



Certified:

E-48-21

Filed with the Clerk of the
Nassau County Legislature
April 1, 2021 4:16pm

NIFS ID:CLPD21000003 Department: Police Dept.

Capital:

SERVICE: Ambulance billing

Contract ID #:CQPD13000013

NIFS Entry Date: 17-FEB-21

Term: from 11-FEB-13 to 01-FEB-21

Amendment
Time Extension: X
Addl. Funds:X
Blanket Resolution:
RES#

1) Mandated Program:	N
2) Comptroller Approval Form Attached:	Y
3) CSEA Agmt. § 32 Compliance Attached:	N
4) Material Adverse Information Identified? (if yes, attach memo):	N
5) Insurance Required	Y

Vendor Info:	
Name: Change Healthcare Practice Management Solutions, Inc.	Vendor ID#: [REDACTED]
Address: 3055 Lebanon Pike, Suite 1000 Nashville, TN 37214	Contact Person: [REDACTED] [REDACTED]
	Phone: ([REDACTED]) [REDACTED]

Department:
Contact Name: Jaclyn Delle
Address: 1 West Street Mineola, NY 11501
Phone: (516) 571-3054

Routing Slip

Department	NIFS Entry: X	19-FEB-21 -- JDELLEPD
Department	NIFS Approval: X	19-FEB-21 -- JDELLEPD
DPW	Capital Fund Approved:	
OMB	NIFA Approval: X	25-FEB-21 -- IQURESHI
OMB	NIFS Approval: X	23-FEB-21 -- JNOGID
County Atty.	Insurance Verification: X	19-FEB-21 -- DGRIPPO

County Atty.	Approval to Form: X	19-FEB-21 -- DMCDERMOTT
CPO	Approval: X	01-MAR-21 -- KOHAGEN
DCEC	Approval: X	08-MAR-21 -- JCHIARA
Dep. CE	Approval: X	11-MAR-21 -- TFOX
Leg. Affairs	Approval/Review: X	01-APR-21 -- JSCHANTZ
Legislature	Approval:	
Comptroller	Deputy:	
NIFA	NIFA Approval:	

Contract Summary

Purpose: This is an amendment to an existing contract for ambulance billing services. The purpose of the amendment is to extend the term of the contract by eight (8) months and one (1) day, to February 1, 2021. This extension will cover the gap in term between the expiration of this contract, and the approval of a new contract for these services (CQPD20000001). CQPD20000001 was approved on February 1, 2021 by the Rules Committee of the Legislature, after the County administration implemented certain changes to the County policy regarding ambulance billing. Notably, outstanding County ambulance bills are no longer forwarded to the County's debt collection agency.
Method of Procurement: Contract amendment. Please see procurement history below.
Procurement History: A Request for Proposals ("RFP") was issued on October 11, 2012 and the vendor was selected as the highest scoring proposer. A new RFP was issued for these services, and the new contract for these services (CQPD20000001) was recently approved by the Rules Committee of the County Legislature on Feb. 1, 2021. This amendment is cover the gap in term between expiration of this contract and approval of the new contract.
Description of General Provisions: Vendor provides the recording and transmission of pre-hospital care reports and billing services for the County's ambulance fees.
Impact on Funding / Price Analysis: \$1,000,000 (this contract is revenue generating, with no dollar amount ceiling. Encumbering \$1,000,000 to pay vendor fess as per the contract.)
Change in Contract from Prior Procurement: N/A
Recommendation: (approve as submitted) Approve as submitted.

Advisement Information

BUDGET CODES		FUNDING SOURCE	AMOUNT	LINE	INDEX/OBJECT CODE	AMOUNT
Fund:	PDH					
Control:	PD10	Revenue		10	PDPDH1484/DE500	\$ 1,000,000.00
Resp:	PDPDH1484	Contract:				\$ 0.00
Object:	DE500	County	\$ 1,000,000.00			\$ 0.00
Transaction:	109	Federal	\$ 0.00			\$ 0.00
Project #:		State	\$ 0.00			\$ 0.00
Detail:		Capital	\$ 0.00			\$ 0.00
		Other	\$ 0.00			\$ 0.00
		TOTAL	\$ 1,000,000.00		TOTAL	\$ 1,000,000.00
RENEWAL						
% Increase						

% Decrease			
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RULES RESOLUTION NO. – 2021

A RESOLUTION AUTHORIZING THE COUNTY EXECUTIVE TO EXECUTE AN AMENDMENT TO A PERSONAL SERVICES AGREEMENT BETWEEN THE COUNTY OF NASSAU, ACTING ON BEHALF OF THE NASSAU COUNTY POLICE DEPARTMENT, AND THE CHANGE HEALTHCARE PRACTICE MANAGEMENT SOLUTIONS, INC. (“CHANGE HEALTHCARE”)

WHEREAS, the County has negotiated an amendment to a personal services agreement with Change Healthcare to provide ambulance billing services, a copy of which is on file with the Clerk of the Legislature; now, therefore, be it

RESOLVED, that the Rules Committee of the Nassau County Legislature authorizes the County Executive to execute the said amendment to an agreement with Change Healthcare.



Nassau County Interim Finance Authority

Contract Approval Request Form (As of January 1, 2015)

1. Vendor: Change Healthcare Practice Management Solutions, Inc.

2. Dollar amount requiring NIFA approval: \$1000000

Amount to be encumbered: \$1000000

This is a Amendment

If new contract - \$ amount should be full amount of contract

If advisement ?NIFA only needs to review if it is increasing funds above the amount previously approved by NIFA

If amendment - \$ amount should be full amount of amendment only

3. Contract Term: 02/11/2013 - 02/01/2021

Has work or services on this contract commenced? Y _____

If yes, please explain: Services provided during the transition to a new contract for these services.

4. Funding Source:

X General Fund (GEN)

Capital Improvement Fund (CAP)

Other

Grant Fund (GRT)

Federal % 0

State % 0

County % 100

Is the cash available for the full amount of the contract?

Y

If not, will it require a future borrowing?

N

Has the County Legislature approved the borrowing?

N/A

Has NIFA approved the borrowing for this contract?

N/A

5. Provide a brief description (4 to 5 sentences) of the item for which this approval is requested:

This is an amendment to an existing contract for ambulance billing services. The purpose of the amendment is to extend the term of the contract by eight (8) months and one (1) day, to February 1, 2021. This extension will cover the gap between the expiration of this contract, and the approval of a new contract for these services (CQPD20000001).

6. Has the item requested herein followed all proper procedures and thereby approved by the:

Nassau County Attorney as to form Y

Nassau County Committee and/or Legislature

Date of approval(s) and citation to the resolution where approval for this item was provided:

7. Identify all contracts (with dollar amounts) with this or an affiliated party within the prior 12 months:

Contract ID	Date	Amount

AUTHORIZATION

To the best of my knowledge, I hereby certify that the information contained in this Contract Approval Request Form and any additional information submitted in connection with this request is true and accurate and that all expenditures that will be made in reliance on this authorization are in conformance with the Nassau County Approved Budget and not in conflict with the Nassau County Multi-Year Financial Plan. I understand that NIFA will rely upon this information in its official deliberations.

IQURESHI

25-FEB-21

Authenticated User

Date

COMPTROLLER'S OFFICE

To the best of my knowledge, I hereby certify that the information listed is true and accurate and is in conformance with the Nassau County Approved Budget and not in conflict with the Nassau County Multi-Year Financial Plan.

Regarding funding, please check the correct response:

☐ I certify that the funds are available to be encumbered pending NIFA approval of this contract.

If this is a capital project:

I certify that the bonding for this contract has been approved by NIFA.

Budget is available and funds have been encumbered but the project requires NIFA bonding authorization

Authenticated User

Date

NIFA

Amount being approved by NIFA:

Payment is not guaranteed for any work commenced prior to this approval.

Authenticated User

Date

NOTE: All contract submissions MUST include the County's own routing slip, current NIFS printouts for all relevant accounts and relevant Nassau County Legislature communication documents and relevant supplemental information pertaining to the item requested herein.

NIFA Contract Approval Request Form MUST be filled out in its entirety before being submitted to NIFA for review.

NIFA reserves the right to request additional information as needed.

AMENDMENT NO. 5

AMENDMENT (together with any appendices or exhibits hereto, this “Amendment”) dated as of the date that this Amendment is executed by Nassau County (the “Effective Date”), between (i) Nassau County, a municipal corporation having its principal office at 1550 Franklin Avenue, Mineola, New York 11501 (the “County”), acting for and on behalf of the Nassau County Police Department, having its principal office at 1490 Franklin Avenue, Mineola, New York, 11501 (the “Department”) and (ii) Change Healthcare Practice Management Solutions, Inc. a corporation authorized to do business in the State of New York, having an office at 3055 Lebanon Pike, Suite 1000, Nashville, TN 37214 (the “Contractor”).

W I T N E S S E T H:

WHEREAS, pursuant to County contract number **COPD13000013** between the County and the Contractor, executed on behalf of the County on November 12, 2013, as amended, and as assigned by MED3000, Inc. effective as of March 1, 2018 (the “Original Agreement”), the Contractor provides the recording and transmission of pre-hospital care reports and billing and fee collection services, which services are more fully described in the Original Agreement (the services contemplated by the Original Agreement, the “Services”); and

WHEREAS, the term of the Original Agreement is from February 11, 2013 until May 31, 2020 (the “Original Term”); and

WHEREAS, the County issued RFP No. PD0215-1911 for Ambulance Billing Services, and a new contract for these Services (County contract number CQPD20000001) was filed with the Clerk of the Legislature on April 27, 2020 to be heard by the Rules Committee; and

WHEREAS, the Department desires to extend the Term of the Original Agreement to avoid a disruption of the Services in connection with the termination of the Original Agreement and transition to the new contract; and

NOW, THEREFORE, in consideration of the promises and mutual covenants contained in this Amendment, the parties agree as follows:

1. Term. The Term of the Original Agreement shall be extended by eight (8) months and one (1) day, so that the termination date of the Original Agreement, as amended by this Amendment (the “Amended Agreement”) shall be February 1, 2021.

2. Full Force and Effect. All terms and conditions of the Original Agreement not expressly amended by this Amendment shall remain in full force and effect and govern the relationship of the parties for the term of the Amended Agreement.

[Remainder of Page Left Intentionally Blank.]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the Effective Date.

Change Healthcare Practice Management Solutions, Inc.

By: Christine Rice
Name: Christine Rice
Title: SVP CFO TES
Date: 1/15/2021

NASSAU COUNTY

By: _____
Name: _____
Title: Deputy County Executive
Date: _____

PLEASE EXECUTE IN BLUE INK

GEORGIA
STATE OF NEW YORK)

)ss.:
Fulton, GA
COUNTY OF NASSAU)

On the 15 day of JANUARY in the year 2021 before me personally came
Christine Rice to me personally known, who, being by me duly sworn, did depose and say that
he or she resides in the County of Cherokee; that he or she is the SVP & CFO of
Change Healthcare TES, LLC the corporation described herein and which executed the above
instrument; and that he or she signed his or her name thereto by authority of the board of directors of said
corporation.

C Cheryl D Ruggles

NOTARY PUBLIC



STATE OF NEW YORK)

)ss.:
COUNTY OF NASSAU)

On the _____ day of _____ in the year 20__ before me personally came
_____ to me personally known, who, being by me duly sworn, did depose and say that
he or she resides in the County of _____; that he or she is a Deputy County Executive of the
County of Nassau, the municipal corporation described herein and which executed the above instrument; and
that he or she signed his or her name thereto pursuant to Section 205 of the County Government Law of
Nassau County.

NOTARY PUBLIC

Jack Schnirman
Comptroller



OFFICE OF THE COMPTROLLER
240 Old Country Road
Mineola, New York 11501

COMPTROLLER APPROVAL FORM FOR PERSONAL, PROFESSIONAL OR HUMAN SERVICES CONTRACTS

Attach this form along with all personal, professional or human services contracts, contract renewals, extensions and amendments.

CONTRACTOR NAME: Change Healthcare Practice Management Solutions, Inc.

CONTRACTOR ADDRESS: 3055 Lebanon Pike, Suite 1000, Nashville TN 37214

FEDERAL TAX ID #: [REDACTED]

Instructions: Please check the appropriate box ("☑") after one of the following roman numerals, and provide all the requested information.

I. ☐ The contract was awarded to the lowest, responsible bidder after advertisement for sealed bids. The contract was awarded after a request for sealed bids was published in _____ [newspaper] on _____ [date]. The sealed bids were publicly opened on _____ [date]. _____ [#] of sealed bids were received and opened.

II. ☐ The contractor was selected pursuant to a Request for Proposals.

The Contract was entered into after a written request for proposals was issued on _____ [date]. Potential proposers were made aware of the availability of the RFP by advertisement in _____ [newspaper], posting on industry websites, via email to interested parties and by publication on the County procurement website. Proposals were due on _____ [date]. _____ [state #] proposals were received and evaluated. The evaluation committee consisted of: _____

_____ (list # of persons on committee and their respective departments). The proposals were scored and ranked. As a result of the scoring and ranking, the highest-ranking proposer was selected.

III. ☒ This is a renewal, extension or amendment of an existing contract.

The contract was originally executed by Nassau County on 11/12/2013 [date]. This is a renewal or extension pursuant to the contract, or an amendment within the scope of the contract or RFP (copies of the relevant pages are attached). The original contract was entered into after a Request for Proposals was issued on Oct. 11, 2012. Six (6) proposals were received in response to the RFP. Contractor was selected as the highest scoring proposer.

[describe procurement method, i.e., RFP, three proposals evaluated, etc.] Attach a copy of the most recent evaluation of the contractor's performance for any contract to be renewed or extended. If the contractor has not received a satisfactory evaluation, the department must explain why the contractor should nevertheless be permitted to continue to contract with the county.

IV. ☐ Pursuant to Executive Order No. 1 of 1993, as amended, at least three proposals were solicited and received. The attached memorandum from the department head describes the proposals received, along with the cost of each proposal.

- ☐ A. The contract has been awarded to the proposer offering the lowest cost proposal; **OR:**
- ☐ B. The attached memorandum contains a detailed explanation as to the reason(s) why the contract was awarded to other than the lowest-cost proposer. The attachment includes a specific delineation of the unique skills and experience, the specific reasons why a proposal is deemed superior, and/or why the proposer has been judged to be able to perform more quickly than other proposers.

V. ☐ Pursuant to Executive Order No. 1 of 1993 as amended, the attached memorandum from the department head explains why the department did not obtain at least three proposals.

- ☐ A. There are only one or two providers of the services sought or less than three providers submitted proposals. The memorandum describes how the contractor was determined to be the sole source provider of the personal service needed or explains why only two proposals could be obtained. If two proposals were obtained, the memorandum explains that the contract was awarded to the lowest cost proposer, or why the selected proposer offered the higher quality proposal, the proposer's unique and special experience, skill, or expertise, or its availability to perform in the most immediate and timely manner.
- ☐ B. The memorandum explains that the contractor's selection was dictated by the terms of a federal or New York State grant, by legislation or by a court order. (Copies of the relevant documents are attached).
- ☐ C. Pursuant to General Municipal Law Section 104, the department is purchasing the services required through a New York State Office of General Services contract no. _____, and the attached memorandum explains how the purchase is within the scope of the terms of that contract.

- ☐ **D.** Pursuant to General Municipal Law Section 119-o, the department is purchasing the services required through an inter-municipal agreement.

VI. ☐ This is a human services contract with a not-for-profit agency for which a competitive process has not been initiated. Attached is a memorandum that explains the reasons for entering into this contract without conducting a competitive process, and details when the department intends to initiate a competitive process for the future award of these services. For any such contract, where the vendor has previously provided services to the county, attach a copy of the most recent evaluation of the vendor's performance. If the contractor has not received a satisfactory evaluation, the department must explain why the contractor should nevertheless be permitted to contract with the county.

In certain limited circumstances, conducting a competitive process and/or completing performance evaluations may not be possible because of the nature of the human services program, or because of a compelling need to continue services through the same provider. In those circumstances, attach an explanation of why a competitive process and/or performance evaluation is inapplicable.

VII. ☐ This is a public works contract for the provision of architectural, engineering or surveying services. The attached memorandum provides details of the department's compliance with Board of Supervisors' Resolution No. 928 of 1993, including its receipt and evaluation of annual Statements of Qualifications & Performance Data, and its negotiations with the most highly qualified firms.

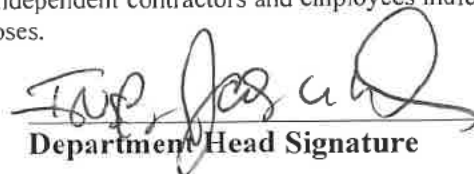
Instructions with respect to Sections VIII, IX and X: All Departments must check the box for VIII. Then, check the box for either IX or X, as applicable.

VIII. ☒ Participation of Minority Group Members and Women in Nassau County Contracts. The selected contractor has agreed that it has an obligation to utilize best efforts to hire MWBE sub-contractors. Proof of the contractual utilization of best efforts as outlined in Exhibit "EE" may be requested at any time, from time to time, by the Comptroller's Office prior to the approval of claim vouchers.

IX. ☐ Department MWBE responsibilities. To ensure compliance with MWBE requirements as outlined in Exhibit "EE", Department will require vendor to submit list of sub-contractor requirements prior to submission of the first claim voucher, for services under this contract being submitted to the Comptroller.

X. ☒ Vendor will not require any sub-contractors.

In addition, if this is a contract with an individual or with an entity that has only one or two employees: ☐ a review of the criteria set forth by the Internal Revenue Service, *Revenue Ruling No. 87-41*, 1987-1 C.B. 296, attached as Appendix A to the Comptroller's Memorandum, dated February 13, 2004, concerning independent contractors and employees indicates that the contractor would not be considered an employee for federal tax purposes.


Department Head Signature

2/18/2021

Date

NOTE: Any information requested above, or in the exhibit below, may be included in the county's "staff summary" form in lieu of a separate memorandum.



COUNTY OF NASSAU

POLITICAL CAMPAIGN CONTRIBUTION DISCLOSURE FORM

1. Has the vendor or any corporate officers of the vendor provided campaign contributions pursuant to the New York State Election Law in (a) the period beginning April 1, 2016 and ending on the date of this disclosure, or (b), beginning April 1, 2018, the period beginning two years prior to the date of this disclosure and ending on the date of this disclosure, to the campaign committees of any of the following Nassau County elected officials or to the campaign committees of any candidates for any of the following Nassau County elected offices: the County Executive, the County Clerk, the Comptroller, the District Attorney, or any County Legislator?

YES ☐ NO ☒ If yes, to what campaign committee?

2. VERIFICATION: This section must be signed by a principal of the consultant, contractor or Vendor authorized as a signatory of the firm for the purpose of executing Contracts.

The undersigned affirms and so swears that he/she has read and understood the foregoing statements and they are, to his/her knowledge, true and accurate.

The undersigned further certifies and affirms that the contribution(s) to the campaign committees identified above were made freely and without duress, threat or any promise of a governmental benefit or in exchange for any benefit or remuneration.

Electronically signed and certified at the date and time indicated by:
Scott Schrader [SCOTT.SCHRADER@CHANGEHEALTHCARE.COM]

Dated: 02/05/2021 03:22:03 PM

Vendor: Change Healthcare Technology Enabled
Services LLC

Title: Chief Commercial Officer, TES

Business History Form

The contract shall be awarded to the responsible proposer who, at the discretion of the County, taking into consideration the reliability of the proposer and the capacity of the proposer to perform the services required by the County, offers the best value to the County and who will best promote the public interest.

In addition to the submission of proposals, each proposer shall complete and submit this questionnaire. The questionnaire shall be filled out by the owner of a sole proprietorship or by an authorized representative of the firm, corporation or partnership submitting the Proposal.

NOTE: All questions require a response, even if response is "none" or "not-applicable." No blanks.

(USE ADDITIONAL SHEETS IF NECESSARY TO FULLY ANSWER THE FOLLOWING QUESTIONS).

Date: 12/11/2020

1) Proposer's Legal Name: Change Healthcare Technology Enabled Services LLC

2) Address of Place of Business: 3055 Lebanon Pike

City: Nashville State/Province/Territory: TN Zip/Postal Code: 37214

Country: US

Address: 1 Blue Hill Plaza

City: Pearl River State/Province/Territory: NY Zip/Postal Code: 10965

Country: US

Start Date: _____ End Date: _____

Address: 5995 Windward Parkway

City: Alpharetta State/Province/Territory: GA Zip/Postal Code: 30005

Country: US

Start Date: _____ End Date: _____

3) Mailing Address (if different): _____

City: _____ State/Province/Territory: _____ Zip/Postal Code: _____

Country: _____

Phone: _____

Does the business own or rent its facilities? Both If other, please provide details:

4) Dun and Bradstreet number: 61-6809588

5) Federal I.D. Number: ██████████

6) The proposer is a: Other (Describe) Limited Liability Company

7) Does this business share office space, staff, or equipment expenses with any other business?

YES ☐ NO ☒ If yes, please provide details:

- 8) Does this business control one or more other businesses?

YES ☒ NO ☐ If yes, please provide details:

Change Healthcare LLC

- 9) Does this business have one or more affiliates, and/or is it a subsidiary of, or controlled by, any other business?

YES ☒ NO ☐ If yes, please provide details:

This business is controlled by its parent Change Healthcare LLC

- 10) Has the proposer ever had a bond or surety cancelled or forfeited, or a contract with Nassau County or any other government entity terminated?

YES ☐ NO ☒ If yes, state the name of bonding agency, (if a bond), date, amount of bond and reason for such cancellation or forfeiture: or details regarding the termination (if a contract).

- 11) Has the proposer, during the past seven years, been declared bankrupt?

YES ☐ NO ☒ If yes, state date, court jurisdiction, amount of liabilities and amount of assets

- 12) In the past five years, has this business and/or any of its owners and/or officers and/or any affiliated business, been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency? And/or, in the past 5 years, have any owner and/or officer of any affiliated business been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency, where such investigation was related to activities performed at, for, or on behalf of an affiliated business.

YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

- 13) In the past 5 years, has this business and/or any of its owners and/or officers and/or any affiliated business been the subject of an investigation by any government agency, including but not limited to federal, state and local regulatory agencies? And/or, in the past 5 years, has any owner and/or officer of an affiliated business been the subject of an investigation by any government agency, including but not limited to federal, state and local regulatory agencies, for matters pertaining to that individual's position at or relationship to an affiliated business.

YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

- 14) Has any current or former director, owner or officer or managerial employee of this business had, either before or during such person's employment, or since such employment if the charges pertained to events that allegedly occurred during the time of employment by the submitting business, and allegedly related to the conduct of that business:

a) Any felony charge pending?

YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

b) Any misdemeanor charge pending?

YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

c) In the past 10 years, you been convicted, after trial or by plea, of any felony and/or any other crime, an element of which relates to truthfulness or the underlying facts of which related to the conduct of business?

YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

d) In the past 5 years, been convicted, after trial or by plea, of a misdemeanor?

YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

e) In the past 5 years, been found in violation of any administrative, statutory, or regulatory provisions?

YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

- 15) In the past (5) years, has this business or any of its owners or officers, or any other affiliated business had any sanction imposed as a result of judicial or administrative proceedings with respect to any professional license held?

YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

- 16) For the past (5) tax years, has this business failed to file any required tax returns or failed to pay any applicable federal, state or local taxes or other assessed charges, including but not limited to water and sewer charges?

YES ☐ NO ☒ If yes, provide details for each such year. Provide a detailed response to all questions checked 'YES'. If you need more space, photocopy the appropriate page and attach it to the questionnaire.

- 17) Conflict of Interest:

a) Please disclose any conflicts of interest as outlined below. NOTE: If no conflicts exist, please expressly state "No conflict exists."

(i) Any material financial relationships that your firm or any firm employee has that may create a conflict of interest or the appearance of a conflict of interest in acting on behalf of Nassau County.

No conflict exists

(ii) Any family relationship that any employee of your firm has with any County public servant that may create a conflict of interest or the appearance of a conflict of interest in acting on behalf of Nassau County.

No conflict exists

(iii) Any other matter that your firm believes may create a conflict of interest or the appearance of a conflict of interest in acting on behalf of Nassau County.

No conflict exists

- b) Please describe any procedures your firm has, or would adopt, to assure the County that a conflict of interest would not exist for your firm in the future.

We will contact the County should a potential conflict arise to be guided accordingly.

- A. Include a resume or detailed description of the Proposer's professional qualifications, demonstrating extensive experience in your profession. Any prior similar experiences, and the results of these experiences, must be identified.

Have you previously uploaded the below information under in the Document Vault?

YES ☐ NO ☒

Is the proposer an individual?

YES ☐ NO ☒ Should the proposer be other than an individual, the Proposal MUST include:

- i) Date of formation;

01/16/1990

- ii) Name, addresses, and position of all persons having a financial interest in the company, including shareholders, members, general or limited partner. If none, explain.

As a publicly traded company it is not possible for us to list the names of all persons having a financial interest in Change Healthcare.

No individuals with a financial interest in the company have been attached..

- iii) Name, address and position of all officers and directors of the company. If none, explain.

No officers and directors from this company have been attached.

1 File(s) Uploaded: officers page.pdf

- iv) State of incorporation (if applicable);

GA

- v) The number of employees in the firm;

1500

- vi) Annual revenue of firm;
1000000000
- vii) Summary of relevant accomplishments
We have provided EMS billing services to the New York metropolitan area for over 25 years. Our collection rate of over \$500/transport is one of the highest in the country. We have over 200 EMS billing clients and process more than 1 million transports annually.
- viii) Copies of all state and local licenses and permits.

B. Indicate number of years in business.

30

C. Provide any other information which would be appropriate and helpful in determining the Proposer's capacity and reliability to perform these services.

We have been providing EMS billing services to Nassau County for 17 years.

D. Provide names and addresses for no fewer than three references for whom the Proposer has provided similar services or who are qualified to evaluate the Proposer's capability to perform this work.

Company	Town of Ramapo		
Contact Person	John Lynch, Director of Finance		
Address	237 Route 59		
City	Suffern	State/Province/Territory	NY
Country	US		
Telephone	(845) 357-5100		
Fax #			
E-Mail Address	john.lynch@ramapo.org		

Company	Town of Greenburgh		
Contact Person	Jared Rosenberg, Director of EMS Services		
Address	188 Terrytown Road		
City	White Plains	State/Province/Territory	NY
Country	US		
Telephone	(914) 682-5345		
Fax #			
E-Mail Address	jrosenberg@greengurghny.com		

Company	Columbus Division of Fire		
Contact Person	George Speaks, Deputy Director of Public Safety		
Address	77 N. Front Street, 5th Floor		
City	Columbus	State/Province/Territory	OH
Country	US		
Telephone	(614) 645-8210		
Fax #			
E-Mail Address	gespeaks@columbus.gov		

I, Scott Schrader , hereby acknowledge that a materially false statement willfully or fraudulently made in connection with this form may result in rendering the submitting business entity and/or any affiliated entities non-responsible, and, in addition, may subject me to criminal charges.

I, Scott Schrader , hereby certify that I have read and understand all the items contained in this form; that I supplied full and complete answers to each item therein to the best of my knowledge, information and belief; that I will notify the County in writing of any change in circumstances occurring after the submission of this form; and that all information supplied by me is true to the best of my knowledge, information and belief. I understand that the County will rely on the information supplied in this form as additional inducement to enter into a contract with the submitting business entity.

CERTIFICATION

A MATERIALLY FALSE STATEMENT WILLFULLY OR FRAUDULENTLY MADE IN CONNECTION WITH THIS QUESTIONNAIRE MAY RESULT IN RENDERING THE SUBMITTING BUSINESS ENTITY NOT RESPONSIBLE WITH RESPECT TO THE PRESENT BID OR FUTURE BIDS, AND, IN ADDITION, MAY SUBJECT THE PERSON MAKING THE FALSE STATEMENT TO CRIMINAL CHARGES.

Name of submitting business: Change Healthcare Technology Enabled Services LLC

Electronically signed and certified at the date and time indicated by:
Scott Schrader [SCOTT.SCHRADER@CHANGEHEALTHCARE.COM]

Chief Commercial Officer, TES
Title

12/11/2020 06:27:18 PM
Date

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended December 31, 2020

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 001-38961



Change Healthcare Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

424 Church Street, Suite 1400
Nashville, TN
(Address of Principal Executive Offices)

82-2152098
(I.R.S. Employer
Identification No.)

37219
(Zip Code)

(615) 932-3000
(Registrant's Telephone Number, Including Area Code)

3055 Lebanon Pike, Suite 1000, Nashville, TN 37214
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$.001 per share	CHNG	The Nasdaq Stock Market LLC
6.00% Tangible Equity Units	CHNGU	The Nasdaq Stock Market LLC

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 (§ 232.405 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of common stock outstanding on January 26, 2021: 304,771,882

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Part I. Financial Information

Item 1. Financial Statements

Change Healthcare Inc.
Consolidated Statements of Operations
(unaudited and amounts in thousands, except share and per share amounts)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
Revenue				
Solutions revenue	\$ 735,264	\$ —	\$ 2,089,589	\$ —
Postage revenue	49,877	—	145,672	—
Total revenue	785,141	—	2,235,261	—
Operating expenses				
Cost of operations (exclusive of depreciation and amortization below)	332,373	—	977,568	—
Research and development	58,323	—	168,110	—
Sales, marketing, general and administrative	161,959	1,115	499,039	2,504
Customer postage	49,877	—	145,672	—
Depreciation and amortization	151,143	—	436,552	—
Accretion and changes in estimate with related parties, net	956	(1,191)	10,414	47,172
Gain on sale of businesses	(32,217)	—	(60,487)	—
Total operating expenses	722,414	(76)	2,176,868	49,676
Operating income (loss)	62,727	76	58,393	(49,676)
Non-operating (income) expense				
Interest expense, net	61,439	1	185,733	1
Contingent consideration	—	—	(3,000)	—
Loss on extinguishment of debt	6,145	—	7,634	—
Loss from Equity Method Investment in the Joint Venture	—	8,764	—	104,497
(Gain) loss on forward purchase contract	—	(74,084)	—	(71,649)
Other, net	(2,491)	(580)	(1,443)	(1,245)
Total non-operating (income) expense	65,093	(65,899)	188,924	31,604
Income (loss) before income tax provision (benefit)	(2,366)	65,975	(130,531)	(81,280)
Income tax provision (benefit)	(4,562)	15,240	(31,411)	(564)
Net income (loss)	\$ 2,196	\$ 50,735	\$ (99,120)	\$ (80,716)
Net income (loss) per share:				
Basic	\$ 0.01	\$ 0.35	\$ (0.31)	\$ (0.67)
Diluted	\$ 0.01	\$ 0.35	\$ (0.31)	\$ (0.67)
Weighted average common shares outstanding:				
Basic	321,013,595	143,392,295	320,570,092	120,657,859
Diluted	324,815,524	146,201,860	320,570,092	120,657,859

See accompanying notes to consolidated financial statements.

Change Healthcare Inc.
Consolidated Statements of Comprehensive Income (Loss)
(unaudited and amounts in thousands)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
Net income (loss)	\$ 2,196	\$ 50,735	\$ (99,120)	\$ (80,716)
Other comprehensive income (loss):				
Foreign currency translation adjustment	11,526	1,728	23,100	3,537
Changes in fair value of interest rate caps, net of taxes	(81)	1,313	(6,261)	(5,428)
Unrealized gain (loss) on available for sale debt securities of the Joint Venture, net of taxes	—	134	—	1,307
Other comprehensive income (loss)	<u>11,445</u>	<u>3,175</u>	<u>16,839</u>	<u>(584)</u>
Total comprehensive income (loss)	<u>\$ 13,641</u>	<u>\$ 53,910</u>	<u>\$ (82,281)</u>	<u>\$ (81,300)</u>

See accompanying notes to consolidated financial statements.

Change Healthcare Inc.
Consolidated Balance Sheets
(unaudited and amounts in thousands, except share and per share amounts)

	December 31, 2020	March 31, 2020
Assets		
Current assets:		
Cash & cash equivalents	\$ 137,357	\$ 410,405
Accounts receivable, net	697,948	740,105
Contract assets, net	125,509	132,704
Prepaid expenses and other current assets	127,442	117,967
Total current assets	1,088,256	1,401,181
Property and equipment, net	183,843	206,196
Operating lease right-of-use assets, net	99,258	—
Goodwill	4,105,413	3,795,325
Intangible assets, net	4,302,594	4,365,806
Investment in business purchase option	—	146,500
Other noncurrent assets, net	368,448	192,372
Total assets	\$ 10,147,812	\$ 10,107,380
Liabilities		
Current liabilities:		
Accounts payable	\$ 59,664	\$ 68,169
Accrued expenses	502,992	390,294
Deferred revenue	393,823	302,313
Due to related parties, net	11,606	20,234
Current portion of long-term debt	37,019	278,779
Current portion of operating lease liabilities	30,813	—
Total current liabilities	1,035,917	1,059,789
Long-term debt, excluding current portion	4,780,828	4,710,294
Long-term operating lease liabilities	80,789	—
Deferred income tax liabilities	618,397	615,904
Tax receivable agreement obligations due to related parties	99,614	177,826
Tax receivable agreement obligations	228,294	164,633
Other long-term liabilities	70,235	93,487
Total liabilities	6,914,074	6,821,933
Commitments and contingencies		
Stockholders' Equity		
Common Stock (par value, \$.001), 9,000,000,000 and 9,000,000,000 shares authorized and 304,656,863 and 303,428,142 shares issued and outstanding at December 31, 2020 and March 31, 2020, respectively	305	303
Preferred stock (par value, \$.001), 900,000,000 shares authorized and no shares issued and outstanding at both December 31, 2020 and March 31, 2020	—	—
Additional paid-in capital	4,253,567	4,222,580
Accumulated other comprehensive income (loss)	9,467	(7,372)
Accumulated deficit	(1,029,601)	(930,064)
Total stockholders' equity	3,233,738	3,285,447
Total liabilities and stockholders' equity	\$ 10,147,812	\$ 10,107,380

See accompanying notes to consolidated financial statements.

Change Healthcare Inc.
Consolidated Statements of Stockholders' Equity
(unaudited and amounts in thousands, except share and per share amounts)

	Common Stock Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at March 31, 2019	75,474,654	\$ 75	\$ 1,153,509	\$ (17,841)	\$ (3,256)	\$ 1,132,487
Cumulative effect of accounting change of the Joint Venture-ASC 606	—	—	—	35,797	—	35,797
Cumulative effect of accounting change of the Joint Venture-ASU 2018-02	—	—	—	(422)	422	—
Equity compensation expense	—	—	5,862	—	—	5,862
Net income (loss)	—	—	—	(37,517)	—	(37,517)
Foreign currency translation adjustment of the Joint Venture	—	—	—	—	226	226
Change in fair value of interest rate caps of the Joint Venture, net of taxes	—	—	—	—	(5,431)	(5,431)
Balance at June 30, 2019	75,474,654	\$ 75	\$ 1,159,371	\$ (19,983)	\$ (8,039)	\$ 1,131,424
Issuance of Change Healthcare Inc. common stock upon initial public offering	49,285,713	49	608,630	—	—	608,679
Effect of initial public offering issuance costs on Joint Venture equity	—	—	(4,160)	—	—	(4,160)
Issuance of tangible equity units	—	—	232,929	—	—	232,929
Equity compensation expense	—	—	8,585	—	—	8,585
Issuance of Change Healthcare Inc. common stock upon exercise of equity awards	175,439	—	1,139	—	—	1,139
Net income (loss)	—	—	—	(93,935)	—	(93,935)
Unrealized gain (loss) on available for sale debt securities of the Joint Venture	—	—	—	—	1,173	1,173
Foreign currency translation adjustment of the Joint Venture	—	—	—	—	1,583	1,583
Change in fair value of interest rate cap, net of taxes of the Joint Venture	—	—	—	—	(1,310)	(1,310)
Balance at September 30, 2019	124,935,806	\$ 124	\$ 2,006,494	\$ (113,918)	\$ (6,593)	\$ 1,886,107
Equity compensation expense	—	—	9,148	—	—	9,148
Issuance of Change Healthcare Inc. common stock upon exercise of equity awards	91,842	—	966	—	—	966
Net income (loss)	—	—	—	50,735	—	50,735
Unrealized gain (loss) on available for sale debt securities of the Joint Venture	—	—	—	—	134	134
Foreign currency translation adjustment of the Joint Venture	—	—	—	—	1,728	1,728
Change in fair value of interest rate cap, net of taxes of the Joint Venture	—	—	—	—	1,313	1,313
Balance at December 31, 2019	125,027,648	\$ 124	\$ 2,016,608	\$ (63,183)	\$ (3,418)	\$ 1,950,131
Balance at March 31, 2020	303,428,142	\$ 303	\$ 4,222,580	\$ (930,064)	\$ (7,372)	\$ 3,285,447
Cumulative effect of accounting change-ASU 2016-13	—	—	—	(417)	—	(417)
Equity compensation expense	—	—	8,780	—	—	8,780
Issuance of common stock under equity compensation plans	341,230	1	2,143	—	—	2,144
Net income (loss)	—	—	—	(58,694)	—	(58,694)
Foreign currency translation adjustment	—	—	—	—	6,353	6,353
Change in fair value of interest rate caps, net of taxes	—	—	—	—	(4,184)	(4,184)
Other	—	—	(75)	—	—	(75)
Balance at June 30, 2020	303,769,372	\$ 304	\$ 4,233,428	\$ (989,175)	\$ (5,203)	\$ 3,239,354
Equity compensation expense	—	—	12,372	—	—	12,372
Issuance of common stock under equity compensation plans	911,961	—	408	—	—	408
Employee tax withholding on vesting of equity compensation awards	(254,764)	—	(3,131)	—	—	(3,131)
Net income (loss)	—	—	—	(42,622)	—	(42,622)
Foreign currency translation adjustment	—	—	—	—	5,221	5,221
Change in fair value of interest rate caps, net of taxes	—	—	—	—	(1,996)	(1,996)
Other	—	—	(356)	—	—	(356)
Balance at September 30, 2020	304,426,569	\$ 304	\$ 4,242,721	\$ (1,031,797)	\$ (1,978)	\$ 3,209,250
Equity compensation expense	—	—	9,673	—	—	9,673
Issuance of common stock under equity compensation plans	249,288	1	1,606	—	—	1,607
Employee tax withholding on vesting of equity compensation awards	(18,994)	—	(294)	—	—	(294)
Net income (loss)	—	—	—	2,196	—	2,196
Foreign currency translation adjustment	—	—	—	—	11,526	11,526
Change in fair value of interest rate caps, net of taxes	—	—	—	—	(81)	(81)
Other	—	—	(139)	—	—	(139)
Balance at December 31, 2020	304,656,863	\$ 305	\$ 4,253,567	\$ (1,029,601)	\$ 9,467	\$ 3,233,738

See accompanying notes to consolidated financial statements.

Change Healthcare Inc.
Consolidated Statements of Cash Flows
(unaudited and amounts in thousands)

	Nine Months Ended December 31,	
	2020	2019
Cash flows from operating activities:		
Net income (loss)	\$ (99,120)	\$ (80,716)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Loss from Equity Method Investment in the Joint Venture	—	104,497
Depreciation and amortization	436,552	—
Amortization of capitalized software developed for sale	550	—
Accretion and changes in estimate, net	8,429	—
Equity compensation	34,858	—
Deferred income tax expense (benefit)	(33,905)	(564)
Amortization of debt discount and issuance costs	24,587	403
Contingent consideration	(3,000)	—
Gain on sale of businesses	(60,487)	—
Loss on extinguishment of debt	7,634	—
(Gain) loss on forward purchase contract	—	(71,649)
Non-cash lease expense	21,930	—
Other, net	7,681	1,526
Changes in operating assets and liabilities:		
Accounts receivable, net	28,331	—
Contract assets, net	5,201	—
Prepaid expenses and other	(69,609)	(1,335)
Accounts payable	(15,785)	—
Accrued expenses and other liabilities	68,708	47,255
Deferred revenue	124,679	—
Due to the Joint Venture, net	—	583
Net cash provided by (used in) operating activities	487,234	—
Cash flows from investing activities:		
Capitalized expenditures	(182,929)	—
Acquisitions, net of cash acquired	(439,483)	—
Proceeds from sale of businesses	117,124	—
Investment in the Joint Venture	—	(610,784)
Investment in debt and equity securities of the Joint Venture	—	(278,875)
Other, net	1,100	7,332
Net cash provided by (used in) investing activities	(504,188)	(882,327)
Cash flows from financing activities:		
Payments on Revolving Facility	(250,000)	—
Payments on Term Loan Facility	(265,000)	—
Proceeds from issuance of Senior Notes	325,000	—
Payments under tax receivable agreements	(20,691)	—
Receipts (payments) on derivative instruments	(22,255)	—
Employee tax withholding on vesting of equity compensation awards	(3,425)	—
Payments on deferred financing obligations	(9,081)	—
Payment of senior amortizing notes	(11,599)	(7,332)
Proceeds from exercise of equity awards	4,158	2,105
Proceeds from initial public offering, net of issuance costs	—	608,679
Proceeds from issuance of equity component of tangible equity units, net of issuance costs	—	232,929
Proceeds from issuance of debt component of tangible equity units	—	47,367
Other, net	(6,650)	(1,421)
Net cash provided by (used in) financing activities	(259,543)	882,327
Effect of exchange rate changes on cash and cash equivalents	3,449	—
Net increase (decrease) in cash and cash equivalents	(273,048)	—
Cash and cash equivalents at beginning of period	410,405	3,409
Cash and cash equivalents at end of period	\$ 137,357	\$ 3,409

See accompanying notes to consolidated financial statements.

Change Healthcare Inc.
Notes to Consolidated Financial Statements
(unaudited and amounts in thousands, except share and per share amounts)

1. Nature of Business and Organization

Change Healthcare Inc. (the “Company”, “our” or “we”) is an independent healthcare technology company, focused on accelerating the transformation of the healthcare system through the power of our healthcare platform. We provide data and analytics-driven solutions to improve clinical, financial and patient engagement outcomes in the U.S. healthcare system. Our platform and comprehensive suite of software, analytics, technology-enabled services and network solutions drive improved results in the complex workflows of healthcare system payers and providers by enhancing clinical decision making, simplifying billing, collection and payment processes, and enabling a better patient experience.

We are a Delaware corporation originally formed on June 22, 2016, to initially hold an equity investment in Change Healthcare LLC (the “Joint Venture”), a joint venture between the Company and McKesson Corporation (“McKesson”).

Amendment of Certificate of Incorporation

Effective June 26, 2019 and in contemplation of our initial public offering of common stock, we amended the certificate of incorporation to effect a 126.4 for 1 stock split for all previously issued shares of common stock, to increase the authorized number of common stock, and to authorize shares of preferred stock. Following this amendment, the authorized shares include 9,000,000,000 shares of common stock (par value \$.001 per share), one share of Class X stock (par value \$.001 per share), and 900,000,000 shares of preferred stock (par value \$.001 per share). As a result of the Merger (defined below), the Class X Stock is no longer available for issuance.

Initial Public Offering

Effective July 1, 2019, we completed our initial public offering of 49,285,713 shares of common stock and a concurrent offering of 5,750,000 tangible equity units (“TEUs”) for net proceeds of \$608,679 and \$278,875, respectively.

McKesson Exit

On March 10, 2020, McKesson completed a split-off of its interest in the Joint Venture through an exchange offer of its common stock for shares of PF2 SpinCo, Inc, a Delaware corporation and wholly owned subsidiary of McKesson (“SpinCo”). Immediately following consummation of the exchange offer, SpinCo was merged with and into Change Healthcare Inc. (the “Merger”). As a result, McKesson no longer owns any voting or economic interest in the Joint Venture. Prior to the Merger, we accounted for our investment in the Joint Venture under the equity method of accounting. Subsequent to the Merger, we own 100% of Change Healthcare LLC, and as a result, consolidate the financial statements of Change Healthcare LLC.

COVID-19 Considerations

On March 11, 2020, the World Health Organization declared the current coronavirus (“COVID-19”) outbreak to be a global pandemic. In response to this declaration and the rapid spread of COVID-19 within the U.S., federal, state and local governments throughout the country imposed varying degrees of restrictions on social and commercial activity to promote social distancing in an effort to slow the spread of the illness. These measures led to weakened conditions in many sectors of the economy, including a decline in healthcare transaction volumes that are integral to our business.

We experienced, and expect to continue to experience, an adverse impact on our financial results as a result of COVID-19. However, we are not presently aware of events or circumstances arising from COVID-19 that would require us to revise the carrying value of our assets or liabilities, nor do we expect the impact of COVID-19 to cause us to be unable to comply with our debt covenants or meet our contractual obligations.

2. Significant Accounting Policies

Basis of Presentation

The unaudited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission (“SEC”) Guidelines, Rules and Regulations and, in the opinion of management, reflect all normal recurring adjustments necessary for a fair presentation of results for the unaudited interim periods presented. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted. The results of operations for the interim period are not necessarily indicative of the results to be obtained for the full fiscal year. All intercompany accounts and transactions have been eliminated in the unaudited consolidated financial statements.

Change Healthcare Inc.
Notes to Consolidated Financial Statements
(unaudited and amounts in thousands, except share and per share amounts)

Business Combinations

We recognize the consideration transferred (i.e., purchase price) in a business combination, as well as the acquired business' identifiable assets, liabilities and noncontrolling interests at their acquisition date fair value. The excess of the consideration transferred over the fair value of the identifiable assets, liabilities and noncontrolling interest, if any, is recorded as goodwill. Any excess of the fair value of the identifiable assets acquired and liabilities assumed over the consideration transferred, if any, is generally recognized within earnings as of the acquisition date.

The fair values of the consideration transferred, assets, liabilities and noncontrolling interests are estimated based on one or a combination of income, cost or market approaches as determined based on the nature of the asset or liability and the level of inputs available (i.e., quoted prices in an active market, other observable inputs or unobservable inputs). To the extent our initial accounting for a business combination is incomplete at the end of a reporting period, provisional amounts are reported for those items which are incomplete.

In conjunction with business combinations, we generally recognize goodwill attributable to the assembled workforce and expected synergies among the operations of the acquired entities and our existing operations. Goodwill is generally deductible for federal income tax purposes when a business combination is treated as an asset purchase and is generally not deductible for federal income tax purposes when a business combination is treated as a stock purchase. See Note 4, *Business Combinations*.

Allowance for Credit Losses

The allowance for credit losses of \$24,003 and \$22,360 at December 31, 2020 and March 31, 2020, respectively, were primarily based on historical credit loss experience, current conditions and adjustments for certain asset-specific risk characteristics. The following table summarizes activity related to the allowance for credit losses:

	Nine Months Ended December 31,	
	2020	2019
Balance at beginning of period	\$ 22,360	\$ —
Cumulative effect of accounting change-ASU 2016-13	417	—
Acquisitions and Dispositions (1)	(3,534)	—
Provisions	11,623	—
Write-offs	(6,863)	—
Balance at end of period	<u>\$ 24,003</u>	<u>\$ —</u>

(1) Amount relates primarily to the acquisitions of eRx and PDX and sales of Connected Analytics and Capacity Management. See Note 4, *Business Combinations* and Note 5, *Dispositions*.

Leases

We determine whether an arrangement contains a lease based on the conveyed rights and obligations at the inception date. If an agreement contains an operating or finance lease, at the commencement date, we record a right-of-use asset and a corresponding lease liability based on the present value of the minimum lease payments.

As most of our leases do not provide an implicit borrowing rate, to determine the present value of lease payments, we use the portfolio approach and determine our hypothetical secured borrowing rate based on information available at lease commencement. Further, we make certain estimates and judgements regarding the lease term and lease payments, noted below.

Leases with an initial term of 12 months or less are not recorded on the balance sheet and we recognize lease expense for these leases on a straight-line basis over the lease term. Most leases include one or more options to renew, with renewal terms that can extend the lease term from one month to one year or more. Additionally, some of our leases include an option for early termination. We include renewal periods and exclude termination periods from our lease term if, at commencement, we are reasonably certain to exercise the option.

Certain of our lease agreements include rental payments that are adjusted periodically for inflation or passage of time. These step payments are included within our present value calculation as they are known adjustments at commencement. Some of our lease agreements include variable payments that are excluded from our present value calculation. For example, some of our equipment leases include a component which varies based on the asset's use.

Change Healthcare Inc.
Notes to Consolidated Financial Statements
(unaudited and amounts in thousands, except share and per share amounts)

Additionally, we have lease agreements that include lease and non-lease components, such as equipment leases, which are generally accounted for as a single lease component. For these leases, lease payments include all fixed payments stated within the contract. For other leases, such as office space, lease and non-lease components are accounted for separately. Our lease agreements do not contain any material residual value guarantees that would impact our lease payments.

Recently Adopted Accounting Pronouncements

Financial Instruments: Credit Losses

In April 2020, we adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2016-13, as amended by ASU No. 2018-19, which requires that a financial asset (or group of financial assets) measured at amortized cost be presented at the net amount expected to be collected based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. The guidance also requires us to pool assets with similar risk characteristics and consider current economic conditions when estimating losses. We adopted this standard using the modified retrospective approach and recorded a cumulative effect to retained earnings of \$417 as of April 1, 2020.

Fair Value Measurements

In April 2020, we adopted FASB ASU No. 2018-13, which modifies the disclosure requirements for fair value measurements. Entities are no longer required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but public companies are required to disclose the range and weighted-average of significant unobservable inputs used to develop Level 3 fair value measurements. See Note 10, *Fair Value Measurements*.

Hosting Arrangement Implementation Costs

In April 2020, we adopted FASB ASU No. 2018-15, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This update also requires that the effects of such capitalized costs be classified in the same respective caption in the statement of operations, balance sheet and cash flows as the underlying hosting arrangement. We adopted this standard prospectively beginning April 1, 2020. This adoption did not have a material impact on our financial statements for the three and nine months ended December 31, 2020.

Leases

In April 2020, we adopted FASB ASU No. 2016-02, which created Topic 842 – Leases (“ASC 842”). The standard generally requires that all lease obligations be recognized on the balance sheet at the present value of the remaining lease payments with a corresponding right-of-use asset. In July 2018, the FASB issued ASU No. 2018-11 which provides companies with the option to apply this cumulative effect adjustment to the opening balance of retained earnings in the period of adoption.

Upon adoption, we elected the transition “practical expedients” permitting us not to reassess our prior conclusions about lease identification, lease classification and initial direct costs. Additionally, we elected the practical expedient to not separate lease and non-lease components for equipment lease agreements.

We adopted ASC 842 using the modified retrospective approach and recorded right-of-use assets of \$111,815 and lease liabilities of \$125,331, primarily related to operating leases. The recognition of the right-of-use assets in combination with our previously recorded prepaid rent balances resulted in no requirement to adjust the opening balance of retained earnings. Our accounting for finance leases remains substantially unchanged. Adoption of ASC 842 did not materially impact our consolidated statement of operations and had no impact on our consolidated statement of cash flows. See Note 8, *Leases*, for additional information.

London Interbank Offered Rate (LIBOR) Reform

In March 2020, the FASB issued ASU No. 2020-04, which created Topic 848 – Reference Rate Reform. ASU No. 2020-04 contains optional practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts which may be elected over time as activities occur. Among other things, the ASU intends to ease the transition from LIBOR to an alternative reference rate. During the first quarter of fiscal year 2021, we elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. We continue to evaluate the impacts of ASU No. 2020-04 and may apply other elections as reference rate reform activities progress.

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Accounting Pronouncements Not Yet Adopted

None that are expected to have a material impact on our financial statements.

3. Revenue Recognition

We generate most of our solutions revenue by using technology solutions (generally Software as a Service (“SaaS”)) to provide services to our customers that automate and simplify business and administrative functions for payers, providers, pharmacies, and channel partners and through the licensing of software, software systems (consisting of software, hardware and maintenance support) and content.

We recognize revenue when the customer obtains control of the good or service through satisfying a performance obligation by transferring the promised good or service to the customer.

Principal Revenue Generating Products and Services

Hosted solutions and SaaS—We enter into arrangements whereby we provide the customer access to a Company-owned software solution, which are generally marketed under annual and multi-year arrangements. The customer is only provided “access” (not a license) to the software application. In these arrangements, the customer does not purchase equipment nor does the customer take physical possession of the software. The related revenue is recognized ratably over the contracted term. For fixed fee arrangements, revenue recognition begins after set-up and implementation are complete. For per-transaction fee arrangements, revenue is recognized as transactions are processed beginning on the service start date. Revenue for hosted solutions and SaaS, which is included in solutions revenue, is generated by the Software and Analytics, Network Solutions, and Technology-Enabled Services segments.

Transaction processing services—We provide transaction processing (such as claims processing) services to hospitals, pharmacies and health systems via a cloud-based (SaaS) platform. The promised service is to stand ready to process transactions for our customers over the contractual period on an as needed basis. Revenue related to these services is recognized over time as transactions are processed and the revenue is recognized over the individual days in which the services are performed. Revenue is recognized as solutions revenue in the Software and Analytics, Network Solutions, and Technology-Enabled Services segments, with the exception of revenue related to postage that is generated through the delivery of certain of these services. Postage revenue is discussed below and is separately presented on the consolidated statement of operations. Any fixed annual fees and implementation fees are recognized ratably over the contract period.

Contingent fee services—We provide services to customers in which the transaction price is contingent on future occurrences, such as savings generated or amounts collected on behalf of our customers through the delivery of services. In some cases, we perform services in advance of invoicing the customer, thereby creating a contract asset. Revenue in these arrangements is estimated and constrained until we determine that it is probable a significant revenue reversal will not occur, and variable consideration is allocated to the performance obligation for which we earn a contingent fee. We use the expected value method when estimating variable consideration, as we have a large number of contracts with similar characteristics and consider a portfolio of data from other similar contracts to form our estimate of expected value. Revenue for contingent fee services, which is included in solutions revenue, is generated by the Software and Analytics and Technology-Enabled Services segments.

Content license subscriptions and time-based software—Our content license subscriptions and time-based software arrangements provide a license to use a software for a specified period of time. At the end of the contractual period, the customer either renews the license for an additional term or ceases to use the software. Software licenses are typically delivered to the customer with functionality that allows the customer to benefit from the software on its own or together with readily available resources. As contracts for these solutions generally do not price individual components separately, we allocate the transaction price to the license and ongoing support performance obligations based on standalone selling price, primarily determined by historical value relationships between licenses and ongoing support and updates. Revenue allocated to content license subscriptions and time-based software license agreements is generally recognized at the point-in-time of delivery of the license or the content update upon transfer of control of the underlying license to the customer. Generally, software implementation fees are recognized over the implementation period through an input measure of progress method. Revenue allocated to maintenance and support is recognized ratably over the period covered by the agreements, as passage of time represents a faithful depiction of the transfer of these services. In some cases, software arrangements provide licenses to several software applications that are highly integrated with the implementation services and software updates and cannot function separately. The bundle is a single performance obligation since the individually promised goods and services are not distinct in the context of the contract because the related implementation services significantly modify and customize the software and the updates provided to the integrated software solution are critical to the software’s utility. The related revenue is recognized on a straight-line basis, ratably over the contractual term due to the frequency and criticality of the updates throughout the license period. Revenue for content license subscriptions and time-based software, which is included in solutions revenue, is generated by the Software and Analytics segment.

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Perpetual software licenses—Our perpetual software arrangements provide a license for a customer to use software in perpetuity. Software licenses are typically delivered to the customer with functionality from which the customer can benefit from the license on its own or together with readily available resources. Perpetual software arrangements are recognized at the time of delivery or through an input measure of progress method over the installation period if the arrangements require significant production or modification or customization of the software. Contracts accounted for through an input measure of progress method are generally measured based on the ratio of labor hours incurred to date to total estimated labor hours to be incurred. Software implementation fees are recognized as the work is performed or under the input method for perpetual software. Hardware revenue is generally recognized upon delivery. Maintenance is recognized ratably over the term of the agreement as passage of time represents a faithful depiction of the transfer of these services. License, implementation, hardware and maintenance revenue for these arrangements, which is included in solutions revenue, is generated by the Software and Analytics and Network Solutions segments.

Professional services—We provide training and consulting services to our customers, and the services may be fixed fee or time and materials based. Consulting services that fall outside of the standard implementation services vary depending on the scope and complexity of the service requested by the customer. Consulting services are deemed to be capable of being distinct from other products and services, and the services are satisfied either at a point of time or over time based on delivery and are recognized as solutions revenue in the Software and Analytics and Technology-Enabled Services segments. Training services are usually provided as an optional service to enhance the customer's experience with a software product or provides additional education surrounding the general topic of the solution. Training services are capable of being distinct from other products and services. We treat training services as a distinct performance obligation, and those services are satisfied at a point of time and recognized as solutions revenue in the Software and Analytics and Technology-Enabled Services segments.

Postage Revenue

Postage revenue is the result of providing delivery services to customers in our payment and communication solutions. Postage revenue is generally billed as a pass-through cost to our customers. The service is part of a combined performance obligation with the printing and handling services provided to the customer because the postage services are not distinct within the context of the contract. We present Postage Revenue separately from Solutions Revenue on the consolidated statements of operations as doing so makes the financial statements more informative for the users. The revenue related to the combined performance obligation of the postage, printing, and handling service is recognized as the transactions are processed, and the revenue is recognized over the individual days in which the services are performed.

Contract Balances

We generally recognize a contract asset when revenue is recognized in advance of invoicing on a customer contract, unless the right to payment for that revenue is unconditional (i.e. requiring no further performance and only the passage of time). If a right to payment is determined to meet the criteria to be considered 'unconditional', then we will recognize a receivable.

We did not recognize any impairment loss on accounts receivable or contract assets during the three and nine months ended December 31, 2020. Change Healthcare Inc. did not have accounts receivable prior to the Merger.

We record deferred revenue when billings or payments are received from customers in advance of our performance. Deferred revenue is generally recognized when transfer of control to customers occurs. The deferred revenue balance is driven by multiple factors, including the frequency of renewals, invoice timing, invoice duration and fair value adjustments as a result of the Merger. As of December 31, 2020, we expect 94% of the deferred revenue balance to be recognized in one year or less, and approximately \$245,760 of the beginning period balance was recognized during the nine months ended December 31, 2020.

Costs to Obtain or Fulfill a Contract

At December 31, 2020, we had capitalized costs to obtain a contract of \$4,339 in prepaid and other current assets and \$27,502 in other noncurrent assets. At December 31, 2020, we had capitalized costs to fulfill a contract of \$3,287 in prepaid and other current assets and \$18,072 in other noncurrent assets. Amortization of such capitalized costs to obtain or fulfill a contract were immaterial for the three and nine months ended December 31, 2020. Change Healthcare Inc. did not have costs to obtain or fulfill a contract prior to the Merger, and therefore did not record amortization of such capitalized costs during the three and nine months ended December 31, 2019.

Remaining Performance Obligations

The aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) for executed contracts includes deferred revenue and other revenue yet to be recognized from non-cancellable contracts. As of December 31, 2020, the total remaining performance obligations approximated \$1,507,154, of which approximately 49% is expected to be recognized over the next twelve months, and the remaining 51% thereafter.

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In this balance, we do not include the value of unsatisfied performance obligations related to those contracts for which we recognize revenue at the amount for which we have the right to invoice for services performed. Additionally, this balance does not include revenue related to performance obligations that are part of a contract with an original expected duration of one year or less. Lastly, this balance does not include variable consideration allocated to the individual goods or services in a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. Examples includes variable fees associated with transaction processing and contingent fee services.

Disaggregated Revenue

We disaggregate the revenue from contracts with customers by operating segment as we believe doing so best depicts how the nature, amount, timing and uncertainty of revenues are affected by economic factors. See Note 19, *Segment Reporting*, for the total revenue disaggregated by operating segment for the three and nine months ended December 31, 2020.

In addition to disaggregating revenue by operating segment, we disaggregate revenue between revenue that is recognized over time and revenue that is recognized at a point in time. Approximately 98% and 96% of revenue was recognized over time and approximately 2% and 4% of revenue was recognized at a point in time for the three and nine months ended December 31, 2020, respectively.

4. Business Combinations

Fiscal Year 2021 Transactions

eRx Network Holdings, Inc.

On May 1, 2020, we exercised our option to purchase and completed the acquisition of 100% of the ownership interest in eRx Network Holdings, Inc. (“eRx”), a leading provider in comprehensive, innovative and secure data-driven solutions for pharmacies. At the time of the acquisition, all outstanding eRx equity awards were canceled and holders of eRx stock options and vested eRx stock appreciation rights were able to elect to receive consideration in the form of a cash payment or vested stock appreciation rights of the Company. See Note 17, *Incentive Compensation Plans*, for additional information.

Prior to the acquisition, we held an option to purchase eRx which we accounted for as an equity investment. Therefore, our acquisition of eRx was accounted for as a business combination achieved in stages under the acquisition method in accordance with Accounting Standards Codification 805, *Business Combinations* (“ASC 805”). Accordingly, we remeasured our business purchase option to fair value and recognized a loss of \$6,000 which is recorded in Other, net on our consolidated statement of operations.

The following table summarizes information related to this acquisition as of the acquisition date. The fair values of the assets acquired and the liabilities assumed were determined based on information available to the Company using primarily an income-based approach. During the second and third quarters of fiscal year 2021, we continued to make purchase price allocation adjustments to refine the fair value of assets acquired and liabilities assumed, including goodwill. These refinements primarily included an increase to the determined fair value of customer relationships and deferred tax liabilities and a decrease to the determined fair value of technology-based intangible assets. There were no material impacts to the consolidated statement of operations as a result of the adjustments. We consider our accounting for the assets acquired and liabilities assumed in the eRx acquisition to be complete.

	eRx
Cash paid at closing	\$ 249,359
Fair value of eRx purchase option	140,500
Fair value of vested stock appreciation rights	5,097
Cash paid for canceled eRx equity awards	5,891
Total Consideration Fair Value at Acquisition Date	\$ 400,847
Allocation of the Consideration Transferred:	
Cash	\$ 54,108
Accounts receivable, net of allowance of \$326	12,747
Prepaid expenses and other current assets	609
Goodwill	225,156

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Identifiable intangible assets:	
Customer relationships (life 17 years)	131,200
Internally developed technology (life 9-12 years)	29,700
Other noncurrent assets	20
Accounts payable	(2,543)
Accrued expenses and other current liabilities	(10,933)
Deferred income tax liabilities	(39,217)
Total consideration transferred	\$ 400,847

The goodwill recognized, all of which is assigned to the Network Solutions segment, is primarily attributable to expected synergies of the combined businesses and the acquisition of an assembled workforce knowledgeable of the healthcare and information technology industries. The goodwill is not expected to be deductible for tax purposes. See Note 6, *Goodwill*.

Acquisition costs related to the purchase of eRx were not material.

PDX, Inc.

On June 1, 2020, we completed the cash purchase of 100% of the ownership interest in PDX, Inc. ("PDX"), a company focused on delivering patient centric and innovative technologies for pharmacies and health systems. We accounted for this transaction as a business combination using the acquisition method.

The fair values of the assets acquired and the liabilities assumed were determined based on information available to the Company using primarily an income-based approach. During the second quarter of fiscal year 2021, we continued to make purchase price allocation adjustments to refine the fair value of assets acquired, including goodwill. These refinements primarily included an increase to the determined fair value of customer relationships and decreases to the determined fair values of technology-based intangible assets and deferred revenue. There were no material impacts to the consolidated statement of operations as a result of the adjustments. Additional information is being gathered to finalize the amounts with respect to deferred taxes. Accordingly, the measurement of the deferred tax assets acquired and deferred tax liabilities assumed may change upon finalization of the Company's valuations and completion of the purchase price allocation, both of which are expected to occur no later than one year from the acquisition date. We consider our accounting for the other assets acquired and liabilities assumed in the PDX acquisition to be complete.

After customary working capital adjustments, transaction fees and other adjustments, the total consideration fair value at the acquisition date was \$198,291. The following table summarizes the allocation of consideration transferred:

	PDX
Cash	\$ 755
Accounts receivable, net of allowance of \$1,092	5,739
Prepaid expenses and other current assets	2,251
Property and equipment	840
Goodwill	98,830
Identifiable intangible assets:	
Customer relationships (life 18 years)	74,300
Technology-based intangible assets (life 10-11 years)	25,300
Other noncurrent assets	690
Accounts payable	(3,882)
Deferred revenue, current	(2,946)
Accrued expenses and other current liabilities	(3,364)
Other noncurrent liabilities	(222)
Total consideration transferred	\$ 198,291

The goodwill recognized, all of which is assigned to the Network Solutions segment, is primarily attributable to expected synergies of the combined businesses and the acquisition of an assembled workforce knowledgeable of the healthcare and information technology industries. The goodwill is expected to be deductible for tax purposes. See Note 6, *Goodwill*.

Acquisition costs related to the purchase of PDX were not material.

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Nucleus.io

In August 2020, we completed the acquisition of Nucleus.io, a leader in the development of advanced, fully enabled, cloud-native imaging and workflow technology. We acquired Nucleus.io for total consideration of \$35,120 and accounted for the acquisition as a business combination. The consideration transferred was primarily allocated to technology-based intangible assets of \$11,700 and goodwill of \$22,341. The goodwill recognized is assigned to the Software and Analytics segment. The preliminary values of the consideration transferred, assets acquired and liabilities assumed in the acquisition, including the related tax effects, are subject to change upon receipt of a final valuation and working capital settlement.

Fiscal Year 2020 Transactions

The Merger

On March 10, 2020, the Company combined with SpinCo in a two-step all-stock “Reverse Morris Trust” transaction that involved a separation of SpinCo from McKesson followed by the merger of SpinCo with and into the Company, with the Company as the surviving company. As a result of the Merger, the Joint Venture became a wholly owned subsidiary of the Company.

McKesson accepted 15,426,537 shares of its own common stock, par value \$0.01 in exchange for all 175,995,192 issued and outstanding shares of SpinCo common stock, par value \$0.001 per share (the “SpinCo Common Stock”). All shares of SpinCo Common Stock were then converted into an equal number of shares of common stock of the Company, par value \$0.001, which the Company issued to the former holders of SpinCo Common Stock, together with cash in lieu of any fractional shares.

Prior to the Merger, we accounted for our investment in the Joint Venture under the equity method of accounting. Therefore, the acquisition of control of the Joint Venture was accounted for as a business combination achieved in stages under the acquisition method in accordance with ASC 805. Accordingly, we remeasured our previously held equity interest in the Joint Venture to fair value by reference to the publicly traded price of the common shares issued to SpinCo shareholders in exchange for the remaining 58% equity interest in the Joint Venture. Upon remeasurement, we recognized a loss on investment of \$230,229. The loss represents the amount by which the carrying value of our investment in the Joint Venture exceeded the fair value of our 42% interest immediately prior to the Merger.

The fair values of the assets acquired and the liabilities assumed were determined based on information available to the Company. Additional information is being gathered to finalize the provisional measurements with respect to deferred taxes. Accordingly, the measurement of the deferred tax assets acquired and deferred tax liabilities assumed may change upon finalization of the Company’s valuations and completion of the purchase price allocation, both of which are expected to occur no later than one year from the acquisition date. During the first quarter of fiscal year 2021, we increased the estimated fair value of our deferred tax liability by \$1,604 which also impacted goodwill. During the third quarter of fiscal year 2021, we made additional adjustments decreasing our deferred tax liability and goodwill by \$4,692. There were no impacts to the consolidated statement of operations as a result of the adjustments. We consider our accounting for the other assets acquired and liabilities assumed in the Merger to be complete.

The following table summarizes information related to this acquisition as of the acquisition date:

Net Assets acquired	
Cash	\$ 330,665
Accounts receivable, net of allowance of \$22,059	718,895
Contract assets	132,704
Prepaid and other current assets	115,265
Investment in business purchase option	146,500
Property and equipment, net	206,751
Goodwill	4,357,560
Other noncurrent assets	169,539
Identified intangible assets:	
Customer relationships (life 12-16 years)	3,056,000
Tradenames (life 18 years)	146,000
Technology-based intangible assets (life 6-12 years)	1,188,000
Drafts and accounts payable	(60,637)
Accrued expenses	(559,456)
Deferred revenue, current	(292,528)
Current portion of long-term debt	(28,969)

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Other current liabilities	(22,732)
Long-term debt, excluding current portion	(4,713,565)
Deferred income tax liabilities	(574,988)
Tax receivable agreement obligations with related parties	(176,586)
Other long-term liabilities	(102,675)
Net Assets acquired	\$ 4,035,743
Summary of purchase consideration:	
Fair value of shares issued to SpinCo shareholders (175,995,192 shares at \$12.47 per share):	
Common Stock, \$0.001 par value	\$ 176
Additional paid-in capital	2,194,484
Fair value of Joint Venture equity interest previously held	1,589,040
Fair value of Joint Venture equity interest previously held through TEUs	216,764
Settlement of dividend receivable	42,778
Repayment of advances to member	(7,499)
Purchase consideration	\$ 4,035,743

The goodwill recognized in the Merger is primarily attributable to expected synergies of the combined businesses and the acquisition of an assembled workforce knowledgeable of the healthcare and information technology industries in which we operate. The majority of the goodwill is not expected to be deductible for tax purposes.

Acquisition costs related to the Merger were not material.

5. Dispositions

Connected Analytics

On May 1, 2020, we completed the sale of our Connected Analytics business, which was included in our Software and Analytics segment, for total consideration of \$55,000, subject to a customary working capital adjustment, including a \$25,000 note receivable from the buyer which was recorded within Other noncurrent assets, net on the consolidated balance sheet. The net book value of the Connected Analytics business prior to the sale was \$22,619 which includes primarily net accounts receivable of \$16,325, goodwill of \$21,705 and deferred revenue of \$17,133. In connection with this transaction, we recognized a pre-tax gain on disposal of \$24,170 which is included within Gain on sale of businesses on the consolidated statement of operations. In July 2020, we received \$25,000 plus interest from the buyer in satisfaction of the outstanding note receivable.

Capacity Management

On December 2, 2020, we completed the sale of our Capacity Management business, which was included in our Software and Analytics segment, for total consideration of \$67,500, subject to a customary working capital adjustment. The net book value of the Capacity Management business prior to the sale was \$31,599 which includes primarily net accounts receivable of \$14,999, goodwill of \$26,944 and deferred revenue of \$15,230. In connection with this transaction, we recognized a pre-tax gain on disposal of \$32,655 which is included within Gain on sale of businesses on the consolidated statement of operations.

6. Goodwill

The following table presents the changes in the carrying amount of goodwill:

	Software and Analytics	Network Solutions	Technology- Enabled Services	Total
Balance at March 31, 2020	\$ 1,770,118	\$ 1,645,831	\$ 379,376	\$ 3,795,325
Acquisitions (1)	22,341	323,986	—	346,327
Dispositions	(51,136)	—	—	(51,136)
Effects of foreign currency	17,926	—	—	17,926
Adjustments (2)	(1,637)	(1,081)	(311)	(3,029)
Balance at December 31, 2020	\$ 1,757,612	\$ 1,968,736	\$ 379,065	\$ 4,105,413

(1) Amounts relate primarily to the acquisitions of eRx, PDX and Nucleus.io. See Note 4, *Business Combinations*.

(2) Amounts relate to fair value adjustments to the assets acquired and liabilities assumed in the Merger. See Note 4, *Business Combinations*.

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7. Equity Method Investment in Change Healthcare LLC

Prior to the Merger, the Company accounted for its investment in the Joint Venture using the equity method of accounting. During the three and nine months ended December 31, 2019, the Company recorded a proportionate share of the loss from this investment of \$8,764 and \$104,497, respectively, which included transaction and integration expenses incurred by the Joint Venture and basis adjustments, including amortization expenses, associated with equity method intangible assets. These amounts are in Loss from Equity Method Investment in the Joint Venture in the consolidated statements of operations.

Following completion of the Merger, we consolidate the Joint Venture and no longer account for our ownership interest as an equity method investment. Summarized statement of operations information of the Joint Venture prior to the Merger is as follows:

	Three Months Ended December 31, 2019	Nine Months Ended December 31, 2019
Total revenue	\$ 808,226	\$ 2,459,593
Cost of operations (exclusive of depreciation and amortization)	\$ 339,413	\$ 998,943
Customer postage	\$ 55,693	\$ 171,288
Net income (loss)	\$ 31,191	\$ 102,973

8. Leases

We lease office space, other facilities, office equipment for internal use, vehicles and bulk invoice pricing and mailing related equipment for customer solutions. Our lease portfolio includes both operating and finance leases with original terms ranging from one to 15 years.

Statement of Operations Information

The components of lease cost are as follows:

	Statement of Operations Location	Three Months Ended December 31, 2020	Nine Months Ended December 31, 2020
Operating lease cost	(1)	\$ 9,951	\$ 32,109
Finance lease cost			
Amortization expense	Depreciation and amortization	110	312
Interest expense	Interest expense, net	35	102
Short-term lease cost	(1)	261	747
Variable lease cost	(1)	1,524	5,275
Sublease income	Other, net	(172)	(834)
Total lease cost		<u>\$ 11,709</u>	<u>\$ 37,711</u>

- (1) Cost classification varies depending on the leased asset. Costs are primarily included within sales, marketing, general and administrative and cost of operations.

Balance Sheet Information

Right-of-use assets and lease liabilities are as follows:

	Balance Sheet Location	December 31, 2020
Right-of-use assets		
Operating leases	Operating lease right-of-use assets, net	\$ 99,258
Finance leases	Property and equipment, net	1,975
Total right-of-use assets		<u>\$ 101,233</u>
Lease liabilities		
Current liabilities		
Operating leases	Current portion of operating lease liabilities	\$ 30,813
Finance leases	Current portion of long-term debt	577
Noncurrent liabilities		
Operating leases	Long-term operating lease liabilities	80,789
Finance leases	Long-term debt, excluding current portion	1,373
Total lease liabilities		<u>\$ 113,552</u>

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Cash Flow Information

Supplemental cash flow information is as follows:

	Nine Months Ended December 31, 2020	
	<u>Operating Leases</u>	<u>Finance Leases</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows	\$ 31,331	\$ 102
Financing cash flows	\$ —	\$ 490
Non-cash activities		
Right-of-use assets obtained in exchange for lease liabilities (1)	\$ 11,846	\$ 363

(1) Amounts exclude the impact of adopting ASC 842. See Note 2, *Significant Accounting Policies*.

Maturity of Lease Liabilities

Maturities of lease liabilities by fiscal year as of December 31, 2020 are as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>	<u>Total</u>
Remainder of 2021	\$ 10,022	\$ 183	\$ 10,205
2022	36,697	664	37,361
2023	27,580	485	28,065
2024	19,037	468	19,505
2025	14,011	390	14,401
2026 and thereafter	25,501	—	25,501
Total lease liabilities, undiscounted	132,848	2,190	135,038
Less: Imputed interest	21,246	240	21,486
Total lease liabilities	<u>\$ 111,602</u>	<u>\$ 1,950</u>	<u>\$ 113,552</u>

Maturities of lease liabilities by fiscal year as of March 31, 2020 were as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>	<u>Total</u>
2021	\$ 40,476	\$ 468	\$ 40,944
2022	34,750	468	35,218
2023	23,761	468	24,229
2024	15,393	468	15,861
2025	10,780	390	11,170
2026 and thereafter	15,850	—	15,850
Total lease liabilities, undiscounted	<u>\$ 141,010</u>	<u>\$ 2,262</u>	<u>\$ 143,272</u>

Other Information

Other information related to our leases as of December 31, 2020 is as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>
Weighted-average remaining lease term	4.79 years	3.70 years
Weighted-average discount rate	7.39%	6.53%

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9. Interest Rate Cap Agreements

Risk Management Objective of Using Derivatives

We are exposed to certain risks arising from both our business operations and economic conditions. We principally manage exposures to a wide variety of business and operational risks through management of core business activities. We manage economic risks, including interest rate, liquidity and credit risk, primarily by managing the amount, sources and duration of debt funding and the use of derivative financial instruments. Specifically, we enter into derivative financial instruments to manage differences in the amount, timing and duration of known or expected cash receipts and known or expected cash payments principally related to existing borrowings.

Cash Flow Hedges of Interest Rate Risk

Our objectives in using interest rate derivatives are to add stability to interest expense and to manage exposure to interest rate movements. To accomplish these objectives, we primarily use interest rate cap agreements as part of our interest rate risk management strategy. Payments and receipts related to interest rate cap agreements are included in cash flows from financing activities in the consolidated statements of cash flows.

In August 2018, the Joint Venture executed annuitized interest rate cap agreements with notional amounts of \$500,000, accreting to \$1,500,000 to limit the exposure of the variable component of interest rates under the Term Loan Facility or future variable rate indebtedness to a maximum of 1.0%. The interest rate cap agreements became effective August 31, 2018, accreted to \$1,500,000 in March 2020 and expire December 31, 2021. Upon completion of the Merger, these agreements were redesignated as cash flow hedges of the Company.

In March 2020, we executed additional annuitized interest rate cap agreements with notional amounts totaling \$1,000,000 to limit the exposure of the variable component of the interest rates under the Term Loan Facility or future variable rate indebtedness to a maximum of 1.0%. Each interest rate cap agreement became effective March 31, 2020 and expires March 31, 2024.

At December 31, 2020, each of our outstanding interest rate cap agreements were designated as cash flow hedges of interest rate risk and were determined to be highly effective.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate debt. We estimate that \$2,005 will be reclassified as an increase to interest expense within one year.

Fair Value

The fair value of derivative instruments at December 31, 2020 and March 31, 2020 is as follows:

	Fair Values of Derivative Financial Instruments		
	Balance Sheet Location	December 31, 2020	March 31, 2020
Derivative financial instruments designated as hedging instruments:			
Interest rate cap agreements	Accrued expenses	(28,985)	(28,131)
Interest rate cap agreements	Other long-term liabilities	(3,288)	(19,277)
Total		\$ (32,273)	\$ (47,408)

See Note 10, *Fair Value Measurements*, for additional information.

Effect of Derivative Instruments on the Statement of Operations

The effect of the derivative instruments on the consolidated statements of operations is as follows:

	Three Months Ended		Nine Months Ended	
	December 31, 2020	2019	December 31, 2020	2019
Derivative financial instruments in cash flow hedging relationships:				
Gain/(loss) related to derivative financial instruments recognized in other comprehensive income (loss)	\$ (383)	\$ —	\$ (7,119)	\$ —
Gain/(loss) related to portion of derivative financial instruments reclassified from accumulated other comprehensive income (loss) to interest expense	\$ 302	\$ —	\$ 858	\$ —

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Credit Risk-Related Contingent Features

We have agreements with each of our derivative counterparties providing that if we default on any of our indebtedness, including a default where repayment of the indebtedness has not been accelerated by the lender, then we also could be declared in default on our derivative obligations.

As of December 31, 2020, the termination value of derivative financial instruments in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, was \$32,953. If we had breached any of these provisions at December 31, 2020, we could have been required to settle our obligations under the agreements at this termination value. We do not offset any derivative financial instruments and the derivative financial instruments are not subject to collateral posting requirements.

10. Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities that are measured at fair value on a recurring basis consist of derivative financial instruments and contingent consideration obligations. The following tables summarize these items, aggregated by the level in the fair value hierarchy within which those measurements fall:

Description	Balance at December 31, 2020	Quoted in Identical Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate cap agreements	\$ (32,273)	\$ —	\$ (32,273)	\$ —
Contingent consideration obligation	—	—	—	—
Total	\$ (32,273)	\$ —	\$ (32,273)	\$ —

Description	Balance at March 31, 2020	Quoted in Identical Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate cap agreements	\$ (47,408)	\$ —	\$ (47,408)	\$ —
Contingent consideration obligation	(3,000)	—	—	(3,000)
Total	\$ (50,408)	\$ —	\$ (47,408)	\$ (3,000)

Derivative Financial Instruments

The valuation of our derivative financial instruments is determined using widely accepted valuation techniques, including a discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivative, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The fair value of the interest rate cap agreements is determined using the market standard methodology of netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments) using the overnight index swap rate as the discount rate.

We incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we considered the impact of netting and any applicable credit enhancements and measured the credit risk of our derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments utilize Level 3 inputs to evaluate the likelihood of both our own default and counterparty default. As of December 31, 2020, we determined that the credit valuation adjustments are not significant to the overall valuation of the derivatives. As a result, the derivative valuations are classified in Level 2 of the fair value hierarchy.

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Contingent Consideration

Prior to December 31, 2020, the valuation of our contingent consideration obligations was determined using a discounted cash flow method that involved a Monte Carlo simulation. This analysis reflects the contractual terms of the purchase agreements (i.e., minimum and maximum payments, length of earn-out periods, manner of calculating amounts due, etc.) and utilizes assumptions with regard to future cash flows that were determined using a Monte Carlo simulation which were then discounted to present value using an appropriate discount rate. Significant increases with respect to assumptions as to future revenue would have resulted in a higher fair value measurement while an increase in the discount rate would have resulted in a lower fair value measurement. The measurement period ended December 31, 2020, and the Company determined no obligations remained. As such, the contingent consideration liability was reduced to zero as of December 31, 2020.

The table below presents a reconciliation of the fair value of the liabilities that use significant unobservable inputs (Level 3):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
Balance at beginning of period	\$ —	\$ —	\$ (3,000)	\$ —
Gain/(loss) included in contingent consideration	—	—	3,000	—
Balance at end of period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Assets and Liabilities Measured at Fair Value upon Initial Recognition

The carrying amounts and fair values of financial instruments held as of December 31, 2020 and March 31, 2020 were as follows:

	December 31, 2020		March 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 137,357	\$ 137,357	\$ 410,405	\$ 410,405
Accounts receivable	\$ 697,948	\$ 697,948	\$ 740,105	\$ 740,105
Investment in business purchase option	\$ —	\$ —	\$ 146,500	\$ 146,500
Senior Credit Facilities (Level 2)	\$ 3,447,156	\$ 3,529,963	\$ 3,682,457	\$ 3,452,687
Senior Notes (Level 2)	\$ 1,317,689	\$ 1,348,188	\$ 997,772	\$ 950,000
Debt component of tangible equity units (Level 2)	\$ 24,268	\$ 24,801	\$ 35,431	\$ 34,806

Additionally, the assets acquired and liabilities assumed as part of business acquisitions were recorded at fair value upon initial recognition. See Note 4, *Business Combinations*, for additional information.

11. Long-Term Debt

Our long-term indebtedness is comprised of a senior secured term loan facility (the “Term Loan Facility”), a revolving credit facility (the “Revolving Facility”; together with the Term Loan Facility, the “Senior Credit Facilities”), and 5.75% senior notes due 2025 (the “Senior Notes”).

Long-term debt as of December 31, 2020 and March 31, 2020, consisted of the following:

	December 31, 2020	March 31, 2020
<i>Senior Credit Facilities</i>		
\$5,100,000 Term Loan Facility, due March 1, 2024, net of unamortized discount of \$96,094 and \$125,793 at December 31, 2020 and March 31, 2020, respectively (effective interest rate of 4.42% and 4.42%, respectively)	\$ 3,447,156	\$ 3,682,457
\$785,000 Revolving Facility, expiring July 3, 2024, and bearing interest at a variable interest rate (1)	—	250,000
<i>Senior Notes</i>		
\$1,325,000 5.75% Senior Notes due March 1, 2025, net of unamortized discount of \$7,311 and \$2,228 at December 31, 2020 and March 31, 2020, respectively (effective interest rate of 5.90% and 5.80%, respectively)	1,317,689	997,772
<i>Tangible Equity Unit Senior Amortizing Note</i>		
\$47,367 Senior Amortizing Notes due June 30, 2022, net of unamortized discount of \$405 and \$842 at December 31, 2020 and March 31, 2020, respectively (effective interest rate of 7.44% and 7.44%, respectively)	24,268	35,431
<i>Other</i>	28,734	23,413
Less current portion	(37,019)	(278,779)
Long-term debt	<u>\$ 4,780,828</u>	<u>\$ 4,710,294</u>

(1) The weighted average interest rate at March 31, 2020 was 3.25%.

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Senior Credit Facilities

In June 2020, we repaid our outstanding Revolving Facility balance of \$250,000. The Revolving Facility has a total borrowing capacity of \$785,000 less outstanding letters of credit which totaled \$6,194 and \$5,118 at December 31, 2020 and March 31, 2020, respectively, leaving \$778,806 and \$529,882 available for borrowing, respectively.

Senior Notes Issuance

In April 2020, we issued an additional \$325,000 aggregate principal amount of 5.75% Senior Notes due 2025 (the "Notes") and incurred issuance costs of \$5,364. The Notes were issued as part of the same series as the \$1,000,000 Senior Notes issued in February 2017.

Term Loan Repayments

In the second quarter of fiscal year 2021, we repaid \$50,000 on our Term Loan Facility and recognized a loss on extinguishment of \$1,489 in our consolidated statement of operations. In the third quarter of fiscal year 2021, we repaid an additional \$215,000 and recognized a loss on extinguishment of \$6,145 in our consolidated statement of operations.

12. Net Income (Loss) Per Share

The following table sets forth the computation of basic and diluted net income (loss) per share of common stock:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
Numerator:				
Net income (loss)	\$ 2,196	\$ 50,735	\$ (99,120)	\$ (80,716)
Denominator:				
Weighted average common shares outstanding	304,547,891	124,962,970	304,104,388	108,371,642
Minimum shares issuable under purchase contracts	16,465,704	18,429,325	16,465,704	12,286,217
Total weighted average shares outstanding	321,013,595	143,392,295	320,570,092	120,657,859
Basic net income (loss) per share	<u>\$ 0.01</u>	<u>\$ 0.35</u>	<u>\$ (0.31)</u>	<u>\$ (0.67)</u>
Diluted net income per share:				
Numerator:				
Net income (loss)	\$ 2,196	\$ 50,735	\$ (99,120)	\$ (80,716)
Denominator:				
Number of shares used in basic computation	321,013,595	143,392,295	320,570,092	120,657,859
Weighted average effect of dilutive securities				
Dilutive shares issuable under purchase contracts	—	1,450,910	—	—
Time-Vesting Options	932,344	1,059,868	—	—
Restricted Share Units	2,753,810	289,537	—	—
Deferred Stock Units	95,624	9,250	—	—
Employee Stock Purchase Program Shares	20,151	—	—	—
	324,815,524	146,201,860	320,570,092	120,657,859
Diluted net income (loss) per share	<u>\$ 0.01</u>	<u>\$ 0.35</u>	<u>\$ (0.31)</u>	<u>\$ (0.67)</u>

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Due to their antidilutive effect, the following securities have been excluded from diluted net income (loss) per share:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
Dilutive shares issuable under purchase contracts	—	—	1,579,991	1,712,220
Time-Vesting Options	—	—	766,432	1,290,327
Restricted Share Units	—	—	2,360,586	605,830
Deferred Stock Units	—	—	81,983	6,167

13. Tax Receivable Agreements

Upon the consummation of the Merger, we assumed obligations related to certain tax receivable agreements (collectively, the “tax receivable agreements”) entered into by the Joint Venture with its current and former owners. Depending on whether the respective tax receivable agreements were assumed as part of the Merger or became effective after the Merger, the liabilities related to the tax receivable agreements are subject to differing accounting models as explained below.

Under the tax receivable agreements assumed in connection with the Merger, we are obligated to make payments to certain former stockholders as well as to affiliates of The Blackstone Group, Inc., some of whom are considered related parties. The cash payments made are equal to 85% of the applicable cash savings realized or expected to be realized for the applicable tax receivable agreements. The tax receivable agreements were measured at their fair value as part of the Merger and are recognized at their initial fair value plus recognized accretion to date on the consolidated balance sheet. Accretion recorded during the period pertaining to related party payments is recorded separately to Accretion and changes in estimate with related parties, net, whereas non-related party accretion is recorded within Sales, marketing, general and administrative in the consolidated statement of operations. As the payments are due to both current and former owners, we have separately presented the estimated aggregated payments due to related parties in future fiscal years in the table below.

McKesson Tax Receivable Agreement

In connection with the closing of the Merger, we along with the Joint Venture, the subsidiaries of McKesson that served as members of the Joint Venture (“McK Members”), and McKesson entered into a tax receivable agreement (the “McKesson Tax Receivable Agreement”). The McKesson Tax Receivable Agreement generally requires payment to affiliates of McKesson of 85% of certain cash tax savings realized (or, in certain circumstances, deemed to be realized) in periods ending on or after the date on which McKesson ceases to own at least 20% of the Joint Venture as a result of (i) certain amortizable tax basis in assets transferred to the Joint Venture at the Contribution Agreement Closing and (ii) imputed interest deductions and certain other tax attributes arising from payments under the McKesson Tax Receivable Agreement. Following the McKesson exit and based on anticipated amortization allocations, we recorded an obligation for the McKesson Tax Receivable estimated payments, which represents a loss contingency under ASC 450 and is included in the other long-term liabilities on the consolidated balance sheet. Future changes in this value will be reflected within pretax income or loss.

Based on facts and circumstances at December 31, 2020, we estimate the aggregate payments due under our tax receivable agreements in future fiscal years to be as follows:

	Related Party Tax Receivable Agreements	McKesson Tax Receivable Agreement	Other Tax Receivable Agreements	Total
Remainder of 2021	\$ —	\$ —	\$ —	\$ —
2022	11,606	128	10,788	22,522
2023	11,349	35,992	10,722	58,063
2024	23,421	7,368	13,549	44,338
2025	50,772	23,836	20,004	94,612
Thereafter	83,221	92,192	61,192	236,605
Gross expected payments	180,369	159,516	116,255	456,140
Less: Amounts representing discount	(69,149)	—	(36,561)	(105,710)
Total tax receivable agreement obligation	111,220	159,516	79,694	350,430
Less: Current portion due (included in accrued expenses)	(11,606)	(128)	(10,788)	(22,522)
Tax receivable agreement long-term obligation	\$ 99,614	\$ 159,388	\$ 68,906	\$ 327,908

The timing and/or amount of aggregate payments due may vary based on a number of factors, including the amount of net operating losses and income tax rates.

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14. Income Taxes

The following table summarizes income tax information:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
Income tax provision (benefit)	\$ (4,562)	\$ 15,240	\$ (31,411)	\$ (564)
Effective tax rate	192.8%	23.1%	24.1%	0.7%

Three and Nine Months Ended December 31, 2020 and 2019

Fluctuations in our reported income tax rates from the statutory rate are primarily due to the impacts of our acquisition and divestiture activity, benefits recognized as a result of certain incentive tax credits resulting from research and experimental expenditures, and discrete items recognized in the three and nine months ended December 31, 2020. For the three and nine months ended December 31, 2019, fluctuations in our reported income tax rates from the statutory rate are primarily due to benefits recognized as a result of certain incentive tax credits resulting from research and experimental expenditures and the impacts of discrete items.

15. Legal Proceedings

We are subject to various claims with customers and vendors, pending and potential legal actions for damages, investigations relating to governmental laws and regulators and other matters arising out of the normal conduct of our business.

Government Subpoenas and Investigations

From time to time, we receive subpoenas or requests for information from various government agencies. We generally respond to such subpoenas and requests in a cooperative, thorough and timely manner. These responses sometimes require time and effort and can result in considerable costs. Such subpoenas and requests also can lead to the assertion of claims or the commencement of civil or criminal proceedings against us and other members of the health care industry, as well as to settlements.

Other Matters

In the ordinary course of business, we are involved in various claims and legal proceedings. While the ultimate resolution of these matters has yet to be determined, we do not believe that it is reasonably possible that their outcomes will have a material adverse effect on our consolidated financial position, results of operations, or liquidity.

16. Accumulated Other Comprehensive Income (Loss)

The following is a summary of the accumulated other comprehensive income (loss) activity for the nine months ended December 31, 2020 and 2019. Prior to the Merger, the activity in accumulated other comprehensive income (loss) reflects the proportionate share of the Joint Venture's accumulated other comprehensive income (loss), net of taxes.

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	Available For Sale Debt Security	Foreign Currency Translation Adjustment	Cash Flow Hedge	Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2019	\$ —	\$ (1,565)	\$ (1,691)	\$ (3,256)
Cumulative effect of accounting change of the Joint Venture-ASU 2018-02	—	—	422	422
Change associated with foreign currency translation	—	226	—	226
Change associated with current period hedging	—	—	(5,117)	(5,117)
Reclassification into earnings	—	—	(314)	(314)
Balance at June 30, 2019	\$ —	\$ (1,339)	\$ (6,700)	\$ (8,039)
Unrealized gain (loss) on available for sale debt securities of the Joint Venture	1,173	—	—	1,173
Change associated with foreign currency translation	—	1,583	—	1,583
Change associated with current period hedging	—	—	(1,509)	(1,509)
Reclassification into earnings	—	—	199	199
Balance at September 30, 2019	\$ 1,173	\$ 244	\$ (8,010)	\$ (6,593)
Unrealized gain (loss) on available for sale debt securities of the Joint Venture	134	—	—	134
Change associated with foreign currency translation	—	1,728	—	1,728
Change associated with current period hedging	—	—	289	289
Reclassification into earnings	—	—	1,024	1,024
Balance at December 31, 2019	\$ 1,307	\$ 1,972	\$ (6,697)	\$ (3,418)
Balance at March 31, 2020	\$ —	\$ (7,084)	\$ (288)	\$ (7,372)
Change associated with foreign currency translation	—	6,353	—	6,353
Change associated with current period hedging	—	—	(4,459)	(4,459)
Reclassification into earnings	—	—	275	275
Balance at June 30, 2020	\$ —	\$ (731)	\$ (4,472)	\$ (5,203)
Change associated with foreign currency translation	—	5,221	—	5,221
Change associated with current period hedging	—	—	(2,277)	(2,277)
Reclassification into earnings	—	—	281	281
Balance at September 30, 2020	\$ —	\$ 4,490	\$ (6,468)	\$ (1,978)
Change associated with foreign currency translation	—	11,526	—	11,526
Change associated with current period hedging	—	—	(383)	(383)
Reclassification into earnings	—	—	302	302
Balance at December 31, 2020	\$ —	\$ 16,016	\$ (6,549)	\$ 9,467

Effective April 1, 2019, the Joint Venture adopted FASB ASU No. 2018-02, which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017. The adoption of this update resulted in a reclassification between accumulated other comprehensive income (loss) and accumulated earnings (deficit).

17. Incentive Compensation Plans

Long Term Incentive Plan Awards

In connection with the Omnibus Incentive Plan, during the nine months ended December 31, 2020, we granted to our employees and directors one or a combination of time-vesting restricted stock units, cash settled restricted stock units, and performance stock units under vesting terms that generally vary from one to four years from the date of grant.

Restricted Stock Units (“RSUs”) – We granted 107,520 and 5,832,321 RSUs during the three and nine months ended December 31, 2020, respectively. The RSUs are subject to either a graded vesting schedule over four years or a one-year cliff vesting schedule, depending on the terms of the specific award. Upon vesting, the RSUs are exchanged for shares of common stock.

Cash Settled Restricted Stock Units (“CSRSUs”) – We granted zero and 172,524 CSRSUs during the three and nine months ended December 31, 2020, respectively. The CSRSUs vest 100% upon the one-year anniversary of the date of grant. Upon vesting, we are required to pay cash in settlement of such CSRSUs based on their fair value at the date such CSRSUs vest.

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Performance Stock Units (“PSUs”) – We granted 1,177,152 PSUs during the three and nine months ended December 31, 2020. The PSUs consist of two tranches, one for which vesting varies based on the Company’s compounded annual revenue growth rate over a three year period in comparison to a target percentage and one for which vesting varies based on the Company’s compounded annual Adjusted EBITDA growth rate over a three year period in comparison to a target percentage. The awards earned upon satisfaction of the performance conditions become vested on the third anniversary of the vesting commencement date of the award. The Company recognizes compensation expense for the PSUs based on the number of awards that are considered probable to vest. Recognition of expense is based on the probability of achievement of performance targets and is periodically reevaluated.

We recognized compensation expense related to these awards granted during the three and nine months ended December 31, 2020 of \$5,518 and \$10,971, respectively. At December 31, 2020, aggregate unrecognized compensation expense related to these awards was \$73,859.

eRx Awards

Upon completion of the eRx acquisition all outstanding eRx equity awards were canceled. Holders of eRx stock options and vested eRx stock appreciation rights were able to elect to receive consideration in the form of a cash payment or vested stock appreciation rights of the Company. For those individuals with unvested eRx equity awards, we elected to issue replacement awards with vesting and exercisability terms generally identical to the existing eRx awards which were replaced. These replacement awards granted under the Omnibus Incentive Plan consisted of unvested restricted share units (“eRx RSUs”) and unvested stock appreciation rights (“eRx SARs”) with terms identical to the original eRx awards. The awards vest subject to the employee’s continued employment through the date when Blackstone has sold at least 25% of the maximum number of shares held by it (i.e., a liquidity event) and achieved specified rates of return that vary by award. Upon vesting, we are required to pay cash in settlement of such eRx awards based on their fair value at the date of such vesting. During the three and nine months ended December 31, 2020, we recognized compensation expense related to eRx awards granted under the Omnibus Incentive Plan of \$208 and \$1,675, respectively. At December 31, 2020, aggregate unrecognized compensation expense related to these awards was \$1,185.

18. Related Party Transactions

eRx Option Agreement

Prior to the creation of the Joint Venture, we entered into an option agreement to acquire eRx (the “Option Agreement”). Under the terms of the Option Agreement, the option to acquire eRx would only become exercisable at any such time that McKesson owns (directly or indirectly), in the aggregate, less than 5% of the outstanding units of the Joint Venture. Subsequent to the Merger, the Option became exercisable and was exercised on May 1, 2020. See Note 4, *Business Combinations*, for additional information.

Transition Services Agreements

In connection with the creation of the Joint Venture, we entered into transition services agreements with eRx. Under the agreements, we provided certain transition services to eRx in exchange for specified fees. Prior to the acquisition of eRx, we recognized \$283 and \$0 in transition fee income during the nine months ended December 31, 2020 and 2019, respectively. We recognized \$0 in transition fee income during the three months ended December 31, 2020 and 2019. The amounts received are included in Other, net in the consolidated statement of operations.

Employer Healthcare Program Agreement with Equity Healthcare

Effective January 1, 2014, we entered into an employer health program agreement with Equity Healthcare LLC (“Equity Healthcare”), an affiliate of Blackstone, whereby Equity Healthcare provides certain negotiating, monitoring and other services in connection with our health benefit plans. In consideration for Equity Healthcare’s services, we pay a fee of \$1.00 per participating employee per month.

Term Loans Held by Related Party

Certain investment funds managed by GSO Capital Partners LP (the “GSO-managed funds”) held a portion of the term loans under our Senior Credit Facilities. GSO Advisor Holdings LLC (“GSO Advisor”) is the general partner of GSO Capital Partners LP and Blackstone, indirectly through its subsidiaries, holds all of the issued and outstanding equity interests of GSO Advisor. As of December 31, 2020 and March 31, 2020, the GSO-managed funds held \$168,200 and \$151,301, respectively, in principal amount of the Senior Credit Facilities (none of which is classified within current portion of long-term debt).

Transactions with Blackstone Portfolio Companies

We provide various services to, and purchase services from, certain Blackstone portfolio companies under contracts that were executed in the normal course of business. The following is a summary of revenue recognized/amounts paid related to service provided to/from Blackstone portfolio companies:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
Revenue recognized related to services provided	\$ 934	\$ —	\$ 2,815	\$ —
Amount paid related to services received	\$ 3,883	\$ —	\$ 13,341	\$ —

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19. Segment Reporting

Management views the Company's operating results based on three reportable segments: (a) Software and Analytics, (b) Network Solutions and (c) Technology-Enabled Services.

Software and Analytics

The Software and Analytics segment provides solutions for revenue cycle management, provider network management, payment accuracy, value-based payments, clinical decision support, consumer engagement, risk adjustment and quality performance, and imaging and clinical workflow.

Network Solutions

The Network Solutions segment provides solutions for financial, administrative, clinical and pharmacy transactions, electronic payments and aggregation and analytics of clinical and financial data.

Technology-Enabled Services

The Technology-Enabled Services segment provides solutions for financial and administrative management, value-based care, communication and payment, pharmacy benefits administration and healthcare consulting.

Postage and Eliminations

Postage and eliminations includes pass-through postage costs, as well as eliminations to remove inter-segment revenue and expenses and consolidating adjustments to classify certain rebates paid to channel partners as a reduction of revenue. These administrative costs are excluded from the adjusted EBITDA measure for each respective reportable segment.

Segment Results

Revenue and adjusted EBITDA for each of the reportable segments for the three and nine months ended December 31, 2020 are shown below. Information is reflected in the manner utilized by management to make operating decisions, assess performance and allocate resources. Such amounts include allocations of corporate shared services functions that are essential to the core operations of the reportable segments. Segment assets and related depreciation expenses are not presented to management for purposes of operational decision making, and therefore are not included in the accompanying tables.

	<u>Three Months Ended December 31, 2020</u>	<u>Nine Months Ended December 31, 2020</u>
Segment Revenue		
Software and Analytics	\$ 372,212	\$ 1,118,661
Network Solutions	192,588	519,509
Technology-Enabled Services	222,514	642,037
Postage and Eliminations (1)	22,006	73,142
Purchase Accounting Adjustment (2)	(24,179)	(118,088)
Net Revenue	<u>\$ 785,141</u>	<u>\$ 2,235,261</u>
Segment Adjusted EBITDA		
Software and Analytics	\$ 120,779	\$ 382,103
Network Solutions	103,847	268,858
Technology-Enabled Services	8,798	11,158
Adjusted EBITDA	<u>\$ 233,424</u>	<u>\$ 662,119</u>
Reconciliation of income (loss) before tax provision (benefit) to Adjusted EBITDA		
Income (loss) before income tax provision (benefit)	\$ (2,366)	\$ (130,531)
Amortization of capitalized software developed for sale	460	550
Depreciation and amortization	151,143	436,552

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Interest expense	61,439	185,733
Equity compensation	10,944	34,858
Acquisition accounting adjustments	20,601	103,826
Acquisition and divestiture-related costs	2,661	10,119
Integration and related costs	9,688	27,581
Strategic initiatives, duplicative and transition costs	4,324	13,169
Severance costs	2,591	10,467
Accretion and changes in estimate, net	(2,759)	8,429
Impairment of long-lived assets and other	658	14,418
Gain on sale of businesses	(32,217)	(60,487)
Contingent consideration	—	(3,000)
Loss on extinguishment of debt	6,145	7,634
Other non-routine, net	112	2,801
Adjusted EBITDA	<u>\$ 233,424</u>	<u>\$ 662,119</u>

- (1) Revenue for the Postage and Eliminations segment includes postage revenue of \$49,877 and \$145,672 for the three and nine months ended December 31, 2020, respectively.
- (2) Amount reflects the impact to deferred revenue resulting from the Merger which reduced revenue recognized during the period.

Prior to the Merger, the Company had minimal operations outside of the investment in the Joint Venture and the Company's standalone operating results were not utilized by management to make operating decisions, assess performance, or allocate resources. As such, the Company reported its results as a single reportable segment for the three and nine months ended December 31, 2019.

20. Subsequent Events

On January 5, 2021, the Company entered into a definitive agreement and plan of merger with UnitedHealth Group Incorporated ("UnitedHealth Group") under which UnitedHealth Group will acquire all outstanding shares of the Company ("the transaction"). The agreement calls for the acquisition of the Company's common stock for \$25.75 per share in cash and is expected to close in the second half of 2021, subject to Company shareholders' approval, regulatory approvals and other customary closing conditions. No accounting adjustments related to this transaction were recorded in the three months ended December 31, 2020. Agreements related to the transaction are included as exhibits to this Quarterly Report on Form 10-Q.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand our results of operations and financial condition. The MD&A is provided as a supplement to, and should be read in conjunction with, our Annual Report on Form 10-K for the year ended March 31, 2020, as well as the unaudited consolidated financial statements and the related notes presented in Item 1 of this Quarterly Report for the quarter ended December 31, 2020 ("Quarterly Report").

In addition to historical data, the discussion contains forward-looking statements about the business, operations and financial performance based on current expectations that involve risks, uncertainties and assumptions. Actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those discussed below in *Cautionary Notice Regarding Forward-Looking Statements* and Part II, Item 1A, *Risk Factors*.

Overview

We are a leading independent healthcare technology company, focused on accelerating the transformation of the healthcare system through the power of our healthcare platform. We provide data and analytics-driven solutions to improve clinical, financial, administrative, and patient engagement outcomes in the U.S. healthcare system.

Our platform and comprehensive suite of software, analytics, technology enabled services and network solutions drive improved results in the complex workflows of healthcare system payers and providers by enhancing clinical decision making, simplifying billing, collection and payment processes, and enabling a better patient experience.

Our healthcare platform supports one of the largest clinical and financial healthcare networks in the U.S. With insights gained from our pervasive network, extensive applications and analytics portfolio and our services operations, we have designed analytics solutions that include industry-leading and trusted franchises supported by extensive intellectual property and regularly updated content.

Recent Developments

Sale Transaction – UnitedHealth Group Incorporated

On January 5, 2021, we entered into an Agreement and Plan of Merger (the "UHG Agreement") with UnitedHealth Group Incorporated, a Delaware corporation ("UnitedHealth Group"), and UnitedHealth Group's wholly owned subsidiary Cambridge Merger Sub Inc., a Delaware corporation. Pursuant to the UHG Agreement, UnitedHealth Group has agreed to acquire all of the outstanding shares of the Company's common stock for \$25.75 per share in cash, as set forth in the UHG Agreement.

The UHG Agreement contains representations, warranties and covenants of the parties customary for transactions of this type. Until the earlier of the termination of the UHG Agreement and the consummation of the transaction, the Company has agreed to operate its business and the business of its subsidiaries in the ordinary course and has agreed to certain other operating covenants, as set forth more fully in the UHG Agreement. The Company also has agreed not to solicit alternative acquisition proposals but may, under certain circumstances, engage in negotiations with persons making alternative acquisition proposals and terminate the UHG Agreement to enter into an alternative acquisition agreement that constitutes a "superior proposal."

The UHG Agreement contains certain termination rights for both UnitedHealth Group and the Company and further provides that, upon termination of the UHG Agreement under certain circumstances, including if the Company terminates the UHG Agreement to accept a superior proposal, or where our Board of Directors changes its recommendation in favor of the transaction and UnitedHealth Group subsequently terminates the UHG Agreement due to such change of recommendation, the Company may be required to pay UnitedHealth Group a termination fee of \$300.0 million.

Term Loan Repayments

In the third quarter of fiscal year 2021, we repaid an additional \$215.0 million and recognized a loss on extinguishment of \$6.1 million in our consolidated statement of operations. In the second quarter of fiscal year 2021, we repaid \$50.0 million on our Term Loan Facility and recognized a loss on extinguishment of \$1.5 million in our consolidated statement of operations. See Note 11, *Long-Term Debt*, for additional information.

Capacity Management

In December 2020, we completed the sale of our Capacity Management business, which was included in our Software and Analytics segment, for total consideration of \$67.5 million, subject to a customary working capital adjustment. In connection with this transaction, we recognized a pre-tax gain on disposal of \$32.7 million. See Note 5, *Dispositions* for additional information.

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Nucleus.io

In August 2020, we completed the acquisition of Nucleus.io, a leader in the development of advanced, fully enabled, cloud-native imaging and workflow technology. We acquired Nucleus.io for total consideration of \$35.1 million and accounted for the acquisition as a business combination. See Note 4, *Business Combinations* for additional information.

Senior Credit Facilities

In June 2020, we repaid our outstanding Revolving Facility balance of \$250.0 million. See Note 11, *Long-Term Debt*, for additional information.

PDX, Inc.

In June 2020, we completed the purchase of PDX, Inc. (“PDX”), a company focused on delivering patient centric and innovative technologies for pharmacies and health systems. We acquired 100% of the ownership interest for a purchase price of \$208.0 million and accounted for this transaction as a business combination. See Note 4, *Business Combinations* for additional information.

eRx Network Holdings, Inc.

In May 2020, we exercised our option to purchase and completed the acquisition of eRx Network Holdings, Inc. (“eRx”), a leading provider in comprehensive, innovative and secure data-driven solutions for pharmacies. We acquired 100% of the ownership interest for \$212.9 million plus cash on the balance sheet and accounted for this transaction as a business combination. See Note 4, *Business Combinations* for additional information.

Connected Analytics

In May 2020, we completed the sale of our Connected Analytics business, which was included in our Software and Analytics segment, for total consideration of \$55.0 million, subject to a customary working capital adjustment, including a \$25.0 million note receivable from the buyer. In connection with this transaction, we recognized a pre-tax gain on disposal of \$24.2 million. In July 2020, we received \$25.0 million plus interest from the buyer in satisfaction of the outstanding note receivable. See Note 5, *Dispositions* for additional information.

Senior Notes Issuance

In April 2020, we issued \$325.0 million aggregate principal amount of 5.75% Senior Notes due 2025 (the “Notes”). The Notes were issued as part of the same series as the \$1,000.0 million Senior Notes issued in February 2017. See Note 11, *Long-Term Debt*, for additional information.

Key Components of Our Results of Operations

Prior to the Merger described below, the Company had minimal operations outside of the investment in the Joint Venture, and the Company’s standalone operating results were not utilized by management to make operating decisions, assess performance, or allocate resources. As such, the prior period did not include meaningful operating results and only a single reportable segment for the three and nine months ended December 31, 2019.

Qualified McKesson Exit

Prior to the Merger, we accounted for our investment in the Joint Venture using the equity method of accounting. Subsequent to the Merger, we own 100% of the Joint Venture and its results of operations. As a result, our consolidated results in periods prior to the Merger are not comparable to our results following the Merger.

Change Healthcare Inc. accounted for the Merger as a business combination achieved in stages in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 805, *Business Combinations*.

As a result of the accounting for these transactions and the change in basis of accounting, our consolidated results in periods following the Merger are not comparable to the consolidated results of the Joint Venture in periods prior to the Merger. The following are certain of the more significant changes resulting from the Merger that affect the comparability of financial results and operations:

- Increased tangible and intangible assets resulting from adjusting the basis of the assets to their fair value, which also results in increased depreciation and amortization expense.
- Decrease in long-term debt as a result of adjustments to state the long-term debt at its fair value.
- Decreased deferred revenue as a result of recognizing deferred revenue only to the extent that contractual obligations remain to be fulfilled. These decreases result in decreased solutions revenue.

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- Income previously attributable to the Joint Venture and not subject to U.S. federal income taxes and most state and local income taxes is now subject to such taxes, resulting in an increase in Change Healthcare Inc.'s effective tax rate compared with the historical effective tax rate of the Joint Venture.

Segments

We report our financial results in the following three reportable segments: Software and Analytics, Network Solutions and Technology-Enabled Services.

- The Software and Analytics segment provides solutions for revenue cycle management, provider network management, payment accuracy, value-based payments, clinical decision support, consumer engagement, risk adjustment and quality performance, and imaging and clinical workflow.
- The Network Solutions segment provides solutions for financial, administrative, clinical and pharmacy transactions, electronic payments and aggregation and analytics of clinical and financial data.
- The Technology-Enabled Services segment provides solutions for financial and administrative management, value-based care, communication and payment, pharmacy benefits administration and healthcare consulting.

During the first quarter of fiscal year 2021, management decided to allocate all administrative and certain other corporate expenses to the respective reportable segments. Prior to the Merger, the Company had minimal operations outside of the investment in the Joint Venture, and the Company's standalone operating results were not utilized by management to make operating decisions, assess performance, or allocate resources. As such, the Company reported its results as a single reportable segment for the three and nine months ended December 31, 2019. For reference, the financial results of the Joint Venture's reportable segments for fiscal years 2019 and 2020 have been recast to reflect the allocation of administrative and corporate expenses described above and are included in Exhibit 99.1.

Factors Affecting Results of Operations

The following are certain key factors that affect, will affect, or have recently affected, our results of operations:

Macroeconomic and Industry Trends

The spread of COVID-19, both globally and in the U.S., has driven lower healthcare utilization as a result of the significant reduction in, or in some cases elimination of, elective medical procedures and healthcare visits, without a corresponding increase in COVID-19 related transactions. A portion of our business is tied to overall volume of activity in the healthcare system, and therefore, we have been adversely impacted by this industry trend. Further, weakened economic conditions or a recession could reduce the amounts patients are willing or able to spend on healthcare services. As a result, patients may elect to delay or forgo seeking healthcare services. Additionally, higher unemployment rates compared to the prior fiscal year are likely to cause commercial payer membership to decline and continue to impact healthcare utilization and transaction volumes.

In response to COVID-19, we initiated a number of actions with our employees' health being our first priority. We also focused on serving our customers and introducing new products and services to address their previously unexpected but now urgent needs related to COVID-19. To ensure our business continuity and the safety and welfare of our team members, we moved the majority of our employees to work from home, shifted to a virtual meeting environment, suspended all non-critical business travel, and expanded telehealth and COVID-19 related paid time off coverage to all employees. We also completed a comprehensive review of our cost structure to balance costs with interim variability in our revenue and have actively aligned our staffing level, primarily in our Technology-Enabled Services segment to address lower interim volume. Starting in March 2020, we initiated hiring freezes, began contractor reductions and made other staffing reductions, primarily in the form of furloughs to provide us with greater flexibility to scale back up as volumes recover. We have also evaluated our real estate portfolio, closing or right-sizing certain office locations as we plan for an increased number of our employees to continue to work from home. These actions somewhat offset the negative impacts of COVID-19 described above in the first nine months of fiscal year 2021, and we expect to continue to see the impact of these actions throughout the remainder of the fiscal year.

While lower healthcare utilization will impact our results negatively this year, we cannot predict the length of time it may take for normal healthcare volumes to return and the extent to which our business, results of operations, financial condition or liquidity will ultimately be impacted by COVID-19. However, we continue to assess its impact on our business and are actively managing our response as the pandemic evolves. We believe the solutions we provide our customers will be as important, if not more, post-COVID-19.

Acquisitions and Divestitures

Prior to entering into the UHG Agreement, we actively evaluated opportunities to improve and expand our business through targeted acquisitions that are consistent with our strategy. While the UHG Agreement does not prohibit us from engaging in all types of acquisitions, we anticipate such activity to be more limited prior to the expected closing of the transaction. On occasion, and consistent with the UHG Agreement, we may also dispose of certain components of our business that no longer fit within our overall strategy. Because of the acquisition and divestiture activity as well as the shifting revenue mix of our business due to this activity, our results of operations may not be directly comparable among periods. See Note 4, *Business Combinations*, and Note 5, *Dispositions*, for details of recent activity.

Results of Operations

Three and Nine Months Ended December 31, 2020

<i>(amounts in millions) (1)</i>	Three Months Ended December 31, 2020	Nine Months Ended December 31, 2020
Revenue		
Solutions revenue	\$ 735.3	\$ 2,089.6
Postage revenue	49.9	145.7
Total revenue	785.1	2,235.3
Operating expenses		
Cost of operations (exclusive of depreciation and amortization below)	\$ 332.4	\$ 977.6
Research and development	58.3	168.1
Sales, marketing, general and administrative	162.0	499.0
Customer postage	49.9	145.7
Depreciation and amortization	151.1	436.6
Accretion and changes in estimate with related parties, net	1.0	10.4
Gain on sale of businesses	(32.2)	(60.5)
Total operating expenses	\$ 722.4	\$ 2,176.9
Operating income (loss)	\$ 62.7	\$ 58.4
Non-operating (income) expense		
Interest expense, net	61.4	185.7
Contingent consideration	—	(3.0)
Loss on extinguishment of debt	6.1	7.6
Other, net	(2.5)	(1.4)
Total non-operating (income) expense	\$ 65.1	\$ 188.9
Income (loss) before income tax provision (benefit)	(2.4)	(130.5)
Income tax provision (benefit)	(4.6)	(31.4)
Net income (loss)	\$ 2.2	\$ (99.1)

(1) As a result of displaying amounts in millions, rounding differences may exist in the table above.

Revenue

Solutions revenue

Solutions revenue was \$735.3 million and \$2,089.6 million for the three and nine months ended December 31, 2020, respectively. Factors affecting solutions revenue are described in the various segment discussions below.

Postage revenue

Postage revenue was \$49.9 million and \$145.7 million for the three and nine months ended December 31, 2020, respectively. See “Customer Postage” below for additional information.

Operating Expenses

Cost of operations (exclusive of depreciation and amortization)

Cost of operations was \$332.4 million and \$977.6 million for the three and nine months ended December 31, 2020, respectively. Cost of operations reflects lower staffing and materials costs associated with decreased utilization as a result of COVID-19, partially offset by incremental costs associated with recent acquisitions.

Research and development

Research and development expense was \$58.3 million and \$168.1 million for the three and nine months ended December 31, 2020, respectively. Research and development expense includes incremental costs associated with recent acquisitions partially offset by deferred hiring and other related costs impacted by COVID-19.

Sales, marketing, general and administrative

Sales, marketing, general and administrative expense was \$162.0 million and \$499.0 million for the three and nine months ended December 31, 2020, respectively. Sales, marketing, general and administrative expense for the three months ended December 31, 2020 reflects lower costs related to operational efficiencies and productivity. Sales, marketing, general and administrative expense for the nine months ended December 31, 2020 primarily reflects lower costs related to reduced healthcare benefits and deferred hiring as a result of COVID-19 as well as operational efficiencies and productivity.

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Customer postage

Customer postage was \$49.9 million and \$145.7 million for the three and nine months ended December 31, 2020, respectively. Customer postage is affected by changes in print volumes within communication and payment solutions. Because customer postage is a pass-through cost to our customers, changes in volume of customer postage generally have no effect on operating income.

Depreciation and amortization

Depreciation and amortization expense was \$151.1 million and \$436.6 million for the three and nine months ended December 31, 2020, respectively. Depreciation and amortization were generally affected by routine amortization of tangible and intangible assets existing at March 31, 2020 which was impacted by fair value adjustments resulting from the Merger, as well as the routine amortization and depreciation of additions to property, equipment, software and intangible assets since that date.

Accretion and changes in estimate with related parties, net

Accretion and changes in estimate with related parties, net was \$1.0 million and \$10.4 million for the three and nine months ended December 31, 2020, respectively. Accretion is routinely affected by changes in the expected timing or amount of cash flows which may result from various factors, including changes in tax rates.

Gain on sale of businesses

Gain on sale of businesses was \$32.2 million and \$60.5 million for the three and nine months ended December 31, 2020, respectively, which primarily represents the gain recorded as a result of the sales of Connected Analytics in May 2020 and Capacity Management in December 2020.

Non-Operating Income and Expense

Interest expense, net

Interest expense, net was \$61.4 million and \$185.7 million for the three and nine months ended December 31, 2020, respectively. We have interest rate cap agreements in place to limit our exposure to rising interest rates and such agreements, together with our fixed rate notes, effectively fixed interest rates for approximately 79% of our total indebtedness at December 31, 2020.

Contingent consideration

Contingent consideration reflects changes in the fair value of our earnout obligation to the former owners of an acquired business. The earnout obligation ended as of December 31, 2020, and the contingent consideration liability has been reduced to zero.

Loss on extinguishment of debt

Loss on extinguishment of debt was \$6.1 million and \$7.6 million for the three and nine months ended December 31, 2020, respectively, which is related to the write-off of unamortized discounts associated with repayments of our Term Loan Facility.

Other, net

Other, net primarily reflects mark to market adjustments on our investments.

Income Taxes

Our effective tax rate for the three and nine months ended December 31, 2020 was 192.8% and 24.1%, respectively. Fluctuations in our reported income tax rates from the statutory rate are primarily due to the impacts of our acquisition and divestiture activity, benefits recognized as a result of certain incentive tax credits resulting from research and experimental expenditures, and discrete items.

Solutions Revenue and Adjusted EBITDA

<i>(amounts in millions) (1)</i>	Three Months Ended December 31, 2020	Nine Months Ended December 31, 2020
Solutions revenue (2)		
Software and Analytics	\$ 372.2	\$ 1,118.7
Network Solutions	\$ 192.6	\$ 519.5
Technology-Enabled Services	\$ 222.5	\$ 642.0
Adjusted EBITDA		
Software and Analytics	\$ 120.8	\$ 382.1
Network Solutions	\$ 103.8	\$ 268.9
Technology-Enabled Services	\$ 8.8	\$ 11.2

(1) As a result of displaying amounts in millions, rounding differences may exist in the table above.

(2) Includes inter-segment revenue and excludes deferred revenue purchase accounting adjustments.

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Software and Analytics

Software and Analytics revenue for the three and nine months ended December 31, 2020 reflects the negative impact of COVID-19 and the impact of the Connected Analytics and Capacity Management divestitures. The Connected Analytics and Capacity Management divestitures had a combined revenue impact for the three and nine months ended December 31, 2020 of \$17.3 million and \$46.0 million, respectively. This negative impact was partially offset by new sales and organic revenue growth. Software and Analytics adjusted EBITDA for the three and nine months ended December 31, 2020 was impacted by the same factors that impacted revenue and continued productivity and synergy realization.

Network Solutions

Network Solutions revenue for the three months ended December 31, 2020 reflects the impacts of the eRx and PDX acquisitions, which had a combined impact of \$35.3 million, as well as new sales. For the nine months ended December 31, 2020, Network Solutions revenue was impacted by the same factors that impacted the three months ended December 31, 2020, including a combined revenue impact of \$85.2 million from the eRx and PDX acquisitions, partially offset by lower utilization due to COVID-19. Network Solutions adjusted EBITDA for the three and nine months ended December 31, 2020 was impacted by the same factors that impacted revenue as well as investments to support new product launches and market expansion opportunities in the core network, data solutions, and business to business payments.

Technology-Enabled Services

Technology-Enabled Services revenue for the three and nine months ended December 31, 2020, reflects lower volume, driven by the impact of COVID-19 and customer attrition, partially offset by new sales and organic revenue growth. Technology-Enabled Services adjusted EBITDA for the three and nine months ended December 31, 2020 was impacted by the same factors that impacted revenue and continued productivity.

Three and Nine Months Ended December 31, 2019

<i>(amounts in millions) (1)</i>	Three Months Ended December 31, 2019	Nine Months Ended December 31, 2019
Total revenue	\$ —	\$ —
Operating expenses		
Sales, marketing, general and administrative	\$ 1.1	\$ 2.5
Accretion and changes in estimate with related parties, net	(1.2)	47.2
Total operating expenses	\$ (0.1)	\$ 49.7
Operating income (loss)	\$ 0.1	\$ (49.7)
Non-operating (income) expense		
Loss from Equity Method Investment in the Joint Venture	8.8	104.5
(Gain) loss on other investments	(74.1)	(71.6)
Other, net	(0.6)	(1.2)
Total non-operating (income) and expense	\$ (65.9)	\$ 31.6
Income (loss) before income tax provision (benefit)	66.0	(81.3)
Income tax provision (benefit)	15.2	(0.6)
Net income (loss)	\$ 50.7	\$ (80.7)

(1) As a result of displaying amounts in millions, rounding differences may exist in the table above.

Operating Expenses

Accretion and changes in estimate with related parties, net

For the three months ended December 31, 2019, the Company recorded a reduction in accretion expense of \$1.2 million. Accretion and changes in estimate with related parties, net for the nine months ended December 31, 2019 was \$47.2 million. These amounts reflect estimated tax payments to be paid to related parties for anticipated future tax savings allocated to the Company.

Non-Operating Income and Expense

Loss from Equity Method Investment in the Joint Venture

Prior to the Merger, loss from equity method investment in the Joint Venture generally represented our proportionate share of the income or loss from our investment in the Joint Venture, including basis adjustments related to amortization expense associated with equity method intangible assets, property and equipment, deferred revenue and other items.

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Loss from equity method investment in the Joint Venture was \$8.8 million and \$104.5 million for the three and nine months ended December 31, 2019, respectively. The loss was discretely affected by the Joint Venture's adoption of ASC 606 which drove \$4.4 million of income and Change Healthcare Inc.'s adoption of ASU 2018-07, which resulted in \$11.3 million of loss upon changes in the fair value of its dividend receivable.

(Gain) loss on other investments

(Gain) loss on other investments was \$74.1 million and \$71.6 million for the three and nine months ended December 31, 2019, respectively. This amount reflects gains recognized during the period on equity securities.

Income Taxes

Our effective tax rate for the three and nine months ended December 31, 2019 was 23.1% and 0.7%, respectively. Fluctuations in our reported income tax rates from the statutory rate are primarily due to benefits recognized as a result of certain incentive tax credits resulting from research and experimental expenditures and discrete items recognized in the quarters.

Significant Changes in Assets and Liabilities

During the first nine months of fiscal year 2021, we completed a debt offering of \$325.0 million, repaid \$250.0 million that was outstanding on our Revolving Facility, and repaid \$265.0 million on our Term Loan Facility. Further, we adopted ASC 842, establishing operating lease right-of-use assets and operating liabilities. As a result of the eRx acquisition, our investment in business purchase option was eliminated and we recognized the assets and liabilities of the acquired eRx and PDX businesses at fair value. Finally, goodwill increased primarily as a result of the acquisitions of eRx and PDX, partially offset by the dispositions of Connected Analytics and Capacity Management.

Within our Network Solutions segment, we regularly receive funds from certain pharmaceutical industry participants in advance of its obligation to remit these funds to participating retail pharmacies. Such funds are not restricted; however, these funds are generally paid out in satisfaction of the processing obligations within three business days of their receipt. At the time of receipt, we record a corresponding liability within accrued expenses on our consolidated balance sheets. At December 31, 2020, we reported \$19.0 million of such pass-through payment obligations which were subsequently paid in the first week of January 2021. At March 31, 2020, we reported \$29.1 million of such pass-through payment obligations.

Liquidity and Capital Resources

Overview

Our principal sources of liquidity are cash flows provided by operating activities, cash and cash equivalents on hand, and our Revolving Facility. Our principal uses of liquidity are working capital, capital expenditures, debt service, business acquisitions and other general corporate purposes. Pursuant to the UHG Agreement with UnitedHealth Group, however, there are limitations on how we conduct our business during the period from the signing of the UHG Agreement through the close of the transaction, including limitations on our ability to, among other things, engage in certain acquisitions, incur indebtedness or issue or sell new debt securities. We anticipate our cash on hand, cash generated from operations, and funds available under the Revolving Facility will be sufficient to fund our planned capital expenditures, debt service obligations, permitted business acquisitions and operating needs. Further, we may be required to make additional principal payments on the Term Loan Facility based on excess cash flows of the prior year, as defined in the credit agreement governing the Term Loan Facility.

Cash and cash equivalents totaled \$137.4 million and \$410.4 million at December 31, 2020 and March 31, 2020, respectively, of which \$15.1 million and \$22.2 million was held outside the U.S., respectively. As of December 31, 2020, no amounts had been drawn under the Revolving Facility and \$6.2 million had been issued in letters of credit against the Revolving Facility, leaving \$778.8 million available for borrowing. We also have the ability to borrow up to an additional \$1,105.1 million, or such amount that the senior secured net leverage ratio does not exceed 4.9 to 1.0, whichever is greater, under the Term Loan Facility, subject to certain additional conditions and commitments by existing or new lenders to fund any additional borrowings.

Cash Flows

Nine Months Ended December 31, 2020

The following table summarizes the net cash flow from operating, investing and financing activities:

<i>(amounts in millions) (1)</i>	Nine Months Ended December 31, 2020
Cash provided by (used in) operating activities	\$ 487.2
Cash provided by (used in) investing activities	(504.2)
Cash provided by (used in) financing activities	(259.5)
Effects of exchange rate changes on cash and cash equivalents	3.4
Net change in cash and cash equivalents	\$ (273.0)

(1) As a result of displaying amounts in millions, rounding differences may exist in the table above.

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Operating Activities

Cash provided by operating activities is primarily affected by operating income, including the impact of debt service payments, integration related costs and the timing of collections and related disbursements. Cash provided by operating activities includes \$10.1 million as a use of cash related to pass-through funds for the nine months ended December 31, 2020.

Investing Activities

Cash used in investing activities reflects primarily the eRx, PDX and Nucleus.io acquisitions partially offset by the sales of the Connected Analytics and Capacity Management businesses that occurred during the nine months ended December 31, 2020. Cash used in investing activities also reflects routine capital expenditures related to purchase of property and equipment and the development of software as well as expenditures related to significant software development efforts necessary to integrate the contributed businesses.

Financing Activities

Cash used in financing activities reflects the repayment of the Revolving Facility and payment made on the Term Loan offset by the issuance of additional Senior Notes during the nine months ended December 31, 2020. Additional cash used in financing activities reflects payments under tax receivable agreements, interest rate cap agreements, employee tax withholdings on vesting of equity awards, deferred financing obligations and TEU agreements.

Nine Months Ended December 31, 2019

The following table summarizes the net cash flow from operating, investing and financing activities:

<i>(amounts in millions) (1)</i>	Nine Months Ended December 31, 2019
Cash provided by (used in) operating activities	\$ —
Cash provided by (used in) investing activities	(882.3)
Cash provided by (used in) financing activities	882.3
Effects of exchange rate changes on cash and cash equivalents	—
Net change in cash and cash equivalents	\$ —

(1) As a result of displaying amounts in millions, rounding differences may exist in the table above.

Investing Activities

Cash used in investing activities during the nine months ended December 31, 2019, reflects the incremental investment in the Joint Venture upon the Company's initial public offering.

Financing Activities

Cash provided by financing activities during the nine months ended December 31, 2019, was primarily impacted by the proceeds from the initial public offering.

Capital Expenditures

We incur capital expenditures to grow our business by developing new and enhanced capabilities, to increase the effectiveness and efficiency of the organization and to reduce risks. Additionally, we incur capital expenditures for product development, disaster recovery, security enhancements, regulatory compliance and the replacement and upgrade of existing equipment at the end of its useful life.

Debt

Senior Credit Facilities and Senior Notes

In March 2017, the Joint Venture entered into a \$5,100.0 million term loan facility (the "Term Loan Facility"), and a \$500.0 million revolving credit facility (the "Revolving Facility", together with the Term Loan Facility, the "Senior Credit Facilities"). Additionally, the Joint Venture issued \$1,000.0 million of 5.75% senior notes due 2025 (the "Senior Notes").

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In July 2019, the Joint Venture amended the Revolving Facility, the primary effects of which were to increase the maximum amount that can be borrowed from \$500.0 million to \$785.0 million and to extend the maturity date until July 2024. In the event the outstanding balance under the Term Loan Facility exceeds \$1,100.0 million on December 1, 2023, amounts due, if any, under the Revolving Facility become due and payable on December 1, 2023.

On April 21, 2020, we issued \$325.0 million aggregate principal amount of 5.75% Senior Notes due 2025 (the “Notes”). The Senior Notes were issued as part of the same series as the \$1,000.0 million Senior Notes issued in February 2017.

In September 2020, we repaid \$50.0 million on our Term Loan Facility and recognized a loss on extinguishment of \$1.5 million. In October 2020, we repaid an additional \$75.0 million on our Term Loan Facility and recognized a loss on extinguishment of \$2.2 million. In November 2020, we repaid an additional \$100.0 million on our Term Loan Facility and recognized a loss on extinguishment of \$2.8 million. In December 2020, we repaid an additional \$40.0 million on our Term Loan Facility and recognized a loss on extinguishment of \$1.1 million.

Tangible Equity Units

In connection with our initial public offering in July 2019, we completed an offering of 5,750,000 TEUs. Each TEU, which has a stated amount of \$50.00, is comprised of a stock purchase contract and a senior amortizing note due June 30, 2022. Each senior amortizing note has an initial principal amount of \$8.2378 and bears interest at 5.5% per year. On each March 30, June 30, September 30 and December 30, we pay equal quarterly cash installments of \$0.7500 per amortizing note with an aggregate principal amount of \$47.4 million. Each installment constitutes a payment of interest and partial payment of principal. Unless settled earlier, each purchase contract will automatically settle on June 30, 2022.

Hedges

From time to time, we execute interest rate cap agreements with various counterparties that effectively cap our LIBOR exposure on a portion of our existing Term Loan Facility or similar replacement debt. The following table summarizes the terms of our interest rate cap agreements at December 31, 2020.

<u>Effective Date</u>	<u>Expiration Date</u>	<u>Notional Amount</u>	<u>Receive LIBOR Exceeding(1)</u>	<u>Pay Fixed Rate</u>
August 31, 2018	December 31, 2021	\$ 600,000,000	1.00%	1.82%
August 31, 2018	December 31, 2021	\$ 900,000,000	1.00%	1.82%
March 31, 2020	March 31, 2024	\$ 250,000,000	1.00%	0.18%
March 31, 2020	March 31, 2024	\$ 250,000,000	1.00%	0.18%
March 31, 2020	March 31, 2024	\$ 250,000,000	1.00%	0.18%
March 31, 2020	March 31, 2024	\$ 250,000,000	1.00%	0.19%

(1) All based on 1-month LIBOR.

The interest rate cap agreements are recorded on the balance sheet at fair value and changes in the fair value are recorded in other comprehensive income. The fair value of the interest rate caps is reclassified from other comprehensive income to interest expense in the same period the interest expense on the underlying hedged debt impacts earnings. Any payments we receive to the extent LIBOR exceeds the specified cap rate is also reclassified from other comprehensive income to interest expense in the period received.

LIBOR Transition

LIBOR is a commonly used indicative measure of the average interest rate at which major global banks could borrow from one another. In July 2017, the Financial Conduct Authority (the “FCA”) (the authority that governs LIBOR) announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. On November 30, 2020, ICE Benchmark Administration (“IBA”), the administrator of LIBOR, with the support of the United States Federal Reserve and the FCA, announced plans to consult on ceasing publication of LIBOR on December 31, 2021 for only the one week and two month LIBOR tenors, and on June 30, 2023 for all other LIBOR tenors. While this announcement extends the transition period to June 2023, the United States Federal Reserve concurrently issued a statement advising banks to stop new LIBOR issuances by the end of 2021. In light of these recent announcements, the future of LIBOR at this time is uncertain and any changes in the methods by which LIBOR is determined or regulatory activity related to LIBOR’s phaseout could cause LIBOR to perform differently than in the past or cease to exist. We have material contracts that are indexed to USD-LIBOR and are monitoring this activity and evaluating the related risks.

Effect of Certain Debt Covenants

A breach of any of the covenants under the agreements governing existing debt could limit our ability to borrow funds under the Term Loan Facility and could result in a default under the Term Loan Facility. Upon the occurrence of an event of default under the Term Loan Facility, the lenders could elect to declare all amounts then outstanding to be immediately due and payable, and the lenders could terminate all commitments to extend further credit. If we were unable to repay the amounts declared due, the lenders could proceed against any collateral granted to them to secure that indebtedness.

With certain exceptions, the Term Loan Facility obligations are secured by a first-priority security interest in substantially all of our assets. The Term Loan Facility contains various restrictions and nonfinancial covenants, along with a senior secured net leverage ratio test. The nonfinancial covenants include restrictions on dividends, investments, dispositions, future borrowings and other specified payments, as well as additional reporting and disclosure requirements. The senior secured net leverage test must be met as a condition to incur additional indebtedness, but otherwise is applicable only to the extent that amounts drawn exceed 35% of the Revolving Facility at the end of any fiscal quarter. As of December 31, 2020, we were in compliance with all debt covenants.

Our ability to meet liquidity needs depends on our subsidiaries' earnings and cash flows, the terms of our indebtedness along with our subsidiaries' indebtedness, and other contractual restrictions.

Cautionary Notice Regarding Forward-Looking Statements

This Quarterly Report contains "forward-looking statements" within the meaning of federal securities laws. Any statements made in this Quarterly Report that are not statements of historical fact, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include information concerning possible or assumed future results of operations, including descriptions of our business plans and strategies. These statements often include words such as "anticipate," "expect," "suggest," "plan," "believe," "intend," "estimate," "target," "project," "should," "could," "would," "may," "will," "forecast," "outlook," "potential," "continues," "seeks," "predicts," and the negatives of these words and other similar expressions.

Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that factors affecting our actual financial results could cause actual results to differ materially from those expressed in the forward-looking statements. Factors that could materially affect our financial results or such forward-looking statements include, among others, the following factors:

- various conditions to the closing of the proposed transaction with UnitedHealth Group may not be satisfied or waived;
- business disruptions from the proposed transaction may harm our business, including current plans and operations;
- if we do not consummate the transaction, the price of our common stock may decline significantly from the current market price;
- if the proposed merger is not completed, in certain circumstances, we could be required to pay a termination fee of \$300.0 million to UnitedHealth Group;
- our ability to retain or renew existing customers and attract new customers;
- macroeconomic and industry trends and adverse developments in the debt, consumer credit and financial services markets;
- uncertainty and risks related to the impact of the COVID-19 pandemic on the national and global economy, our business, suppliers, customers, and employees;
- our ability to connect a large number of payers and providers;
- our ability to provide competitive services and prices while maintaining our margins;
- further consolidation in our end-customer markets;
- our ability to effectively manage our costs;
- our ability to effectively develop and maintain relationships with our channel partners;
- a decline in transaction volume in the U.S. healthcare industry;
- our ability to timely develop new services and the market's willingness to adopt our new services;
- our ability to maintain our access to data sources;
- our ability to maintain the security and integrity of our data;
- our ability to deliver services timely without interruption;
- our ability to make acquisitions and integrate the operations of acquired businesses;
- government regulation and changes in the regulatory environment;
- economic and political instability in the U.S. and international markets where we operate;
- risks related to our international operations;
- the ability of our outside service providers and key vendors to fulfill their obligations to us;
- litigation or regulatory proceedings;
- our ability to protect and enforce our intellectual property, trade secrets and other forms of unpatented intellectual property;
- our ability to defend our intellectual property from infringement claims by third parties;
- changes in local, state, federal and international laws and regulations, including related to taxation;

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- our reliance on key management personnel;
- our ability to manage and expand our operations and keep up with rapidly changing technologies;
- our adoption of new, or amendments to existing, accounting standards;
- losses against which we do not insure;
- our ability to make timely payments of principal and interest on our indebtedness;
- our ability to satisfy covenants in the agreements governing our indebtedness;
- our ability to maintain our liquidity;
- the potential dilutive effect of future issuances of our common stock; and
- the impact of anti-takeover provisions in our organizational documents and under Delaware law, which may discourage or delay acquisition attempts.

There may be other factors, many of which are beyond our control, that may cause our actual results to differ materially from the forward-looking statements, including factors disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2020 in the section entitled “Risk Factors” and in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this report. You should evaluate all forward-looking statements made in this report and the other public statements we may make from time to time in the context of these risks and uncertainties.

Our forward-looking statements made herein speak only as of the date on which made. We expressly disclaim any intent, obligation or undertaking to update or revise any forward-looking statements made herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk in the normal course of business.

Interest Rate Risk

We have interest rate risk primarily related to borrowings under our Senior Credit Facilities. Borrowings under the Senior Credit Facilities bear interest at a rate equal to either (i) LIBOR for the relevant interest period, adjusted for statutory reserve requirements (the Term Loan Facility, is subject to a floor of 1.00% per annum and the Revolving Facility is subject to a floor of 0.00% per annum), plus an applicable margin or (ii) a base rate equal to the highest of (a) the rate of interest in effect as publicly announced by the administrative agent as its prime rate, (b) the federal funds effective rate plus 0.50% and (c) adjusted LIBOR for an interest period of one month plus 1.00% (the Term Loan Facility may be subject to a floor of 2.00% per annum), in each case, plus an applicable margin.

As of December 31, 2020, we had Term Loan borrowings of \$3,543.3 million (before unamortized debt discount) and no Revolving Facility borrowings under the Senior Credit Facilities. As of December 31, 2020, the LIBOR-based interest rate on the Term Loan Facility was LIBOR plus 2.5%.

We manage economic risks, including interest rate, liquidity and credit risk, primarily by managing the amount, sources and duration of our debt funding and the use of derivative financial instruments. Specifically, we enter into interest rate cap agreements to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. Our interest rate cap agreements are used to manage differences in the amount, timing and duration of our known or expected cash receipts and our known or expected cash payments principally related to our borrowings. As of December 31, 2020, our outstanding interest rate cap agreements were designated as cash flow hedges of interest rate risk and were determined to be highly effective.

A change in interest rates on variable rate debt may impact our pretax earnings and cash flows. Based on the outstanding debt as of December 31, 2020, and assuming that our mix of debt instruments, derivative financial instruments and other variables remain the same, the annualized effect of a one percentage point change in variable interest rates would have an annualized pretax impact on the earnings and cash flows of approximately \$10.4 million.

In the future, in order to manage our interest rate risk, we may refinance existing debt, enter into additional interest rate cap agreements, modify our existing interest rate cap agreements or make changes that may impact our ability to treat our interest rate cap agreements as a cash flow hedge. However, we do not intend or expect to enter into derivative or interest rate cap agreement transactions for speculative purposes.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. The term "disclosure controls and procedures" as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely discussions regarding required disclosures.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving their desired control objectives. Based on the evaluation of management's disclosure controls and procedures as of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, the disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting

During the quarter covered by this report, there have been no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in various legal proceedings in the ordinary course of business. We believe that the ultimate disposition of such proceedings will not have a material adverse effect on our consolidated financial position, results of operations or liquidity. See Note 15, *Legal Proceedings*, in Part I, Item 1 of this Quarterly Report.

ITEM 1A. RISK FACTORS

In addition to the risk factors below and the other information included in this report, you should carefully consider the factors discussed in the section entitled "Risk Factors" included in the most recent Annual Report, as well as the factors identified under "Cautionary Statement Regarding Forward-Looking Statements" at the end of Part I, Item 2 of this Quarterly Report, which could materially affect the business, financial condition or future results. The risks described in the Annual Report and this Quarterly Report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition or operating results.

Risks Related to the Proposed Transaction with UnitedHealth Group

The conditions under the UHG Agreement to UnitedHealth Group's consummation of the transaction with a subsidiary of UnitedHealth Group may not be satisfied at all or in the anticipated timeframe.

Under the terms of the UHG Agreement, the consummation of our transaction with a subsidiary of UnitedHealth Group is subject to customary conditions. Satisfaction of certain of the conditions is not within our control, and difficulties in otherwise satisfying the conditions may prevent, delay or otherwise materially adversely affect the consummation of the transaction. It also is possible that an event, occurrence, revelation or development of a state of circumstances or facts since the date of the UHG Agreement may have or reasonably be expected to have a material adverse effect (as defined in the UHG Agreement) on the Company, the non-occurrence of which is a condition to the consummation of the transaction. We cannot predict with certainty whether and when any of the required conditions will be satisfied. If the transaction does not receive, or timely receive, the required regulatory approvals and clearances, or if another event occurs delaying or preventing the transaction, such delay or failure to complete the transaction may create uncertainty or otherwise have negative consequences that may materially and adversely affect our sales, financial condition and results of operations, as well as the price per share for our common stock.

While the proposed transaction is pending, we are subject to business uncertainties and contractual restrictions that could disrupt our business.

Whether or not the proposed transaction is consummated, the proposed transaction may disrupt our current plans and operations, which could have an adverse effect on our business and financial results. The pendency of the transaction may also divert management's attention and our resources from ongoing business and operations and our employees and other key personnel may have uncertainties about the effect of the pending transaction, and the uncertainties may impact our ability to retain, recruit and hire key personnel while the transaction is pending or if it fails to close. We may incur unexpected costs, charges or expenses resulting from the transaction. Furthermore, we cannot predict how our physician, health plan and other partners will view or react to the transaction upon consummation. If we are unable to reassure our partners to continue their partnerships and affiliates with us, our revenues, financial condition and results of operations may be adversely affected.

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The preparations for integration between UnitedHealth Group and the Company have placed, and we expect will continue to place a significant burden on many of our teammates and on our internal resources. If, despite our efforts, key teammates depart because of these uncertainties and burdens, or because they do not wish to remain with the combined company, our business and results of operations may be adversely affected. In addition, whether or not the transaction is consummated, while it is pending we will continue to incur costs, fees, expenses and charges related to the proposed transaction, which may materially and adversely affect our financial condition and results of operations.

In addition, the UHG Agreement generally requires the Company to operate its business in the ordinary course of business consistent with past practice pending consummation of the merger and also restricts us from taking certain actions with respect to our business and financial affairs without UnitedHealth Group's consent. Such restrictions will be in place until either the merger is consummated or the UHG Agreement is terminated. For these and other reasons, the pendency of the merger could adversely affect our business and results of operations.

In the event that our proposed transaction with a wholly-owned subsidiary of UnitedHealth Group is not consummated, the trading price of our common stock and our future business and results of operations may be negatively affected.

The conditions to the consummation of the proposed transaction may not be satisfied as noted above. If the transaction is not consummated, we would remain liable for significant transaction costs, and the focus of our management would have been diverted from seeking other potential strategic opportunities, in each case without realizing any benefits of the proposed transaction. For these and other reasons, not consummating the transaction could adversely affect our business and results of operations. Furthermore, if we do not consummate the transaction, the price of our common stock may decline significantly from the current market price, which we believe reflects a market assumption that the transaction will be consummated. Certain costs associated with the transaction have already been incurred or may be payable even if the transaction is not consummated. Further, a failed transaction may result in negative publicity and a negative impression of us in the investment community. Finally, any disruptions to our business resulting from the announcement and pendency of the transaction, including any adverse changes in our relationships with our customers, vendors and employees or recruiting and retention efforts, could continue or accelerate in the event of a failed acquisition.

If the UHG Agreement is terminated, we may, under certain circumstances, be obligated to pay a termination fee to UnitedHealth Group. These costs could require us to use available cash that would have otherwise been available for other uses.

If the proposed transaction is not completed, in certain circumstances, we could be required to pay a termination fee of \$300.0 million to UnitedHealth Group. If the UHG Agreement is terminated, the termination fee we may be required to pay, if any, under the UHG Agreement may require us to use available cash that would have otherwise been available for general corporate purposes or other uses. For these and other reasons, termination of the UHG Agreement could materially and adversely affect our business, results of operations or financial condition, which in turn would materially and adversely affect the price per share of our common stock.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The exhibits listed on the accompanying Exhibit Index are filed, furnished or incorporated by reference (as stated therein) as part of this Quarterly Report.

Exhibit Index

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of January 5, 2021, by and among Change Healthcare Inc., UnitedHealth Group Incorporated and Cambridge Merger Sub Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on January 6, 2021)
3.1	Amended and Restated Certificate of Incorporation of Change Healthcare Inc., dated as of June 26, 2019 (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-4 on February 4, 2020)
3.2	Amended and Restated Bylaws of Change Healthcare Inc., dated as of June 26, 2019 (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-4 filed on February 4, 2020)
10.1	Certain Tax Receivable Agreements Acknowledgment and Termination Agreement, dated as of January 5, 2021, by and among Change Healthcare Inc., UnitedHealth Group Incorporated and certain other parties thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 6, 2021)
10.2†	Roderick O'Reilly Offer Letter, dated December 22, 2020 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 28, 2020)
10.3†*	Form of Performance Stock Unit Grant Notice under the Change Healthcare Inc. 2019 Omnibus Incentive Plan
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1*	Supplemental Information of Change Healthcare LLC for the fiscal years ended March 31, 2020 and 2019.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

† Indicates management contract or compensatory plan.

Certain agreements and other documents filed as exhibits to this Form 10-Q contain representations and warranties that the parties thereto made to each other. These representations and warranties have been made solely for the benefit of the other parties to such agreements and may have been qualified by certain information that has been disclosed to the other parties to such agreements and other documents and that may not be reflected in such agreements and other documents. In addition, these representations and warranties may be intended as a way of allocating risks among parties if the statements contained therein prove to be incorrect, rather than as actual statements of fact. Accordingly, there can be no reliance on any such representations and warranties as characterizations of the actual state of facts. Moreover, information concerning the subject matter of any such representations and warranties may have changed since the date of such agreements and other documents.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Change Healthcare Inc.

February 4, 2021

By: /s/ Neil E. de Crescenzo
Neil E. de Crescenzo
Chief Executive Officer and Director
(Principal Executive Officer)

February 4, 2021

By: /s/ Fredrik Eliasson
Fredrik Eliasson
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

**PERFORMANCE STOCK UNIT GRANT NOTICE
UNDER THE
CHANGE HEALTHCARE INC.
2019 OMNIBUS INCENTIVE PLAN**

Change Healthcare Inc., a Delaware corporation (the “Company”), pursuant to its 2019 Omnibus Incentive Plan (the “Plan”), hereby grants to the Participant set forth below the number of Performance Stock Units, which are Restricted Stock Units that are subject to the performance vesting conditions described herein (“Performance Stock Units” or “PSUs”) set forth below. The Performance Stock Units are subject to all of the terms and conditions as set forth herein, in the Performance Stock Unit Agreement (attached hereto or previously provided to the Participant in connection with a prior grant), and in the Plan, all of which are incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

Participant: *[Insert Participant Name]*

Date of Grant: October __, 2020

Vesting Commencement Date: June 17, 2020

Number of Performance Stock Units: *[Insert Total No. of PSUs Granted]*, consisting of:

[Insert 60% of Total PSUs granted] Tranche I PSUs (“Tranche I PSUs”); and

[Insert 40% of Total PSUs granted] Tranche II PSUs (“Tranche II PSUs”)

Vesting Schedule: The PSUs will become earned (“Earned PSUs”) based on achievement of the Performance Conditions with respect to the Performance Period, in each case, as set forth below.

Performance Period: April 1, 2020 to March 31, 2023

Performance Condition:

The number of PSUs in each tranche that become Earned PSUs shall be based on the achievement of the Performance Conditions set forth below applicable to such tranche, with the number of PSUs earned in respect of such tranche equal to (x) the target number of PSUs in such tranche multiplied by (y) the applicable Percentage of Award Earned for such tranche (calculated as set forth below, rounded up to the nearest whole unit).

Tranche	Performance Condition	Threshold Level of Achievement	Target Level of Achievement	Moderate Level of Achievement	Maximum Level of Achievement
Tranche I PSUs	CAGR (Revenue)	0.9%	4.5%	5.5%	6.6%
Tranche II PSUs	CAGR (Adjusted EBITDA)	3.0%	4.8%	7.0%	9.1%

The Company may, in its good faith discretion, make such adjustments to the applicable “Threshold,” “Target,” “Moderate” or “Maximum” goals in the event of any material changes to strategy, acquisitions, divestitures or unforeseen circumstances that were not contemplated at the outset of the Performance Period, subject in each case, to Committee approval.

Calculation of Number of Earned PSUs: Following the last day of the Performance Period, the Committee shall calculate the Percentage of Award Earned with respect to each tranche, based on the percentage specified below.

If actual performance with respect to any tranche is between (i) “Threshold” and the “Target” or the (ii) “Target” and “Maximum” levels of achievement, the Percentage of Award Earned shall be determined using linear interpolation (and rounded to the nearest whole percentage point) between such numbers. In the event that actual performance does not meet the Threshold Level of Achievement with respect to any tranche, the “Percentage of Award Earned” with respect to such tranche shall be zero percent (0%). All determinations with respect to whether and the extent to which a Performance Condition has been achieved shall be made by the Committee in its sole discretion. The applicable Performance Conditions shall not be achieved and the applicable PSUs shall not become Earned PSUs until the Committee certifies in writing the extent to which such Performance Conditions have been met (such date, the “Determination Date”).

Level of Achievement	Percentage of Award Earned
Below Threshold	0%
Threshold	50%
Target	100%
Moderate	150%
Maximum	200%
Above Maximum	200%

Any PSUs which do not become Earned PSUs based on actual performance during the Performance Period shall be forfeited as of the last day of the Performance Period.

Definitions:

“Adjusted EBITDA” means the Company’s normal-course EBITDA as adjusted for specific items as determined by the Company, including, but not limited to, integration costs and other one-time expenses.

“Beginning Performance Measure” means, (i) with respect to Tranche I RSUs, the Company’s Revenue with respect to the Company’s fiscal year ended March 31, 2020 and (ii) with respect to Tranche II RSUs, the Company’s Adjusted EBITDA with respect to the Company’s fiscal year ended March 31, 2020.

“CAGR” shall mean compounded annual growth rate, and shall be expressed as a percentage (rounded to the nearest tenth of a percent (0.1%)) and shall be calculated for a performance period using the following formula:

$$CAGR = \left(\frac{\text{Ending Performance Measure}}{\text{Beginning Performance Measure}} \right)^{1/3} - 1.0$$

“Ending Performance Measure” means, (i) with respect to Tranche I RSUs, the Company’s Revenue with respect to the Company’s fiscal year ended March 31, 2023 and (ii) with respect to Tranche II RSUs, the Company’s Adjusted EBITDA with respect to the Company’s fiscal year ended March 31, 2023.

“Revenue” means the Company’s Solutions Revenue.

“Solutions Revenue” means the Company’s annual revenue, excluding postage.

Vesting; Termination:

Provided the Participant has not undergone a Termination on or prior to the Determination Date, any PSUs that become Earned PSUs, if any, shall become vested on the Determination Date.

Notwithstanding the foregoing:

- In the event that the Participant undergoes a Termination as a result of the Participant’s Disability or Retirement, in either case, prior to the end of the Performance Period, a prorated portion of the PSUs will remain outstanding and eligible to become Earned PSUs based on actual performance during the Performance Period, with such proration based on the number of days the Participant was employed during the Performance Period relative to the total number of days in the Performance Period. The Earned PSUs, if any, shall vest and become settled in accordance with Section 3 of the Performance Stock Unit Agreement within 30 days following the Determination Date.

- In the event that the Participant undergoes a Termination as a result of the Participant's death prior to the end of the Performance Period, all PSUs granted shall remain outstanding and eligible to become Earned PSUs based on actual performance during the Performance Period, and the Earned PSUs, if any, shall vest and become settled in accordance with Section 3 of the Performance Stock Unit Agreement within 30 days following the Determination Date.
- In the event that the Participant undergoes a Termination other than (i) for Cause or (ii) a voluntary resignation by the Participant (other than a Retirement), in either case, following the end of the Performance Period, but prior to the Determination Date, the Earned PSUs, if any, shall vest and become settled in accordance with Section 3 of the Performance Stock Unit Agreement within 30 days following the Determination Date.
- Notwithstanding the foregoing, in the event of a Change in Control, PSUs shall be converted into time-based vesting shares (the "Converted PSUs") determined assuming achievement of a 100% payout (i.e. achievement of performance at Target level), which such Converted PSUs shall vest on the last day of the Performance Period and shall become settled in accordance with Section 3 of the Performance Stock Unit Agreement within 30 days following such date; provided, however, that, if, on or within the 12 months following the Change in Control but prior to the last day of the Performance Period, the Participant undergoes a Termination by the Service Recipient without Cause or by such Participant for Good Reason (as defined below), in each case, such Converted PSUs shall fully vest as of the date of such Termination and shall become settled in accordance with Section 3 of the Performance Stock Unit Agreement within 30 days following such date.
- "Good Reason" means (i) a material diminution in the Participant's authority, title, duties or responsibilities, or the assignment to the Participant of any duties inconsistent with the Participant's position; (ii) a material reduction in the Participant's base salary or target bonus opportunity; (iii) relocation by more than 50 miles of the Participant's principal place of employment or service; or (iv) a material reduction in the level of employee benefits provided to the Participant.

* * *

THE UNDERSIGNED PARTICIPANT ACKNOWLEDGES RECEIPT OF THIS PERFORMANCE STOCK UNIT GRANT NOTICE, THE PERFORMANCE STOCK UNIT AGREEMENT AND THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF PERFORMANCE STOCK UNITS HEREUNDER, AGREES TO BE BOUND BY THE TERMS OF THIS PERFORMANCE STOCK UNIT GRANT NOTICE, THE PERFORMANCE STOCK UNIT AGREEMENT AND THE PLAN.

CHANGE HEALTHCARE INC.

PARTICIPANT¹

By: _____

Title: _____

¹ To the extent that the Company has established, either itself or through a third-party plan administrator, the ability to accept this award electronically, such acceptance shall constitute the Participant's signature hereof.

**PERFORMANCE STOCK UNIT AGREEMENT
UNDER THE
CHANGE HEALTHCARE INC.
2019 OMNIBUS INCENTIVE PLAN**

Pursuant to the Performance Stock Units Grant Notice (the “Grant Notice”) delivered to the Participant (as defined in the Grant Notice), and subject to the terms of this Performance Stock Unit Agreement (this “Performance Stock Unit Agreement”) and the Change Healthcare Inc. 2019 Omnibus Incentive Plan (the “Plan”), Change Healthcare Inc., a Delaware corporation (the “Company”), and the Participant agree as follows. Capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Plan.

1. **Grant of Performance Stock Units.** Subject to the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Participant the number of Performance Stock Units provided in the Grant Notice (with each Performance Stock Unit representing the right to receive one share of Common Stock upon the vesting of such Performance Stock Unit). The Company may make one or more additional grants of Performance Stock Units to the Participant under this Performance Stock Unit Agreement by providing the Participant with a new Grant Notice, which may also include any terms and conditions differing from this Performance Stock Unit Agreement to the extent provided therein. The Company reserves all rights with respect to the granting of additional Performance Stock Units hereunder and makes no implied promise to grant additional Performance Stock Units.

2. **Vesting.** Subject to the conditions contained herein and in the Plan, the Performance Stock Units shall vest as provided in the Grant Notice. With respect to any Performance Stock Unit, the period of time that such Performance Stock Unit remains subject to vesting shall be its Restricted Period.

3. **Settlement of Performance Stock Units.** Subject to the proviso to Section 9(d)(ii) of the Plan, as soon as reasonable practicable (and in any event, within 30 days) following the Determination Date (as defined in the Grant Notice), the Company shall issue to the Participant or the Participant’s beneficiary, without charge, one share of Common Stock (or other securities or other property, as applicable) for each such outstanding vested Performance Stock Unit.

4. **Treatment of Performance Stock Units Upon Termination.** Unless otherwise determined by the Committee, in the event of the Participant’s Termination for any reason:

(a) all vesting with respect to the Performance Stock Units shall cease (after taking into account vesting of Performance Stock Units as set forth in the Grant Notice); and

(b) the unvested Performance Stock Units shall be forfeited to the Company by the Participant for no consideration as of the date of such Termination.

5. **Company; Participant.**

(a) The term “Company” as used in this Performance Stock Unit Agreement with reference to employment shall include the Board, the Company and its Subsidiaries.

(b) Whenever the word “Participant” is used in any provision of this Performance Stock Unit Agreement under circumstances where the provision should logically be construed to apply to the executors, the administrators, or the person or persons to whom the Performance Stock Units may be transferred by will or by the laws of descent and distribution, the word “Participant” shall be deemed to include such person or persons.

6. **Non-Transferability.** The Performance Stock Units are not transferable by the Participant except to Permitted Transferees in accordance with Section 13(b) of the Plan. Except as otherwise provided herein, no assignment or transfer of the Performance Stock Units, or of the rights represented thereby, whether voluntary or involuntary, by operation of law or otherwise, shall vest in the assignee or transferee any interest or right herein whatsoever, but immediately upon such assignment or transfer the Performance Stock Units shall terminate and become of no further effect.

7. **Rights as Stockholder.** The Participant or a Permitted Transferee of the Performance Stock Units shall have no rights as a stockholder with respect to any share of Common Stock underlying a Performance Stock Unit unless and until the Participant shall have become the holder of record or the beneficial owner of such Common Stock, and no adjustment shall be made for dividends or distributions or other rights in respect of such share of Common Stock for which the record date is prior to the date upon which the Participant shall become the holder of record or the beneficial owner thereof.

8. **Dividend Equivalents.** The Performance Stock Units shall be entitled to be credited with dividend equivalent payments (upon the payment by the Company of dividends on shares of Common Stock), which shall accrue in cash without interest and shall be delivered in cash. Accumulated dividend equivalents shall be payable at such time as the underlying Performance Stock Units to which such dividend equivalents relate are settled in accordance with Section 3 above. For the avoidance of doubt, dividend equivalents accrued in respect of Performance Stock Units shall only be paid to the extent the underlying Performance Stock Unit vests and is settled, and to the extent that any Performance Stock Units are forfeited and not vested, the Participant shall have no right to such dividend equivalent payments.

9. **Tax Withholding.** The provisions of Section 13(d) of the Plan are incorporated herein by reference and made a part hereof. In addition, the Committee, subject to its having considered the applicable accounting impact of any such determination, has full discretion to allow the Participant to satisfy, in whole or in part, any additional income, employment and/or other applicable taxes payable by the Participant with respect to an Award by electing to have the Company withhold from the shares of Common Stock otherwise issuable or deliverable to, or that would otherwise be retained by, the Participant upon the grant, vesting or settlement of the Award, as applicable, shares of Common Stock having an aggregate Fair Market Value that is greater than the applicable minimum required statutory withholding liability (but such withholding may in no event be in excess of the maximum statutory withholding amount(s) in the Participant's relevant tax jurisdictions).

10. **Notice.** Every notice or other communication relating to this Performance Stock Unit Agreement between the Company and the Participant shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by such party in a notice mailed or delivered to the other party as herein provided; *provided* that, unless and until some other address be so designated, all notices or communications by the Participant to the Company shall be mailed or delivered to the Company at its principal executive office, to the attention of the Corporate Secretary, and all notices or communications by the Company to the Participant may be given to the Participant personally or may be mailed to the Participant at the Participant's last known address, as reflected in the Company's records. Notwithstanding the above, all notices and communications between the Participant and any third-party plan administrator shall be mailed, delivered, transmitted or sent in accordance with the procedures established by such third-party plan administrator and communicated to the Participant from time to time.

11. **No Right to Continued Service.** This Performance Stock Unit Agreement does not confer upon the Participant any right to continue as an employee or service provider to the Company.

12. **Binding Effect.** This Performance Stock Unit Agreement shall be binding upon the heirs, executors, administrators and successors of the parties hereto.

13. **Waiver and Amendments.** Except as otherwise set forth in Section 12 of the Plan, any waiver, alteration, amendment or modification of any of the terms of this Performance Stock Unit Agreement shall be valid only if made in writing and signed by the parties hereto; *provided, however*, that any such waiver, alteration, amendment or modification is consented to on the Company's behalf by the Committee. No waiver by either of the parties hereto of their rights hereunder shall be deemed to constitute a waiver with respect to any subsequent occurrences or transactions hereunder unless such waiver specifically states that it is to be construed as a continuing waiver.

14. **Governing Law.** This Performance Stock Unit Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of law thereof. Notwithstanding anything contained in this Performance Stock Unit Agreement, the Grant Notice or the Plan to the contrary, if any suit or claim is instituted by the Participant or the Company relating to this Performance Stock Unit Agreement, the Grant Notice or the Plan, the Participant hereby submits to the exclusive jurisdiction of and venue in the courts of Delaware.

15. **Section 409A of the Code.** It is intended that the Performance Stock Units granted hereunder shall be exempt from Section 409A of the Code pursuant to the "short-term deferral" rule applicable to such section, as set forth in the regulations or other guidance published by the Internal Revenue Service thereunder.

16. **Exhibit for Non U.S. Participants.** If the Participant is residing and/or working outside of the United States, the Performance Stock Units shall be subject to any special provisions set forth in Exhibit A to this Performance Stock Unit Agreement. If the Participant becomes based outside the United States while holding any Performance Stock Units, the special provisions set forth in Exhibit A shall apply to the Participant to the extent that the Company determines that the application of such provisions is necessary or advisable for legal or administrative reasons. Moreover, if the Participant relocates between any of the countries included on Exhibit A, the special provisions set forth in Exhibit A for such country shall apply to the Participant to the extent that the Company determines that the application of such provisions is necessary or advisable for legal or administrative reasons. Exhibit A constitutes part of this Performance Stock Unit Agreement.

17. **Plan.** The terms and provisions of the Plan are incorporated herein by reference. In the event of a conflict or inconsistency between the terms and provisions of the Plan and the provisions of this Performance Stock Unit Agreement, the Plan shall govern and control.

SARBANES-OXLEY SECTION 302(a) CERTIFICATION

I, Neil E. de Crescenzo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Change Healthcare Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure control and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. [Reserved]
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 4, 2021

By: /s/ Neil E. de Crescenzo

Name: Neil E. de Crescenzo

Title: President and Chief Executive Officer
of Change Healthcare Inc.

SARBANES-OXLEY SECTION 302(a) CERTIFICATION

I, Fredrik Eliasson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Change Healthcare Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure control and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. [Reserved]
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 4, 2021

By: /s/ Fredrik Eliasson

Name: Fredrik Eliasson

Title: Executive Vice President and Chief Financial Officer of
Change Healthcare Inc.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Change Healthcare Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Neil E. de Crescenzo, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in my capacity as an officer of the Company, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 4, 2021

By: /s/ Neil E. de Crescenzo

Name: Neil E. de Crescenzo

Title: President and Chief Executive

Officer of Change Healthcare Inc.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Change Healthcare Inc. (the “Company”) on Form 10-Q for the quarter ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Fredrik Eliasson, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in my capacity as an officer of the Company, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 4, 2021

By: /s/ Fredrik Eliasson

Name: Fredrik Eliasson

Title: Executive Vice President and Chief
Financial Officer of Change Healthcare Inc.

Financial Information of Consolidated Subsidiary
Change Healthcare LLC

EXPLANATORY NOTE

During the first quarter of fiscal year 2021, the Company decided to allocate all administrative and certain other corporate expenses to the respective reportable segments. This allocation methodology differs from the methodology utilized by the Joint Venture in prior fiscal years. The financial results of the Joint Venture's reportable segments were presented for periods prior to the Merger in the notes to the Change Healthcare LLC financial statements that were included as an exhibit to the Company's financial statements. Therefore, the adjusted EBITDA of the Joint Venture's reportable segments has been retrospectively adjusted for those periods to be consistent with the Company's current allocation methodology as presented in the tables below.

SEGMENT ADJUSTED EBITDA
(unaudited, amounts in thousands)

	<u>Software and Analytics</u>	<u>Network Solutions</u>	<u>Technology- Enabled Services</u>	<u>Postage and Eliminations</u>	<u>Total</u>
Fiscal Year 2020:					
First Quarter	\$ 176,501	\$ 79,222	\$ 25,333	\$ —	\$ 281,056
Second Quarter	110,993	79,526	27,174	—	217,693
Third Quarter	127,793	87,571	17,262	—	232,626
Fourth Quarter	150,341	85,340	28,677	—	264,358
Total	<u>\$ 565,629</u>	<u>\$ 331,659</u>	<u>\$ 98,445</u>	<u>\$ —</u>	<u>\$ 995,733</u>
Fiscal Year 2019:					
First Quarter	\$ 121,098	\$ 76,852	\$ 29,798	\$ —	\$ 227,749
Second Quarter	117,132	78,775	20,045	—	215,952
Third Quarter	126,416	83,367	24,294	—	234,077
Fourth Quarter	154,434	78,191	24,556	—	257,180
Total	<u>\$ 519,081</u>	<u>\$ 317,185</u>	<u>\$ 98,693</u>	<u>\$ —</u>	<u>\$ 934,958</u>



Officers of Change Healthcare Technology Enabled Services

Change Healthcare Officers		
Officer	Title	Address
Neil E. de Crescenzo	President and Chief Executive Officer	3055 Lebanon Pike, Suite 1000 Nashville, TN 37214
Thomas Laur	Vice President	275 Grove Street, Suite I-310 Newton, MA 02466
Dennis Robbins	Vice President, Finance	3055 Lebanon Pike, Suite 1000 Nashville, TN 37214
Derrick Kirkwood	Vice President, Tax	3055 Lebanon Pike, Suite 1000 Nashville, TN 37214
Loretta Cecil	Secretary	5995 Windward Parkway Alpharetta, GA 30005
Carrie Ratliff	Assistant Secretary	3535 Piedmont Road Building 14 Suite 600 Atlanta, GA 30305
Joe Ashkouti	Assistant Secretary	3535 Piedmont Road Building 14 Suite 600 Atlanta, GA 30305

PRINCIPAL QUESTIONNAIRE FORM

All questions on these questionnaires must be answered by all officers and any individuals who hold a ten percent (10%) or greater ownership interest in the proposer. Answers typewritten or printed in ink. If you need more space to answer any question, make as many photocopies of the appropriate page(s) as necessary and attach them to the questionnaire.

COMPLETE THIS QUESTIONNAIRE CAREFULLY AND COMPLETELY. FAILURE TO SUBMIT A COMPLETE QUESTIONNAIRE MAY MEAN THAT YOUR BID OR PROPOSAL WILL BE REJECTED AS NON-RESPONSIVE AND IT WILL NOT BE CONSIDERED FOR AWARD

1. Principal Name: Morris Maybruch
 Date of birth: [REDACTED]
 Home address: [REDACTED]
 City: [REDACTED] State/Province/Territory: [REDACTED] Zip/Postal Code: [REDACTED]
 Country: [REDACTED]

Business Address:	1 Blue Hill Plaza		
City:	Pearl River	State/Province/Territory:	NY
		Zip/Postal Code:	10965
Country	US		
Telephone:	8453684800		

Other present address(es): _____
 City: _____ State/Province/Territory: _____ Zip/Postal Code: _____
 Country: _____
 Telephone: _____

List of other addresses and telephone numbers attached

2. Positions held in submitting business and starting date of each (check all applicable)

President	_____	Treasurer	_____
Chairman of Board	_____	Shareholder	_____
Chief Exec. Officer	_____	Secretary	_____
Chief Financial Officer	_____	Partner	_____
Vice President	_____		
(Other)	_____		

Type	Description	Start Date
Other	Senior Operations Manager	06/04/2012

3. Do you have an equity interest in the business submitting the questionnaire?

YES		NO	X	If Yes, provide details.
-----	--	----	---	--------------------------

4. Are there any outstanding loans, guarantees or any other form of security or lease or any other type of contribution made in whole or in part between you and the business submitting the questionnaire?

YES ☐ NO ☒ If Yes, provide details.

5. Within the past 3 years, have you been a principal owner or officer of any business or notfor-profit organization other than the one submitting the questionnaire?
YES ☒ NO ☐ If Yes, provide details.

Xenon Consulting LLC - principal owner (self-proprietorship)

6. Has any governmental entity awarded any contracts to a business or organization listed in Section 5 in the past 3 years while you were a principal owner or officer?
YES ☐ NO ☒ If Yes, provide details.

NOTE: An affirmative answer is required below whether the sanction arose automatically, by operation of law, or as a result of any action taken by a government agency. Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.

7. In the past (5) years, have you and/or any affiliated businesses or not-for-profit organizations listed in Section 5 in which you have been a principal owner or officer:
- a. Been debarred by any government agency from entering into contracts with that agency?
YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.
- b. Been declared in default and/or terminated for cause on any contract, and/or had any contracts cancelled for cause?
YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.
- c. Been denied the award of a contract and/or the opportunity to bid on a contract, including, but not limited to, failure to meet pre-qualification standards?
YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.
- d. Been suspended by any government agency from entering into any contract with it; and/or is any action pending that could formally debar or otherwise affect such business's ability to bid or propose on contract?
YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

8. Have any of the businesses or organizations listed in response to Question 5 filed a bankruptcy petition and/or been the subject of involuntary bankruptcy proceedings during the past 7 years, and/or for any portion of the last 7 year period, been in a state of bankruptcy as a result of bankruptcy proceedings initiated more than 7 years ago and/or is any such business now the subject of any pending bankruptcy proceedings, whenever initiated?

YES ☐ NO ☒ If 'Yes', provide details for each such instance. (Provide a detailed response to all questions check "Yes". If you need more space, photocopy the appropriate page and attached it to the questionnaire.)

9.

- a. Is there any felony charge pending against you?
YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

- b. Is there any misdemeanor charge pending against you?
YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

- c. Is there any administrative charge pending against you?
YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

- d. In the past 10 years, have you been convicted, after trial or by plea, of any felony, or of any other crime, an element of which relates to truthfulness or the underlying facts of which related to the conduct of business? Y
YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

- e. In the past 5 years, have you been convicted, after trial or by plea, of a misdemeanor?
YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

- f. In the past 5 years, have you been found in violation of any administrative or statutory charges?
YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

10. In addition to the information provided in response to the previous questions, in the past 5 years, have you been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency and/or the subject of an investigation where such investigation was related to activities performed at, for, or on behalf of the submitting business entity and/or an affiliated business listed in response to Question 5?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

11. In addition to the information provided, in the past 5 years has any business or organization listed in response to Question 5, been the subject of a criminal investigation and/or a civil anti-trust investigation and/or any other type of investigation by any government agency, including but not limited to federal, state, and local regulatory agencies while you were a principal owner or officer?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

12. In the past 5 years, have you or this business, or any other affiliated business listed in response to Question 5 had any sanction imposed as a result of judicial or administrative proceedings with respect to any professional license held?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

13. For the past 5 tax years, have you failed to file any required tax returns or failed to pay any applicable federal, state or local taxes or other assessed charges, including but not limited to water and sewer charges?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

I, Morris Maybruch , hereby acknowledge that a materially false statement willfully or fraudulently made in connection with this form may result in rendering the submitting business entity and/or any affiliated entities non-responsible, and, in addition, may subject me to criminal charges.

I, Morris Maybruch , hereby certify that I have read and understand all the items contained in this form; that I supplied full and complete answers to each item therein to the best of my knowledge, information and belief; that I will notify the County in writing of any change in circumstances occurring after the submission of this form; and that all information supplied by me is true to the best of my knowledge, information and belief. I understand that the County will rely on the information supplied in this form as additional inducement to enter into a contract with the submitting business entity.

CERTIFICATION

A MATERIALLY FALSE STATEMENT WILLFULLY OR FRAUDULENTLY MADE IN CONNECTION WITH THIS QUESTIONNAIRE MAY RESULT IN RENDERING THE SUBMITTING BUSINESS ENTITY NOT RESPONSIBLE WITH RESPECT TO THE PRESENT BID OR FUTURE BIDS, AND, IN ADDITION, MAY SUBJECT THE PERSON MAKING THE FALSE STATEMENT TO CRIMINAL CHARGES.

Change Healthcare Technology Enabled Services LLC

Name of submitting business

Electronically signed and certified at the date and time indicated by:

Morris Maybruch [MORRIS.MAYBRUCH@CHANGEHEALTHCARE.COM]

Senior Operations Manager

Title

12/12/2020 03:51:27 PM

Date

COUNTY OF NASSAU

CONSULTANT'S, CONTRACTOR'S AND VENDOR'S DISCLOSURE FORM

1. Name of the Entity: Change Healthcare Technology Enabled Services LLC

Address: 3055 Lebanon Pike

City: Nashville State/Province/Territory: TN Zip/Postal Code: 37214

Country: US

2. Entity's Vendor Identification Number: [REDACTED]

3. Type of Business: Ltd. Liability Co (specify) _____

4. List names and addresses of all principals; that is, all individuals serving on the Board of Directors or comparable body, all partners and limited partners, all corporate officers, all parties of Joint Ventures, and all members and officers of limited liability companies (attach additional sheets if necessary):

2 File(s) uploaded officers page.pdf, officers page.pdf

No principals have been attached to this form.

5. List names and addresses of all shareholders, members, or partners of the firm. If the shareholder is not an individual, list the individual shareholders/partners/members. If a Publicly held Corporation, include a copy of the 10K in lieu of completing this section.

If none, explain.

On June 27, 2019, Change Healthcare became a public company. Information related to this request is in the process of being updated. To check information on our financials, please visit the Financials link on our website: <https://ir.changehealthcare.com/financial-information>.

No shareholders, members, or partners have been attached to this form.

6. List all affiliated and related companies and their relationship to the firm entered on line 1. above (if none, enter "None"). Attach a separate disclosure form for each affiliated or subsidiary company that may take part in the performance of this contract. Such disclosure shall be updated to include affiliated or subsidiary companies not previously disclosed that participate in the performance of the contract.

Change Healthcare Technology Enabled Services LLC is a subsidiary of Change Healthcare, LLC.

7. List all lobbyists whose services were utilized at any stage in this matter (i.e., pre-bid, bid, post-bid, etc.). If none, enter "None." The term "lobbyist" means any and every person or organization retained, employed or designated by any client to influence - or promote a matter before - Nassau County, its agencies, boards, commissions, department heads, legislators or committees, including but not limited to the Open Space and Parks Advisory Committee and Planning Commission. Such matters include, but are not limited to, requests for proposals, development or improvement of real property subject to County regulation, procurements. The term "lobbyist" does not include any officer, director, trustee, employee, counsel or agent of the County of Nassau, or State of New York, when discharging his or her official duties.

Are there lobbyists involved in this matter?

YES ☐ NO ☒

(a) Name, title, business address and telephone number of lobbyist(s):

3055 Lebanon Pike

(b) Describe lobbying activity of each lobbyist. See below for a complete description of lobbying activities.

--

(c) List whether and where the person/organization is registered as a lobbyist (e.g., Nassau County, New York State):

--

8. VERIFICATION: This section must be signed by a principal of the consultant, contractor or Vendor authorized as a signatory of the firm for the purpose of executing Contracts.

The undersigned affirms and so swears that he/she has read and understood the foregoing statements and they are, to his/her knowledge, true and accurate.

Electronically signed and certified at the date and time indicated by:
Scott Schrader [SCOTT.SCHRADER@CHANGEHEALTHCARE.COM]

Dated: 02/05/2021 03:35:26 PM

Title: Chief Commercial Officer, TES

The term lobbying shall mean any attempt to influence: any determination made by the Nassau County Legislature, or any member thereof, with respect to the introduction, passage, defeat, or substance of any local legislation or resolution; any determination by the County Executive to support, oppose, approve or disapprove any local legislation or resolution, whether or not such legislation has been introduced in the County Legislature; any determination by an elected County official or an officer or employee of the County with respect to the procurement of goods, services or construction, including the preparation of contract specifications, including by not limited to the preparation of requests for proposals, or solicitation, award or administration of a contract or with respect to the solicitation, award or administration of a grant, loan, or agreement involving the disbursement of public monies; any determination made by the County Executive, County Legislature, or by the County of Nassau, its agencies, boards, commissions, department heads or committees, including but not limited to the Open Space and Parks Advisory Committee, the Planning Commission, with respect to the zoning, use, development or improvement of real property subject to County regulation, or any agencies, boards, commissions, department heads or committees with respect to requests for proposals, bidding, procurement or contracting for services for the County; any determination made by an elected county official or an officer or employee of the county with respect to the terms of the acquisition or disposition by the county of any interest in real property, with respect to a license or permit for the use of real property of or by the county, or with respect to a franchise, concession or revocable consent; the proposal, adoption, amendment or rejection by an agency of any rule having the force and effect of law; the decision to hold, timing or outcome of any rate making proceeding before an agency; the agenda or any determination of a board or commission; any determination regarding the calendaring or scope of any legislature oversight hearing; the issuance, repeal, modification or substance of a County Executive Order; or any determination made by an elected county official or an officer or employee of the county to support or oppose any state or federal legislation, rule or regulation, including any determination made to support or oppose that is contingent on any amendment of such legislation, rule or regulation, whether or not such legislation has been formally introduced and whether or not such rule or regulation has been formally proposed.



Officers of Change Healthcare Technology Enabled Services

Change Healthcare Officers		
Officer	Title	Address
Neil E. de Crescenzo	President and Chief Executive Officer	3055 Lebanon Pike, Suite 1000 Nashville, TN 37214
Thomas Laur	Vice President	275 Grove Street, Suite I-310 Newton, MA 02466
Dennis Robbins	Vice President, Finance	3055 Lebanon Pike, Suite 1000 Nashville, TN 37214
Derrick Kirkwood	Vice President, Tax	3055 Lebanon Pike, Suite 1000 Nashville, TN 37214
Loretta Cecil	Secretary	5995 Windward Parkway Alpharetta, GA 30005
Carrie Ratliff	Assistant Secretary	3535 Piedmont Road Building 14 Suite 600 Atlanta, GA 30305
Joe Ashkouti	Assistant Secretary	3535 Piedmont Road Building 14 Suite 600 Atlanta, GA 30305



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
03/02/2020

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER MARSH, INC. 1801 WEST END AVE., SUITE 1400 NASHVILLE, TN 37203 Attn: Tammy.A.Adcock@marsh.com CN119046153-EMDEO-GAWU-20-	CONTACT NAME: Tammy Adcock	FAX (A/C, No):	
	PHONE (A/C, No, Ext): 615-340-2444	E-MAIL ADDRESS: Tammy.A.Adcock@marsh.com	
INSURED Change Healthcare LLC 3055 Lebanon Pike, Ste 1000 Nashville, TN 37214	INSURER(S) AFFORDING COVERAGE		NAIC #
	INSURER A: Charter Oak Fire Insurance Company		25615
	INSURER B: The Travelers Indemnity Company		25658
	INSURER C: Starr Indemnity & Liability Company		38318
	INSURER D: Travelers Property Casualty Company Of America		25674
	INSURER E:		
INSURER F:			

COVERAGES**CERTIFICATE NUMBER:**

ATL-004820742-05

REVISION NUMBER: 4

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL SUBR INSD WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC <input type="checkbox"/> OTHER:		660-0J60255	03/01/2020	03/01/2021	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ 2,000,000
B	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input checked="" type="checkbox"/> NON-OWNED AUTOS ONLY		BA 1P082893	03/01/2020	03/01/2021	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
D	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input checked="" type="checkbox"/> RETENTION \$ 10,000		CUP 1J64882A	03/01/2020	03/01/2021	EACH OCCURRENCE \$ 20,000,000 AGGREGATE \$ 20,000,000
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N <input checked="" type="checkbox"/> N <input type="checkbox"/> A	1000002641 (AOS) 1000002642-TX,AZ,CT,IA,NJ,NY,VT 1000002643 (WI) 1000002644 (FL,MA,AK)	03/01/2020 03/01/2020 03/01/2020 03/01/2020	03/01/2021 03/01/2021 03/01/2021 03/01/2021	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Re: Operations: Billing related services contract with Nassau Police Department.

The Certificate Holder is included as additional insured where required by written contract with respect to General Liability.

CERTIFICATE HOLDERNassau County Police Department
Attn: Commanding Officer
1490 Franklin Ave
Mineola, NY 11501**CANCELLATION**

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE
of Marsh USA Inc.

Stephen R. Earp

Stephen R. Earp

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AMENDMENT NO. 4

AMENDMENT (together with any appendices or exhibits hereto, this "Amendment") dated as of the date that this Amendment is executed by Nassau County (the "Effective Date"), between (i) Nassau County, a municipal corporation having its principal office at 1550 Franklin Avenue, Mineola, New York 11501 (the "County"), acting for and on behalf of the Nassau County Police Department, having its principal office at 1490 Franklin Avenue, Mineola, New York, 11501 (the "Department") and (ii) Change Healthcare Practice Management Solutions Inc., a corporation authorized to do business in the State of New York, having its principal office at 3055 Lebanon Pike, Suite 1000, Nashville, TN 37214 (the "Contractor").

WITNESSETH:

WHEREAS, pursuant to County contract number COPD13000013 between the County and the Contractor, executed on behalf of the County on November 12, 2013, as amended, and as assigned by MED3000, Inc. effective as of March 1, 2018 (the "Original Agreement"), the Contractor provides the recording and transmission of pre-hospital care reports and billing and fee collection services, which services are more fully described in the Original Agreement (the services contemplated by the Original Agreement, the "Services"); and

WHEREAS, the term of the Original Agreement is from February 11, 2013 until August 10, 2019 (the "Original Term"); and

WHEREAS, the County has issued RFP No. PD0215-1911 for Ambulance Billing Services, and is currently in the process of finalizing a new contract award for these Services; and

WHEREAS, the Department desires to extend the Term of the Original Agreement to avoid a disruption of the Services in connection with the termination of the Original Agreement and transition to a new contract; and

NOW, THEREFORE, in consideration of the promises and mutual covenants contained in this Amendment, the parties agree as follows:

1. Term. The Term of the Original Agreement shall be extended by nine (9) months and twenty-one (21) days, so that the termination date of the Original Agreement, as amended by this Amendment (the "Amended Agreement") shall be May 31, 2020. *ggw/mac*

2. Full Force and Effect. All terms and conditions of the Original Agreement not expressly amended by this Amendment shall remain in full force and effect and govern the relationship of the parties for the term of the Amended Agreement.

[Remainder of Page Left Intentionally Blank.]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the Effective Date.

Change Healthcare Practice Management Solutions,
Inc.

By: Christine Rile
Name: Christine Rile
Title: SVP CFO TBS
Date: 10/11/19

NASSAU COUNTY

By: Tahim J Fox
Name: Tahim J Fox
Title: Deputy County Executive
Date: 7/31/2020

PLEASE EXECUTE IN BLUE INK

GEORGIA
STATE OF NEW YORK)
FULTON)ss.:
COUNTY OF ~~NASSAU~~

On the 11 day of OCTOBER in the year 2019 before me personally came
CHRISTINE RICE to me personally known, who, being by me duly sworn, did depose and
say that he or she resides in the County of CHESTER; that he or she is the
SVP, CFO of CHANGE Healthcare TES, the corporation described herein and
which executed the above instrument; and that he or she signed his or her name thereto by authority
of the board of directors of said corporation.

Cheryl D. Ruggles
NOTARY PUBLIC



STATE OF NEW YORK)
)ss.:
COUNTY OF NASSAU)

On the 31 day of JULY in the year 2020 before me personally came
Tatum J. Fox to me personally known, who, being by me duly sworn, did depose and
say that he or she resides in the County of Nassau; that he or she is a Deputy County
Executive of the County of Nassau, the municipal corporation described herein and which executed
the above instrument; and that he or she signed his or her name thereto pursuant to Section 205 of the
County Government Law of Nassau County.

Tanya L. Carter
NOTARY PUBLIC



AMENDMENT NO. 3

AMENDMENT, (together with any appendices or exhibits hereto, this "Amendment") made as of the date this Amendment is last executed by the parties hereto, between (i) Nassau County, a municipal corporation having its principal office at 1550 Franklin Avenue, Mineola, New York 11501 (the "County"), acting for and on behalf of the Nassau County Police Department, having its principal office at 1490 Franklin Avenue, Mineola, New York 11501 ("the Department"), and (ii) Change Healthcare Practice Management Solutions Inc., a Delaware corporation having its principal office at 3055 Lebanon Pike, Suite 1000, Nashville TN 37214 (the "Contractor").

WITNESSETH:

WHEREAS, pursuant to County contract number CQPD13000013 between the County and the Contractor, executed on behalf of the County on November 12, 2013, as amended and as assigned by MED3000, Inc., effective as of March 1, 2018 (the "Original Contract"), the Contractor provides the recording and transmission of pre-hospital care reports ("PCR") and billing and fee collection services, which services are more fully described in the Original Agreement (the services contemplated by the Original Agreement, the "Services"); and

WHEREAS, the term of the Original Agreement is from February 11, 2013 through February 10, 2019 (the "Term"), unless sooner terminated in accordance with the provisions of the Original Agreement; and

WHEREAS, the County has issued RFP No. PD0215-1911 for Ambulance Billing Services, and is currently reviewing proposals in anticipation of an award of a new contract for these Services; and

WHEREAS, the County desires to extend the Term of the Original Agreement to minimize disruption of the Services in connection with the termination of the Original Agreement and the transition to a new contract.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained in this Amendment, the parties agree as follows:

1. Term. The Term of the Original Agreement shall be extended by six (6) months, so that the termination date of the Original Agreement, as amended by this Amendment (the "Amended Agreement") shall be August 10, 2019.

2. Compliance with Law. Section 7 of the Original Agreement is hereby amended to add the following subsections:

(f) Prohibition of Gifts. In accordance with County Executive Order 2-2018, the Contractor shall not offer, give, or agree to give anything of value to any County employee, agent, consultant, construction manager, or other person or firm representing the County (a "County Representative"), including members of a County Representative's immediate family, in connection with the performance by such County Representative of duties involving transactions with the Contractor on behalf of the County, whether such duties are related to this Agreement or any other County contract or matter. As used herein,

"anything of value" shall include, but not be limited to, meals, holiday gifts, holiday baskets, gift cards, tickets to golf outings, tickets to sporting events, currency of any kind, or any other gifts, gratuities, favorable opportunities or preferences. For purposes of this subsection, an immediate family member shall include a spouse, child, parent, or sibling. The Contractor shall include the provisions of this subsection in each subcontract entered into under this Agreement.

(g) Disclosure of Conflicts of Interest. In accordance with County Executive Order 2-2018, the Contractor has disclosed as part of its response to the County's Business History Form, or other disclosure form(s), any and all instances where the Contractor employs any spouse, child, or parent of a County employee of the agency or department that contracted or procured the goods and/or services described under this Agreement. The Contractor shall have a continuing obligation, as circumstances arise, to update this disclosure throughout the term of this Agreement.

3. Full Force and Effect. All the terms and conditions of the Original Agreement not expressly amended by this Amendment shall remain in full force and effect and govern the relationship of the parties for the term of the Amended Agreement.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first
above written.

CHANGE HEALTHCARE PRACTICE
MANAGEMENT SOLUTIONS INC.

By: Christine Rice
Name: Christine Rice
Title: SVP CFO -IES
Date: 4/11/19

NASSAU COUNTY

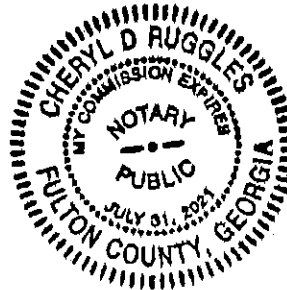
By: Tatum J. Fox
Name: Tatum J. Fox
Title: DCE
Date: 7/12/19

PLEASE EXECUTE IN BLUE INK

GEORGIA
STATE OF ~~NEW YORK~~
FULTON)ss.:
COUNTY OF ~~NASSAU~~

On the 11 day of APRIL in the year 2019 before me personally came CHRISTINE RICE to me personally known, who, being by me duly sworn, did depose and say that he or she resides in the County of CHEROKEE; that he or she is the SVP, CFO of CHANGE HEALTHCARE PRACTICE CORPORATION, MANAGEMENT SOLUTIONS, INC. described herein and which executed the above instrument; and that he or she signed his or her name thereto by authority of the board of directors of said corporation.

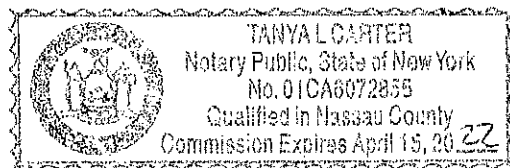
Cheryl D. Ruggles
NOTARY PUBLIC



STATE OF NEW YORK
COUNTY OF NASSAU)ss.:

On the 12 day of JULY in the year 2019 before me personally came Tatum J. Fox to me personally known, who, being by me duly sworn, did depose and say that he or she resides in the County of Nassau; that he or she is a Deputy County Executive of the County of Nassau, the municipal corporation described herein and which executed the above instrument; and that he or she signed his or her name thereto pursuant to Section 205 of the County Government Law of Nassau County.

[Signature]
NOTARY PUBLIC



AMENDMENT NO. 2

AMENDMENT, (together with the schedules, appendices, attachments and exhibits if any hereto, this "Amendment") made as of the date this Amendment is last executed by the parties hereto, between (i) Nassau County, a municipal corporation having its principal office at 1550 Franklin Avenue, Mineola, New York 11501 (the "County"), acting for and on behalf of the Nassau County Police Department, having its principal office at 1490 Franklin Avenue, Mineola, New York, 11501 (the "Department") and (ii) **Change Healthcare Practice Management Solutions Inc.**, a Delaware corporation having its principal office at 3055 Lebanon Pike, Suite 1000, Nashville TN 37214 (the "Contractor" and/or "Assignee").

WITNESSETH:

WHEREAS, pursuant to County contract number **CQPD13-000013** between the County and the MED3000 Inc., executed on behalf of the County on November 12, 2013 as amended by Amendment One **CLPD14-000002** executed on behalf of the County on August 12, 2014 (the "Original Agreement"), MED3000, Inc. provided the recording and transmission of pre-hospital care reports ("PCR") and billing and fee collection services, which is more fully described in the Original Agreement (the services contemplated by the Original Agreement, the "Services"); and

WHEREAS, the term of the Original Agreement is from February 11, 2013 through February 10, 2018 (the "Original Term"); and

WHEREAS, the County is desirous of extending the term of the Original Agreement for one (1) year, so that the termination date shall be February 10, 2019;

WHEREAS, MED3000 was agreeable to such extension and from February 11, 2013 through February 28, 2018 provided the Services to the County; and

WHEREAS as of March 1, 2018, MED3000, Inc. has assigned all of its assets, receivables, and liabilities, including any and all rights, receivables, liabilities, extensions, and renewals of the Original Agreement, to Assignee with all services rendered and all pertinent personnel now employed by Assignee (the "Assignment"); and

WHEREAS, such Assignment was accepted and consented to by the County; and since such effective date of the Assignment, Change Healthcare Practice Management Solutions Inc. has provided the Services to the County; and

NOW, THEREFORE, in consideration of the promises and mutual covenants contained in this Amendment, the parties agree as follows:

1. Term Extension. The Original Agreement shall be extended for one (1) year, so that the termination date of the Original Agreement, as amended by this Amendment (the "Amended Agreement"), shall be February 10, 2019.

2. Full Force and Effect. All terms and conditions of the Original Agreement not expressly amended by this Amendment shall remain in full force and effect and govern the relationship of the parties for the term of the Amended Agreement.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

CHANGE HEALTHCARE PRACTICE
MANAGEMENT SOLUTIONS INC.

By: 

Name: Christine Rice
Title: SUP CFO T&S
Date: 5/22/18

NASSAU COUNTY

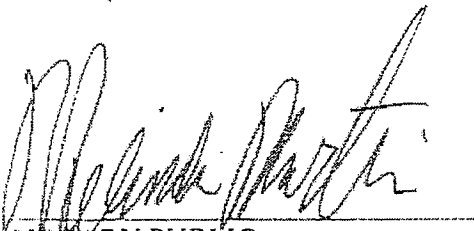
By: 

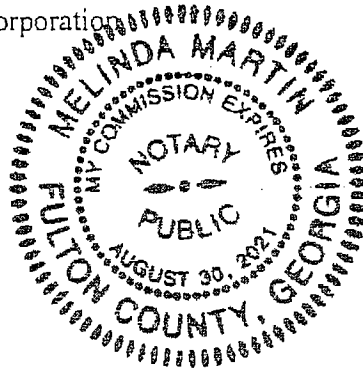
Name: Titurn J. Fox
Title: Deputy County Executive
Date: 8/22/18

PLEASE EXECUTE IN BLUE INK

STATE OF ~~NEW YORK~~ GEORGIA
(~~NY~~) FULTON)ss.:
COUNTY OF ~~NASSAU~~)


On the 22 day of MAY in the year 2018 before me personally came CHRISTINE RICE to me personally known, who, being by me duly sworn, did depose and say that he or she resides in the County of FULTON; that he or she is the SVP, CFO of CHANGE HEALTHCARE, the corporation described herein and which executed the above instrument; and that he or she signed his or her name thereto by authority of the board of directors of said corporation.

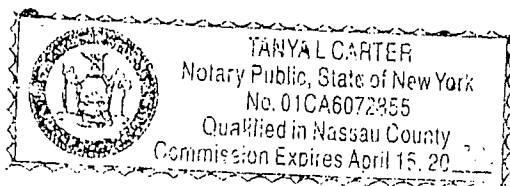

NOTARY PUBLIC



STATE OF NEW YORK)
)ss.:
COUNTY OF NASSAU)

On the 22 day of August in the year 2018 before me personally came Tatum J. Fox to me personally known, who, being by me duly sworn, did depose and say that he or she resides in the County of Nassau; that he or she is a Deputy County Executive of the County of Nassau, the municipal corporation described herein and which executed the above instrument; and that he or she signed his or her name thereto pursuant to Section 205 of the County Government Law of Nassau County.


NOTARY PUBLIC



AMENDMENT NO. 1

AMENDMENT, dated as of _____, 201____ (together with the schedules, appendices, attachments and exhibits if any hereto, this "Amendment"), between (i) Nassau County, a municipal corporation having its principal office at 1550 Franklin Avenue, Mineola, New York 11501 (the "County"), acting for and on behalf of the Nassau County Police Department, having its principal office at 1490 Franklin Avenue, Mineola, New York, 11501 (the "Department") and (ii) **MED3000, Inc.**, a Delaware corporation, having its principal office at 1 Blue Hill Plaza, Pearl River, New York 10965 (hereinafter referred to as "Contractor").

WITNESSETH:

WHEREAS, pursuant to County contract number COPD13-000013 between the County and the Contractor, executed on behalf of the County on November 12, 2013 (the "Original Agreement"), Contractor provides the recording and transmission of pre-hospital care reports ("PCR") and billing and fee collection services, which is more fully described in the Original Agreement (the services contemplated by the Original Agreement, the "Services"); and

WHEREAS, the term of the Original Agreement is from February 11, 2013 and shall expire three years thereafter, provided however, the Original Agreement shall automatically renew for two (2) additional one (1) year terms, unless sooner terminated in accordance with the terms of the Original Agreement; and

WHEREAS, the Department is desirous of amending the payment terms to clarify the terms provided under the Original Agreement.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained in this Amendment, the parties agree as follows:

1. Payment. The Exhibit B' attached to the Original Agreement, as amended by this Amendment, (the "Amended Agreement") shall be amended and supplemented with the following language: "The 6.75% charge rate on collections is not to be charged on Medicaid receipts, but there is an additional charge to the County of \$7.50 per Medicaid claim processed."

2. Full Force and Effect. All terms and conditions of the Original Agreement not expressly amended by this Amendment shall remain in full force and effect and govern the relationship of the parties for the term of the Amended Agreement.

[Remainder of Page Intentionally Left Blank.]

14-01-11 11:11

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

MED3000, INC.

By: 

Name: CHRIS ROSEN

Title: SVP

Date: 4/16/14

NASSAU COUNTY

By: 

Name: Richard R. Walker

Title: Deputy County Executive

Date: 8/12/14

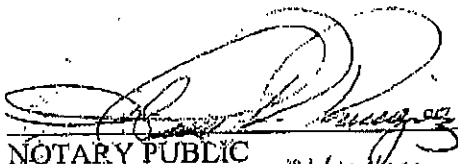
PLEASE EXECUTE IN BLUE INK

~~STATE OF TEXAS~~

~~STATE OF NEW YORK~~

~~DANAS COUNTY~~)ss.:
~~COUNTY OF NASSAU~~

On the 16 day of APRIL in the year 2014 before me personally came
CHARIS ROMERO to me personally known, who, being by me duly sworn, did depose and
say that he or she resides in the County of ST. CHARLES; that he or she is the
SENIOR VICE PRESIDENT of WED 200, the corporation described herein and
which executed the above instrument; and that he or she signed his or her name thereto by authority
of the board of directors of said corporation.


NOTARY PUBLIC 2/16/14



STATE OF NEW YORK)

)ss.:

COUNTY OF NASSAU)

On the 12 day of August in the year 2014 before me personally came
Richard R. Walker to me personally known, who, being by me duly sworn, did depose and
say that he or she resides in the County of Nassau; that he or she is a Deputy County
Executive of the County of Nassau, the municipal corporation described herein and which executed
the above instrument; and that he or she signed his or her name thereto pursuant to Section 205 of the
County Government Law of Nassau County.

Concetta A. Petrucci

NOTARY PUBLIC

CONCETTA A. PETRUCCI
Notary Public, State of New York
No. 01P6520026
Qualified in Nassau County
Commission Expires April 02, 2016

CONTRACT FOR SERVICES

13 MAY 30 PM 1:35

THIS AGREEMENT, dated as of _____ (together with the schedules, appendices, attachments and exhibits, if any, this "Agreement"), is entered into by and between (i) Nassau County, a municipal corporation having its principal office at 1550 Franklin Avenue, Mincola, New York 11501 (the "County"), acting for and on behalf of the Nassau County Police Department, having its principal office at 1490 Franklin Ave., Mincola, NY 11550 (the "Department") and (ii) MED3000, Inc., a Delaware corporation, having its principal office at 1 Blue Hill Plaza, Pearl River, New York 10965 (the "Contractor").

WITNESSETH:

WHEREAS, the County requested proposals from firms, who are able to provide billing and fee collection for ambulance services;

WHEREAS, the County has chosen the Contractor, who is eminently qualified to render the services based upon its background and expertise;

WHEREAS, this is a personal service contract within the intent and purview of Section 2206 of the County Charter; and

NOW, THEREFORE, in consideration of the premises and mutual covenants contained in this Agreement, intending to be legally bound, the parties agree as follows:

1. Term. This Agreement shall commence on February 11, 2013 and shall expire three years thereafter, provided, however, this Agreement shall automatically renew for two additional one-year terms, unless terminated by the County or the Contractor pursuant to the provisions of this Agreement.
2. Services. Generally. The services to be provided by the Contractor under this Agreement shall consist of the recording and transmission of pre-hospital care reports ("PCR"), and billing and fee collection services for the Department's ambulance bureau ("Services"). Such services, set forth below, are further described in the Request for Proposal incorporated herein by reference and attached hereto as Exhibit A and the Contractor's Proposal, as amended by its Best and Final Offer (exclusive of any license agreement), both of which are incorporated herein by reference and attached as Exhibit B. In the event of a conflict or ambiguity between any term of this agreement, above the signature page, and any Exhibit, the Agreement above the signature page, shall take precedent followed by the County's Request for Proposal and then the Contractors Proposal. It is expressly understood that due to the experience, knowledge and capability of Morris Maybruch and Ashley Peters, and so long as they are employed with MED3000, they shall be primarily responsible during the TERM of this Agreement for directing all activities of Contractor and devoting sufficient time to personally supervise the services hereunder.

(a) Recording and Transmission of Pre-Hospital Care Reports

- i. The Contractor shall provide the Department with the technological capabilities for Automated PCR Field Data Entry, which will provide the Department with the ability to collect patient information at the scene of an incident, en route to the hospital and/or while at the hospital. In support thereof the Contractor shall provide the Department with the items specified in Exhibit A, including but not limited to: Forty (40) Panasonic Toughbook CF-19 computers to be used by the Departments ambulance fleet for the electronic entering of information to PCRs. The Contractor shall ensure that each computer is protected by anti-virus and anti-spy ware software applications and "Fortes" or comparable software application. The Contractor shall also provide forty-one (41) printers and sufficient quantities of paper to satisfy the volume of work and all other hardware needed to perform all functions in the forty - one (41) vehicle docking, mounting and printing stations; the model of printer shall be determined by the Contractor subject to the Department's approval. Additionally, the Contractor shall provide each of the Department's ambulances with a wireless data communications router (with external antenna) that will (a) provide a high-speed wireless connection to the Internet via a common carrier, such as Verizon or Sprint; and (b) provide a local "Wifi" wireless connection for the laptop being used in each ambulance. This connection will operate at a data rate of 11Mbps (802.11b) with 54Mbps (802.11g) preferred. The Contractor shall utilize Wi-Fi Protected Access (WPA) or WPA2 to secure the system from unauthorized users. All data shall be 128 bit encrypted in addition to the protection provided by WPA or WPA2.
- ii. All hardware and software shall be installed by the Contractor and shall be supported and maintained by the Contractor. The Contractor acknowledges that all of the hardware and software provided under this Agreement shall operate as a stand alone system and shall not interface with the County or Department networks in any manner. The maintenance and support services shall be provided for normal wear and tear, component failures, data communication failures or issues and to correct any improper functioning or enhance the functionality with current issuances. In the event that there is a reduction in or loss of functionality or of use, the Contractor shall repair or replace any hardware or software.
- iii. All data included in any electronic PCR shall be stored on the Contractor's local server. The Department shall have complete access to all data, at any reasonable time during normal business hours, for the term of this Agreement. Upon termination of the Agreement, unless required by law, all data shall be returned to the Department and the Contractor shall not maintain any data or copies thereof upon termination of this Agreement.

(b) Medical Coding

The Contractor shall perform medical diagnostic coding using sources recognized as industry standards (e.g., current edition of ICD-9-CM Volume I – Tabular List of Diseases and Injuries, ICD-9-CM Volume 2 – Alphabetical Index of Diseases and Injuries, and the Diagnostic Coding guidelines for Ambulance Services as contained in the Coding Clinic ICD-9-CM Diagnostic and Reporting guidelines for outpatient Services, latest edition, or the new Medical diagnostic codes). Codes will be entered electronically in a manner/format developed by the Contractor and reasonably approved by the Department. The Contractor will then integrate this information into the patient record database. All medical coding shall be supervised by a certified coder.

(c) Billing Services

- i. Upon receipt of patient information, the Contractor shall use industry best practice to determine the authenticity of each patient's name and address and to verify whether the patient has provided a release to obtain medical and insurance information so as to facilitate third party payment.
- ii. The release of medical and insurance information required for billing may be acquired when the patient care report is generated. The Contractor shall also seek to make arrangements with local area hospitals to obtain the patient address and insurance information. The Contractor shall determine patient eligibility for medicare, Medicaid, primary and secondary insurance, Commercial insurance, or whether the claim should be billed directly to the patient. If no insurance information is available an invoice shall be forwarded directly to the patient and shall include a request for a medical release and insurance information.
- iii. All written and recorded communications between the Contractor and patients, other statement recipients, or representatives of insurance companies shall be subject to the review by and approval of the Department. The Contractor shall adhere to the following billing procedure:
 1. Initial Invoice. The Contractor shall issue an initial invoice for payment to the patient or, if applicable, to the insurance carrier within seven (7) days after receipt of the PCR information. The invoice shall include but not be limited to the following information: account number, name and address of the patient, date of the invoice, date of service, description of services rendered, name of the hospital receiving the patient, fees for each service provided, total of the fees listed on the invoice, patient care report number, payment due date, basic information regarding third party reimbursement procedures, telephone numbers and hours for customer service assistance.

The invoice shall include either a separate or perforated return voucher that will include but not be limited to: account number, date of the

invoice, date of the transport, patient information, return address information (to a County designated lockbox), payment due date, total amount of the bill, patient care report number, credit card type, number and expiration date (if applicable); terms of release of medical records. The reverse side of the statement shall include an area to allow patients to provide address correction, insurance information, and signature if a release signature was not provided with the patient care report. The invoice may also include a bar code line or other means of electronically tracking patient information. Contractor shall include a return envelope pre-printed with the return address.

2. Second Statement. The Contractor shall issue a statement thirty (30) days after the initial invoice if the payment or insurance information is not received by the bank lockbox by the printed due date. This statement shall be similar to the original invoice and shall also indicate that it is a second statement and may be disregarded if payment has already been remitted.
3. Third Statement. The Contractor shall issue a statement sixty (60) days after the initial invoice if payment or insurance information is not received by the bank lockbox by the second statement due date. This statement will be similar to prior statements, and will note if payment has been made to disregard the statement.
4. Collection Letter. The Contractor shall issue a "collection letter" statement ninety (90) days after the initial invoice, this statement shall constitute a warning notice to the patient stating that if the patient fails to pay the amount due to provide insurance information, the account will be forwarded for collection activity. Potential legal remedies may also be indicated on the letter.
5. Telephone calls. The Contractor shall place telephone calls to patients and insurance providers regarding account status, if necessary, after initial invoice and follow up statements.
6. Third party reimbursement. The Contractor shall use industry best practices to maximize receipt of legitimate third party reimbursements for the Department's services and to assist patients in obtaining such reimbursements with minimum inconvenience.

Contractor shall at a minimum process the following:

1. Medicare claims. The Contractor shall process all medicare claims as required by medicare law, in effect on date of process, using current common procedural terminology ("CPT") codes for ambulance service and accepted Internal Common Diagnostic

("ICD-9") codes for ambulance services for all Medicare claims. Billing of the co-payment fee to the patient after receipt of payment from Medicare shall be made, and if applicable, to a secondary insurance provider.

2. Medicaid claims. The Contractor shall process all Medicaid claims as required by New York State Law, using current CPT codes for ambulance service, and accepted ICD-9 codes for ambulance service.

3. Insurance claims. The Contractor shall (a) process all insurance claims (i) using current CPT codes for the ambulance services, and accepted ICD-9 codes for ambulance services upon receipt of notice of the appropriate primary insurance (insurance carriers may include Medicare HMO's or Medicaid HMOs); (ii) using either a statement format or an electronic format; (iii) providing information as required by the insurance company with all applicable supporting documentation, (b) make a determination as to the existence of a secondary insurance carrier, which may be billed for any remaining balances after payment is received from the primary insurance carrier, and, if so, generating an insurance claim to the second carrier including all standard insurance company claim information and acceptable proof of payment from the primary carrier, and (c) bill the patient for any co-payment or deductible due after receipt of payment(s) from the insurance carriers.

4. Refunds. The Contractor shall document overpayments or incorrect payments and forward that information, including copies of the overpayment or incorrect payment, to the Department for the processing of refunds.

5. Accounts not assigned to the Contractor. In the event the Contractor received correspondence, communication or payment relating to a claim that has not been assigned to the contractor, or that has been closed and returned, Contractor shall, at no charge, inform the correspondent to contact the Department and shall notify the Department of the correspondence, communication or payment and forward such, in accordance with the Department's instructions.

6. Returned checks. The Contractor shall follow-up and collect payment for returned checks.

(d) Customer Service via telephone and web site

- i. The Contractor shall maintain a multi-line telephone inquiry service to handle patient inquiries. The telephone number shall be toll - free in New York State. At a minimum it is expected the service shall be provided between the hours of 8:00 A.M. to 6:00 P.M. Eastern Time, Monday through Friday, excluding national holidays. Contractor is encouraged to provide additional days and times of services. Answering machines and telephone message services may

be used as a backup during the service window period, provided the inquiry is responded to within one (1) business day, and documented accordingly.

- ii. The Contractor shall perform the following functions by telephone:
 - 1. Process insurance information for patients;
 - 2. Elicit additional information from patients in order to re-submit claims which resulted in eligibility denials;
 - 3. Respond to correspondence from patients and payers;
 - 4. Receive and follow up on denials/requests for medical record documentation where appropriate and authorized; and
 - 5. Respond to and resolve all patients' inquiries and complaints regarding the billing and collection of ambulance fees, in a prompt and satisfactory manner.
- iii. The Contractor's employees responding to the Customer Service line must be proficient in English, and be skilled at navigating Contractors database to access patient billing information. Contractor must also be able to provide above services in Spanish.
- iv. The Contractor shall maintain a database to document all calls to the inquiry line and shall track all problems, inquiries and resolutions. Contractor shall provide reports describing this database to the Department upon request. An interactive call processor or similar system shall be used to handle concurrent requests to the system for ninety (90) percent or more of all calls, the average delay from the time the call is received by the system to the time the call is answered by Contractor's representative shall not exceed one minute. The call processor shall provide periodic prompts and messages during the waiting periods, shall provide alternate options for each caller and shall estimate the wait until the caller is connected with a customer service representative.
- v. The Contractor shall maintain a secure website exclusively for patient inquiries and service information. This website must enable patients to perform the following functions within the purview of the Health Insurance Portability and Accountability Act of 1996, as amended ("HIPAA"):
 - 1. query outstanding bills by entering the patient name, or the statement number
 - 2. pay statements using a secure credit card payment method
 - 3. update accounts by entering insurance information, address corrections, or other required information via e-mail
 - 4. contact Contractor using electronic mail (e-mail).
- vi. The Contractor shall not make available patients medical history, condition,

diagnostic codes, etc., for viewing via the internet. The Contractor shall coordinate with designated Department personnel to establish links to the websites of the County and the Department.

(c) Computer hardware and software

- i. Contractor shall provide the County with Rescue Medic software pursuant to the end user license and maintenance agreements annexed hereto and incorporated herein as exhibit.
- ii. Contractor's information systems shall include the following features:
 1. "Real Time," interactive information on all transactions, i.e., data will be posted immediately rather than in batches
 2. ability to process partial payments
 3. ability to process payment adjustments such as returned checks and refunds
 4. computer hardware, software, and peripherals to enable the Department to perform the following functions; Locate and view electronically scanned patient care reports (through indexing provided by the Contractor)
 5. Access the Contractor's information management system for monitoring and auditing purposes
 6. generate pre-design reports from current data in the Contractor's information management system
 7. generate ad hoc reports and correspondence using the then current lease of Microsoft office suite software
 8. transmit patient care report information electronically to the Contractor from the Department
- iii. Access to County data

Access to the County's data stored in the Contractor's database, for any purpose, shall be secured through a password-protected log-on procedure. Each user of the database must have a unique user identification (ID) and password. Only those employees of the Contractor specifically assigned to perform billing and debt collections services for County may be allowed access to the database of the Department's records. Employees of the Department, authorized in writing by the Department shall also be given IDs and passwords that allow authorized inquiry access to Contractor's database of patient accounts. The ability to edit database information will also be restricted to individuals designated by the Contractor and the County. Contractor shall notify the County immediately upon discovering any unauthorized access to either the County's data stored in Contractor's database and shall provide to the County all relevant available information regarding the unauthorized access; Data may be purged from the live information system and stored on CD-ROM based on age as determined by the Department.

- iv. Maintenance of Equipment: The Contractor shall maintain and repair all equipment provided under this Agreement. This equipment including all hardware, software, peripherals and associated service shall, meet or exceed industry standards. Equipment must be maintained and updated with sufficient frequency, subject to annual review, to remain consistent with industry standards and to maximize overall program effectiveness. Equipment shall remain the property of the Contractor. Contractor will be required to coordinate with the data processing units of the County and the Department to ensure appropriate levels of security with existing information technology systems as required. Nothing in this agreement shall prevent the County and the Department from installing additional software onto the computers provided by the Contractor.

(f) General Reporting Requirements

- i. Reporting. Contractor shall prepare reports addressing performance under this Agreement in a standard format provided to Contractor by the County. Contractor shall, as requested by the County, aid in the development of these reports. As required by the County, certain reports shall be available in real time via electronics access to Contractor's information systems. Contractor shall prepare other reports in written format on a routine monthly basis; Contractor shall send a dvd-r copy of any report documentation, forms, payments and zero EOB's at the request of the Department.
- ii. Monitoring. A Department representative will arrange for monitoring of the Services. The monitor will oversee ongoing quality to ensure that the Contractor is meeting the following levels of performance.
1. all billing information is accurate, complete and reflects the appropriate source of information
 2. all required documentation is completed and submitted properly and in a timely manner
 3. Medicare, Medicaid, private insurance, worker's compensation insurances, no-fault insurance and patient payments are properly recorded
 4. secondary and follow up invoices and correspondence are issued
 5. additional carriers are located and billed with proof of primary payment
- iii. Auditing. The County, or its designee, shall conduct a review and audit of the billing process, collection procedures and practices of the Contractor on an annual basis. The audits shall be conducted to verify that submissions for reimbursement comply with all applicable federal health care program statutes, regulations, program and carrier directives relating to medical necessity determinations and medical diagnostic coding and to identify any and all instances where claims fail to meet these standards. The audits are intended to ensure that the programs are billed appropriately for services rendered. To the

extent that irregularities are uncovered in the course of the review, the nature and cost of the irregularity will be detailed with recommendations for corrective action.

- iv. Site inspection. At its sole discretion, the Department reserves the right to conduct an inspection of the Contractor's work site, its facilities and all personnel involved in contract activity at any time determined by the Department. Any facility used by the Contractor for work must be located within seventy five (75) miles of the Department (1490 Franklin Ave Mineola, NY 11501). If the Contractor intends on moving any facility which does work on the Department's account, Contractor shall notify the Department at least ninety (90) days prior to the anticipated move.

(g) Contractor Compliance and Quality Control

- i. The Contractor and its employees shall abide by and conduct themselves in a manner consistent with the Federal, state and local laws. The Contractor shall establish a comprehensive quality control program, including but not limited to the following:
 - 1. An inspection system covering all services furnished by the Contractor;
 - 2. A checklist for use in reviewing and inspecting performance during regularly scheduled or unscheduled inspections. The checklist will include every area of the Contractor's operation including but not limited to the development and maintenance of the database, backup capability, employee background review, training services, billing services, collection services, reporting services, customer services, and the performance of individuals responsible for conducting such review and inspection; and
 - 3. A system for identifying and correcting deficiencies in the quality of services.

(h) Confidentiality

- i. The Contractor shall maintain in strict confidence all records, information or data that it prepares, receives, possesses or delivers pursuant to this Agreement ("Confidential Information"). All Confidential Information shall become the property of the Department and shall not be published, circulated, shared with third parties, or used in any manner by Contractor or its officers, employees or agents. The Contractor is fully familiar with the PCR's insofar as they contain Confidential Information protected by HIPAA and other Federal, state and /or local laws and regulations. A breach of this section shall be deemed a material breach of this Agreement for which County shall

terminate this Agreement and exercise any and all remedies available at law and in equity.

- ii. Medical records and health data, including but not limited to PCR's, medical necessity determinations, and coded forms, shall be transmitted to and from the Contractor in a secure electronic format.
- iii. The Contractor has established and maintains a secure and protected transmission format for such exchanges of information which complies with all requirements and standards promulgated by United States Department of Health and Humans Services, public law and HIPAA. The format and medium of the electronic data transmission shall maintain the confidentiality of all records and conform to the standards promulgated by the Unites States Department of Health and Human Services, pursuant to the requirements of public law 104-191, the Health Insurance Portability and accountability Act of 1996, or other applicable governing jurisdictions.
- iv. The County reserves any and all other rights and remedies in the event of unauthorized disclosure.

3. Payment. (a) Amount of Consideration.

- i. The Contractor shall be compensated based upon a percentage of net revenues. Net revenues are defined as the total sum of all monies collected by the Contractor less amounts refunded or credited to a patient or a third party payer as a result of overpayments, Medicaid payments, erroneous payments or returned checks.
- ii. The Contractor shall be paid pursuant to the fee schedule detailed in the best and final offer which is affixed hereto as Exhibit B.
- iii. These fees shall include all expenses and costs related to billing services, correspondence and dunning service, telephone and website inquiry services, database development and maintenance, reporting, training, compliance, auditing and postage. Fees are further deemed to include all labor, material, equipment overhead, expenses taxes and profit necessary to provide the Services pursuant to the terms and conditions of this Agreement. All fees are capped for the term of the agreement and shall not be subject to increases or markups.
- iv. Contractor represents and warrants that the fee schedule herein (Exhibit B) is equal to or less than the fee schedule which are similar in scope and size. If during the term of the agreement, contractor agrees to a fee schedule with any other ambulance service for its services that is lower than the fee schedule herein. Contractor shall reduce the fees charged to county for the remaining term of this agreement in accordance with the lower fee schedule charged to that other entity.

(b) Vouchers; Voucher Review, Approval and Audit. Payments shall be made to the Contractor in

arrears and shall be contingent upon (i) the Contractor submitting a claim voucher (the "Voucher") in a form reasonably satisfactory to the County, that (a) states with reasonable specificity the services provided and the payment requested as consideration for such services, (b) certifies that the services rendered and the payment requested are in accordance with this Agreement, and (c) is accompanied by documentation reasonably satisfactory to the County supporting the amount claimed, and (ii) review, approval and audit of the Voucher by the Department and/or the County Comptroller or his or her duly designated representative (the "Comptroller").

(c) Timing of Payment Claims. The Contractor shall submit claims no later than three (3) months following the County's receipt of the services that are the subject of the claim and no more frequently than once a month. The County will use best efforts to pay the Contractor within thirty (30) days after receiving a proper invoice and County claim voucher.

(d) No Duplication of Payments. Payments under this Agreement shall not duplicate payments for any work performed or to be performed under other agreements between the Contractors and any funding source including the County.

(e) Payments in Connection with Termination or Notice of Termination. Unless a provision of this Agreement expressly states otherwise, payments to the Contractor following the termination of this Agreement shall not exceed payments made as consideration for services that were (i) performed prior to termination, (ii) authorized by this Agreement to be performed, and (iii) not performed after the Contractor received notice that the County did not desire to receive such services.

4. Independent Contractors. The Contractor is an independent contractor of the County. The Contractor shall not, nor shall any officer, director, employee, servant, agent or independent contractor of the Contractor (a "Contractors Agent"), be (i) deemed a County employee, (ii) commit the County to any obligation, or (iii) hold itself, himself, or herself out as a County employee or Person with the authority to commit the County to any obligation. As used in this Agreement the word "Person" means any individual person, entity (including partnerships, corporations and limited liability companies), and government or political subdivision thereof (including agencies, bureaus, offices and departments thereof).

5. Right to Works and Ownership of Data.

(a) Upon execution of this Agreement, any reports, document, data, designs, drawings, photographs and / or any other material produced pursuant to the Agreement, and any and all drafts and / or preliminary materials, in any format, to such items, shall become the exclusive property of the County.

(b) All original records, accounts receivable data and documentation pertaining to said data is, and shall, remain, the property of the County, and shall be delivered or returned to the County in such media form as existing on the County system, together with a hard copy, and any other documents necessary to utilize the tape, disk, or media in which the data may be stored. Such material shall be delivered within thirty (30) days of the expiration or termination (for any reason) of the Agreement.

6. No Arrears or Default. The Contractor is not in arrears to the County upon any debt or contract and it is not in default as surety, contractors, or otherwise upon any obligation to the County, including any obligation to pay taxes to, or perform services for or on behalf of, the County.

7. Compliance with Law.

(a) Generally. The Contractor shall comply with any and all applicable Federal, state and local Laws, including, but not limited to those relating to HIPAA*, conflicts of interest, discrimination, a living wage, disclosure of information, and Contractor registration, in connection with its performance under this Agreement. In furtherance of the foregoing, the Contractor is bound by and shall comply with the terms of Appendices EE attached hereto and with the County's Contractor registration protocol. As used in this Agreement the word "Law" includes any and all statutes, local laws, ordinances, rules, regulations, applicable orders, and/or decrees, as the same may be amended from time to time, enacted, or adopted.

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(b) Nassau County Living Wage Law. Pursuant to LL 1-2006, as amended, and to the extent that a waiver has not been obtained in accordance with such law or any rules of the County Executive, the Contractor agrees as follows:

(i) The Contractor shall comply with the applicable requirements of the Living Wage Law, as amended.

(ii) Failure to comply with the Living Wage Law, as amended, may constitute a material breach of the Agreement the occurrence of which shall be determined solely by the County. The Contractor has the right to cure such breach within thirty days of receipt of notice of breach from the County. In the event that such breach is not timely cured, the County may terminate this Agreement as well as exercise any other rights available to the County under applicable law.

(iii) It shall be a continuing obligation of the Contractor to inform the County of any material changes in the content of its certification of compliance, attached to this Agreement as Appendix L, and shall provide to the County any information necessary to maintain the certification's accuracy.

(c) Records Access. The parties acknowledge and agree that all records, information, and data ("Information") acquired in connection with performance or administration of this Agreement shall be used and disclosed solely for the purpose of performance or administration of the contract or as required by law. The Contractor's acknowledge that Contractor's Information in the County's possession may be subject to disclosure under Article 6 of the New York State Public Officer's Law ("Freedom of Information Law" or "FOIL"). In the event that such a request for disclosure is made, the County shall make reasonable efforts to notify the Contractor of such request prior to disclosure of the Information so that the Contractor may take such action as it deems appropriate.

(d) Ethical Standards. Contractor shall use diligent and timely billing and collection efforts. All of the Contractor's operations must be performed in accordance with the highest standards of legal ethics. Contractor shall comply strictly with any legal requirements or codes of

conduct with respect to the collection of debts, communication with debtors and collection agency procedures, made or issued by any governmental agency in any jurisdiction or location in which any attempt to collect the debts described herein is made. Such requirements will include but will not be limited to compliance with the following:

- Fair Debt Collection Practices Act, 15 U.S.C. § 1692
- New York State Judiciary Law Article 15, § 489
- New York State general Business Law Article 29-i-1, § 600 and 601 New York State Executive Law Article 5, § 63, subdivision 12.

(e) The Contractor shall monitor developments and changes in regulations and circumstances affecting billing and collection services, including changes in rates of Medicare reimbursements and reporting requirements. As soon as practical, Contractor shall communicate any such changes to the Department and adapt procedures as necessary to conform to regulations. Contractor shall periodically recommend administrative, procedural, technical and other improvements that will reflect industry best practices and improve revenue generation, customer service and /or other key areas of performance.

8. Minimum Service Standards. Regardless of whether required by Law: (a) The Contractor shall, and shall cause Contractor's Agents to, conduct its, his or her activities in connection with this Agreement so as not to endanger or harm any Person or property.

(b) The Contractor shall deliver services under this Agreement in a professional manner consistent with the best practices of the industry in which the Contractor operates. The Contractor shall take all actions reasonably necessary or appropriate to meet the obligation described in the immediately preceding sentence, including obtaining and maintaining, and causing all Contractor Agents to obtain and maintain, all approvals, licenses, and certifications ("Approvals") necessary or appropriate in connection with this Agreement.

(c) The Contractor shall dedicate a minimum of thirteen (13) employees to work on the Department's account.

9. Indemnification; Defense; Cooperation. (a) The Contractor shall be solely responsible for and shall indemnify and hold harmless the County, the Department and its officers, employees, and agents (the "Indemnified Parties") from and against any and all liabilities, losses, costs, expenses (including, without limitation, attorneys' fees and disbursements) and damages ("Losses"), arising out of or in connection with any acts or omissions of the Contractor or a Contractor Agent, under this Agreement, regardless of whether due to negligence, fault, or default, including Losses in connection with any threatened investigation, litigation or other proceeding or preparing a defense to or prosecuting the same; provided, however, that the Contractor shall not be responsible for that portion, if any, of a Loss that is caused by the negligence of the County.

(b) The Contractor shall indemnify and hold harmless the Indemnified Parties against any and all Losses arising out of or in connection with any claim for infringement by the Contractor of any copyright, trade secret, trademark or patent rights of design, systems, drawings, graphics, charts, methodologies, specifications or printed matter furnished or used by the Contractor in the

performance of this Agreement. The Contractor shall indemnify and hold harmless the Indemnified Parties regardless of whether or not the infringement arises out of compliance with the Services or work. Notwithstanding the foregoing, the Contractor shall have no liability for and third party claim of infringement based on (i) modification of the software to the extent that the modification was made without the Contractor's consent or (ii) the use of the software in connection with another product or services (the combination of which causes the infringement) if the Contractor did not approve, in writing, of such use.

(c) The Contractor shall, upon the County's demand and at the County's direction, promptly and diligently defend, at the Contractor's own risk and expense, any and all suits, actions, or proceedings which may be brought or instituted against one or more Indemnified Parties for which the Contractor is responsible under this Section, and, further to the Contractor's indemnification obligations, the Contractor shall pay and satisfy any judgment, decree, loss or settlement in connection therewith.

(d) The Contractor shall, and shall cause Contractor's Agents to, cooperate with the County and the Department in connection with the investigation, defense or prosecution of any action, suit or proceeding in connection with this Agreement, including the acts or omissions of the Contractor and/or a Contractor Agent in connection with this Agreement.

(e) The provisions of this Section shall survive the termination of this Agreement.

10. Insurance. (a) Types and Amounts. The Contractor shall obtain and maintain throughout the term of this Agreement, at its own expense: (i) one or more policies for commercial general liability insurance, which policy(ies) shall name "Nassau County" as an additional insured and have a minimum single combined limit of liability of not less than one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) aggregate coverage, (ii) if contracting in whole or part to provide professional services, one or more policies for professional liability insurance, which policy(ies) shall have a minimum single combined limit liability of not less than one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) aggregate coverage, (iii) compensation insurance for the benefit of the Contractor's employees ("Workers' Compensation Insurance"), which insurance is in compliance with the New York State Workers' Compensation Law, and (iv) such additional insurance as the County may from time to time specify. Contractor or Parent Corporation and its affiliates' use of self-insurance or captive insurance is deemed to satisfy all insurance requirements set forth under this entire Agreement.

(b) Acceptability; Deductibles; Subcontractors. All insurance obtained and maintained by the Contractor pursuant to this Agreement shall be (i) written by one or more commercial insurance carriers licensed to do business in New York State and acceptable to the County, and which is (ii) in form and substance acceptable to the County. The Contractor shall be solely responsible for the payment of all deductibles to which such policies are subject. The Contractor shall require any subcontractors hired in connection with this Agreement to carry insurance with the same limits and provisions required to be carried by the Contractor under this Agreement.

(c) Delivery; Coverage Change; No Inconsistent Action. Prior to the execution of this Agreement, copies of current certificates of insurance evidencing the insurance coverage required by this Agreement shall be delivered to the Department. Not less than thirty (30) days prior to the date of

any expiration or renewal of, or actual, proposed or threatened reduction or cancellation of coverage under, any insurance required hereunder, the Contractor shall provide written notice to the Department of the same and deliver to the Department renewal or replacement certificates of insurance. The Contractor shall cause all insurance to remain in full force and effect throughout the term of this Agreement and shall not take or omit to take any action that would suspend or invalidate any of the required coverages. The failure of the Contractor to maintain Workers' Compensation Insurance shall render this contract void and of no effect. The failure of the Contractor to maintain the other required coverages shall be deemed a material breach of this Agreement upon which the County reserves the right to consider this Agreement terminated as of the date of such failure.

11. Assignment; Amendment; Waiver; Subcontracting. This Agreement and the rights and obligations hereunder may not be in whole or part (i) assigned, transferred or disposed of, (ii) amended, (iii) waived, or (iv) subcontracted, without the prior written consent of the County Executive or his or her duly designated deputy (the "County Executive"), and any purported assignment, other disposal or modification without such prior written consent shall be null and void. The failure of a party to assert any of its rights under this Agreement, including the right to demand strict performance, shall not constitute a waiver of such rights.

12. Termination. (a) Generally. This Agreement may be terminated (i) for any reason by the County upon thirty (30) days' written notice to the Contractor, (ii) for "Cause" by the County immediately upon the receipt by the Contractor of written notice of termination, (iii) upon mutual written agreement of the County and the Contractor, and (iv) in accordance with any other provisions of this Agreement expressly addressing termination.

As used in this Agreement the word "Cause" includes: (i) a breach of this Agreement; (ii) the failure to obtain and maintain in full force and effect all Approvals required for the services described in this Agreement to be legally and professionally rendered; and (iii) the termination or impending termination of federal or state funding for the services to be provided under this Agreement.

(b) Notice of Termination by the County. Upon the receipt of a notice of termination of the Agreement by the Contractor pursuant to paragraph (a)(i) above, the Contractor shall not perform work on any new account received on or after the date of such notice and shall return to the County any and all new accounts. Contractor shall continue to work on any remaining accounts submitted by the County, prior to the receipt of the notice of termination for a period of six (6) months from the date of the initial invoice, and shall receive the then current fee for net revenue collected. Any and all accounts collected or uncollected, shall be returned to the County six (6) months from the date of original invoice for each patient account. No accounts shall be in Contractor's possession more than five (5) months after date of termination.

(c) By the Contractor. (i) This Agreement may be terminated by the Contractor upon notice to the County at least one hundred eighty (180) days prior to the end of the current contract term. Contractor must continue to provide all services up to, and including the termination data including billing on all accounts received via transmitted patient care reports. (ii) In the event of termination in whole or in part by the Contractor, the County may procure similar supplies or services, from other sources, in a manner and upon terms deemed appropriate by the County.

Contractor shall continue to perform under this Agreement to the extent it is not terminated and will be liable to the County for excess costs incurred in procuring similar goods or services.

(d) Termination under this subsection shall be effected by the Contractor delivering to the Commissioner or other Department head ("The Commissioner") , at least sixty (60) days prior to the termination date (or a shorter period if sixty days' notice is impossible), a notice stating (i) that the Contractor is terminating this Agreement in accordance with this subsection, (ii) the date as of which this Agreement will terminate, and (iii) the facts giving rise to the Contractor's right to terminate under this subsection. A copy of the notice given to the Commissioner shall be given to the Deputy County Executive who oversees the administration of the Department (the "Applicable DCE") on the same day that notice is given to the Commissioner.

(e) Contractors Assistance upon Termination. In connection with the termination or impending termination of this Agreement the Contractor shall, regardless of the reason for termination, take all actions reasonably requested by the County (including those set forth in other provisions of this Agreement) to assist the County in transitioning the Contractor's responsibilities under this Agreement. Further to the foregoing, the County, at its sole option, may choose to extend this Agreement, in whole or in part, for an additional ninety (90) days beyond the end of the then current contract term to minimize service disruption during transition. The provisions of this subsection shall survive the termination of this Agreement.

13. Accounting Procedures; Records. The Contractor shall maintain and retain, for a period of six (6) years following the later of termination of or final payment under this Agreement, complete and accurate records, documents, accounts and other evidence, whether maintained electronically or manually ("Records"), pertinent to performance under this Agreement. Records shall be maintained in accordance with Generally Accepted Accounting Principles and, if the Contractor is a non-profit entity, must comply with the accounting guidelines set forth in the federal Office of Management & Budget Circular A-122, "Cost Principles for Non-Profit Organizations." Such Records shall at all times be available for audit and inspection by the Comptroller, the Department, any other governmental authority with jurisdiction over the provision of services hereunder and/or the payment therefore, and any of their duly designated representatives. The provisions of this Section shall survive the termination of this Agreement.

14. Limitations on Actions and Special Proceedings against the County. No action or special proceeding shall lie or be prosecuted or maintained against the County upon any claims arising out of or in connection with this Agreement unless:

(a) Notice. At least thirty (30) days prior to seeking relief the Contractor shall have presented the demand or claim(s) upon which such action or special proceeding is based in writing to the Applicable DCE for adjustment and the County shall have neglected or refused to make an adjustment or payment on the demand or claim for thirty (30) days after presentment. The Contractor shall send or deliver copies of the documents presented to the Applicable DCE under this Section to each of (i) the Department and the (ii) the County Attorney (at the address specified above for the County) on the same day that documents are sent or delivered to the Applicable DCE. The complaint or necessary moving papers of the Contractors shall allege that the above-described actions and inactions preceded the Contractors' action or special proceeding against the County.

(b) Time Limitation. Such action or special proceeding is commenced within the earlier of (i) one (1) year of the first to occur of (A) final payment under or the termination of this Agreement, and (B) the accrual of the cause of action, and (ii) the time specified in any other provision of this Agreement.

15. Work Performance Liability. The Contractor is and shall remain primarily liable for the successful completion of all work in accordance this Agreement irrespective of whether the Contractor is using a Contractor Agent to perform some or all of the work contemplated by this Agreement, and irrespective of whether the use of such Contractor Agent has been approved by the County.

16. Consent to Jurisdiction and Venue; Governing Law. Unless otherwise specified in this Agreement or required by Law, exclusive original jurisdiction for all claims or actions with respect to this Agreement shall be in the Supreme Court in Nassau County in New York State and the parties expressly waive any objections to the same on any grounds, including venue and forum non conveniens. This Agreement is intended as a contract under, and shall be governed and construed in accordance with, the Laws of New York State, without regard to the conflict of laws provisions thereof.

17. Notices. Any notice, request, demand or other communication required to be given or made in connection with this Agreement shall be (a) in writing, (b) delivered or sent (i) by hand delivery, evidenced by a signed, dated receipt, (ii) postage prepaid via certified mail, return receipt requested, or (iii) overnight delivery via a nationally recognized courier service, (c) deemed given or made on the date the delivery receipt was signed by a County employee, three (3) business days after it is mailed or one (1) business day after it is released to a courier service, as applicable, and (d)(i) if to the Department, to the attention of the Commissioner at the address specified above for the Department, (ii) if to an Applicable DCE, to the attention of the Applicable DCE (whose name the Contractors shall obtain from the Department) at the address specified above for the County, (iii) if to the Comptroller, to the attention of the Comptroller at 240 Old Country Road, Mineola, NY 11501, and (iv) if to the Contractor, to the attention of the person who executed this Agreement on behalf of the Contractor at the address specified above for the Contractor, or in each case to such other persons or addresses as shall be designated by written notice.

18. All Legal Provisions Deemed Included; Severability; Supremacy. (a) Every provision required by Law to be inserted into or referenced by this Agreement is intended to be a part of this Agreement. If any such provision is not inserted or referenced or is not inserted or referenced in correct form then (i) such provision shall be deemed inserted into or referenced by this Agreement for purposes of interpretation and (ii) upon the application of either party this Agreement shall be formally amended to comply strictly with the Law, without prejudice to the rights of either party.

(b) In the event that any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(c) Unless the application of this subsection will cause a provision required by Law to be excluded

from this Agreement, in the event of an actual conflict between the terms and conditions set forth above the signature page to this Agreement and those contained in any schedule, exhibit, appendix, or attachment to this Agreement, the terms and conditions set forth above the signature page shall control. To the extent possible, all the terms of this Agreement should be read together as not conflicting.

(d) Each party has cooperated in the negotiation and preparation of this Agreement. Therefore, in the event that construction of this Agreement occurs, it shall not be construed against either party as drafter.

19. Section and Other Headings. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

20. Entire Agreement. This Agreement represents the full and entire understanding and agreement between the parties with regard to the subject matter hereof and supersedes all prior agreements (whether written or oral) of the parties relating to the subject matter of this Agreement.

21. Administrative Service Charge. The Contractor agrees to pay the County an administrative service charge of ^{five} ~~One Hundred and Sixty~~ Dollars (\$160.00) for the processing of this Agreement pursuant to Ordinance Number 74-1979, as amended by Ordinance Number 128-2006. The administrative service charge shall be due and payable to the County by the Contractors upon signing this Agreement. (038)

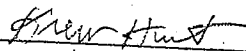
22. Executory Clause. Notwithstanding any other provision of this Agreement:

(a) Approval and Execution. The County shall have no liability under this Agreement (including any extension or other modification of this Agreement) to any Person unless (i) all County approvals have been obtained, including, if required, approval by the County Legislature, and (ii) this Agreement has been executed by the County Executive (as defined in this Agreement).

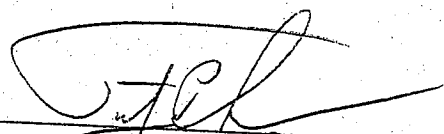
(b) Availability of Funds. The County shall have no liability under this Agreement (including any extension or other modification of this Agreement) to any Person beyond funds appropriated or otherwise lawfully available for this Agreement, and, if any portion of the funds for this Agreement are from the state and/or federal governments, then beyond funds available to the County from the state and/or federal governments.

IN WITNESS WHEREOF, Contractor and the County have executed this Agreement as of the date first above written.

MED3000, INC.

By: 
Name: DREW HURT
Title: CFO
Date: 5/28/13

NASSAU COUNTY

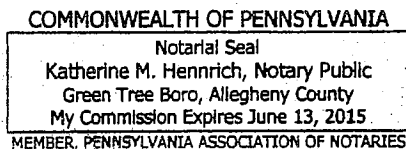
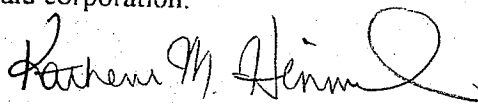
By: 
Name: Timothy Sullivan
Title: Deputy County Executive
Date: 11/12/13

PLEASE EXECUTE IN BLUE INK

PENNSYLVANIA
STATE OF NEW YORK)
ALLEGHENY)ss.:
COUNTY OF ~~NASSAU~~)

On the 28th day of MAY in the year 2013 before me personally came
Drew Hurt to me personally known, who, being by me duly sworn, did depose and
say that he or she resides in the County of Allegheny; that he or she is the
Chief Financial Officer of Med3000 Inc., the corporation described herein and
which executed the above instrument; and that he or she signed his or her name thereto by authority
of the board of directors of said corporation.

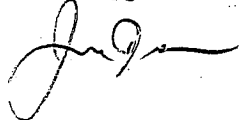
NOTARY PUBLIC



STATE OF NEW YORK)
)ss.:
COUNTY OF NASSAU)

On the 12th day of NOVEMBER in the year 2013 before me personally came
Thomas J. Sullivan to me personally known, who, being by me duly sworn, did depose and
say that he or she resides in the County of NASSAU; that he or she is a Deputy County
Executive of the County of Nassau, the municipal corporation described herein and which executed
the above instrument; and that he or she signed his or her name thereto pursuant to Section 205 of
the County Government Law of Nassau County.

NOTARY PUBLIC



JOSEPH DEVITO
Notary Public, State of New York
No. 01DE4736393
Qualified in Nassau County
Commission Expires July 31, 2017

Appendix EE
Equal Employment Opportunities for Minorities and Women

The provisions of this Appendix EE are hereby made a part of the document to which it is attached.

The Contractor shall comply with all federal, State and local statutory and constitutional anti-discrimination provisions. In addition, Local Law No. 14-2002, entitled "Participation by Minority Group Members and Women in Nassau County Contracts," governs all County Contracts as defined herein and solicitations for bids or proposals for County Contracts. In accordance with Local Law 14-2002:

(a) The Contractor shall not discriminate against employees or applicants for employment because of race, creed, color, national origin, sex, age, disability or marital status in recruitment, employment, job assignments, promotions, upgradings, demotions, transfers, layoffs, terminations, and rates of pay or other forms of compensation. The Contractor will undertake or continue existing programs related to recruitment, employment, job assignments, promotions, upgradings, transfers, and rates of pay or other forms of compensation to ensure that minority group members and women are afforded equal employment opportunities without discrimination.

(b) At the request of the County contracting agency, the Contractor shall request each employment agency, labor union, or authorized representative of workers with which it has a collective bargaining or other agreement or understanding, to furnish a written statement that such employment agency, union, or representative will not discriminate on the basis of race, creed, color, national origin, sex, age, disability, or marital status and that such employment agency, labor union, or representative will affirmatively cooperate in the implementation of the Contractor's obligations herein.

The Contractor shall state, in all solicitations or advertisements for employees, that, in the performance of the County Contract, all qualified applicants will be afforded equal employment opportunities without discrimination because of race, creed, color, national origin, sex, age, disability or marital status.

The Contractor shall make best efforts to solicit active participation by certified minority or women-owned business enterprises ("Certified M/WBEs") as defined in Section 101 of Local Law No. 14-2002, for the purpose of granting of Subcontracts.

The Contractor shall, in its advertisements and solicitations for Subcontractors, indicate its interest in receiving bids from Certified M/WBEs and the requirement that Subcontractors must be equal opportunity employers.

Contractors must notify and receive approval from the respective Department Head prior to issuing any Subcontracts and, at the time of requesting such authorization, must submit a signed Best Efforts Checklist.

Contractors for projects under the supervision of the County's Department of Public Works

shall also submit a utilization plan listing all proposed Subcontractors so that, to the greatest extent feasible, all Subcontractors will be approved prior to commencement of work. Any additions or changes to the list of subcontractors under the utilization plan shall be approved by the Commissioner of the Department of Public Works when made. A copy of the utilization plan any additions or changes thereto shall be submitted by the Contractor to the Office of Minority Affairs simultaneously with the submission to the Department of Public Works.

At any time after Subcontractor approval has been requested and prior to being granted, the contracting agency may require the Contractor to submit Documentation Demonstrating Best Efforts to Obtain Certified Minority or Women-owned Business Enterprises. In addition, the contracting agency may require the Contractor to submit such documentation at any time after Subcontractor approval when the contracting agency has reasonable cause to believe that the existing Best Efforts Checklist may be inaccurate. Within ten working days (10) of any such request by the contracting agency, the Contractor must submit Documentation.

In the case where a request is made by the contracting agency or a Deputy County Executive acting on behalf of the contracting agency, the Contractor must, within two (2) working days of such request, submit evidence to demonstrate that it employed Best Efforts to obtain Certified M/WBE participation through proper documentation.

Award of a County Contract alone shall not be deemed or interpreted as approval of all Contractor's Subcontracts and Contractor's fulfillment of Best Efforts to obtain participation by Certified M/WBEs.

A Contractor shall maintain Documentation Demonstrating Best Efforts to Obtain Certified Minority or Women-owned Business Enterprises for a period of six (6) years. Failure to maintain such records shall be deemed failure to make Best Efforts to comply with this Appendix EE, evidence of false certification as M/WBE compliant or considered breach of the County Contract.

The Contractor shall be bound by the provisions of Section 109 of Local Law No. 14-2002 providing for enforcement of violations as follows:

Upon receipt by the Executive Director of a complaint from a contracting agency that a County Contractor has failed to comply with the provisions of Local Law No. 14-2002, this Appendix EE or any other contractual provisions included in furtherance of Local Law No. 14-2002, the Executive Director will try to resolve the matter.

If efforts to resolve such matter to the satisfaction of all parties are unsuccessful, the Executive Director shall refer the matter, within thirty days (30) of receipt of the complaint, to the American Arbitration Association for proceeding thereon.

Upon conclusion of the arbitration proceedings, the arbitrator shall submit to the Executive Director his recommendations regarding the imposition of sanctions, fines or penalties. The Executive Director shall either (i) adopt the recommendation of the arbitrator (ii) determine that no sanctions, fines or penalties should be imposed or (iii) modify the recommendation of the arbitrator, provided that such modification shall not expand upon any sanction recommended or impose any

new sanction, or increase the amount of any recommended fine or penalty. The Executive Director, within ten days (10) of receipt of the arbitrators' award and recommendations, shall file a determination of such matter and shall cause a copy of such determination to be served upon the respondent by personal service or by certified mail return receipt requested. The award of the arbitrator, and the fines and penalties imposed by the Executive Director, shall be final determinations and may only be vacated or modified as provided in the civil practice law and rules ("CPLR").

(m) The Contractor shall provide contracting agency with information regarding all subcontracts awarded under any County Contract, including the amount of compensation paid to each Subcontractor and shall complete all forms provided by the Executive Director or the Department Head relating to subcontractor utilization and efforts to obtain M/WBE participation.

Failure to comply with provisions (a) through (m) above, as ultimately determined by the Executive Director, shall be a material breach of the contract constituting grounds for immediate termination. Once a final determination of failure to comply has been reached by the Executive Director, the determination of whether to terminate a contract shall rest with the Deputy County Executive with oversight responsibility for the contracting agency.

Provisions (a), (b) and (c) shall not be binding upon Contractors or Subcontractors in the performance of work or the provision of services or any other activity that are unrelated, separate, or distinct from the County Contract as expressed by its terms.

The requirements of the provisions (a), (b) and (c) shall not apply to any employment or application for employment outside of this County or solicitations or advertisements therefor or any existing programs of affirmative action regarding employment outside of this County and the effect of contract provisions required by these provisions (a), (b) and (c) shall be so limited.

The Contractor shall include provisions (a), (b) and (c) in every Subcontract in such a manner that these provisions shall be binding upon each Subcontractor as to work in connection with the County Contract.

As used in this Appendix EE the term "Best Efforts Checklist" shall mean a list signed by the Contractor, listing the procedures it has undertaken to procure Subcontractors in accordance with this Appendix EE.

As used in this Appendix EE the term "County Contract" shall mean (i) a written agreement or purchase order instrument, providing for a total expenditure in excess of twenty-five thousand dollars (\$25,000), whereby a County contracting agency is committed to expend or does expend funds in return for labor, services, supplies, equipment, materials or any combination of the foregoing, to be performed for, or rendered or furnished to the County; or (ii) a written agreement in excess of one hundred thousand dollars (\$100,000), whereby a County contracting agency is committed to expend or does expend funds for the acquisition, construction, demolition, replacement, major repair or renovation of real property and improvements thereon. However, the term "County Contract" does not include agreements or orders for the following services: banking services, insurance policies or contracts, or contracts with a County contracting agency for the sale

of bonds, notes or other securities.

As used in this Appendix EE the term "County Contractor" means an individual, business enterprise, including sole proprietorship, partnership, corporation, not-for-profit corporation, or any other person or entity other than the County, whether a contractor, licensor, licensee or any other party, that is (i) a party to a County Contract, (ii) a bidder in connection with the award of a County Contract, or (iii) a proposed party to a County Contract, but shall not include any Subcontractor.

As used in this Appendix EE the term "County Contractor" shall mean a person or firm who will manage and be responsible for an entire contracted project.

As used in this Appendix EE "Documentation Demonstrating Best Efforts to Obtain Certified Minority or Women-owned Business Enterprises" shall include, but is not limited to the following:

Proof of having advertised for bids, where appropriate, in minority publications, trade newspapers/notices and magazines, trade and union publications, and publications of general circulation in Nassau County and surrounding areas or having verbally solicited M/WBEs whom the County Contractor reasonably believed might have the qualifications to do the work. A copy of the advertisement, if used, shall be included to demonstrate that it contained language indicating that the County Contractor welcomed bids and quotes from M/WBE Subcontractors. In addition, proof of the date(s) any such advertisements appeared must be included in the Best Effort Documentation. If verbal solicitation is used, a County Contractor's affidavit with a notary's signature and stamp shall be required as part of the documentation.

Proof of having provided reasonable time for M/WBE Subcontractors to respond to bid opportunities according to industry norms and standards. A chart outlining the schedule/time frame used to obtain bids from M/WBEs is suggested to be included with the Best Effort Documentation. Proof or affidavit of follow-up of telephone calls with potential M/WBE subcontractors encouraging their participation. Telephone logs indicating such action can be included with the Best Effort Documentation.

Proof or affidavit that M/WBE Subcontractors were allowed to review bid specifications, blue prints and all other bid/RFP related items at no charge to the M/WBEs, other than reasonable documentation costs incurred by the County Contractor that are passed onto the M/WBE.

Proof or affidavit that sufficient time prior to making award was allowed for M/WBEs to participate effectively, to the extent practicable given the timeframe of the County Contract.

Proof or affidavit that negotiations were held in good faith with interested M/WBEs, and that M/WBEs were not rejected as unqualified or unacceptable without sound business reasons based on (1) a thorough investigation of M/WBE qualifications and capabilities reviewed against industry custom and standards and (2) cost of performance. The basis for rejecting any M/WBE deemed unqualified by the County Contractor shall be included in the Best Effort Documentation.

If an M/WBE is rejected based on cost, the County Contractor must submit a list of all sub-bidders for each item of work solicited and their bid prices for the work.

h. The conditions of performance expected of Subcontractors by the County Contractor must also be included with the Best Effort Documentation

i. County Contractors may include any other type of documentation they feel necessary to further demonstrate their Best Efforts regarding their bid documents.

As used in this Appendix EE the term "Executive Director" shall mean the Executive Director of the Nassau County Office of Minority Affairs; provided, however, that Executive Director shall include a designee of the Executive Director except in the case of final determinations issued pursuant to Section (a) through (l) of these rules.

As used in this Appendix EE the term "Subcontract" shall mean an agreement consisting of part or parts of the contracted work of the County Contractor.

As used in this Appendix EE, the term "Subcontractor" shall mean a person or firm who performs part or parts of the contracted work of a prime contractor providing services, including construction services, to the County pursuant to a County contract. Subcontractor shall include a person or firm that provides labor, professional or other services, materials or supplies to a prime contractor that are necessary for the prime contractor to fulfill its obligations to provide services to the County pursuant to a County contract. Subcontractor shall not include a supplier of materials to a contractor who has contracted to provide goods but no services to the County, nor a supplier of incidental materials to a contractor, such as office supplies, tools and other items of nominal cost that are utilized in the performance of a service contract.

Provisions requiring contractors to retain or submit documentation of best efforts to utilize certified subcontractors and requiring Department head approval prior to subcontracting shall not apply to inter-governmental agreements. In addition, the tracking of expenditures of County dollars by not-for-profit corporations, other municipalities, States, or the federal government is not required.

Appendix L

Certificate of Compliance

In compliance with Local Law 1-2006, as amended (the "Law"), the Contractor hereby certifies the following:

The chief executive officer of the Contractor is:

PATRICK HAMPSON

(Name)

680 ANDERSEN DR FOSTER PLAZA 10 PITTSBURGH PA 15210

(Address)

412 937-8888

(Telephone Number)

The Contractor agrees to either (1) comply with the requirements of the Nassau County Living Wage Law or (2) as applicable, obtain a waiver of the requirements of the Law pursuant to section 9 of the Law. In the event that the Contractor does not comply with the requirements of the Law or obtain a waiver of the requirements of the Law, and such Contractor establishes to the satisfaction of the Department that at the time of execution of this agreement, it had a reasonable certainty that it would receive such waiver based on the Law and Rules pertaining to waivers, the County will agree to terminate the contract without imposing costs or seeking damages against the Contractor

In the past five years, Contractor _____ has X has not been found by a court or a government agency to have violated federal, state, or local laws regulating payment of wages or benefits, labor relations, or occupational safety and health. If a violation has been assessed against the Contractor, describe below:

In the past five years, an administrative proceeding, investigation, or government body-initiated judicial action _____ has X has not been commenced against or relating to the Contractor in connection with federal, state, or local laws regulating payment of wages or benefits, labor relations, or occupational safety and health. If such a proceeding, action, or investigation has been commenced, describe below:

Contractor agrees to permit access to work sites and relevant payroll records by authorized County representatives for the purpose of monitoring compliance with the Living Wage Law and investigating employee complaints of noncompliance.

I hereby certify that I have read the foregoing statement and, to the best of my knowledge and belief, it is true, correct and complete. Any statement or representation made herein shall be accurate and true as of the date stated below.

5/28/13
Dated _____

Drew Hurt
Signature of Chief Executive Officer
FINANCIAL

DREW HURT
Name of Chief Executive Officer
FINANCIAL

Sworn to before me this

28th day of May, 2013.
Katherine M. Hennrich
Notary Public

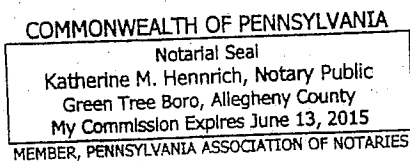


EXHIBIT A

**Details of requirements for Billing Vendor for
NCPD Emergency Ambulance Bureau**

RFP# PD1005-1236, October 2012

The vendor will subcontract with a supplier of an electronic PCR (EPCR) program of the Bureau's choosing. The EPCR program will provide the following...

The vendor will supply forty (40) laptop computers with integrated aircards for use in the field to generate electronic PCRs. These will be used in all ambulances and supervisory vehicles. The vendor will provide for the potential additional laptop computers, up to a total of 48, to allow for expansion or creation of new ambulance posts. The specifications of the laptop computers will be determined by the Bureau.

Vendor will provide forty (40) wiring kits for hardwiring battery chargers to the vehicles. The vendor will provide for the potential of additional wiring kits, up to a total of 48, to allow for expansion or addition of ambulances.

Vendor will provide twelve (12) portable DC adapters for portable charging in vehicles.

Vendor will provide for replacement of field laptop computers, beginning at the 2 year in-service mark. At that time, field laptops with 2 years of service time will be replaced with new versions. The specifications of the field laptop computers will be determined by the Bureau.

The vendor will supply cell service for all laptops. Choice of cell provider(s) will be at the discretion of the Bureau, as dictated by local coverage areas.

Vendor will supply a stock of twelve (12) replacement batteries for field laptops for rotation and maintenance.

Vendor will provide three (3) battery chargers – each with a 3 battery capacity.

Vendor will provide paid subscription to current EPCR vendor – currently Emergidata's "RescueMedic" program.

Vendor will provide paid subscriptions to all necessary data storage programs to Emergidata, Log Me In, and MedMedia's "Webcur".

Vendor will provide paid subscriptions to all necessary anti-virus programs, necessary spyware programs, Fortres, etc. as determined by the Bureau.

Vendor will supply paid subscription and necessary support/hardware and supplies for Lightpath internet for EAB Billing Office.

Vendor will supply four (4) laptop computers, of the Bureau's specifications, with aircards and associated software/subscriptions for use by EAB Billing Tech Support Team. Vendor will provide up to 2 additional laptop computers, as needed, in the event of expansion of the Bureau's Tech Support Team.

Vendor will provide for replacement of same, at the Bureau's discretion, after two (2) years.

Vendor will supply and support three (3) desktop computers and associated software and hardware of EAB's specifications for administrative use by EAB Billing Office. Associated hardware will include, but not be limited to, 2 high speed scanners and 2 high speed printers. Specifications will be determined by the Bureau.

Vendor will provide for replacement of same, at the bureau's discretion, after two (2) years.

Vendor will provide, at no expense to the Bureau, training for the EAB Billing Office Tech Support Team - up to 6 people - in appropriate applications such as Networking, Windows, MS, etc.

Vendor will provide and maintain one (1) industrial capacity document shredder, specifications to be determined by the Bureau.

Vendor will provide for an open account with Panasonic, Inc. for replacement items for field computers - styluses, batteries, straps, etc.

Vendor will provide for in-house supply of parts and sundry items for repair and maintenance of field laptops.

Vendor will provide an open credit card account, with a pre-set monthly dollar amount, for purchase of said parts and supplies.

Vendor will maintain an open warranty and repair/replacement contract with computer manufacturer(s) for necessary repairs and/or replacement of computers that cannot be performed in-house.

Vendor will supply and maintain one (1) high speed printer of the Bureau's choosing for use in the emergency room patient receiving area.

All items specified reflect minimum requirements for daily operating of the Bureau's Billing and Electronic PCR program. All specifications are subject to revision at the Bureau's discretion prior to actual implementation of contract.

EXHIBIT B

Fox, Tatum

From: Maybruch, Morris <Morris_Maybruch@med3000.com>
Sent: Friday, February 01, 2013 10:58 AM
To: Comiskey, Tara; Fox, Tatum
Subject: MED3000 Best & Final Offer

As per our discussion yesterday, MED3000 is making our Best & Final Offer to reduce our charge rate to 6.75% of collections. We look forward to continuing our service to the Emergency Ambulance Bureau of the Police Department of Nassau County. Please let me know if you need anything else.

Best regards,

Morris Maybruch | Vice President EMS
MED3000, Inc. | Outcomes Matter
1 Blue Hill Plaza | PO Box 1542 | Pearl River, New York | 10965
OFFICE 845-368-4800 ext 8134 | FAX 845-920-0480
morris_maybruch@med3000.com | www.med3000.com

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**Response to Request for RFP# PD1005-1236
Nassau County, New York**

***Ambulance Billing Services for the
Nassau County Police Department***

**MED3000, Inc.
1 Blue Hill Plaza
PO Box 1542
Pearl River, NY 10965**

**Morris Maybruch; EMS Vice President
(845) 368-4800
December 28, 2012**

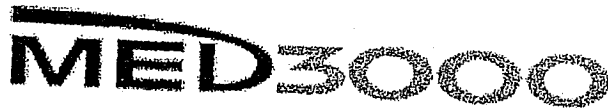


MED3000

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- Appendix C - Certification
- Appendix D - Principal Questionnaire Form; MED3000
- Appendix D - Principal Questionnaire Form; Pat Hampson
- Appendix D - Principal Questionnaire Form; Robert Gallo, III
- Appendix D - Principal Questionnaire Form; Drew Hurt
- Appendix F - Certificate of Compliance
- MED3000 HIPAA Policies and Procedures
- MED3000 Fairfax County CMS Audit Press Release



December 28, 2012

Detective Sergeant Tara Comiskey
Community Affairs
Nassau County Police Department
1490 Franklin Avenue
Mineola, New York 11501

Dear Detective Sergeant Comiskey and Members of Nassau County Police Department's Ambulance Billing Services Selection Committee:

MED3000 is pleased to submit our proposal in response to RFP# PD1005-1236 *Ambulance Billing Services for the Nassau County Police Department*. Please accept our proposal. We provide our recommendations for you and our best ideas about continuing our relationship with you. Our Fire/EMS client base of over 150 accounts generates over 500,000 annual ambulance transport billables, making MED3000 one of the leading EMS revenue recovery companies in America.

This proposal is a firm offer and will remain so for at least 180 days from its due date. MED3000 understands in full all requirements of your RFP, and our response specifically meets your requirements. We will comply with all provisions set forth in this response to the RFP. All persons, companies, and parties associated with this proposal are named in this proposal. Our EIN is 23-2939847.

MED3000, Inc., a Delaware Corporation, has over twenty years of EMS billing and medical billing experience with over ten years of experience with Nassau County. MED3000 is headquartered in Pittsburgh, PA, with seventeen regional offices in twelve states, including our EMS office in Pearl River, NY and West Lawn, PA.

We specialize in ambulance billing, municipality cost recovery, and medical revenue management. With over 2,100 employees and nearly \$150 million in annual revenue, MED3000 possesses both the trained personnel and expertise required to continue all aspects of EMS billing and claims management for Nassau County.

You can continue to expect the highest level of service and excellent billing results from MED3000. We welcome the opportunity to provide you with additional information in an oral interview with our experienced team. The following MED3000 executives are authorized to negotiate on our behalf: Pat Hampson, Robert Gallo, Glenn Goodpaster and me. Please contact me if you need further information or to schedule a time for oral presentations: 845-368-4800 or morris_maybruch@MED3000.com. I look forward to hearing from you.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Morris Maybruch", written over a horizontal line.

Morris Maybruch
Vice President EMS
845-368-4800

Tab 1: Cost Proposal Form

We have included a completed and signed copy of Appendix A in the Appendix of this Response. Below is MED3000's Cost Proposal for the continuation of comprehensive billing services, electronic patient reporting (ePCR), and field hardware solutions for Nassau County as specified in this Response.

Cost Proposal

For Nassau County, MED3000 will offer pricing for all billing services and all other services related to billing detailed in this Response as follows:

For all EMS transports, MED3000 will provide all-inclusive services as outlined in this Response, *RescueMedic* ePCR software, and all hardware replacement detailed in this Response for 7% of net cash receipts for the duration of any Agreement between Nassau County and MED3000.

Tab 2: Proposed Approach to Scope of Work

We have included a completed and signed copy of Appendix B in the Appendix of this Response. Following is a complete description of MED3000's approach to EMS billing which includes:

- Staffing
- Ambulance Billing Experience
- Prior Experience with Public Sector Clients of Size and Scope Similar to that of Nassau County
- Detailed Cover Letter
- EMS Billing Project Methodology

MED3000 Staffing

MED3000's Executive Staff in our Fire/EMS Division has a unique composition to the billing industry: our leadership team includes CPAs and proven Fire/EMS leaders. The revenue and compliance strategies developed by our CPA tandem of Morris Maybruch and Glenn Goodpaster as well as substantial Fire/EMS experience from Pat Griffen and Ashley Peters have enabled our clients to rise to new levels of customer satisfaction and revenue.

PATRICK HAMPSON, MED3000's founder and President/CEO, has provided stability and vision in building a successful healthcare management and technology company in an era of practice management company failures. Pat's personal commitment to excellent customer service and to MED3000's employees has resulted in a strong culture and a profitable enterprise. Pat was previously on the Board of Medic Computer Systems (now Misys) and MedUnit. He now serves on the Boards of MED3000, A4 Health Systems, Pittsburgh Ear Foundation, and the MED3000 Foundation. Pat is an alumnus of Ohio Northern University.

HILLARY HARLAN, J.D., R.N., Chief Compliance and Ethics Officer for MED3000, has experience working with physician practices, hospital systems, and long-term care facilities. Prior to joining MED3000, she served as Director of Compliance and Legal Services for Preferred Care Partners Management Group, LLP, where she filled the roles of Corporate Compliance Officer and HIPAA Privacy Officer and was responsible for licensure, regulatory, and risk management activities. Hillary earned a Bachelor of Arts degree from Southern Methodist University and her Bachelor of Science degree in Nursing and her Doctor of Jurisprudence degree from Texas Tech University. Hillary is responsible for the oversight of the company's corporate compliance and ethics program, with the goal of making MED3000 the standard for excellence in compliance.

ROBERT GALLO, II, Esq., Executive Vice President and General Counsel for MED3000, has a considerable background in corporate legal work. Bob had provided outside legal counsel to MED3000 for over the past seven years and now represents the company's legal affairs in-house. While practicing at a large firm in Pittsburgh, he focused on corporate finance transactions, public and private company mergers and acquisitions, private equity transactions, venture capital finances, private placements of equity securities, federal and state securities law compliance, and equity incentive arrangements. Bob is a 1992 graduate of John Carroll University, where he obtained a B.S.B.A. in Accounting. In 1996, he graduated cum laude from Duquesne University Law School of Pittsburgh where he served as Managing Editor of Law Review. That same year, he earned an M.B.A. from Duquesne University School of Business.

STEVE URA, Chief Technology Officer and Senior Vice President, oversees the information systems strategy and infrastructure for MED3000's IT operations, as well as the R&D of MED3000's M3/IQ™ data warehouse and reporting technology. In addition, he directs the privacy and security initiatives related to all of the company's information systems and networks. Steve has 30 years of healthcare information systems and software development experience, including an extensive background in commercial software development from product definition through design, coding, implementation, installation, and support. Steve founded a healthcare-focused software development and consulting firm which was subsequently purchased by a healthcare software company in Houston, Texas. After seven years in Texas, Steve joined A4 Health Systems in Cary, North Carolina, to refocus the company on the development and delivery of clinical software products. He is known for his role in the development of the products known today as HealthMatics ED, EHR and Enterprise. Steve also served as Vice President of Development for the HealthMatics product line for Allscripts. In this role, he led the Product Management, Software Development, and Quality Assurance teams for HealthMatics.

GLENN GOODPASTER, CPA, Senior Vice President of EMS, is responsible for the overall development of business strategies with EMS and MVA operations for MED3000 EMS. Glenn serves on the Board of Directors for a surgery center located in Cincinnati, OH. Prior to joining MED3000 EMS, Glenn was President of Professional Management Services, a medical practice management firm. Glenn has a BSBA from the University of Cincinnati and received his CPA in 1985.

MORRIS MAYBRUCH, CPA, EMS Vice President, has over 20 years of experience in health care, including expertise in finance, administration, billing, and collections. Prior to joining MED3000, Morris was president of Medbill.com and managing partner of Madlin, Maybruch & Weingard, a certified public accounting firm in New York. Morris managed a large clientele of health care clients from 1986 through 1993 when he departed to form Shoreline Medical Billing Systems, Inc. (the predecessor firm to Medbill.com). Shoreline was one of the first companies to provide ambulance billing and collection services in New York State. He earned a B.S. in

Accounting and Business Administration as well as an M.B.A. from Long Island University. He is a member of the American and New York Institutes of Certified Public Accountants, a Certified Healthcare Consultant, a member of the National Association of Healthcare Consultants.

PAT GRIFFEN, MED3000 EMS Manager, has been supervising ambulance billing services since 1990. Pat is a Certified Professional Coder and is responsible for maintaining the coding integrity of all claims processed. She has managed multiple implementations successfully with seamless transition resulting in an ongoing revenue stream for municipalities. In addition to the overall management of the ambulance billing process, Pat is also the onsite compliance individual ensuring that all federal, state and local rules and regulations are strictly adhered to.

ASHLEY PETERS, Supervisor PDCN Ambulance Account, manages and supervises staff and all aspects of the billing process with maximum efficiency as well as emphasis on maximizing revenue reimbursement. Ashley also has played an important role to help increase reimbursements each year and is instrumental in negotiating with insurance carriers to attain full reimbursement of charge rates. Finally, Ashley works to insure that everyone is compliant with all governmental rules and regulations.

JAIME BUCHEL, Account Supervisor /Team Leader, manages and reviews the Nassau team's workload, charge entry, payment posting, insurance and patient follow-up, electronic billing, and insurance appeals for maximum payment.

Ambulance Billing Experience

Currently, MED3000 provides Ambulance Billing Services for nearly 150 clients located in 10 states. Those 150 clients represent over 500,000 annual ambulance transports making MED3000 one of the largest companies in the United States providing ambulance billing services.

Prior Experience with Public Sector Clients

99% of our current client portfolio of 148 clients is comprised of public sector clients; our client base ranges in transports from fire/EMS departments that transport as few as 500 patients annually to large departments such as Nassau County, the City of Columbus, and Fairfax County that annually transport as many as 55,000 patients.

Needless to say, our experience with public sector clients is extensive, exceeding the experience of virtually every other company providing ambulance billing services in America.

Cover Letter

We have provided a Cover Letter for your review; this letter is located at the beginning of this Response immediately preceding Tab 1.

Overview of MED3000/Nassau Project Methodology

Financial and Technical Prowess

In 2011, MED3000 had gross revenues in excess of \$160 million. Additionally, we possess extensive experience as well as superior technical resources in the area of electronic integration with EMS ePCR companies. Presently, we use electronic interfaces with leading EMS ePCR companies such as ImageTrend, Open *SafetyPAD*, ESO, Emergidata, ZOLL *RescueNet*, and Firehouse Software.

Our Pursuit of Excellence: If you select us as the successful vendor, our management philosophy and program management with you will be the same as it always has been in Nassau County, a ***consistent pursuit of excellence***. As agents of the customer, we pursue excellence in each and everything we do. Our continual pursuit of excellence results in positive outcomes for our clients including maximized revenues.

We do not settle for mediocrity; lives are on the line with EMS providers, and we know that giving our best in each and everything we do provides more dollars for EMS. More dollars translates into better services provided; ***better services provided helps to save lives***.

Some companies do not share this philosophy, but, at MED3000, ***we believe a consistent pursuit of excellence helps EMS providers such as you save lives***.

A Personal Touch: Secondly, we offer a personal touch at a level above and beyond our competition. Oversight of your program will be directed by Morris Maybruch, whom you know well and trust. Morris will continue to deliver personal, uninterrupted, and effective customer service to you at a level unmatched by our competition.

Nassau County as a Showplace: Nassau County already is "A Shining Star" in our EMS Division. You are far more than another line on a spreadsheet as might happen with some of our competition. In fact, we are extremely proud of the partnership we have enjoyed with you for the preceding ten years.

We have accomplished much to be proud of with you, and it sets us apart from the competition:

- Our entire staff (including managers and supervisors) are highly trained Certified Professional Coders, many of whom have worked with us for over twenty years. They have expertise in reviewing and assigning accurate medical codes for procedures, diagnoses, and they have a sound knowledge of medical coding regulations including compliance and medical necessity requirements.

MED3000 Comprehensive Revenue Recovery Solutions

- We are aggressive in our follow-up with insurance companies and patient balances and make multiple calls to patients inquiring about insurance information as well as any outstanding balances.
- Our staff appeals denials, re-appeals denials, and then arbitrates all claims until they are paid in full.
- MED3000 files claims with the State Insurance Dept. if insurance companies continuously fail to pay the claims in full.
- We have registered with Fair Health Inc. (an agency that determines that charge rates are reasonable and customary) and have used these findings to set maximum rates in the NY Metro region.

These findings have resulted in establishing defensible positions in arbitration and State Insurance Dept. hearings.

- We have never been cited by any governmental agencies for any reason unlike many of our competitors.
- Last, but not least, your ambulance billing programs has achieved unparalleled financial success in partnership with us at MED3000.

When we took over your program in 2002, you were averaging \$186 per transport; today, that number has risen to approximately \$525 per transport. How significant is \$525 per transport?

Nassau County's current revenue of \$525 per transport places it in the top 5% of all Mid-Atlantic 911 providers and is a full \$175 higher per transport than any other community in the Greater New York area providing billing for ambulance transports.

In conclusion, by continuing the very best in customer service, compliance, and financial returns, we know that in our partnership with you, Nassau County is poised for continued excellence in its ambulance billing program.

Transparency in Everything We Do: By transparency, we pledge to continue our proprietary system designed exclusively for you whereby internal audits (of varying degrees and frequency) are performed on billing functions with the results forwarded to you for review. ***We have always opened up our processes to you so that nothing is hidden from you.***

Trust is everything in a relationship, personal or business. We want your trust, but realize that trust isn't assigned; trust is earned. Transparency fosters trust.

At MED3000, we bridge the gap between operational knowledge and technology so that EMS providers can deliver the highest levels of operational and financial performance to their

MED3000 *Comprehensive Revenue Recovery Solutions*

communities and clients. Our comprehensive package of client services and programs including EMS billing and revenue management, data warehousing tools, comprehensive practice management, consulting services, operational oversight, and clinical performance measures are all outlined in this Response.

We have a clear focus on partnering with EMS service providers. Our substantial fire and EMS experience allows us to excel at providing quality training programs for our clients that include billing program education, documentation training, administrative training, HIPAA and privacy security training and, as needed, public relations and education programs.

We work closely with our clients to establish charge rates that maximize collections from health insurance carriers. We have even negotiated contract rates with insurance carriers on behalf of our clients. We are sensitive to the government healthcare provider such as Nassau County and recognize your unique relationship to each citizen.

Finally, we will continue to manage your billing operation within proper accounting standards so that there is never a risk or question related to insurance or financial auditing and/or program accountability.

Tab 3: Certification Form

We have included a completed and signed copy of Appendix C in the Appendix of this Response.

Tab 4: Principal Questionnaire

We have included four (4) copies of Appendix D in the Appendix of this Response. Each copy is distinct; four eligible parties as defined in Appendix 4 have been listed.

Tab 5: Living Wage Certificate of Compliance

We have included a completed and signed copy of Appendix F in the Appendix of this Response.

Tab 6: Exceptions to the RFP Requirements

MED3000 takes no exceptions to this RFP.

Tab 7: Additional Information

MED3000 Qualifications and Experience

MED3000, Inc. provides EMS and Motor Vehicle Accident (MVA) revenue recovery services to over 150 EMS and MVA clients in over ten states. Processing over 500,000 annual billables, MED3000 possesses the expert personnel and EMS revenue recovery experience required to maximize EMS revenue recovery for you.

Since our founding in 1995, MED3000 has grown to become a national provider of healthcare management and technology services, with over 2,100 employees in 13 states.

In just four short years, the bottom line of our entire EMS client portfolio has increased by more than \$35 per transport. Our EMS division is one of the leading providers of EMS revenue recovery services in America and consistently returns the highest revenue per transport of any company providing EMS revenue recovery services across America.

Finally, our financial "horsepower" is unmatched. *MED3000 was recently acquired by McKesson; McKesson achieved \$112B in sales in 2011 and is currently ranked #14 in the Fortune 500.*

MED3000 Successes

In today's tough financial climate, every community across America that manages ambulance billing is constantly looking at ways to maximize revenues. As a partner with many such communities, we are privileged, on a constant basis, to experience many financial "success stories" with our clients. Earlier in this Response, we highlighted the substantial financial success that you have achieved in Nassau County. Following is another example of financial success: our partnership with Fairfax County, Virginia.

In late 2009, Fairfax County decided to put its EMS billing program up for competitive bid. After a national competitive bid process was initiated and concluded in early 2010, Fairfax County selected MED3000 over two other large national EMS billing companies to provide comprehensive EMS billing services beginning on July 1, 2010.

In FY08 and FY09 combined, the total income Fairfax County realized from EMS billing averaged \$285 per transport. In the twelve months ending March 2012, Fairfax County's average revenue per transport from EMS transports was \$349; an increase of over 20% compared to FY08/09.

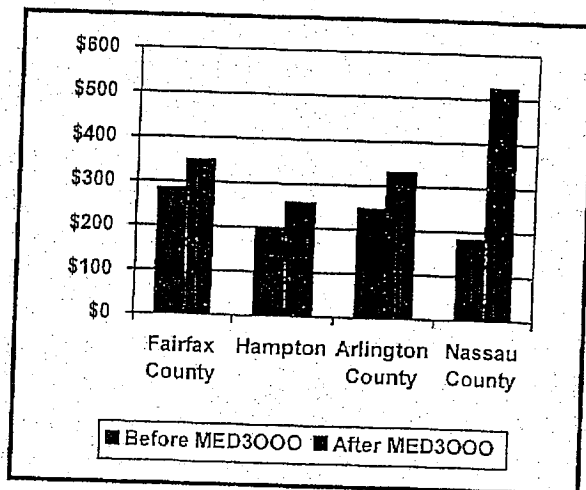
By any measurement, Fairfax County and MED3000 have been extremely successful.

MED3000 Comprehensive Revenue Recovery Solutions

Another MED3000 success story is the City of Hampton, Virginia. In September of 2010, the City of Hampton contracted with MED3000 to manage its EMS billing program.

Our revenue history in Hampton has outperformed our success in Fairfax County; in calendar year 2009, the City of Hampton generated \$197 per transport. Contrast those results with these: *in the twelve months ending March 2012, the City of Hampton averaged \$258 per transport, an increase of 31% compared to 2009.*

Furthermore, we have had similar results in other jurisdictions such as Arlington County, Virginia. Before MED3000, Arlington County averaged \$248 per transport; in calendar year 2011, the County generated \$331 per transport (+33%). The table below illustrates our success in dollars per transport:



Our success to date in Fairfax County, the City of Hampton, Arlington County, and particularly with you in Nassau County has not been accidental. It is the result of hard work, innovative proprietary methods, on-site supervision, and the excellent team concept MED3000 has developed with our clients.

Furthermore, we offer a wide variety of billing and customer service tools for our customers. Those tools include:

- Acryness Intelligent Document Solutions to produce and mail all patient statements as well as to provide online patient access to update insurance information and to make payments on account balances
- Documentation/compliance procedures

- Substantial experience with establishing "electronic relationships" with hospitals
- Bank lockbox experience with numerous banks and financial institutions across America

MED3000 Project Approach

Management Philosophy

MED3000 values its people as one of the greatest assets of our company:

- We continually strive for excellence in each and everything we do.
- We do not tolerate dishonesty.
- We demand accountability in our organization.
- When we make a mistake, we take full responsibility for that mistake and do everything we can do make sure that mistake is not repeated.
- We believe in positive reinforcement: when an employee achieves something special, he or she is rewarded.
- We believe employees work best when they report to supervisors and these supervisors report to their immediate superiors. When all work closely this way, we keep communication open and our clients' best interests first.
- We provide our employees with the best possible tools in order to allow them to succeed.
- We believe that training is the key to prevent recurring mistakes; we provide training opportunities for our employees as well as our client base.
- We view each and every MED3000 employee as extensions of our clients; when our personnel interact with your customers, we become an extension of your department.

Benchmarking

MED3000 organizes its EMS revenue recovery workforce with team supervisors working with billing specialists who manage all aspects of the clients they serve: call charge/bill, health insurance acquisition, posting, and accounts receivable follow-up.

MED3000 *Comprehensive Revenue Recovery Solutions*

Each billing team is assigned a block of MED3000 clients, and, within each team, specialists provide their expertise to each client assigned to their team. For example, supervisor Ashley Peters's team has billing specialists assigned to posting. Each specialist provides posting for all of Ashley's clients.

The team concept works well. Our Operations Director assigns charge and revenue benchmarks for each team. Each team supervisor is responsible for managing all aspects of her team in order to meet benchmark goals established by the Director. If these goals are met, each team is rewarded; if they do not, an analysis is made and problems are corrected if found.

Benchmark numbers are reviewed each week with a tighter analysis at the end of each month. Based on the outcome of an analysis, changes or modifications are made as needed.

Finally, the team concept sets up internal "competitions"; we provide proprietary rewards periodically for team successes.

Quality Assurance

Our team concept with corresponding benchmark controls is designed to improve team efficiency. We also work with clients such as you to improve efficiency by conducting quarterly reviews. At the end of each quarter, we produce a quarterly report for each client.

Each quarterly report identifies key components of a client's billing process: total charges, total dollars billed, transports, payor mix, etc.

Each client is mailed a quarterly report; once you receive your report and have time to look it over, Morris will schedule a time to meet personally with you to review your quarterly report results.

Customer Service

We are very aware of the customer service expectations you have with your citizens and will represent you and your citizens in a very sensitive, respectful way. Any inquiries that question patient care will be forwarded to County members for review.

We employ toll free telephone services for all customer service representatives. Customer service representatives will be available Monday through Friday (excluding holidays) from 8 a.m. Eastern to 5:00 p.m. Eastern to answer any incoming customer service inquiries. Based on input from you, we have the flexibility to extend those customer service hours if needed.

Additionally, all of our executive staff employees can be accessed virtually 24/7 by any of your key administrative personnel to respond to any issues or inquiries.

Keys to Success

With annual billing in excess of 350 million dollars, we very much understand what it takes to be financially successful in the EMS revenue recovery industry.

Following are 7 "Keys to Success" that we will strongly work with you to implement and/or improve:

- Proper Documentation
- Charge Rates
- Signatures
- Technology
- Training
- Management of Accounts Receivable
- Compliance

Proper Documentation

Proper documentation of patient treatment and patient demographic information is a significant factor in order for you to realize maximum reimbursements from EMS revenue recovery.

Our coding personnel apply stringent Medicare rules and regulations in determining whether or not a call is coded BLS, ALS, or ALS2.

Charge Rates

We will continue to provide to you charge rate guidance and recommend to you any needed charge rates changes to give you the chance to capture maximum available revenue from the insurance providers.

Typically, we recommend charge rates be established that blend the Usual, Reasonable, and Customary charges as established by Medicare for the specific geographic region with the actual cost of providing the emergency medical service response.

Communities can estimate the actual cost of providing EMS services by considering budget allocations and the total number of emergency responses for services that EMS agencies respond to. It is not uncommon for these costs to range from \$1,200 to \$1,500.

Medicare and Medicaid obviously will pay their allowable rate for services provided; nothing more. Private insurance providers will pay based on the individual policy provision which may be as much as 100% of the charge. We have been very successful in capturing the maximum revenue possible from a multitude of insurance providers while at the same time taking a very passive approach to resident collections for revenue recovery. This combination establishes a system that is very sensitive to all tax paying residents.

Signatures

One of the key components for a successful EMS revenue recovery program is signature capture. Signature capture is comprised of two key elements:

- HIPAA privacy right notification signature
- Assignment of Benefits release signature

HIPAA Privacy Right Notification Signature

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) is a comprehensive federal law that regulates many aspects of personal and private health information. Many areas of HIPAA deal with health information outside the scope of public and private EMS; however, HIPAA does address and regulate several areas of EMS information security, maintenance, and transfer including proper notification of patient privacy rights.

Under HIPAA, each transported patient is required to be notified of his or her privacy rights under HIPAA and to sign a release that such notification has been presented to the patient.

We will provide you with HIPAA signature release language combined with assignment of benefits release information. We combine language that requires only one signature to satisfy both HIPAA and assignment of benefits signature requirements.

Assignment of Benefits Release Signature

An assignment of benefits release signature is an absolute requirement of all federal health insurance providers such as Medicare, Champus, and Railroad Medicare. Some minor and some major regional private insurance carriers such as Anthem, United Healthcare, Oxford, and Aetna require an assignment of benefits signature for payment.

We will send a signature release letter to each patient who fails to provide an assignment of benefits signature. It is extremely important for your EMS providers to attempt to capture a patient assignment of benefits release signature in the field. In the case of patients who are not physically or mentally able to sign a signature release, Medicare law

allows for field providers to sign in lieu of the patient *along with an acknowledgement signature from the receiving hospital.*

Either way, signatures are a must and the overall success of an EMS revenue recovery program can be greatly enhanced by proper signature capture.

Training

We are very effective in our client training program. As a component of our service, we will continue to make available to you a training program that provides all patient care providers with the most up-to-date information on all components of your billing program and the key items necessary for success.

We use experienced EMS professionals who have been a part of successful EMS revenue recovery programs provide our field training. Our trainers also understand the financial challenges in providing a high quality EMS system. Our training program ties together today's financial challenges with the basic fundamentals of EMS revenue recovery to provide each attendee with a clear picture of how excellence in EMS revenue recovery can lead to higher revenues.

Technology

We are committed to providing state-of-the-art electronic interfaces for each of our clients. At MED3000 EMS, we have a staff of ten employees who comprise our Information Technology (IT) team. This team of professionals takes the lead in providing interface bridges to our clients' EMS application software programs as well as interfaces that enable us to receive patient demographic and health insurance information from numerous individual hospitals and hospital systems.

Currently, we have interfaces for many ePCR platforms. *Should we be selected, it will be easy for us to continue our current relationship with you and RescueMedic or another ePCR platform should you desire to change.*

Furthermore, and perhaps most importantly, we will work with you to improve constantly our current methodologies in obtaining patient health insurance information from your current transport hospitals.

Management of Accounts Receivable

EMS revenue maximization for you requires aggressive and disciplined AR management. To that end, we have devised our **SureReview** process for AR management. **SureReview** ensures each and every insurance due balance is worked on a 45 day cycle. This revolutionary process eliminates standard aging reports used by other billing vendors.

SureReview catches claims before they age with an insurance company, resulting in increased insurance payments for our clients.

We are fully confident that close cooperation between our staff and you will result in maximizing EMS revenue recovery revenues.

Compliance

Honesty, integrity, and transparency are of the utmost importance to all facets of MED3000's business operations and executive leadership. We have adopted and implemented, with full senior executive leadership support, MED3000's Compliance Program which serves as a valuable asset in complying with all applicable laws and regulations while continuously building a strong ethical culture.

The MED3000 Code of Conduct is a key document of our Compliance Program, providing guidance to MED3000 employees, contractors, and vendors as to appropriate professional and personal conduct required while carrying out daily activities. The Code of Conduct exceeds HIPAA and CMS requirements by:

- Clearly communicating our commitment to our policies and procedures, regulations, professional standards, ethical business practices, and workplace standards;
- Clearly conveying a message to all MED3000 colleagues their responsibility for maintaining full compliance with laws and regulations as well as the expectations that they act and represent MED3000 with the highest ethical standards;
- Informs all of our employees about their responsibilities in making MED3000 a successful organization.

Hillary Harlan is Chief Compliance and Ethics Officer. An attorney as well as a registered nurse, Ms. Harlan previously served as Director of Compliance and Legal Services for Preferred Care Partners Management Group, LP. She is responsible for overseeing MED3000's corporate compliance and ethics program as well as overseeing MED3000's operating units. Recognizing the importance of expertise in compliance leadership, MED3000 believes a CCO with direct healthcare experience, a law degree, and significant compliance experience provides appropriate leadership for our organization and clients.

As a foundation for our ethical and compliant business practices, MED3000 has several adopted and fully implemented policies; they are as follows:

- MED3000 HIPAA Policies and Procedures
- MED3000 Compliance Plan
- MED3000 Code of Conduct
- MED3000 Identity Theft ("Red Flag") Program

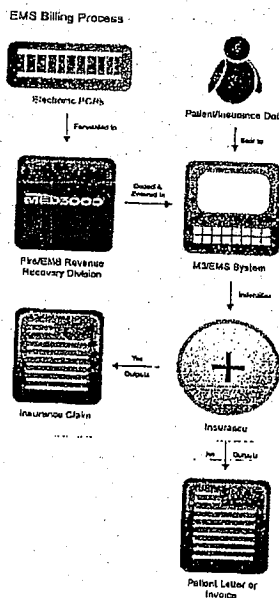
- Non-Employment of Sanctioned Individuals Policy
- Non-Retaliation Policy

Operation of Electronic Billing

The M3/EMS interface engine allows our billing staff to measure more effectively and manage the data being received from hospitals. Measuring is always a prerequisite of managing and no other billing vendor doing business across America manages and reports on results so accurately.

Client PCRs are electronically (and by paper when required) received in our office, coded by our staff, entered into our system, and then automatically matched with the demographic/insurance data to create an insurance claim. Insurance claims are generated on a daily basis and forwarded to insurance companies electronically in the vast majority of cases.

When no insurance is identified, billing associates automatically check for Medicaid eligibility on behalf of the CLIENTNAME. If no insurance is identified, the patient will receive either a Request for Information (RFI) letter or a balance due invoice as specified by the client. Incomplete mailing addresses are programmatically forwarded to *Accurint* (the largest and most complete skip trace data base available). Updated addresses are automatically updated in the system and the patient communications process is initiated, as illustrated below:



MED3000 Comprehensive Revenue Recovery Solutions

We will provide, throughout the contract period, experienced industry professionals to work side-by-side with you to monitor continually all facets of its billing program. Finally, we will continue to manage your billing operation within proper accounting standards so that there is never a risk or question related to insurance or financial auditing and/or program accountability.

Billing Process Synopsis

Should you continue to contract with us, your billing process will flow as it always has:

First of all, the entire process begins with patient treatment and demographic information that is captured by EMS personnel in the field. On each response and transport, your EMS personnel typically gather dozens of data points and enter that information as well as narrative documentation into an electronic patient care report (PCR) in *RescueMedic*.

Once a PCR is stored within *RescueMedic*, your EMS personnel will then upload that record with hundreds of others into a safe and secure MED3000 File Transfer Protocol (FTP) site.

After those files have been stored in our FTP, billing information is then entered electronically into our *Medical Manager* billing platform. Once entered into *Medical Manager*, each claim is tagged with a unique *Medical Manager* identifier and then coded. Assuming no patient treatment and/or demographic information is missing, the record is charged into *Medical Manager* and awaits health insurance information.

The acquisition of patient health insurance information is what sets MED3000 apart from any other vendor that may respond to this RFP, ***regardless of vendor size. If selected, we will continue to use and improve the current patient health insurance acquisition system with your primary transport hospitals.***

The acquisition of timely and complete patient health insurance information is critical to the success of any EMS transport billing program.

Overall, our experience is that we receive *complete* patient treatment and demographic information within 2-3 days of the incident date as well as *complete* health insurance information from the transport hospital within 10-14 days of the incident day. As soon as we receive this information, we complete the charge and bill the claim to the provider or patient within 24 hours of receiving all information (within 10-14 days of incident date).

With few exceptions, all primary claims are billed electronically through our third party clearinghouse, WebMD; WebMD is one of the world's leading providers of healthcare management and technology solutions.

Examples of first claim providers are Medicare, Medicaid, Anthem Blue Cross, United Healthcare, and Oxford, although literally hundreds of providers are also billed electronically through WebMD.

WebMD is also used for secondary Medicare claims while the overwhelming majority of secondary providers are billed via paper claims as are individual patients without insurance or individual patients with an outstanding balance after insurance payments.

Should our billing personnel have incomplete patient treatment and/or demographic information, our personnel may need to contact fire department personnel for issues related to treatment or the patient for issues relating to missing patient demographic information. MED3000 personnel use a variety of tools such as Request for Information (RFI) letters, telephone calls, email, and skip tracing services such as *Accurant* to obtain as much information as possible before sending claims to insurance providers.

Once the initial claim is sent to primary and secondary providers, most programs work within a billing model that sends out subsequent bills on a 30-60 and sometimes 90 days billing cycle subsequent to the date of the initial bill. At the end of this billing cycle, any remaining balance is designated for write-off and is either written off in total per County directive or forwarded to a collection agency should you desire such action.

As far as payments are concerned, Medicare will remit payments on claims within two weeks of submittal while the overwhelming majority of private insurers will remit payments within three weeks of claim submittal. We prefer that you be in the position to receive payments electronically from as many providers as possible; electronic payment remittal accelerates payment time.

Timeline

Should MED3000 be selected as the successful vendor, the timeline is simple.

We will continue business as usual providing you with comprehensive billing services and *RescueMedic* ePCR software. We will also continue our current replacement/upgrade program of Panasonic CF-19 laptop computers or equivalent on an as needed basis.

MED3000 References

Currently, we process EMS revenue recovery claims for over 150 clients; our client portfolio ranges in size from communities generating as many as 55,000 annual transports (Columbus, OH) to individual cities as well as county departments that transport between 500 and 15,000 transports on an annual basis. No matter the size or structure of the client, MED3000 personnel provide consistent and comprehensive professional services to each and every client.

On the following page, we provide you a reference list. We encourage you to contact each reference.

City of Columbus

3639 Parsons Ave.
Columbus, OH 43207
Battalion Chief Shawn Koser
(614) 645-7384 x5337
kosers@columbus.gov

We manage over 55,000 annual transports for the City of Columbus. In addition to managing all aspects of the EMS billing program for Columbus, we financed the purchase of over 100 field laptop units as well as a new EMS ePCR platform for the Columbus Division of Fire.

Hampton Division of Fire/Rescue

1300 Thomas St.
Hampton, VA 23669
Chief Bettie Reeves-Nobles
(757) 727-6447
breeves@hampton.gov

MED3000 provides billing services for Hampton; in calendar year 2012, we will process over 15,000 transports for Hampton.

Fairfax County Division of Fire/Rescue

4100 Chain Bridge Rd.
Fairfax, VA 22030
Katie Mangione, Program Manager
(703) 246-2276
katie.mangione@fairfaxcounty.gov

MED3000 provides billing services for Fairfax County; in calendar year 2012, we will process over 43,000 transports for Fairfax County.

Tab 8: Executive Summary

Your success in ambulance billing depends on excellence in these areas:

- Maximizing Revenues
- 100% Compliance
- Integration with *RescueMedic*
- Field Laptop Computers
- Phone System Sophistication
- Excellence in Customer Service

Following are summaries for each of these proposed enhancements:

• An EMS Transport Billing Program that Maximizes Revenues

We have been contracted with you since 2002; in 2002 your program generated approximately \$186 per transport.

Since 2002, our partnership with you has greatly increased the revenues for Nassau County resulting from ambulance billing. During the preceding five (5) years, you averaged or were above \$400 per transport. *Today Nassau County realizes nearly \$525 per transport.*

Given today's current economic landscape and especially the financial challenges facing communities such as Nassau County, \$525 per transport is better than excellent; *it is astounding.* As we highlighted earlier in this Response, *your current return of \$525 per transport is a full \$175 higher per transport than what is received by any other ambulance transport provider in the Greater New York City area.*

How did this happen? As we discussed earlier, numerous factors have helped us "drive" your high returns.

MED3000 *Comprehensive Revenue Recovery Solutions*

Here are some of those important factors:

- Our ability to **aggressively pursue** insurance companies for partial or non-existent payment.
- We arbitrate all claims until they are paid in full.
- Our registration and findings with Fair Health, Inc. have been instrumental in setting maximum rates in metro New York.
- Our staff is highly trained, experienced, and dedicated (many with over 20 years of ambulance billing experience); many are Certified Professional coders who assign and review all coding diagnosis to ensure 100% coding compliance.

In conclusion, since 2002, the average revenue per transport in Nassau County has increased exponentially by nearly 300%.

- **A System Which is 100% Compliant**

Honesty, integrity, and transparency are of the utmost importance to all facets of MED3000's business operations and executive leadership. We have adopted and implemented, with full senior executive leadership support, MED3000's Compliance Program which serves as a valuable asset in complying with all applicable laws and regulations while continuously building a strong ethical culture.

The MED3000 Code of Conduct is a key document of our Compliance Program, providing guidance to MED3000 employees, contractors, and vendors as to appropriate professional and personal conduct required while carrying out daily activities. The Code of Conduct exceeds HIPAA and CMC requirements by:

- Clearly communicating our commitment to our policies and procedures, regulations, professional standards, ethical business practices, and workplace standards;
- Clearly conveying a message to all MED3000 colleagues their responsibility for maintaining full compliance with laws and regulations as well as the expectations that they act and represent MED3000 with the highest ethical standards;
- Informs all of our employees about their responsibilities in making MED3000 a successful organization.

Hillary Harlan is Chief Compliance and Ethics Officer. An attorney as well as a registered nurse, Ms. Harlan previously served as Director of Compliance and Legal Services for

Preferred Care Partners Management Group, LP. She is responsible for overseeing MED3000's corporate compliance and ethics program as well as overseeing MED3000's operating units. Recognizing the importance of expertise in compliance leadership, MED3000 believes a CCO with direct healthcare experience, a law degree, and significant compliancy experience provides appropriate leadership for our organization and clients.

- RescueMedic Integration

MED3000 has a strong history of integration with EMS record management systems platforms; we currently integrate with a multitude of EMS software companies throughout the United States and, as such, we acquire electronically patient treatment and demographic information. Nearly 100% of all MED3000 EMS transport billing clients electronically upload patient treatment and demographic information from EMS RMS platforms to MED3000.

As you are aware of, we are 100% electronically compliant with *RescueMedic* ePCR software; ***most importantly, we have an operational interface with RescueMedic that provides exceptional service today. It will continue to provide excellent service into 2013 and beyond.***

Finally, should you desire to replace your current RescueMedic ePCR solution with another solution that meets your needs, MED3000 will procure and pay for that solution.

- Field Laptop Computers

If we are so fortunate to continue our partnership with you, our plan is to continue the annual acquisition/replacement of approximately 20 Panasonic CF-19 laptops.

Should you desire to replace more than 20 laptops annually, we will procure the number of laptops that satisfy your needs.

- Phone System Sophistication

The entire MED3000 "world" uses the latest in Cisco telephone technology; each of our billing offices has the following Cisco functions and capabilities:

- Each supervisor has the ability to monitor and report on call taker activity.
- Supervisors and administrators monitor the overall activity within the call center.
- Each supervisor can monitor the phone activity by employee.

MED3000 Comprehensive Revenue Recovery Solutions

- Each supervisor can monitor all phone activity related to a client activity.

Cisco reporting is critical in telephone management. Following are a few of the reporting options and administrative tools our administrators in order to manage telephone operations:

- A unique 800# is assigned to each client; when a MED3000 billing associate's telephone rings, he/she knows immediately the MED3000 client related to that telephone call. This unique telephone number is also printed on billing statements as well as Request for Information (RFI) letters.
- A report on the length of time to answer calls.
- A report on the time patients are put on hold (if applicable).
- A report on the time employees are on the phone with patients.
- A report that shows "on time" related sequences for all phone calls by incoming telephone numbers.

Proper management of telephone operations is critical with customer service; our Cisco system is another example of how seriously we take customer service.

• Excellence in Customer Service

If you select us as the successful vendor, our management philosophy and program management with you will be the same as it has been. *As agents of the customer, we pursue excellence in each and everything we do.*

Should we so fortunate to continue our professional partnership with you, oversight of your program will continue to be directed by Morris Maybruch whose ambulance billing experience with your program as well as with other programs in the Greater New York City area is unmatched. Morris's professional touch, his keen understanding of all issues pertaining to ambulance billing, and *his unique familiarity with your revenue recovery program* will be critical in understanding and solving issues that develop within your agency pertaining to ambulance billing.

We have, and always will, place your customers first; our Executive Staff has extensive fire service and EMS experience; consequently, we understand the special bond that exists between you and the citizens of Nassau. Our communication with your customers on a day-to-day basis will continue to be professional and all interactions, whether verbal or written, are and will be held to the highest standards. Our EMS transport billing unit has been blessed with solid growth and a large part of that growth can be attributed to the understanding we have of our customers and the professionalism we deliver.

Whether the task is acquiring health insurance information, interfacing with data management systems, or talking on the telephone with a transported patient, *we always*

pursue excellence in every aspect of our business. Our business is serving people by providing a service that ultimately helps to save lives.

We know your business and possess extensive knowledge and professional relationships with fire departments and EMS agencies across America. Furthermore, we are among the leaders in providing technology solutions to many facets of America's health system and fire service.

We are proud to have teamed with you; we hope to move that team effort into 2013 and beyond. We enjoy what we do and we believe in what we do. Most importantly, we believe in what you do.

We know EMS. We know your desire to save lives.

Appendix

Statement of Redaction/Exceptions

In the event that copies of MED3000's response are requested by any party not directly employed by Nassau County, MED3000 requests that the following documents found in our Response be redacted (in their entirety) from all disseminated copies:

- MED3000 HIPAA Policies and Procedures
- MED3000 Fairfax County CMS Audit Press Release

RFP # PD1005-1236

TITLE: Ambulance Billing Services for the Nassau County Police Department

AMENDMENT # 1

Due to the impending inclement weather, the pre-bidders conference scheduled for Tuesday October 30, 2012 has been rescheduled to November 6, 2012.

Questions regarding the RFP will be due November 13, 2012.

All other terms and conditions remain the same.

RFP # PD1005-1236

TITLE: Ambulance Billing Services for the Nassau County Police Department

AMENDMENT # 2

Due to the aftermath of Hurricane Sandy, the pre-bidders conference scheduled for Tuesday, November 6, 2012 has been rescheduled to November 13, 2012.

Questions regarding the RFP will be due November 20, 2012.

Proposals will be due Tuesday, December 18, 2012.

All other terms and conditions remain the same.

RFP # PD1005 - 1236

TITLE: Ambulance Billing Services

AMENDMENT # 3

The purpose of this amendment is to provide responses to the questions regarding this proposal and a time extension for submission the RFP.

RFP Issue Date
Proposal Due Date
Award Date

October 11, 2012
Friday, December 28, 2012 at 4: 00p.m.
On or about January 11, 2012

Dates indicated above are subject to change at the sole discretion of the County.

Proposers will submit all proposals and direct all responses, questions, and any other communications to the following authorized contact person:

Detective Sergeant Tara Comiskey
Department Hearing Coordinator
Legal Bureau
Nassau County Police Department
1490 Franklin Avenue
Mineola, New York 11501

Email: TComiskey@pdcn.org

All other terms and conditions remain unchanged.

Answers to Questions

Nassau County Police Department
Ambulance Billing Services

1. Can the County provide the number of Billable transports conducted in 2009, 2010 and 2011?

2009: 43,353 2010: 45,514 2011: 45,726

2. Can the County provide the level of **service mix** for transports conducted in 2009, 2010 and 2011?

2009 BLS= 17.95% 2009 ALS= 80.66% 2009 ALS2= 1.39%

2010 BLS= 26.4% 2010 ALS= 72.2% 2010 ALS2= 1.4%

2011 BLS= 35.2% 2011 ALS= 63.31% 2011 ALS2= 1.48%

Please provide your average miles per transport? 3

3. What was the total net collected for 2009, 2010 & 2011?

2009: \$17,879,240.09

2010: \$19,196,970.41

2011: \$24,172,154.51

4. What were the total gross charges for 2009, 2010 and 2011?

2009: \$27,206,299.58

2010: \$31,873,572.54

2011: \$52,451,892.77

5. Please provide your 2009, 2010 and 2011 **charge mix** (dollars or percentage) for Total gross charges allocated to the payer groups:

2009 Medicare = \$8,120,731.30 (29.85%)

2009 Medicaid = \$1,527,382.76 (5.61%)

2009 Private Insurance = \$9,964,180.49 (36.62%)

2009 Self Pay = \$7,594,005.03 (27.91%)

2010 Medicare = \$10,132,786.80 (31.79%)

2010 Medicaid = \$2,181,500.90 (6.84%)

2010 Private Insurance = \$11,492,237.03 (36.06%)

2010 Self Pay = \$8,067,047.81 (25.31%)

2011 Medicare = \$16,256,836.44 (30.99%)

2011 Medicaid = \$3,698,757.81 (7.05%)

2011 Private Insurance = \$18,259,146.16 (34.81%)

2011 Self Pay = \$14,237,155.36 (27.14%)

6. Please provide your 2009, 2010 and 2011 **payment mix** (dollars or percentage)
for total net collected:

2009 Medicare = \$5,454,018.02

2009 Medicaid = \$1,009,190.13

2009 Private Insurance = \$9,706,955.09

2009 Self Pay = \$1,709,076.85

=Total 2009 net collected \$17,879,240.09

2010 Medicare = \$5,495,365.07

2010 Medicaid = \$1,126,806.58

2010 Private Insurance = \$10,696,485.10

2010 Self Pay = \$1,878,313.66

=Total 2010 net collected \$19,196,970.41

2011 Medicare =\$5,440,019.20

2011 Medicaid =\$1,082,407.21

2011 Private Insurance =\$15,030,066.06

2011 Self Pay =\$2,619,662.04

=Total 2011 net collected \$24,172,154.51

7. Can you advise how much was written off for adjustments in 2009, 2010, and 2011? We anticipate only Medicare and Medicaid contractual adjustments, but please also advise if the County takes any other adjustments from your gross charges.

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Medicare:	\$2,041,768.12	\$3,427,392.54	\$9,589,807.64
Medicaid:	\$2,370,300.02	\$3,603,427.84	\$8,313,843.09
Misc:	\$1,235,482.34	\$1,148,584.58	\$1,856,902.51
Collections:	\$3,775,115.11	\$4,530,271.43	\$7,478,710.41

8. Who currently provides Billing Services and what does the County pay for current billing services?

Med3000 is paid a commission on eligible receipts at a rate of 8.25% for billing services. This excludes Medicaid claims which are paid at a rate of \$7.50 per claim. This also excludes patient & insurance refunds.

9. Does the NCPD utilize a Fleet Management System to monitor their Ambulance Fleet? If so what is the name of system?

Clarification needed – is this a reference to a GPS system? Or fleet maintenance?

Fleet maintenance is managed internally by PDCN's Fleet Services Bureau.

10. Does the County have a preferred Collection Agency? If so, what is the name of that agency?

MSB

11. Has the County considered or will the selected vendor be responsible for collection of accounts greater than 90 days at the start of the contract?

To be determined.

12. Does the County utilize a Lockbox to receive payments? What is the name of the County's Financial Institution?

Yes, we utilize a lockbox for payment remittance. The County's Financial Institution is Bank of America.

13. *per Computer Hardware and Software pg 9 The Contractor to provide computer software, hardware, peripherals and accessories as needed by Bureau, in conformity with such Items and materials currently utilized by Bureau. Upgrades and/or expansion of equipment, software, hardware, peripherals and accessory needs as required by Bureau to be responsibility of vendor.*

Can the County provide an itemized list of the 'materials currently utilized by Bureau' (SKU, # of units etc) in order for proposer to price those items?

Please see attached list referencing the equipment we are currently utilizing.

14. Can the County provide the name of the CAD vendor, software and version along with the export specifications and mechanism utilized to export CAD information currently or as part of this contract? Please identify if there will be a cost from the CAD vendor to the contractor for the export and what that amount is?

CAD does not interface with our e-pcr or billing system.

15. Do the Ambulances utilize a Mobile Data Terminal? If so name of System?

Yes, but it does not interface with our e-pcr or billing system.

16. For Patient Care Report training, can the county provide # of Paramedics/EMTs' to be included in classes? How is the structure of training to be completed i.e. by shifts regular Business hours etc?

There are currently 161 ALS providers in the EAB. While we do not currently anticipate a change in our e-pcr program, the structure of any training to be done would be determined at that time.

17. Please confirm that there is no MBE/WBE requirement or Bid Bond required in this solicitation.

No MBE/WBE requirement

18. Can the County provide the names/positions of Nassau County personnel as well as vendors who attended pre-Bid conference on 11/13/2012?

The RFP contact person is D/Sgt. Tara Comiskey.

19. Please provide a breakdown (either percentages or numbers) of claims billed by payer in the past year (Medicare, Medicaid, Commercial, Self-Pay)
See answer to question #5.

20. Please provide the total number and dollars of claims paid in the past year by payer.
See answer to question #1 & #3.

21. What is the current fee structure in place with the existing vendor?
See answer to question #8.

22. Will the successful vendor assume responsibility for any backlog of unbilled and/or previously billed accounts? If so, is an aged trial balance report of this backlog available that identifies by payer the volume and dollar value.

See answer to #11 (tbd).

23. The RFP states the Bureau responded to over 60,000 calls in 2011. Are all calls dispatched from the same CAD software? What is the current CAD software being used?

Not applicable as there is no interface between the dispatch system, the vehicle MDT, and the e-pcr system or billing system.

24. Please confirm the Bureau is considered one provider. Or, are there numerous providers, utilizing various CAD systems, with numerous provider numbers?

Yes, the EAB is a single provider with a single provider number.

25. What type/brand of hardware is currently being used? What is the lifecycle of the hardware? Does the Bureau expect to have new hardware prior to implementation, or will the Bureau roll over hardware as devices expire? ...

At the implementation of the contract, all hardware (tough books, specifically) will be within the 1st year of use by us & therefore relatively new. Our plan is to continue to roll over hardware as they approach 2 years of service. Replacement of tough books is not expected before 2014. Office hardware & software which

supports the billing department will need to be replaced on an as-needed basis. A list of equipment we are currently utilizing is attached.

26. Is the contractor responsible for provision of connectivity, or will the new system utilize the existing available connectivity?

The billing vendor is responsible for maintaining connectivity. The cellular provider & internet provider are to be selected by the EAB.

27. What is the anticipated timeline/Go Live for implementation?

Unknown at this time

28. Will bidders be required to provide a list of equipment, data system and billing programs in the Bid Submission?

Clarification needed on 'equipment'.

29. Can Nassau Police Department and the Contractor work a system for fraud alerts... (those customers giving false information)?

Unknown at this time

30. Are the six County Employees that receive training be from the police department or scattered county departments?

Police Department.

31. Since the contractor's fee is based on a percentage of net revenues, will be there additional payments for tasks outside the Scope of work?

No, there are no additional payments. In addition to normal billing functions, the Scope of Work may include, but is not limited to, the vendor being required to generate data or build reports at the request of the Department.

32. Would the department be able to provide bidders with a breakdown of call volume, billed amount and revenue collections by payor category (e.g. Medicare, Medicaid, Commercial Insurance, Private Pay)?

See answers to #1 thru #7.

33. PPM has always been advised that billing companies are not allowed to charge based on a percentage of collections (see the below links for reference). However, it has come to our attention recently that this may only apply to Medicaid and may only apply to billing companies that actually receive the funds directly from the insurance companies (see attached email from our council). Does the

department want bidders to structure proposals on a percentage basis or should other methods of fee calculations be used?

<http://www.camlawblog.com/articles/malpractice-and-risk-management/do-percentagebased-revenuesharing-arrangements-between-a-clinic-and-its-health-care-practitioners-violate-stark-antikickback-and-fcesplitting-laws/>
<http://insuranceclaimsinformation.blogspot.com/2012/03/are-you-and-your-providers-breaking-law.html>

34. Would the department prefer one all inclusive fee structure or would other structures that may be more cost effective (such as establishing a percentage/fee for billing and carving out/ passing through certain ancillary costs such as computers, toughbooks, epcr licenses) be acceptable? Note: this can be done by having the ancillary costs paid directly through the Department so there is no markup or profit made on these items by the billing company (billing company will still administer all aspects of the purchase and maintenance of such items) or they can be paid for by the billing company and itemized on invoices to the Department.

35. Would the Department entertain having the billing and EPCR software hosted by a third party vendor that provides such services for other ambulance agencies where such an arrangement would offer better security, backup of all data, and functionality/reliability for the EPCR laptops during power outages and natural disasters?

This question appears to be in contradiction to the requirements of the RFP.

APPENDIX A
COST PROPOSAL

The undersigned hereby certifies his or her compliance with the following:

"NON-COLLUSIVE PROPOSAL CERTIFICATION"

By submission of this Proposal, each proposer and each person signing on behalf of any other proposer certifies, and in the case of a joint Proposal, each party thereto certifies as to its own organization, under penalty of perjury, that to the best of his or her knowledge and belief:

- A. The prices of this Proposal have been arrived at independently without collusion, consultation, communication, or agreement for the purpose of restricting competition, as to any matter relating to such prices with any other proposer or with any competitor; and
- B. Unless otherwise required by law, the prices which have been quoted in this Proposal have not been knowingly disclosed by the proposer and will not knowingly be disclosed by the proposer prior to opening, directly or indirectly, to any other proposer or to any competitor; and
- C. No attempt has been made or will be made by the proposer to induce any other person, partnership or corporation to submit or not to submit a Proposal for the purpose of restricting competition.
- D. The undersigned has carefully examined the Proposal and Contract Documents and agrees to perform this contract and to provide all services, labor, material and equipment necessary for this contract.

SUBMITTED BY: _____

(Signature)

PRINT NAME: _____

DATE: _____

10/31/12

APPENDIX B
Program Description and Staffing

Please provide a complete written description of the Proposal, including the following information:

- a. Staffing: Bios of firm principals as well as staff expected to be assigned to this project.
- b. Detail prior experience in the area of Ambulance Billing Services.
- c. Detail prior experience with public sector clients (similar size and scope).
- d. Detailed cover letter on the firm's letterhead indicating EIN number and the name of the parties authorized to discuss and/or enter into negotiations with Nassau County with respect to this proposal.

(USE ADDITIONAL SHEETS IF NECESSARY)

APPROVED AND SUBMITTED BY: _____

PRINT NAME: _____

Moanis Maybank (Signature)

DATE: _____

10/31/12

APPENDIX C

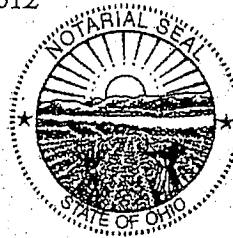
CERTIFICATION

A MATERIALLY FALSE STATEMENT WILLFULLY OR FRAUDULENTLY MADE IN CONNECTION WITH THIS QUESTIONNAIRE MAY RESULT IN RENDERING THE SUBMITTING BUSINESS ENTITY NOT RESPONSIBLE WITH RESPECT TO THE PRESENT BID OR FUTURE BIDS, AND, IN ADDITION, MAY SUBJECT THE PERSON MAKING THE FALSE STATEMENT TO CRIMINAL CHARGES.

I, Morris Maybrich, being duly sworn, state that I have read and understand all the items contained in the foregoing pages of this questionnaire and the following pages of attachments; that I supplied full and complete answers to each item therein to the best of my knowledge, information and belief; that I will notify the County in writing of any change in circumstances occurring after the submission of this questionnaire and before the execution of the contract; and that all information supplied by me is true to the best of my knowledge, information and belief. I understand that the County will rely on the information supplied in this questionnaire as additional inducement to enter into a contract with the submitting business entity.

Sworn to before me this 18 day of December 2012

Patsy Jensen
Notary Public



PATSY JENSEN
Notary Public
In and for the State of Ohio
My Commission Expires
June 28, 2017

Name of submitting business: MED 3000 Inc.

By: Morris Maybrich

Print name

Morris Maybrich
Signature

Vice President
Title

1/1/1
Date

APPENDIX D

PRINCIPAL QUESTIONNAIRE FORM

Any individual who holds ten percent or greater ownership interest in the proposer or who is an officer of the proposer shall complete and certify a Principal Questionnaire Form. All questions on the questionnaire must be answered and the answers typewritten or printed in ink. If you need more space to answer any question, make as many photocopies of the appropriate page(s) as necessary and attach them to the questionnaire.

COMPLETE THIS QUESTIONNAIRE CAREFULLY AND COMPLETELY. FAILURE TO SUBMIT A COMPLETE QUESTIONNAIRE MAY MEAN THAT YOUR BID OR PROPOSAL WILL BE REJECTED AS NON-RESPONSIVE AND IT WILL NOT BE CONSIDERED FOR AWARD

1. Principal Name MED3000 Group, Inc.
Business address 680 Andersen Drive, Foster Plaza 10
City/state/zip Pittsburgh, PA 15220
Telephone 412-937-8887
Other present address(es) N/A
City/state/zip N/A
Telephone N/A
List of other addresses and telephone numbers attached _____
2. Positions held in submitting business and starting date of each (check all applicable)
President / / Treasurer / /
Chairman of Board / / Shareholder / /
Chief Exec. Officer / / Secretary / /
Chief Financial Officer / / Partner / /
Vice President / /
(Other) Stockholder (over 10%)
3. Do you have an equity interest in the business submitting the questionnaire?
NO YES X If Yes, provide details. Own 100% of MED3000, Inc.
4. Are there any outstanding loans, guarantees or any other form of security or lease or any other type of contribution made in whole or in part between you and the business submitting the questionnaire?
NO X YES If Yes, provide details.
5. Within the past 3 years, have you been a principal owner or officer of any business or not-for-profit organization other than the one submitting the questionnaire? NO X YES ; If Yes, provide details.

APPENDIX D

6. Has any governmental entity awarded any contracts to a business or organization listed in Section 5 in the past 3 years while you were a principal owner or officer? NO ☒ YES ____ If Yes, provide details.

NOTE: An affirmative answer is required below whether the sanction arose automatically, by operation of law, or as a result of any action taken by a government agency. Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.

7. In the past (5) years, have you and/or any affiliated businesses or not-for-profit organizations listed in Section 5 in which you have been a principal owner or officer:
- a. Been debarred by any government agency from entering into contracts with that agency? NO ☒ YES ____ If Yes, provide details for each such instance.
 - b. Been declared in default and/or terminated for cause on any contract, and/or had any contract cancelled for cause? NO ☒ YES ____ If Yes, provide details for each such instance.
 - c. Been denied the award of a contract and/or the opportunity to bid on a contract, including, but not limited to, failure to meet pre-qualification standards? NO ☒ YES ____ If Yes, provide details for each such instance.
 - d. Been suspended by any government agency from entering into any contract with it; and/or is any action pending that could formally debar or otherwise affect such business's ability to bid or propose on contract? NO ☒ YES ____ If Yes, provide details for each such instance.
8. Have any of the businesses or organizations listed in response to Question 5 filed a bankruptcy petition and/or been the subject of involuntary bankruptcy proceedings during the past 7 years, and/or for any portion of the last 7 year period, been in a state of bankruptcy as a result of bankruptcy proceedings initiated more than 7 years ago and/or is any such business now the subject of any pending bankruptcy proceedings, whenever initiated? If 'Yes', provide details for each such instance. (Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.)
- a) Is there any felony charge pending against you? NO ☒ YES ____ If Yes, provide details for each such charge.
 - b) Is there any misdemeanor charge pending against you? NO ☒ YES ____ If Yes, provide details for each such charge.
 - c) Is there any administrative charge pending against you? NO ☒ YES ____ If Yes, provide details for each such charge.
 - d) In the past 10 years, have you been convicted, after trial or by plea, of any felony, or of any other crime, an element of which relates to truthfulness or the underlying facts of which related

APPENDIX D

to the conduct of business? NO ☒ YES ____ If Yes, provide details for each such conviction.

- e) In the past 5 years, have you been convicted, after trial or by plea, of a misdemeanor? NO ☒ YES ____ If Yes, provide details for each such conviction.
- f) In the past 5 years, have you been found in violation of any administrative or statutory charges? NO ☒ YES ____ If Yes, provide details for each such occurrence.
9. In addition to the information provided in response to the previous questions, in the past 5 years, have you been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency and/or the subject of an investigation where such investigation was related to activities performed at, for, or on behalf of the submitting business entity and/or an affiliated business listed in response to Question 5? NO ☒ YES ____ If Yes, provide details for each such investigation.
10. In addition to the information provided, in the past 5 years has any business or organization listed in response to Question 5, been the subject of a criminal investigation and/or a civil anti-trust investigation and/or any other type of investigation by any government agency, including but not limited to federal, state, and local regulatory agencies while you were a principal owner or officer? NO ☒ YES ____ If Yes; provide details for each such investigation.
11. In the past 5 years, have you or this business, or any other affiliated business listed in response to Question 5 had any sanction imposed as a result of judicial or administrative proceedings with respect to any professional license held? NO ☒ YES ____ If Yes; provide details for each such instance.
12. For the past 5 tax years, have you failed to file any required tax returns or failed to pay any applicable federal, state or local taxes or other assessed charges, including but not limited to water and sewer charges? NO ☒ YES ____ If Yes, provide details for each such year.

APPENDIX D

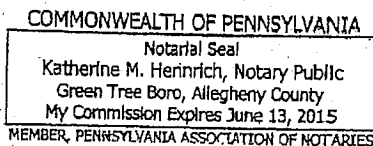
CERTIFICATION

A MATERIALLY FALSE STATEMENT WILLFULLY OR FRAUDULENTLY MADE IN CONNECTION WITH THIS QUESTIONNAIRE MAY RESULT IN RENDERING THE SUBMITTING BUSINESS ENTITY NOT RESPONSIBLE WITH RESPECT TO THE PRESENT BID OR FUTURE BIDS, AND, IN ADDITION, MAY SUBJECT THE PERSON MAKING THE FALSE STATEMENT TO CRIMINAL CHARGES.

I, Robert C. Gall, II, EVP, being duly sworn, state that I have read and understand all the items contained in the foregoing pages of this questionnaire and the following pages of attachments; that I supplied full and complete answers to each item therein to the best of my knowledge, information and belief; that I will notify the County in writing of any change in circumstances occurring after the submission of this questionnaire and before the execution of the contract; and that all information supplied by me is true to the best of my knowledge, information and belief. I understand that the County will rely on the information supplied in this questionnaire as additional inducement to enter into a contract with the submitting business entity.

Sworn to before me this 30th day of October 2012.

Katherine M. Heinrich
Notary Public



MEP 3000, Inc.
Name of submitting business

Robert C. Gall, II
Print name

[Signature]
Signature

EVP
Title

10 / 30 / 12
Date

APPENDIX D

PRINCIPAL QUESTIONNAIRE FORM

Any individual who holds ten percent or greater ownership interest in the proposer or who is an officer of the proposer shall complete and certify a Principal Questionnaire Form. All questions on the questionnaire must be answered and the answers typewritten or printed in ink. If you need more space to answer any question, make as many photocopies of the appropriate page(s) as necessary and attach them to the questionnaire.

COMPLETE THIS QUESTIONNAIRE CAREFULLY AND COMPLETELY. FAILURE TO SUBMIT A COMPLETE QUESTIONNAIRE MAY MEAN THAT YOUR BID OR PROPOSAL WILL BE REJECTED AS NON-RESPONSIVE AND IT WILL NOT BE CONSIDERED FOR AWARD

1. Principal Name Patrick V. Hampson
 Business address 680 Andersen Drive, Foster Plaza 10
 City/state/zip Pittsburgh, PA 15220
 Telephone 412-937-8887
 Other present address(es) N/A
 City/state/zip N/A
 Telephone N/A
 List of other addresses and telephone numbers attached _____

2. Positions held in submitting business and starting date of each (check all applicable)
 President 1 / 1 / 98 Treasurer / /
 Chairman of Board / / Shareholder / /
 Chief Exec. Officer / / Secretary / /
 Chief Financial Officer / / Partner / /
 Vice President / /
 (Other) _____

3. Do you have an equity interest in the business submitting the questionnaire?
 NO ☒ YES ☐ If Yes, provide details.

4. Are there any outstanding loans, guarantees or any other form of security or lease or any other type of contribution made in whole or in part between you and the business submitting the questionnaire?
 NO ☒ YES ☐ If Yes, provide details.

5. Within the past 3 years, have you been a principal owner or officer of any business or not-for-profit organization other than the one submitting the questionnaire? NO ☒ YES ☐; If Yes, provide details.

APPENDIX D

6. Has any governmental entity awarded any contracts to a business or organization listed in Section 5 in the past 3 years while you were a principal owner or officer? NO ☒ YES ____ If Yes, provide details.

NOTE: An affirmative answer is required below whether the sanction arose automatically, by operation of law, or as a result of any action taken by a government agency.
Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.

7. In the past (5) years, have you and/or any affiliated businesses or not-for-profit organizations listed in Section 5 in which you have been a principal owner or officer:
- a. Been debarred by any government agency from entering into contracts with that agency? NO ☒ YES ____ If Yes, provide details for each such instance.
 - b. Been declared in default and/or terminated for cause on any contract, and/or had any contracts cancelled for cause? NO ☒ YES ____ If Yes, provide details for each such instance.
 - c. Been denied the award of a contract and/or the opportunity to bid on a contract, including, but not limited to, failure to meet pre-qualification standards? NO ☒ YES ____ If Yes, provide details for each such instance.
 - d. Been suspended by any government agency from entering into any contract with it; and/or is any action pending that could formally debar or otherwise affect such business's ability to bid or propose on contract? NO ☒ YES ____ If Yes, provide details for each such instance.
8. Have any of the businesses or organizations listed in response to Question 5 filed a bankruptcy petition and/or been the subject of involuntary bankruptcy proceedings during the past 7 years, and/or for any portion of the last 7 year period, been in a state of bankruptcy as a result of bankruptcy proceedings initiated more than 7 years ago and/or is any such business now the subject of any pending bankruptcy proceedings, whenever initiated? If 'Yes', provide details for each such instance. (Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.)
- a) Is there any felony charge pending against you? NO ☒ YES ____ If Yes, provide details for each such charge.
 - b) Is there any misdemeanor charge pending against you? NO ☒ YES ____ If Yes, provide details for each such charge.
 - c) Is there any administrative charge pending against you? NO ☒ YES ____ If Yes, provide details for each such charge.
 - d) In the past 10 years, have you been convicted, after trial or by plea, of any felony, or of any other crime, an element of which relates to truthfulness or the underlying facts of which related

APPENDIX D

to the conduct of business? NO ☒ YES ____ If Yes, provide details for each such conviction.

e) In the past 5 years, have you been convicted, after trial or by plea, of a misdemeanor? NO ☒ YES ____ If Yes, provide details for each such conviction.

f) In the past 5 years, have you been found in violation of any administrative or statutory charges? NO ☒ YES ____ If Yes, provide details for each such occurrence.

9. In addition to the information provided in response to the previous questions, in the past 5 years, have you been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency and/or the subject of an investigation where such investigation was related to activities performed at, for, or on behalf of the submitting business entity and/or an affiliated business listed in response to Question 5? NO ☒ YES ____ If Yes, provide details for each such investigation.

10. In addition to the information provided, in the past 5 years has any business or organization listed in response to Question 5, been the subject of a criminal investigation and/or a civil anti-trust investigation and/or any other type of investigation by any government agency, including but not limited to federal, state, and local regulatory agencies while you were a principal owner or officer? NO ☒ YES ____ If Yes; provide details for each such investigation.

11. In the past 5 years, have you or this business, or any other affiliated business listed in response to Question 5 had any sanction imposed as a result of judicial or administrative proceedings with respect to any professional license held? NO ☒ YES ____ If Yes; provide details for each such instance.

12. For the past 5 tax years, have you failed to file any required tax returns or failed to pay any applicable federal, state or local taxes or other assessed charges, including but not limited to water and sewer charges? NO ☒ YES ____ If Yes, provide details for each such year.

APPENDIX D

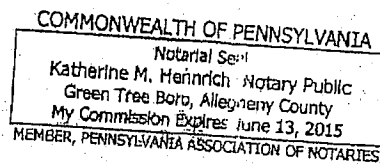
CERTIFICATION

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I, Patrick V. Hampson, being duly sworn, state that I have read and understand all the items contained in the foregoing pages of this questionnaire and the following pages of attachments; that I supplied full and complete answers to each item therein to the best of my knowledge, information and belief; that I will notify the County in writing of any change in circumstances occurring after the submission of this questionnaire and before the execution of the contract; and that all information supplied by me is true to the best of my knowledge, information and belief. I understand that the County will rely on the information supplied in this questionnaire as additional inducement to enter into a contract with the submitting business entity.

Sworn to before me this 30th day of October 2012.

Katherine M. Heinrich
Notary Public



MED 3000, Inc.
Name of submitting business

Patrick V. Hampson
Print name

[Signature]
Signature

President
Title

10 / 30 / 12
Date

APPENDIX D

PRINCIPAL QUESTIONNAIRE FORM

Any individual who holds ten percent or greater ownership interest in the proposer or who is an officer of the proposer shall complete and certify a Principal Questionnaire Form. All questions on the questionnaire must be answered and the answers typewritten or printed in ink. If you need more space to answer any question, make as many photocopies of the appropriate page(s) as necessary and attach them to the questionnaire.

COMPLETE THIS QUESTIONNAIRE CAREFULLY AND COMPLETELY. FAILURE TO SUBMIT A COMPLETE QUESTIONNAIRE MAY MEAN THAT YOUR BID OR PROPOSAL WILL BE REJECTED AS NON-RESPONSIVE AND IT WILL NOT BE CONSIDERED FOR AWARD

1. Principal Name Robert C. Gallo II
Business address 680 Andersen Drive, Foster Plaza 10
City/state/zip Pittsburgh, PA 15220
Telephone 412-937-8887
Other present address(es) 1672 Gloucester Court
City/state/zip Sewickley, PA 15143
Telephone 412-389-2525
List of other addresses and telephone numbers attached _____

2. Positions held in submitting business and starting date of each (check all applicable)
President / / Treasurer / /
Chairman of Board / / Shareholder / /
Chief Exec. Officer / / Secretary 1 / 1 / 08
Chief Financial Officer / / Partner / /
Vice President / / / /
(Other) _____
3. Do you have an equity interest in the business submitting the questionnaire?
NO ☒ YES If Yes, provide details.
4. Are there any outstanding loans, guarantees or any other form of security or lease or any other type of contribution made in whole or in part between you and the business submitting the questionnaire?
NO ☒ YES If Yes, provide details.
5. Within the past 3 years, have you been a principal owner or officer of any business or not-for-profit organization other than the one submitting the questionnaire? NO ☒ YES ; If Yes, provide details.

APPENDIX D

6. Has any governmental entity awarded any contracts to a business or organization listed in Section 5 in the past 3 years while you were a principal owner or officer? NO ☒ YES ____ If Yes, provide details.

NOTE: An affirmative answer is required below whether the sanction arose automatically, by operation of law, or as a result of any action taken by a government agency. Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.

7. In the past (5) years, have you and/or any affiliated businesses or not-for-profit organizations listed in Section 5 in which you have been a principal owner or officer:

a. Been debarred by any government agency from entering into contracts with that agency? NO ☒ YES ____ If Yes, provide details for each such instance.

b. Been declared in default and/or terminated for cause on any contract, and/or had any contract cancelled for cause? NO ☒ YES ____ If Yes, provide details for each such instance.

c. Been denied the award of a contract and/or the opportunity to bid on a contract, including, but not limited to, failure to meet pre-qualification standards? NO ☒ YES ____ If Yes, provide details for each such instance.

d. Been suspended by any government agency from entering into any contract with it; and/or is any action pending that could formally debar or otherwise affect such business's ability to bid or propose on contract? NO ☒ YES ____ If Yes, provide details for each such instance.

8. Have any of the businesses or organizations listed in response to Question 5 filed a bankruptcy petition and/or been the subject of involuntary bankruptcy proceedings during the past 7 years, and/or for any portion of the last 7 year period, been in a state of bankruptcy as a result of bankruptcy proceedings initiated more than 7 years ago and/or is any such business now the subject of any pending bankruptcy proceedings, whenever initiated? If 'Yes', provide details for each such instance. (Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.)

a) Is there any felony charge pending against you? NO ☒ YES ____ If Yes, provide details for each such charge.

b) Is there any misdemeanor charge pending against you? NO ☒ YES ____ If Yes, provide details for each such charge.

c) Is there any administrative charge pending against you? NO ☒ YES ____ If Yes, provide details for each such charge.

d) In the past 10 years, have you been convicted, after trial or by plea, of any felony, or of any other crime, an element of which relates to truthfulness or the underlying facts of which related

APPENDIX D

to the conduct of business? NO ☒ YES ____ If Yes, provide details for each such conviction.

- e) In the past 5 years, have you been convicted, after trial or by plea, of a misdemeanor? NO ☒ YES ____ If Yes, provide details for each such conviction.
- f) In the past 5 years, have you been found in violation of any administrative or statutory charges? NO ____ YES ____ If Yes, provide details for each such occurrence.
9. In addition to the information provided in response to the previous questions, in the past 5 years, have you been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency and/or the subject of an investigation where such investigation was related to activities performed at, for, or on behalf of the submitting business entity and/or an affiliated business listed in response to Question 5? NO ☒ YES ____ If Yes, provide details for each such investigation.
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12. For the past 5 tax years, have you failed to file any required tax returns or failed to pay any applicable federal, state or local taxes or other assessed charges, including but not limited to water and sewer charges? NO ☒ YES ____ If Yes, provide details for each such year.

APPENDIX D

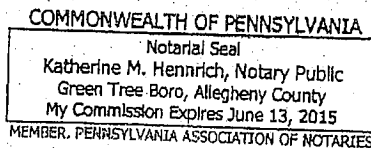
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I, Robert C. Gallo Jr., being duly sworn, state that I have read and understand all the items contained in the foregoing pages of this questionnaire and the following pages of attachments; that I supplied full and complete answers to each item therein to the best of my knowledge, information and belief; that I will notify the County in writing of any change in circumstances occurring after the submission of this questionnaire and before the execution of the contract; and that all information supplied by me is true to the best of my knowledge, information and belief. I understand that the County will rely on the information supplied in this questionnaire as additional inducement to enter into a contract with the submitting business entity.

Sworn to before me this 30th day of October 2012.

Katherine M. Hennrich
Notary Public



MED3000, Inc.
Name of submitting business

Robert C. Gallo Jr.
Print name

[Signature]
Signature

Secretary
Title

10 / 30 / 12
Date

APPENDIX D

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1. Principal Name DREW HURT
Business address 680 ANDERSEN DR FOSTER PLAZA 10
City/state/zip PITTSBURGH PA 15220
Telephone 412 587-4599
Other present address(es) 8020 SADDLEWOOD DR
City/state/zip BRIDGEVILLE PA 15017
Telephone 412 257-8454

List of other addresses and telephone numbers attached

2. Positions held in submitting business and starting date of each (check all applicable)

President / / Treasurer / / / 08
Chairman of Board / / Shareholder / /
Chief Exec. Officer / / Secretary / /
Chief Financial Officer / / Partner / /
Vice President / /

(Other)

3. Do you have an equity interest in the business submitting the questionnaire?
NO ~~X~~ YES ~~X~~ If Yes, provide details.
4. Are there any outstanding loans, guarantees or any other form of security or lease or any other type of contribution made in whole or in part between you and the business submitting the questionnaire?
NO X YES If Yes, provide details.
5. Within the past 3 years, have you been a principal owner or officer of any business or not-for-profit organization other than the one submitting the questionnaire? NO X YES ; If Yes, provide details.

APPENDIX D

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APPENDIX D

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f) In the past 5 years, have you been found in violation of any administrative or statutory charges? NO ☒ YES ____ If Yes, provide details for each such occurrence.

9. In addition to the information provided in response to the previous questions, in the past 5 years, have you been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency and/or the subject of an investigation where such investigation was related to activities performed at, for, or on behalf of the submitting business entity and/or an affiliated business listed in response to Question 5? NO ☒ YES ____ If Yes, provide details for each such investigation.

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11. In the past 5 years, have you or this business, or any other affiliated business listed in response to Question 5 had any sanction imposed as a result of judicial or administrative proceedings with respect to any professional license held? NO ☒ YES ____ If Yes, provide details for each such instance.

12. For the past 5 tax years, have you failed to file any required tax returns or failed to pay any applicable federal, state or local taxes or other assessed charges, including but not limited to water and sewer charges? NO ☒ YES ____ If Yes, provide details for each such year.

APPENDIX D

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APPENDIX D

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I, DREW HURT, being duly sworn, state that I have read and understand all the items contained in the foregoing pages of this questionnaire and the following pages of attachments; that I supplied full and complete answers to each item therein to the best of my knowledge, information and belief; that I will notify the County in writing of any change in circumstances occurring after the submission of this questionnaire and before the execution of the contract; and that all information supplied by me is true to the best of my knowledge, information and belief. I understand that the County will rely on the information supplied in this questionnaire as additional inducement to enter into a contract with the submitting business entity.

Sworn to before me this 30th day of October 2012.

Katherine M. Hennrich
Notary Public

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Katherine M. Hennrich, Notary Public
Green Tree Boro, Allegheny County
My Commission Expires June 13, 2015
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

MED3000 INC.
Name of submitting business

DREW HURT
Print name

Drew Hurt
Signature

TREASURER
Title

10 / 30 / 2012
Date

APPENDIX F

Certificate of Compliance
Nassau County Living Wage Law.

In compliance with Local Law 1-2006, as amended, the County Lessee hereby certifies the following:

1. The chief executive officer of the County Contractor is:

Patrick V. Hampson (Name)
680 Andersen Drive, Forten Plaza 10, Pittsburgh, PA 15220 (Address)
412-937-8887 (Telephone Number)

2. The County Contractor agrees to comply with all applicable requirements of the Nassau County Living Wage Law, and with all applicable federal, state and local laws.
3. In the past five years, County Contractor _____ has X has not been found by a court or a government agency to have violated federal, state, or local laws regulating payment of wages or benefits, labor relations, or occupational safety and health. If a violation has been assessed by the County Contractor, describe below:

4. In the past five years, an administrative proceeding, investigation, or government body-initiated judicial action _____ has X has not been commenced against or relating to the County Contractor. If such a proceeding, action, or investigation has been commenced, describe below:

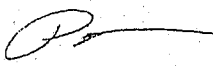
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5. County Contractor agrees to permit access to work sites and relevant payroll records by authorized County representatives for the purpose of monitoring compliance with the Living Wage Law and investigating employee complaints of noncompliance.

(

The Remainder of this Page Intentionally Left Blank

I hereby certify that I have read the foregoing Certificate of Compliance and, to the best of my knowledge and belief, it is true, correct and complete. Any statement or representation made herein shall be accurate and true as of the date stated below.

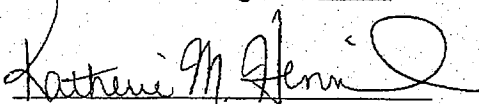
10/30/12
Dated


Signature of Chief Executive Officer

Patrick V. Hampson
Name of Chief Executive Officer

Sworn to before me this

30th day of October, 2012.


Notary Public

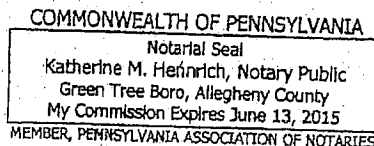


Exhibit A c

BUSINESS ASSOCIATE ADDENDUM

This addendum ("Addendum") is effective as of _____, and amends and is made part of an agreement dated as of _____ (as the same may be amended, modified, or supplemented, including, without limitation, by this Addendum, the "Agreement") by and between MED3000, Inc., a Delaware corporation (the "Contractor") and Nassau County, a New York municipal corporation, acting on behalf of the Nassau County Police Department (collectively, the "County"). The County, and the Contractor mutually agree to modify the Agreement to incorporate the terms and conditions of this Addendum to comply with the requirements of: (i) the Health Insurance Portability and Accountability Act of 1996, as amended, and its implementing regulations (45 C.F.R. Parts 160-164) (collectively, "HIPAA") (ii) Subtitle D of the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act"), also known as Title XIII of Division A and Title IV of Division B of the American Recovery and Reinvestment Act of 2009, Public Law No. 111-005 ("ARRA"); and (iii) regulations promulgated thereunder by the U.S. Department of Health and Human Services, including the HIPAA Omnibus Final Rule, which amended the HIPAA Privacy and Security Rules (as those terms are defined below) and implemented a number of provisions of the HITECH Act (the "HIPAA Final Rule"), extending certain HIPAA obligations to McKesson and their subcontractors.

WITNESSETH:

WHEREAS, the County wishes to allow the Contractor to have access to Protected Health Information ("PHI"), including but not limited to, Electronic Protected Health Information ("EPHI") which is either provided to the Contractor by the County, or received, viewed, or created by the Contractor on behalf of the County in the course of performing the Services hereinafter set forth;

WHEREAS, the Contractor requires access to such PHI and EPHI to effectively perform the Services;

WHEREAS, the County is required by the Privacy and Security Rules promulgated pursuant to HIPAA to have a written agreement with the Contractor with respect to the use and disclosure of PHI and EPHI; and

WHEREAS, the parties desire to enter into this Addendum to set forth the terms and conditions pursuant to which PHI and EPHI will be handled by the Contractor and certain third parties, as applicable, during the duration of the Agreement of which it is a part, and upon that Agreement's termination, cancellation, expiration, or other conclusion.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, and for other good and valuable consideration, the receipt of which is hereby mutually acknowledged, the parties hereby agree as follows:

1. DEFINITIONS

Capitalized terms used, but not otherwise defined, in this Addendum shall have the meaning set forth in HIPAA at 45 CFR §§160.103, 164.103 and 164.501; the Privacy Rule, the Security Rule, and the HIPAA Final Rule, which definitions are incorporated herein by reference.

1.1 **"BREACH" WILL HAVE THE SAME MEANING GIVEN TO SUCH TERM IN 45 C.F.R. § 164.402.** Designated Record Set. "Designated Record Set" shall have the meaning set forth in 45 C.F.R. § 164.501.

1.2 Electronic Protected Health Information. "Electronic Protected Health Information" or "EPHI" shall have the meaning set forth in 45 C.F.R. § 160.103.

1.3 HHS. "HHS" shall mean the U.S. Department of Health and Human Services, or any successor agency thereto.

1.4 Individual. "Individual" shall have the same meaning as the term "individual" set forth in 45 CFR § 160.103 and shall include a person who qualifies as a personal representative in accordance with 45 CFR § 164.502(g).

1.5 Privacy Officer. "Privacy Officer" shall have the meaning set forth in 45 C.F.R. § 164.530(a)(1).

1.6 Privacy Rule. "Privacy Rule" shall mean the Standards for Privacy of Individually Identifiable Health Information provided at 45 CFR Part 160, Part 162 and Part 164.

1.7 Protected Health Information or PHI. "Protected Health Information," or "PHI" shall have the same meaning as the term "protected health information" set forth in 45 CFR § 160.103.

1.8 Unsecured PHI. "Unsecured PHI" shall have the same meaning given to such term under 45 C.F.R. § 164.402, and guidance promulgated thereunder.

1.9 Required by Law. "Required by Law" shall have the same meaning as the term "required by law" in 45 CFR § 164.103.

1.10 Secretary. "Secretary" shall mean the Secretary of the Department of Health and Human Services or his or her designee, or their respective successors.

1.11 Security Incident. "Security Incident" shall mean the attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with systems operations in an information system as provided in 45 C.F.R. § 164.304.

1.12 Security Rule. "Security Rule" shall mean the Security Standards for the Protection of Electronic Protected Health Information at 45 C.F.R. Part 160, Part 162 and Part 164.

2. PERMITTED USES AND DISCLOSURES OF PROTECTED HEALTH INFORMATION BY THE CONTRACTOR

2.1 Use and Disclosure to Provide the Services to the Contractor. The Contractor provides or will provide to, for, or on behalf of the County certain services (the "Services"), which Services require the use and/or disclosure of PHI pursuant to and as described in the Agreement, of which this Addendum is made a part. Except as otherwise expressly provided herein, the Contractor may use or disclose PHI in relation to such Services only as necessary to comply with applicable state and federal laws and to satisfy its obligations hereunder, as long as such use or disclosure of PHI would not violate (a) the Privacy Rule if done by the County and (b) any other applicable federal or state law which imposes requirements of confidentiality on the use and/or disclosure of PHI more stringent than those imposed by the Privacy Rule ("Other Legal Requirements"). If there shall exist any conflict between the requirements of the Privacy

Rule and the Other Legal Requirements, the Contractor shall comply with both, to the extent possible, and otherwise with the more stringent requirements. All other uses or disclosures of the PHI not expressly authorized herein are strictly prohibited.

2.2 Use and Disclosure for Management and Administration Purposes. In addition to the uses and disclosures described above, the Contractor may:

a) use PHI for management and administration purposes and to satisfy any present or future legal responsibilities of the Contractor provided that such uses are permitted under applicable state and federal laws;

b) disclose PHI in its possession to third parties for management and administration purposes and to satisfy any present or future legal responsibilities of the Contractor, provided that the Contractor shall represent to the County, promptly in writing, that: (i) the disclosures are Required by Law, or (ii) the Contractor has obtained from the third party written assurances regarding its confidential handling of such PHI as required under 45 C.F.R. §164.504(e)(4). For such written assurances to be satisfactory, they must require the third party to:

i) maintain the confidentiality of PHI in its possession and limit the use and/or disclosure of such PHI to the purposes for which the Contractor disclosed the PHI to the third party, unless otherwise Required by Law; and

ii) promptly notify the Contractor (who shall immediately notify the County) of any instance in which the third party learns of any unauthorized use and/or disclosure of such PHI.

3. RESPONSIBILITIES OF THE CONTRACTOR WITH RESPECT TO PHI

3.1 Contractor's Responsibilities. With respect to any use and/or disclosure of PHI, the Contractor hereby agrees that it shall:

a) use and/or disclose PHI only as permitted or required by this Addendum or the Agreement, as required by the Privacy Rule, or as otherwise Required by Law;

b) implement comprehensive procedures for mitigating any harmful effects from any unauthorized use and/or disclosure of PHI by the Contractor, its agents or subcontractors;

c) report to the County's designated Privacy Officer, in writing, any use and/or disclosure of PHI which is not authorized hereunder of which the Contractor becomes aware or has knowledge within three (3) business days of the Contractor's discovery of such unauthorized use and/or disclosure. The Contractor's report of such unauthorized use and/or disclosure shall specify at least: (i) the nature of the unauthorized use and/or disclosure; (ii) the specific PHI that was disclosed; (iii) what, if any, actions the Contractor has taken or will take to limit the extent of the unauthorized use(s) and/or disclosure(s), and to mitigate the damage resulting therefrom; (v) what, if any, corrective actions the Contractor has or will take to prevent further unauthorized uses and/or disclosures; (vi) when such corrective measures will be taken (if they have not already been completed), and, as applicable, an explanation of why they have not already been completed; and (vii) provide the County with any other information it reasonably requests and any particulars regarding the unauthorized use and/or disclosure that County would need to include in its notification, as such particulars are identified in 42 U.S.C. § 17932 and 45 C.F.R. § 164.404.

d) develop, implement, maintain and utilize appropriate administrative, technical, and physical safeguards, in compliance with the Social Security Act § 1173(d) (42 U.S.C. § 1320d-2(d)), the Privacy Rule, and any other regulations now in effect or later issued by HHS which implement HIPAA, to preserve the integrity and confidentiality, and to prevent unauthorized use and/or disclosure, of PHI, including the HIPAA Final Rule..

e) require any of its subcontractors and/or agents that receive, use, or have any access to PHI, as authorized by this Addendum, to enter into a written agreement, which agreement shall contain provisions substantially similar to this Addendum, to comply with the same obligations and restrictions as are required of the Contractor hereunder;

f) provide the Secretary of HHS with access to all records, books, agreements, policies, and procedures relating to the use and/or disclosure of PHI for compliance investigations;

g) within ten (10) days of receipt of a written request, provide the County with access to all records, books, agreements, policies, and procedures relating to the use and/or disclosure of PHI and/or EPHI for purposes of enabling the County to determine the Contractor's compliance with the terms of this Addendum. Such access shall be at the Contractor's place of business during normal operating hours;

h) within five (5) days of receipt of a written request from the County, provide the County with such information as is requested to permit it to respond to a request by an Individual for an accounting of disclosures of all PHI related to the Individual;

i) subject to Section 7.4 below, within thirty (30) days of the earlier of the termination of the Agreement or this Addendum, return to the County or destroy all PHI in its possession. The Contractor shall not retain any copies of such information in any form; and

j) cooperate with County's efforts to mitigate a harmful effect that is known to Contractor of a use or disclosure of PHI not provided for in this Addendum; and

k) request, use and disclose the minimum amount of PHI necessary to accomplish the purpose of the request, use or disclosure, in accordance with 42 U.S.C. § 17935(b) and regulations promulgated thereunder; and

l) use and disclose PHI for marketing purposes only as expressly directed by County, and in accordance with 42 U.S.C. § 17936(a). Contractor will not use or disclose PHI for fundraising purposes; and

m) comply with the prohibition on the sale of Electronic Health Records and PHI set forth in 42 U.S.C. § 17935(d); and

n) acknowledges that enactment of the HITECH Act, as implemented by the HIPAA Final Rule, amended certain provisions of HIPAA in ways that now directly regulate, or will on future dates directly regulate, the Contractor under the Privacy Rule and Security Rule. To the extent not referenced or incorporated herein, requirements applicable to Contractor the HITECH Act are hereby incorporated by reference into this Addendum. Contractor agrees, as of the compliance date of the HIPAA Final Rule, to comply with applicable requirements imposed under the HIPAA Final Rule, including any amendments thereto.

3.2 Responsibilities of the Contractor with Respect to Access, Amendment, Restrictions, and Accounting of Disclosures of PHI. The Contractor hereby agrees to do the following with respect to providing access to PHI, amending inaccuracies contained in PHI, restrictions regarding PHI, and accounting for disclosures of PHI in its possession:

a) within 10 business days of receipt of a written request by the County, , provide access to any PHI contained in a Designated Record Set to the County or to the Individual who is the subject of such PHI or his or her authorized representative, as applicable, to satisfy a request for inspection and/or copying under 45 C.F.R. § 164.524;

b) within 20 business days of receipt of a written request by the County, make any amendment(s) that the County so directs, or permit the County access to amend, any portion of the PHI pursuant to 45 C.F.R. § 164.526 to allow the County to comply with the Privacy Rule;

c) within 10 business days of receipt of a written request by the County, comply with any restrictions that the County has agreed to adhere to with regard to the use and disclosure of PHI of any Individual that materially affects and/or limits the uses and disclosures which are otherwise permitted; and

d) record each disclosure of PHI that the Contractor makes for the County to respond to an Individual's request for an accounting in accordance with 45 C.F.R. § 164.528. and 42 U.S.C. § 17935(c), as applicable. Such record shall include, but not be limited to: (i) the date of disclosure; (ii) the name and address of the Individual or organization to whom the disclosure was made; (iii) a description of the PHI disclosed; and (iv) a statement of the purpose for the disclosure (collectively the "disclosure information"). If the Contractor makes multiple disclosures of PHI to the same person or entity for a single purpose, the Contractor may provide: (i) the disclosure information for the first disclosure; (ii) the frequency, periodicity, or number of these repetitive disclosures; and (iii) the date of the last of these repetitive disclosures. Such disclosure information must be kept by the Contractor for a period of not less than six (6) years from the date of disclosure.

4. **RESPONSIBILITIES OF THE COUNTY WITH RESPECT TO PHI**

4.1 Responsibilities of the County. With respect to any use and/or disclosure of PHI, the County hereby undertakes to do the following to the extent material to the PHI held by the Contractor:

a) inform the Contractor of any changes in the County's Notice of Privacy Practices (the "Notice"), which the County provides to Individuals pursuant to 45 C.F.R. §164.520, and provide the Contractor a current copy of such Notice and a copy of all updated versions thereof prior to their effective date;

b) inform the Contractor of any changes in, or withdrawal of, any relevant authorization provided to the County by Individuals pursuant to 45 C.F.R. §164.508, which impact the Contractor under the Agreement;

c) inform the Contractor of any applicable decisions made by any Individual to opt-out of allowing his or her PHI to be used for fundraising activities of the County pursuant to 45 C.F.R. §164.514(f), which impact the Contractor under the Agreement; and

d) notify the Contractor, in writing, of any arrangements permitted or required under 45 C.F.R. parts 160 and 164, which impact the use and/or disclosure of PHI by the Contractor under the Agreement, including, but not limited to, restrictions on use and/or disclosure of PHI as provided for in 45 C.F.R. §164.522 agreed to by the County.

4.2 Responsibilities of the County with Respect to Access, Amendment, Restrictions and Accounting of Disclosures of PHI. The County hereby agrees to do the following regarding access to PHI, amendments to inaccuracies contained in PHI, and restrictions regarding PHI in the Contractor's possession, to the extent material to the PHI held by the Contractor:

a) notify the Contractor, in writing, of any PHI that the County seeks to make available to an Individual pursuant to 45 C.F.R. § 164.524 and the time, manner, and form which the Contractor shall provide such access;

b) notify the Contractor, in writing, of any amendment(s) to PHI in the possession of the Contractor that the Contractor shall make and inform the Contractor of the time, form, and manner in which such amendment(s) shall be made; and

c) notify the Contractor, in writing, of any restrictions that the County has agreed to adhere to with regard to the use and disclosure of PHI of any Individual that materially affects and/or limits the uses and disclosures which are otherwise permitted.

5. RESPONSIBILITIES OF THE CONTRACTOR WITH RESPECT TO EPHI

5.1 The Contractor's Responsibilities. With respect to any use and/or disclosure of EPHI, Contractor agrees that it shall:

a) comply with the provisions of 45 C.F.R. §§ 164.308, 164.310, 164.312 and 164.316 relating to implementation of administrative, physical and technical safeguards with respect to Electronic PHI in the same manner that such provisions apply to a HIPAA covered entity. Contractor will also comply with any additional security requirements contained in the HITECH Act that are applicable to a business associate.

b) implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of EPHI that Contractor creates, receives, maintains, or transmits on behalf of the County. Contractor shall be responsible for ensuring that such safeguards are adequate to comply with the requirements of the Security Rule.

c) ensure that any agent to whom it provides EPHI, including a subcontractor, agrees to implement reasonable and appropriate safeguards to protect such EPHI.

d) report to the County, in writing, any Security Incident within three (3) business days of becoming aware of such Security Incident; provided, however, that the Parties acknowledge and agree that this Section constitutes notice by McKesson to Customer of the ongoing existence and occurrence of attempted but Unsuccessful Security Incidents (as defined below). "Unsuccessful Security Incidents" will include, but not be limited to, pings and other broadcast attacks on McKesson's firewall, port scans, unsuccessful log-on attempts, denials of service and any combination of the above, so long as no such incident results in unauthorized access, use or disclosure of PHI. Without limiting the foregoing, the Contractor shall report to the County regarding whether such Security Incident has resulted in a breach of the Security Rule.

e) upon the County's request, provide the County with immediate access to the Contractor's security systems and programs in order for the County to investigate any Security Incident or to audit the Contractor's security systems and programs. The Contractor acknowledges that the County has the right, but not the obligation, to access and audit the Contractor's security systems and programs.

f) provide the Secretary of HHS with access to all records, books, agreements, policies and procedures relating to the use and/or disclosure of EPHI for compliance investigations.

7. TERMS AND TERMINATION

7.1 Term. This Addendum shall become effective as of the date first indicated above, and shall continue in effect until all of the PHI provided by the County to the Contractor, or created or received by the Contractor on behalf of the County, is destroyed or returned to the County, and all other obligations of the parties have been met. If it is infeasible to return or destroy such PHI, then such PHI shall continue to be protected as set forth in Section 7.4.

7.2 Termination by the County. As provided for under 45 C.F.R. §§ 164.504(e)(2)(iii) and 164.314(a)(2)(i), the County may (a) exercise its rights under Section 7.3 below or (b) immediately terminate the Agreement if the County, in its sole discretion, determines that the Contractor has breached a material term of this Addendum and cure is not possible. The County may exercise such right to terminate the Agreement by providing the Contractor with written notice of its intent to terminate specifying the material breach of the Agreement that provides the basis for termination. Such termination will be effective immediately, unless another date is specified in such notice.

7.3 Opportunity to Cure. As provided for under 45 C.F.R. § 164.504(e)(2)(iii) and notwithstanding Section 7.2 hereof, the County may terminate the Agreement, after notice and opportunity to cure as herein provided, if the County, in its sole discretion, determines that the Contractor has unintentionally breached a material term of this Addendum. If the County decides to provide an opportunity to cure in such case, it shall: (a) provide the Contractor with written notice of the existence of an alleged material breach; and (b) afford the Contractor an opportunity to cure the alleged material breach. Failure to cure within fourteen (30) days shall constitute grounds for the immediate termination of the Agreement by the County.

7.4 Effect of Termination. Upon the termination, cancellation, or any other conclusion of the Agreement, the Contractor shall, if feasible, return to the County or destroy all PHI, in whatever form or

medium, pursuant to 45 C.F.R. § 164.504(e)(2)(ii)(J), including, but not limited to, PHI in the possession of its subcontractors and/or agents, within thirty (30) days of the effective date of the termination, cancellation, or other conclusion of the Agreement.

a) Once all PHI in the Contractor's possession or control, including, but not limited to, PHI in the possession or control of its subcontractors and/or agents, has been returned to the County or destroyed, the Contractor shall provide a written certification to the County regarding the return or destruction of such PHI within such thirty (30) day period. Such certification shall be relied upon by the County as a binding representation; and

b) if the Contractor believes that return or destruction of PHI in its possession and/or in the possession of its subcontractors or agents is infeasible, the Contractor shall notify the County of such infeasibility in writing. Said notification shall include, but not be limited to: (i) a statement that the Contractor has, in good faith, determined that it is infeasible to return or destroy the PHI in its possession and/or in the possession of its subcontractors or agents, as applicable, (ii) identification of the PHI that the Contractor believes it is infeasible to return or destroy, and (iii) the specific reasons for such determination. In addition to providing such notification, the Contractor shall certify within such thirty (30) day period that it will and will require its subcontractors or agents, as applicable, to limit any further uses and/or disclosures of such PHI to the purposes that make the return or destruction of the PHI infeasible; and

c) If it is infeasible for the Contractor to return or destroy the PHI upon termination of the Agreement (including this Addendum), the Contractor will: (a) extend the protections of this Addendum to such PHI; (b) limit further uses and disclosures of such PHI to those purposes that make the return or destruction infeasible, for so long as the Contractor maintains such PHI; and (c) never disclose such PHI to another Contractor client or third party unless such information has been de-identified in accordance with the standards set forth in 45 C.F.R. § 164.514(b).

8. INDEMNIFICATION

8.1 Indemnity. The Contractor agrees to indemnify and hold harmless the County and any of its affiliates, officers, directors, employees, attorneys, or agents (collectively, "Indemnitees") from and against any direct damages finally awarded as a result of a claim or cause of action, including attorneys' fees and court or proceeding costs arising out of or in connection with any non-permitted or violating use or disclosure of PHI or other breach of this Addendum by the Contractor or any subcontractor, agent, person, or entity under the Contractor's control.

8.2 Control of Defense. If any Indemnitees are named a party in any judicial, administrative, or other proceeding arising out of or in connection with any use or disclosure of PHI by the Contractor or any subcontractor, agent, individual, or organization under the Contractor's control, and such use or disclosure of PHI was not permitted by this Addendum, then any Indemnitee shall have the option at any time either: (i) to tender defense to the Contractor, in which case the Contractor shall provide qualified attorneys, consultants, and other appropriate professionals to represent the Indemnitee's interests at the Contractor's expense, or (ii) undertake its own defense, choosing the attorneys, consultants, and other appropriate professionals to represent its interests, in which case the Contractor shall be responsible for and pay the fees and expenses of such attorneys, consultants, and other professionals.

8.3 Control of Resolution. The Indemnitees shall have the sole right and discretion to settle, compromise, or otherwise resolve any and all claims, causes of actions, liabilities, or damages against them, notwithstanding that the Indemnitees may have tendered their defense to the Contractor. Any such resolution will not relieve the Contractor of its obligation to indemnify the Indemnitees under this Section

9. CONFIDENTIALITY

This Addendum does not affect any other obligations in the Agreement to the extent not inconsistent herewith or not involving the confidentiality, use, or disclosure of PHI. This Addendum, however, does supercede all other obligations in the Agreement to the extent they are inconsistent herewith and involve the confidentiality, use, or disclosure of PHI.

10. MISCELLANEOUS

10.1 Survival. The respective rights and obligations of the Contractor and the County under the provisions of Sections 3, 4, 5, 7.4, and 8, solely with respect to PHI the Contractor retains in accordance with Section 7.4 because it is not feasible to return or destroy such PHI, shall survive the termination of the Agreement indefinitely. In addition, Section 9 shall survive termination of this Addendum indefinitely, notwithstanding whether the Contractor retains PHI in accordance with Section 7.4 hereto.

10.2 Amendments. The Agreement (including the terms of this Addendum) may not be modified, nor shall any provision of the Agreement be waived or amended, except in a writing duly signed by authorized representatives of the parties and expressly referencing the Agreement. Notwithstanding anything in the Agreement to the contrary, to the extent that the Privacy Rule or Security Rule, or any other applicable law related to the privacy or security of health information is materially amended, updated, or revised following the execution of this Addendum, the parties agree to take such action as is necessary to amend this Addendum from time to time as is necessary for the County to comply with the requirements of HIPAA.

10.3 No Third Party Beneficiaries. Nothing contained in the Agreement (including, but not limited to, this Addendum), whether express or implied, is intended to confer, nor shall anything herein confer, upon any person other than the parties and their respective successors or assigns of the parties, any rights, remedies, obligations, or liabilities whatsoever in relation to the disclosure or use of PHI.

10.4 Cooperation and Disputes. Each party will reasonably cooperate with the other in the performance of the mutual obligations under this Addendum. If any controversy, dispute, or claim arises between the parties with respect to the Agreement (including, but not limited to, this Addendum), the parties shall make reasonable good faith efforts to resolve such matters informally.

10.5 Regulatory References. Any reference to any part or section of the CFR shall include such part or section as drafted upon the effective date of this Addendum and as it is subsequently updated, amended, supplemented, superceded, or revised.

10.6 Conflicts. Any conflicts or inconsistencies between the terms in this Addendum and terms in other parts of the Agreement shall be resolved in favor of the terms in this Addendum.

10.7 Interpretation. Any ambiguity in the Agreement (including, but not limited to, this Addendum) shall be resolved in favor of a meaning that permits the County to comply to the greatest extent possible with the Privacy Rule, the Security Rule and Other Legal Requirements.

11. HITECH ACT

11.1

- a) Contractor will make a report to the County of any Breach of Unsecured protected health information, as required by 45 C.F.R. § 164.410, within five business days of Contractor's discovery of the Breach, and
- b) In the event of a Breach caused solely by Contractor, reimburse County for any reasonable and substantiated expenses County incurs in notifying individuals of a breach, as required under HIPAA, caused by Contractor or its subcontractors or agents.
- c) Contractor understands it is not in compliance with the HIPAA standards set forth in Sections 164.502(e) and 164.504(e) if the Contractor knows of a pattern of activity or practice that the County engages in which constitutes a material breach or violation of the County's obligation under a contract or other business arrangement, unless the Contractor takes reasonable steps to cure the breach or end the violation, as applicable, and if in taking steps to cure or end the breach it is unsuccessful, the Contractor must terminate the contract or arrangement if feasible, and if not feasible, the Contractor must report the problem to the Secretary.

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IN WITNESS WHEREOF, each of the undersigned has caused this Addendum to be duly executed in its name and on its behalf effective as of the date first indicated above.

NASSAU COUNTY

By: _____

Print Name: _____

Title: _____

Date: _____

~~MED3000, INC.~~

By: 

Print Name: _____

Title: **Faith Knight Myers**
Chief Regulatory Operations Counsel

Date: _____

Approved
BY
McKesson Legal