal tracking systems and complicated reimbursement processes and rules.

- *Seasonality*. While we experience minor fluctuations in membership as a result of seasonal variations in the business, our quarterly operating income and cash flows do not materially fluctuate as a result of these minor seasonal shifts.

Corporate and Other Segment

Our Corporate and Other segment supports the strategic objectives and continued growth of the ModivCare business and includes the activities related to executive, accounting, finance, internal audit, tax, legal and certain strategic and corporate development functions for each segment. The Corporate and Other segment also includes the operating results of our non-controlling equity interest in Matrix Medical Network ("Matrix"). In addition, the Corporate and Other Segment includes the results of our investment in innovation, made during the first quarter of 2023, related to expanding our virtual care, digital engagement, monitoring capabilities, and member insights and analytics. As part of this investment in innovation, such wholly-owned subsidiary also began providing virtual clinical care management services (the "MSO") through an unaffiliated professional corporation (the "PC") owned and operated by a licensed physician in the third quarter of 2023.

Our Corporate and Other segment operations support the Company's vision to operate as "One ModivCare" and align our people, processes, and technology across each business segment in order to better serve our members and have a positive impact on closing certain health gaps and addressing the social determinants of health.

Governmental Regulations

Overview

Our business is subject to numerous U.S. federal, state and local laws, regulations and agency guidance. These laws significantly affect the way in which we operate various aspects of our business. We must also comply with state and local licensing requirements, state and federal requirements for participation in Medicare and Medicaid, requirements for contracting with Medicare Advantage plans, and contractual requirements imposed upon us by the federal, state and local agencies and third-party commercial insurers that provide payment for our services to patients. Failure to follow the rules and requirements of these programs can significantly affect our ability to be paid for the services we provide and be authorized to provide on an ongoing basis.

The Medicare and Medicaid programs are governed by significant and complex laws. Both Medicare and Medicaid are financed, at least in part, with federal funds. Therefore, any direct or indirect recipients of those funds are subject to federal fraud, waste and abuse laws. In addition, there are federal privacy and data security laws that govern the healthcare industry. State laws primarily pertain to the licensure of certain categories of healthcare professionals and providers and the state’s interest in regulating the quality of healthcare in the state, regardless of the source of payment, but may also include state laws pertaining to fraud, waste and abuse, privacy and data security laws, and the state’s regulation of its Medicaid program. Federal and state regulatory laws that may affect our business, include, but are not limited to the following:

- false and other improper claims or false statements laws pertaining to reimbursement;
- the Health Insurance Portability and Accountability Act of 1996, or HIPAA, and its privacy, security, breach notification and enforcement and code set regulations and guidance, along with evolving state laws protecting patient privacy and requiring notifications of unauthorized access to, or use of, patient medical information;
- civil monetary penalties law;
- anti-kickback laws;

- Section 1877 of the Social Security Act, also known as the “Stark Law”, and other self-referral, financial inducement, fee splitting, and patient brokering laws;
- The Centers for Medicare & Medicaid Services, or CMS, regulations pertaining to Medicare and Medicaid as well as CMS releases applicable to the operation of Medicare Advantage plans, such as reimbursement rates, risk adjustment and data collection methodologies, adjustments to quality management measurements and other relevant factors;
- State Medicaid laws, rules and regulations that govern program participation, operations, the provision of care to Medicaid beneficiaries and the reimbursement for such services; and
- state licensure laws.

A violation of certain of these laws could result in civil and criminal damages and penalties, the refund of monies paid by government or private payors, our exclusion from participation in federal healthcare payor programs, or the loss of our license to conduct some or all of our business within a particular state’s boundaries. While we believe that our programs are in compliance with these laws, failure to comply with these requirements could have a material adverse impact on our business.

Federal Law and State Laws

Federal healthcare laws apply in any case in which we provide an item or service that is reimbursable or provide information to our customers that results in reimbursement by a federal healthcare payor program. The principal federal laws that affect our business include those that prohibit the filing of false or improper claims or other data with federal healthcare payor programs, require confidentiality of patient health information, prohibit unlawful inducements for the referral of business reimbursable under federal healthcare payor programs and those that prohibit physicians from referring to certain entities if the physician has a financial relationship with that entity.

State healthcare laws apply in any case in which we provide an item or service that is reimbursable or provide information to our customers that results in reimbursement by a state Medicaid program. The principal state Medicaid laws that affect our business include those that prohibit the filing of false or improper claims or other data with state Medicaid programs, prohibit unlawful inducements for the referral of business reimbursable by a state Medicaid program and those that prohibit physicians from referring patients to certain entities if the physician has a financial relationship with that entity. Because we receive Medicaid reimbursement, we are subject to applicable participation conditions including a variety of operational, conflict of interest, and structural obligations. For example, in states that have elected to obtain authority to provide NEMT as a medical service through a broker using the regulatory process permitted by the Deficit Reduction Act of 2005, or DRA, we are prohibited from contracting with any transportation provider with which we have a financial relationship. In addition to Medicaid laws, many states have health care or professional licensure requirements that potentially apply to parts of our business.

False and Other Improper Claims

Under the federal False Claims Act and similar state laws, the government may impose civil liability on us if we knowingly submit a false claim to the government or cause another to submit a false claim to the government, or knowingly make a false record or statement intended to get a false claim paid by the government. The False Claims Act defines a claim as a demand for money or property made directly to the government or to a contractor, grantee, or other recipient if the money is to be spent on the government’s behalf or if the government will reimburse the contractor or grantee. Liability can be incurred for submitting (or causing another to submit) false claims with actual knowledge or for submitting false claims with reckless disregard or deliberate ignorance. Liability can also be incurred for knowingly making or using a false record or statement to receive payment from the federal government; for knowingly and improperly avoiding or decreasing an obligation to pay or transmit money or property to the government; or for knowingly noncomplying with a law or regulation that is material to the government’s decision to pay Medicare or Medicaid claims. Consequently, a provider need not take an affirmative action to conceal or avoid an obligation to the government, but the mere retention of an overpayment from the government could lead to potential liability under the False Claims Act.

Many states also have similar false claims statutes. In addition, healthcare fraud is a priority of the U.S. Department of Justice, the U.S. Department of Health and Human Services, or DHHS, its program integrity contractors and its Office of Inspector General, the Federal Bureau of Investigation and state Attorneys General. These agencies have devoted a significant amount of resources to investigating healthcare fraud.

If we are ever found to have violated the False Claims Act, we could be required to make significant payments to the government (including damages and penalties in addition to the return of reimbursements previously collected) and could be excluded from participating in federal healthcare programs or providing services to entities which contract with those programs. Although we monitor our billing practices for compliance with applicable laws, such laws are very complex, and we might not be able to detect all errors or interpret such laws in a manner consistent with a court or an agency's interpretation. While the criminal statutes generally are reserved for instances evidencing fraudulent intent, the civil and administrative penalty statutes are being applied by the federal government in an increasingly broad range of circumstances. Examples of the types of activities giving rise to liability for filing false claims include billing for services not rendered, misrepresenting services rendered (i.e., miscoding), applications for duplicate reimbursement and providing false information that results in reimbursement or impacts reimbursement amounts. Additionally, the federal government takes the position that a pattern of claiming reimbursement for unnecessary services violates these statutes if the claimant should have known that the services were unnecessary. The federal government also takes the position that claiming reimbursement for services that are substandard is a violation of these statutes if the claimant should have known that the care was substandard. Criminal penalties also are available even in the case of claims filed with private insurers if the federal government shows that the claims constitute mail fraud or wire fraud or violate any of the federal criminal healthcare fraud statutes.

State Medicaid agencies and state Attorneys General also have authority to seek criminal or civil sanctions for fraud and abuse violations. In addition, private insurers may bring actions under state false claim laws. In certain circumstances, federal and state laws authorize private whistleblowers to bring false claim or "qui tam" suits on behalf of the government against providers and reward the whistleblower with a portion of any final recovery. In addition, the federal government has engaged a number of private audit organizations to assist it in tracking and recovering claims for healthcare services that may have been improperly submitted.

Governmental investigations and whistleblower qui tam suits against healthcare companies remain at high levels and have resulted in substantial penalties and fines and exclusions of persons and entities from participating in government healthcare programs. While we believe that our programs are in compliance with these laws, failure to comply with these requirements could have a material adverse impact on our business.

Health Information, Privacy and Data Protection Practices

Under HIPAA, DHHS issued rules to define and implement standards for the electronic transactions and code sets for the submission of transactions such as claims, and privacy and security of individually identifiable health information in whatever manner it is maintained.

The Final Rule on Enforcement of the HIPAA Administrative Simplification provisions, including the transaction standards, the security standards and the privacy rule, published by DHHS addresses, among other issues, DHHS's policies for determining violations and calculating civil monetary penalties, how DHHS will address the statutory limitations on the imposition of civil monetary penalties, and various procedural issues. The rule extends enforcement provisions currently applicable to the healthcare privacy regulations to other HIPAA standards, including security, transactions and the appropriate use of service code sets.

The Health Information Technology for Economic and Clinical Health Act, or HITECH, enacted as part of the American Recovery and Reinvestment Act of 2009, extends certain of HIPAA's obligations to parties providing services to healthcare entities covered by HIPAA known as "business associates," imposes new notice of privacy breach reporting obligations, extends enforcement powers to state Attorneys General and amends the HIPAA privacy and security laws to strengthen the civil and criminal enforcement of HIPAA. HITECH establishes four categories of violations that reflect increasing levels of culpability, four corresponding tiers of penalty amounts that significantly increase the minimum penalty amount for each violation, and a maximum penalty amount of $1.5 million for all violations of an identical provision. With the additional HIPAA enforcement power under HITECH, the Office for Civil Rights of DHHS and states are increasing their investigations and enforcement of HIPAA compliance. We have taken steps to ensure compliance with HIPAA and are monitoring compliance on an ongoing basis.

Additionally, the HITECH Final Rule imposes various requirements on covered entities and business associates, and expands the definition of "business associates" to cover contractors of business associates. Even when we are not operating as covered entities, we may be deemed to be "business associates" for HIPAA rule purposes of such covered entities. We monitor compliance obligations under HIPAA as modified by HITECH, and implement operational and systems changes, associate training and education, conduct risk assessments and allocate resources as needed. Any noncompliance with HIPAA requirements could expose us to criminal and increased civil penalties provided under HITECH and require significant costs in order to comply with its requirements or to remediate potential issues that may arise.

Other state privacy laws may also apply to us, including the California Consumer Privacy Act, or CCPA, which came into force in January 2020. The CCPA affords California residents with specified rights relating to the collection and use of their personal information. Violation of the CCPA may lead to monetary fines, and data breaches may give rise in certain circumstances to private rights of action by impacted individuals. While we believe that our practices are in compliance with these laws, failure to comply with these requirements could have a material adverse impact on our business.

Federal and State Anti-Kickback Laws

Federal law commonly known as the "Anti-Kickback Statute" prohibits the knowing and willful offer, solicitation, payment or receipt of anything of value (direct or indirect, overt or covert, in cash or in kind) which is intended to induce:

- the referral of an individual for a service for which payment may be made by Medicare, Medicaid or certain other federal healthcare programs; or
- the ordering, purchasing, leasing, or arranging for, or recommending the purchase, lease or order of, any service or item for which payment may be made by Medicare, Medicaid or certain other federal healthcare programs.

Interpretations of the Anti-Kickback Statute have been very broad and under current law, courts and federal regulatory authorities have stated that the Anti-Kickback Statute is violated if even one purpose (as opposed to the sole or primary purpose) of the arrangement is to induce referrals. Even bona fide investment interests in a healthcare provider may be questioned under the Anti-Kickback Statute if the government concludes that the opportunity to invest was offered as an inducement for referrals.

This act is subject to numerous statutory and regulatory "safe harbors." Compliance with the requirements of a safe harbor offers defenses against Anti-Kickback Statute allegations. Failure of an arrangement to satisfy all of the requirements of a particular safe harbor does not mean that the arrangement is unlawful. It may mean, however, that such an arrangement will be subject to scrutiny by the regulatory authorities.

Many states, including some where we do business, have adopted anti-kickback laws that are similar to the federal Anti-Kickback Statute. Some of these state laws are very closely patterned on the federal Anti-Kickback Statute; others, however, are broader and reach reimbursement by private payors. If our activities were deemed to be inconsistent with state anti-kickback or illegal remuneration laws, we could face civil and criminal penalties or be barred from such activities, any of which could harm us.

If our arrangements are found to violate the Anti-Kickback Statute or applicable state laws, we, along with our clients, would be subject to civil and criminal penalties. In addition, implicated contracts may not be legally enforceable, which could materially and adversely affect our business. While we believe that our programs are in compliance with these laws, failure to comply with these requirements could have a material adverse impact on our business.

Federal and State Self-Referral Prohibitions

We may be subject to federal and state statutes banning payments for referrals of patients and referrals by physicians to healthcare providers with whom the physicians have a financial relationship. Section 1877 of the Social Security Act, also known as the "Stark Law", prohibits physicians from making a "referral" for "designated health services" for Medicare (and in many cases Medicaid) patients from entities or facilities in which such physicians directly or indirectly hold a "financial relationship".

A financial relationship can take the form of a direct or indirect ownership, investment or compensation arrangement. A referral includes the request by a physician for, or ordering of, or the certifying or recertifying the need for, any designated health services.

Certain services that we provide may be identified as "designated health services" for purposes of the Stark Law. We cannot provide assurance that future regulatory changes will not result in other services they provide becoming subject to the Stark Law's ownership, investment or compensation prohibitions in the future.

Many states, including some states where we do business, have adopted similar or broader prohibitions against payments that are intended to induce referrals of clients. Moreover, many states where we operate have laws similar to the Stark Law prohibiting physician self-referrals. While we believe that our programs are in compliance with these laws, failure to comply with these requirements could have a material adverse impact on our business.

Surveys and Audits

Our business is subject to periodic surveys by government authorities or their contractors and our payors to ensure compliance with various requirements. Regulators conducting periodic surveys often provide reports containing statements of deficiencies for alleged failures to comply with various regulatory requirements. In most cases, if a deficiency finding is made by a reviewing agency, we will work with the reviewing agency to agree upon the steps to be taken to bring our program into compliance with applicable regulatory requirements. In some cases, however, an agency may take a number of adverse actions against a program, including:

- the imposition of fines or penalties or the recoupment of amounts paid;
- temporary suspension of admission of new clients to our program's service;
- in extreme circumstances, exclusion from participation in Medicaid, Medicare or other programs;
- revocation of our license; or
- contract termination.

While we believe that our programs are in compliance with Medicare, Medicaid and other program certification requirements and state licensure requirements, the rules and regulations governing Medicare, Medicaid participation and state licensure are lengthy and complex. Failure to comply with these laws could have a material adverse impact on our business and our ability to enter into contracts with other agencies to provide services.

Billing/Claims Reviews and Audits

Agencies and other third-party commercial payors periodically conduct pre-payment or post-payment medical reviews or other audits of our claims or other audits in conjunction with obligations to comply with the requirements of Medicare or Medicaid. In order to conduct these reviews, payors request documentation from us and then review that documentation to determine compliance with applicable rules and regulations, including the eligibility of clients to receive benefits, the appropriateness of the care provided to those clients, and the documentation of that care. Any determination that we have not complied with applicable rules and regulations could result in adjustment of payments or the incurrence of fines and penalties, or in situations of significant compliance failures review or non-renewal of related contracts.

Corporate Practice of Medicine and Fee Splitting

The corporate practice of medicine doctrine prohibits corporations from practicing medicine or employing a physician to provide professional medical services. This doctrine arises from state medical practice acts and is based on a number of public policy concerns, including:

- allowing corporations to practice medicine or employ physicians will result in the commercialization of the practice of medicine;
- a corporation's obligation to its stockholders may not align with a physician's obligation to the physician's patients; and
- employment of a physician by a corporation may interfere with the physician's independent medical judgment.

Most states in which Matrix operates and in which we provide personal care services prohibit the corporate practice of medicine. Every state provides an exception for physician ownership of a professional corporation. Many states provide an exception for employment of physicians by certain entities. The scope of these exceptions varies from state to state. Corporate practice of medicine doctrine issues can also overlap with kickback and fee-splitting concerns. Some states use the corporate practice of medicine doctrine to limit the services that a manager can furnish to a physician or medical practice because the state is concerned that a manager might interfere with the physician's independent medical judgment and/or impose an unacceptable intrusion into the relationship between the physician and the patient.

Among other activities, Matrix currently contracts with and employs nurse practitioners to perform Comprehensive Health Assessments ("CHAs") and our PCS segment currently:

- employs registered nurses and licensed practical nurses to render skilled nursing care directly and to provide overall clinical supervision to patients; and
- has medical professionals provide guidance to its Quality Improvement Committees.

In addition, under the MSO-PC model within the Corporate and Other Segment, the MSO's contractual relationships and arrangements with the PC, through which virtual healthcare services are provided, may implicate certain of the corporate practice of medicine laws, which prohibit non-professional entities from providing licensed medical services or exercising control over licensed physicians or other healthcare professionals. This MSO-PC model may also implicate certain fee-splitting and anti-kickback laws.

While we believe that Matrix, our PCS segment, and the MSO-PC model have structured operations appropriately, any of these could be alleged or found to be in violation of some or all of these laws. If a state determines that some portion of the business violates these laws, or that a payment induced a physician to refer a patient, it may seek to have an entity discontinue or restructure those portions of operations or subject the entity to increased costs, penalties, fines, certain license requirements or other measures. Any determination that Matrix or we acted improperly in this regard may result in liability. In addition, agreements between Matrix and the particular professional may be considered void and unenforceable.

Professional Licensure and Other Requirements

Many of Matrix's employees are subject to federal and state laws and regulations governing the ethics and practice of their professions. For example, mid-level practitioners (e.g., Nurse Practitioners) are subject to state laws requiring physician supervision and state laws governing mid-level scope of practice. As physicians' use of mid-level practitioners increases, state governing boards are implementing more robust regulations governing mid-levels and their scope of practice under physician supervision. The ability of Matrix to provide mid-level practitioner services may be restricted by the enactment of new state laws governing mid-level scope of practice and by state agency interpretations and enforcement of such existing laws. In addition, services rendered by mid-level practitioners may not be reimbursed by payors at the same rates as payors may reimburse physicians for the same services. Lastly, professionals who are eligible to participate in Medicare and Medicaid as individual providers must not have been excluded from participation in government programs at any time. The ability of Matrix to provide services depends upon the ability of personnel to meet individual licensure and other requirements and maintain such licensure in good standing.

COVID-19 Public Health Emergency Orders

On May 11, 2023, the Department of Health and Human Services ("HHS") declared the end of the public health emergency ("PHE") for the COVID-19 pandemic. Emergency, public health and executive orders, issued, extended, or declared by the U.S. federal and state governments in response to the COVID-19 pandemic have waived numerous legal requirements while also imposing new legal restrictions which are issued, rescinded or modified with little advance notice. These emergency, public health and executive orders have created significant uncertainty in the legal and operational duties of health care providers. The declaration of the end of the public health emergency has and will continue to result in the rescission and modification of a number of regulatory requirements which will likely increase the uncertainty of the legal and operational duties of health care providers. While we have taken measures to plan for and mitigate this uncertainty in the regulatory environment, failure to adjust our operations based upon the public health emergency reaching its end and the resulting wind down of certain regulatory measures put in place to respond to public health concerns as a result of the global pandemic could have a material adverse impact on our business.

CARES Act Provider Relief Fund and ARPA State and Local Fiscal Recovery Funds Program

The Coronavirus Aid, Relief, and Economic Security Act, which was signed into law on March 27, 2020 (the "CARES Act"), established the Provider Relief Fund ("PRF") that made relief payments to certain health care providers. The purpose of the PRF was to provide funding to health care providers so they could prevent, prepare for, and respond to the coronavirus. Providers who received relief payments are subject to eligibility criteria and specific terms and conditions on the use of relief payments. To receive relief payments, many providers were required to attest to numerous statements regarding accuracy of their application and their compliance with the eligibility criteria and the terms and conditions. Providers' use of relief payments is limited to health care related expenses or lost revenues that are attributable to coronavirus. Providers are required to have documentation that relief payments were used for those purposes.

The American Rescue Plan Act ("ARPA"), which was signed into law on March 11, 2021, established the Coronavirus State and Local Fiscal Recover Funds ("SLFRF") program which issued a final rule in 2022 that delivered funding to state, territorial, local, and Tribal governments across the country to support their response to and recovery from the COVID-19 public health emergency. The purpose of the SLFRF was to support families and businesses struggling with the public health and economic impacts of the pandemic, maintain vital public services despite declining revenues from the crisis, and build a strong and equitable recovery from the pandemic by making investments in long-term growth and opportunity. While the intention of the SLFRF was to allow for flexibility of the diverse and disproportionate needs across diverse communities, compliance and reporting requirements exist which require recipients to report to the U.S. Department of the Treasury and ensure all SLFRF are used in compliance with the program's requirements. Recipients are also responsible for subrecipient oversight and management and providing supporting documentation as required by the Department of Treasury.

For both government fund programs, there is limited guidance concerning what the government might consider a health care related expense or lost revenue that was attributable to coronavirus or what type of documentation is adequate. As our PCS segment has received relief payments from the CARES Act PRF and ARPA SLFRF, we must comply with all reporting requirements instituted for recipients of these funds. While we believe that the receipt and use of these funds was in compliance with PRF and SLFRF requirements, failure to comply with these requirements could have a material adverse impact on our business.

California Climate Disclosure Laws

On Oct. 7, 2023, California enacted three climate-related bills imposing extensive new climate-related disclosure obligations applicable to companies doing business in California. The Climate Corporate Data Accountability Act (SB 253) requires covered companies with total annual revenues of $1 billion or more to disclose annually their Scope 1 (direct emissions from owned and controlled sources) and Scope 2 (indirect emissions from energy purchased and used) greenhouse gas ("GHG") emissions beginning in 2026, and Scope 3 (indirect emissions up and down value chain) greenhouse gas emissions beginning in 2027. Certain attestation requirements also apply to these Scope 1, Scope 2 and Scope 3 GHG emission reports, pursuant to which assurance must be provided by an approved third-party assurance provider. The information required to make the disclosures is complex and requires sophisticated internal and third party GHG risk management and data collection procedures.

In addition, the Climate-Related Financial Risk Act (SB 261) requires covered companies with total annual revenues of $500 million or more to publish biennial reports disclosing climate-related financial risks and the measures adopted to mitigate the disclosed risks by January 1, 2026. The Voluntary Carbon Market Disclosures Act (AB 1305), effective January 1, 2024, requires companies making certain claims, including regarding carbon neutrality or reduction of greenhouse gas emissions, and companies purchasing carbon offsets in addition to making such claims, to disclose information on the determination of accuracy of the claim, interim progress measures, third-party verification and, if applicable, information on the carbon offsets purchased and emissions data. The laws may be modified by future legislation. We are in the process of assessing the potential impact of these new climate disclosure laws.

Human Capital Management

Attracting, developing, and retaining talented people who embrace our culture, execute our strategy, and enable us to compete effectively in our industry is critical to our success. Our vision statement, "We drive positive health outcomes by transforming the way we connect to care" is at the core of everything we do. We understand that our success is directly correlated to ensuring that we employ the right team members and that each of our team members is passionate about the important role that they play in executing our vision and improving the health outcomes of our members. As such, we aim to attract and retain qualified and passionate people that represent a diverse array of perspectives and skills who work together as a cohesive team that embodies our values and support our mission.

Our ability to recruit and retain our employees depends on a number of factors, including providing competitive compensation and benefits, development and career advancement opportunities, and a collegial work environment. We invest in those areas in an effort to ensure that we continue to be the employer of choice for our team members.

Compensation and Benefits

Our benefits are designed to help team members and their families stay healthy, meet their financial goals, protect their income and help them have harmony between their work and personal lives. These benefits include health and wellness, paid time off, employee assistance, competitive pay, broad-based bonus programs, pension and retirement savings plans, career growth opportunities, and a culture of recognition.

Team Member Development and Advancement

We invest significant resources to develop team members with the right capabilities to deliver the growth and innovation needed to support our strategy. We seek to ensure that we are building the organizational capabilities required for success in the years to come. We offer team members and their managers several tools to help in their personal and professional development, including career development plans, mentoring programs and in-house learning opportunities, including an in-house continuing education program. We also have a practice of investing in our next generation of leaders and offer team members a number of leadership development programs. We believe in and encourage our team members and managers to maintain a growth mindset, a belief that qualities and talents can be developed through dedication and hard work, and have aligned our performance management programs to support our culture transformation with increased focus on continuous learning and development.

As of December 31, 2024, we had approximately 23,675 team members, of which approximately 3,400 were dedicated to our NEMT and our Corporate and Other segments, approximately 19,900 were dedicated to our PCS segment, and approximately 375 were dedicated to our Monitoring segment. Approximately 2,500 of our PCS segment caregivers were unionized in New York at the end of 2024, and we believe that we have good relationships with all of our team members.

Demographics and Diversity

Our team members reflect the communities in which they live and work and the members they serve and they possess a broad range of thoughts and experiences that have helped us achieve our successes to date. A key component of our growth and success is our commitment to diversity and inclusion. We believe this commitment allows us to better our understanding of member needs, while developing technologies and solutions to meet those needs. As part of our efforts to advance this important area, we have instituted several forums to ensure our team members have a channel to share their experiences. This includes our annual experience survey and quarterly town hall meetings where our executive leadership team can gather feedback from our team members and answer questions related to their concerns. Additionally, we have developed seven Employee Resource Groups ("ERGs"), which are team member led, experience-based groups of individuals that share a common interest in diversity and inclusion topics such as race, ethnicity, national origin, veteran status, ability awareness, gender, and sexual orientation/gender identity. Each of our ERGs is sponsored by a member of our executive leadership team or senior management that serves as an advocate and representative on our Diversity, Equity, and Inclusion Council ("DEI Council") to continue the advancement of these important initiatives and further our effort to make an impact from the work that each of these ERGs is doing. Although we have made progress in our workforce diversity representation, we continue to seek input from our team members and make significant strides to continue to improve and make meaningful impacts in this area. We have established goals to continue improving our hiring, development, and retention of team members with diverse backgrounds and our overall diversity representation, including within our executive leadership team, in an effort to be a socially-responsible community member.

We also include additional team member information in our annual Sustainability reports (formerly Environmental, Social, and Governance ("ESG") reports), which are available on our website.

Environmental, Social and Governance

In May 2024, we released our 2023 Sustainability report. This was our second publication of the report and we will continue to prepare this report annually to enhance our disclosures and provide key information about our work toward our commitment to eliminating inequities in healthcare while enhancing our sustainability and governance efforts.

Environmental

Making connections to care is our purpose. We strive to bring equity, hope, and healing to those who need it most, one member at a time. We do this through our NEMT segment where we connect our members to their non-emergency medical appointments so they can receive necessary care; through our PCS segment where our caregivers provide necessary services to our members who need assistance performing daily-living activities in the comfort of their homes; and through our Monitoring segment where our real-time monitoring services allow our members to live peacefully in their homes while assisting and engaging in response services in the event that an emergency occurs. While our mission to be a leader in addressing the SDoH has our members at the forefront of each decision we make, we are also committed to being a responsible environmental steward in the communities in which we serve. This includes using our multi-modal strategy within the NEMT segment in order to not only provide the most appropriate mode of transportation for each individual member, but to also increase the use of public transit or multi-passenger vehicles when possible. Additionally, we work with our transportation providers to find more efficient routes, eliminate unnecessary trips and assist with procurement of more fuel-efficient fleets.

Social

Members of all incomes and identities rely on our non-emergency medical transportation, personal care services, and remote patient monitoring solutions to receive greater access to healthcare. We seek to improve the lives of our members by providing connections to care and eliminating inequities in healthcare. Our team operates with the same passion for helping and serving our members that we care for in order to improve their lives and health outcomes.

Governance

Our board of directors regularly evaluates our corporate governance structure and processes to help steer the Company's direction and ensure we are operating with the utmost business integrity. More information about our directors, executive officers and governance will be included in our 2025 Proxy Statement for our 2025 Annual Meeting of Stockholders.

Additional Information

The Company makes available to the public on its website at www.modivcare.com its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after it electronically files such material with, or furnishes such material to, the SEC. Our SEC filings are also available to the public at www.sec.gov. Copies are also available, without charge, upon request to ModivCare Inc., 6900 E Layton Avenue, 12th Floor, Denver, Colorado 80237, (720) 258-2130, Attention: Investor Relations. In addition, we routinely post important information for investors on our website and may use our website as a means of disclosing material information in compliance with our disclosure obligations under Regulation FD. Accordingly, investors should monitor our website in addition to following our press releases, SEC filings, public conference calls, presentations and webcasts. The information contained on our website is not part of, and is not incorporated by reference in, this Annual Report or any other report or document we file with or furnish to the SEC.

Item 1A. *Risk Factors.*

You should consider and read carefully all of the risks and uncertainties described below, as well as the other information included in this Annual Report, including our consolidated financial statements and related notes. The risks described below have been organized under headings that are provided for convenience and intended to organize the risks and uncertainties into related categories to improve readability for investors; no inference should be drawn, however, that the placement of a risk factor under a particular category means that it is not applicable to another category of risks or that it may be more or less material than another risk factor. Regardless, they are also not the only risks and uncertainties facing us. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition and results of operations. This Annual Report also contains forward-looking statements and estimates that involve risks and uncertainties, as discussed above in this Part I under the caption "Disclosure Regarding Forward-Looking Statements". Our actual results could differ materially from those anticipated in any forward-looking statements as a result of many factors, including the risk factors and uncertainties described below.

Risks Related to Our Industry

The cost of healthcare is funded substantially by government and private insurance programs, and if such funding is reduced or limited or no longer available, our business may be adversely impacted.

Third-party payors, including Medicaid, Medicare and private health insurance providers, provide substantial funding for our services. Other payors, including MCOs, are also dependent upon Medicaid funding. These payors are increasingly seeking to reduce the cost of healthcare, which drives pressure on the reimbursement rates for healthcare services, which include our services. We cannot assure you that our services will be considered cost-effective by third-party payors, that reimbursement will continue to be available, or that payor reimbursement policies will not have a material adverse effect on our ability to sell our services on a profitable basis, if at all. We cannot control reimbursement rates, including Medicare market basket or other rate adjustments. Reimbursement for services that we provide is primarily through Medicaid and MCOs and rates can vary state by state and payor by payor. Legislative efforts driving increases in minimum wage levels have been made and continue to be proposed to increase minimum wages in markets in which we operate, and that could significantly impact the wage rates for personal care attendants we utilize to provide our personal care services. Further, the continued increase in inflation has the potential to continue to drive up costs related to employee wages and other inputs to our services including fuel costs. The current payors may be unable or unwilling to increase reimbursement rates sufficiently to offset the impact on us of such cost increases or, in cases where payors do increase reimbursement rates, such increases may not occur concurrently with the increase in costs or fully offset such increases. These changes could have a material adverse effect on our business, financial position, results of operations and liquidity.

The implementation of alternative payment models and the transition of Medicaid and Medicare beneficiaries to MCOs may limit our market share and could adversely affect our revenues.

Many government and commercial payors are transitioning providers to alternative payment models that are designed to promote cost-efficiency, quality and coordination of care. For example, accountable care organizations, or ACOs, seek to motivate hospitals, physician groups, and other providers to organize and coordinate patient care while reducing unnecessary costs. Several states have implemented, or have announced that they plan to implement, accountable care models for their Medicaid populations. If we are not included in these programs, or if ACOs establish programs that overlap with the services provided by us, we are at risk for losing market share and of experiencing a loss of business.

We may be similarly impacted by increased enrollment of Medicare and Medicaid beneficiaries in managed care plans, shifting away from traditional fee-for-service models. Under the Medicare managed care program, also known as Medicare Advantage or MA, the federal government contracts with private health insurers to provide Medicare benefits. Insurers may choose to offer supplemental benefits and impose higher plan costs on beneficiaries. Enrollment in managed Medicaid plans is also growing, as states are increasingly relying on MCOs to deliver Medicaid program services as a strategy to control costs and manage resources. We may experience increased competition for managed care contracts due to state regulation and limitations. For instance, the New York Consumer Directed Personal Assistance Program, or CDPAP, Medicaid program allows Medicaid beneficiaries in the State of New York that are in need of home care services to recruit, hire and train the caregiver of their choice, which can include friends or family members. The New York CDPAP also includes the creation of a statewide partnership with more than 30 regional home care partners by mid-2025, of which these partners have not yet been confirmed. This program and any similar program could result in a loss of business as existing patients may elect to have friends or family members provide these necessary services in lieu of our personal care providers or we may not be selected by the state as one of the home care partners. We cannot assure you that we will be successful in our efforts to be included in plan networks, that we will be able to secure favorable contracts with all or some of the MCOs, that our reimbursement under these programs will remain at current levels, that the authorizations for services will remain at current levels or that our profitability will remain at levels consistent with past performance, and if we are not successful in these areas our business could be materially harmed and our financial condition materially adversely affected.

In addition, operational processes may not be well defined as a state transitions beneficiaries to managed care. For example, membership, new referrals and the related authorization for services to be provided may be delayed, which may result in delays in service delivery to customers or in payment for services rendered. Difficulties with operational processes may negatively affect our revenue growth rates, cash flow and profitability for services provided. Other alternative payment models, such as value-based billing, capitated rates and per member per month pricing may be required by the government, MCOs and other commercial payors to control their costs while shifting financial risk to us, which could also materially affect our operations and financial condition.

We are limited in our ability to control reimbursement rates received for our services, and if we are not able to maintain or reduce our costs to provide such services, our business could be materially adversely affected.

Medicare and Medicaid are among our most significant payors, and their rates are established through federal and state statutes and regulations. Additionally, reimbursement rates with MCOs and other payors are difficult for us to negotiate as such payors are themselves limited in their ability to control rates and funding received from Medicaid and Medicare and are under pressure to reduce their own costs. We therefore manage our costs to achieve a desired level of profitability, including centralizing various back office processes, using technology to streamline processes and practicing efficient management of our workforce. If we are not able to continue to streamline our processes and reduce our costs, our business and consolidated financial condition, results of operations and cash flows could be materially adversely affected.

Future cost containment initiatives undertaken by private third-party payors, especially if we are unable to maintain or reduce our cost of services below rates set forth by payors, may limit our future revenue and profitability and cause us to experience reduced or negative margins and our results of operations could be materially adversely affected.

Our commercial payor and managed Medicaid revenue and profitability are affected by continuing efforts of third-party payors to maintain or reduce costs of healthcare by lowering payment rates, narrowing the scope and utilization of covered services, increasing case management review of services and negotiating pricing. There can be no assurance that third-party payors will make timely payments for our services, and there is no assurance that we will continue to maintain our current payor or revenue mix. We will continue our efforts to develop our commercial payor and managed Medicaid sources of revenue and any changes in payment levels from current or future third-party payors could have a material adverse effect on our business and consolidated financial condition, results of operations and cash flows.

We may be adversely affected by inadequacies in, or security breaches of, our information technology systems, including the systems intended to protect our clients' privacy and confidential information, which could lead to legal liability, adversely affect our reputation and have a material adverse effect on our business, financial condition and results of operations.

Our information technology, or IT, systems are critically important to our operations and we must implement and maintain appropriate and sufficient infrastructure and IT systems to support our existing and future business processes. We provide services to individuals and others that require us to collect, process, maintain and retain a variety of sensitive and personal confidential information in our computer systems, including proprietary information, intellectual property, patient identifiable health information, employee information, financial information and other personal information about our customers and end-users, such as names, addresses, phone numbers, email addresses, identification numbers, sensitive health information, and payment account information. As a result, we are subject to complex and evolving United States privacy laws and regulations, including those pertaining to the handling of personal information, such as HIPAA, CCPA, and others. Most states have enacted laws, which vary significantly from jurisdiction to jurisdiction, to safeguard the privacy and security of personal information, and to require notification in the case of a breach of such information. California residents and households in particular are afforded significantly expanded privacy protections under the CCPA. The enacted laws often provide for civil penalties for violations, as well as a private right of action for privacy and security incidents or breaches, which may increase litigation. Further, while we are using internal and external resources to monitor compliance with and to continue to modify our information processing practices and policies in order to comply with evolving privacy laws, relevant regulatory authorities could determine that our information handling practices fail to address all the requirements of certain of these laws, which could subject us to penalties and/or litigation. In addition, there is no assurance that our security controls over confidential information, the training of employees and vendors on privacy, security, and breaches and the policies, procedures and practices we implemented or may implement in the future will successfully prevent the improper disclosure of confidential information. Improper disclosure of confidential information, including in violation of the CCPA and/or of other state, federal, and international personal data protection laws could harm our reputation, cause loss of consumer confidence, subject us to government enforcement actions (including fines), or result in private litigation against us, which, in turn, could result in loss of revenue, increased costs, liability for monetary damages, fines and/or criminal prosecution, all of which could adversely affect our business, consolidated results of operations, financial condition and cash flows.

We also rely on our IT systems (some of which are supported by third party vendors) to manage the information, communications and business processes for other business functions, including a wide variety of health care infrastructure and operations such as marketing, sales, logistics, customer service, accounting and administrative functions. Furthermore, our systems include interfaces to third-party stakeholders, often connected via the internet. In addition, some of our services or information related to our services are carried out or hosted within our customers' IT systems, and any failure or weaknesses in their IT systems may negatively impact our ability to deliver the services, for which we may not receive relief from contractual performance obligations or compensation for services provided. All of these systems, no matter how sophisticated, are vulnerable to a variety of cyber-attacks. As a result of the information we and our vendors maintain, we are all subject to increasing cybersecurity risks related to such valuable information. The nature of our business, where services are often performed outside of locations where network security can be assured, adds additional risk. If we or our vendors do not allocate and effectively manage the resources necessary to build, sustain and protect an appropriate technology infrastructure, our business or financial results could be negatively impacted.

Furthermore, cyber, insider, and other criminal attacks are increasingly sophisticated and operate large scale and complex automated attacks, and our information technology systems may be vulnerable to material privacy and security incidents or breaches (including the access to or acquisition of customer, employee or other confidential information), cyber-attacks or other material system failures arising out of malware or ransomware attacks, denial of services, or other attacks or security incidents, any of which could adversely impact our operations and financial results, our relationships with business partners and customers, and our reputation. Because the techniques used to obtain unauthorized access to, acquire confidential information from, or sabotage systems frequently change and may be difficult to detect for long periods of time, we may be unable to implement adequate preventative measures sufficient to prevent a breach of our systems and protect sensitive data, including confidential information. Any breach of our security could result in an unauthorized release, transfer, or theft of confidential information, including customer or employee information, or the loss of valuable business data or cause a disruption in our business. A failure to prevent, detect and respond in a timely manner to a material breach of our security or to other cybersecurity threats could result in system disruption, business continuity issues or compromised integrity of confidential information. These events or any other failure to safeguard personal data could give rise to unwanted media attention, damage our reputation, damage our customer relationships and result in lost sales, fines or lawsuits. We may also be required to expend significant capital and other resources to protect against or respond to or alleviate problems caused by a privacy or security incident or breach. If we are unable to prevent material failures, our operations may be impacted, and we may suffer other negative consequences such as reputational damage, litigation, remediation costs, a requirement not to operate our business until defects are remedied, or penalties under various state and federal laws and regulations, any of which could detrimentally affect our business, financial condition and results of operations.

We may be more vulnerable to the effects of a public health emergency than other businesses due to the nature of our end-users and the physical proximity required by our operations, which could harm our business disproportionately to other businesses.

The majority of our end-users are older individuals with complex medical challenges or multiple ongoing diseases or chronic illnesses, many of whom may be more vulnerable than the general public during a pandemic or in a public health emergency. Our employees are also at greater risk of contracting contagious diseases due to their increased exposure to vulnerable end-users. Our employees could also have difficulty attending to our end-users if a program of social distancing or quarantine is instituted in response to a public health emergency, or if any "stay at home" orders are instituted. If a public health emergency were to occur, we could suffer significant losses to our consumer population or a willingness by our end-users to utilize our services, in particular in our PCS segment, or a reduction in the availability of our employees and, at an inflated cost, we could be required to hire replacements for affected workers. Accordingly, public health emergencies could have a disproportionate material adverse effect on our financial condition and results of operations.

Risks Related to Our Business and Operations

We derive a significant amount of our revenues from a limited number of payors, and any changes in the funding, financial viability or our relationships with these payors could have a material adverse impact on our financial condition and results of operations.

We generate a significant amount of our revenue from a limited number of payors under a relatively small number of contracts. For example, for the year ended December 31, 2024, approximately 33.3% of our NEMT segment revenue was derived from only five payors, and one of which, a single state Medicaid agency, contributed 10.9% to our aggregate NEMT segment revenue during that period. As it relates to our other segments, for the year ended December 31, 2024, approximately 12.5% of our PCS segment revenue was derived from one U.S. state Medicaid program, and approximately 18.9% of our Monitoring segment revenue was derived from one health plan. The loss of, reduction in amounts generated by, or changes in methods or regulations governing payments for our services under these contracts could have a material adverse impact on our revenue and results of operations. In addition, any consolidation of any of our private payors could increase the impact that any such risks would have on our revenue, financial position, and results of operations.

Delays in collection, or non-collection, of our accounts receivable, particularly during any business integration process, could adversely affect our business, financial position, results of operations and liquidity.

Prompt billing and collection are important factors in our liquidity. Billing and collection of our accounts receivable are subject to the complex regulations that govern Medicare and Medicaid reimbursement and rules imposed by nongovernment payors. Our inability to bill and collect on a timely basis pursuant to these regulations and rules could subject us to payment delays that could have a material adverse effect on our business, financial position, results of operations and liquidity. It is possible that documentation support, system problems, Medicare, Medicaid or other payor issues, particularly in markets transitioning to managed care for the first time, or industry trends may extend our collection period, which may materially adversely affect our working capital, and our working capital management procedures may not successfully mitigate this risk.

The timing of payments made under the Medicare and Medicaid programs is subject to governmental budgetary constraints, resulting in an increased period of time between submission of claims and subsequent payment under specific programs, most notably under the Medicaid and Medicaid managed programs. In addition, we may experience delays in reimbursement as a result of the failure to receive prompt approvals related to change of ownership applications for acquired or other facilities or from delays caused by our or other third parties' information system failures. We may also experience delayed payment of reimbursement rate increases that are subject to the approval of the CMS and/or various state agencies before claims can be submitted or paid at the new rates. Any delays experienced for the foregoing or other reasons could have a material adverse effect on our business, results of operations and financial condition.

Further, a delay in collecting our accounts receivable, or the non-collection of accounts receivable in connection with our transition and integration of acquired companies and the attendant movement of underlying billing and collection operations from legacy systems to our systems could have a material negative impact on our results of operations and liquidity.

Our reported financial results could suffer if there is an impairment of goodwill or long-lived assets, which could have a material adverse effect on our results of operations and financial condition.

We are required under accounting principles generally accepted in the United States, or GAAP, to review the carrying value of long-lived assets to be used in operations whenever events or changes in circumstances indicate that the carrying amount of the assets may be impaired. Factors that may necessitate an impairment assessment include, among others, significant adverse changes in the extent or manner in which an asset is used, significant adverse changes in legal factors or the business climate that could affect the value of an asset or significant declines in the observable market value of an asset. Where the presence or occurrence of those events indicates that an asset may be impaired, we assess its recoverability by determining whether the carrying value of the asset exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the asset over the remaining economic life of the asset. If such testing indicates the carrying value of the asset is not recoverable, we estimate the fair value of the asset using appropriate valuation methodologies, which would typically include an estimate of discounted cash flows. If the fair value of those assets is less than carrying value, we record an impairment loss equal to the excess of the carrying value over the estimated fair value. The use of different estimates or assumptions in determining the fair value of our intangible assets may result in different values for those assets, which could result in an impairment or, in the period in which an impairment is recognized, could result in a materially different impairment charge.

In addition, goodwill may be impaired if the estimated fair value of our reporting units is less than the carrying value of the respective reporting unit. As a result of our growth, in part through acquisitions, goodwill and other intangible assets represent a significant portion of our assets. From our largest acquisitions, goodwill generated in relation to the acquisition of Simplura in 2020 was $320.4 million, goodwill generated in relation to the acquisition of Care Finders in 2021 was $232.1 million, goodwill generated in relation to the acquisition of VRI in 2021 was $236.3 million, and goodwill generated in relation to the acquisition of GMM in 2022 was $44.3 million. We perform an analysis on our goodwill balances to test for impairment on an annual basis. Interim impairment tests may also be required in advance of our annual impairment test if events occur or circumstances change that would more likely than not reduce the fair value, including goodwill, of our reporting unit below the reporting unit's carrying value. Such circumstances could include: (1) loss of significant contracts; (2) a significant adverse change in legal factors or in the climate of our business; (3) unanticipated competition; (4) an adverse action or assessment by a regulator; or (5) a significant decline in our stock price.

During our July 1 annual assessment of goodwill for both 2024 and 2023, we determined that based on our qualitative assessment for each reporting unit, factors existed which required us to test our goodwill for impairment. For the 2024 assessment, these factors included changes in key assumptions from the prior year annual goodwill assessment as a result of lower than anticipated operating results during the first half of 2024 as compared to forecast which resulted in a decrease in the fair value of the Company's Monitoring reporting unit such that the fair value was less than its carrying value. As a result of our quantitative assessment, we determined that the goodwill at our Monitoring reporting unit was impaired and the Company recorded a non-cash goodwill impairment charge of $105.3 million during fiscal year 2024, all of which was recorded in the Monitoring reporting unit.

For the 2023 assessment, these factors included a decline in the market price of the Company's common stock, industry specific regulatory pressures such as Medicaid redetermination and the Centers for Medicare and Medicaid Services ("CMS") proposed ruling on *Ensuring Access to Medicaid Services*, and general economic and market volatility. As a result, the Company performed a quantitative assessment and determined that the goodwill at its PCS and Monitoring reporting units was impaired and the Company recorded a non-cash goodwill impairment charge of $183.1 million during fiscal year 2023, of which $137.3 million was recorded in the PCS reporting unit and $45.8 million was recorded in the Monitoring reporting unit.

As of December 31, 2024, the carrying value of goodwill, intangibles, equity method investments, and property and equipment, net was $680.3 million, $282.3 million, $31.4 million and $82.4 million, respectively. We continue to monitor the carrying value of these long-lived assets. If future conditions are different from management's estimates at the time of an acquisition or market conditions change subsequently, we may incur future charges for impairment of our goodwill, intangible assets, equity method investments or property and equipment, which could have a material adverse impact on our results of operations and financial position.

Failure to maintain or to develop further reliable, efficient and secure IT systems would be disruptive to our operations and diminish our ability to compete and successfully grow our business.

We are highly dependent on efficient and uninterrupted performance of our IT and business systems. These systems quote, process and service our business, and perform financial functions necessary for pricing and service delivery. These systems must also be able to undergo periodic modifications and improvements without interruptions or untimely delays in service. Additionally, our ability to integrate our systems with those of our clients is critical to our success. Our information systems rely on the commitment of significant financial and managerial resources to maintain and enhance existing systems as well as develop and create new systems to keep pace with continuing changes in information processing technology or evolving industry and regulatory requirements. Nevertheless, we still rely on manual processes and procedures, including accounting, reporting and consolidation processes that may result in errors and may not scale proportionately with our business growth, which could have an adverse effect on our business, financial condition and results of operations.

A failure or delay to achieve improvements in our IT platforms could interrupt certain processes or degrade business operations and could place us at a competitive disadvantage. If we are unable to implement appropriate systems, procedures and controls, we may not be able to successfully offer our services and grow our business and account for transactions in an appropriate and timely manner, which could have an adverse effect on our business, financial condition and results of operations.

We face risks related to attracting and retaining qualified employees, which could harm our business and have a material adverse effect on our results of operations.

Our business success depends, to a significant degree, on our ability to identify, attract, develop, motivate and retain highly qualified and experienced employees who possess the skills and experience necessary to deliver high-quality services to our clients, with the continued contributions of our senior management being especially critical to our success. Our objective of providing the highest quality of service to our clients is a significant consideration when we evaluate the education, experience and qualifications of potential candidates for employment as direct care and administrative staff. A portion of our staff is made up of professionals with requisite educational backgrounds and professional certifications. These employees are in great demand and are likely to remain a limited resource for the foreseeable future, exacerbated by continued labor shortages in the current economy.

Our ability to attract and retain employees with the requisite experience and skills depends on several factors, including our ability to offer competitive wages, benefits and professional growth opportunities. While we have established programs to attract new employees and provide incentives to retain existing employees, particularly our senior management, we cannot assure you that we will be able to attract new employees or retain the services of our senior management or any other key employees in the future. Some of the companies with which we compete for experienced personnel may have greater financial, technical, political and marketing resources, name recognition and a larger number of clients and payors than we do, which may prove more attractive to employment candidates. The inability to attract and retain experienced personnel could have a material adverse effect on our business.

The performance of our business also depends on the talents and efforts of our highly skilled IT professionals. Our success depends on our ability to recruit, retain and motivate these individuals. Effective succession planning is also important to our future success. If we fail to ensure the effective transfer of senior management knowledge and smooth transitions involving senior management, our ability to execute short and long-term strategic, financial and operating goals, as well as our business, financial condition and results of operations generally, could be materially adversely affected.

Any acquisition or acquisition integration efforts that we undertake could disrupt our business, not generate anticipated results, dilute stockholder value and have a material adverse impact on our operating results.

Our ability to achieve the anticipated potential benefits of any strategic acquisition is subject to a number of risks and uncertainties, and depends in part on our ability to integrate any such acquisition into our business operations. Integration of any acquired assets, data, or businesses may place significant demands on our management, systems, internal controls and financial and physical resources and could require us to incur significant expense for, among other things, hiring additional qualified personnel, retaining professionals to assist in developing the appropriate control systems and expanding our IT infrastructure. The nature of our business is such that qualified management personnel can be difficult to find.

Acquisitions and other transactions, arrangements, and investments are subject to a number of risks and uncertainties, many of which are outside of our control, including:

- challenges and unanticipated costs associated with integrating complex organizations, systems, operating procedures, compliance programs, technology, networks and other assets;
- difficulties harmonizing differences in the business cultures of an acquired business;
- difficulties in integrating an acquisition with our business in a manner that permits us to achieve the cost savings and other anticipated benefits from the acquisition;
- challenges associated with known and unknown legal or financial liabilities associated with acquisitions;
- the risk of entering markets in which we have little or no experience;
- to the extent we incur debt to fund any acquisitions, the impact of such debt on our overall capital structure, any material restrictions thereunder on our ability to conduct our business, our ability to maintain compliance with any financial covenants and dilution to stockholders to the extent such debt instruments are convertible;
- to the extent we use cash to pay for acquisitions, the commensurate limitation of other potential uses for our cash;
- to the extent we issue equity securities in connection with future acquisitions, existing stockholders may be diluted and earnings per share may decrease;
- the inability to minimize the diversion of management attention from ongoing business concerns during the process of integrating our businesses;
- the inability to resolve potential conflicts that may arise relating to customer, supplier and other important relationships;
- the inability to maintain, or changes in, the relationships with key customers and partners of an acquired business;
- the difficulties in retaining key management and other key employees;
- potential write-offs of acquired assets or investments, impairments of goodwill or intangible assets, or potential financial and credit risks associated with acquired customers; and
- challenges relating to the structure of an investment, such as governance, accountability, and decision-making conflicts that may arise in the context of a joint venture or other shared ownership investments.

There can also be no assurance that any acquisitions we complete, will generate income or incur expenses at the historical or projected levels on which we based our acquisition decisions, that we will be able to realize operating and economic efficiencies upon integration of such acquisitions or that the acquisitions will not adversely affect our results of operations or financial condition. We may also decide to restructure, divest, or sell businesses, products, or technologies that we have acquired or in which we invested.

The occurrence of any of the above risks and uncertainties could cause us to fail to realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities and harm our business generally.

Adverse general economic, political, credit and/or capital market conditions in the markets in which we do business could adversely affect our financial performance, our ability to grow or sustain our business, financial condition, and results of operations, and our ability to access capital markets.

Adverse economic conditions, including slow growth or recession, high unemployment, inflation, tighter credit, higher interest rates, supply chain challenges, labor shortages and volatility in capital markets have had and could continue to have an adverse effect on our business, results of operations, and financial condition. Increased inflation rates could result in higher costs related to employee wages and other inputs to our services, including fuel costs, and could result in us incurring higher debt obligations than expected. If we incur higher costs than originally anticipated, including under our FFS contracts, and are unable to adjust the rates to reflect the changes in costs due to the structure of our contracts, our results of operations and financial condition may be adversely affected.

In addition, adverse economic conditions and economic uncertainty may lead to increased credit risk, higher borrowing costs, reduced liquidity, and reduced availability of capital and credit markets, which could impact our access to financing in the credit and capital markets at reasonable rates in the event we find it desirable to do so. Higher interest rates and borrowing costs as well as increased costs of labor as a result of the tight labor market, particularly in the healthcare industry, could create additional economic challenges. With the majority of our payors being governmental healthcare agencies who are also under significant operational and budgetary strain, these significantly increased labor and supply costs without a commensurate increase in revenue may lead to a continued deterioration of operating margins across our business.

Our estimated income taxes could be materially different from income taxes that we ultimately pay, which could have a material adverse effect on our results of operations and financial condition.

Our total income tax provision is based on our taxable income and the tax laws in the various jurisdictions in which we operate or operated. Judgment and estimation is required in determining our annual income tax expense and in evaluating our tax positions and related matters. In the ordinary course of our business, there are many transactions and calculations for which the ultimate tax determinations are uncertain or otherwise subject to interpretation. In the event one taxing jurisdiction disagrees with another taxing jurisdiction with respect to the amount or applicability of a particular type of tax, or the amount or availability of a particular type of tax refund or credit, we could experience temporary or permanent double taxation and increased professional fees to resolve such taxation matters.

Our determination of our income tax liability is subject to review by applicable tax authorities, and we have been audited by various jurisdictions in prior years. Although we believe our income tax estimates and related determinations are reasonable and appropriate, relevant taxing authorities may disagree. The ultimate outcome of any such audits and reviews could be materially different from the estimates and determinations reflected in our historical income tax provisions and accruals.

We may not be successful in implementing our business plan, which may force us to seek additional strategic alternatives in the future.

We are undertaking a number of actions pursuant to our go-forward business plan in order to improve the performance of our business, including, but not limited to, contract renegotiations, cost cutting, lowering capital expenditures, centralizing various back-office processes, using technology to streamline processes and practicing efficient management of our workforce.

The timely improvement of our business as well as our ability to maintain an adequate level of liquidity are subject to various risks, some of which are outside of our control. Such risks have included, and continue to include, difficulties in managing our revenue cycle and cash flows. In particular, our ability to collect outstanding contract receivables for services rendered is critical to the success of our business plan. We face a prolonged time interval between earning revenue and collecting receivables under outstanding contracts with some of our customers due to complexities in Medicare, Medicaid and non-governmental payor arrangements, particularly with respect to shared-risk contracts that have reconciliation provisions. This prolonged interval between the Company fulfilling its performance obligations and collecting the cash owed for its services from its customers has lengthened collection periods and increased the uncertainty concerning the timing of the collection of these corresponding outstanding contract receivables. While we are making various efforts to reduce collection periods, we cannot give assurance that such efforts will be successful and that our customers will cooperate and effectively allow us to bill and collect payment for our services in a more timely manner. Although our transition to fee-for-service contracts is intended to reduce the extended collection delays we face under shared-risk contracts, such fee-for-service contracts may also involve a prolonged interval between the Company fulfilling its obligations and receiving the cash it is owed. Unlike our full-risk contracts where we are paid a fixed fee per member for service provided or our shared-risk contracts where we are paid a lower fixed monthly fee per member with an additional amount to be paid at a future date as described above, our fee-for-service contracts provide for a payment on a per-ride or per-customer basis but the payments will only be made in arrears, typically 60 to 75 days after the services are rendered. Accordingly, we expect a near-term impact on our cash flows as we manage this transition. Delays experienced in connection with collections have had, and further delays could have, an adverse effect on our business, financial condition, results of operations and liquidity.

In recent years we have underperformed in implementing our business plan. If we are not successful in implementing our business plan, our business, financial condition, results of operations and liquidity may be adversely affected, which may force us to consider additional strategic alternatives, including (subject to market conditions) restructuring or refinancing our debt, seeking additional debt or equity capital, reducing or delaying our business activities and strategic initiatives, selling assets, other strategic transactions and/or other measures. For example, as previously announced, we are commencing a strategic review of our assets, which may include divestitures of certain of our assets. Such strategic alternatives involve significant uncertainties, potential delays, significant costs and other risks, and there can be no assurance that any of these alternatives will be available on acceptable terms, or at all, in the current market environment or in the foreseeable future. Our ability to pursue any strategic alternatives will depend on, among other things, our business plans, operating performance, including the operating performance of the assets that may become subject to divestiture, changes in the economic or business environment, investor demand, the condition of the capital markets and the support of our existing lenders and stockholders. The agreements governing our indebtedness also contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in any strategic alternative opportunities.

In addition, the agreements governing our indebtedness restrict our ability to dispose of certain assets and may restrict the use of the proceeds from any such dispositions to the repayment of outstanding indebtedness. Therefore, even if we successfully consummate such transactions, we may not be able to use the proceeds of such sales to, for example, meet our liquidity needs or make other investments in our business. The process of negotiating with buyers and implementing a sale may also take a prolonged period of time, may adversely affect our relationships with existing and potential customers and may lead to increased employee turnover, any of which may harm our business, financial condition, results of operation and liquidity.

Our failure to implement our business plan or successfully consummate strategic alternatives could have important consequences, including the following:

- our ability to continue as a going concern could be adversely affected;
- our ability to obtain financing to fund working capital, capital expenditures, acquisitions or other general corporate requirements could be adversely affected;
- we would be required to dedicate a substantial portion of our cash flows to debt payments instead of for other purposes;
- our ability to attract and retain employees and capitalize on business opportunities may be adversely affected;
- we could be placed at a competitive disadvantage compared to our competitors that may have less debt;
- our flexibility in planning for and reacting to changes in the industry in which we compete could be limited; and
- our vulnerability to general adverse economic conditions could increase.

We have a history of operating losses and negative cash flow and failure to improve our financial condition could have a material adverse effect on our business, financial condition, results of operations and liquidity.

We have a history of operating losses and expect to continue to generate negative cash flows from operations in the near term. We incurred net losses of $201.3 million for the year ended December 31, 2024 and $204.5 million for the year ended December 31, 2023. As a result, we face uncertainty regarding the adequacy of our long-term liquidity and capital resources. In addition to the cash requirements necessary to fund ongoing operations, we have incurred, and will continue to incur, significant professional fees and other costs in connection with advisory services provided to the Company regarding its financial condition and related transactions. We cannot assure you that available cash on hand and cash generated from operations, net of capital expenditures, will be sufficient to continue to fund our operations.

Our liquidity, including our ability to meet our ongoing operational obligations, is dependent upon, among other things, our ability to maintain adequate cash on hand and our ability to generate cash flow from operations (including, but not limited to, our ability to collect outstanding contract receivables in a timely manner).

On January 9, 2025, we entered into an amendment to our credit agreement, pursuant to which we obtained $75.0 million of additional capital from a consortium of our existing lenders in the form of an incremental term loan (the "Incremental Term Loan"), which will mature on January 10, 2026. This amendment increased the interest rates across our revolving and term loan credit facilities and made more restrictive certain of our operating and financial covenants. This amendment also provided the Company with financial covenant relief in the form of (i) a covenant holiday with respect to the maximum net leverage ratio and interest coverage ratio from the fourth fiscal quarter of 2024 through and including the second fiscal quarter of 2025 as well as the liquidity covenant for the fourth fiscal quarter of 2024, (ii) resetting the maximum total net leverage ratio covenant to 6.75:1.00 for the third fiscal quarter of 2025 and the fourth fiscal quarter of 2025 and (iii) resetting the minimum interest coverage ratio to 1.65:1.00 for the third fiscal quarter of 2025 and the fourth fiscal quarter of 2025. The Company will also be required to maintain minimum liquidity of $25.0 million and be subject to a cash variance compliance test with respect to aggregate disbursements and aggregate receipts, subject to customary cures. If our financial condition does not improve organically and if we are unable to obtain adequate additional financing to meet our liquidity needs or consummate other appropriate strategic alternatives, we may need further covenant relief in the future. In the event additional financing or covenant relief is required in the future, we may be required to pay additional fees to our creditors and/or agree to additional covenants that limit our ability to engage in specified types of transactions. There can be no assurance that additional financing and/or covenant relief will be available in the future on acceptable terms, or at all. Failure to improve our financial condition and/or failure to obtain covenant relief from our creditors in the future may require us to delay, limit or curtail our operations or otherwise impede our business strategy, which may have a material adverse effect on our business, financial condition, results of operations and liquidity and our ability to continue as a going concern.

We have experienced significant turnover in our senior management team and across our organization, including our board of directors, and our failure to attract and retain qualified personnel, skilled workers and key officers and directors could have an adverse effect on us.

We have recently experienced and will continue to experience significant turnover in our board of directors and senior management team. In December 2024, two of our directors resigned, and two other directors were appointed to the board. In February 2025, an additional director was appointed to the board and two directors resigned. In connection with the Incremental Term Loan, we agreed to appoint three lender-approved directors to the board, one of whom was appointed in February 2025, and, once all three new appointments are made, to reduce and limit the total number of our directors to seven. We have also recently experienced reductions in our workforce. Our ability to retain key employees in the long-term is affected by our financial situation, our business performance and our ability to successfully implement our go-forward business plan. As a result of our negotiations with lenders and other investors, we may continue to experience turnover in our senior management team and board of directors. Our business may be adversely affected by the transitions in our senior management team and reduction in workforce, and turnover at the senior management level may create instability within the Company, which could disrupt and impede our day-to-day operations and our ability to fully implement our business plan and growth strategy. In addition, management transition inherently causes some loss of institutional knowledge, which can negatively affect strategy and execution, and our business, financial condition, results of operations and liquidity could be negatively impacted as a result. Competition for key management personnel is intense. If we fail to successfully attract and appoint permanent replacements with the appropriate expertise, we could experience increased employee turnover and harm to our business, financial condition, results of operations and liquidity. The search for permanent replacements could also result in significant recruiting and relocation costs, as well as increased salary and benefit costs.

Negotiations regarding new capital investment in the Company, as well as efforts to effect strategic divestitures of certain of our assets, may consume a substantial portion of the time and attention of our management, which may have an adverse effect on our business, financial condition, results of operations and liquidity.

Our management has spent, and may continue to be required to spend, a significant amount of time and effort focusing on negotiations with existing debt and equity holders of the Company and new investors. In addition, our management is expected to engage in efforts to effect strategic divestitures of certain of our assets during fiscal year 2025, which could require a significant amount of time and attention of our management. This diversion of attention may have a material adverse effect on the conduct of our business, and, as a result, on our business, financial condition, results of operations and liquidity, particularly if such negotiations with existing debt and equity holders or regarding the strategic divestitures of certain of our assets are protracted.

Our business, results of operations and financial condition may be adversely affected by pandemic infectious diseases, including our contact center employees who may be disproportionately impacted by health epidemics or pandemics, which could disrupt our business and adversely affect our financial results.

The widespread outbreak of an illness or any other communicable disease, or any other public health crisis that results in economic disruptions could materially adversely affect our business and results of operations. Any such outbreak, health epidemic or pandemic or other health crisis, as well as measures taken by governmental authorities and private actors to contain such health crisis could interfere with, and may continue to interfere with the ability of our employees, suppliers, transportation providers and other business providers to carry out their assigned tasks at ordinary levels of performance relative to the conduct of our business, which may cause us to materially curtail portions of our business operations. Any such widespread health crisis could adversely impact our business in a number of ways, such as limiting customer and member demand for certain of our services; limiting our ability to provide our services as a result of, among other things, travel restrictions, disruptions in our contact centers, people working from home and taking the opportunity to provide personal care services that we might otherwise provide through our PCS segment, and the willingness or ability of our employees to work due to health issues or concerns, childcare issues or enhanced unemployment benefits, including after "shelter in place" and other related "stay at home restrictions" are lifted or modified; increased costs to us responding to a health crisis and protecting the health and safety of our employees, including increased spending for hazard pay and personal protective equipment; and the ability of our payors to pay for our services.

Furthermore, any failure to appropriately respond, or the perception of an inadequate response, could cause reputational harm and/or subject us to claims and litigation, either of which could result in a material adverse effect on our business and results of operations.

Risks Related to Our NEMT Segment

There can be no assurance that our contracts will survive as contemplated until the end of their stated terms, or that upon their expiration will be renewed or extended on satisfactory terms, if at all, and disruptions to, the early expiration or renegotiation of, or the failure to renew our contracts could have a material adverse impact on our financial condition and results of operations.

Our NEMT segment contracts are subject to frequent renewal and, from time to time, requests for renegotiation during a contract term. For example, many of our state Medicaid contracts, which represented approximately 37.5% of our NEMT segment revenue for the year ended December 31, 2024, have terms ranging from three to five years and are typically subject to a competitive procurement process near the end of the term. We also contract with MCOs, which represented approximately 62.5% of our NEMT segment revenue for the year ended December 31, 2024. Our MCO contracts for NEMT segment services typically continue until terminated by either party upon reasonable notice in accordance with the terms of the contract, and sometimes a contractual counterparty will seek to renegotiate the pricing and other terms of a contract to our detriment prior to the stated termination date of a contract. We cannot anticipate if, when or to what extent we will be successful in renewing our state Medicaid contracts or retaining our MCO contracts through their contractual duration on terms originally negotiated or at all. For the year ended December 31, 2024, 24.0% of our NEMT segment revenue was generated under state Medicaid contracts that are subject to renewal during 2025.

In addition, with respect to many of our state contracts, the payor may terminate the contract without cause, or for convenience, at will and without penalty to the payor, either immediately or upon the expiration of a short notice period in the event that, among other reasons, government appropriations supporting the programs serviced by the contract are reduced or eliminated. We cannot anticipate if, when or to what extent a payor might terminate a contract with us prior to its expiration, or fail to renew or extend a contract with us. If we are unable to retain or renew our contracts, or replace lost contracts, on satisfactory terms, our financial condition and results of operations could be materially adversely affected. While we pursue new contract awards and also undertake efficiency measures, there can be no assurance that such measures will fully offset the negative impact of contracts that are not renewed or are canceled on our financial condition and results of operations.

Our success depends on our ability to compete effectively in the marketplace, and our results of operations could be materially adversely affected if we are unable to compete effectively in the markets for our services.

We compete for clients and for contracts with a variety of organizations that offer similar services. Many organizations of varying sizes compete with us, including local not-for-profit organizations and community-based organizations, larger companies, organizations that currently provide or may begin to provide similar NEMT services (including transportation network companies such as Uber and Lyft) and CHA providers. Some of these companies may have greater brand recognition as well as greater financial, technical, political, marketing, and other resources that contribute to a larger number of clients or payors than we have. In addition, some of these companies may offer more services than we do. To remain competitive, we must provide superior quality services on a cost-effective basis to our payors and customers.

The market in which we operate is influenced by technological developments that affect cost-efficiency and quality of services, and the needs of our customers change and evolve regularly. Accordingly, our success depends on our ability to develop services that address these changing needs and to provide technology needed to deliver these services on a cost-effective basis. Our competitors may better utilize technology to change the way services in our industry are designed and delivered and they may be able to provide our customers with different or greater capabilities than we can provide, including better contract terms, technical qualifications, price and availability of qualified professional personnel. In addition, new or disruptive technologies and methodologies by our competitors may make our services noncompetitive. For example, in recent years there has been an industry shift toward virtual health solutions which may reduce the number of in-person visits an end-user may be required to make to healthcare providers in order to receive care, which could reduce the utilization of our NEMT services.

We have experienced, and expect to continue to experience, competition from new entrants into the markets in which we operate. Increased competition may result in pricing pressures, loss of or failure to gain market share, or loss of or failure to gain clients or payors, any of which could have a material adverse effect on our operating results. Our business may also be adversely affected by the consolidation of competitors, which may result in increased pricing pressure or negotiating leverage with payors, or by the provision of our services by payors or clients directly to customers, including through the acquisition of competitors.

We obtain a significant portion of our business through responses to government requests for proposals and we may not be awarded contracts through this process in the future, or contracts we are awarded may not be profitable.

We obtain, and will continue to seek to obtain, a significant portion of our business from state government entities, which generally entails responding to a government request for proposal, or RFP. To propose effectively, we must accurately estimate our cost structure for servicing a proposed contract, the time required to establish operations and submit the most attractive proposal with respect to both technical and price specifications. The accurate estimate of costs is based on historical experience with similar contracts and future expectation around transportation costs, which may be inaccurately forecasted due to uncertainties driven by the current macroeconomic environment which poses supply chain shortages, uncertain inflationary impacts, and the current geopolitical environment. We must also assemble and submit a large volume of information within rigid and often short timetables. Our ability to respond successfully to an RFP will greatly affect our business. If we misinterpret bid requirements as to performance criteria or do not accurately estimate performance costs in a binding bid for an RFP, there can be no assurance that we will be able to modify the proposed contract and we may be required to perform under a contract that is not profitable, which could materially adversely affect our results of operations.

If we fail to satisfy our contractual obligations, we could be liable for damages and financial penalties, which may place existing pledged performance and payment bonds at risk as well as harm our ability to keep our existing contracts or obtain new contracts and future bonds, any of which could harm our business and results of operations.

Our failure to comply with our contractual obligations could, in addition to providing grounds for immediate termination of the contract for cause, negatively impact our financial performance and damage our reputation, which, in turn, could have a material adverse effect on our ability to maintain current contracts or obtain new contracts. The termination of a contract for cause could, for instance, subject us to liabilities for excess costs incurred by a payor in obtaining similar services from another source. In addition, our contracts require us to indemnify payors for our failure to meet standards of care, and some of them contain liquidated damages provisions and financial penalties if we breach these contracts, which amounts could be material. Our failure to meet contractual obligations could also result in substantial actual and consequential financial damages, the impact of which could be materially adverse to our business and reputation

If we fail to estimate accurately the cost of performing certain contracts, we may experience reduced or negative margins and our results of operations could be materially adversely affected.

During 2024, 2023, and 2022, 80.9%, 85.3%, and 87.8% of our NEMT segment revenue, respectively, was generated under capitated contracts with the remainder generated through fee for service ("FFS") contracts. Under most of our capitated contracts, we assume the responsibility of managing the needs of a specific geographic population by contracting out transportation services to local transportation companies on a per ride or per mile basis. We use “pricing models” to determine applicable contract rates, which take into account factors such as estimated utilization, state specific data, previous experience in the state or with similar services, the medically covered programs outlined in the contract, identified populations to be serviced, estimated volume, estimated transportation provider rates and availability of mass transit. The amount of the fixed per-member, monthly fee is determined in the bidding process, but is predicated on actual historical transportation data for the subject geographic region as provided by the payor, actuarial work performed in-house as well as by third party actuarial firms and actuarial analysis provided by the payor. If the utilization of our services is more than we estimated, the contract may be less profitable than anticipated, or may not be profitable at all.

Certain capitated contracts are structured in a shared risk format and have provisions for reconciliations, risk corridors or profit rebates. Under this shared risk structure, the amount of the fixed per-member fee is determined based on actual realized transportation volumes or costs. This provides some margin protection against unprofitable contracts, as the rate per member will increase if cost of transportation was to increase above certain specified levels. These shared risk contracts pose certain risks to cash management and liquidity, as contracts under this structure can lead to large contract payables and contract receivables balances on our balance sheet, that have longer payment terms than typical cycles. This can lead to large outflows of cash and impact our liquidity.

Under our FFS contracts, we receive fees based on our interactions with government-sponsored clients. To earn a profit on these contracts, we must accurately estimate costs incurred in providing services. If the client population relating to these contracts is not large enough to cover our fixed costs, such as rent and overhead, our operating results could be materially adversely affected and our profitability impaired. Our FFS contracts are not reimbursed on a cost basis; therefore, if we fail to estimate our costs accurately, we may experience reduced margins or losses on these contracts. Revenue under certain contracts may be adjusted prospectively if client volumes are below expectations. If we are unable to adjust our costs accordingly, our profitability may be negatively affected. In addition, certain contracts with state Medicaid agencies are renewable or extended at the state's option without an adjustment to pricing terms. If such renewed contracts require us to incur higher costs, including inflation or regulatory changes, than originally anticipated, our results of operations and financial condition may be adversely affected.

Delays in collection, or non-collection, of our accounts receivable, particularly concerning the timing of collection of outstanding contract receivables from certain NEMT customers due to complexities in Medicare, Medicaid and nongovernmental payor arrangements, could adversely affect our business, financial position, results of operations and liquidity.

In addition to the risk of delays in collection, or non-collection, of our accounts receivable included in the "Risks Related to our Business" discussion above, the NEMT segment is subject to additional risk from delays in collection specific to its outstanding contract receivables from certain customers. Certain capitated contracts in the NEMT segment are structured in a shared risk format that include provisions for reconciliations, risk corridors, or profit rebates. While these contracts provide some margin protection against unprofitable contracts, these shared risk contracts pose certain risks to cash management and liquidity as contracts under this structure can lead to large contract payables and contract receivables balances on our balance sheet that have longer payment terms than typical cycles. Because the amount of the fixed per-member fee is determined based on actual realized transportation volumes or costs, the reconciliation provisions may result in a delay in billing and collection on our contract receivables that are subject to the complex regulations that govern Medicare and Medicaid reimbursement and rules imposed by nongovernment payors. Our inability to bill and collect on a timely basis pursuant to these regulations and rules could subject us to payment delays that could have a material adverse effect on our business, financial position, results of operations and liquidity.

The timing of payments made under the Medicare and Medicaid programs is subject to governmental budgetary constraints, resulting in an increased period of time between submission of claims and subsequent payment under specific programs, most notably under the Medicaid and Medicaid managed programs. Any delays experienced for the foregoing or other reasons could have a material adverse effect on our business, results of operations, financial position, and liquidity.

The NEMT segment may be adversely impacted if the drivers we engage as independent contractors were instead classified as employees.

We believe that the drivers we engage to provide rider benefits are properly classified as independent contractors and that these drivers are not our employees. Changes to federal, state or local laws governing the definition or classification of independent contractors, or judicial or administrative challenges to our classification of these drivers as independent contractors, could affect the status of these drivers as independent contractors. A change in the classification of these drivers from independent contractors to employees could increase materially our expenses associated with the delivery of our services, which could materially adversely affect our business, results of operations and financial condition.

Significant interruptions in communication and data services could adversely affect our business.

Our contact centers are significantly dependent on telephone, internet and data service provided by various communication companies. Any disruption of these services could adversely affect our business. We have taken steps to mitigate our exposure to service disruptions by investing in complex and multi-layered redundancies, and we can transition services among our different contact centers. Despite these efforts, there can be no assurance that the redundancies we have in place would be sufficient to maintain the contact centers' operations without disruption. Any disruption could harm our customer relationships and have a material adverse effect on our results of operations.

Risks Related to Our PCS Segment

Competition among in-home personal care, or home healthcare, services companies is significant, and if we are not successful in executing on our strategies in the face of this competition, our business could be materially adversely affected.

The in-home personal care services industry, which is sometimes referred to as the home healthcare services industry, is highly competitive. Our PCS segment competes with a variety of other companies in providing personal care services, some of which may have greater financial and other resources and may be more established in their respective communities. Competing companies may offer newer or different services from those offered by us, which may attract customers who are presently receiving our in-home personal care services to those other companies. Competing companies may also offer services across a greater continuum of care and therefore may be able to obtain new cases or retain patients that might otherwise choose us. In the areas in which our in-home personal care programs are provided, we also compete with a large number of organizations, including:

- community-based home healthcare providers;
- hospital-based home healthcare agencies;
- rehabilitation centers, including those providing home healthcare services;
- adult day care centers;
- assisted living centers;
- skilled nursing facilities; and
- fiscal intermediaries that process payroll and undertake other administrative responsibilities related to the provision of care by a patient's family members or other directly-hired personal assistants.

Some of our current and potential competitors have or may obtain significantly greater marketing and financial resources to promote their programs than we have or may obtain. We compete based on the availability of personnel, the quality of services, the expertise of staff and, in some instances, the price of the services. Relatively few barriers to entry in the personal care industry exist in our local markets. Accordingly, other companies, including hospitals and other healthcare organizations that are not currently providing in-home personal care services, may expand their services to include those services or similar services. We may encounter increased competition in the future that could negatively impact patient referrals to us and limit our ability to maintain or increase our market position, the effect of any of which could have a material adverse effect on our business, financial position, results of operations and liquidity.

If any large, national healthcare entities that do not currently directly compete with us move into the in-home personal care market, competition could significantly increase. Larger, national healthcare entities have significant financial resources and extensive technology infrastructure. In addition, companies that currently compete with respect to some of our personal care services could begin competing with additional services through the acquisition of an existing company or de novo expansion into these services. Additionally, consolidation, especially by way of the acquisition of any of our competitors by any large, national healthcare entity, could also lead to increased competition.

State certificates of need, or CON, laws, which often limit the ability of competitors to enter into a given market, are not uniform throughout the United States and are frequently the subject of efforts to limit or repeal such laws. If states remove existing CON laws, we could face increased competition in these states. Further, we cannot assure you that we will be able to compete successfully against current or future competitors, which could have a material adverse effect on our business, results of operations and financial condition.

If we are unable to maintain relationships with existing patient referral sources, our business and consolidated financial condition, results of operations and cash flows could be materially adversely affected.

Our success in entering the markets we serve depends on referrals from physicians, hospitals, nursing homes, service coordination agencies, MCOs, health plans and other sources in the communities we serve and on our ability to maintain good relationships with existing referral sources. Our referral sources are not contractually obligated to refer patients to us and may refer their patients to other providers. Our growth and profitability depends, in part, on our ability to establish and maintain close working relationships with these patient referral sources and to increase awareness and acceptance of the benefits of personal care services by our referral sources and their patients. Our loss of, or failure to maintain, existing relationships or our failure to develop new referral relationships could have a material adverse effect on our business.

Many states have CON laws or other regulatory and licensure obligations that may adversely affect the successful integration of our personal care service lines and that may adversely affect our ability to expand into new markets and thereby limit our ability to grow and increase net patient service revenue.

Many states have enacted CON laws that require prior state approval to open new healthcare facilities or expand services at existing facilities. In such states, expansion by existing providers or entry into the market by new providers is permitted only where a given amount of unmet need exists, resulting either from population increases or a reduction in competing providers. These states ration the entry of new providers or services and the expansion of existing providers or services in their markets through a CON process, which is periodically evaluated and updated as required by applicable state law. The process is intended to promote comprehensive healthcare planning, assist in providing high-quality healthcare at the lowest possible cost and avoid unnecessary duplication by ensuring that only those healthcare facilities and operations that are needed will be built and opened. New York, New Jersey, and West Virginia have CON laws applicable to the in-home personal care services we provide.

In every state where required, our home healthcare offices and personal care centers possess a license and/or CON issued by the state health authority that determines the local service areas for the home healthcare office or personal care center. In general, the process for opening a home healthcare office or personal care center begins by a provider submitting an application for licensure and certification to the state and federal regulatory bodies, which is followed by a testing period of transmitting data from the applicant to the CMS. Once this process is complete, the care center receives a provider agreement and corresponding number and can begin billing for services that it provides unless a CON is required. For those states that require a CON, the provider must also complete a separate application process before billing can commence and receive required approvals for capital expenditures exceeding amounts above prescribed thresholds. Our failure or inability to obtain any necessary approvals could adversely affect our ability to expand into new markets and to expand our PCS segment services and facilities in existing markets.

If a state with CON laws finds that there is an over-abundance of one type of Medicaid provider within the state, it may, for a period of time, impose a moratorium against the issuance of new Medicaid licenses for that type of service. While a moratorium would not prohibit us from continuing to provide services for which we are already licensed in that state, it may prevent us from entering a new state de novo, which could limit our expansion opportunities, affect our ability to execute on our business strategies and materially harm our business and operations.

Although we obtained approval to effectuate the change of control of our licensed in-home personal care services agency business in the State of New York, which permits our management team to manage those operations, our board may not, absent the consent of the New York Department of Health, be able to influence the management of that business in the State of New York, which would have an adverse impact on our expected results from that acquisition and could result in a material adverse effect on our business and operations.

Our operation of our licensed in-home personal care services agency business in the State of New York is subject to a “no control” affidavit that limits the influence our board may have on that business. We have, however, successfully obtained the change of ownership approval from the New York Department of Health with respect to our Simplura acquisition, which permits our management team to now control the day to day operations of that personal care business in the State of New York. Pursuant to the affidavit, our board cannot exercise day to day management of these entities, and our current management will operate the business. There is no prohibition on these entities making cash distributions to us while the affidavit of "no control" is in effect. The affidavit that limits the influence of our board may limit our ability to achieve the synergies and operational benefits expected from the Simplura acquisition as contemplated and our business and results of operations could be materially adversely affected.

Changes in the case-mix of our personal care patients, as well as payor mix and payment methodologies, may have a material adverse effect on our profitability.

The sources and amounts of our patient revenues are determined by a number of factors, including the mix of patients and the rates of reimbursement among payors. Changes in the case-mix of the patients as well as payor mix among private pay, Medicare and Medicaid, as well as specialty programs, including waiver programs within Medicaid, may significantly affect our profitability. In particular, any significant increase in our Medicaid population or decrease in Medicaid payments could have a material adverse effect on our financial position, results of operations and cash flow, particularly if states operating these programs continue to limit, or more aggressively seek limits on, reimbursement rates or service levels.

Our loss of existing favorable managed care contracts could have a material adverse effect on our business and consolidated financial condition, results of operations and cash flows.

There is a risk that our existing favorable managed care contracts could be terminated. Managed care contracts typically permit us or the payor to terminate the contract without cause, typically within 90 days, which can provide payors leverage to reduce volume or obtain favorable pricing. Our failure to negotiate and put in place favorable managed care contracts, or our failure to maintain favorable managed care contracts, could have a material adverse effect on our business.

The personal care industry has historically experienced shortages in qualified employees and management, which could harm our business.

Our personal care services compete with other healthcare providers for both professional and management level employees. Our ability to attract and retain qualified personnel depends on several factors, including our ability to provide these personnel with attractive assignments for the desired number of hours per week and competitive compensation and benefits. There can be no assurance that we will succeed in any of these areas. As the demand for personal care services continues to exceed the supply of available and qualified personnel, our competitors may be forced to offer more attractive wage and benefit packages to these professionals. Furthermore, the competitive market for this labor force has created turnover as many seek to take advantage of the supply of available positions, each offering new and more attractive wage and benefit packages. In addition to the wage pressures inherent in this environment, including any changes to minimum wage, the cost of training new employees amid the turnover rates may cause added pressure on our operating results and harm our business.

Our personal care business may be adversely impacted by labor relations which could create labor disruptions that impact our ability to perform our obligations.

Approximately 2,500 of our hourly caregivers are unionized in regions of New York. Certain collective bargaining agreements with the 1199 SEIU United Healthcare Workers East are currently being negotiated, and others will require renegotiation upon expiration. We may not be able to negotiate terms that are satisfactory to the labor unions, and ultimate agreement may be on terms unfavorable to us. In addition, a unionized work force poses the risk of work stoppages, which if initiated could materially harm our results of operations as well as our commercial relationships with our customers if we are unable to perform under our contracts with them during any such stoppage.

If additional regions in which we operate become unionized, or if we expand our personal care operations into geographic areas where healthcare workers historically have been unionized, being subject to additional collective bargaining agreements may have a negative impact on our ability to timely and successfully recruit qualified personnel and may increase our operating costs. Generally, if we are unable to attract and retain qualified personnel, the quality of our services may decline and we could lose patients and referral sources, which could have a material adverse effect on our business and consolidated financial condition, results of operations and cash flows.

Our PCS segment may be subject to malpractice or other similar claims, which could adversely impact our brand and our success in the marketplace.

The services our PCS segment offers involve an inherent risk of professional liability and related substantial damage awards. Due to the nature of our personal care business, we, through our employees and caregivers who provide services on our behalf, may be the subject of medical malpractice claims. A court could find that these individuals should be considered our agents, and, as a result, we could be held liable for their acts or omissions. Claims of this nature, regardless of their ultimate outcome, could have a material adverse effect on our business or reputation or on our ability to attract and retain patients and employees. While we maintain malpractice liability coverage that we believe is appropriate given the nature and breadth of our operations, any claims against us in excess of insurance limits, or multiple claims requiring us to pay deductibles, could have a material adverse effect on our business and consolidated financial condition, results of operations and cash flows.

Risks Related to Our Monitoring Segment

We operate in a competitive industry, and any failure to develop and enhance technology applications could harm our business, financial condition and results of operations.

Strategic shifts in the industry as a result of the pandemic toward in-home care solutions have accelerated the growth in the Monitoring industry which is a competitive industry and we expect it to attract increased competition, which could make it difficult for us to succeed. We currently face competition in the Monitoring industry from a range of companies, including specialized software and solution providers that offer similar solutions, often at substantially lower prices, and that are continuing to develop additional products and becoming more sophisticated and effective. In addition, large, well-financed health plans have in some cases developed their own telehealth, expert medical service or chronic condition management tools and may provide these solutions to their customers at discounted prices. Competition from specialized software and solution providers, health plans and other parties will result in continued pricing pressures, which is likely to lead to price declines in certain product segments, which could negatively impact our sales, profitability and market share.

Some of our competitors may have, or new competitors or alliances may emerge that have, greater name recognition, a larger customer base, longer operating histories, more widely-adopted proprietary technologies, greater marketing expertise, larger sales forces and significantly greater resources than we do. Further, our current or potential competitors may be acquired by third parties with greater available resources. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements and may have the ability to initiate or withstand substantial price competition. In addition, current and potential competitors have established, and may in the future establish, cooperative relationships with vendors of complementary products, technologies or services to increase the availability of their solutions in the marketplace. Our competitors could also be better positioned to serve certain segments of our markets, which could create additional price pressure. In light of these factors, even if our solutions are more effective than those of our competitors, current or potential customers may accept competitive solutions in lieu of purchasing our solutions. If we are unable to successfully compete, our business, financial condition and results of operations could be materially adversely affected.

If we do not continue to innovate and provide services that are useful to customers and achieve and maintain market acceptance, we may not remain competitive, and our revenue and results of operations could suffer.

Our success depends on our ability to keep pace with technological developments, satisfy increasingly sophisticated customer requirements, and achieve and maintain market acceptance on our existing and future services in the rapidly evolving market for the management and administration of healthcare services. In addition, market acceptance and adoption of our existing and future services depends on the acceptance by health plans and provider partners as to the distinct features, cost savings and other perceived benefits of our existing and future offerings as compared to competitive alternative services. Our competitors are constantly developing products and services that may become more efficient or appealing to our customers. As a result, we must continue to invest significant resources in research and development in order to enhance our existing services and introduce new services that our customers will want, while offering our existing and future services at competitive prices. If we are unable to predict customer preferences or industry changes, or if we are unable to modify our existing and future services on a timely or cost-effective basis, we may lose customers and our business, financial condition and results of operations may be harmed.

If we are not successful in demonstrating to existing and potential customers the benefits of our existing and future services, or if we are not able to achieve the support of health plans and provider partners for our existing and future services, our revenue may decline or we may fail to increase our revenue in line with our forecasts. Our results of operations would also suffer if our technology and other innovations are not responsive to the needs of our customers, are not timed to match the corresponding market opportunity, or are not effectively brought to market.

Risks Related to Our Corporate and Other Segment

Our investment in Matrix could be adversely affected by our lack of sole decision-making authority, our reliance on our equity investment's financial condition, any disputes that may arise between us and Matrix and our exposure to potential losses from the actions of Matrix, and could materially and adversely affect the value of our consolidated assets.

We hold a non-controlling interest in Matrix, which, as of December 31, 2024, constituted 1.8% of our consolidated assets. We do not have unilateral power to direct the activities that most significantly impact Matrix's economic performance. The arrangement with Matrix involves risks not present with respect to our wholly-owned subsidiaries and that may negatively impact our financial condition and results of operations or make the arrangement less successful than anticipated. Factors that may negatively impact the success of our Matrix investment include the following:

- we may be unable to take actions that we believe are appropriate but are opposed by Matrix under arrangements that require us to cede or share decision-making authority over major decisions affecting the ownership or operation of the company and any property owned by the company, such as the sale or financing of the business or the making of additional capital contributions for the benefit of the business;
- Matrix management may take actions that we oppose;
- we may be unable to sell or transfer our investment to a third party if we fail to obtain the prior consent of our investment partner;
- Matrix may become bankrupt or the majority member may fail to fund its share of required capital contributions, which could adversely impact the investment or increase our financial commitment to the investment;
- Matrix may have business interests or goals with respect to a business that conflict with our business interests and goals, including with respect to the timing, terms and strategies for investment, which could increase the likelihood of disputes regarding the ownership, management or disposition of the business;
- disagreements with Matrix could result in litigation or arbitration that increases our expenses, distracts our management, and disrupts the day-to-day operations of the business, including the delay of important decisions until the dispute is resolved; and
- we may suffer losses as a result of actions taken by Matrix with respect to our investment.

If any of the foregoing events were to transpire, our results of operations and liquidity position could be materially adversely affected and our business could be materially harmed.

As part of our investment in innovation, the MSO provides virtual clinical care management services through the PC, an unaffiliated professional corporation owned and operated by a licensed physician, and our relationships or arrangements with the PC could become subject to legal challenges.

The MSO's contractual relationships and arrangements with the PC, through which virtual healthcare services are provided, may implicate certain state laws that generally prohibit non-professional entities from providing licensed medical services or exercising control over licensed physicians or other healthcare professionals (such activities are generally referred to as the "corporate practice of medicine") or engaging in certain practices such as fee-splitting with such licensed professionals. The interpretation and enforcement of these laws vary significantly from state to state. There can be no assurance that these laws will be interpreted in a manner consistent with our practices or that other laws or regulations will not be enacted in the future that could have an adverse effect on our business, financial condition and results of operations. Regulatory authorities, state boards of medicine, state attorneys general and other parties may assert that, despite the agreements through which we operate, we are engaged in the provision of medical services and/or that our arrangements with the PC constitute unlawful fee-splitting. If a jurisdiction's prohibition on the corporate practice of medicine or fee-splitting is interpreted in a manner that is inconsistent with our practices, we would be required to restructure or terminate our arrangements with the PC to bring our activities into compliance with such laws. A determination of non-compliance, or the termination of or failure to successfully restructure these relationships could result in disciplinary action, penalties, damages, fines, and/or a loss of revenue, any of which could have a material and adverse effect on our business, financial condition and results of operations. Some state corporate practice of medicine and fee-splitting prohibitions also authorize penalties on healthcare professionals for aiding in the improper rendering of professional services, which could discourage physicians and other healthcare professionals with whom we contract from providing clinical services.

The MSO, the PC and the medical practitioners providing virtual clinical care services through such PC may become subject to medical liability claims which may impact their ability to deliver the service and could have an adverse impact on our business.

The relationships and arrangements between the MSO, the PC and the medical practitioners providing virtual clinical care services through such PC entail the risk of medical liability claims against the MSO. Although the PC carries insurance covering medical malpractice claims in amounts that we believe are appropriate in light of the risks attendant to the PC business, successful medical liability claims could result in substantial damage awards that exceed the limits of the PC's insurance coverage, and/or plaintiffs in these matters may request punitive or other damages that may not be covered by insurance. In addition, such liability insurance is expensive and insurance premiums may increase significantly in the future, particularly as we expand the services offered by the MSO. As a result, adequate liability insurance may not be available to the MSO in the future at acceptable costs or at all. Any claims made against the MSO that are not fully covered by insurance could be costly to defend, result in substantial damage awards against the MSO and divert the attention of our or the MSO's management, as well as cause the PC to be unable to provide services on our behalf, which could have an adverse effect on our business, financial condition and results of operations.

The MSO and the PC remote patient monitoring business model depends on the ability for new patient encounters to occur remotely by means of telehealth, and if the telehealth flexibilities currently permitted under the Consolidated Appropriations Act of 2023 are not extended, this business model may no longer be feasible and our results of operations could be adversely affected.

In response to the COVID-19 pandemic, CMS made several changes in the manner in which Medicare will pay for telehealth visits, many of which relax previous requirements, including the "established patient" restriction which required an initiating in-person visit with the physician, initiating site requirements for both the providers and patients and telehealth modality requirements. The Consolidated Appropriations Act of 2023 extended many of the COVID-19 public health emergency provisions related to telehealth until December 31, 2024, and many, but not all, of the telehealth provisions were extended to March 31, 2025 in the American Relief Act, 2025,including the flexibility to permit a patient's home to be an originating cite and to permit telehealth by means of audio only communication. Although CMS has indicated support for continuing certain telehealth flexibilities, including utilizing audio only communication, in its 2025 Physician Fee Schedule final rule, it is unclear if Congress will enact further legislation to extend coverage of these telehealth services. The provision of telehealth is largely regulated at the state level. Although state laws applicable to telehealth, particularly licensure requirements, have been relaxed in many jurisdictions as a result of the COVID-19 pandemic, many state waivers in relation to COVID-19 have already expired. Our ability to conduct telehealth services in a particular jurisdiction directly depend on applicable laws governing remote healthcare. It is unclear which, if any, of these changes pertaining to telehealth services will remain in place permanently and which will be rolled-back following the COVID-19 pandemic. If regulations change to restrict the ability of physicians to deliver care through telehealth modalities, including with respect to the initiating visit, our results of operations may be adversely affected.

Risks Related to Governmental Regulations

Healthcare is a heavily regulated industry, and compliance with existing laws is costly, and non-compliance has the potential to be even costlier considering that violations of laws may result in corrective action or sanctions that could reduce our revenue and profitability.

The United States healthcare industry is subject to extensive federal and state oversight relating to, among other things:

- professional licensure;
- conduct of operations;
- addition of facilities, equipment and services, including certificates of need, or CON;
- coding and billing related to our services; and
- payment for services.

Both federal and state government agencies have increased coordinated civil and criminal enforcement efforts related to the healthcare industry. Regulations related to the healthcare industry are extremely complex and, in many instances, the industry does not have the benefit of significant regulatory or judicial interpretation of those laws.

Medicare and Medicaid anti-fraud and abuse laws prohibit certain business practices and relationships related to items and services reimbursable under Medicare, Medicaid and other governmental healthcare programs, including the payment or receipt of remuneration to induce or arrange for referral of patients or recommendation for the provision of items or services covered by Medicare or Medicaid or any other federal or state healthcare program, often referred to as the Anti-Kickback Statute. Federal and state laws also prohibit the submission of false or fraudulent claims, including claims to obtain reimbursement under Medicare and Medicaid, under what is commonly referred to as the False Claims Act. We have implemented policies to help assure our compliance with these regulations as they become effective, but interpretations different from our interpretations or enforcement of these laws and regulations in the future could subject our practices to allegations of impropriety, illegality, or overpayment, or could require us to make changes in our facilities, equipment, personnel, services or the manner in which we conduct our business, any of which could increase costs and could materially adversely affect our business and results of operations.

Changes to the regulatory landscape applicable to our businesses could have a material adverse effect on our results of operations and financial condition, including the final rule by the Centers for Medicare and Medicaid Services ("CMS") titled Ensuring Access to Medicaid Services as well as potential changes to legislative and administrative actions at the federal level related to Medicaid funding.

Our PCS segment locations that maintain a Medicare certified home healthcare line of business (for example, in Pennsylvania and Massachusetts) must comply with ever changing federal conditions or participation, where compliance is difficult to achieve and hard to monitor. The regulatory landscape with respect to Medicaid and Medicare is particularly subject to change during presidential transitions, such as the current year. Recently implemented requirements for which adherence is particularly challenging include the need to:

- provide transfer summary to facility within two days of a planned transfer or within two business days of becoming aware of an unplanned transfer if the patient is still receiving care in the facility;
- provide written notice of patient's rights and responsibilities, and transfer and discharge policies to a patient-selected representative within four business days of the initial evaluation visit;
- communicate revisions to the plan of care due to change in health status to the patient, representative (if any), caregiver and physicians issuing orders for plan of care; and
- communicate discharge plan revisions to the patient, representative (if any), caregiver, all physicians issuing orders for the plan of care and to the provider expected to care for the patient after discharge (if any).

CMS could adopt new requirements or guidelines that may further increase the costs associated with the provision of certified services, which could harm our business and have a material adverse effect on our results of operations. As an example, CMS finalized components of its 2023 proposed rule entitled *Ensuring Access to Medicaid Services*, which proposes advancements in access to care, quality of care, and improved health outcomes for Medicaid beneficiaries, include stipulations which would require that 80.0% of Medicaid payments for personal care services be spent on compensation for the direct care workforce rather than other administrative or overhead expenses by 2028. This requirement would limit our ability to achieve a gross margin that would allow us to continue to invest in technological platforms that would ease the administrative burden and allow our care providers to focus on higher quality of care, which could have a material adverse effect on our results of operations and financial condition.

In New York, we provide Service Coordination, or SC, and/or Home and Community Support Services, or HCSS, to Traumatic Brain Injury, or TBI, and Nursing Home Transition and Diversion, or NHTD, Medicaid waiver participants. These waiver programs were developed based on the philosophy that individuals with disabilities, individuals with traumatic brain injury, and seniors, may be successfully served and included in their surrounding communities so long as the individual is the primary decision maker and works in cooperation with care providers to develop a plan of services that promotes personal independence, greater community inclusion, self-reliance and participation in meaningful activities and services. Examples of activities that are at various stages of implementation that may implicate or materially adversely affect our waiver line of business profitability follow.

- **Conflict Free Case Management** – The NYS DOH, in collaboration with CMS, is implementing mandatory conflict-free case management policies. Conflict-free case management requires the separation of clinical eligibility determinations and care planning assessments (for example, SC) from the direct provision of services (for example, HCSS). Providers in the personal care industry are expected to implement additional conflict of interest standards that may or may not ultimately require the creation of legally separate entities with distinct protocols.

- **Managed Long-Term Care Carve-In** – Managed Long-Term Care, or MLTC, is a system believed to streamline the delivery of long-term care services to people who are chronically ill or disabled and who wish to reside, or continue to reside, safely in their homes and communities. The entire array of services to which an enrolled member is entitled can be received through the MLTC plan a particular member has chosen. As New York transforms its long-term care system to one that ensures care management for all, enrollment in a MLTC plan may be mandatory or voluntary, depending on individual circumstances. While TBI and NHTD participants are currently excluded from having to enroll in a MLTC plan (for example, SC and HCSS claims are billed and paid on a Medicaid fee-for-service basis), the NYS DOH submitted a transition plan to CMS for consideration that eliminates the exclusion, meaning that TBI and NHTD waiver participants who wish to continue receiving services must enroll in a plan. While the primary goal stated was to improve access to all services across the state, the result may also require our navigation of network participation requirements and typical managed care cost control measures (for example, authorizations, utilization review, rate negotiation).

Regarding in-home personal care generally (including certified or non-certified and waiver or non-waiver), compliance with responsibilities under the Fair Labor Standards Act, or FLSA, remains key. The United States Department of Labor, or DOL, continues its focus on the industry to ensure that personal care workers earn a minimum wage and are afforded various overtime pay protections. We may be sued individually or by a class of workers claiming that a violation has occurred, or a complaint may be filed with the DOL to investigate. If it is ultimately found that we neglected to pay the full amount of wages owed under the FLSA (for meals, breaks, travel, or otherwise), payment for the missing amount and possibly double that amount may be mandated, which could materially increase our costs and harm our results of operations.

With respect to our Matrix investment, the Comprehensive Health Assessment ("CHA") services industry is primarily regulated by federal and state healthcare laws and the requirements of participation and reimbursement of the Medicare Advantage program established by CMS. From time to time, CMS considers changes to regulatory guidelines with respect to prospective CHAs or the risk adjusted payment system applicable to Matrix's Medicare Advantage plan customers. CMS could adopt new requirements or guidelines that may, for example, increase the costs associated with CHAs, limit the opportunities and settings available to administer CHAs, or otherwise change the risk adjusted payment system in a way that would adversely impact our business. Further, changes in or adoption of new state laws governing the scope of practice of mid-level practitioners, or more restrictive interpretations of such laws, may restrict Matrix's ability to provide services using nurse practitioners. Any such implementation of additional regulations on the CHA industry by CMS or other regulatory bodies or further regulation of mid-level practitioners could have a material adverse impact on Matrix's revenues and margins, which could have a material adverse impact on our balance sheet and financial position.

Further, legislation and administrative actions at the federal level may impact the funding for, or structure of, the Medicaid program, and may shape the administration of the Medicaid program at the state level, including by affecting reimbursement rates and eligibility and coverage policies. For example, some members of Congress and the presidential administration have raised, and Congress may in the future adopt, proposals intended to reduce Medicaid expenditures such as restructuring the Medicaid program to give states a "block grant" or fixed amount of overall funding for their respective Medicaid programs or to impose spending caps such as per Medicaid beneficiary limits on federal contributions. Reductions in federal funding or changes to the federal funding formula for Medicaid could have a significant impact, particularly in states that expanded Medicaid under the ACA and especially if federal contributions for Medicaid expansion populations decrease and states are unable to offset the reductions. Further, some states have trigger laws that would end their Medicaid expansion or require other changes if federal funding for the expansion populations is reduced.

Congress, CMS and state authorities may implement changes to reimbursement for or coverage of items and services that affect our business and operations. For example, CMS periodically revises the reimbursement systems used to reimburse healthcare providers, including through changes to the home health and hospice reimbursement systems, which may result in reduced Medicare and/or Medicaid payments. In addition, delays or issues implementing reimbursement-related rules, including periodic payment updates for government programs, and interruptions in the distribution of governmental funds, could have an adverse impact on our business. The shift toward value-based care continues, including through the implementation of alternative payment models and various demonstration projects. Some states have obtained CMS approval to test new or existing approaches to payment and delivery of Medicaid benefits. Payment policies for different types of providers and for various items and services continue to evolve, and future health reform efforts could impact both federal and state programs.

If changes in Medicare, Medicaid or other state and local medical and social programs result in a reduction in available funds for the services we offer, a reduction in the number of beneficiaries eligible for our services or a reduction in the number of hours or amount of services that beneficiaries eligible for our services may receive, then our revenues and profitability could be negatively impacted. Our profitability depends principally on the levels of government-mandated payment rates and our ability to manage the cost of providing services. In some cases, commercial insurance companies and other private payors rely on government payment systems to determine payment rates and policies. As a result, changes to government healthcare programs that reduce Medicare, Medicaid or other payments may negatively impact payments from private payors, as well. Any reduction in reimbursements from governmental or private payors or policies that negatively affect utilization of our services, such as the imposition of co-payments or prior authorization requirements, could also materially adversely affect our profitability.

State eligibility redetermination processes and potential reduction of eligible Medicaid beneficiaries as a result of such revalidation efforts could diminish the demand for our services, affect the profitability of our capitated contracts with our customers, and have a material adverse effect on our results of operations and financial condition.

States must revalidate the eligibility of each Medicaid beneficiary to participate in the program, based on factors such as income, age or disability, at least once every 12 months. During this process, existing Medicaid beneficiaries could lose

Medicaid coverage, not only because of changed circumstances such as regained employment, but also as a result of clerical and other errors that may leave otherwise eligible beneficiaries off the rolls due to the administrative burden to be placed on short-staffed state and local offices. A drop in Medicaid enrollment could affect adversely our ability to be reimbursed by our customers for the services we provide to our end-users, our NEMT per-member per-month fee generation under our capitated contracts, and our FFS payments and the demand for our services generally, the occurrence of any of which could harm our business and have a material adverse effect on our results of operations and financial condition.

The cost of our services is funded substantially by government and private insurance programs, and changes in budgetary priorities of the government entities or private insurance programs that fund these services could result in the loss of contracts, a reduction in reimbursement rates, or a decrease in amounts payable to us under our contracts.

Payments for our services are largely derived from contracts that are directly or indirectly paid by government agencies with public funds and private insurance companies. All of these contracts are subject to legislative appropriations and state and/or national budget approval, as well as changes to potential eligibility for services. The availability of funding under our contracts with state governments is dependent in part upon federal funding to states. Changes in Medicaid provider reimbursement and federal matching funds methodologies may further reduce the availability of federal funds to states in which we provide services.

Currently, many of the states in which we operate are facing budgetary shortfalls or changes in budgetary priorities. While many of these states are dealing with budgetary concerns by shifting costs from institutional care to home and community-based care such as the services we provide, there is no assurance that this trend will continue or be implemented as it has been historically. For example, in New York (one of several states where our PCS segment provides services under the name “All Metro Health Care”), there are Medicaid Redesign Team initiatives taking place aimed at reducing Medicaid expense through provider consolidation and other measures. Our continued ability to provide core services, though expected, is now dependent upon various competitive bid processes, including the following:

- **LHCSA Request for Proposal (Anticipated)** – The FY 2021 enacted New York State Budget created a new Public Health Law, or PHL, Section 3605-c which, if implemented, would prohibit Licensed Home Care Service Agencies, or LHCSAs, such as our PCS segment’s individually-licensed branches, from providing or claiming for services provided to Medicaid recipients without being authorized to do so by contract with the NYS DOH. This restriction would apply to the provision of such services under the state Medicaid plan, a plan waiver, or through an MCO (for example, managed long-term care plan). If implemented, the statute would require the NYS DOH to contract with only enough LHCSAs to ensure that Medicaid recipients have access to care. The NYS DOH is expected to post an RFP that includes demonstrated cultural and language competencies specific to the population of recipients and the available workforce, experience serving individuals with disabilities, and demonstrated compliance with all applicable federal and state laws and regulations among the selection criteria. After contracts are awarded, the NYS DOH could terminate a LHCSA’s contract, or suspend or limit a LHCSA’s rights and privileges under a contract, upon thirty-days' written notice if the Commissioner of Health finds that a LHCSA has failed to comply with the provisions of Section 3605-c or any regulations promulgated under the statute. Also, authorization received by LHCSAs under PHL Section 3605-c would not substitute for satisfying existing licensure requirements or the screening and enrollment process required for participation in the Medicaid program.

Consequently, a significant decline in government or private insurance company expenditures or the number of program beneficiaries, a shift of expenditures or funding away from programs that call for the types of services that we provide, or change in government contracting or funding policies could cause payors to terminate their contracts with us or reduce their expenditures or reimbursement rates under those contracts, either of which could have a negative impact on our financial position and operating results.

We are subject to regulations relating to privacy and security of patient and service user information, and our failure to comply with such regulations could result in a material adverse impact on our operating results.

As also discussed above, there are numerous state, federal and international regulations addressing patient information privacy, security, and breach requirements. In particular, the federal regulations issued under HIPAA contain provisions that:

- protect individual privacy by limiting the uses and disclosures of patient information;
- provide individuals with significant rights to their information;
- require the implementation of security safeguards to ensure the confidentiality, integrity and availability of individually identifiable health information in electronic form; and
- prescribe specific transaction formats and data code sets for certain electronic healthcare transactions.

Compliance with applicable state, federal, and international privacy laws and regulations requires considerable resources. These costs and investments could negatively impact our financial position and results of operations. Further, the HIPAA regulations and state privacy laws expose us to increased regulatory risk, as the penalties associated with a failure to comply or with information security breaches, even if unintentional, could be substantial and have a material adverse effect on our financial position and results of operations.

If the MSO or the PC fail to comply with applicable data interoperability and information blocking rules, our consolidated results of operations could be adversely affected.

The 21st Century Cures Act (the "Cures Act"), which was signed into law in December 2016, includes provisions related to data interoperability, information blocking and patient access. In May 2020, CMS and the HHS Office of the National Coordinator for Health Information Technology ("ONC") published the Cures Act final rule, which went into effect on April 5, 2021, to clarify provisions of the Cures Act regarding interoperability and information blocking, and to include, among other things, requirements surrounding information blocking, changes to ONC's health IT certification program and requirements that CMS-regulated payors make relevant claims/care data and provider directory information available through standardized patient access and provider directory application programming interfaces, or APIs, that connect to provider electronic health record systems ("EHRs"). The final rule transforms the way in which healthcare providers, health IT developers, health information exchanges/health information networks, ("HIEs/HINs"), and health plans share patient information, and creates significant requirements for healthcare industry participants. For example, the final rule prohibits healthcare providers, health IT developers of certified health IT, and HIEs/HINs from engaging in practices that are likely to interfere with, prevent, materially discourage, or otherwise inhibit the access, exchange or use of electronic health information ("EHI"), also known as "information blocking." To further support access and exchange of EHI, the final rule identifies eight "reasonable and necessary activities" as exceptions to information blocking activities, as long as specific conditions are met. As a relatively new rule, the interpretation of these requirements is continuing to evolve and any failure of the MSO or the PC to comply with these rules could have an adverse effect on our business, results of operations and financial condition.

We could be subject to actions for false claims or recoupment of funds pursuant to certain audits for non-compliance with government coding and billing rules, which could have a material adverse impact on our operating results.

If we fail to comply with federal and state documentation, coding and billing rules, we could be subject to criminal or civil penalties, loss of licenses and exclusion from the Medicare and Medicaid programs, which could have a material adverse impact on our financial position and operating results. In billing for our services to third-party clients, we must follow complex documentation, coding and billing rules. These rules are based on federal and state laws, rules and regulations, various government pronouncements, including guidance and notices, and industry practice. Failure to follow these rules could result in potential criminal or civil liability under the federal False Claims Act, under which extensive financial penalties can be imposed, or under various state statutes which prohibit the submission of false claims for services covered. Compliance failure could further result in criminal liability under various federal and state criminal or civil statutes. We may be subject to audits conducted by our clients or their proxies, including the Office of Inspector General, or OIG, for the Department of Health and Human Services, or DHHS, state Medicaid regulatory agencies, state Medicaid fraud enforcement agencies, health departments, CMS, the Unified Program Integrity Contractors and regional federal program integrity contractors for the Medicare and Medicaid programs that may result in recoupment of funds. In addition, our clients may be subject to certain audits that may result in recoupment of funds from our clients that may, in turn, implicate us. We could be adversely affected in the event such an audit results in negative findings and recoupment from or penalties to our customers.

Our contracts are subject to stringent claims and invoice processing regimes which vary depending on the customer and nature of the payment mechanism. Government entities may take the position that if a transport cannot be matched to a medically necessary healthcare event, or is conducted inconsistently with contractual, regulatory or even policy requirements, payment for such transport may be recouped by such customer. Likewise, a government surveyor may determine that a personal care visit was not sufficiently supported by a time and attendance record and/or that the aide was not qualified on a particular date of service and seek a refund as a result.

While we carefully and regularly review documentation, and coding and billing practices, the rules are frequently vague and confusing and they cannot ensure that governmental investigators, private insurers or private whistleblowers will not challenge our practices. Such a challenge could result in a material adverse effect on our financial position and results of operations.

We could be subject to civil penalties and loss of business if we fail to comply with applicable bribery, corruption and other regulations governing business with public organizations.

We are subject to the federal Anti-Kickback Statute, which prohibits the offer, payment, solicitation or receipt of any form of remuneration in return for referring, ordering, leasing, purchasing or arranging for or recommending the ordering, purchasing or leasing of items or services payable by a federally funded healthcare program. Any of our financial relationships with healthcare providers will be potentially implicated by this statute to the extent Medicare or Medicaid referrals are implicated. Violations of the Anti-Kickback Statute could result in substantial civil or criminal penalties, including criminal fines of up to $100,000 per violation, imprisonment of up to ten years, civil penalties under the Civil Monetary Penalties Law of up to $100,000 per violation, plus three times the remuneration involved, civil penalties under the False Claims Act of up to $28,619 for each claim submitted, plus three times the amounts paid for such claims and exclusion from participation in the Medicaid and Medicare programs. Any such penalties could have a significant negative effect on our operations. Furthermore, the exclusion could result in significant reductions in our revenues, which could materially and adversely affect our business, financial position and results of operations.

Increasing scrutiny and changing expectations with respect to environmental, social and governance ("ESG") matters may impose additional costs on us, impact our access to capital, or expose us to new or additional risks.

Increased focus, including from regulators, investors, employees and clients, on ESG matters may result in increased costs (including but not limited to increased costs related to compliance and stakeholder engagement), impact our reputation, or otherwise affect our business performance. Negative public perception, adverse publicity or negative comments in social media could damage our reputation or harm our relationships with regulators, employees or our customers, if we do not, or are not perceived to, adequately address these issues, including if we fail to demonstrate progress towards any current or future ESG goals. Any harm to our reputation could negatively impact employee engagement and retention and the willingness of customers to do business with us. At the same time, various stakeholders may have divergent views on ESG matters.This divergence increases the risk that any action or lack thereof with respect to ESG matters will be perceived negatively by at least some stakeholders and adversely impact our reputation and business. It is possible that stakeholders may not be satisfied with our ESG practices or the speed of their adoption. At the same time, certain stakeholders might not be satisfied if we adopt ESG practices at all. Actual or perceived shortcomings with respect to our ESG practices and reporting could negatively impact our business. We could also incur additional costs and require additional resources to monitor, report, and comply with various ESG practices. In addition, a variety of organizations have developed ratings to measure the performance of companies on ESG topics, and the results of some of these assessments are widely publicized. Such ratings are used by some investors to inform their investment and voting decisions. In addition, many investors have created their own proprietary ratings that inform their investment and voting decisions. Unfavorable ratings of our company or our industry, as well as omission of inclusion of our stock into ESG-oriented investment funds, may lead to negative investor sentiment and the diversion of investment to other companies or industries, which could have a negative impact on our stock price and our access to and cost of capital.

Our business is subject to licensing regulations and other regulatory provisions, including provisions governing surveys and audits, and changes to, or violations of, these regulations could negatively impact us.

In many of the locations where we operate, we are required by local laws to obtain and maintain licenses. The applicable state and local licensing requirements govern the services we provide, the credentials of staff, record keeping, treatment planning, client monitoring and supervision of staff. The failure to maintain these licenses or the loss of a license could have a material adverse impact on us and could prevent us from providing services to clients in a given jurisdiction. Our contracts are subject to surveys or audit by our payors or clients. We are also subject to regulations that restrict our ability to contract directly with a government agency in certain situations. Such restrictions could affect our ability to contract with certain payors and clients, and could have a material adverse impact on our financial condition and results of operations.

Our contracts are subject to audit and modification by the payors with whom we contract, at their sole discretion, and any such audits and modifications could materially and adversely affect our results of operations.

Our businesses depend on our ability to perform successfully under various government funded contracts. Under the terms of these contracts, payors, government agencies or their proxy contractors can review our compliance or performance, as well as our records and general business practices, at any time, and may in their discretion:

- suspend or prevent us from receiving new contracts or extending existing contracts because of violations or suspected violations of procurement laws or regulations;
- terminate or modify our existing contracts;
- seek to recoup the amount we were paid and/or reduce the amount we are paid under our existing contracts; or

- audit and object to our contract related fees.

Any increase in the number or scope of audits could increase our expenses, and the audit process may disrupt the day-to-day operations of our business and distract management. If payors have significant audit findings, or if they make material modifications to our contracts, it could have a material adverse impact on our financial position and results of operations.

Risks Related to Our Indebtedness and Economic Conditions

Our existing debt agreements contain restrictions that limit our flexibility in operating our business and impose affirmative covenants requiring us to maintain certain financial and liquidity targets, and these limitations or an inability to maintain compliance with covenants could have a material adverse effect on our business and results of operations.

Our agreements covering our outstanding indebtedness, including the Credit Agreement dated February 2022 governing our Revolving Credit Facility, Term Loan Facility and the Incremental Term Loan (as amended to date, the "Credit Agreement") and the indenture governing our 5.000% Senior Unsecured Notes due in October 2029 in an aggregate principal amount of $500.0 million (the "Notes due 2029") contain various covenants that limit or will limit our ability to engage in specified types of transactions. These agreements may, among other things, limit our ability to:

- incur additional debt;
- provide guarantees in respect of obligations of other persons;
- issue redeemable stock and preferred stock;
- pay dividends or distributions or redeem or repurchase capital stock;
- make loans, investments and acquisitions;
- enter into transactions with affiliates;
- create or incur liens;
- make distributions from our subsidiaries;
- permit contractual obligations that burden our ability to make distributions from our subsidiaries;
- sell assets and capital stock of our subsidiaries;
- make prepayments on subordinated debt; and
- consolidate or merge with or into, or sell substantially all of our assets to, another person.

In addition, our agreements covering our outstanding indebtedness, including the Credit Agreement and the indenture governing our Notes due 2029, require us to meet financial covenants associated with that debt, and contain cross-default provisions. For example, the Credit Agreement contains an affirmative covenant regarding our Total Net Leverage Ratio and interest coverage ratio as of the end of each of our fiscal quarters, and a covenant to maintain minimum liquidity of $25.0 million, which will be tested each week through the week ending April 11, 2025, each month through the month ending June 30, 2025 and, thereafter, each fiscal quarter. In order to maintain compliance with certain of our financial covenants under the Credit Agreement, including with respect to our Total Net Leverage Ratio, we have had to enter into amendments to our Credit Agreement increasing such limits, as recently as January 9, 2025. Pursuant to the Fifth Amendment to the Credit Agreement, we have been provided a covenant holiday with respect to certain financial covenants from the fourth fiscal quarter of 2024 through and including the second fiscal quarter of 2025. There can be no assurance that we will be able to maintain compliance with any such covenants upon expiration of the covenant holiday or any other covenants not subject to the covenant holiday or that our lenders will agree to further amend or waive any covenants in the future. See Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations for additional information regarding the Credit Agreement and our financial covenants thereunder.

A breach of any of these covenants or restrictions could result in a default under the applicable agreements that govern our indebtedness including as a result of cross default provisions, and, in the case of our Revolving Credit Facility, permit the lenders to cease making loans to us. Upon the occurrence of an event of default under our Credit Agreement, the lenders could elect to declare all amounts outstanding under our Credit Agreement, including the Revolving Credit Facility and the Incremental Term Loan, to be immediately due and payable and terminate all commitments to extend further credit. Such actions by those lenders could cause cross defaults under our other indebtedness resulting in our other indebtedness being declared immediately due and payable, including our Notes due 2029. We cannot provide any assurance that the holders of such indebtedness would waive a default, including as a result of a cross default. In the event of acceleration of our outstanding indebtedness, we would not have sufficient liquidity to satisfy such obligations and would be required to restructure our existing debt or to seek additional equity or debt financing. Even if new financing is made available to us, it may not be on terms acceptable to us. If we were unable to repay these amounts, certain debt holders could proceed against the collateral granted to them to secure the indebtedness, including the equity of subsidiary guarantors that we have pledged as collateral, pursuant to our Credit Agreement. If any of the foregoing were to occur, our business and results of operations could be materially adversely affected and the value of our equity could be materially diminished.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations, including raising additional capital in the future. Such capital may be unavailable to us on acceptable terms or at all.

We have a substantial amount of indebtedness which could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate indebtedness, and prevent us from meeting our obligations under the Credit Agreement and our Notes due 2029. As of December 31, 2024, we had $269.0 million in obligations outstanding under our Revolving Credit Facility, $522.4 million in obligations outstanding under our Term Loan Facility, and $500.0 million in obligations outstanding under our Notes due 2029. In addition, on January 9, 2025, we borrowed an additional $75.0 million under the Credit Agreement in the form of the Incremental Term Loan. Our substantial indebtedness could have important consequences, including:

- increasing our vulnerability to adverse economic, industry or competitive developments;
- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- exposing us to the risk of increased interest rates because certain of our borrowings, including borrowings under the Revolving Credit Facility, are at variable rates of interest;
- making it more difficult for us to satisfy our obligations with respect to our indebtedness, including our ability to maintain compliance with restrictive covenants under our debt instruments;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- imposing restrictions on the operation of our business that may hinder our ability to take advantage of strategic opportunities or to grow our business;
- limiting our ability to obtain additional financing for working capital, capital expenditures (including real estate acquisitions), debt service requirements and general corporate or other purposes; and
- limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to any of our competitors who are less leveraged and who therefore may be able to take advantage of opportunities that our leverage prevents us from exploiting.

Our ability to make scheduled payments or refinance our obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. In connection with the borrowing of the Incremental Term Loan, we agreed to pay higher interest rates on amounts borrowed under our revolving credit facility and our term loan credit facility, thus increasing our overall interest expense. We also agreed to repay the Incremental Term Loan on or prior to January 10, 2026.

In addition, on January 9, 2025, we entered into a purchase and exchange agreement (the "Purchase and Exchange Agreement") with an existing stockholder, Coliseum Capital Partners, L.P. (“Coliseum”), and Blackwell Partners LLC - Series A (together, the "Coliseum Investors"), pursuant to which the Coliseum Investors have committed to purchase $30.0 million of new second lien senior notes due 2029, subject to the approval of 66-2/3% of the Company’s stockholders other than Coliseum under Section 203 of the Delaware General Corporation Law. We cannot give assurance that we will obtain such stockholder approval in a timely manner, or at all. If we do not obtain such stockholder approval or are otherwise unable to consummate the transactions contemplated by the Purchase and Exchange Agreement, we will need to pursue other financing options to ensure compliance with certain financial covenants in our debt instruments. These financing alternatives may be dilutive to our stockholders and more expensive than the financing that would be provided by the Purchase and Exchange Agreement.

If our cash flows and capital resources are insufficient to fund our obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital, or restructure or refinance our existing indebtedness and other obligations. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt obligations. If we are unable to effect any such alternative measures to fund our obligations, it may have a material adverse effect on our business, financial condition, results of operations and liquidity.

In addition, in case we are able to raise additional capital through equity offerings, we may issue shares of our common stock or other securities. We cannot predict the size of future issuances of our shares or the effect, if any, that future sales and issuances of shares would have on the market price of our common stock. We may also issue equity securities that provide for rights, preferences and privileges senior to those of our common stock. Debt financing, if available, would increase our fixed payment obligations and may involve agreements that include covenants further limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or other operating restrictions that could adversely impact our ability to conduct our business.

If we cannot make scheduled payments on our debt, or if we violate certain covenants in our debt agreements and such violations are not cured or waived within the applicable time periods, we will be in default and, as a result, lenders under any of our existing and future indebtedness could declare all outstanding principal and interest to be due and payable, the lenders under our debt instruments could terminate their commitments to issue letters of credit and our secured lenders could foreclose against the assets securing such borrowings. In these or other circumstances, we may be forced to pursue reorganization or restructuring proceedings under applicable bankruptcy or insolvency laws, including seeking protection under Chapters 7 or 11 of the U.S. Bankruptcy Code. Any or all of these events could result in you losing your investment.

Expiration of our Credit Agreement, loss of available financing or an inability to renew or refinance our debt could have an adverse effect on our financial condition and results of operations.

The indebtedness subject to our Notes matures in 2029, amounts outstanding under our Revolving Credit Facility mature in 2027 and 2028, amounts outstanding under our Term Loan Facility mature on the earlier of (a) July 1, 2031 and (b) July 2, 2029 if any of the Company's 2029 Notes remain outstanding on that date, and amounts outstanding under our Incremental Term Loan mature on January 10, 2026. There can be no assurance that we will be able to payoff timely, refinance or extend our Notes due 2029 or our indebtedness under our Credit Agreement or incur any additional indebtedness on terms that are acceptable to us, or at all. If our cash on hand is insufficient, or we are unable to generate sufficient cash flows in the future to cover our cash flow and liquidity needs and service our debt, we may be required to seek additional sources of funds, including extending or replacing our indebtedness, refinancing all or a portion of our existing or future indebtedness, incurring additional indebtedness to maintain sufficient cash flow to fund our ongoing operating needs and fund anticipated expenditures. There can be no assurance that any new financing or refinancing will be possible or obtained on terms acceptable to us, or at all. If we are unable to obtain needed financing, we may (i) be unable to satisfy our ongoing obligations, (ii) be unable to pursue future business opportunities or fund acquisitions, (iii) find it more difficult to fund future operating costs, tax payments or general corporate expenditures, and (iv) become vulnerable to adverse general economic, capital markets and industry conditions. Any of these circumstances could have a material adverse effect on our financial position, liquidity and results of operations.

We may incur substantial additional indebtedness, which could impair our financial condition.

We may incur substantial additional indebtedness to fund our activities, including to fund share repurchases, acquisitions, cash dividends and business expansion. While our Credit Agreement contains restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. Any additional indebtedness would increase the risk that we may be unable to generate cash sufficient to pay amounts due in respect of such indebtedness, and the risks that we already face as a result of our leverage would intensify. Future substantial indebtedness could also have other important consequences on our business. For example, it could:

- make it more difficult for us to satisfy our existing obligations;
- make it more difficult to renew or enter into new contracts with existing and potential future clients;
- limit our ability to borrow additional amounts to fund, among other things, working capital, capital expenditures, debt service requirements, the execution of our business strategy or acquisitions;
- require us to dedicate a substantial portion of our cash flow from operations to pay principal and interest on our debt, which would reduce the funds available to us for other purposes;
- restrict our ability to dispose of assets and use the proceeds from any such dispositions;
- restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due;
- make us more vulnerable to adverse changes in general economic, industry and competitive conditions, as well as in government regulation and to our business; and
- expose us to risks inherent in interest rate fluctuations because some of our borrowings are at variable rates of interest, which could result in higher interest expense in the event of increases in interest rates.

Our ability to satisfy and manage our debt obligations depends on our ability to generate cash flow and on overall financial market conditions. To some extent, this is subject to prevailing economic and competitive conditions and to certain financial, business and other factors, many of which are beyond our control. Our business may not generate sufficient cash flow from operations to permit us to pay principal, premium, if any, or interest on our debt obligations. If we are unable to generate sufficient cash flow from operations to service our debt obligations and meet our other cash needs, we may be forced to reduce or delay capital expenditures, sell or curtail assets or operations, seek additional capital, or seek to restructure or refinance our indebtedness. If we must sell or curtail our assets or operations, it may negatively affect our ability to generate revenue.

Substantial doubt exists about our ability to meet our obligations as they come due within one year from the date of issuance of the financial statements included within this report, the existence of which may have a material adverse effect on our stock price, our ability to raise capital or enter into strategic transactions, and our relationships with key stakeholders.

As discussed in Note 1, *Organization and Basis of Presentation*, to the financial statements included in this report under the caption "Going Concern" as well as under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity" in this report, we have experienced financial challenges, including increased transportation and caregiver costs that have not been offset by corresponding reimbursement rate increases from payors, the loss of contracts, membership declines, and a lengthened time interval between earning revenue and collecting receivables under outstanding contracts with some of our customers due to complexities in Medicare, Medicaid, and nongovernmental payor arrangements. These factors, including the increased uncertainty regarding timing of the collection of outstanding contract receivables, have negatively impacted our liquidity and working capital and have changed our forecasts of, among other things, our ability to meet one or more financial covenants in our Credit Agreement. Any failure to maintain compliance with such financial or other covenants could cause our obligations under the Credit Agreement and our Notes due 2029 to become immediately due and payable, and we may not have sufficient liquidity to satisfy such obligations. In addition, these factors outlined above have raised substantial doubt about our ability to satisfy our obligations, including the repayment of the Incremental Term Loan, as they become due within one year from the issuance date of these financial statements. As a result, it has been determined that substantial doubt exists about our ability to continue as a going concern. The Report of Independent Registered Public Accounting Firm at the beginning of the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Report includes an explanatory paragraph about our ability to continue as a going concern.

We are analyzing various alternatives to support ongoing compliance with financial covenants and the continued funding of operations and to improve liquidity, including certain strategic divestitures. There can be no assurance, however, that any additional funds or strategic transactions will be available when needed on terms acceptable to us, or at all, or in an amount sufficient to enable us to satisfy our obligations or sustain operations in the future. In addition, if we issue equity to raise funds, these securities may have rights, preferences, or privileges senior to those of our common stock, and the current stockholders may experience dilution.

Furthermore, as a result of the determination itself that substantial doubt exists about our ability to meet our obligations as they come due within one year from the date of issuance of the financial statements included in this report, there may be material adverse impacts to our stock price, our ability to raise capital or enter into strategic transactions on terms acceptable to us or at all, or our relationships with our key stakeholders. If we are unable to obtain sufficient, timely financial resources and improve liquidity, our business, results of operations, financial condition, and cash flows could be materially and adversely affected. Any of these adverse impacts could result in a significant or complete loss of your investment.

Risks Related to Our Common Stock

If we experience a material weakness or other deficiency in our internal control over financial reporting or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately and timely report our financial results, in which case our business may be harmed, investors may lose confidence in the accuracy and completeness of our financial reports, and the price of our common stock may decline.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for evaluating and reporting on the effectiveness of our system of internal control. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). We are required to furnish annually a report by management of its assessment of the effectiveness of our internal control over financial reporting as of the end of our most recent fiscal year. In addition, our independent registered public accounting firm is required to provide a related attestation report on our internal control over financial reporting.

We have identified as recently as of the fiscal year ended December 31, 2023, control deficiencies that, in the aggregate, constituted a material weakness in our internal control over financial reporting. While such deficiencies have been since adequately remediated to eliminate the material weakness, if we are unable to successfully remediate a future material weakness or other deficiency in our internal control over financial reporting: the accuracy and timing of our financial reporting may be adversely affected; our liquidity, our access to capital markets, the perceptions of our creditworthiness, and our ability to complete strategic transactions may be adversely affected; we may be unable to maintain compliance with applicable securities laws, NASDAQ listing requirements, and the covenants under our debt instruments regarding the timely filing of periodic reports; we may be subject to regulatory investigations and penalties; investors may lose confidence in our financial reporting; and we may suffer defaults, accelerations, or cross-accelerations under our debt instruments or derivative arrangements to the extent we are unable to obtain waivers from the required creditors or counterparties or are unable to cure any breaches. Further, remediation efforts to correct any such internal control deficiencies could place a significant burden on management and add increased pressure to our financial resources and processes. If any such event or circumstance were to occur, our stock price could decline and our business, financial condition and results of operations could be materially adversely affected.

Future sales of shares of our common stock by existing stockholders could cause our stock price to decline.

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could cause the market price of our common stock to decline. As of December 31, 2024, we had 19,882,026 shares of common stock outstanding that were freely transferable without restriction or further registration under the Securities Act, unless held by or purchased by our “affiliates” as that term is defined in Rule 144 under the Securities Act. Shares of our common stock held by or purchased by our affiliates are restricted or “covered” securities within the meaning of Rule 144 under the Securities Act, but will be eligible for resale subject to applicable volume, means of sale, holding period and other limitations of Rule 144 under the Securities Act.

With respect to our stockholders Coliseum Capital Partners, L.P., Coliseum Capital Partners II, L.P. and Blackwell Partners, LLC - Series A, as well as our former stockholder Coliseum Capital Co-Invest, L.P, which we sometimes refer to collectively as the Coliseum Stockholders, any or all of which may continue to be considered an affiliate or affiliates of ours, we have an effective registration statement under the Securities Act covering the resale by the Coliseum Stockholders of an aggregate of 3,145,102 shares of our common stock. As a result, such shares may be sold pursuant to the registration statement without regard to the volume and other limitations of Rule 144 under the Securities Act that would otherwise be applicable to such sales.

We also have effective registration statements under the Securities Act covering all shares of common stock to be issued under our Amended and Restated 2006 Long-Term Incentive Plan ("Incentive Plan") and shares of common stock purchased pursuant to our Employee Stock Purchase Plan ("ESPP"). As a result, all shares of common stock acquired upon exercise of stock options or vesting of shares of restricted stock, restricted stock units or performance-based restricted stock units granted under our Incentive Plan or shares of common stock purchased under our ESPP will also be freely tradable under the Securities Act, unless purchased or acquired by our affiliates under the plan. As of December 31, 2024, there were vested stock options outstanding and exercisable to purchase a total of 39,656 shares of our common stock and there were 572,625 shares of our common stock subject to restricted stock awards, restricted stock units, and performance-based restricted stock units under the Incentive Plan. In addition, 601,519 shares of our common stock are reserved for future issuances under the Incentive Plan and 949,037 shares of our common stock are reserved for future purchases under the ESPP.

Our annual operating results and stock price may be volatile or may decline significantly regardless of our operating performance.

Our annual operating results and the market price for our common stock may fluctuate significantly in response to a number of factors, many of which we cannot control, including:

- changes in rates or coverage for services by payors;
- changes in Medicaid, Medicare or other United States federal or state rules, regulations or policies;
- market conditions or trends in our industry or the economy as a whole, including increases in the minimum wage requirements in various jurisdictions in which we operate, and fluctuations in the size of the Medicare member population as well as overall health of its members;
- increased competition, including through insourcing of services by our clients and new entrants to the market;
- negative effects from war, incidents of terrorism, natural disasters, pandemics, or responses to these events;
- changes in tax laws; and
- changes in accounting principles.

If any of these events or circumstances were to impact our results or stock price, our common stock price could decrease and the value of an investment in our common stock would experience a corresponding decrease.

In addition, the stock markets, and in particular NASDAQ, have experienced considerable price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Stockholders have recently and in the past instituted securities class action litigation following periods of market volatility. Please refer to Note 17, *Commitments and Contingencies*, for more information. If we become involved in securities litigation, we could incur substantial costs, and our resources and the attention of management could be diverted from our business.

The Company depends on its subsidiaries for cash to fund all of its operations and expenses, including to make future dividend payments or to fund stock repurchases, if any, and there can be no assurance that our subsidiaries will make available to us the funds necessary for us to fund our operations and capital needs.

Our operations are conducted entirely through our subsidiaries. Our ability to generate cash to fund all of our operations and expenses, to pay dividends or complete stock repurchase programs, or to meet any debt service obligations is highly dependent on our subsidiaries' earnings and the receipt of funds from our subsidiaries by way of dividends or intercompany loans. We have not paid any cash dividends on our common stock and do not expect to pay any dividends on our common stock in the foreseeable future. We currently intend to invest our and our subsidiaries' future earnings, if any, to fund our growth, to develop our business, invest in our technology, service our debt obligations, for working capital needs and for general corporate purposes. To the extent that we determine in the future to pay dividends on our common stock, however, none of our subsidiaries will be obligated to make funds available to us for the payment of dividends. Similarly, our subsidiaries are not obligated to make funds available to us to fund stock repurchases. Further, our Credit Agreement significantly restricts the ability of our subsidiaries to pay dividends, make loans or otherwise transfer assets to us. In addition, Delaware law imposes solvency restrictions on our ability to pay dividends to holders of our common stock. Therefore, you are not likely to receive any dividends on our common stock for the foreseeable future and the success of an investment in shares of our common stock will depend upon any future appreciation in their value. There is no guarantee that shares of our common stock will appreciate in value or even maintain the price at which stockholders have purchased their shares. Furthermore, if the subsidiaries are unable or unwilling to fund our cash needs when needed or desired, our results of operations and business and financial condition could be materially adversely affected.

If securities or industry analysts do not publish research or publish misleading or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more analysts downgrade our stock or publish misleading or unfavorable research about our business, our stock price would likely decline in reaction to such information. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, demand for our common stock could decrease, which could cause our common stock price or trading volume to decline.

Anti-takeover provisions in our second amended and restated certificate of incorporation, as amended, and amended and restated bylaws could discourage, delay or prevent a change of control of our company and may affect the trading price of our common stock.

Our second amended and restated certificate of incorporation, as amended, and amended and restated bylaws include a number of provisions that may be deemed to have anti-takeover effects, including provisions governing when and by whom special meetings of our stockholders may be called, and provisions that may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. As a result of these provisions, holders of our common stock may not receive the full benefit of any premium to the market price of our common stock offered by a bidder in a takeover context.

Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if the provisions are viewed as discouraging takeover attempts in the future. Our second amended and restated certificate of incorporation, as amended, and amended and restated bylaws, as amended, may also make it difficult for stockholders to replace or remove our management, including, no cumulative voting for the election of directors and provisions governing director vacancies, which are filled only by remaining directors (including vacancies resulting from removal or other cause). These provisions may facilitate management entrenchment that may delay, deter, render more difficult or prevent a change in our control, which may not be in the best interests of our stockholders.

Item 1B. *Unresolved Staff Comments.*

None.

Item 1C. *Cybersecurity.*

Risk Management and Strategy.

Our information technology ("IT") systems are critically important to our existing business operations and growth strategy. We provide services to individuals and others that require us to collect, process, maintain and retain sensitive and personal client confidential information in our IT systems, including protected health information ("PHI"), personally identifiable information ("PII"), financial information and other personal information about our customers and end-users, such as names, addresses, phone numbers, email addresses, identification numbers, sensitive health data, and payment account information. As a result, we are subject to complex and evolving United States privacy laws and regulations, including those pertaining to the handling of personal data, such as HIPAA and CCPA. In addition to protecting the privacy of all health-related information for our members, our IT infrastructure supports the operations of all aspects of our business and ensures that we are able to continue to serve our members' transportation, personal care, and monitoring needs and execute our strategy to better connect people with care.

The Company's Enterprise Risk Management Team (the "ERM Team"), led by Internal Audit, works in collaboration with the Company's Information Security Team to set the enterprise risk strategy and make risk-informed decisions, which include the assessment and response to cybersecurity risk. The Company maintains an information security, technology, and cybersecurity risk management program overseen by the Chief Information Security Officer (the "CISO") that uses a risk-based methodology to support the security, confidentiality, integrity, and availability of its information. Controls over security, confidentiality, integrity, and availability are tested by external audit agencies, resulting in the Company's HITRUST, ISO 27007/27701, SOC2, and HIPAA certifications. The Company's information security, technology, and cybersecurity risk management program provides the structure for managing the respective risks utilizing a combination of automated tools, documented processes, and third-party assessments to identify and assess potential cybersecurity risks.

As part of the risk program, third parties engaged by the Company are subject to initial and continuous security monitoring activities including the use of Security Information Event Monitoring ("SIEM") software and regularly scheduled vulnerability assessments performed by an independent third-party to capture and identify vulnerabilities, security events, and potential incidents. The Company also maintains a formal information security training program that includes training on matters such as phishing and email security best practices as well as data privacy which is required for all employees on an annual basis.

While processes are in place to minimize the chance of a successful cyberattack, the Company has established incident response policies and procedures to address a cyber threat that may occur despite these safeguards. In these instances, the Company maintains a cybersecurity incident response policy (the "Incident Response Policy") and cybersecurity incident response plan (the "Incident Response Plan") to help ensure a timely, consistent and compliant response to actual or attempted cybersecurity incidents impacting the Company. The Incident Response Plan includes (1) detection, (2) analysis, which may include timely notice to the Audit Committee of our Board if deemed material or appropriate, (3) containment, (4) eradication, (5) recovery and (6) post-incident review. The Incident Response Plan includes leveraging the Company's cross-functional Cybersecurity Incident Committee that is supported by an organizational structure that includes executives across the Information Security, ERM, Finance, Legal, and Investor Relations functions of the business. The Cybersecurity Incident Committee is responsible for assessing the materiality of any cybersecurity incidents and for communicating any such incidents to the appropriate parties outside the Company.

The Company relies on our IT systems and networks in connection with many of our business activities. Some of these networks and systems are managed by third-party service providers and are not under our direct control. The Company has implemented processes to manage the cybersecurity risks associated with its use of third-party service providers, including processes during the contract review phase by both Information Security and Legal teams providing contractual safeguards as well as ongoing monitoring of third-party service providers for incidents that may affect the Company. To date, no cybersecurity incidents have had such a material adverse effect on us, and we are not presently aware of any cybersecurity threats that are reasonably likely to materially affect us.

Despite the security measures we have implemented, certain cyber incidents could materially disrupt our operational systems, compromise PHI or PII regarding customers or employees, delay our ability to provide critical services to our customers, and/or jeopardize the security of our facilities. We continuously seek to maintain a robust program of information security and controls, but the impact of a material information technology event could have a material adverse effect on our competitive position, reputation, results of operations, financial condition and cash flows.

Governance.

Board's Roles and Responsibilities

The Audit Committee is responsible for overseeing and monitoring the Company's information security, technology, and cybersecurity program and other IT and data privacy risks, controls, strategies, and procedures. The Audit Committee is comprised of board members with expertise in the areas of risk management, finance and technology, enabling them to effectively oversee such cybersecurity and other IT and data privacy risks. The Audit Committee receives updates from management as needed or at least quarterly which cover the Company's current cybersecurity and other IT and data privacy risk assessments and key risk areas. The Audit Committee also reviews and discusses with management, at least quarterly, and as needed, any material or significant cyber incidents that have occurred or are reasonably likely to occur. In addition, the Audit Committee receives regular updates on cybersecurity trends and emerging threats from the Information Security Team led by the CISO.

Management's Roles and Responsibilities

In collaboration with the ERM team and the Audit Committee, the Company's Information Security Team, overseen by the CISO, is responsible for assessing and managing cybersecurity risks including the prevention, mitigation, detection, and remediation of cybersecurity incidents. The Information Security Team is comprised of various Technology groups with the knowledge and expertise needed to execute the technical aspect of the Incident Response Plan. This team is led by the CISO and other technical leaders with significant experience in the information security field. The CISO has over 19 years of experience serving as a CISO and in other security leadership positions in the information security and cybersecurity fields, including roles as VP of Enterprise Technology, VP of Information Security, Director of Infrastructure and Cybersecurity, Director of Information Security, and Manager of Information Security. In addition to his work experience, the CISO holds a certification as a Certified Information System Security Professional (CISSP). The CISO works closely with other management positions, including the Chief Accounting Officer, Chief Information Officer, Chief Audit Officer, General Counsel, and VP of Investor Relations through the Cybersecurity Incident Committee in order to ensure that the Company has effective communication and understanding of its cybersecurity risk management.

The processes by which the Information Security Team and CISO monitor the prevention, mitigation, detection, and remediation of cybersecurity incidents include regular vulnerability assessments and penetration testing, security incident and event management, continuous monitoring, and threat and intelligence gathering. The CISO reports to the Audit Committee on a quarterly basis, and as needed, to provide an overview of our cybersecurity risk posture, the effectiveness of our cybersecurity policies, procedures, and strategies, and any material or significant cybersecurity incidents that have occurred or are likely to occur.

Item 2. ***Properties.***

Our principal executive offices are located in Denver, Colorado, where we have leased approximately 73,000 square feet of corporate office and operations space through September 2032. This space, in addition to 27 other leased facilities that serve as both office and operational space, are utilized substantially in our Corporate and NEMT locations.

We maintain offices for our PCS segment in Valley Stream, New York, where we have leased through November 2025 corporate office and operations space. This office as well as an additional 70 locations of leased office and operational space support our PCS segment. To support our Monitoring segment operations, we rent coworking space in various locations as needed.

The lease terms vary for all of our leased facilities, but we believe that they are all generally at market rates. We further believe that our properties are adequate for our current business needs and in any event we believe that we can obtain adequate additional or alternative space at market rates, if needed, to meet our foreseeable business needs.

Item 3. ***Legal Proceedings.***

From time-to-time, we may become involved in legal proceedings arising in the ordinary course of our business. We record accruals for outstanding legal matters when it is believed to be probable that a loss will be incurred and the amount can be reasonably estimated. Management, following consultation with legal counsel, does not expect the ultimate disposition of any or a combination of any such ongoing or anticipated matters to have a material adverse effect on our business, financial condition or operating results. We cannot predict with certainty, however, the potential for or outcome of any litigation. Regardless of the outcome of any particular litigation and the merits of any particular claim, litigation can have a material adverse impact on our company due to, among other reasons, any injunctive relief granted which could inhibit our ability to operate our business, amounts paid as damages or in settlement of any such matter, diversion of management resources and defense costs. Refer to Note 17, *Commitments and Contingencies*, for information concerning other potential contingent liabilities matters that do not rise to the level of materiality for purposes of disclosure hereunder.

Item 4. ***Mine Safety Disclosures.***

Not applicable.

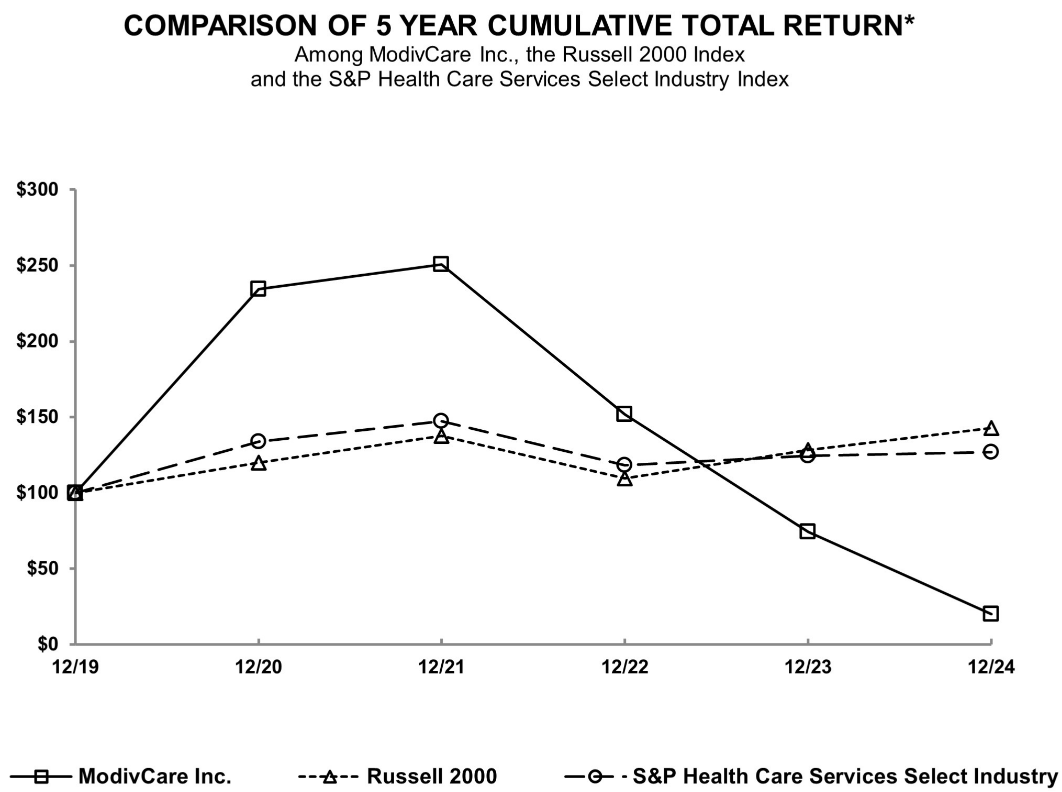
Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.***

Market for our Common Stock

Our Common Stock, our only class of common equity, is quoted on NASDAQ under the symbol "MODV". As of February 21, 2025, there were 10 holders of record of our Common Stock.

Stock Performance Graph

The following graph shows a comparison of the cumulative total return for our Common Stock, Russell 2000 Index, and NASDAQ Health Services Index and assuming an investment of $100 in each on December 31, 2019.



*$100 invested on 12/31/19 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

Dividends

We have not paid any cash dividends on our Common Stock and currently do not expect to pay dividends on our Common Stock. In addition, our ability to pay dividends on our Common Stock is limited by the terms of our Credit Agreement. The payment of future cash dividends, if any, will be reviewed periodically by the Board of Directors and will depend upon, among other things, our financial condition, funds from operations, the level of our capital and development expenditures, any restrictions imposed by present or future debt or equity instruments, and changes in federal tax policies, if any.

Issuer Sales of Unregistered Securities

There were no sales, including exchanges or conversions, of equity securities by us during the period covered by this Annual Report that were either not registered under the Securities Act or not previously disclosed in a quarterly report on Form 10-Q or current report on Form 8-K previously filed by us with the Securities and Exchange Commission.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

There were no repurchases of our Common Stock by or on behalf of the Company or any affiliated purchaser during the three months ended December 31, 2024.

Item 6. ***[Reserved]***

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included in Item 8. "Financial Statements and Supplementary Data" of this Annual Report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and other factors that may cause actual results to differ materially from those projected in any forward-looking statements, as discussed in "Disclosure Regarding Forward-Looking Statements". These risks and uncertainties include but are not limited to those set forth in Item 1A. "Risk Factors".

Overview of Our Business

Please refer to *Item 1. "Business"* of this Annual Report for a discussion of our services and corporate strategy.

ModivCare Inc. ("ModivCare" or the "Company") is a technology-enabled healthcare services company that provides a suite of integrated supportive care solutions for public and private payors and their members. Its value-based solutions address the social determinants of health ("SDoH") by connecting members to essential care services. By doing so, ModivCare helps health plans manage risks, reduce costs, and improve health outcomes. ModivCare is a provider of non-emergency medical transportation ("NEMT"), personal care services ("PCS"), and in-home monitoring solutions ("Monitoring"), which serve similar, highly vulnerable patient populations. The technology-enabled operating model in its NEMT segment includes the coordination of non-emergency medical transportation services supported by an infrastructure of core competencies in risk underwriting, contact center management, network credentialing and claims management. Additionally, its personal care services in its PCS segment include placements of non-medical personal care assistants, home health aides and nurses primarily to Medicaid patient populations in need of care monitoring and assistance performing daily living activities in the home setting. ModivCare's in-home monitoring solutions in its Monitoring segment include in-home clinical monitoring and quality improvement services that leverage personal emergency response systems, vitals monitoring devices, relationship-based care, and data-driven patient engagement solutions.

ModivCare also holds a 43.6% minority interest in CCHN Group Holdings, Inc. and its subsidiaries, which operates under the Matrix Medical Network brand ("Matrix"). Matrix, which is included in our Corporate and Other segment, maintains a national network of community-based clinicians who deliver in-home and on-site services.

Business Outlook and Trends

Our performance is affected by a number of trends that drive the demand for our services. In particular, the markets in which we operate are exposed to various trends, such as healthcare industry and demographic dynamics. Over the long term, we believe there are numerous factors that could affect growth within the industries in which we operate, including:

- an aging population, which is expected to increase demand for healthcare services including required transportation to such healthcare services, in-home personal care services, and monitoring services;
- increasing prevalence of chronic illnesses that require active and ongoing monitoring of health data which can be accomplished at a lower cost and result in better health outcomes through in-home personal care and monitoring services;
- a movement towards value-based care versus fee-for-service and cost plus care and budget pressure on governments, both of which may increase the use of corporations to provide necessary and innovative services;
- increasing demand for in-home care, driven by cost pressures on traditional reimbursement models and technological advances enabling remote engagement, including remote monitoring and similar internet-based health related services;
- a shift in membership dynamics as a result of any Medicaid redetermination efforts, which have and may continue to decrease membership levels at our NEMT segment;
- advancement of regulatory priorities, which include the Centers for Medicare and Medicaid Services ("CMS") final rule, *Ensuring Access to Medicaid Services*, which, in six years, requires states to generally ensure that a minimum of 80.0% of Medicaid payments are used toward compensation for direct care workers, which may lower profit margins at our PCS segment;
- technological advancements, which may be utilized by us to improve services and lower costs, but may also be utilized by others, which may increase industry competitiveness;
- MCO, Medicaid and Medicare plans increasing coverage of non-emergency medical transportation services for a variety of reasons, including increased access to care, improved patient compliance with treatment plans, social trends, and to promote SDoH, and this trend may be accelerated or reinforced by The Consolidated Appropriations Act of 2021 ("H.R.133"), a component of which mandates that state Medicaid programs ensure that Medicaid beneficiaries have necessary transportation to and from health care providers;

- macroeconomic conditions, including the impact of inflationary matters and changes in interest rates, which may impact the industries in which we operate and our customers' ability to utilize the services we and our competitors provide; and
- extended collection periods, which may cause uncertainty concerning the timing of the collection of outstanding contract receivables with some customers due to complexities in Medicare, Medicaid, and nongovernmental payor arrangements.

In recent years, we have experienced increased trip volume, service hours, and caregiver visits. While this indicates increased demand for our non-emergency medical transportation, personal care and monitoring services, adverse economic conditions, including high inflation rates, high interest rates, supply chain challenges, labor shortages, volatility in capital markets and recession risks, have had and could continue to have an adverse effect on our business, results of operations, and financial condition. For the NEMT segment, increased trip volume and utilization of non-emergency medical transportation services exposes us to cost containment risk as labor costs and trip costs are rising at a higher rate than reimbursement, which results in lower profit margins than previously reported. The increase in trip costs is driven, in part, by headwinds from the current macroeconomic environment which limit the NEMT segment's ability to provide services at a reasonable cost to achieve historic profit margins. For the PCS segment, the labor shortage, particularly related to availability of healthcare workers including caregivers, will continue to impact the volume of service hours that can be provided while also driving increased wage rates, which limits our ability to be profitable in contracts with set reimbursement rates for various care services. Any of these circumstances and factors could have a material adverse impact on our reputation and business and any long-term macroeconomic impacts that have arisen could continue to create ongoing challenges for our business.

Our business environment is competitive, the healthcare industry's regulatory requirements are increasingly complex, the labor market for healthcare professionals remains constrained, and the market price for our common stock on the Nasdaq Stock Market continues to be volatile; the continuing effect of all or any of the foregoing could result in an impairment of the goodwill in our reporting units. As discussed elsewhere herein and under the caption “Risk Factors” in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2023, impairment tests may be required in addition to the annual impairment testing that occurred as of July 1, 2024, if circumstances change that would, more likely than not, reduce the fair value of goodwill of a reporting unit below such reporting unit’s carrying value. The Company monitors the performance of the business and the value of its stock price and estimated fair values of its reporting units, among other relevant considerations, to determine if any impairments to goodwill could exist at any particular time. During our July 1, 2024 annual assessment of goodwill, we determined that based on our qualitative assessment for each reporting unit, factors existed which required us to perform a quantitative assessment to test our goodwill for impairment. As a result of our quantitative assessment, we determined that the goodwill at our Monitoring reporting unit was impaired. See Note 9, *Goodwill and Intangible Assets*, for additional details.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements and accompanying notes in accordance with accounting principles generally accepted in the United States of America. Preparation of the consolidated financial statements and accompanying notes requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements as well as revenue and expenses during the periods reported. We base our estimates on historical experience, where applicable, and other assumptions that we believe are reasonable under the circumstances. Actual results may differ from our estimates under different assumptions or conditions.

There are certain critical estimates that require significant judgment in the preparation of our consolidated financial statements. We consider an accounting estimate to be critical if:

- it requires us to make an assumption because information was not available at the time or it included matters that were highly uncertain at the time the estimate is made; and

- changes in the estimate or different estimates that could have been selected may have had a material impact on our financial condition or results of operations.

Accrued Transportation Costs

Description. We generally pay our transportation providers for completed trips based on documentation submitted after services have been provided. The transportation service is initiated at the time a member submits a request for transportation services from our providers. At this time, we calculate an estimated transportation cost for each trip based on historical experience. This portion of the accrued transportation cost is based on requests for services we have received and the amount we expect to be billed by our transportation providers. All completed trips (both unbilled and billed) for which we have not yet issued payment reconcile to our total accrued transportation cost, however the critical accounting estimate that requires significant judgment is the portion of the accrual that is estimated related to claims not yet received or those pending adjudication.

Judgments and Uncertainties. The transportation cost accrual requires significant judgment as it is calculated using historical trip experience. We estimate the amount of transportation cost incurred for claims which have not yet been received or pending adjudication. The estimates are routinely monitored and compared to actual invoiced costs. Actual cost could be greater or less than the amounts estimated due to facts and circumstances that differ from historical trends.

Sensitivity of Estimate to Change. The estimates for the transportation accrual are developed using assumptions based on the best information available to the Company at the time, but which are inherently uncertain and unpredictable and as a result, actual results may differ significantly from estimates. In determining our estimate each period, we use data around historical trip experience. Our December 31, 2024 estimated portion of the accrued transportation costs was $33.2 million greater than our estimated portion at December 31, 2023. The increase from 2023 to 2024 is driven by timing of claims adjudication. The assumptions used in the estimate inputs include estimated trip costs and estimated trip volume. If we were to assume that our estimate of future transportation costs was changed to the upper end or lower end of the range we developed in the course of formulating our estimate, the estimate for future transportation costs as of December 31, 2024 would range from $65.6 million to $80.1 million.

Recoverability of Goodwill

Description. In accordance with ASC 350, *Intangibles-Goodwill and Other*, we review goodwill for impairment annually, and more frequently if events and circumstances indicate that the value may be impaired. Such circumstances could include, but are not limited to: (1) the loss or modification of significant contracts, (2) a significant adverse change in legal factors or in business climate, (3) unanticipated competition, (4) an adverse action or assessment by a regulator, or (5) a significant decline in our stock price. We perform our annual goodwill impairment test as of July 1. Goodwill is allocated across the Company's reporting units: NEMT, PCS, and Monitoring. We first perform qualitative assessments for each reporting unit to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the qualitative assessment suggests that it is more likely than not that the fair value of a reporting unit is less than its carrying value amount, we then perform a quantitative assessment and compare the fair value of the reporting unit to its carrying value. If the carrying value is determined to exceed the estimated fair value, the asset is considered impaired.

Judgments and Uncertainties. When performing a quantitative assessment to estimate the fair value of the Company's goodwill, the Company uses either an income approach, a market valuation approach, or a blended approach. The income approach applies a discounted cash flow method which includes assumptions on the projected future cash flows, discount rates, working capital adjustments, long-term growth rates, and others to estimate the fair value of the reporting unit. The market valuation approach produces an estimated fair value of the reporting unit based on a comparison of the reporting unit to publicly traded entities in similar lines of business.

Sensitivity of Estimate to Change. The use of different estimates or assumptions in determining the fair value of our goodwill may result in a different value recorded, which could result in an impairment charge that has the potential to have a material impact to the consolidated statement of operations. During our July 1 annual assessment of goodwill for both 2024 and 2023, we determined that based on our qualitative assessment for each reporting unit, factors existed which required us to test our goodwill for impairment. For the 2024 annual period, these factors included changes in key assumptions from the prior year annual goodwill assessment as a result of lower than anticipated operating results during the first half of 2024 as compared to forecast which resulted in a decrease in the fair value of the Company's Monitoring reporting unit such that the fair value was less than its carrying value. As a result of our quantitative assessment, we determined that the goodwill at our Monitoring reporting unit was impaired resulting in an impairment charge during the second quarter of 2024 of $105.3 million. For the 2023 annual period, these factors included a decline in the market price of the Company's common stock, industry specific regulatory pressures such as Medicaid redetermination and the Centers for Medicare and Medicaid Services ("CMS") proposed ruling on *Ensuring Access to Medicaid Services*, and general economic and market volatility. As a result of our quantitative assessment, we determined that the goodwill at our PCS and Monitoring reporting units was impaired resulting in an impairment charge during the second quarter of 2023 of $137.3 million and $45.8 million, respectively.

Components of Results of Operations

The following results of operations include the accounts of ModivCare and our subsidiaries for the years ended December 31, 2024 and 2023. For our results of operations for the year ended December 31, 2022 see "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on February 26, 2024.

Revenues

Service revenue, net. Service revenue for our NEMT segment includes the revenue generated by providing non-emergency medical transportation services directly to our customers. These services are provided on either a capitated basis, which means we are paid on a per-member, per-month ("PMPM") basis for each eligible member, or on a fee-for-service ("FFS") basis, which means we are paid based on the volume of trips or services performed. Payment for our NEMT services is received from third-party payors, predominately made up of state Medicaid agencies and MCOs.

Our capitated contracts operate under either a full-risk or a shared-risk structure. Under full-risk contracts, payors pay a fixed amount per eligible member per month and we assume the responsibility of meeting the covered healthcare related transportation requirements for the number of eligible members in the payor's program. Under this structure, we assume full-risk for the costs associated with arranging transportation of members through our network of independent transportation providers. Revenue is recognized based on the number of members served during the period. Under shared-risk contracts, we have provisions for reconciliations, risk corridors, and/or profit rebates. These contracts allow for periodic reconciliations based on actual cost and or/trip volume and may result in refunds to the payor (contract payables), or additional payments due from the payor (contract receivables) based on the provisions contractually agreed upon. These shared-risk contracts also allow for margin stabilization, as generally the amount received PMPM is adjusted for the costs to provide the transportation services. Under both contract structures, we arrange for transportation of members through our network of independent transportation providers, whereby we negotiate rates and remit payment to the transportation providers. However, for certain contracts, we assume no risk for the transportation network, credentialing and/or payments to these providers. For these contracts, we only provide administrative management services to support the customers' efforts to serve their clients.

Under FFS contracts, payors pay a specified amount for each service that we provide based on costs incurred plus an agreed-upon margin. FFS revenue is recognized in the period in which the services are rendered and is reduced by the estimated impact of contractual allowances.

Service revenue for our PCS segment includes the revenue generated based on the hours incurred by our in-home caregivers to provide services to our customers, primarily on a FFS basis in which we earn a specified amount for each service that we provide. Payment for our PCS services is billed to third-party payors which include, but are not limited to, MCOs, Medicaid agencies and programs and other home health care providers who subcontract the services of our caregivers to their patients, and individuals.

Service revenue for our Monitoring segment includes the sale of monitoring equipment to our third-party distributors as well as revenue generated from the hours incurred by our Clinical Team for providing monitoring services to our customers, primarily on a PMPM basis for each eligible member. Payment for our monitoring services is billed to third-party payors which include, but are not limited to, national and regional health plans, government-funded benefit programs, healthcare provider organizations, and individuals.

Grant Income

Grant income. We have received distributions under the ARPA Coronavirus State and Local Fiscal Relief Fund ("SLFRF") targeted to providing economic relief and stimulus to combat health and economic impacts of the COVID-19 pandemic in addition to other governmental funds.

Operating Expenses

Service expense. Service expense for our NEMT segment includes purchased transportation, operational payroll and other operational related costs. Purchased transportation includes the amounts we pay to third-party transportation providers and is typically dependent upon service volume. Operational payroll predominately includes our contact center operations, customer advocacy and transportation network team. Other operating expenses primarily include operational overhead costs, and operating facilities and related charges. Service expense for our PCS segment includes payroll and other operational related costs for our caregivers to provide in-home care. Service expense for our Monitoring segment primarily consists of salaries of employees in our contact centers, connectivity costs and occupancy costs.

General and administrative expense. General and administrative expense for all segments consists principally of salaries for administrative employees that support the operations, occupancy costs, marketing expenditures, insurance, and professional fees.

Depreciation and amortization expense. Depreciation within this caption includes infrastructure items such as computer hardware and software, office equipment, monitoring and vitals equipment, buildings, and leasehold improvements. Amortization expense is generated primarily from amortization of our finite intangible assets, including payor networks, trade names and developed technology.

Impairment of goodwill. Based on our qualitative goodwill assessment for each reporting unit, we determined that qualitative factors existed which required us to test our goodwill for impairment. As a result of the impairment evaluation, we determined that the goodwill within our Monitoring reporting unit was impaired.

Other Expenses (Income)

Interest expense, net. Interest expense consists principally of interest accrued during the period ended December 31, 2024 on our Company's borrowings outstanding under the Revolving Credit Facility, Term Loan Facility and Senior Unsecured Notes, and amortization of deferred financing fees. Refer to the "Liquidity and Capital Resources" section below for further discussion of these borrowings.

Loss on debt extinguishment. Our 2025 Notes were redeemed in full prior to contractual maturity, resulting in a loss on debt extinguishment.

Equity in net income (loss) of investee, net of tax. Equity in earnings of equity method investee consists of our proportionate share of equity earnings or losses from our Matrix equity investment held at our Corporate and Other segment, presented net of related taxes, as well as the earnings of our insurance captive held at our NEMT segment, presented net of taxes.

Income tax (provision) benefit. We are subject to federal taxation in the United States and state taxation in the various jurisdictions in which we operate.

Segment Reporting

Our segments reflect the manner in which our operations are organized and reviewed by management. Segment results are based on how our CODM manages our business, makes operating decisions and evaluates operating performance.

We operate four reportable business segments: NEMT, PCS, Monitoring, and Corporate and Other. The NEMT segment provides non-emergency medical transportation services throughout the country. The PCS segment provides non-medical personal care and home health services. The Monitoring segment provides monitoring solutions. The Corporate and Other segment includes the costs associated with our corporate operations and as such, includes activities related to executive, accounting, finance, internal audit, tax, legal and certain strategic and corporate development functions for each segment, as well as the results of an investment in innovation that we completed during the first quarter of 2023. The operating results of the NEMT, PCS and Monitoring segments include revenue and expenses generated and incurred by the segment, and the Corporate and Other segment includes expenses incurred in relation to our Corporate operations as well as certain service revenue and operating expenses associated with the investment in innovation discussed above.

See Note 4, *Segments*, in our accompanying consolidated financial statements for further information on our segments.

Year ended December 31, 2024 compared to year ended December 31, 2023

Consolidated results. The following table sets forth results of operations and the percentage of consolidated total service revenue, net, represented by items in our consolidated statements of operations for 2024 and 2023 (in thousands):

	Year Ended December 31,			
	2024		2023	
	Amount	% of Service Revenue	Amount	% of Service Revenue
Service revenue, net	$ 2,787,586	100.0%	$ 2,751,170	100.0%
Grant income	—	—%	5,037	0.2%
Operating expenses:				
Service expense	2,367,215	84.9%	2,304,218	83.8%
General and administrative expense	298,391	10.7%	304,564	11.1%
Depreciation and amortization	109,465	3.9%	104,271	3.8%
Impairment of goodwill	105,302	3.8%	183,100	6.7%
Total operating expenses	2,880,373	103.3%	2,896,153	105.3%
Operating loss	(92,787)	(3.3)%	(139,946)	(5.1)%
Interest expense, net	94,053	3.4%	69,120	2.5%
Loss on debt extinguishment	11,797	0.4%	—	—%
Loss before income taxes and equity method investment	(198,637)	(7.1)%	(209,066)	(7.6)%
Income tax benefit	5,506	0.2%	4,319	0.2%
Equity in net income (loss) of investee, net of tax	(8,147)	(0.3)%	287	—%
Net loss	$ (201,278)	(7.2)%	$ (204,460)	(7.4)%

Service revenue, net. Consolidated service revenue, net, for 2024 increased $36.4 million, or 1.3%, compared to 2023. This change consists of an increase in service revenue, net of $5.8 million at our NEMT segment, an increase in service revenue, net of $29.7 million at our PCS segment, and a decrease in service revenue, net of $0.2 million at our Monitoring segment. The remainder of the change is related to our Corporate and Other segment. See our *Results of Operations - Segments*, for further discussion of the revenue drivers at each respective segment.

Grant income. While we received approximately $19.5 million in grant distributions during 2024, we did not recognize grant income, but recognized a portion of these funds as an offset to service expense once they met the conditions for recognition. We received $21.8 million in grant distributions during 2023 and recognized $5.0 million in grant income, with the difference being recognized either as an offset to service expense, if we incurred the expense for which the grants were intended to compensate, or as an accrued expense, if we have not yet incurred the expense for which the grants were intended to compensate. These funds were received by our NEMT and PCS segments and are available to eligible providers who have healthcare-related expenses and lost revenues attributable to COVID-19 and/or meet the eligibility requirements of the related fund.

Service expense. Service expense components are shown below (in thousands):

	Year Ended December 31,			
	2024		2023	
	Amount	% of Service Revenue	Amount	% of Service Revenue
Purchased services	$ 1,504,970	54.0%	$ 1,456,796	53.0%
Payroll and related costs	784,583	28.1%	772,629	28.1%
Other operating expenses	77,662	2.8%	74,793	2.7%
Total service expense	$ 2,367,215	84.9%	$ 2,304,218	83.8%

Service expense for 2024 increased $63.0 million, or 2.7%, compared to 2023 primarily due to higher purchased services for our NEMT segment of $48.2 million driven by an increase in transportation costs. Payroll and related costs increased by $12.0 million, which was driven by an increase in payroll and related costs of $42.1 million at our PCS and Monitoring segments, which was partially offset by a decrease in payroll and related costs of $30.4 million at our NEMT segment. See our *Results of Operations - Segments*, for further discussion.

General and administrative expense. General and administrative expense for 2024 decreased $6.2 million, or 2.0%, compared to 2023. General and administrative expense at our Corporate and Other segment decreased $18.7 million and at our Monitoring segment decreased $2.5 million, which was offset by an increase in general and administrative expense at our NEMT segment of $9.1 million along with an increase in general and administrative expense at our PCS segment of $6.0 million. General and administrative expense expressed as a percentage of service revenue, net, decreased slightly to 10.7% for 2024 as compared to 11.1% for 2023. See our *Results of Operations - Segments*, for further discussion.

Depreciation and amortization. Depreciation and amortization for 2024 increased $5.2 million, or 5.0%, compared to 2023, primarily related to the depreciation associated with the capitalization of internal use software.

Impairment of goodwill. Impairment of goodwill for 2024 and 2023 was $105.3 million and $183.1 million, respectively, and is a result of goodwill impairments that were recorded at our Monitoring reporting unit during 2024 and at our PCS and Monitoring reporting units during 2023. See Note 9, *Goodwill and Intangible Assets*.

Interest expense, net. Interest expense, net, for 2024 and 2023 was $94.1 million and $69.1 million, respectively, for an increase of $24.9 million, or 36.1%, year over year. During 2024, we incurred $16.3 million, $26.6 million, and $28.3 million of interest expense related to the 2025 Notes, the 2029 Notes, and the Term Loan Facility, respectively. The remainder of the interest expense during 2024 is related to interest and fees incurred related to borrowings under the amended Credit Agreement, which increased during 2024 due to increased borrowing activity on the Revolving Credit Facility as compared to 2023. Interest expense is recorded at our Corporate and Other segment.

Loss on debt extinguishment. During 2024, our 2025 Notes were redeemed in full prior to contractual maturity, resulting in a loss on debt extinguishment. This balance consists of the redemption premium of 1.469% on the aggregate original principal amount of the 2025 Notes for $7.3 million plus the recognition of the unamortized deferred issuance costs on the 2025 Notes for $4.5 million.

Equity in net income (loss) of investee, net of tax. Our equity in net loss of investee, net of tax for 2024 of $8.1 million and our equity in net income of investee, net of tax for 2023 of $0.3 million was a result of our proportional share of the net income or loss of Matrix and our investment in a captive insurance program.

Income tax benefit (provision). Our effective tax rate from operations for 2024 and 2023 was a tax benefit of 2.8% and 2.1%, respectively. The 2024 effective tax rate differed from the U.S. federal statutory rate primarily due to increased reserves on deferred tax assets, nondeductible expenses, and the nondeductible goodwill impairment recorded during the year. The 2023 effective tax rate differed from the U.S. federal statutory rate primarily due to the nondeductible goodwill impairment recorded during the year.

Year Ended December 31, 2023 compared to year ended December 31, 2022

For a comparison of our results of operations see “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on February 26, 2024.

Results of Operations - Segments

The following tables set forth certain financial information attributable to the Company's business segments for 2024 and 2023:

NEMT Segment

(in thousands, except for Revenue per member per month, Revenue per trip, and Service expense per trip):

	Year Ended December 31,			
	2024		2023	
	Amount	% of Segment Service Revenue	Amount	% of Segment Service Revenue
Operating Results				
Service revenue, net	$ 1,957,275	100.0%	$ 1,951,447	100.0%
Service expense	1,727,984	88.3%	1,709,790	87.6%
General and administrative expense	124,475	6.4%	115,355	5.9%
Depreciation and amortization	30,170	1.5%	27,409	1.4%
Operating income	$ 74,646	3.8%	$ 98,893	5.1%
Business Metrics(1)				
Total paid trips	36,800		34,559	
Average monthly members	29,545		33,648	
Revenue per member per month	$ 5.52		$ 4.83	
Revenue per trip	$ 53.19		$ 56.47	
Service expense per trip	$ 46.96		$ 49.47	
Utilization	10.4 %		8.6 %	

(1) These metrics are key performance indicators that management uses to evaluate our performance. Trends established in these metrics can be used to evaluate current operating results, identify trends affecting our business, determine the allocation of resources and understand the underlying drivers of costs and revenue for our business. We believe these metrics are useful to investors in evaluating and understanding our business but should not be used solely in assessing our performance. These key performance indicators should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented herein to fully evaluate and understand the business as a whole.

Our NEMT segment is the largest manager of non-emergency medical transportation programs for state governments and MCOs in the U.S.

Service revenue, net. Service revenue, net, remained consistent in 2024 as compared to 2023, with an increase of $5.8 million, or 0.3%. While average monthly membership decreased 12.2% during 2024 as compared to 2023, the revenue received per member per month increased by 14.3% over the same period helping to maintain consistent revenue year over year. Revenue per member per month is driven by increases in trip volume, which increased by 6.5% in 2024 as compared to 2023. These two factors are correlated due to contract repricing and the partial pass-through of costs associated with our reconciliation, risk corridor, and/or profit rebate contracts (which are considered shared-risk contracts due to the reconciliation provisions).

The change in average monthly members is correlated to the change in revenue because a majority of our contracts are capitated, and we receive monthly payments on a per member per month basis in return for full or shared risk of transportation volumes. Declines in membership over the periods presented were anticipated and related to Medicaid redetermination, along with certain contract losses. While membership decreased, revenue had an offsetting increase due to increases in the average rate received per member, which increases in line with increases in utilization or trip volume from our shared risk contracts. As most of our capitated contracts have been restructured to a shared risk format, revenue remained consistent despite the decline in membership. Increases in trip volume also positively affected revenue from fee-for-service contracts due to a larger number of services performed.

Service expense. Service expense for our NEMT segment primarily consists of purchased services, which are costs paid to our third party transportation providers, and payroll and related costs, which consist of salaries of employees within our contact centers and operations centers. Other service expenses include occupancy costs related to our contact centers. Service expense components for our NEMT segment are shown below (in thousands):

	Year Ended December 31,			
	2024		2023	
	Amount	% of Segment Revenue	Amount	% of Segment Revenue
Purchased services	$ 1,504,970	76.9%	$ 1,456,796	74.7%
Payroll and related costs	172,800	8.8%	203,199	10.3%
Other service expenses	50,214	2.6%	49,795	2.6%
Total service expense	$ 1,727,984	88.3%	$ 1,709,790	87.6%

Service expense increased by $18.2 million, or 1.1%, for 2024 as compared to 2023, primarily related to higher purchased services of $48.2 million, or 3.3%, partially offset by a decrease in payroll and related costs of $30.4 million, or 15.0%. The decrease in payroll and related costs demonstrates ongoing improvements from cost optimization and digitization efforts in our contact centers. Purchased services costs increased in connection with the 6.5% higher trip volume for 2024 as compared to 2023. This increase in purchased services costs driven by higher trip volume is partially offset by lower purchased services costs per trip of 3.0% due to a reduction in overall trip expense from the implementation of our multi-modal strategy.

General and administrative expense. General and administrative expense primarily consists of salaries for administrative employees that support the operations of the NEMT segment, occupancy costs, marketing expenditures, insurance, and professional fees. General and administrative expense increased $9.1 million, or 7.9%, for 2024 as compared to 2023, primarily as a result of higher salaries for administrative employees and higher professional services costs during 2024.

Depreciation and amortization expense. Depreciation and amortization expense increased by $2.8 million, or 10.1%, for 2024 as compared to 2023, primarily related to the additional depreciation expense recorded as a result of additional investment in internal use software during 2024.

PCS Segment

(in thousands, except Service revenue per hour and Service expense per hour):

	Year Ended December 31,					
	2024			2023		
		Amount	% of Segment Service Revenue		Amount	% of Segment Service Revenue
Operating Results						
Service revenue, net	$	745,299	100.0%	$	715,615	100.0%
Grant income		—	—%		5,037	0.7%
Service expense		599,258	80.4%		561,919	78.5%
General and administrative expense		92,738	12.4%		86,767	12.1%
Depreciation and amortization		51,252	6.9%		51,402	7.2%
Impairment of goodwill		—	—%		137,331	19.2%
Operating income (loss)	$	2,051	0.3%	$	(116,767)	(16.3)%
Business Metrics[(1)]						
Total hours		28,229			27,826	
Service revenue per hour	$	26.40		$	25.72	
Service expense per hour	$	21.23		$	20.19	

(1) These metrics are key performance indicators that management uses to evaluate our performance. Trends established in these metrics can be used to evaluate current operating results, identify trends affecting our business, determine the allocation of resources and understand the underlying drivers of costs and revenue for our business. We believe these metrics are useful to investors in evaluating and understanding our business but should not be used solely in assessing our performance. These key performance indicators should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented herein to fully evaluate and understand the business as a whole.

Our PCS segment's services include placements of non-medical personal care assistants and home health aides and nurses primarily to Medicaid patient populations in need of care monitoring and assistance performing daily living activities in the home setting, including senior citizens and disabled adults.

Service revenue, net. PCS contracts are generally structured as fee-for-service contracts, with revenue driven by the number of hours worked by our personal care providers. Service revenue, net, increased by $29.7 million or 4.1% for 2024 as compared to 2023, primarily due to 1.4% higher hours worked by our personal care providers in 2024 as compared to 2023, as well as 2.6% higher rates earned per hour during the same period.

Grant income. During 2024, we did not recognize grant income and during 2023, we recognized $5.0 million of grant income related to government grant distributions received, primarily from the ARPA SLFRF. See discussion in the consolidated Results of Operations section for more information.

Service expense. Service expense for our PCS segment primarily consists of wages for our employees who provide personal care services and it typically trends with the number of hours worked and cost per hour of service. Service expense components for our PCS segment are shown below (in thousands):

	Year Ended December 31,			
	2024		2023	
	Amount	% of Segment Service Revenue	Amount	% of Segment Service Revenue
Payroll and related costs	$ 594,150	79.7%	$ 555,606	77.6%
Other service expenses	5,108	0.7%	6,313	0.9%
Total service expense	$ 599,258	80.4%	$ 561,919	78.5%

Service expense for 2024 increased by $37.3 million, or 6.6%, as compared to 2023, primarily as a result of a 5.2% increase in service expense per hour as well as a 1.4% increase in hours of service provided. The increase in service expense per hour is driven primarily by increased wage rates for our caregivers, predominately from wage increases in New York, New Jersey, and West Virginia.

General and administrative expense. General and administrative expense primarily consists of salaries for administrative employees that support the operations of the PCS segment, occupancy costs, marketing expenditures, insurance, and professional fees. General and administrative expense increased by $6.0 million, or 6.9%, for 2024 as compared to 2023, primarily related to increased legal fees from various audits and legal proceedings as well as increased software maintenance expense related to the implementation of a home care platform in certain markets during the third quarter of 2024.

Depreciation and amortization expense. Depreciation and amortization expense remained consistent with a decrease of $0.2 million, or 0.3%, for 2024 as compared to 2023. This balance primarily consists of amortization expense on the payor network intangible asset.

Impairment of goodwill. During 2024, we did not record any impairment charge on the goodwill at our PCS reporting unit. During 2023, as a result of our quantitative goodwill assessment on July 1, we determined that the goodwill within our PCS reporting unit was impaired which resulted in an impairment of goodwill charge of $137.3 million. See Note 9, *Goodwill and Intangible Assets* for additional details.

Monitoring Segment

(in thousands, except Revenue per member per month and Service expense per member per month):

	Year Ended December 31,			
	2024		2023	
	Amount	% of Segment Service Revenue	Amount	% of Segment Service Revenue
Operating Results				
Service revenue, net	$ 77,739	100.0%	$ 77,941	100.0%
Service expense	32,284	41.5%	27,025	34.7%
General and administrative expense	20,439	26.3%	22,971	29.5%
Depreciation and amortization	26,788	34.5%	24,536	31.5%
Impairment of goodwill	105,302	135.5%	45,769	58.7%
Operating loss	$ (107,074)	(137.7)%	$ (42,360)	(54.3)%
Business Metrics(1)				
Average monthly members	247		244	
Revenue per member per month	$ 26.23		$ 26.62	
Service expense per member per month	$ 10.89		$ 9.23	

(1) These metrics are key performance indicators that management uses to evaluate our performance. Trends established in these metrics can be used to evaluate current operating results, identify trends affecting our business, determine the allocation of resources and understand the underlying drivers of costs and revenue for our business. We believe these metrics are useful to investors in evaluating and understanding our business but should not be used solely in assessing our performance. These key performance indicators should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented herein to fully evaluate and understand the business as a whole.

Our Monitoring segment is a provider of in-home monitoring solutions and manages a comprehensive suite of in-home clinical monitoring and quality improvement services that leverage personal emergency response systems, vitals monitoring devices, relationship-based care, and data-driven patient engagement solutions.

Service revenue, net. Monitoring contracts are generally structured as a fixed fee per enrolled member per month and therefore, revenue is generally driven by the number of enrolled members and the rate received per member per month. Service revenue, net, remained consistent for 2024 as compared to 2023 with a decrease of $0.2 million, or 0.3%, primarily related to a 1.2% increase in average monthly members from 2023 to 2024 that was offset by a 1.5% decrease in revenue per member per month over the same period.

Service expense. Service expense for our Monitoring segment primarily consists of salaries for the employees providing the monitoring services as well as occupancy costs. Service expense components for our Monitoring segment are shown below (in thousands):

	Year Ended December 31,			
	2024		2023	
	Amount	% of Segment Service Revenue	Amount	% of Segment Service Revenue
Payroll and related costs	$ 17,077	22.0%	$ 13,539	17.4%
Other service expenses	15,207	19.6%	13,486	17.3%
Total service expense	$ 32,284	41.6%	$ 27,025	34.7%

Service expense for 2024 increased $5.3 million, or 19.5%, as compared to 2023, primarily as a result of an increase of $3.5 million, or 26.1%, in payroll and related costs due to increased wages and benefits for our Monitoring employees as well as increased device connectivity and installation costs related to the additional devices deployed to service the higher membership levels.

General and administrative expense. General and administrative expense primarily consists of salaries for administrative employees that indirectly support the operations of the Monitoring segment, occupancy costs, marketing expenditures, insurance, and professional fees. General and administrative expense decreased $2.5 million, or 11.0% for 2024 as compared to 2023. This decrease in general and administrative expense is primarily related to lower salaries for administrative employees in 2024.

Depreciation and amortization expense. Depreciation and amortization expense increased by $2.3 million, or 9.2%, for 2024 as compared to 2023, primarily related to additional depreciation expense as a result of purchases of a new product and higher levels of purchased devices due to destroyed or unreturned equipment during 2024 as compared to 2023, in addition to an increased number of Monitoring devices used to service the 1.2% increase in average monthly members in 2024.

Impairment of goodwill. During 2024 and 2023, as a result of our quantitative goodwill assessment on July 1, we determined that the goodwill within our Monitoring reporting unit was impaired which resulted in an impairment of goodwill charge of $105.3 million and $45.8 million, respectively. See Note 9, *Goodwill and Intangible Assets* for additional details.

Corporate and Other Segment

(in thousands)

	Year Ended December 31,	
	2024	**2023**
Service revenue, net	$ 7,273	$ 6,167
Service expense	7,689	5,484
General and administrative expense	60,739	79,471
Depreciation and amortization	1,255	924
Operating loss	$ (62,410)	$ (79,712)

Our Corporate and Other segment includes our executive, accounting, finance, internal audit, tax, legal, public reporting and corporate development functions. This segment also includes the results of our equity investment in Matrix and the operating results of our investments in innovation related to data analytics products and solutions, which is comprised of our wholly-owned subsidiary, Higi Care, LLC (“Higi”), which was acquired during the first quarter of 2023. Higi provides certain data-driven personal health technologies and also began providing virtual clinical care management services (the "MSO") through an unaffiliated professional corporation (the "PC") owned and operated by a licensed physician in the third quarter of 2023.

Service revenue, net and Service expense: The acquisition of Higi, which was a strategic investment in growth, contributes to service revenue and service expense.

General and administrative expense and Depreciation and amortization: Our Corporate and Other segment holds costs incurred related to strategy and stewardship of the other operating segments. These expenses are primarily general and administrative expenses, with a small amount related to depreciation. General and administrative expense decreased by $18.7 million, or 23.6%, for 2024 as compared to 2023. This decrease is primarily related to lower professional service costs and lower legal fees, which were higher in the prior year due to executive departure.

Liquidity and Capital Resources

Short-term capital requirements consist primarily of recurring operating expenses, contract start-up costs on new revenue contracts, interest expense on outstanding borrowings, costs associated with our strategic initiatives, and short-term borrowings under our Credit Agreement. As explained below under the caption "Liquidity," various factors exist that have raised substantial doubt about our ability to meet all obligations as they become due over the next twelve months and to continue as a going concern. If we are unsuccessful in our efforts to raise additional capital, including through additional financing and strategic divestitures of assets, based on our current expectations, our current sources of liquidity, including available cash on hand, cash generated from operations, net of capital expenditures, and borrowings under our Revolving Credit Facility and Term Loan Facility (both as defined below), may not be sufficient to satisfy our short-term capital requirements for the next twelve months. For information regarding our long-term capital requirements, see below under the caption "Liquidity".

Cash used in operating activities during the year ended December 31, 2024 was $6.4 million. Our balance of cash and cash equivalents, excluding restricted cash, was $112.6 million and $2.2 million at December 31, 2024 and 2023, respectively. We had restricted cash of $0.5 million and $0.6 million at December 31, 2024 and 2023, respectively. Restricted cash amounts are not included in our balance of cash and cash equivalents in the consolidated balance sheets, although they are included in the cash, cash equivalents and restricted cash balance on the accompanying consolidated statements of cash flows.

We may, from time to time, access capital markets to raise equity or debt financing for various business reasons, including acquisitions, repurchases of common stock, investments in our business and possible refinancing activity. The timing, term, size, and pricing of any such financing will depend on investor interest and market conditions, and there can be no assurance that we will be able to obtain any such financing on terms acceptable to us at the time or at all.

2024 cash flows compared to 2023

Operating activities. Cash used in operating activities was $6.4 million for 2024 compared to cash used in operating activities of $83.0 million for 2023. The decrease in cash used of $76.6 million between periods was primarily a result of an increase in cash provided by changes in operating assets and liabilities of $131.8 million. The increase in cash provided by changes in operating assets and liabilities was partially driven by an increase in cash collected from contract receivables of $99.0 million on certain risk corridor and reconciliation contracts during 2024 as compared to 2023. The increase in cash provided by changes in operating assets and liabilities was also partially driven by a decrease in the cash used for accounts payable and accrued expenses of $46.8 million, primarily related to a build of accounts payable and accrued expenses due to the timing of vendor payments during 2024 as compared to 2023. These increases from the changes in operating assets and liabilities were partially offset by a decrease in cash due to an increase in cash paid for contract payables of $18.1 million, primarily related to repayments on previously accrued contract payable amounts during 2024. Also offsetting the increases to the changes in operating assets and liabilities was a decrease in cash due to an increase in cash paid for prepaid expenses and other assets of $5.0 million during 2024 as compared to 2023.

Investing activities. Net cash used in investing activities was $27.6 million in 2024 compared to $42.3 million in 2023. The change in cash used in investing activities was driven by a decrease in cash spent on purchases of property and equipment.

Financing activities. Net cash provided by financing activities was $144.4 million in 2024 compared to $113.1 million in 2023. The increase of $31.3 million was primarily a result of the issuance of a Term Loan Facility in the aggregate principal amount of $525.0 million, which was partially offset by the redemption of our 2025 Notes for $507.3 million. The increase in net cash provided by financing activities is also driven by an increase of $41.4 million in net proceeds from our short-term borrowing on our Revolving Credit Facility during 2024 as compared to 2023, partially offset by higher debt issuance costs of $25.4 million related to the Amendments to the Credit Agreement that were made during 2024.

2023 cash flows compared to 2022

For a comparison of our cash flows for 2023 to 2022, see “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on February 26, 2024.

Obligations and commitments

Senior Unsecured Notes. On August 24, 2021, the Company issued $500.0 million in aggregate principal amount of 5.000% senior unsecured notes due on October 1, 2029 (the “2029 Notes”).

The 2029 Notes are senior unsecured obligations and rank senior in right of payment to all of the Company's future subordinated indebtedness, rank equally in right of payment with all of the Company's existing senior indebtedness, are effectively subordinated to any of the Company's existing and future secured indebtedness, including indebtedness under the Credit Agreement, to the extent of the value of the assets securing such indebtedness, and are structurally subordinated to all of the existing and future liabilities (including trade payables) of each of the Company’s non-guarantor subsidiaries.

The Company will pay interest on the 2029 Notes semi-annually in arrears on April 1 and October 1 of each year until maturity. Principal payments on the 2029 Notes are not required until the maturity date on October 1, 2029 when 100.0% of the outstanding principal will be required to be repaid. For additional information related to our 2029 Notes, refer to Note 11, *Debt*, of the Notes to consolidated financial statements included in Part II, Item 8.

Revolving Credit Facility. The Company is party to the Credit Agreement, dated as of February 3, 2022 (as amended, the "Credit Agreement"), with JPMorgan Chase Bank, N.A., as administrative agent, swing line lender and an issuing bank, Wells Fargo Bank, National Association, as an issuing bank, Truist Bank and Wells Fargo Bank, National Association, as co-syndication agents, Deutsche Bank AG New York Branch, Bank of America, N.A., Regions Bank, Bank of Montreal and Capital One, National Association, as co-documentation agents, and JPMorgan Chase Bank, N.A., Truist Securities, Inc. and Wells Fargo Securities, LLC, as joint bookrunners and joint lead arrangers, and the other lenders party thereto. The Credit Agreement provides the Company with a senior secured revolving credit facility (the “New Credit Facility”) in an aggregate principal amount of $325.0 million. The New Credit Facility includes sublimits for swingline loans, letters of credit and alternative currency loans in amounts of up to $25.0 million, $60.0 million and $75.0 million, respectively. The Company did not draw any amount of the New Credit Facility at closing of the New Credit Agreement. At closing of the New Credit Agreement on February 3, 2022, the Company had $22.8 million of outstanding letters of credit under the New Credit Facility. The proceeds of the New Credit Facility may be used (i) to finance working capital needs of the Company and its subsidiaries and (ii) for general corporate purposes of the Company and its subsidiaries (including to finance capital expenditures, permitted acquisitions and investments).

The Credit Agreement contains financial and non-financial covenants, including an affirmative covenant regarding our Total Net Leverage Ratio, determined as of the end of each of our fiscal quarters, which is the ratio of (a) our total net indebtedness to (b) our earnings before interest, taxes, depreciation, amortization, and certain non-recurring charges, fees and expenses, as set forth in the Credit Agreement. On June 26, 2023, the Company entered into the First Amendment to the Credit Agreement to increase the maximum permitted Total Net Leverage Ratio for all fiscal quarters ending on or after June 30, 2023.

On February 22, 2024, the Company entered into the Second Amendment to the Credit Agreement to further increase the maximum permitted Total Net Leverage Ratio for all fiscal quarters ending on or after December 31, 2024 as follows: for the fiscal quarters ending March 31, 2024 through June 30, 2024, 5.50:1.00; for the fiscal quarters ending September 30, 2024 through December 31, 2024, 5.25:1.00; for the fiscal quarters ending March 31, 2025 through September 30, 2025, 5.00:1.00; for the fiscal quarters ending December 31, 2025 through March 31, 2026, 4.75:1.00; and for all fiscal quarters ending after March 31, 2026, 4.50:1.00. The Second Amendment also includes a quarterly minimum liquidity covenant that restricts the Company from permitting its Liquidity (as defined in the Second Amendment and which is determined generally to be, as of any date of determination, the sum of the Company's available borrowing capacity under the New Credit Facility plus the amount of its unencumbered cash), to be less than $100.0 million as of the last day of each fiscal quarter.

On July 1, 2024, we entered into the Third Amendment to the Credit Agreement, which, among other things, extended with respect to the lenders identified in the Third Amendment the maturity date covering $255.0 million in the aggregate principal amount of the commitments under the Revolving Credit Facility to February 3, 2028. The existing financial covenants under the amended Credit Agreement were retained for the benefit solely of the Revolving Credit Facility lenders, and the minimum liquidity level required by the Liquidity Covenant was decreased from $100.0 million to $75.0 million. Certain other financial covenants and restrictions under the Credit Agreement were also modified by the Third Amendment, as previously disclosed. The fees associated with the Third Amendment of $0.3 million will be amortized over the life of the Revolving Credit Facility.

On September 30, 2024, we entered into the Fourth Amendment to the Credit Agreement, which amended the maximum permitted Total Net Leverage Ratio under the amended Credit Agreement for the fiscal quarter ended September 30, 2024 to 6.50:1.00. In addition, the Fourth Amendment reduced the minimum interest coverage ratio for the quarter ended September 30, 2024 to 2.00:1.00 and increased the applicable margin on the Revolving Credit Facility by 0.25% until we deliver the required financial statements and compliance certificate for the fiscal year ending December 31, 2024.

On January 9, 2025, we entered into the Fifth Amendment to the Credit Agreement, which, among other things, (i) amended the interest rate on the existing Revolving Credit Facility commitments under the Credit Agreement to a SOFR-based benchmark plus 4.25%, with a 1.00% SOFR Floor, (ii) amended the 2.0% default rate under the Credit Agreement so that it applies on all obligations upon the election of the administrative agent at the direction of the Required Lenders if an event of default has occurred and continuing and automatically if a specified event of default has occurred and is continuing, (iii) amended the Term Loan Facility maturity date to spring to July 2, 2029 if the second lien senior secured PIK toggle notes remain outstanding as of such date, (iv) included enhanced reporting requirements, and (v) eliminated or reduced certain baskets, which included the elimination of reinvestment rights with respect to certain asset sales and reduction of the de minimis exception for certain asset sale prepayments to $5,000,000. Consenting lenders also agreed to provide financial covenant relief in the form of (i) a covenant holiday with respect to the maximum net leverage ratio and interest coverage ratio from the fourth fiscal quarter of 2024 through and including the second fiscal quarter of 2025, (ii) resetting the maximum total net leverage ratio covenant to 6.75:1.00 for the third fiscal quarter of 2025 and the fourth fiscal quarter of 2025 and (iii) resetting the minimum interest coverage ratio to 1.65:1.00 for the third fiscal quarter of 2025 and the fourth fiscal quarter of 2025. We will also be required to maintain minimum liquidity of $25.0 million pursuant to the terms of the amended minimum liquidity covenant in the Credit Agreement, which will be tested each week through the week ending April 11, 2025, each month through the month ending June 30, 2025 and, thereafter, each fiscal quarter. In addition, we will be subject to a cash variance compliance test with respect to aggregate disbursements and aggregate receipts, subject to customary cures.

Term Loan Facility. On July 1, 2024, pursuant to the Third Amendment, we established a new term loan facility (the "Term Loan Facility") in the aggregate principal amount of $525.0 million with the Term Loan Facility lenders named therein. The proceeds of the Term Loan Facility were used to (i) redeem our 5.875% senior unsecured notes due on November 15, 2025 in aggregate principal amount of $500.0 million, (ii) repay a portion of the Revolving Credit Facility outstanding immediately prior to the effective date of the Third Amendment, and (iii) pay fees and expenses associated with such transactions. We incurred approximately $24.4 million of deferred financing costs with respect to the Term Loan Facility.

The Term Loan Facility matures on the earlier of (a) July 1, 2031 and (b) July 2, 2029 if any of the 2029 Notes remain outstanding on that date. Principal payments on the Term Loan Facility are required on a quarterly basis, commencing with the quarter ending September 30, 2024, in the amount equal to 0.25% of the aggregate principal amount of the Term Loan Facility outstanding on the date of issuance. All unpaid amounts of the Term Loan Facility shall be paid in full on the maturity date. The Term Loan Facility requires annual prepayments of a percentage of Excess Cash Flow (as defined in the amended Credit Agreement); commencing with the year ending December 31, 2025 as follows: (i) 75.0% if the Total Net Leverage Ratio as of the last day of such period was greater than 4.40:1.00, (ii) 50.0% if the Total Net Leverage Ratio as of the last day of such period was greater than 3.90:1:00, but less than or equal to 4.40:1.00, (iii) 25.0% if the Total Net Leverage Ratio as of the last day of such period was greater than 3.40:1.00, but less than or equal to 3.90:1.00, and (iv) 0.0% if the Total Net Leverage Ratio as of the last day of such period was less than or equal to 3.40:1.00. The Term Loan Facility also requires mandatory prepayments in the event of certain asset dispositions or casualty events. In addition, the Term Loan Facility is subject to a prepayment premium for the first six months after entering into the Third Amendment in the event of any repricing transaction.

Interest on the Term Loan Facility is generally payable quarterly, in arrears, on the outstanding principal amount of the Term Loan Facility at the following rates for the interest period in effect for such borrowing: (i) a SOFR-based benchmark plus 4.75% or (ii) a prime rate (or other alternate base rate) benchmark plus 3.75% in the case of ABR Loans (as such terms are defined in the amended Credit Agreement). The Term Loan Facility is subject to customary representations and warranties, affirmative and negative covenants, and events of default, as defined in the amended Credit Agreement.

As summarized above under "Revolving Credit Facility," pursuant to the Fifth Amendment to the Credit Agreement entered into on January 9, 2025, we were granted a covenant holiday with respect to certain covenants from December 31, 2024 through and including the second fiscal quarter of 2025.

Incremental Term Loan. On January 9, 2025, the Company, pursuant to the Fifth Amendment to the Credit Agreement, established an incremental term loan facility in an aggregate principal amount of $75.0 million (the “Incremental Term Loan”). The Incremental Term Loan was priced at a SOFR-based benchmark plus 7.50%, with 1.00% SOFR Floor (no CSA) with a maturity of January 10, 2026 (the “Maturity Date”) and original issue discount of 2 points. The Company has the option to prepay the Incremental Term Loan, in whole or in part, at any time prior to the Maturity Date, subject to a prepayment fee equal to the present value of all scheduled interest payments on the fully committed amount that would accrue through the Maturity Date calculated based on a discount rate equal to the treasury rate plus 50 basis points. The proceeds of the Incremental Term Loan are required to be deposited in a collateral account subject to a blocked account control agreement in favor of the administrative agent and may disbursed subject to delivery of a disbursement request, no default or event of default, the representations and warranties in Article II of the Credit Agreement being true and correct in all material respects and receipt by the administrative agent and lenders of reimbursement for invoiced expenses. The Incremental Term Loan is secured by a lien on substantially all of the assets of the Company and certain of its subsidiaries.

Our financial and operating performance, as well as our ability to generate sufficient cash flow to maintain compliance with covenants, are subject to certain risk factors; see Item 1A. “Risk Factors” for further discussion. Additionally, our assessment of our ability to meet our future obligations is inherently subjective, judgment-based, and susceptible to change based on future events

For additional information related to our Revolving Credit Facility, our Term Loan Facility and our Incremental Term Loan, refer to Note 11 of the Notes to the consolidated financial statements included in Part II, Item 8, “Financial Statements and Supplementary Data” of this Annual Report.

Insurance Programs

With respect to the Company’s historical wholly-owned captive insurance company subsidiary, Social Services Providers Captive Insurance Company, or SPCIC, the operations with respect to which have been discontinued since 2017, the Company utilizes a report prepared by an independent actuary to estimate the gross expected losses related to historical automobile, general and professional and workers’ compensation liability reinsurance policies, including the estimated losses in excess of SPCIC’s insurance limits, which would be reimbursed to SPCIC to the extent such losses were incurred. As of December 31, 2024 and 2023, the Company had reserves of $30.0 million and $20.2 million, respectively, for the automobile, general and professional liability and workers’ compensation reinsurance policies. The gross reserve as of December 31, 2024 and 2023 of $58.0 million and $45.7 million, respectively, is classified as current liabilities and other long-term liabilities in the consolidated balance sheets. The estimated amount to be reimbursed to the Company as of December 31, 2024 and 2023 was $28.0 million and $25.5 million, respectively, and is classified as other long-term assets in the consolidated balance sheets.

Further, we had restricted cash of $0.5 million and $0.6 million at December 31, 2024 and December 31, 2023, respectively, which was primarily restricted to secure the reinsured claims losses under the historical automobile, general and professional liability and workers’ compensation reinsurance programs.

Liquidity

Liquidity measures our ability to meet current and future cash flow needs on a timely basis and at a reasonable cost. We manage our liquidity position to meet our daily cash flow needs, while maintaining an appropriate balance between assets and liabilities to meet the return on investment objectives of our stockholders. Our liquidity position is supported by management of liquid assets and current liabilities and access to alternative sources of funds. Liquid assets included cash and cash equivalents, excluding restricted cash of $112.6 million and accounts receivable, contract receivables, and other receivables of $356.8 million as of December 31, 2024, and expected future cash generated from operations. Current liabilities, which totaled $810.9 million at year end as detailed in the table below, included $88.7 million in guarantees and letters of credit that are not expected to be paid in cash in the next 12 months.

Management's assessment of our liquidity is highly dependent on our ability to meet operating forecasts, including cash generated by operations, and manage working capital, including specifically the timely collection of outstanding contract receivables, which were $117.8 million at December 31, 2024. During 2024, we have experienced financial challenges, including increased transportation and caregiver costs that have not been offset by corresponding reimbursement rate increases from payors, the loss of certain contracts, and membership declines. These factors have negatively impacted cash flow generation and liquidity. Additionally, we have experienced lengthened collection periods due to complexities in Medicare, Medicaid, and nongovernmental payor arrangements, resulting in delays between fulfilling our performance obligations and collecting the cash owed for our services. This prolonged cash conversion cycle places further strain on our liquidity and working capital. As a result, we are likely to require additional liquidity to support ongoing operations over the next year.

As of the issuance date of these consolidated financial statements, we have also entered into Amendment No. 5 (the "Fifth Amendment") to our Credit Agreement (see Note 11, *Debt* for further details) which, among other things, established an incremental term loan facility in an aggregate principal amount of $75.0 million (the "Incremental Term Loan"). The Incremental Term Loan is a short-term facility with a maturity date of January 10, 2026 and, as a result of the factors described above, we are likely to require additional liquidity in order to satisfy our existing debt obligations due within one year from the date of the issuance of these consolidated financial statements.

While we continue to monitor cash generated from operations, available credit, and other liquid assets, sustaining operations relies heavily on the timely collection of contract receivables and compliance with the financial covenants in our Credit Agreement, as amended to date. As a result of the foregoing, we are not expected to have the ability to meet one or more financial covenants under our existing credit agreements. Failure to meet these covenants or others could cause obligations under the Revolving Credit Facility (as defined in Note 11, *Debt*), the Term Loan Facility (as defined in Note 11, *Debt*), the Incremental Term Loan (as defined above), and our Notes due 2029 (as defined in Note 11, *Debt*), to become immediately due and payable, and we would not have sufficient liquidity to satisfy such obligations. In such event, we would be required to restructure our existing debt or to seek additional equity or debt financing to meet our obligations and maintain our existence as a going concern.

Furthermore, these factors raise substantial doubt about our ability to satisfy our obligations as they become due within one year from the issuance date of these financial statements. Accordingly, Management has concluded that substantial doubt exists about our ability to continue as a going concern.

To address these concerns, Management has implemented cost optimization measures, renegotiated contract terms, and secured amendments to our credit agreements, including a temporary financial covenant holiday. Management is actively pursuing further financing options, evaluating strategic asset divestitures, long-term covenant relief and implementing operational efficiencies to improve liquidity. There can be no assurance that additional financing, additional liquidity from asset divestitures or long-term covenant relief will be available on terms acceptable to us, or at all, or in amounts sufficient to enable us to satisfy our obligations as they become due or to sustain operations in the future. There can also be no assurance that we will be successful in effecting any of our intended potential strategic divestitures.

In the ordinary course of business we have entered into contractual obligations and have made other commitments to make future payments. Our short-term and long-term liquidity requirements are primarily to fund on-going operations and to service short-term debt obligations. These liquidity requirements are met primarily through cash flow from operations, debt financing, and borrowings under our Revolving Credit Facility. For additional information regarding our operating, investing and financing cash flows, see "Consolidated Financial Statements— Consolidated Statements of Cash Flows," included in Part II, Item 8 of this Annual Report.

We have cash requirements of $810.9 million due in one year or less in addition to $1,429.2 million due in more than one year as of December 31, 2024, including obligations entered subsequent to December 31, 2024. The following is a summary of our future cash requirements for the next twelve months and the period extending beyond twelve months as of December 31, 2024 (in thousands):

	At December 31, 2024		
	Total	Less than 1 Year	Greater than 1 Year
Senior Unsecured Notes[1]	$ 500,000	$ —	$ 500,000
Term Loan Facility[1]	522,375	5,250	517,125
Revolving Credit Facility[1]	269,000	269,000	—
Interest[2]	378,815	97,686	281,129
Contracts payable[3]	22,639	22,639	—
Transportation costs[4]	96,745	96,745	—
Deferred tax liabilities[5]	13,557	—	13,557
Operating leases[6]	41,521	8,616	32,905
Guarantees[7]	33,708	33,105	603
Letters of credit[7]	55,576	55,576	—
Other current cash obligations[8]	222,244	222,244	—
Total obligations at December 31	$ 2,156,180	$ 810,861	$ 1,345,319
Contractual Obligations Entered Subsequent to December 31, 2024			
Incremental Term Loan[9]	$ 75,000	$ —	$ 75,000
Interest on Incremental Term Loan[10]	8,839	—	8,839
Total obligations entered subsequent to December 31	$ 83,839	$ —	$ 83,839
Total obligations	$ 2,240,019	$ 810,861	$ 1,429,158

(1) See Note 11 of the Notes to the consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" for further detail of our Senior Unsecured Notes, Term Loan Facility and Revolving Credit Facility and the timing of expected future payments.

(2) Interest payments on our Senior Unsecured Notes are typically paid semi-annually in arrears and have been calculated at the rates fixed as of December 31, 2024. Interest payments on our Term Loan Facility are typically paid quarterly in arrears and have been calculated at the SOFR-based benchmark plus the applicable margin of 4.75% as of December 31, 2024. Interest payments on our Revolving Credit Facility have been calculated by taking the expected borrowing on the Revolving Credit Facility for the next year at the weighted average interest rate of borrowings outstanding as of December 31, 2024 of 8.8%.

(3) See Note 5 of the Notes to the consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" for further detail of our contracts payable.

(4) See Note 1 of the Notes to the consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" for further detail of our accrued transportation costs.

(5) See Note 16 of the Notes to the consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" for further detail of our deferred tax liabilities.

(6) The operating leases are for office space. Certain leases contain periodic rent escalation adjustments and renewal options. See Note 15 of the Notes to the consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" for further detail of our operating leases.

(7) Letters of credit ("LOCs") are guarantees of potential payments to third parties under certain conditions. Guarantees include surety bonds we provide to certain customers to protect against potential non-delivery of our non-emergency transportation services. Our LOCs shown in the table were provided by our Revolving Credit Facility and reduced our availability under the related Credit Agreement. The surety bonds and LOC amounts in the above table represent the amount of commitment expiration per period.

(8) These include other current liabilities reflected in our consolidated balance sheets as of December 31, 2024, including accounts payable and accrued expenses as detailed at Note 10 to the consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data".

(9) See Note 11 of the Notes to the consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" for further detail of our Incremental Term Loan Facility, which was entered into on January 9, 2025 with maturity on January 10, 2026, and the timing of expected future payments.

(10) Interest payments on our Incremental Term Loan are typically paid quarterly in arrears and have been calculated at the SOFR-based benchmark plus the applicable margin of 7.50% as of December 31, 2024.

Our primary sources of funding include operating cash flows, borrowing under the Revolving Credit Facility and access to capital markets. In addition, there are statutory, regulatory, and debt covenant limitations that affect our ability to access the capital market for funds. Management expects that such limitations are likely to impact our ability to meet our ongoing short-term cash obligations. Management continuously monitors our liquidity position and adjustments are made to the balance between sources and uses of funds as deemed appropriate. Except as disclosed herein, our management is not aware of any events that are reasonably likely to have a material adverse effect on our liquidity, capital resources, or operations. In addition, our management is not aware of any regulatory recommendations regarding liquidity, which if implemented, would have a material adverse effect on us.

Off-balance sheet arrangements

As of December 31, 2024 and 2023, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities referred to as structured finance or special purpose entities, which were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk.*

Interest rate risk

We have exposure to interest rate risk mainly related to our Revolving Credit Facility and our Term Loan Facility, which have variable interest rates that may increase. We had a combined $274.3 million of short-term borrowings outstanding on the Revolving Credit Facility and Term Loan Facility and $55.6 million of outstanding letters of credit under the Revolving Credit Facility at December 31, 2024. Interest rates on the outstanding principal amount of the Revolving Credit Facility vary and accrue at a per annum rate equal to the Alternate Base Rate, the Adjusted Term SOFR Rate, the Adjusted Daily Simple SOFR Rate, the Adjusted EURIBOR Rate or the Adjusted Daily Simple SONIA Rate, as applicable and each as defined in the Credit Agreement, in each case, plus an applicable margin. Interest rates on the outstanding principal amount of the Term Loan Facility vary and accrue at a per annum rate equal to the SOFR-based benchmark, a prime rate, or other alternate base rate, as applicable and each as defined in the amended Credit Agreement, in each case plus an applicable margin. We completed an interest rate risk sensitivity analysis with the assumption that the short-term borrowing amount that was outstanding as of December 31, 2024 was outstanding for the fiscal year with an assumed one-percentage point increase in interest rates. Based on this analysis, the one-percentage point increase would have an approximate $2.7 million negative impact on our pre-tax earnings.

Item 8. ***Financial Statements and Supplementary Data.***

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors
ModivCare Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of ModivCare Inc. and subsidiaries (the Company) as of December 31, 2024 and 2023, the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2024, and the related notes and financial statement schedule II (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2024, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 6, 2025 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Going Concern

The accompanying consolidated financial statements and supplemental information have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has experienced financial challenges that negatively impact its liquidity and working capital, has certain debt obligations due within one year, and expects not to meet one or more financial covenants that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements and supplemental information do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Sufficiency of audit evidence over certain capitated contracts with provisions for reconciliations, risk corridors or profit rebates

As discussed in Note 5 to the consolidated financial statements the Company reported service revenue, net of $2,787.6 million for the year ended December 31, 2024, which included revenue from certain capitated contracts with provisions for reconciliations, risk corridors or profit rebates. The Company records revenue for certain capitated contracts with provisions for reconciliations, risk corridors or profit rebates based on capitated payments received during the month of service and these payments are reconciled based on actual cost and/or trip volume which may result in additional receivables from or payables to the payors. As of December 31, 2024, the Company recorded reconciliation and risk corridor contract receivables of $117.8 million and total contract payables of $22.6 million which included contract payables related to contracts with provisions for reconciliations, risk corridors or profit rebates.

We identified the evaluation of the sufficiency of audit evidence over certain capitated contracts with provisions for reconciliations, risk corridors, or profit rebates as a critical audit matter. Challenging auditor judgement was required in evaluating the sufficiency of audit evidence due to the large volume of data and complexity of the manually maintained information used in the revenue recognition process. Specialized skills and knowledge were needed to assess the Information Technology (IT) systems used to determine and record revenue, contract receivables and contract payables related to these capitated contracts.

The following are the primary procedures we performed to address this critical audit matter. We applied auditor judgment to determine the nature and extent of procedures to be performed over reconciliation, risk corridor and profit rebate contract revenue, contract receivables and contract payables. We evaluated the design and tested the operating effectiveness of certain internal controls over the revenue recognition process related to the aforementioned capitated contracts. We assessed recorded reconciliation, risk corridor and profit rebate contract revenue, contract receivables and contract payables for the aforementioned capitated contracts by comparing a selection of such revenue amounts to third party contracts and cash receipts and comparing a selection of reconciliation, risk corridor or profit rebate revenue, receivable and payable amounts to payor contracts and transportation cost data. Additionally, we compared a selection of reconciliation, risk corridor and profit rebate contract receivable and payable activity during the year to current year revenue activity and cash settlements. We involved IT professionals with specialized skills and knowledge, who assisted in testing certain general IT controls and certain application controls used to determine and record revenue, contract receivables and contract payables related to the aforementioned capitated contracts. We evaluated the sufficiency of audit evidence obtained by assessing the results of procedures performed.

Goodwill impairment assessment for certain reporting units

As discussed in Notes 2 and 9 to the consolidated financial statements, the Company reviews goodwill for impairment annually, and more frequently if events and circumstances indicate that the carrying value of a reporting unit might exceed its fair value. The Company estimates the fair value of each reporting unit using either an income approach, a market approach, or a blended approach. During the year ended December 31, 2024, the Company recognized goodwill impairment charges of $105.3 million. As of December 31, 2024, the goodwill balance was $680.3 million.

We identified the evaluation of the goodwill impairment assessment for all reporting units as a critical audit matter. There was a high degree of subjective auditor judgment required in assessing the Company’s key assumptions used in the income approach to estimate fair value, specifically short-term projected revenue and the discount rate. Minor changes in these assumptions could have had a significant impact on the estimated fair value. Additionally, the audit effort associated with this estimate required specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company’s goodwill impairment assessment process, including controls over the short-term projected revenue and the discount rate assumptions. We evaluated the short-term projected revenues by comparing them to the historical results of the respective reporting unit, and to external economic data, including publicly available information for guideline public companies. We performed inquiries of the Company’s officials who are responsible for, and have authority over, the development of the short-term projected revenue rate. We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the discount rate by independently calculating the weighted average cost of capital.

/s/ KPMG LLP

We have served as the Company's auditor since 2008.

Denver, Colorado
March 6, 2025

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
ModivCare Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited ModivCare Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2024 and 2023, the related consolidated statements of operations, consolidated statements of stockholders' equity (deficit), and consolidated statements of cash flows for each of the years in the three-year period ended December 31, 2024, and the related notes and financial statement schedule II(collectively, the consolidated financial statements), and our report dated March 6, 2025 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Denver, Colorado
March 6, 2025

ModivCare Inc.
Consolidated Balance Sheets
(in thousands except share and per share data)

	December 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 112,581	$ 2,217
Accounts receivable, net of allowance of $1,439 and $969, respectively	222,317	222,537
Contract receivables	117,795	143,960
Other receivables	16,732	8,616
Prepaid expenses and other current assets	25,419	27,028
Restricted cash	535	565
Total current assets	495,379	404,923
Property and equipment, net	82,409	85,629
Goodwill	680,252	785,554
Payor network, net	269,020	330,738
Other intangible assets, net	13,300	30,197
Equity investment	31,427	41,531
Operating lease right-of-use assets	36,597	39,776
Other assets	45,948	48,927
Total assets	$ 1,654,332	$ 1,767,275
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	$ 83,068	$ 55,241
Accrued contract payables	22,639	117,488
Accrued transportation costs	96,745	97,245
Accrued expenses and other current liabilities	139,176	127,901
Current portion of operating lease liabilities	8,616	8,727
Short-term debt	274,250	113,800
Total current liabilities	624,494	520,402
Long-term debt, net of deferred financing costs of $30,689 and $16,243, respectively	986,436	983,757
Deferred tax liabilities	13,557	39,584
Operating lease liabilities, less current portion	32,905	33,784
Other long-term liabilities	35,414	33,553
Total liabilities	1,692,806	1,611,080
Commitments and contingencies (Note 17)		
Stockholders' equity (deficit)		
Common stock: Authorized 40,000,000 shares; $0.001 par value; 19,882,026 and 19,775,041, respectively, issued and outstanding (including treasury shares)	20	20
Additional paid-in capital	457,406	450,945
Accumulated deficit	(225,715)	(24,437)
Treasury shares, at cost, 5,558,898 and 5,571,004 shares, respectively	(270,185)	(270,333)
Total stockholders' equity (deficit)	(38,474)	156,195
Total liabilities and stockholders' equity (deficit)	$ 1,654,332	$ 1,767,275

See accompanying notes to the consolidated financial statements.

ModivCare Inc.
Consolidated Statements of Operations
(in thousands except share and per share data)

	Year ended December 31,		
	2024	**2023**	**2022**
Service revenue, net	$ 2,787,586	$ 2,751,170	$ 2,504,393
Grant income (Note 2)	—	5,037	7,351
Operating expenses:			
Service expense	2,367,215	2,304,218	2,032,074
General and administrative expense	298,391	304,564	322,171
Depreciation and amortization	109,465	104,271	100,415
Impairment of goodwill	105,302	183,100	—
Total operating expenses	2,880,373	2,896,153	2,454,660
Operating income (loss)	(92,787)	(139,946)	57,084
Interest expense, net	94,053	69,120	61,961
Loss on debt extinguishment	11,797	—	—
Loss before income taxes and equity method investment	(198,637)	(209,066)	(4,877)
Income tax benefit	5,506	4,319	3,035
Equity in net income (loss) of investee, net of tax	(8,147)	287	(29,964)
Net loss	$ (201,278)	$ (204,460)	$ (31,806)
Loss per common share:			
Basic	$ (14.14)	$ (14.43)	$ (2.26)
Diluted	$ (14.14)	$ (14.43)	$ (2.26)
Weighted-average number of common shares outstanding:			
Basic	14,239,549	14,173,957	14,061,839
Diluted	14,239,549	14,173,957	14,061,839

See accompanying notes to the consolidated financial statements.

ModivCare Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year ended December 31,		
	2024	**2023**	**2022**
Operating activities			
Net loss	$ (201,278)	$ (204,460)	$ (31,806)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation	30,927	25,038	20,055
Amortization	78,538	79,233	80,360
Stock-based compensation	6,682	6,456	6,872
Deferred income taxes	(26,027)	(17,652)	(36,663)
Impairment of goodwill	105,302	183,100	—
Loss on debt extinguishment	11,797	—	—
Amortization of deferred financing costs and debt discount	6,668	5,246	5,125
Equity in net loss (income) of investee	9,645	(398)	40,916
Reduction of right-of-use assets	11,444	12,344	11,640
Changes in operating assets and liabilities:			
Accounts receivable and other receivables	(7,436)	(5,268)	(9,130)
Contract receivables	26,164	(72,828)	(46,651)
Prepaid expenses and other assets	1,828	6,830	6,416
Accrued contract payables	(94,849)	(76,798)	(87,299)
Accounts payable and accrued expenses	39,101	(7,677)	57,249
Accrued transportation costs	(500)	394	(6,443)
Other changes in operating assets and liabilities	(4,414)	(16,531)	(21,083)
Net cash used in operating activities	(6,408)	(82,971)	(10,442)
Investing activities			
Purchase of property and equipment	(27,630)	(42,288)	(33,004)
Acquisitions, net of cash acquired	—	—	(78,809)
Net cash used in investing activities	(27,630)	(42,288)	(111,813)
Financing activities			
Net proceeds from short-term borrowings	155,200	113,800	—
Proceeds from issuance of long-term debt	525,000	—	—
Repayment of long-term debt	(509,970)	—	—
Payment of debt issuance costs	(25,786)	(376)	(2,415)
Restricted stock surrendered for employee tax payment	(620)	(899)	(792)
Proceeds from common stock issued pursuant to stock option exercise	—	31	6,789
Other financing activities	548	510	226
Net cash provided by financing activities	144,372	113,066	3,808
Net change in cash, cash equivalents and restricted cash	110,334	(12,193)	(118,447)
Cash, cash equivalents and restricted cash at beginning of year	2,782	14,975	133,422
Cash, cash equivalents and restricted cash at end of year	$ 113,116	$ 2,782	$ 14,975

See accompanying notes to the consolidated financial statements.

ModivCare Inc.
Supplemental Cash Flow Information
(in thousands)

	Year ended December 31,		
	2024	2023	2022
Supplemental cash flow information			
Cash paid for interest	$ 76,767	$ 64,200	$ 59,392
Cash paid for income taxes	$ 9,106	$ 9,078	$ 15,660
Assets acquired under operating leases	$ 8,265	$ 12,715	$ 7,295
Acquisitions:			
Purchase price	$ —	$ —	$ 79,200
Less:			
Cash acquired	—	—	(391)
Acquisitions, net of cash acquired	$ —	$ —	$ 78,809

See accompanying notes to the consolidated financial statements.

ModivCare Inc.
Consolidated Statements of Stockholders' Equity (Deficit)
(in thousands except share data)

	Common Stock		Additional	Retained Earnings	Treasury Stock		
	Shares	Amount	Paid-In Capital	(Accumulated Deficit)	Shares	Amount	Total
Balance at December 31, 2021	19,589,422	$ 20	$ 430,449	$ 211,829	5,568,983	$ (269,031)	$ 373,267
Net loss	—	—	—	(31,806)	—	—	(31,806)
Stock-based compensation	—	—	6,491	—	—	—	6,491
Exercise of employee stock options	109,731	—	6,789	—	—	—	6,789
Restricted stock issued	27,251	—	—	—	—	—	—
Restricted stock surrendered for employee tax payment	—	—	—	—	7,486	(792)	(792)
Shares issued for bonus settlement and director stipends	3,519	—	340	—	—	—	340
Shares issued for ESPP	—	—	186	—	(2,940)	81	267
Balance at December 31, 2022	19,729,923	$ 20	$ 444,255	$ 180,023	5,573,529	$ (269,742)	$ 354,556
Net loss	—	—	—	(204,460)	—	—	(204,460)
Stock-based compensation	—	—	6,061	—	—	—	6,061
Exercise of employee stock options	549	—	31	—	—	—	31
Restricted stock issued	37,609	—	—	—	—	—	—
Restricted stock surrendered for employee tax payment	—	—	—	—	10,565	(899)	(899)
Shares issued for bonus settlement and director stipends	6,960	—	316	—	—	—	316
Shares issued for ESPP	—	—	282	—	(13,090)	308	590
Balance at December 31, 2023	19,775,041	$ 20	$ 450,945	$ (24,437)	5,571,004	$ (270,333)	$ 156,195
Net loss	—	—	—	(201,278)	—	—	(201,278)
Stock-based compensation	—	—	6,518	—	—	—	6,518
Restricted stock issued	100,973	—	—	—	—	—	—
Restricted stock surrendered for employee tax payment	—	—	—	—	22,827	(620)	(620)
Shares issued for director stipends	6,012	—	106	—	—	—	106
Shares issued for ESPP	—	—	(163)	—	(34,933)	768	605
Balance at December 31, 2024	19,882,026	$ 20	$ 457,406	$ (225,715)	5,558,898	$ (270,185)	$ (38,474)

See accompanying notes to the consolidated financial statements.

ModivCare Inc.
Notes to the Consolidated Financial Statements
December 31, 2024

1. Organization and Basis of Presentation

Description of Business

ModivCare Inc. ("ModivCare" or the "Company") is a technology-enabled healthcare services company that provides a suite of integrated supportive care solutions for public and private payors and their members. Its value-based solutions address the social determinants of health ("SDoH") by connecting members to essential care services. By doing so, ModivCare helps health plans manage risks, reduce costs, and improve health outcomes. ModivCare is a provider of non-emergency medical transportation ("NEMT"), personal care services ("PCS"), and in-home monitoring solutions ("Monitoring"), which serve similar, highly vulnerable patient populations. The technology-enabled operating model in its NEMT segment includes the coordination of non-emergency medical transportation services supported by an infrastructure of core competencies in risk underwriting, contact center management, network credentialing and claims management. Additionally, its personal care services in its PCS segment include placements of non-medical personal care assistants, home health aides and nurses primarily to Medicaid patient populations in need of care monitoring and assistance performing daily living activities in the home setting. ModivCare's in-home monitoring solutions in its Monitoring segment include in-home clinical monitoring and quality improvement services that leverage personal emergency response systems, vitals monitoring devices, relationship-based care, and data-driven patient engagement solutions.

ModivCare also holds a 43.6% minority interest in CCHN Group Holdings, Inc. and its subsidiaries, which operate under the Matrix Medical Network brand ("Matrix"). Matrix, which is included in our Corporate and Other segment, maintains a national network of community-based clinicians who deliver in-home and on-site services.

Basis of Presentation

The Company follows accounting standards established by the Financial Accounting Standards Board ("FASB"). The FASB establishes accounting principles generally accepted in the United States ("GAAP"). Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under the authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. References to GAAP issued by the FASB in these notes are to the FASB *Accounting Standards Codification* ("ASC"), which serves as the single source of authoritative accounting and applicable reporting standards to be applied for non-governmental entities. All amounts are presented in U.S. dollars unless otherwise noted.

The Company accounts for its investment in Matrix using the equity method, as the Company does not control the decision-making process or business management practices of Matrix. While the Company has access to certain information and performs certain procedures to review the reasonableness of information, the Company relies on the management of Matrix to provide accurate financial information prepared in accordance with GAAP. The Company receives audit reports relating to such financial information from Matrix's independent auditors on an annual basis. The Company is not aware of any errors in or possible misstatements of the financial information provided by Matrix that would have a material effect on the Company's consolidated financial statements. See Note 6, *Equity Investment*, for further information.

Reclassifications: Certain prior year amounts have been reclassified to conform to current year presentation.

Going Concern

In accordance with ASC 205-40, *Presentation of Financial Statements – Going Concern*, Management evaluates whether there are conditions or events that raise substantial doubt about the Company's ability to continue as a going concern for a period of one year from the date of financial statement issuance and to provide related footnote disclosures in certain circumstances. The accompanying consolidated financial statements are prepared in accordance with U.S. GAAP, assuming the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

During the year ended December 31, 2024, the Company has experienced financial challenges, including increased transportation and caregiver costs that have not been offset by corresponding reimbursement rate increases from payors, the loss of certain contracts, and membership declines. These factors have negatively impacted cash flow generation and liquidity. Additionally, the Company has experienced lengthened collection periods due to complexities in Medicare, Medicaid, and nongovernmental payor arrangements, resulting in delays between recognizing revenue for services rendered and collecting cash owed for our services. This prolonged cash conversion cycle places further strain on liquidity and working capital. As a result, the Company is likely to require additional liquidity in order to support ongoing operations over the next year.

As of the issuance date of these consolidated financial statements, the Company also entered into Amendment No. 5 (the "Fifth Amendment") to its Credit Agreement (see Note 11, *Debt* for further details) which, among other things, established an incremental term loan facility in an aggregate principal amount of $75.0 million (the “Incremental Term Loan”). The Incremental Term Loan is a short-term facility with a maturity date of January 10, 2026 and, as a result of the factors described above, the Company is likely to require additional liquidity in order to satisfy its existing debt obligations due within one year from the date of the issuance of these consolidated financial statements.

As a result of the foregoing, the Company is not expected to have the ability to meet one or more financial covenants under its existing credit agreements. Failure to meet these covenants or others could cause obligations under the Revolving Credit Facility (as defined in Note 11, *Debt*), the Term Loan Facility (as defined in Note 11, *Debt*), the Incremental Term Loan (as defined above), and the Company’s Notes due 2029 (as defined in Note 11, *Debt*), to become immediately due and payable, and the Company would not have sufficient liquidity to satisfy such obligations. In such event, the Company would be required to restructure its existing debt or to seek additional equity or debt financing to meet its obligations.

Furthermore, these factors raise substantial doubt about the Company's ability to satisfy its obligations as they become due within one year from the issuance date of these financial statements. Accordingly, Management has concluded that substantial doubt exists about the Company's ability to continue as a going concern.

To address these concerns, Management has implemented cost optimization measures, renegotiated contract terms, and secured amendments to its credit agreements, including a temporary financial covenant holiday. Management is actively pursuing further financing options, evaluating strategic asset divestitures, long-term covenant relief and implementing operational efficiencies to improve liquidity. There can be no assurance that additional financing, additional liquidity from asset divestitures or long-term covenant relief will be available on terms acceptable to the Company, or at all, or in amounts sufficient to enable the Company to satisfy its obligations as they become due or to sustain operations in the future.

Impact of the COVID-19 Pandemic

On May 11, 2023, the Department of Health and Human Services ("HHS") declared the end of the public health emergency ("PHE") for the COVID-19 pandemic. While the Company has continued to experience increased trip volume, service hours, and patient engagement each year following the pandemic, structural changes in the industry as a result of the pandemic, as well as ongoing constraints on the labor market, specifically related to the strain on healthcare professionals, could continue to have an adverse impact on the Company's financial statements. The Company continues to actively monitor the structural changes to the industry and the impact these have on our business and results of operations with an emphasis on protecting the health and safety of its employees, maximizing the availability of its services and products to support SDoH, and supporting the operational and financial stability of its business.

2. Significant Accounting Policies and Recent Accounting Pronouncements

Principles of Consolidation

The accompanying consolidated financial statements include ModivCare Inc., its wholly-owned subsidiaries, and entities it controls, or in which it has a variable interest and is the primary beneficiary of expected cash profits or losses. The Company records its investments in entities that it does not control, but over which it has the ability to exercise significant influence, using the equity method. The Company has eliminated significant intercompany transactions and accounts.

Accounting Estimates

The Company uses estimates and assumptions in the preparation of the consolidated financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the Company's consolidated financial statements. These estimates and assumptions also affect the reported amount of net income or loss during any period. The Company's actual financial results could differ significantly from these estimates. The significant estimates underlying the Company's consolidated financial statements include revenue recognition; accrued transportation costs; income taxes; recoverability of current and long-lived assets, including equity method investments; intangible assets and goodwill; loss contingencies; accounting for business combinations, including amounts assigned to definite and indefinite lived intangibles and contingent consideration; and loss reserves for reinsurance and self-funded insurance programs.

Fair Value Measurements

The Company follows FASB ASC Topic 820, *Fair Value Measurement* ("ASC 820") which establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy categorizes assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. The three levels are defined as follows:

– Level 1: Quoted Prices in Active Markets for Identical Assets – inputs to the valuation methodology are quoted prices in active markets as of the measurement date for identical assets or liabilities.

– Level 2: Significant Other Observable Inputs – inputs to the valuation methodology are based upon quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

– Level 3: Significant Unobservable Inputs – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. As of December 31, 2024 and 2023, the carrying amount for cash and cash equivalents, accounts receivable (net of allowance for credit losses), current assets and current liabilities was equal to or approximated fair value due to their short-term nature or proximity to current market rates. Fair values for the Company's publicly traded debt securities are based on quoted market prices, when available, and for the Company's nonpublic debt are based on lender quotes, when available. See Note 11, *Debt*, for the fair value of the Company's long-term debt.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less. Investments in cash equivalents are carried at cost, which approximates fair value. The Company places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the federally insured limits.

Restricted Cash

Restricted cash primarily relates to amounts held in trusts for reinsurance claims losses under the Company's insurance operation for historical workers' compensation, general and professional liability and auto liability reinsurance programs, as well as amounts restricted for withdrawal under our self-insured medical and benefits plans.

Accounts Receivable and Allowance for Credit Losses

The Company records accounts receivable amounts at the contractual amount, less contractual revenue adjustments based on amounts expected to be due from payors and less an allowance for credit losses. The Company maintains an allowance for credit losses at an amount it estimates to be sufficient to cover the risk that an account will not be collected due to credit risk. In order to establish the amount of the allowance related to the credit risk of accounts receivable, the Company considers information related to receivables that are past due, past loss experience, current and forecasted economic conditions, and other relevant factors. In circumstances where the Company is aware of a customer's inability to meet its financial obligation, the Company records a specific allowance for credit losses to reduce its net recognized receivable to an amount the Company reasonably expects to collect. As the Company primarily contracts with Medicaid and Medicare governmental payors, the Company is not subject to significant credit risk in the collection of accounts receivable.

The Company's bad debt expense for the years ended December 31, 2024, 2023 and 2022 was $4.4 million, $4.0 million and $2.7 million, respectively.

Business Combinations

The Company accounts for acquisitions in accordance with ASC Topic 805, *Business Combinations*. The acquisition method of accounting requires the Company to make significant estimates and assumptions as of the date of the acquisition related to the determination of the fair values (primarily Level 3) of the tangible and intangible assets acquired and liabilities assumed, and related to the determination of estimated lives of the depreciable assets acquired. The Company recognizes goodwill at the amount by which the purchase price exceeds the fair value of identified assets acquired and liabilities assumed. See Note 3, *Acquisitions*, for further discussion of the Company's acquisitions.

Property and Equipment

Property and equipment are stated at historical cost, net of accumulated depreciation, or at fair value if the assets were initially recorded as the result of a business combination or if the asset was remeasured due to an impairment. Depreciation is calculated using the straight-line method over the estimated useful life of the asset to the Company. Maintenance and repairs are expensed as incurred. Gains and losses resulting from the disposition of an asset are reflected in results of operations.

Internal-use Software

The Company develops and implements software for internal use to enhance the performance and capabilities of the technology infrastructure. The costs incurred for the development of the internal-use software are capitalized when they meet the internal-use software capitalization criteria outlined in ASC 350-40 and are included within "Property and equipment, net" on the consolidated balance sheets. The capitalized costs are amortized using the straight-line method over the estimated useful life of the software, ranging from 3 to 10 years. As of December 31, 2024 and 2023, capitalized costs associated with the internal-use software, net of accumulated amortization were $26.1 million and $21.3 million, respectively. The amount of accumulated amortization as of December 31, 2024 and 2023 was $7.8 million and $2.6 million, respectively. Amortization expense during the years ended December 31, 2024, 2023, and 2022 totaled $5.2 million, $2.5 million, and $0.1 million respectively.

In addition to acquired software, the Company capitalizes costs associated with cloud computing arrangements ("CCA") that are service contracts. The CCA includes services which are used to support certain internal corporate functions as well as technology associated with revenue-generating activities. The capitalized costs are amortized using the straight-line method over the term of the related CCA. As of December 31, 2024 and 2023, capitalized costs associated with CCA, net of accumulated amortization were $11.9 million and $14.6 million, respectively. The amount of accumulated amortization as of December 31, 2024 and 2023 was $10.3 million and $5.2 million, respectively. Amortization expense during the years ended December 31, 2024, 2023, and 2022, totaled $5.1 million, $2.9 million and $1.7 million, respectively.

Recoverability of Goodwill

In accordance with ASC 350, *Intangibles-Goodwill and Other*, the Company reviews goodwill for impairment annually, and more frequently if events and circumstances indicate that an asset may be impaired. Such circumstances could include, but are not limited to: (1) the loss or modification of significant contracts, (2) a significant adverse change in legal factors or in business climate, (3) unanticipated competition, (4) an adverse action or assessment by a regulator, or (5) a significant decline in the Company's stock price.

When evaluating goodwill for impairment, the Company first performs a qualitative assessment for each reporting unit to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If the qualitative assessment suggests that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the Company performs a quantitative assessment and compares the fair value of the reporting unit to its carrying value and to the extent the carrying value is greater than the fair value, the difference is recorded as an impairment in the consolidated statements of operations.

The Company performed a quantitative test comparing the carrying value of the Company's reporting units with their respective fair value. The fair value of the Company's reporting units is estimated using either an income approach, a market valuation approach, or a blended approach. The income approach produces an estimated fair value of a reporting unit based on the present value of the cash flows the Company expects the reporting unit to generate in the future. Estimates included in the discounted cash flow model are primarily Level 3 inputs and include the discount rate, which the Company determines based on adjusting an industry-wide weighted-average cost of capital for size, geography, risk free rates, and company specific risk factors, long-term rates of growth and profitability of the Company's business, working capital effects and planned capital expenditures. The market approach produces an estimated fair value of a reporting unit based on a comparison of the reporting unit to comparable publicly traded entities in similar lines of business. The Company's significant estimates in the market approach include the selected similar companies with comparable business factors such as size, growth, profitability, risk and return on investment and the multiples the Company applies to earnings before interest, taxes, depreciation and amortization ("EBITDA") to estimate the fair value of the reporting unit.

As a result of the Company's annual goodwill assessments during the years 2024 and 2023, the Company determined that based on its qualitative assessment for each reporting unit, factors existed which required the Company to test its goodwill and indefinite-lived intangible assets for impairment. Accordingly, the Company performed a quantitative assessment during each annual testing period which resulted in the Company recording a non-cash goodwill impairment charge of $105.3 million within its Monitoring reporting unit during the 2024 annual period and recording a non-cash goodwill impairment charge of $183.1 million, of which $137.3 million was recorded in the PCS reporting unit and $45.8 million was recorded in the Monitoring reporting unit during the 2023 annual period. See Note 9, *Goodwill and Intangible Assets*, for additional details.

Recoverability of Intangible Assets Subject to Amortization and Other Long-Lived Assets

Intangible assets subject to amortization and other long-lived assets are carried at cost and are amortized or depreciated on a straight-line basis over their estimated useful lives of 2 to 10 years. In accordance with ASC 360, *Property, Plant, and Equipment*, the Company reviews the carrying value of long-lived assets or groups of assets to be used in operations whenever events or changes in circumstances indicate that the carrying amount of the assets may be impaired. Factors that may necessitate an impairment assessment include, among others, significant adverse changes in the extent or manner in which an asset or group of assets is used, significant adverse changes in legal factors or the business climate that could affect the value of an asset or group of assets or significant declines in the observable market value of an asset or group of assets. The presence or occurrence of those events indicates that an asset or group of assets may be impaired. In those cases, the Company assesses the recoverability of an asset or group of assets by determining whether the carrying value of the asset or group of assets exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the assets over the remaining economic life of the asset or the primary asset in the group of assets. If such testing indicates the carrying value of the asset or group of assets is not recoverable, the Company estimates the fair value of the asset or group of assets using appropriate valuation methodologies, which would typically include an estimate of discounted cash flows. If the fair value of those assets or groups of assets is less than carrying value, the Company records an impairment loss equal to the excess of the carrying value over the estimated fair value.

Accrued Transportation Costs

The Company generally contracts with third-party providers to provide transportation services to customers. The cost of transportation is recorded in the month the services are rendered based upon contractual rates and mileage estimates. Once a trip is completed, the third-party transportation providers will furnish invoices for actual mileage incurred. Any trips that have not been invoiced require an accrual based upon the expected cost of the trips as well as an estimated number of cancellations, as the Company is generally only obligated to pay the transportation provider for completed trips. These estimates are based upon the historical trend associated with each contract's population and the transportation provider network servicing the program. There may be differences between actual invoiced amounts and estimated costs, and any resulting adjustments are included in expense. Accrued transportation costs were $96.7 million and $97.2 million at December 31, 2024 and 2023, respectively.

Deferred Financing Costs and Debt Discounts

The Company capitalizes costs incurred in connection with its credit facilities and other borrowings, referred to as deferred financing costs, and amortizes such costs over the life of the respective credit facility or other borrowings. Costs associated with the revolving facility are capitalized as deferred financing costs and included in "Prepaid expenses and other current assets" on the consolidated balance sheets. Costs associated with term loans are capitalized and included as a reduction to the debt balance on the consolidated balance sheets. Deferred financing costs for the Revolving Credit Facility, net of amortization, totaled $2.9 million and $2.6 million as of December 31, 2024 and 2023, respectively. A debt discount for the $500.0 million Senior Unsecured Notes due 2025 of $6.0 million was netted against the outstanding balance of the long-term debt on the consolidated balance sheets as of December 31, 2023, with no corresponding debt discount netted against the outstanding balance of December 31, 2024 due to the redemption of the 2025 Notes during the year ended December 31, 2024. Debt discounts for the $500.0 million Senior Unsecured Notes due 2029 of $8.7 million and $10.3 million are netted against the outstanding balance of the long-term debt on the consolidated balance sheets as of December 31, 2024 and 2023, respectively. Deferred financing costs associated with the Term Loan Facility that was entered into in 2024 of $22.0 million are netted against the outstanding balance of the long-term debt on the consolidated balance sheets as of December 31, 2024, with no corresponding deferred financing costs as of December 31, 2023.

Revenue Recognition

Under ASC 606, the Company recognizes revenue as it transfers promised services directly to its customers at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing these services. The Company's performance obligations are driven by its different segments of business and primarily consist of integrated service offerings to provide non-emergency medical transportation, personal care services, or remote monitoring services directly to its customers. The Company receives payment for providing these services from third-party payors that include federal, state, and local governmental agencies, managed care organizations, and private consumers. In the NEMT segment, the Company's performance obligation is to stand ready to perform transportation-related activities, including the management, fulfillment, and recordkeeping activities associated with such services. In the PCS segment, the Company's performance obligation is to deliver patient care services in accordance with the nature and frequency of services outlined in each contract. In the Monitoring segment, the Company's performance obligation is to stand ready to perform in-home clinical monitoring and quality improvement services that leverage personal emergency response systems, vitals monitoring devices, relationship-based care, and data-driven patient engagement solutions, as contractually agreed upon. The Company satisfies substantially all of its performance obligations over time and recognizes revenue over time instead of at points in time which aligns the pattern of transfer of promised services with the value received by the customer for the performance completed to date.

The Company holds different contract types under its different segments of business. In the NEMT segment, there are both capitated contracts, under which payors pay a fixed amount monthly per eligible member and revenue is recognized over each distinct service period, and fee-for-service ("FFS") contracts, under which the Company bills and collects a specified amount for each service that is provided and revenue is recognized using the right to invoice practical expedient. In the PCS segment, contracts are also FFS and service revenue is reported at the estimated net realizable amount from patients and third-party payors for services rendered and revenue is recognized using the right to invoice practical expedient. Under Monitoring contracts, payors pay per-enrolled-member-per-month, based on enrolled membership, and revenue is recognized ratably over the contract term. For each contract type, the Company determines the transaction price based on the gross charges for services provided, reduced by estimates for contractual adjustments due to settlements of audits and payment reviews from third-party payors. The Company determines the estimated revenue adjustments at each segment based on its historical experience with various third-party payors and previous results from the claims and adjudication process. The PCS segment uses the portfolio approach to determine the estimated revenue adjustments. See further information in Note 5, *Revenue Recognition*.

Government Grants

The Company periodically receives government grants and other forms of government assistance which are not generated from the Company's contractual performance obligations under ASC 606, *Revenue from Contracts with Customers*. Funding received from governmental entities under government programs generally requires that the recipient attests to and complies with certain terms and conditions of receiving the funding. Government grant distributions have been received primarily under the CARES Act Public Health and Social Services Emergency Fund ("Provider Relief Fund" or "PRF") and the American Rescue Plan Act of 2021 ("ARPA") Coronavirus State and Local Fiscal Recovery Fund ("SLFRF"). These funds were established to provide economic relief payments and stimulus to companies to address the health and economic impacts of the COVID-19 pandemic. During the third quarter of 2023, the Company also filed amended payroll tax returns for 2020 and 2021 to claim refunds for Employee Retention Credits ("ERC"). ERC is a U.S. federal tax credit introduced to support businesses and organizations during the COVID-19 pandemic that was initially established under the CARES Act in 2020 and was later expanded and extended by subsequent legislation, including the Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021. The Company has also received government grant distributions from other entities that provide funds with specific stipulations on the usage of these funds. Distributions received under the CARES Act PRF and the ARPA SLFRF are targeted to assist with incremental health care related expenses or lost revenue attributable to the COVID-19 pandemic and/or provide stimulus to support long-term growth and recovery. When received, these government grants are generally recorded on the consolidated balance sheets in "Accrued expenses and other current liabilities" until the time at which there is reasonable assurance the conditions of the grant will be met, at which point they are recognized on the consolidated statement of operations. Once recognized, the Company records these government grants as "Grant income" if the grant is related to the loss of revenues, or as an offset to "Service expense" if the grant is used to offset certain costs for which the grants are intended to compensate. The Company received distributions from government grants of approximately $19.5 million, $21.8 million, $16.3 million during the years ended December 31, 2024, 2023, and 2022, respectively. During the year ended December 31, 2024, no funds were recognized as grant income and $24.1 million were recognized as an offset to "Service expense." During the year ended December 31, 2023, $5.0 million were recognized as "Grant income" and $14.2 million were recognized as an offset to "Service expense." During the year ended December 31, 2022, $7.4 million were recognized as grant income and $1.6 million were recognized as an offset to "Service expense." The remaining balance is recorded on the consolidated balance sheets in "Accrued expenses and other current liabilities" until the conditions for recognition have been met. See further information in Note 10, *Accrued Expenses and Other Current Liabilities*.

The payments from these acts are subject to certain restrictions and possible recoupment if not used for designated purposes. As a condition to receiving PRF distributions, providers must agree to certain terms and conditions, including, among other things, that the funds are being used for healthcare related expenses and lost revenues attributable to COVID-19, as defined by HHS. All recipients of PRF payments are required to comply with the reporting requirements described in the terms and conditions and as determined by HHS. The Company has submitted the required documents to meet reporting requirements for the applicable reporting periods. The Company received an audit inquiry letter from HHS related to one of the business units that received PRF payments, to which the Company has responded and submitted all requested information and believes that the payments received are substantiated and within the terms and conditions defined by HHS and continues to recognize these amounts as grant income. At this time, the Company is unaware of any other pending or upcoming audits or inquiries related to amounts received under PRF.

As a condition to receiving SLFRF distributions, providers must agree to use the funds to respond to the Public Health Emergency ("PHE") or its negative economic impacts, to respond to workers performing essential work by providing premium pay to eligible workers and to offset reduction in revenue due to the COVID-19 PHE as stipulated by the states in which the funds were received. All recipients of SLFRF distributions are required to comply with the reporting requirements that the state in which the funds originated requests in order for the states to meet the requirements as described in the terms and conditions as determined by the Department of the Treasury. The Company is in the process of complying with all known reporting requirements to date.

Stock-Based Compensation

The Company follows the fair value recognition provisions of ASC Topic 718 – *Compensation – Stock Compensation* (“ASC 718”), which requires companies to measure and recognize compensation expense for all share-based payments at fair value.

- The Company calculates the fair value of stock options using the Black-Scholes option-pricing formula and determines the fair value of restricted stock awards or units ("RSAs" or "RSUs") based on the closing market price of the Company’s Common Stock on the date of grant. Forfeitures for stock options, RSAs, and RSUs are recorded as they occur. The expense for stock-based compensation awards is amortized on a straight-line basis over the requisite service period, which is typically the vesting period.

- The Company issues performance-based RSUs ("PRSUs") that vest upon achievement of pre-established company specific performance conditions and a service period. The fair value of the PRSUs is determined based on the closing market price of the Company’s Common Stock on the grant date and an assessment of the probability the performance targets will be achieved. Forfeitures are recorded as they occur. The expense for such awards is recognized over the requisite service period.

Income Taxes

Deferred income taxes are determined by the asset and liability method in accordance with ASC Topic 740 - *Income Taxes*. Under this method, deferred tax assets and liabilities are determined based on differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. The Company considers many factors when assessing the likelihood of future realization of deferred tax assets, including recent earnings experience by jurisdiction, expectations of future taxable income, and the carryforward periods available for tax reporting purposes, as well as other relevant factors. The Company establishes a valuation allowance to reduce deferred tax assets to the amount that is more likely than not to be realized. The net amount of deferred tax liabilities and assets, net of the valuation allowance, is presented as non-current in the Company's consolidated balance sheets.

Due to inherent complexities arising from the nature of the Company’s businesses, future changes in income tax law or variances between the Company’s actual and anticipated operating results, the Company makes certain judgments and estimates. Therefore, actual income taxes could materially vary from these estimates.

The Company has recorded a valuation allowance which includes amounts for certain carryforwards and deferred tax assets, as more fully described in Note 16, *Income Taxes,* for which the Company has concluded that it is more likely than not that these carryforwards and deferred tax assets will not be realized in the ordinary course of operations.

The Company recognizes interest and penalties related to income taxes as a component of income tax expense.

The Company accounts for uncertain tax positions based on a two-step process of evaluating recognition and measurement criteria. The first step assesses whether the tax position is more likely than not to be sustained upon examination by the tax authority, including resolution of any appeals or litigation, based on the technical merits of the position. If the tax position meets the more likely than not criteria, the portion of the tax benefit greater than 50.0% likely to be realized upon settlement with the tax authority is recognized in the consolidated financial statements.

Loss Reserves for Certain Reinsurance Programs

The Company historically reinsured a substantial portion of its automobile, general and professional liability and workers’ compensation costs under certain reinsurance programs. The Company utilizes a report prepared by an independent actuary to estimate the gross expected losses related to these reinsurance policies, including the estimated losses in excess of insured limits, which would be reimbursed to the Company to the extent such losses were incurred. As of December 31, 2024 and 2023, the Company had reserves of $30.0 million and $20.2 million, respectively, for the automobile, general and professional liability and workers’ compensation reinsurance policies. The gross reserve as of December 31, 2024 and 2023 of $58.0 million and $45.7 million, respectively, is classified as current liabilities and other long-term liabilities in the consolidated balance sheets. The estimated amount to be reimbursed to the Company as of December 31, 2024 and 2023 was $28.0 million and $25.5 million, respectively, and is classified as other long-term assets in the consolidated balance sheets.

The Company regularly analyzes its reserves for incurred but not reported claims, and for reported but not paid claims related to its reinsurance and self-funded insurance programs. The Company believes its reserves are adequate. However, judgment is involved in assessing these reserves, such as in assessing historical paid claims, average lag times between the claims’ incurred date, reported dates and paid dates, and the frequency and severity of claims. There may be differences between actual settlement amounts and recorded reserves and any resulting adjustments are included in expense once a probable amount is known.

Self-Funded Insurance Programs

The Company also maintains a self-funded health insurance program with a stop-loss umbrella policy with a third-party insurer to limit the maximum potential liability for individual claims generally to $0.3 million per person, subject to an aggregating stop-loss limit of $0.4 million. In addition, the program has a total stop-loss limit for total claims, in order to limit the Company’s exposure to catastrophic claims. With respect to this program, the Company considers historical and projected medical utilization data when estimating its health insurance program liability and related expense. As of December 31, 2024 and 2023, the Company had $3.3 million and $1.8 million, respectively, in reserves for its self-funded health insurance programs. The reserves are classified as “Accrued expenses and other current liabilities” in the consolidated balance sheets.

Earnings (Loss) Per Share

The Company computes basic earnings (loss) per share by taking net income (loss) attributable to the Company available to common stockholders divided by the weighted average number of common shares outstanding during the period, including restricted stock and stock held in escrow if such shares are participating securities. Diluted earnings (loss) per share includes the potential dilution that may occur from stock-based awards and other stock-based commitments using the treasury stock or the as-if converted methods, as applicable. For additional information on how the Company computes earnings (loss) per share, see Note 14, *Earnings (Loss) Per Share*.

Recent Accounting Pronouncements

During the year ended December 31, 2024, the Company adopted the following accounting pronouncement:

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). This update improves reportable segment disclosure requirements, primarily through enhanced disclosure about significant segment expenses. The enhancements under this update require disclosure of significant segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and included within each reported measure of segment profit or loss, require disclosure of *other segment items* by reportable segment and a description of the composition of *other segment items*, require annual disclosures under ASC 280 to be provided in interim periods, clarify use of more than one measure of segment profit or loss by the CODM, require that the title of the CODM be disclosed with an explanation of how the CODM uses the reported measures of segment profit or loss to make decisions, and require that entities with a single reportable segment provide all disclosures required by this update and required under ASC 280. ASU 2023-07 is effective for public business entities for fiscal years beginning after December 15, 2023, with early adoption permitted. The Company adopted ASU 2023-07 for the fiscal year ended December 31, 2024.

Recent accounting pronouncements that the Company has yet to adopt are as follows:

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"). This update enhances the transparency and decision usefulness of income tax disclosures including updates to the disclosures related to the rate reconciliation and income taxes paid. These updates improve transparency by requiring consistent categories and greater disaggregation of information in the rate reconciliation and requiring income taxes paid to be disaggregated by jurisdiction. ASU 2023-09 is effective for public business entities for fiscal years beginning after December 15, 2024, with early adoption permitted.

In November 2024, the FASB issued ASU 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses* ("ASU 2024-03"). This update improves the disclosures about a public business entity's expenses and addresses requests from investors for more detailed information about the types of expenses in commonly presented expense captions (such as cost of sales; selling, general, and administrative expenses; and research and development). This update provides investors with disaggregated information about public business entity's expenses to help investors better understand the entity's performance; better assess the entity's prospects for future cash flows; and compare an entity's performance over time with that of other entities. ASU 2024-03 is effective for all public business entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027, with early adoption permitted.

3. Acquisitions

Business Combinations

Guardian Medical Monitoring

On May 11, 2022, the Company acquired Guardian Medical Monitoring ("GMM"), a provider of remote patient monitoring solutions that manages a comprehensive suite of services including in-home clinical monitoring and quality improvement services that leverage personal emergency response systems and vitals monitoring devices. The acquisition of GMM supports the Company's strategy to expand its Monitoring segment and enhances the Company's suite of supportive care solutions that address SDoH.

The stock transaction was accounted for in accordance with ASC 805, *Business Combinations* in which a wholly-owned subsidiary of the Company acquired 100.0% of the equity securities of GMM for $71.2 million (a purchase price of $71.6 million less $0.4 million of cash that was acquired).

The following table summarizes the allocation of the consideration transferred to acquired identifiable assets and assumed liabilities as of the acquisition date of May 11, 2022 (in thousands):

Cash(1)	$	391
Accounts receivable(2)		2,355
Prepaid expenses and other(3)		771
Property and equipment(4)		2,639
Intangible assets(5)		21,950
Goodwill(6)		44,346
Accounts payable(7)		(281)
Accrued expenses and other current liabilities(7)		(577)
Total of assets acquired less liabilities assumed	$	71,594

(1) During 2022, the Company received an additional $0.1 million of cash related to net working capital adjustments, and therefore, the initial balance of $0.3 million was increased to $0.4 million.

(2) Management has valued accounts receivable based on the estimated future collectability of the receivables portfolio. During 2022, it was determined that $0.6 million of the initial accounts receivable balance was uncollectible, and therefore, the initial balance of $3.0 million was decreased to $2.4 million.

(3) Given the short-term nature of the balance of prepaid expenses and other assets, the carrying value represents the fair value.

(4) The acquired property and equipment consists primarily of personal emergency response system devices, with the remainder consisting of computer equipment and furniture and fixtures. The Company valued the personal emergency response system devices utilizing the cost approach. Through this valuation, it was determined that $0.1 million of acquired property and equipment did not exist, and therefore, the initial balance of $2.7 million was decreased to $2.6 million. The carrying value of the remainder of the property and equipment, consisting primarily of computer equipment and furniture and fixtures, is assumed to represent the fair value.

(5) The allocation of consideration exchanged to intangible assets acquired is as follows (in thousands, except useful lives):

	Type	Useful Life		Value
Payor network	Amortizable	7 years	$	21,600
Trade name	Amortizable	2 years		350
			$	21,950

The Company valued the payor network utilizing the multi-period excess earnings method and trade names utilizing the relief-from-royalty method. The weighted average useful life of the acquired intangible assets is approximately 6.9 years.

(6) The acquisition initially resulted in $43.7 million of goodwill as a result of expected synergies due to future customers driven by expansion into different markets and an increase in market share. During the measurement period, accounts receivable was reduced by $0.6 million which caused a corresponding increase to goodwill. Also during the measurement period, cash increased by $0.1 million related to working capital adjustments, which caused a corresponding decrease to goodwill, and acquired property and equipment decreased by $0.1 million, which caused a corresponding increase to goodwill. The result of these adjustments was a total goodwill balance of $44.3 million. All of the acquired goodwill is deductible for tax purposes.

(7) Due to the short-term nature of the accounts, the carrying value is assumed to represent the fair value for accounts payable and accrued expenses and other current liabilities as of the acquisition date.

Since the date of the acquisition, GMM revenue of $11.9 million and net income of $1.8 million are included in the Company's consolidated results of operations.

Asset Acquisitions

On May 30, 2022, the Company entered into an asset purchase agreement with a private entity to purchase certain customer contracts within our PCS segment. Pursuant to the purchase agreement, the contracts were acquired for total consideration of $7.6 million in cash, subject to certain adjustments.

The transaction was accounted for as an asset acquisition in accordance with ASC 805, *Business Combinations*. The fair value of the net consideration is as follows (in thousands, except useful lives):

	Type	Useful Life	Value
Payor network	Amortizable	6 years	$ 7,297
Assembled workforce	Amortizable	6 years	309
			$ 7,606

4. Segments

The Company’s reportable segments are identified based on a number of factors related to how its Chief Operating Decision Maker ("CODM") determines the allocation of resources and assesses the performance of the Company’s operations. The Company's CODM is its President and Chief Executive Officer. The Company's reportable segments are strategic business units that offer different healthcare-related services to the Company’s members. They are managed separately because each segment has its own distinct revenue generating activities and core business processes, which requires different technology and strategies in order to serve the varying needs of its members. The Company's CODM manages the Company under four reportable segments, the services of each are discussed in detail below.

For each of the segments, the CODM uses operating income as the measure of profit or loss to assess segment performance and allocate resources (including personnel, financial, and capital resources) during periodic budgeting and forecasting processes and budget-to-actual variance reviews. The Company's operating income for the reportable segments includes an allocated portion of corporate expenses to the respective segments and includes revenues and all other costs directly attributable to the specific segment.

The CODM uses total assets as the measure of assets attributable to each segment and reviews this measure in conjunction with segment performance to allocate capital to technology investments and projects in each segment in order to identify the best deployment of resources.

- **NEMT** - The Company's NEMT segment is the largest manager of non-emergency medical transportation programs for state governments and managed care organizations, or MCOs, in the U.S. This segment also holds the results of the Company's captive insurance program;

- **PCS** - The Company's PCS segment provides in home personal care services to State and Managed Medicaid, Medicare, and Private Pay patient populations in need of care monitoring and assistance performing activities of daily living;

- **Monitoring** - The Company's Monitoring segment provides in-home monitoring solutions, including in-home clinical monitoring and quality improvement services that leverage personal emergency response systems, vitals monitoring devices, relationship-based care, and data-driven patient engagement solutions; and

- **Corporate and Other** - The Company's Corporate and Other segment includes the costs associated with the Company's corporate operations as well as the results of an investment in innovation related to expanding our virtual care, digital engagement, monitoring capabilities, and member insights and analytics that the Company made at the end of the first quarter of 2023, which contributes to service revenue and service expense. The operating results of the Corporate and Other segment include activities related to executive, accounting, finance, internal audit, tax, legal, debt and the related interest expense, and certain strategic and corporate development functions for each segment, the results of this investment in innovation, as well as the results of the Company's Matrix investment.

The following table sets forth certain financial information attributable to the Company's business segments for the years ended December 31, 2024, 2023 and 2022 (in thousands):

	Year Ended December 31, 2024				
	NEMT	**PCS**	**Monitoring**	**Corporate and Other**(1)	**Total**
Service revenue, net	$ 1,957,275	$ 745,299	$ 77,739	$ 7,273	$ 2,787,586
Purchased services	1,504,970	—	—	—	1,504,970
Payroll and related costs	172,800	594,150	17,077	556	784,583
Other service expense	50,214	5,108	15,207	7,133	77,662
Service expense	1,727,984	599,258	32,284	7,689	2,367,215
General and administrative expense	124,475	92,738	20,439	60,739	298,391
Depreciation and amortization	30,170	51,252	26,788	1,255	109,465
Impairment of goodwill	—	—	105,302	—	105,302
Operating income (loss)	74,646	2,051	(107,074)	(62,410)	(92,787)
Interest expense, net	—	—	—	94,053	94,053
Loss on extinguishment of debt	—	—	—	11,797	11,797
Income (loss) before income taxes and equity method investment	74,646	2,051	(107,074)	(168,260)	(198,637)
Income tax benefit (provision)	(14,482)	866	726	18,396	5,506
Equity in net loss of investee, net of tax	(316)	—	—	(7,831)	(8,147)
Net income (loss)	$ 59,848	$ 2,917	$ (106,348)	$ (157,695)	$ (201,278)
Balance Sheet Information					
Equity investment	$ 1,441	$ —	$ —	$ 29,986	$ 31,427
Goodwill	$ 135,186	$ 415,444	$ 129,592	$ 30	$ 680,252
Total assets	$ 490,947	$ 720,620	$ 232,794	$ 209,971	$ 1,654,332

	Year Ended December 31, 2023				
	NEMT	PCS	Monitoring	Corporate and Other[1]	Total
Service revenue, net	$ 1,951,447	$ 715,615	$ 77,941	$ 6,167	$ 2,751,170
Grant income[2]	—	5,037	—	—	5,037
Purchased services	1,456,796	—	—	—	1,456,796
Payroll and related costs	203,199	555,606	13,539	285	772,629
Other service expense	49,795	6,313	13,486	5,199	74,793
Service expense	1,709,790	561,919	27,025	5,484	2,304,218
General and administrative expense	115,355	86,767	22,971	79,471	304,564
Depreciation and amortization	27,409	51,402	24,536	924	104,271
Impairment of goodwill	—	137,331	45,769	—	183,100
Operating income (loss)	98,893	(116,767)	(42,360)	(79,712)	(139,946)
Interest expense, net	—	—	—	69,120	69,120
Income (loss) before income taxes and equity method investment	98,893	(116,767)	(42,360)	(148,832)	(209,066)
Income tax benefit (provision)	(26,602)	(5,403)	(1,459)	37,783	4,319
Equity in net income (loss) of investee, net of tax	1,057	—	—	(770)	287
Net income (loss)	$ 73,348	$ (122,170)	$ (43,819)	$ (111,819)	$ (204,460)
Balance Sheet Information					
Equity investment	$ 1,653	$ —	$ —	$ 39,878	$ 41,531
Goodwill	$ 135,186	$ 415,444	$ 234,894	$ 30	$ 785,554
Total assets	$ 542,100	$ 763,366	$ 344,527	$ 117,282	$ 1,767,275

	Year Ended December 31, 2022				
	NEMT	PCS	Monitoring	Corporate and Other[1]	Total
Service revenue, net	$ 1,768,442	$ 667,674	$ 68,277	$ —	$ 2,504,393
Grant income[2]	—	7,351	—	—	7,351
Purchased services	1,267,006	—	—	—	1,267,006
Payroll and related costs	180,382	513,748	12,086	—	706,216
Other service expense	40,059	6,317	12,476	—	58,852
Service expense	1,487,447	520,065	24,562	—	2,032,074
General and administrative expense	146,935	91,365	23,156	60,715	322,171
Depreciation and amortization	28,709	51,025	19,854	827	100,415
Operating income (loss)	105,351	12,570	705	(61,542)	57,084
Interest expense, net	—	—	—	61,961	61,961
Income (loss) before income taxes and equity method investment	105,351	12,570	705	(123,503)	(4,877)
Income tax benefit (provision)	(26,855)	(2,810)	(208)	32,908	3,035
Equity in net income (loss) of investee, net of tax	71	—	—	(30,035)	(29,964)
Net income (loss)	$ 78,567	$ 9,760	$ 497	$ (120,630)	$ (31,806)
Balance Sheet Information					
Equity investment	$ 186	$ —	$ —	$ 41,117	$ 41,303
Goodwill	$ 135,186	$ 552,775	$ 280,663	$ 30	$ 968,654
Total assets	$ 496,605	$ 950,181	$ 396,944	$ 100,542	$ 1,944,272

(1) The service revenue generated for the Corporate and Other segment relates to service revenue from an investment in innovation related to expanding our virtual care, digital engagement, monitoring capabilities, and member insights and analytics that the Company made at the end of the first quarter of 2023.

(2) Grant income for the PCS segment includes funding received on a periodic basis from the PRF in relation to relief under the CARES Act and funding received from the SLFRF under ARPA in relation to economic recovery to combat health and economic impacts of the COVID-19 pandemic. See Note 2, *Significant Accounting Policies and Recent Accounting Pronouncements.*

5. Revenue Recognition

Under ASC 606, the Company recognizes revenue as it transfers promised services to its customers and generates all of its revenue from contracts with customers. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled in exchange for these services. The Company satisfies substantially all of its performance obligations over time and recognizes revenue over time instead of at points in time.

Revenue Contract Structure

NEMT Capitated Contracts (per-member-per-month)

Under capitated contracts, payors pay a fixed amount per eligible member per month. Capitation rates are generally based on expected costs and volume of services. The Company assumes the responsibility of meeting the covered healthcare related transportation requirements based on per-member per-month fees for the number of eligible members in the payor’s program. Revenue is recognized based on the population served during the period. Certain capitated contracts have provisions for reconciliations, risk corridors or profit rebates. For contracts with reconciliation provisions, capitation payment is received as a prepayment during the month service is provided. These prepayments are reconciled based on actual cost and/or trip volume and may result in refunds to the payor, or additional payments due from the payor. Contracts with risk corridor or profit rebate provisions allow for profit within a certain corridor and once the Company reaches profit level thresholds or maximums, it discontinues recognizing revenue and instead records a liability within the accrued contract payable account. This liability may be reduced through future increases in trip volume or periodic settlements with the payor. While a profit rebate provision could only result in a liability from this profit threshold, a risk corridor provision could potentially result in a receivable if the Company does not reach certain profit minimums, which would be recorded in the reconciliation contract receivables account.

NEMT Fee-for-service Contracts

Fee-for-service ("FFS") revenue represents revenue earned under non-capitated contracts in which the Company bills and collects a specified amount for each service that it provides. FFS revenue is recognized in the period in which the services are rendered and is reduced by the estimated impact of contractual allowances.

PCS Fee-for-service Contracts

PCS FFS revenue is reported at the estimated net realizable amount from clients, patients and third-party payors for services rendered based on actual personal care hours provided. Payment for services received from third-party payors includes, but is not limited to, insurance companies, governmental agencies and other home health care providers who subcontract work to the Company. Certain contracts are subject to retroactive audit and possible adjustment by those payors based on the nature of the contract or costs incurred. The Company makes estimates of adjustments and considers these in the recognition of revenue in the period in which the related services are rendered. The difference between estimated settlement and actual settlement is reported in net service revenues as adjustments become known or as years are no longer subject to such audits, reviews, or investigations.

Monitoring per-member-per-month Contracts

Monitoring per-member-per-month ("PMPM") revenue consists of revenue from monitoring services provided to the customer. Under Monitoring contracts, payors pay per-enrolled-member-per-month based on enrolled membership. Consideration is generally fixed for each type of monitoring service and revenue is recognized ratably over the contract term based on the monthly fee paid by customers.

Disaggregation of Revenue by Contract Type

The following table summarizes disaggregated revenue from contracts with customers by contract type for the years ended December 31, 2024, 2023 and 2022 (in thousands):

	Year Ended December 31,		
	2024	2023	2022
NEMT capitated contracts	$ 1,583,347	$ 1,663,987	$ 1,553,407
NEMT FFS contracts	373,928	287,460	215,035
Total NEMT service revenue, net	1,957,275	1,951,447	1,768,442
PCS FFS contracts	745,299	715,615	667,674
Monitoring PMPM contracts	77,739	77,941	68,277
Other service revenue	7,273	6,167	—
Total service revenue, net	$ 2,787,586	$ 2,751,170	$ 2,504,393

Payor Information

Service revenue, net, is derived from state and managed Medicaid contracts, managed Medicare contracts, as well as a small amount from private pay and other contracts. Of the NEMT segment’s revenue, 10.9%, 11.2% and 10.9% were derived from one payor for the years ended December 31, 2024, 2023 and 2022, respectively. Of the PCS segment's revenue, 12.5%, 11.3% and 12.0% were derived from one payor for the years ended December 31, 2024, 2023 and 2022, respectively. Of the

Monitoring segment's revenue, 18.9%, 18.5%, and 19.9% were derived from one payor for the years ended December 31, 2024, 2023 and 2022, respectively.

Revenue Adjustments

During the years ended December 31, 2024, 2023, and 2022 the Company recognized an increase of $1.7 million, a reduction of $2.8 million, and a reduction of $0.9 million in service revenue, respectively, from contractual adjustments relating to performance obligations satisfied in previous periods to which the payor agreed.

Related Balance Sheet Accounts

The following table provides information about accounts receivable, net as of December 31, 2024 and 2023 (in thousands):

	December 31, 2024	December 31, 2023
Accounts receivable	$ 223,756	$ 223,506
Allowance for credit losses	(1,439)	(969)
Accounts receivable, net	$ 222,317	$ 222,537

The following table provides information about other revenue related accounts included on the accompanying consolidated balance sheets (in thousands):

	December 31, 2024	December 31, 2023
Accrued contract payables[(1)]	$ 22,639	$ 117,488
Contract receivables[(2)]	$ 117,795	$ 143,960
Deferred revenue, current	$ 300	$ 2,629

(1) Accrued contract payables primarily represent overpayments and liability reserves on certain risk corridor, profit rebate and reconciliation contracts. See the contract payables and receivables activity below.

(2) Contract receivables primarily represent underpayments and receivables on certain risk corridor, profit rebate, and reconciliation contracts. See the contract payables and receivables activity below.

The following tables provide the summary activity of total contract payables and receivables as reported within the consolidated balance sheets (in thousands):

	December 31, 2023	Additional Amounts Recorded	Amounts Paid or Settled	December 31, 2024
Reconciliation contract payables	$ 12,294	$ 7,167	$ (16,042)	$ 3,419
Profit rebate/corridor contract payables	94,775	(13,257)	(68,923)	12,595
Overpayments and other cash items	10,419	45,131	(48,925)	6,625
Total contract payables	$ 117,488	$ 39,041	$ (133,890)	$ 22,639
Reconciliation contract receivables	$ 57,002	$ 99,203	$ (122,456)	$ 33,749
Corridor contract receivables	86,958	86,707	(89,619)	84,046
Total contract receivables	$ 143,960	$ 185,910	$ (212,075)	$ 117,795

	December 31, 2022	Additional Amounts Recorded	Amounts Paid or Settled	December 31, 2023
Reconciliation contract payables	$ 25,853	$ 17,723	$ (31,282)	$ 12,294
Profit rebate/corridor contract payables	155,161	61,623	(122,009)	94,775
Overpayments and other cash items	13,273	23,322	(26,176)	10,419
Total contract payables	$ 194,287	$ 102,668	$ (179,467)	$ 117,488
Reconciliation contract receivables	$ 48,153	$ 59,184	$ (50,335)	$ 57,002
Corridor contract receivables	23,405	64,009	(456)	86,958
Total contract receivables	$ 71,558	$ 123,193	$ (50,791)	$ 143,960

6. Equity Investment

As of December 31, 2024 and 2023, the Company owned a 43.6% non-controlling interest in Matrix. Pursuant to a Shareholder’s Agreement, affiliates of Frazier Healthcare Partners hold rights necessary to control the fundamental operations of Matrix. The Company accounts for this investment in Matrix under the equity method of accounting and the Company’s share of Matrix’s income or losses are recorded as “Equity in net (income) loss of investee, net of tax” in the accompanying consolidated statements of operations. During the years ended December 31, 2024 and 2023, Matrix recorded no asset impairment charges. During the year ended December 31, 2022, Matrix recorded an asset impairment charge of $82.2 million.

The Company's gross share of Matrix's operations for the years ended December 31, 2024, 2023 and 2022 was a loss of $9.4 million, $1.1 million and $41.0 million, respectively, which is presented net of tax on the consolidated statements of operations for a loss of $7.8 million, $0.8 million and $30.0 million, respectively.

The carrying amount of the assets included in the Company’s consolidated balance sheets and the maximum loss exposure related to the Company’s interest in Matrix as of December 31, 2024 and 2023 totaled $30.0 million and $39.9 million, respectively.

Summary financial information for Matrix on a standalone basis is as follows (in thousands):

	December 31, 2024	December 31, 2023
Current assets	$ 52,583	$ 112,090
Long-term assets	$ 344,977	$ 351,143
Current liabilities	$ 38,356	$ 41,584
Long-term liabilities	$ 272,354	$ 314,316

	Year ended December 31, 2024	Year ended December 31, 2023	Year ended December 31, 2022
Revenue	$ 301,084	$ 325,192	$ 300,306
Operating income (loss)	$ 9,730	$ 30,418	$ (83,110)
Net loss	$ (18,963)	$ (1,689)	$ (98,187)

7. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets were comprised of the following (in thousands):

	December 31, 2024	December 31, 2023
Prepaid insurance	$ 6,272	$ 7,231
Deferred ERP implementation costs	3,528	2,875
Deferred financing costs on credit facility	2,858	2,638
Other prepaid expenses	12,761	14,284
Total prepaid expenses and other current assets	$ 25,419	$ 27,028

8. Property and Equipment

Property and equipment consisted of the following (in thousands, except useful lives):

	Estimated Useful Life (years)	December 31, 2024	December 31, 2023
Software	3 — 10	$ 66,252	$ 57,658
Computer, office and telecommunications equipment	2 — 7	38,930	39,201
Monitoring equipment	3	39,381	33,547
Leasehold improvements	Shorter of useful life or lease term	16,834	12,848
Construction and development in progress	N/A	6,213	7,136
Automobiles	5	4,899	5,334
Furniture and fixtures	3 — 10	3,643	4,486
Buildings	30 — 40	388	1,886
Land	N/A	12	292
Total property and equipment		176,552	162,388
Less accumulated depreciation		(94,143)	(76,759)
Total property and equipment, net		$ 82,409	$ 85,629

Depreciation expense was $30.9 million, $25.0 million and $20.1 million for the years ended December 31, 2024, 2023 and 2022, respectively.

9. Goodwill and Intangible Assets

The Company tests goodwill for impairment for its reporting units annually as of July 1 or more frequently when events or changes in circumstances indicate that impairment may have occurred. The Company reviews its intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset group may not be recoverable.

Goodwill

During the second quarter of 2024, the Company determined that based on its qualitative assessment for each reporting unit, factors existed which required the Company to test its goodwill and indefinite-lived intangible assets for impairment. These factors included changes in key assumptions from the prior year annual goodwill assessment as a result of lower than anticipated operating results during the first half of 2024 as compared to forecast which resulted in a decrease in the fair value of the Company's Monitoring reporting unit such that the fair value was less than its carrying value. As a result, the Company performed a quantitative assessment using a blend of both the income approach and the market approach to estimate the fair value of the reporting units and determined that the goodwill at its Monitoring reporting unit was impaired. As such, during the second quarter of 2024, the Company recorded a non-cash goodwill impairment charge of $105.3 million in the Monitoring reporting unit resulting in $129.6 million of remaining goodwill as of December 31, 2024. This impairment is recorded in "Impairment of goodwill" on the Company's consolidated statement of operations.

During the second quarter of 2023, the Company determined that based on its qualitative assessment for each reporting unit, factors existed which required the Company to test its goodwill and indefinite-lived intangible assets for impairment. These factors included a decline in the market price of the Company's common stock, industry specific regulatory pressures such as Medicaid redetermination and the Centers for Medicare and Medicaid Services ("CMS") proposed ruling on *Ensuring Access to Medicaid Services*, and general economic and market volatility. As a result, the Company performed a quantitative assessment using a blend of both the income approach and the market approach to estimate the fair value of the reporting units and determined that the goodwill at its PCS and Monitoring reporting units was impaired. As such, during the second quarter of 2023, the Company recorded a non-cash goodwill impairment charge of $183.1 million, of which $137.3 million was recorded in the PCS reporting unit and $45.8 million was recorded in the Monitoring reporting unit resulting in $415.4 million and $234.9 million of remaining goodwill, respectively, as of December 31, 2023.

After recording the impairment charges discussed above during the years ending December 31, 2024 and 2023, respectively, the PCS and Monitoring reporting units have $545.0 million of goodwill remaining as of December 31, 2024. In the future, if, among other factors, (i) the Company's equity values were to decline significantly, (ii) the Company experienced additional adverse impacts associated with macroeconomic factors, including increases in our estimated weighted average cost of capital, or (iii) the adverse impacts stemming from competition, economic, regulatory or other factors were to cause the Company's results of operations or cash flows to be worse than currently anticipated, the Company could conclude in future periods that additional impairment charges of certain reporting units are required in order to reduce the carrying values of goodwill. Any such impairment charges could be significant.

Changes in the carrying amount of goodwill by reportable segment are presented in the following table (in thousands):

	NEMT	PCS	Monitoring	Corporate and Other	Total
Goodwill balances as of December 31, 2022, before cumulative loss					
Goodwill	$ 231,186	$ 552,775	$ 280,663	$ 30	$ 1,064,654
Accumulated impairment losses	(96,000)	—	—	—	(96,000)
Goodwill balances as of December 31, 2022, after cumulative loss	$ 135,186	$ 552,775	$ 280,663	$ 30	$ 968,654
Balances as of December 31, 2023					
Impairment of goodwill	—	(137,331)	(45,769)	—	(183,100)
	$ 135,186	$ 415,444	$ 234,894	$ 30	$ 785,554
Balances as of December 31, 2024					
Impairment of goodwill	—	—	(105,302)	—	(105,302)
	$ 135,186	$ 415,444	$ 129,592	$ 30	$ 680,252

The total amount of goodwill that was deductible for income tax purposes related to acquisitions as of December 31, 2024 and 2023 was $219.8 million and $317.3 million, respectively.

Impairment

The Company recorded goodwill impairment charges of $105.3 million for the year ended December 31, 2024 and $183.1 million for the year ended December 31, 2023, and did not record any goodwill or intangible asset impairment charges for the year ended December 31, 2022. The accumulated impairment losses on goodwill totaled $384.4 million and $279.1 million as of December 31, 2024 and 2023, respectively.

Intangible Assets

Intangible assets are comprised of acquired payor networks, trademarks and trade names, developed technology, non-compete agreements, licenses, and an assembled workforce. Finite-lived intangible assets are amortized using the straight-line method over the estimated economic lives of the assets. These finite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Indefinite-lived intangible assets are not amortized, but are tested for impairment annually and more frequently if events occur or circumstances change that indicate an asset may be impaired. Based on the continued value of the definite-lived and indefinite-lived intangible assets acquired, the Company did not identify any circumstances during the years ended December 31, 2024 or 2023 that would require an impairment test for our intangible assets.

As of December 31, 2024 and 2023, intangible assets consisted of the following (in thousands, except estimated useful lives):

		December 31,			
		2024		2023	
	Estimated Useful Life (Yrs)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Payor networks	3 - 10	$ 540,309	$ (271,289)	$ 540,298	$ (209,560)
Trademarks and trade names	2 - 10	48,541	(48,541)	48,541	(34,978)
Developed technology	3 - 10	29,301	(17,593)	29,389	(14,732)
Non-compete agreement	2 - 5	1,610	(1,050)	1,610	(730)
New York LHCSA Permit	Indefinite	770	—	770	—
Assembled workforce	6 - 10	444	(182)	444	(117)
Total		$ 620,975	$ (338,655)	$ 621,052	$ (260,117)

The weighted-average amortization period at December 31, 2024 for intangibles was 7.7 years. No significant residual value is estimated for these intangible assets. Amortization expense was $78.5 million, $79.2 million and $80.4 million for the years ended December 31, 2024, 2023 and 2022, respectively.

The total amortization expense is estimated to be as follows for the next five years as of December 31, 2024 (in thousands):

Year	Amount
2025	$ 64,352
2026	55,774
2027	51,226
2028	44,439
2029	23,036
Total	$ 238,827

10. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities were comprised of the following (in thousands):

	December 31, 2024	December 31, 2023
Accrued compensation and related liabilities	$ 35,018	$ 48,033
Insurance reserves	33,350	22,014
Accrued interest	21,187	10,498
Accrued legal fees	15,794	10,148
Accrued operating expenses	10,602	15,884
Accrued government grants(1)	6,284	9,156
Union pension obligation	886	1,573
Deferred revenue	300	2,629
Other	15,755	7,966
Total accrued expenses and other current liabilities	$ 139,176	$ 127,901

(1) Accrued government grants include payments received from government entities in relation to the PRF and SLFRF to offset lost revenue or increased expenditures for which the related expenditure has not yet been incurred and thus the related payments are deferred as of December 31, 2024 and 2023.

11. Debt

The Company's long-term debt and short-term debt as of December 31, 2024 and 2023 consisted of the following (in thousands):

Description	Date of Issuance	December 31, 2024	December 31, 2023
Senior Unsecured Notes			
$500.0 million 5.875% due November 15, 2025	11/4/2020	$ —	$ 494,011
$500.0 million 5.000% due October 1, 2029 (effective interest rate 5.401%)	8/24/2021	491,311	489,746
Term Loan Facility			
$525.0 million SOFR + 4.750% due July 1, 2031(1)	7/1/2024	495,125	—
Total long-term debt		$ 986,436	$ 983,757
Revolving Credit Facility	2/3/2022	$ 269,000	$ 113,800
Current Portion of Term Loan Facility(2)	7/1/2024	5,250	—
Total short-term debt		$ 274,250	$ 113,800

(1) The $525.0 million Term Loan Facility bears interest at (i) a SOFR-based benchmark plus 4.75% or (ii) a prime rate (or other alternate base rate) benchmark plus 3.75%% in the case of ABR Loans (as such terms are defined in the amended Credit Agreement) and matures on the earlier of (a) July 1, 2031 and (b) July 2, 2029 if any of the Company's 2029 Notes (as defined below) remain outstanding on that date.

(2) The Term Loan Facility requires principal payments of $1.3 million on a quarterly basis and accordingly, a portion of the Term Loan Facility in the amount of $5.3 million is classified as a current liability within the "Short-term debt" line item on the consolidated balance sheets as of December 31, 2024.

Senior Unsecured Notes

The Senior Notes due 2025 (the "2025 Notes") and the Senior Notes due 2029 (the "2029 Notes") were issued pursuant to two indentures, dated November 4, 2020 and August 24, 2021, respectively, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. The 2025 Notes were issued in relation to the Company’s acquisition of

Simplura and the 2029 Notes were issued in relation to the Company's acquisition of VRI. The Company pays interest on the Notes semi-annually in arrears. Principal payments are not required until the maturity date when 100.0% of the outstanding principal will be required to be repaid.

Debt issuance costs of $14.5 million in relation to the issuance of the 2025 Notes were incurred and these costs were deferred and are amortized to interest cost over the term of the 2025 Notes. In connection with the redemption of the 2025 Notes on July 1, 2024 (discussed below), the remaining unamortized debt issuance costs were recognized as a loss on debt extinguishment that was recorded during the third quarter of 2024. Debt issuance costs of $13.5 million were incurred in relation to the issuance of the 2029 Notes and these costs were deferred and are amortized to interest cost over the term of the 2029 Notes. As of December 31, 2024, the 2029 Notes had $8.7 million of unamortized deferred issuance costs that were netted against the long-term debt balance on the consolidated balance sheets.

The 2025 Notes were redeemed in full on July 1, 2024 prior to contractual maturity, at a redemption premium of 1.469% on the aggregate original principal amount of the 2025 Notes for a total redemption of $507.3 million, plus the payment of approximately $3.8 million in accrued and unpaid interest on the 2025 Notes. As a result of the early redemption of the 2025 Notes, the Company recorded a loss on debt extinguishment of $11.8 million on the consolidated statements of operations. This loss consisted of the redemption premium of 1.469% on the aggregate original principal amount of the 2025 Notes for $7.3 million plus the recognition of the unamortized deferred issuance costs on the 2025 Notes of $4.5 million. The 2025 Notes were redeemed in connection with the funding of the Term Loan Facility discussed below.

As of December 31, 2024, the 2025 Notes were fully redeemed and thus had no associated fair value as of that date and as of December 31, 2023, had a fair value of $499.2 million. The fair value of the 2029 Notes as of December 31, 2024 and 2023 was $294.2 million and $410.0 million, respectively. The fair value of the Notes was determined based on quoted prices in active markets, and therefore designated as Level 1 within the fair value hierarchy.

The 2029 Notes are senior unsecured obligations and rank senior in right of payment to all of the Company's future subordinated indebtedness, rank equally in right of payment with all of the Company's existing and future senior indebtedness, are effectively subordinated to any of the Company's existing and future secured indebtedness, including indebtedness under the Credit Agreement, which governs the Revolving Credit Facility and Term Loan Facility discussed below, to the extent of the value of the assets securing such indebtedness, and are structurally subordinated to all of the existing and future liabilities (including trade payables) of each of the Company's non-guarantor subsidiaries.

The indenture for the 2029 Notes contains covenants that, among other things, restrict the Company's ability and the ability of its restricted subsidiaries to, among other things: incur additional indebtedness or issue disqualified capital stock; make certain investments; create or incur certain liens; enter into certain transactions with affiliates; merge, consolidate, amalgamate or transfer substantially all of its assets; agree to dividend or other payment restrictions affecting its restricted subsidiaries; and transfer or sell assets, including capital stock of its restricted subsidiaries. The indenture covering the 2029 Notes also contains a cross-default provision in the event any of the Company's other indebtedness having a principal amount that aggregates $50.0 million or more is accelerated prior to its express maturity. These covenants, however, are subject to a number of important exceptions and qualifications, and certain covenants may be suspended in the event the 2029 Notes are assigned an investment grade rating from two of three rating agencies. The indentures for the 2029 Notes provide that the notes may become subject to redemption under certain circumstances. Pursuant to the Fifth Amendment to the Credit Agreement discussed in detail in the *Revolving Credit Facility* section below, the Company was granted covenant relief in the form of a covenant holiday for the fourth quarter of 2024 through and including the second fiscal quarter of 2025.

On or after October 1, 2024, the Company may redeem all or a part of the 2029 Notes upon not less than ten nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below *plus* accrued and unpaid interest, if any, on the 2029 Notes redeemed, to, but excluding, the applicable redemption date, if redeemed during the 12-month period beginning on October 1 of the years indicated below:

Year	**Percentage**
2025	101.250%
2026 and thereafter	100.000%

Pursuant to the 2029 Notes, the Company will pay interest on the notes at 5.0% per annum until maturity. Interest is payable semi-annually in arrears on April 1 and October 1 of each year. Principal payments are not required until the maturity date on October 1, 2029 when 100.0% of the outstanding principal will be required to be repaid.

Credit Agreement

Revolving Credit Facility

On February 3, 2022, the Company entered into the Credit Agreement with JPMorgan Chase Bank, N.A., as administrative agent, swing line lender and an issuing bank, Wells Fargo Bank, National Association, as an issuing bank, Truist Bank and Wells Fargo Bank, National Association, as co-syndication agents, Deutsche Bank AG New York Branch, Bank of America, N.A., Regions Bank, Bank of Montreal and Capital One, National Association, as co-documentation agents, and JPMorgan Chase Bank, N.A., Truist Securities, Inc. and Wells Fargo Securities, LLC, as joint bookrunners and joint lead arrangers, and the other lenders party thereto. The Credit Agreement provides the Company with the Revolving Credit Facility in an aggregate principal amount of $325.0 million. The Revolving Credit Facility includes sublimits for swingline loans, letters of credit and alternative currency loans in amounts of up to $25.0 million, $60.0 million and $75.0 million, respectively. The Revolving Credit Facility matures on February 3, 2027 and the proceeds may be used (i) to finance working capital needs of the Company and its subsidiaries and (ii) for general corporate purposes of the Company and its subsidiaries (including to finance capital expenditures, permitted acquisitions and investments).

On June 26, 2023, the Company entered into Amendment No. 1 (the "First Amendment") to the Credit Agreement which amended the maximum permitted Total Net Leverage Ratio under the Credit Agreement as follows: for the fiscal quarters ending June 30, 2023 through September 30, 2023, 5.25:1.00; for the fiscal quarters ending December 31, 2023 through March 31, 2024, 5.00:1.00; for the fiscal quarter ending June 30, 2024, 4.75:1.00; and for the fiscal quarters ending September 30, 2024 and for the fiscal quarters ending thereafter, 4.50:1.00.

On February 22, 2024, the Company entered into Amendment No. 2 (the "Second Amendment") to the Credit Agreement, which amended the maximum permitted Total Net Leverage Ratio under the Credit Agreement as follows: for the fiscal quarters ending March 31, 2024 through June 30, 2024, 5.50:1.00; for the fiscal quarters ending September 30, 2024 through December 31, 2024, 5.25:1.00; for the fiscal quarters ending March 31, 2025 through September 30, 2025, 5.00:1.00, and for the fiscal quarters ending December 31, 2025 through March 31, 2026, 4.75:1.00. The Second Amendment also restricts the Company from permitting its Liquidity (as defined in the Second Amendment and which is determined generally to be, as of any date of determination, the sum of the Company's available borrowing capacity under the Revolving Credit Facility plus the amount of its unencumbered cash), to be less than $100.0 million as of the last day of each fiscal quarter.

On July 1, 2024, the Company entered into Amendment No. 3 (the "Third Amendment") to the Credit Agreement, which, among other things, extended with respect to the lenders identified in the Third Amendment the maturity date covering $255.0 million in the aggregate principal amount of the commitments under the Revolving Credit Facility to February 3, 2028. The existing financial covenants under the amended Credit Agreement were retained for the benefit solely of the Revolving Credit Facility lenders, and the minimum liquidity level required by the Liquidity Covenant was decreased from $100.0 million to $75.0 million. Certain other financial covenants and restrictions were also modified under the amended Credit Agreement, as previously disclosed. The fees associated with the Third Amendment of $0.3 million will be amortized over the life of the Revolving Credit Facility.

On September 30, 2024, the Company entered into Amendment No. 4 (the "Fourth Amendment") to its Credit Agreement, which increased the maximum permitted Total Net Leverage Ratio under the amended Credit Agreement for the fiscal quarter ended September 30, 2024 (the "Relief Period") to 6.50:1.00 from 5.25:1.00. In addition, the Fourth Amendment reduced the minimum interest coverage ratio for the quarter ended September 30, 2024 to 2.00:1.00 and increased the applicable margin on the Revolving Credit Facility by 0.25% until the Company delivers the required financial statements and compliance certificate for the fiscal year ending December 31, 2024.

On January 9, 2025, the Company entered into Amendment No. 5 (the "Fifth Amendment") to its Credit Agreement, which, among other things, (i) amended the interest rate on the existing Revolving Credit Facility commitments under the Credit Agreement to a SOFR-based benchmark plus 4.25%, with a 1.00% SOFR Floor, (ii) amended the 2.0% default rate under the Credit Agreement so that it applies on all obligations upon the election of the administrative agent at the direction of the Required Lenders if an event of default has occurred and continuing and automatically if a specified event of default has occurred and is continuing, (iii) amended the Term Loan Facility maturity date to spring to July 2, 2029 if the second lien senior secured PIK toggle notes remain outstanding as of such date, (iv) included enhanced reporting requirements, and (v) eliminated or reduced certain baskets, which included the elimination of reinvestment rights with respect to certain asset sales and reduction of the de minimis exception for certain asset sale prepayments to $5,000,000.

Consenting lenders also agreed to provide financial covenant relief in the form of (i) a covenant holiday with respect to the maximum net leverage ratio and interest coverage ratio from the fourth fiscal quarter of 2024 through and including the second fiscal quarter of 2025, (ii) resetting the maximum total net leverage ratio covenant to 6.75:1.00 for the third fiscal quarter of 2025 and the fourth fiscal quarter of 2025 and (iii) resetting the minimum interest coverage ratio to 1.65:1.00 for the third fiscal quarter of 2025 and the fourth fiscal quarter of 2025. The Company will also be required to maintain minimum liquidity of $25.0 million pursuant to the terms of the amended minimum liquidity covenant in the Credit Agreement, which will be tested each week through the week ending April 11, 2025, each month through the month ending June 30, 2025 and, thereafter, each fiscal quarter. In addition, the Company will be subject to a cash variance compliance test with respect to aggregate disbursements and aggregate receipts, subject to customary cures.

As of December 31, 2024, the Company had $269.0 million of short-term borrowings outstanding on the Revolving Credit Facility and had $55.6 million of outstanding letters of credit under the Revolving Credit Facility. The interest rate for short-term borrowings outstanding as of December 31, 2024 was 8.8% per annum. As of December 31, 2023, the Company had $113.8 million of short-term borrowings outstanding on the Revolving Credit Facility and had $40.4 million of outstanding letters of credit under this Facility.

Under the amended Credit Agreement, the Company has an option to request an increase in the amount of the Revolving Credit Facility so long as, after giving effect to the incremental facility, the pro forma secured net leverage ratio does not exceed 2.70:1.00. The Company may prepay the Revolving Credit Facility in whole or in part, at any time without premium or penalty, subject to reimbursement of the lenders’ breakage and redeployment costs in connection with prepayments. The unutilized portion of the commitments under the Revolving Credit Facility may be irrevocably reduced or terminated by the Company at any time without penalty.

Interest on the outstanding principal amount of the loans accrues at a per annum rate equal to the Alternate Base Rate, the Adjusted Term SOFR Rate, the Adjusted Daily Simple SOFR Rate, the Adjusted EURIBOR Rate or the Adjusted Daily Simple SONIA Rate, as applicable and each as defined in the Credit Agreement, in each case, plus an applicable margin. The applicable margin ranges from 1.75% to 3.50% in the case of Term Benchmark loans or RFR loans, and 0.75% to 2.50% in the case of the Alternate Base Rate loans, in each case, based on the Company’s total net leverage ratio as defined in the Credit Agreement. Interest on the loans is payable quarterly in arrears in the case of Alternate Base Rate loans, on the last day of the relevant interest period in the case of Term Benchmark loans, and monthly in arrears in the case of RFR loans. In addition, the Company is obligated to pay a quarterly commitment fee based on a percentage of the unused portion of the revolving credit facility and quarterly letter of credit fees based on a percentage of the maximum amount available to be drawn under each outstanding letter of credit. The commitment fee and letter of credit fee range from 0.30% to 0.50% and 1.75% to 3.50%, respectively, in each case, based on the Company’s total net leverage ratio. As of December 31, 2024 and 2023, the Company paid quarterly commitment fees of $2.3 million and $2.6 million, respectively.

The amended Credit Agreement contains customary representations and warranties, affirmative and negative covenants and events of default. The negative covenants include restrictions on the Company’s ability to, among other things, incur additional indebtedness, create liens, make investments, give guarantees, pay dividends, sell assets and merge and consolidate. The Company's borrowing capacity under the Revolving Credit Facility is currently limited by, among other covenants, compliance with the Total Net Leverage Ratio covenant and the Liquidity Covenant for each fiscal period.

The Company’s obligations under the Revolving Credit Facility are guaranteed by all of the Company’s present and future material domestic subsidiaries, excluding certain material domestic subsidiaries that are excluded from being guarantors pursuant to the terms of the Credit Agreement. The Company’s obligations under, and each guarantor’s obligations under its guaranty of, the Revolving Credit Facility are secured by a first priority lien on substantially all of the Company’s or such guarantor’s respective assets. If an event of default occurs, the required lenders may cause the administrative agent to declare all unpaid principal and any accrued and unpaid interest and all fees and expenses under the Revolving Credit Facility to be immediately due and payable. All amounts outstanding under the Revolving Credit Facility will automatically become due and payable upon the commencement of any bankruptcy, insolvency or similar proceedings. The Credit Agreement also contains a cross default to any of the Company’s indebtedness having a principal amount in excess of $40.0 million. Pursuant to the Fifth Amendment to the Credit Agreement, the Company was granted covenant relief in the form of a covenant holiday for the fourth quarter of 2024 through and including the second fiscal quarter of 2025.

Term Loan Facility

On July 1, 2024, the Company, pursuant to the Third Amendment to the Credit Agreement, established a new term loan facility (the "Term Loan Facility") in the aggregate principal amount of $525.0 million with the Term Loan Facility lenders named therein. The proceeds of the Term Loan Facility were used to (i) redeem the Company's 2025 Notes, (ii) repay a portion of the Revolving Credit Facility outstanding immediately prior to the effective date of the Third Amendment, and (iii) pay fees and expenses associated with such transactions. The Company paid approximately $24.4 million of deferred issuance costs with respect to the Term Loan Facility. As of December 31, 2024, the Term Loan Facility had $22.0 million of unamortized deferred issuance costs that were netted against the long-term balance on the consolidated balance sheets. The fair value of the Term Loan Facility as of December 31, 2024 was $500.2 million, which was determined based on lender quotes for the Company's debt, and therefore designated as Level 2 within the fair value hierarchy.

On January 9, 2025, pursuant to the Fifth Amendment to the Credit Agreement, the Company made certain amendments to the Credit Agreement which are discussed in the *Revolving Credit Facility* section above.

The Term Loan Facility matures on the earlier of (a) July 1, 2031 and (b) July 2, 2029 if any of the Company's 2029 Notes remain outstanding on that date. Principal payments on the Term Loan Facility are required on a quarterly basis, commencing with the quarter ending September 30, 2024, in the amount equal to 0.25% of the aggregate principal amount of the Term Loan Facility outstanding on the date of issuance. All unpaid amounts of the Term Loan Facility shall be paid in full on the maturity date. The Term Loan Facility requires annual prepayments of a percentage of Excess Cash Flow (as defined in the amended Credit Agreement); commencing with the year ending December 31, 2025 as follows: (i) 75.0% if the Total Net Leverage Ratio as of the last day of such period was greater than 4.40:1.00, (ii) 50.0% if the Total Net Leverage Ratio as of the last day of such period was greater than 3.90:1:00, but less than or equal to 4.40:1.00, (iii) 25.0% if the Total Net Leverage Ratio as of the last day of such period was greater than 3.40:1.00, but less than or equal to 3.90:1.00, and (iv) zero percent if the Total Net Leverage Ratio as of the last day of such period was less than or equal to 3.40:1.00. The Term Loan Facility also requires mandatory prepayments in the event of certain asset dispositions or casualty events. In addition, the Term Loan Facility is subject to a prepayment premium for the first six months after entering into the Third Amendment in the event of any repricing transaction.

Interest on the Term Loan Facility is generally payable quarterly, in arrears, on the outstanding principal amount of the Term Loan Facility at the following rates for the interest period in effect for such borrowing: (i) a SOFR-based benchmark plus 4.75% or (ii) a prime rate (or other alternate base rate) benchmark plus 3.75% in the case of ABR Loans (as such terms are defined in the amended Credit Agreement). The Term Loan Facility is subject to customary representations and warranties, affirmative and negative covenants, and events of default, as defined in the amended Credit Agreement. As of December 31, 2024, the weighted average interest rate on the Term Loan Facility was 9.08%. The amended Credit Agreement, as it relates to the Term Loan Facility, also contains a cross-default to any of the Company’s indebtedness having a principal amount in excess of $40.0 million.

Pursuant to the Fifth Amendment to the Credit Agreement, the Company was granted covenant relief in the form of a covenant holiday for the fourth quarter of 2024 through and including the second fiscal quarter of 2025.

Incremental Term Loan

On January 9, 2025, the Company, pursuant to the Fifth Amendment to the Credit Agreement, established an incremental term loan facility in an aggregate principal amount of $75.0 million (the “Incremental Term Loan”). The Incremental Term Loan was priced at a SOFR-based benchmark plus 7.50%, with 1.00% SOFR Floor (no CSA) with a maturity of January 10, 2026 (the “Maturity Date”) and original issue discount of 2 points. The Company has the option to prepay the Incremental Term Loan, in whole or in part, at any time prior to the Maturity Date, subject to a prepayment fee equal to the present value of all scheduled interest payments on the fully committed amount that would accrue through the Maturity Date calculated based on a discount rate equal to the treasury rate plus 50 basis points. The proceeds of the Incremental Term Loan are required to be deposited in a collateral account subject to a blocked account control agreement in favor of the administrative agent and may be disbursed subject to delivery of a disbursement request, no default or event of default, the representations and warranties in Article II of the Credit Agreement being true and correct in all material respects and receipt by the administrative agent and lenders of reimbursement for invoiced expenses. The Incremental Term Loan is secured by a lien on substantially all of the assets of the Company and certain of its subsidiaries.

Annual maturities on all debt outstanding at December 31, 2024, are as follows:

	Maturities
2025	$ 274,250
2026	—
2027	—
2028	—
2029	500,000
Thereafter	517,125
Total maturities	1,291,375
Unamortized deferred issuance costs	30,689
Total debt outstanding, short-term and long-term	1,260,686
Less short-term debt	274,250
Total long-term debt outstanding	$ 986,436

12. Stockholders' Equity

At December 31, 2024 and 2023 there were 19,882,026 and 19,775,041 shares of the Company's Common Stock issued, respectively, including 5,558,898 and 5,571,004 treasury shares at December 31, 2024 and 2023, respectively.

Subject to the rights specifically granted to holders of any then outstanding shares of the Company's Preferred Stock, the Company's common stockholders are entitled to vote together as a class on all matters submitted to a vote of the Company's common stockholders, and are entitled to any dividends that may be declared by the Board. The Company's common stockholders do not have cumulative voting rights. Upon the Company's dissolution, liquidation or winding up, holders of the Company's Common Stock are entitled to share ratably in the Company's net assets after payment or provision for all liabilities and any preferential liquidation rights of the Company's Preferred Stock then outstanding. The Company's common stockholders do not have preemptive rights to purchase shares of the Company's stock. The issued and outstanding shares of the Company's Common Stock are not subject to any redemption provisions and are not convertible into any other shares of the Company's capital stock. The rights, preferences and privileges of holders of the Company's Common Stock will be subject to those of the holders of any shares of the Company's Preferred Stock the Company may issue in the future.

As of December 31, 2024, 619,204 shares of the Company's common stock were reserved for future issuances related to the exercise of stock options that were outstanding and restricted stock units and awards that were unvested as of December 31, 2024.

Equity Award Withholding

During the years ended December 31, 2024, 2023 and 2022, the Company withheld 22,827, 10,565 and 7,486 shares, respectively, from employees to cover the settlement of income tax and related benefit withholding obligations arising from vesting of restricted stock awards and units.

13. Stock-Based Compensation and Similar Arrangements

The Company provides stock-based compensation to employees, non-employee directors, consultants and advisors under the Company's 2006 Long-Term Incentive Plan ("2006 Plan"). The 2006 Plan allows the flexibility to grant or award stock options, stock appreciation rights, restricted stock, unrestricted stock, stock units including restricted stock units and performance awards to eligible persons.

The following table summarizes the activity under the 2006 Plan as of December 31, 2024:

	Number of shares of the Company's Common Stock authorized for issuance	Number of shares of the Company's Common Stock remaining for future grants	Number of shares of the Company's Common Stock subject to	
			Stock Options	Stock Grants
2006 Plan	5,400,000	601,519	46,579	572,625

Stock-based compensation for share settled awards is recorded in the "General and administrative expense" line item on the consolidated statement of operations for a total expense of $6.8 million, $6.5 million, and $6.9 million for the years ended December 31, 2024, 2023 and 2022, respectively. These amounts exclude tax benefits of $1.6 million, $1.8 million and $1.9 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Stock Options

The fair value of each stock option awarded to employees is estimated on the date of grant using the Black-Scholes option-pricing formula based on the following assumptions for the years ended December 31, 2023 and 2022. No stock options were awarded to employees during the year ended December 31, 2024.

	Year Ended December 31,	
	2023	2022
Expected dividend yield	0.0%	0.0%
Expected stock price volatility	49.6% - 49.6%	39.6% - 46.5%
Risk-free interest rate	3.7% - 3.7%	1.6% - 4.4%
Expected life of options (years)	3.5 - 3.5	3.5 - 4.5

The risk-free interest rate was based on the U.S. Treasury security rate in effect as of the date of grant which corresponds to the expected life of the award. The expected stock price volatility and expected lives of the stock options were based on the Company's historical data. Stock options granted under the 2006 Plan vest ratably in equal annual installments over 3 to 4 years and expire after 5 to 7 years.

During the year ended December 31, 2024, no shares of the Company's Common Stock were issued in connection with the exercise of employee stock options under the Company's 2006 Plan.

The following table summarizes the stock option activity for the year ended December 31, 2024:

	Year ended December 31, 2024			
	Number of Shares Under Option	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Balance at beginning of year, January 1	82,586	$ 104.89		
Granted	—	—		
Exercised	—	—		
Forfeited/Canceled	(13,623)	74.81		
Expired	(22,384)	100.05		
Outstanding at end of year, December 31	46,579	$ 116.01	1.51	$ —
Vested or expected to vest at end of year, December 31	46,579	$ 116.01	1.51	$ —
Exercisable at end of year, December 31	39,656	$ 118.08	1.38	$ —

As of December 31, 2024, there was approximately $0.4 million of unrecognized compensation cost related to share settled stock options that is expected to be recognized over a weighted-average remaining contractual term of 1.51 years, using the simplified method as permitted for plain vanilla options.

The weighted-average grant date fair value for options granted, total intrinsic value and cash received by the Company related to options exercised during the years ended December 31, 2023 and 2022 were as follows (in thousands, except for fair value per share). The Company did not grant any stock options to employees and no stock options were exercised by employees during the year ended December 31, 2024:

	Year ended December 31,	
	2023	2022
Weighted-average grant date fair value per share	$ 56.43	$ 106.90
Options exercised:		
Total intrinsic value	$ (7)	$ 3,057

Restricted Stock Awards and Restricted Stock Units

The Compensation Committee of the Board grants restricted stock awards (RSAs) and restricted stock units (RSUs) under the 2006 Plan. RSAs and RSUs vest ratably in equal annual installments over 1 to 4 years, or, for certain grants, over periods designated in the respective employee's agreements or as determined by the Compensation Committee.

During the year ended December 31, 2024, the Company issued 100,235 shares of its Common Stock to non-employee directors, executive officers and key employees upon the vesting of certain RSAs and RSUs granted under the Company's 2006 Plan.

The following table summarizes the activity of the shares and weighted-average grant date fair value of the Company's unvested RSAs and RSUs during the year ended December 31, 2024:

	Shares	Weighted-average grant date fair value
Non-vested at beginning of year, January 1	298,074	$ 44.65
Granted	231,429	$ 41.01
Vested	(100,235)	$ 52.49
Forfeited or cancelled	(113,922)	$ 45.04
Non-vested at end of year, December 31	315,346	$ 39.35

As of December 31, 2024, there was approximately $14.4 million of unrecognized compensation cost related to non-vested RSAs and RSUs that is expected to be recognized over a weighted average remaining contractual term of 1.23 years.

Performance-Based Restricted Stock Units

The Compensation Committee of the Board grants performance-based restricted stock units (PRSUs) to certain executive officers and key employees. PRSUs primarily have a three-year performance period, after which the number of underlying RSUs earned is determined based on the achievement of pre-established performance targets.

The following table summarizes the activity of the shares and weighted-average grant date fair value of the Company's unvested PRSUs during the year ended December 31, 2024:

	Shares	Weighted-average grant date fair value
Non-vested at beginning of year, January 1	206,036	$ 43.24
Granted	148,395	$ 53.43
Vested	—	$ —
Forfeited or cancelled	(97,152)	$ 51.74
Non-vested at end of year, December 31	257,279	$ 45.91

As of December 31, 2024, there was approximately $4.7 million of unrecognized compensation cost related to non-vested PRSUs that is expected to be recognized over a weighted-average remaining contractual term of 1.83 years, assuming that the performance conditions continue to be probable of achievement.

The total fair value of vested stock options, RSUs and RSAs, and PRSUs was $10.0 million, $11.7 million and $2.6 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Employee Stock Purchase Plan

During the fourth quarter of 2022, the Company began offering an Employee Stock Purchase Plan ("ESPP") available to eligible employees. Under terms of the plan, eligible employees may designate a dollar value or percentage of their compensation to be withheld through payroll deductions, up to a maximum of $25,000 in each plan year, for the purchase of common stock at 85.0% of the lower of the market price on the first or last day of the offering period. Purchases under this plan were for a total of 50,963 shares and 16,030 shares as of December 31, 2024 and 2023, respectively. As of December 31, 2024, 949,037 shares remain available for future issuance under this plan.

14. Loss Per Share

The following table details the computation of basic and diluted loss per share (in thousands, except share and per share data):

	Year ended December 31,		
	2024	2023	2022
Numerator:			
Net loss	$ (201,278)	$ (204,460)	$ (31,806)
Denominator:			
Denominator for basic and diluted earnings per share -- weighted-average shares	14,239,549	14,173,957	14,061,839
Loss per share:			
Basic loss per share	$ (14.14)	$ (14.43)	$ (2.26)
Diluted loss per share	$ (14.14)	$ (14.43)	$ (2.26)

In a period when a net loss is reported, all common stock equivalents are excluded from the calculation because they would have an anti-dilutive effect, meaning the loss per share would be reduced. Therefore, in periods where a loss is reported, there is no difference in basic and diluted loss per share.

The following weighted-average shares were not included in the computation of diluted earnings per share as the effect of their inclusion would have been anti-dilutive:

	Year ended December 31,		
	2024	2023	2022
Stock options to purchase common stock	64,561	100,499	118,260
Restricted stock awards and restricted stock units	308,171	87,056	58,831

15. Leases

The Company has non-cancelable operating leases primarily associated with office space and other facilities. The leases expire in various years and generally provide for renewal options. In the normal course of business, management expects that these leases will be renewed or replaced by leases on other properties.

Certain operating leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Several of these lease agreements contain provisions for periods in which rent payments are reduced. The total amount of rental payments due over the lease term is recorded as rent expense on a straight-line basis over the term of the lease.

To determine whether a contract contains a lease, the Company evaluates its contracts and verifies that there is an identified asset and that the Company, or the tenant, has the right to obtain substantially all the economic benefits from the use of the asset throughout the contract term and has the right to direct the use of the identified asset. If a contract is determined to contain a lease and the Company is a lessee, the lease is evaluated to determine whether it is an operating or financing lease.

The discount rate used for each lease is determined by estimating an appropriate incremental borrowing rate. In estimating an incremental borrowing rate, the Company considers the debt information, credit rating, and interest rate on the revolving credit facility, which is collateralized by the Company's assets. Accordingly, the Company continues discounting its remaining operating lease payments for calculating its lease liability using a weighted-average discount rate of 5.62%. The Company applies this rate to its entire portfolio of leases on the basis that any adjustments to the rate for lease term or asset classification would not affect the interest rate charged under the debt or have a material effect on the discounted lease liability.

A summary of all lease classifications in our consolidated balance sheets is as follows (in thousands):

Leases	Classification	December 31, 2024	December 31, 2023
Assets			
Operating lease assets	Operating lease ROU assets	$ 36,597	$ 39,776
Liabilities			
Current:			
Operating	Current portion of operating lease liabilities	$ 8,616	$ 8,727
Long-term:			
Operating	Operating lease liabilities, less current portion	32,905	33,784
Total lease liabilities		$ 41,521	$ 42,511

As of December 31, 2024, future maturities of lease liabilities were as follows (in thousands):

	Operating Leases
2025	$ 10,891
2026	8,910
2027	7,276
2028	6,598
2029	5,075
Thereafter	10,509
Total lease payments	49,259
Less: interest and accretion	(7,738)
Present value of minimum lease payments	41,521
Less: current portion	(8,616)
Long-term portion	$ 32,905

As of December 31, 2023, future maturities of lease liabilities were as follows (in thousands):

	Operating Leases
2024	$ 10,434
2025	8,664
2026	7,275
2027	5,894
2028	5,403
Thereafter	13,121
Total lease payments	50,791
Less: interest and accretion	(8,280)
Present value of minimum lease payments	42,511
Less: current portion	(8,727)
Long-term portion	$ 33,784

The weighted-average remaining lease terms and weighted-average discount rates are as follows:

	December 31, 2024	December 31, 2023
Weighted-average remaining lease term (years):		
Operating lease costs	3.60	4.18
Weighted-average discount rate:		
Operating lease costs	5.62 %	5.43 %

For the years ended December 31, 2024 and 2023, our operating lease cost was $12.2 million and $13.0 million, respectively, and is primarily included in "Service expense” on our accompanying consolidated statements of operations.

A summary of other lease information is as follows (in thousands):

	Year Ended December 31, 2024	Year Ended December 31, 2023
Operating cash flows from operating leases	$ (10,049)	$ (12,636)
Amortization of operating lease ROU assets	$ 11,444	$ 12,344
ROU assets obtained through operating lease liabilities	$ 8,265	$ 12,715

16. Income Taxes

The federal and state tax benefit (provision) is summarized as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Federal income tax benefit (provision):			
Current	$ (9,909)	$ (10,296)	$ (22,651)
Deferred	16,596	14,431	25,291
Total federal income tax benefit	6,687	4,135	2,640
State income tax benefit (provision):			
Current	(5,374)	(3,067)	(11,500)
Deferred	4,193	3,251	11,895
Total state income tax benefit (provision)	(1,181)	184	395
Total benefit for income taxes	$ 5,506	$ 4,319	$ 3,035

A reconciliation of the benefit (provision) for income taxes with amounts determined by applying the statutory U.S. federal income tax rate to income before income taxes is as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Federal statutory rates	21.0 %	21.0 %	21.0 %
Federal income tax benefit at statutory rates	$ 41,714	$ 43,904	$ 1,024
Change in valuation allowance	(21,728)	(507)	648
Goodwill impairment	(22,113)	(38,451)	—
State income taxes, net of federal benefit	3,825	637	(521)
Rate change	3,168	—	—
Tax credits	1,669	2,258	1,864
Life insurance expense	136	128	(183)
Stock-based compensation	(507)	(791)	1,282
Political activities	(357)	(149)	(197)
Meals and entertainment	(84)	(154)	(48)
Change in uncertain tax positions	(59)	396	(390)
Compensation expense	—	(1,220)	(251)
Legal settlements	—	(1,608)	—
Subsidiary deconsolidation gain	—	—	(148)
Other	(158)	(124)	(45)
Income tax benefit	$ 5,506	$ 4,319	$ 3,035
Effective income tax rate	2.8 %	2.1 %	62.2 %

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows (in thousands):

	December 31, 2024	December 31, 2023
Deferred tax assets:		
Interest expense carryforward	$ 40,317	$ 22,847
Accrued items and reserves	16,638	9,289
Software development/implementation costs	10,426	7,147
Deferred rent	9,914	1,543
Accounts receivable allowance	4,596	3,341
Net operating loss carryforwards	3,233	2,989
Stock-based compensation	2,363	1,861
Deferred financing costs	327	—
Tax credit carryforwards	186	412
Deferred revenue	76	2,691
Capital loss carryforward	—	957
Project costs	—	223
Other	424	—
Total deferred tax assets	88,500	53,300
Deferred tax liabilities:		
Goodwill and intangible assets	41,315	57,115
Property and equipment	15,116	19,051
Right of use asset	8,657	—
Equity investment	8,058	11,604
Prepaid expenses	3,859	1,683
Deferred financing costs	—	98
Other	—	46
Total deferred tax liabilities	77,005	89,597
Net deferred tax assets (liabilities)	11,495	(36,297)
Less valuation allowance	(25,052)	(3,287)
Net deferred tax liabilities	$ (13,557)	$ (39,584)

At December 31, 2024, the Company had no federal net operating loss ("NOL") carryforwards. The Company also had approximately $49.7 million of state NOL carryforwards which expire as follows (in thousands):

2025	$ —
2026	—
2027	—
2028	—
2029	84
2030 and thereafter	49,658
Total state net operating loss carryforwards	$ 49,742

Realization of the Company's net operating loss carryforwards is dependent on reversing taxable temporary differences and on generating sufficient taxable income. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets will be realized to the extent they are not covered by a valuation allowance. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The net change in the total valuation allowance for the year ended December 31, 2024 was an increase of $21.8 million. The valuation allowance of $25.1 million includes amounts primarily for state NOLs and IRC Section 163(j) Limitation on Business Interest Expense carryforward for which the Company has concluded that it is more likely than not that these carryforwards will not be realized in the ordinary course of operations per a deferred scheduling exercise. The Company will continue to assess the valuation allowance, and to the extent it is determined that the valuation allowance should be changed, an appropriate adjustment will be recorded.

Unrecognized Tax Benefits

The Company recognizes interest and penalties as a component of income tax expense. During the years ended December 31, 2024, 2023, and 2022 the Company did not recognize a tax benefit or expense from interest or penalties. As of December 31, 2024 and 2023, the Company had accrued an immaterial amount, respectively, for the payment of penalties and interest.

A reconciliation of the liability for unrecognized income tax benefits is as follows (in thousands):

	December 31,		
	2024	**2023**	**2022**
Unrecognized tax benefits, beginning of year	$ 1,284	$ 1,680	$ 1,290
Increase (decrease) related to prior year tax positions	(47)	44	108
Increase related to current year tax positions	332	374	415
Statute of limitations expiration	(195)	(814)	(133)
Unrecognized tax benefits, end of year	$ 1,374	$ 1,284	$ 1,680

The entire ending balance in unrecognized tax benefits of $1.4 million as of December 31, 2024 would reduce tax expense and the Company's effective tax rate. The Company expects no material amount of the unrecognized tax benefits to be recognized during the next twelve months.

The Company is subject to taxation in the U.S. and various state jurisdictions. The statute of limitations is generally three years for the U.S. and between three and four years for the various states in which the Company operates. The tax years that remain open for examination by the U.S. and states principally include the years 2020 to 2023.

17. Commitments and Contingencies

Surveys, Audits and Governmental Investigations

In the ordinary course of business, the Company may from time to time be or become subject to surveys, audits and governmental investigations under or with respect to various governmental programs and state and federal laws. Agencies associated with the programs and other third-party commercial payors periodically conduct extensive pre-payment or post-payment medical reviews or other audits of claims data to identify possible payments made or authorized other than in compliance with the requirements of Medicare or Medicaid. In order to conduct these reviews, documentation is requested from the Company and then that documentation is reviewed to determine compliance with applicable rules and regulations, including the eligibility of clients to receive benefits, the appropriateness of the care provided to those clients, and the documentation of that care. Similarly, other state and federal governmental agencies conduct reviews and investigations to confirm the Company's compliance with applicable laws where it operates, including regarding employment and wage related regulations and matters. The Company cannot predict the ultimate outcome of any regulatory reviews or other governmental surveys, audits or investigations, but management does not expect any ongoing surveys, audits or investigations involving the Company to have a material adverse effect on the business, liquidity, financial condition, or results of operations of the Company. Regardless of the Company's expectations, however, surveys and audits are subject to inherent uncertainties and can have a material adverse impact on the Company due to, among other reasons, potential regulatory orders that inhibit its ability to operate its business, amounts paid as reimbursement or in settlement of any such matter, diversion of management resources and investigative costs.

Legal Proceedings

In the ordinary course of business, the Company may from time to time be or become involved in various lawsuits, some of which may seek monetary damages, including claims for punitive damages. Management does not expect any ongoing lawsuits involving the Company to have a material impact on the business, liquidity, financial condition, or results of operations of the Company. Legal proceedings are subject to inherent uncertainties, however, and unfavorable rulings or other events could occur. Unfavorable resolutions could involve substantial monetary damages. In addition, in matters for which conduct remedies are sought, unfavorable resolutions could include an injunction or other order precluding particular business practices or requiring other remedies. An unfavorable outcome might result in a material adverse impact on our business, liquidity, financial position, or results of operations.

The Company records accruals for loss contingencies related to legal matters when it is probable that a liability will be incurred and the amount of the loss can be reasonably estimated. If the Company determines that a range of reasonably possible losses can be estimated, the Company records an accrual for the most probable amount in the range. Due to the inherent difficulty in predicting the outcome of any legal proceeding, it may not be reasonably possible to estimate a range of potential liability until the matter is closer to resolution. Legal fees related to all legal matters are expensed as incurred.

On January 29, 2025, a class action complaint for purported violation of federal securities laws was filed by Dinesh Kalera, individually and on behalf of a putative class of purchasers of our common stock between November 3, 2022 and September 15, 2024 (the “Alleged Class Period”), in the United States District Court for the District of Colorado against the Company and three of its officers who served as chief financial officer of the Company during the Alleged Class Period. The complaint alleges claims under Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder and asserts, among other things, that the Company’s public statements concerning its NEMT segment accounts receivable collections efforts and effectiveness, cash flow results, and contractual payment and collection terms were materially false and misleading or contained material omissions. The Company denies the allegations in all respects and believes its public disclosure at all times has been true, correct and complete in all material respects in compliance with all federal securities and other laws and intends to defend itself vigorously in this case. The Company cannot predict with any degree of certainty the outcome of this matter or determine the extent of any potential liability or damages that may result from this matter, if any, but the Company does not believe in any event that the ultimate outcome of this matter will have a material adverse effect on the Company’s business, liquidity, financial condition or results of operations.

On September 27, 2022, Daniel Greenleaf, the Company’s former Chief Executive Officer, asserted claims in an arbitration against the Company. His claims alleged that the Company breached Mr. Greenleaf’s employment agreement and included a tort claim against the Company. Mr. Greenleaf’s arbitration complaint sought contractual, extra-contractual, and statutory damages. In May 2023, Mr. Greenleaf and the Company executed a settlement agreement related to both sides' claims in arbitration and a general release of all claims and the Company agreed to pay Mr. Greenleaf $9.6 million. The Company paid the settlement amount in full in May of 2023.

On August 6, 2020, the Company’s subsidiary, ModivCare Solutions, LLC (“ModivCare Solutions”), was served with a putative class action lawsuit filed against it by Mohamed Farah, the owner of transportation provider Dalmar Transportation, in the Western District of Missouri, seeking to represent all non-employee transportation providers contracted with ModivCare Solutions. The lawsuit alleged claims under the Fair Labor Standards Act of 1938, as amended (the “FLSA”), and the Missouri Minimum Wage Act, and asserted that all transportation providers to ModivCare Solutions in the putative class should have been considered ModivCare Solutions’ employees rather than independent contractors. Following motions regarding class certification and related matters and the transfer of the matter to binding arbitration, the parties agreed on a settlement arrangement, which the arbitrator approved final on October 30, 2023. The class settlement payment was made in full on December 1, 2023. Notwithstanding the settlement payment, ModivCare Solutions believes that it is and has been in compliance with all material aspects with the laws and regulations regarding the characterization of the transportation providers as independent contractors, and does not believe that the settlement arrangement has had a material adverse effect on the Company’s business, liquidity, financial condition or results of operations.

Since 2017, one of the Company's PCS segment subsidiaries, All Metro Home Care Services of New York, Inc. d/b/a All Metro Health Care (“All Metro”), has been subject to a class action lawsuit in state court claiming that, among other things, All Metro failed to properly pay live-in caregivers who stay in patients’ homes for 24 hours per day (“live-ins”). The Company pays live-ins for 13 hours per day as supported through a written opinion letter from the New York State Department of Labor (“NYSDOL”). The New York Court of Appeals (New York's highest court) in a similar case involving this issue issued an order in 2019 that agreed with the NYSDOL’s interpretation to pay live-ins for 13 hours per day instead of 24 hours if certain conditions were being met. Notwithstanding the court of appeals' order in the similar case, the parties to date have been unable to settle their dispute through mediation or otherwise, and therefore discovery in the matter is continuing. If the plaintiffs prove successful in this class action lawsuit, All Metro may be liable for back wages and liquidated damages dating back to November 2011. All Metro believes that it is and has been in compliance in all material respects with the laws and regulations covering pay for live-in caregivers (including the conditions described by the New York Court of Appeals in its order), intends to continue to defend itself vigorously with respect to this matter, and the Company does not believe in any event that the ultimate outcome of this matter will have a material adverse effect on the Company's business, liquidity, financial condition or results of operations.

Deferred Compensation Plan

The Company has one deferred compensation plan for management and highly compensated employees of NEMT Services as of December 31, 2024. The deferred compensation plan is unfunded, and benefits are paid from the general assets of the Company. The total of participant deferrals, which is reflected in "Other long-term liabilities" in the consolidated balance sheets, was $2.3 million and $2.2 million at December 31, 2024 and 2023, respectively.

18. Subsequent Events

The Company has evaluated events and transactions subsequent to the Company's consolidated balance sheet date and prior to the date of issuance.

Exchange Agreement

On January 9, 2025, pursuant to the Fifth Amendment to the Credit Agreement, the Company entered into an exchange agreement (the "Exchange Agreement"), with certain lenders party to the Amended Credit Agreement (the "Exchanging Noteholders"). The Exchange Agreement provides for the exchange (the "Exchange") of up to $251.0 million in aggregate principal amount of the Company's 5.000% Notes due 2029 held by the Exchanging Noteholders for an equivalent principal amount of second lien senior secured PIK toggle notes to be issued by the Company (the "Second Lien Notes"), pursuant to the terms and subject to the conditions set forth therein, subject to the receipt of requisite consents to make certain amendments to the indenture governing the Notes due 2029 to permit the Exchange and remove certain other covenants.

Purchase and Exchange Agreement

On January 9, 2025, the Company entered into a Purchase and Exchange Agreement (the "Purchase and Exchange Agreement") with Coliseum Capital Partners, L.P., a Related Party, and Blackwell Partners LLC – Series A (together, the "Coliseum Investors"), which provides, among other things, for the Coliseum Investors (a) to purchase (the "Purchase") $30.0 million in aggregate principal amount of the Second Lien Notes, at a purchase price equal to 100% of the principal amount of the Second Lien Notes plus any accrued and unpaid interest thereon from, and including, October 1, 2024 to, but excluding, the closing date of the Purchase and (b) to exchange approximately $20.0 million in aggregate principal amount of the Company's Notes due 2029 held by the Coliseum Investors for an equivalent principal amount of the Second Lien Notes (the "Coliseum Exchange" and, together with the Purchase, the "Coliseum Transactions"), in each case pursuant to the terms and subject to the conditions set forth in the Purchase and Exchange Agreement. The Coliseum Transactions are conditioned upon the receipt of approval from 66-2/3% of the Company's stockholders other than Coliseum pursuant to Section 203 of the Delaware General Corporation Law.

Based on our evaluation, the Company is not aware of any other events or transactions that occurred subsequent to the consolidated balance sheet date and prior to the date of issuance that would require recognition or disclosure in these financial statements.

Item 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.***

None.

Item 9A. ***Controls and Procedures.***

Evaluation of Disclosure Controls and Procedures

The Company's management, under the supervision and with the participation of its principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), as of the end of the period covered by this Annual Report (December 31, 2024). Based upon this evaluation, the Company’s principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2024.

Management’s Report on Internal Control Over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). The Company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the consolidated financial statements. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of the Company’s financial statements would be prevented or detected in all circumstances in a timely manner.

The Company's management, under the supervision and with the participation of its principal executive officer and principal financial officer, and under the oversight of its Board of Directors, conducted an evaluation of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2024 based on the criteria set forth in the Internal Control–Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on such evaluation, management determined that the Company’s internal control over financial reporting was effective as of December 31, 2024.

Our independent registered public accounting firm, KPMG LLP, who audited the Company’s consolidated financial statements included in this Annual Report, has issued an attestation report on the Company’s internal control over financial reporting. KPMG LLP’s report is presented in Part II, Item 8 of this Annual Report.

Remediation of Previously Identified Material Weakness

During the fiscal year ended December 31, 2024, management completed the remediation efforts necessary to fully and effectively remediate and eliminate the material weaknesses previously disclosed by the Company in its Annual Reports on Form 10-K for the fiscal year ended December 31, 2023 with respect to its PCS segment's internal control over financial reporting. The identified deficiencies at the PCS segment that were remediated related to (i) an effective risk assessment to assess and confirm the effectiveness and implementation of the changes previously identified in its internal control environment related to recently deployed information technology ("IT") systems and revision of the PCS revenue and payroll processes, or (ii) the establishment of all mechanisms expected to be used to enforce accountability in the pursuit of objectives to establish and operate effective internal control over financial reporting.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The remediation efforts necessary to eliminate those material weaknesses identified in Item 9A. "Controls and Procedures" of our 2023 Annual Report on Form 10-K to address the identified material weaknesses have been completed. As of December 31, 2024, the Company executed on the following remediation measures, including the testing of the design and concluding on the operating effectiveness of the related controls:

- Implemented a new revenue cycle management system and designed a new suite of general information technology controls ("GITCs") and process-level controls related to the new system;
- Integrated the PCS segment into our enterprise resource planning software and standardized control activities related to the Company’s financial statement close process;
- Executed an enhanced risk assessment process to identify and assess changes in the Company's internal control environment, specifically related to new IT systems and newly acquired companies;
- Designed and implemented effective GITCs to support process-level automated controls intended to ensure that information needed for the operation of manual process-level controls and financial reporting is accurate and complete; and
- Designed and implemented process-level control activities in revenue and payroll.

As a result of the foregoing, as of December 31, 2024, management was able to conclude that the material weaknesses previously disclosed at the PCS segment were fully and effectively remediated.

Changes in Internal Control Over Financial Reporting

Except for the changes described in the preceding paragraphs, there were no other changes in the Company's internal control over financial reporting during the fiscal quarter ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. ***Other Information.***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance.***

The information required by Item 10 is incorporated by reference from our definitive proxy statement on Schedule 14A to be filed with the SEC and delivered to stockholders in connection with our 2025 Annual Meeting of Stockholders (the "2025 Proxy Statement"); provided that if our 2025 Proxy Statement is not filed on or before April 30, 2025, such information will be included in an amendment to this Annual Report filed on or before such date.

Code of Ethics

We have adopted a code of ethics that applies to our senior management, including our chief executive officer, chief financial officer, controller and persons performing similar functions, as well as our directors, officers and employees. This code of ethics is part of our broader Compliance and Ethics Plan and Code of Conduct, which is available free of charge in the “Investors” section of our website at www.modivcare.com. We intend to disclose any amendment to, or waiver from, a provision of the code of ethics that applies to our principal executive officer, principal financial officer or principal accounting officer on our website. The information contained on our website is not part of, and is not incorporated in, this Annual Report or any other report we file with or furnish to the SEC.

Item 11. ***Executive Compensation.***

The information required by Item 11 is incorporated by reference from our 2025 Proxy Statement; provided that if our 2025 Proxy Statement is not filed on or before April 30, 2025, such information will be included in an amendment to this Annual Report filed on or before such date.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.***

Other than as provided below, the information required by Item 12 is incorporated by reference from our 2025 Proxy Statement; provided that if our 2025 Proxy Statement is not filed on or before April 30, 2025, such information will be included in an amendment to this Annual Report filed on or before such date.

The following table provides information, as of December 31, 2024, regarding our 2006 Plan and the ESPP.

Plan category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in the first column)(2)
Equity compensation plans approved by security holders	619,204	$ 47.84	1,550,556
Equity compensation plans not approved by security holders	—	—	—
Total	619,204	$ 47.84	1,550,556

(1) The number of shares shown in this column represents the number of shares available for issuance pursuant to stock options and other stock-based awards that were previously granted and were outstanding as of December 31, 2024 under the 2006 Plan.

(2) The number of shares shown in this column represents 601,519 shares available for issuance under the 2006 Plan and 949,037 shares available for issuance under the ESPP.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence.***

The information required by Item 13 is incorporated by reference from our 2025 Proxy Statement; provided that if our 2025 Proxy Statement is not filed on or before April 30, 2025, such information will be included in an amendment to this Annual Report filed on or before such date.

Item 14. ***Principal Accounting Fees and Services.***

The information required by Item 14 is incorporated by reference from our 2025 Proxy Statement; provided that if our 2025 Proxy Statement is not filed on or before April 30, 2025, such information will be included in an amendment to this Annual Report filed on or before such date.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules.***

(a)(1) Financial Statements

The following consolidated financial statements including footnotes are included in Item 8.

- Consolidated Balance Sheets at December 31, 2024 and 2023;
- Consolidated Statements of Operations for the years ended December 31, 2024, 2023 and 2022;
- Consolidated Statements of Cash Flows for the years ended December 31, 2024, 2023 and 2022; and
- Consolidated Statements of Stockholders' Equity for the years ended December 31, 2024, 2023 and 2022.

(2) Financial Statement Schedules

Schedule II Valuation and Qualifying Accounts

	Balance at beginning of period	Additions		Deductions	Balance at end of period
		Charged to costs and expenses	Charged to other accounts		
Year Ended December 31, 2024:					
Allowance for credit losses	$ 969	$ 4,395	$ —	$ (3,925) (1)	$ 1,439
Year Ended December 31, 2023:					
Allowance for credit losses	$ 2,078	$ 4,001	$ —	$ (5,110) (1)	$ 969
Year Ended December 31, 2022:					
Allowance for credit losses	$ 2,296	$ 2,690	$ —	$ (2,908) (1)	$ 2,078

Notes:

(1) Write-offs, net of recoveries.

All other schedules are omitted because they are not applicable or the required information is shown in our financial statements or the related notes thereto.

(3) Exhibits

Exhibit Number	Description
2.1	Stock Purchase Agreement, dated as of September 28, 2020, by and among OEP AM, Inc., the Company, Socrates LLC and OEP AM Holdings, LLC (Incorporated by reference to Exhibit 2.1 to the registrant's current report on Form 8-K filed with the SEC on September 29, 2020).
2.2	Agreement and Plan of Merger, dated as of July 25, 2021, by and among Care Finders Total Care LLC, the registrant, Socrates Health Holdings, LLC, Saints Merger Sub, LLC, and Shareholder Representative Services LLC (Incorporated by reference to Exhibit 2.1 to the registrant's current report on Form 8-K filed with the SEC on July 26, 2021).
2.3	Securities Purchase Agreement, dated as of August 2, 2021, by and among VRI Ultimate Holdings, LLC, VRI Intermediate Holdings, LLC, the registrant and Victory Health Holdings, LLC (Incorporated by reference to Exhibit 2.1 to the registrant's current report on Form 8-K filed with the SEC on August 3, 2021).
3.1	Second Amended and Restated Certificate of Incorporation of the registrant, as filed with the Secretary of State of Delaware on December 9, 2011 (Incorporated by reference to Exhibit 3.1 to the registrant's annual report on Form 10-K filed with the SEC on March 1, 2021).
3.2	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of the registrant, dated as of May 6, 2015 (Incorporated by reference to Exhibit 3.1 to the registrant's current report on Form 8-K filed with the SEC on May 7, 2015).
3.3	Second Amendment to the Second Amended and Restated Certificate of Incorporation of the registrant, effective January 6, 2021 (Incorporated by reference to Exhibit 3.1 to the registrant's current report on Form 8-K filed with the SEC on January 6, 2021).
3.4	Third Amendment to the Second Amended and Restated Certificate of Incorporation of the registrant, effective June 13, 2023 (Incorporated by reference to Exhibit 3.1 to the registrant's current report on Form 8-K filed with the SEC on June 15, 2023).
3.5	Amended and Restated Bylaws of the registrant, effective January 6, 2021 (Incorporated by reference to Exhibit 3.2 to the registrant's current report on Form 8-K filed with the SEC on January 6, 2021).
3.6	Amendment to the Amended and Restated Bylaws of the registrant, effective June 13, 2023 (Incorporated by reference to Exhibit 3.2 to the registrant's current report on Form 8-K filed with the SEC on June 15, 2023).
4.1	Description of the registrant's securities registered pursuant to Section 12 of the Exchange Act (Incorporated by reference to Exhibit 4.1 to the registrant's annual report on Form 10-K filed with the SEC on February 26, 2024).
4.2	Indenture for 5.000% Senior Notes Due 2029 dated as of August 24, 2021, between ModivCare Escrow Issuer, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee (Incorporated by reference to Exhibit 4.1 to the registrant's current report on Form 8-K filed with the SEC on August 24, 2021).
10.1†	Credit Agreement dated as of February 3, 2022, among the registrant, the co-syndication agents party thereto, the co-documentation agents party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (Incorporated by reference to Exhibit to the registrant's current report on Form 8-K filed with the SEC on February 4, 2022).
10.2	Amendment No. 1, dated as of June 26, 2023, to Credit Agreement, dated as of February 3, 2022, among ModivCare Inc., the co-syndication agents party thereto, the co-documentation agents party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (Incorporated by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed with the SEC on June 26, 2023).

10.3	Amendment No. 2, dated as of February 22, 2024, to Credit Agreement, dated as of February 3, 2022, among ModivCare Inc., the co-syndication agents party thereto, the co-documentation agents party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (Incorporated by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed with the SEC on February 22, 2024).
10.4	Amendment No. 3, dated as of July 1, 2024, to Credit Agreement, dated as of February 3, 2022, among ModivCare Inc., the co-syndication agents party thereto, the co-documentation agents party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (Incorporated by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed with the SEC on July 3, 2024).
10.5	Amendment No. 4, dated as of September 30, 2024, to Credit Agreement, dated as of February 3, 2022, among ModivCare Inc., the co-syndication agents party thereto, the co-documentation agents party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (Incorporated by reference to Exhibit 10.2 to the registrant's quarterly report on Form 10-Q filed with the SEC on November 7, 2024).
10.6	Amendment No. 5, dated as of January 9, 2025, among ModivCare Inc., the co-syndication agents party thereto, the co-documentation agents party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (Incorporated by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed with the SEC on January 10, 2025).
10.7+	Offer Letter, dated February 22, 2021, by and among the registrant, ModivCare Solutions, LLC and L. Heath Sampson. (Incorporated by reference to Exhibit 10.3 to the registrant's annual report on Form 10-K filed with the SEC on March 1, 2022).
10.8+	Offer Letter, dated July 31, 2023, by and between the registrant and Barbara Gutierrez (Incorporated by reference to Exhibit 10.1 to the registrant's quarterly report on Form 10-Q for the quarter ended September 30, 2023 filed with the SEC on November 3, 2023).
10.9+	Offer Letter, dated March 15, 2023, by and between the registrant and Anne Bailey (Incorporated by reference to Exhibit 10.5 to the registrant's annual report on Form 10-K for the year ended December 31, 2023 filed with the SEC on February 26, 2024).
10.10+	Offer Letter, dated July 18, 2023, by and between the registrant and Henry Toledo (Incorporated by reference to Exhibit 10.6 to the registrant's annual report on Form 10-K for the year ended December 31, 2023 filed with the SEC on February 26, 2024).
10.11+	Offer Letter, dated March 25, 2022, by and among the registrant, ModivCare Solutions, LLC and Ilias Simpson (Incorporated by reference to Exhibit 10.3 to the registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2022 filed with the SEC on August 8, 2022).
10.12+	Offer Letter, dated August 22, 2022, by and among the registrant, ModivCare Solutions, LLC and Rebecca Orcutt (Incorporated by reference to Exhibit 10.1 to the registrant's quarterly report on Form 10-Q for the quarter ended September 30, 2022 filed with the SEC on November 8, 2022).
10.13+	Amendment, dated May 7, 2024, to the Offer Letter by and between the Registrant and Anne Bailey (Incorporated by reference to Exhibit 10.1 to the registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2024 filed with the SEC on August 8, 2024).
10.14+	Separation Agreement, dated May 3, 2024, by and between the Registrant and Ilias Simpson (Incorporated by reference to Exhibit 10.2 to the registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2024 filed with the SEC on August 8, 2024).
10.15+	Separation Agreement, dated May 31, 2024, by and between the Registrant and Anne Bailey (Incorporated by reference to Exhibit 10.2 to the registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2024 filed with the SEC on August 8, 2024).
10.16*+	Director Compensation Summary
10.17*+	Letter Agreement, dated December 23, 2024, by and between the registrant and Craig Barbarosh.
10.18*+	Letter Agreement, dated December 23, 2024, by and between the registrant and Neal Goldman.

10.19+	The Company's 2006 Long-Term Incentive Plan, as amended and restated effective July 27, 2016 (Incorporated by reference to an appendix to the registrant's definitive proxy statement filed under cover of Schedule 14A with the SEC on June 14, 2016).
10.20*+	Form of Restricted Stock Agreement.
10.21+	Form of Restricted Stock Unit Agreement (Incorporated by reference to Exhibit 10.25 to the registrant's annual report on Form 10-K for the year ended December 31, 2020 filed with the SEC on March 1, 2021).
10.22*+	Form of Restricted Stock Unit Agreement for awards granted in 2024 and thereafter.
10.23+	Form of Stock Option Agreement (Incorporated by reference to Exhibit 10.26 to the registrant's annual report on Form 10-K for the year ended December 31, 2020 filed with the SEC on March 1, 2021).
10.24+	Form of 2022 Performance Restricted Stock-Unit Agreement (Incorporated by reference to Exhibit 10.1 to the registrant's quarterly report on Form 10-Q for the quarter ended March 31, 2022 filed with the SEC on May 5, 2022).
10.25+	Form of 2023 Performance Restricted Stock-Unit Agreement (Incorporated by reference to Exhibit 10.1 to the registrant's quarterly report on Form 10-Q for the quarter ended March 31, 2023 filed with the SEC on May 4, 2023).
10.26+	Form of 2024 Performance Restricted Stock-Unit Agreement (Incorporated by reference to Exhibit 10.1 to the registrant's quarterly report on Form 10-Q for the quarter ended March 31, 2024 filed with the SEC on May 3, 2024).
10.27+	Employee Stock Purchase Plan (Incorporated by reference to Appendix B to the Registrant's definitive proxy statement filed with the SEC under cover of Schedule 14A on May 2, 2022).
10.28	Second Amended and Restated Limited Liability Company Agreement of Mercury Parent, LLC, dated February 16, 2018, by and between Prometheus Holdco, LLC and Mercury Fortuna Buyer, LLC (Incorporated by reference to Exhibit 10.26 to the registrant's annual report on Form 10-K for the year ended December 31, 2017 filed with the SEC on March 9, 2018).
10.29	Registration Indemnification Agreement, dated May 9, 2018, between the registrant, Coliseum Capital Partners, L.P., Coliseum Capital Partners II, L.P., Coliseum Capital Co-Invest, L.P. and Blackwell Partners, LLC - Series A (Incorporated by reference to Exhibit 10.33 to the registrant's Registration Statement on Form S-1 filed with the SEC on May 9, 2018).
10.30+	The Registrant's Executive Deferred Compensation Plan, as amended and restated effective December 1, 2008 (Incorporated by reference to Exhibit 10.21 to the registrant's annual report on Form 10-K filed with the SEC on March 7, 2023).
10.31	Exchange Agreement, dated January 9, 2025, among Modivcare Inc. and the certain lenders to the Credit Agreement, dated February 3, 2022, as amended, named therein (Incorporated by reference to Exhibit 10.2 to the registrant's current report on Form 8-K filed with the SEC on January 10, 2025).
10.32	Purchase and Exchange Agreement, dated January 9, 2025, among ModivCare Inc., Coliseum Capital Partners, L.P. and Blackwell Partners LLC – Series A (Incorporated by reference to Exhibit 10.3 to the registrant's current report on Form 8-K filed with the SEC on January 10, 2025).
19.1*	ModivCare Inc. Insider Trading Policy.
21.1*	Subsidiaries of the Registrant.
23.1*	Consent of KPMG LLP.
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2*	Rule 13a-14(a)/15d-14 Certification of Chief Financial Officer.
32.1**	Section 1350 Certification of Chief Executive Officer.
32.2**	Section 1350 Certification of Chief Financial Officer.

97.1*	Clawback Policy, as effective November 2, 2023 (Incorporated by reference to Exhibit 97.1 to the registrant's annual report on Form 10-K for the year ended December 31, 2024 filed with the SEC on February 26, 2024).
101. INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Schema Document
104	Cover page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\+ Management contract or compensatory plan or arrangement.

* Filed herewith other than by incorporation by reference.

** Furnished herewith.

† Certain schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The descriptions of the omitted schedules and exhibits are contained within the agreement. The Company hereby agrees to furnish a copy of any omitted schedule or exhibit to the SEC upon request.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ModivCare Inc.

By: /s/ L. Heath Sampson

L. Heath Sampson
Chief Executive Officer

Dated: March 6, 2025

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ L. HEATH SAMPSON L. Heath Sampson	Chief Executive Officer and Director (Principal Executive Officer)	March 6, 2025
/s/ BARBARA GUTIERREZ Barbara Gutierrez	Chief Financial Officer (Principal Financial Officer)	March 6, 2025
/s/ REBECCA ORCUTT Rebecca Orcutt	Chief Accounting Officer (Principal Accounting Officer)	March 6, 2025
/s/ LESLIE V. NORWALK Leslie V. Norwalk	Chairman of the Board	March 6, 2025
/s/ CRAIG BARBAROSH Craig Barbarosh	Director	March 6, 2025
/s/ TODD J. CARTER Todd J. Carter	Director	March 6, 2025
/s/ DAVID A. COULTER David A. Coulter	Director	March 6, 2025
/s/ RICHARD A. KERLEY Richard A. Kerley	Director	March 6, 2025
/s/ ERIN L. RUSSELL Erin L. Russell	Director	March 6, 2025