UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2021

OR

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

For the transition period from ______ to ______

Commission File Number 001-34221

ModivCare Inc.

(Exact name of registrant as specified in its charter)

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

4700 South Syracuse Street, 4th Floor, Denver, Colorado 80237
(Address of principal executive offices) (Zip Code)

(303) 720-7003
(Registrant's telephone number, including area code)

N/A
(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 exchange on which registered
Common Stock, $0.001 par value per share	MODV	The NASDAQ Global Select Market

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 7(a)(2)(B) of the Securities Act. ☐

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

As of May 3, 2021, there were outstanding 14,019,075 shares (excluding treasury shares of 5,378,729) of the registrant's Common Stock, $0.001 par value per share.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	March 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 299,559	$ 183,281
Accounts receivable, net of allowance of $2,376 and $2,403, respectively	211,340	197,943
Other receivables	12,219	12,674
Prepaid expenses and other current assets	13,927	31,885
Restricted cash	48	75
Current assets of discontinued operations	141	758
Total current assets	537,234	426,616
Operating lease right-of-use assets	29,398	30,928
Property and equipment, net	30,195	27,544
Goodwill	444,927	444,927
Intangible assets, net	336,150	345,652
Equity investment	141,220	137,466
Other assets	12,651	12,780
Total assets	$ 1,531,775	$ 1,425,913
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 33,779	$ 8,464
Accrued contract payables	245,386	101,705
Accrued expenses and other current liabilities	119,326	117,010
Accrued transportation costs	70,870	79,674
Current portion of operating lease liabilities	7,922	8,277
Self-funded insurance programs	4,453	4,727
Deferred revenue	2,820	2,923
Current liabilities of discontinued operations	1,527	1,971
Total current liabilities	486,083	324,751
Long-term debt, net of deferred financing costs of $13,295 and $14,020, respectively	486,705	485,980
Deferred tax liabilities	91,579	92,195
Operating lease liabilities, less current portion	22,214	23,437
Long-term contract payables	—	72,183
Other long-term liabilities	26,441	15,756
Total liabilities	1,113,022	1,014,302
Commitments and contingencies (Note 14)		
Stockholders' equity		
Common stock: Authorized 40,000,000 shares; $0.001 par value; 19,623,017 and 19,570,598, respectively, issued and outstanding (including treasury shares)	20	20
Additional paid-in capital	424,791	421,318
Retained earnings	237,254	218,414
Treasury shares, at cost, 5,385,771 and 5,287,283 shares, respectively	(243,312)	(228,141)
Total stockholders' equity	418,753	411,611
Total liabilities and stockholders' equity	$ 1,531,775	$ 1,425,913

See accompanying notes to the unaudited condensed consolidated financial statements

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

	Three months ended March 31,	
	2021	**2020**
Service revenue, net	$ 453,610	$ 367,291
Grant income (Note 2)	2,648	—
Operating expenses:		
Service expense	360,333	332,661
General and administrative expense	54,871	20,795
Depreciation and amortization	12,239	3,790
Total operating expenses	427,443	357,246
Operating income	28,815	10,045
Other expenses (income):		
Interest expense, net	8,423	241
Equity in net loss (income) of investee	(4,503)	2,550
Income from continuing operations before income taxes	24,895	7,254
Provision (benefit) for income taxes	6,016	(9,046)
Income from continuing operations, net of tax	18,879	16,300
Loss from discontinued operations, net of tax	(39)	(202)
Net income	$ 18,840	$ 16,098
Net income available to common stockholders (Note 12)	$ 18,840	$ 12,998
Basic earnings (loss) per common share:		
Continuing operations	$ 1.33	$ 1.02
Discontinued operations	—	(0.02)
Basic earnings per common share	$ 1.33	$ 1.00
Diluted earnings (loss) per common share:		
Continuing operations	$ 1.31	$ 1.02
Discontinued operations	—	(0.02)
Diluted earnings per common share	$ 1.31	$ 1.00
Weighted-average number of common shares outstanding:		
Basic	14,158,666	12,987,740
Diluted	14,362,226	13,012,991

See accompanying notes to the unaudited condensed consolidated financial statements

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

	Three months ended March 31,	
	2021	**2020**
Operating activities		
Net income	$ 18,840	$ 16,098
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,737	2,231
Amortization	9,502	1,559
Provision for doubtful accounts	27	827
Stock-based compensation	1,187	1,045
Deferred income taxes	(616)	11,590
Amortization of deferred financing costs and debt discount	581	33
Equity in net loss (income) of investee	(4,503)	2,550
Reduction of right-of-use assets	2,745	2,248
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable and other receivables	(12,219)	7,484
Prepaid expenses and other	18,230	(21,496)
Self-funded insurance programs	(273)	(388)
Accrued contract payables	71,498	4,352
Accounts payable and accrued expenses	27,844	31,965
Accrued transportation costs	(8,804)	(19,285)
Deferred revenue	(160)	338
Other long-term liabilities	7,948	(2,352)
Net cash provided by operating activities	134,564	38,799
Investing activities		
Purchase of property and equipment	(5,388)	(1,574)
Net cash used in investing activities	(5,388)	(1,574)
Financing activities		
Proceeds from debt	—	162,000
Preferred stock dividends	—	(1,095)
Repurchase of common stock, for treasury	(14,450)	(7,299)
Proceeds from common stock issued pursuant to stock option exercise	2,286	2,054
Restricted stock surrendered for employee tax payment	(721)	(37)
Other financing activities	(40)	(77)
Net cash provided by (used in) financing activities	(12,925)	155,546
Net change in cash, cash equivalents and restricted cash	116,251	192,771
Cash, cash equivalents and restricted cash at beginning of period	183,356	61,673
Cash, cash equivalents and restricted cash at end of period	$ 299,607	$ 254,444

See accompanying notes to the unaudited condensed consolidated financial statements

ModivCare Inc.
Unaudited Supplemental Cash Flow Information
(in thousands)

	Three months ended March 31,	
Supplemental cash flow information	**2021**	**2020**
Cash paid for interest	$ 251	$ 197
Cash paid (received) for income taxes, net of refunds	$ (9,033)	$ 1,437
Assets acquired under operating leases	$ 1,214	$ —

See accompanying notes to the unaudited condensed consolidated financial statements

ModivCare Inc.
Unaudited Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share and per share data)

	Three months ended March 31, 2021											
	Common Stock			Additional Paid-In		Retained		Treasury Stock				
	Shares		Amount		Capital		Earnings	Shares		Amount		Total
Balance at December 31, 2020	19,570,598	$	20	$	421,318	$	218,414	5,287,283	$	(228,141)	$	411,611
Net income	—		—		—		18,840	—	$	—		18,840
Stock-based compensation	—		—		1,149		—	—	$	—		1,149
Exercise of employee stock options	36,338		—		2,286		—	—	$	—		2,286
Restricted stock issued	15,821		—		—		—	—	$	—		—
Restricted stock surrendered for employee tax payment	—		—		—		—	4,253	$	(721)		(721)
Shares issued for bonus settlement and director stipends	260		—		38		—	—	$	—		38
Stock repurchase plan	—		—		—		—	94,235	$	(14,450)		(14,450)
Balance at March 31, 2021	19,623,017	$	20	$	424,791	$	237,254	5,385,771	$	(243,312)	$	418,753

	Three months ended March 31, 2020											
	Common Stock			Additional Paid-In		Retained		Treasury Stock				
	Shares		Amount		Capital		Earnings	Shares		Amount		Total
Balance at December 31, 2019	18,073,763	$	18	$	351,529	$	183,733	5,088,782	$	(217,688)	$	317,592
Net income	—		—		—		16,098	—		—		16,098
Stock-based compensation	—		—		1,005		—	—		—		1,005
Exercise of employee stock options	39,111		—		2,054		—	—		—		2,054
Restricted stock issued	79,029		—		—		—	626		(37)		(37)
Shares issued for bonus settlement and director stipends	701		—		38		—	—		—		38
Stock repurchase plan	—		—		—		—	142,821		(7,299)		(7,299)
Conversion of convertible preferred stock to common stock	40		—		2		—	—		—		2
Convertible preferred stock dividends [(1)]	—		—		—		(1,095)	—		—		(1,095)
Balance at March 31, 2020	18,192,644	$	18	$	354,628	$	198,736	5,232,229	$	(225,024)	$	328,358

[(1)] Cash dividends on redeemable convertible preferred stock of $1.37 per share were distributed to convertible preferred stockholders for the three months ended March 31, 2020.

See accompanying notes to the unaudited condensed consolidated financial statements

ModivCare Inc.
Notes to the Unaudited Condensed Consolidated Financial Statements
March 31, 2021

1. Organization and Basis of Presentation

Description of Business

ModivCare Inc. ("ModivCare" or the "Company") is a technology-enabled healthcare services company which provides a suite of integrated supportive care solutions for public and private payors and their patients. Its value-based solutions address the social determinants of health, or SDoH, enable greater access to care, reduce costs, and improve outcomes. ModivCare is a leading provider of non-emergency medical transportation, or NEMT, personal and home care, and nutritional meal delivery. Our technology-enabled operating model includes NEMT core competencies in risk underwriting, contact center management, network credentialing, claims management and non-emergency medical transport management. The Company also partners with communities throughout the country, providing food-insecure individuals delivery of nutritional meals. Additionally, its personal and home care services include placements of non-medical personal care assistants, home health aides and skilled nurses primarily to Medicaid patient populations in need of care monitoring and assistance performing daily living activities in the home setting, including senior citizens and disabled adults.

ModivCare's solutions help health plans manage risks, close care gaps, reduce costs, and connect members to care. Through the combination of its historical NEMT business with its in-home personal care business that was previously operated by Simplura Health Group, or Simplura, as described further below, ModivCare has united two complementary healthcare companies that serve similar, highly vulnerable patient populations. Collectively, ModivCare is uniquely positioned to remove the barriers of health inequities and address the SDoH.

On May 6, 2020, ModivCare entered into an Equity Purchase Agreement (the "Purchase Agreement") with Specialty Benefits, LLC., a Delaware corporation (the "Seller"), National MedTrans, LLC, a New York limited liability company ("NMT") and for limited purposes therein, United Healthcare Services, Inc., a Minnesota corporation. NMT services contractual relationships to provide non-emergency medical transportation. Pursuant to the terms of the Purchase Agreement, ModivCare acquired all of the outstanding capital stock of NMT.

On November 18, 2020, ModivCare acquired all of the outstanding equity of OEP AM, Inc., a Delaware corporation doing business as Simplura Health Group, which formed the foundation of our personal care business and Personal Care Segment operations. See Note 3, *Acquisitions,* for further information.

ModivCare also holds a 43.6% minority interest in CCHN Group Holdings, Inc. and its subsidiaries, which operates under the Matrix Medical Network brand and which we refer to as "Matrix". Matrix maintains a national network of community-based clinicians who deliver in-home and on-site services, and a fleet of mobile health clinics that provide community-based care with advanced diagnostic capabilities and enhanced care options. Matrix's Clinical Care provides risk adjustment solutions that improve health outcomes for individuals and financial performance for health plans. Matrix's Clinical Solutions provides employee health and wellness services focused on improving employee health with worksite certification solutions that reinforce business resilience and safe return-to-work outcomes. Its Clinical Solutions offerings also provide clinical trial services which support the delivery of safe and effective clinical trial operations to patients and eligible volunteers.

Basis of Presentation

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

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with GAAP for interim financial information, and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for the fair presentation of the results of the interim periods have been included.

The Company has made estimates relating to the reporting of assets and liabilities, revenues and expenses, and certain disclosures in the preparation of these unaudited condensed consolidated financial statements in conformity with GAAP. Actual results could differ from those estimates. Operating results for the three months ended March 31, 2021 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2021. Management has evaluated events and transactions that occurred after the balance sheet date and through the date these unaudited condensed consolidated financial statements were filed with the SEC and considered the effect of such events in the preparation of these condensed consolidated financial statements.

The condensed consolidated balance sheet at December 31, 2020 included in this Form 10-Q has been derived from audited financial statements at that date, but does not include all the information and footnotes required by GAAP for complete financial statements. The unaudited condensed consolidated financial statements contained herein should be read in conjunction with the audited financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

The Company accounts for its investment in Matrix using the equity method, as the Company does not control the decision-making process or business management practices of Matrix. While the Company has access to certain information and performs certain procedures to review the reasonableness of information, the Company relies on the management of Matrix to provide accurate financial information prepared in accordance with GAAP. The Company receives audit reports relating to such financial information from Matrix's independent auditors on an annual basis. The Company is not aware of any errors in or possible misstatements of the financial information provided by Matrix that would have a material effect on the Company's consolidated financial statements. See Note 7, *Equity Investment*, for further information.

Impact of the COVID-19 Pandemic

During 2020, the COVID-19 pandemic impacted the Company's business, as well as its patients, communities, and employees. The Company's priorities during the COVID-19 pandemic remain protecting the health and safety of its employees, maximizing the availability of its services and products to support the SDoH, and the operational and financial stability of its business.

Federal, state, and local authorities have taken several actions designed to assist healthcare providers in providing care to COVID-19 and other patients and to mitigate the adverse economic impact of the COVID-19 pandemic. Legislative actions taken by the federal government include the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which was signed into law on March 27, 2020. Through the CARES Act, the federal government has authorized payments to be distributed to healthcare providers through the Public Health and Social Services Emergency Fund ("Provider Relief Fund" or "PRF").

2. Significant Accounting Policies and Recent Accounting Pronouncements

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including disclosure of contingencies, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Grant Income

In the first quarter of 2021, the Company received distributions of the CARES Act PRF of approximately $2.6 million targeted to offset lost revenue and expenditures incurred in connection with the COVID-19 pandemic. The PRF payments are subject to certain restrictions and are subject to recoupment if not used for designated purposes. As a condition to receiving distributions, providers must agree to certain terms and conditions, including, among other things, that the funds are being used for lost revenues and unreimbursed COVID-19 related expenses as defined by the U.S. Department of Health and Human Services (HHS). All recipients of PRF payments are required to comply with the reporting requirements described in the terms and conditions and as determined by HHS. The Company recognizes grant payments as grant income when there is reasonable assurance that it has complied with the conditions associated with the grant. Grant income recognized by the Company is presented in grant income in the accompanying condensed consolidated statements of operations. HHS guidance related to PRF grant funds is still evolving and subject to change. The Company is continuing to monitor the reporting requirements as they evolve.

CARES Act Payroll Deferral

The CARES Act also provides for certain federal income and other tax changes, including the deferral of the employer portion of Social Security payroll taxes. The Company has deferred payment of approximately $20.7 million related to the deferral of employer payroll taxes as of March 31, 2021 under the CARES Act. Of this amount, approximately 50% is due in December of 2021 and 50% is due in December of 2022, therefore, $10.3 million is recorded in accrued expenses, and $10.4 million is recorded in other long-term liabilities.

Recent Accounting Pronouncements

The Company adopted the following accounting pronouncements during the three months ended March 31, 2021:

In January 2020, the FASB issued *ASU 2020-01, Clarifying the Interactions Between Topic 321, Topic 323, and Topic 815* ("ASU 2020-01"), to clarify the interaction among the accounting standards for equity securities, equity method investments and certain derivatives. ASU 2020-01 is effective for public business entities for fiscal years beginning after December 15, 2020, including interim periods therein. There was no material impact to the financial statements from the adoption of this ASU.

In December 2019, the FASB issued *ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"). The ASU removes certain exceptions to the general principles in ASC 740, *Income Taxes*, and also clarifies and amends existing guidance to reduce complexity in accounting for income taxes. The ASU is effective for fiscal years beginning after December 15, 2020, including interim periods within that fiscal year, with early adoption permitted. There was no material impact to the financial statements from the adoption of this ASU.

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

In March 2020, the FASB issued *ASU 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04") which provides optional expedients and exceptions for applying GAAP to contract modifications, hedging relationships, and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued due to reference rate reform. The relief granted in ASC 848, *Reference Rate Reform* ("ASC 848"), is applicable only to legacy contracts if the amendments made to the agreements are solely for reference rate reform activities. The provisions of ASC 848 must be applied for all transactions other than derivatives, which may be applied at a hedging relationship level. Entities may apply the provisions as of the beginning of the reporting period when the election is made (i.e. as early as the first quarter 2020). Unlike other topics, the provisions of this update are only available until December 31, 2022, when the reference rate replacement activity is expected to be completed. The Company is currently evaluating the impact ASU 2020-04 will have on its consolidated financial statements or disclosures; however, does not expect the adoption to have a material impact.

In August 2020, the FASB issued *ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)* ("ASU 2020-06") which addresses the complexity associated with applying GAAP for certain financial instruments with characteristics of liabilities and equity. The update limits the accounting models for convertible instruments resulting in fewer embedded conversion features being separately recognized from the host contract. Specifically, ASU 2020-06 removes from GAAP the separation models for convertible debt with a cash conversion feature and convertible instruments with a beneficial conversion feature. As a result, after adopting the ASU's guidance, entities will not separately present an embedded conversion feature in such debt within equity. ASU 2020-06 is effective for public business entities for fiscal years beginning after December 15, 2021, including interim periods therein. The Company is currently evaluating the impact ASU 2020-06 will have on its consolidated financial statements or disclosures.

3. Acquisitions

Simplura Health Group

On November 18, 2020 the Company completed its acquisition of Simplura. Simplura was a nonpublic entity that specializes in home care services offering placements of personal care assistants, home health aides, and skilled nurses for senior citizens, disabled adults and other high-needs patients. Simplura operates from its headquarters in Valley Stream, New York, with approximately 57 branches across seven states, including in several of the nation's largest home care markets. The acquisition of Simplura adds a business segment in personal care—a large, rapidly growing sector of healthcare that complements the NEMT segment.

The stock transaction was accounted for in accordance with ASC 805, *Business Combinations* in which a wholly-owned subsidiary of ModivCare Inc. acquired 100 percent of the voting stock of Simplura for $545.2 million (a purchase price of $566.4 million less $21.2 million of cash that was acquired).

The following is a preliminary estimate, as a result of certain items noted in the table below, of the allocation of the consideration transferred to acquired identifiable assets and assumed liabilities, net of cash acquired, as of the acquisition date of November 17, 2020 (in thousands):

Cash	$	21,182
Accounts receivable (1)		69,882
Prepaid expenses and other (2)		9,089
Property and equipment (3)		1,640
Intangible assets (4)		264,770
Operating right of use asset (5)		11,725
Goodwill (6)		309,711
Other assets (7)		4,561
Accounts payable and accrued liabilities (8)		(46,043)
Accrued expense (8)		(2,564)
Deferred revenue (8)		(2,871)
Deferred acquisition payments (9)		(4,046)
Deferred acquisition note payable (8)		(1,050)
Operating lease liabilities (5)		(11,725)
Deferred tax liabilities (10)		(57,883)
Total of assets acquired and liabilities assumed	$	566,378

The acquisition method of accounting incorporates fair value measurements that can be highly subjective, and it is possible the application of reasonable judgment could develop different assumptions resulting in a range of alternative estimates using the same facts and circumstances. Upon finalization of the preliminary items noted below there may be related adjustments to certain of such items and to goodwill and income taxes. All items are expected to be finalized by the second quarter of 2021.

(1) Management has valued accounts receivables based on the estimated future collectability of the receivables portfolio. This estimate is preliminary as the Company's evaluation of the collectability of receivables is ongoing.
(2) Given the short-term nature of the balance of prepaid expenses carrying value represents the fair value.
(3) The acquired property and equipment consists primarily of leasehold improvements, furniture and fixtures, and vehicles. The fair value of the property and equipment was determined based upon the best and highest use of the property with final values determined using cost and comparable sales methods.
(4) The allocation of consideration exchanged to intangible assets acquired is as follows (in thousands):

	Type	Useful Life		Value
Payor network	Amortizable	15 years	$	221,000
Trademarks and trade names	Amortizable	10 years		43,000
Licenses	Not Amortizable	Indefinite		770
			$	264,770

The Company valued trademarks and trade names utilizing the relief of royalty method and payor network utilizing the multi-period excess earnings method, a form of the income approach. These estimates are preliminary as the Company continues to evaluate inputs and assumptions used in arriving at the fair value of the intangible assets.

(5) The fair value of the operating lease liability and corresponding right-of-use asset (current and long-term) was based on current market rates available to the Company. This assessment is preliminary as of the date of our filing and will be finalized with final purchase accounting.
(6) The acquisition preliminarily resulted in $309.7 million of goodwill as a result of expected synergies due to value-based care and solutions being provided to similar patient populations that partner with many of the same payor groups. None of the acquired goodwill is deductible for tax purposes.
(7) Included in Other assets are indemnification guarantees with a value of $3.9 million, obtained in conjunction with the acquisition of Simplura to cover certain acquired liabilities totaling approximately $3.9 million.
(8) Accounts payable as well as certain other current and non-current assets and liabilities are stated at fair value as of the acquisition date.
(9) Deferred acquisition payments are associated with historical acquisitions by Simplura. Of this balance, $0.1 million has been released through the first quarter of 2021.
(10) Net deferred tax liabilities represented the expected future tax consequences of temporary differences between the fair values of the assets acquired and liabilities assumed and their tax bases. See Note 13, *Income Taxes*, for additional discussion of the Company’s combined income tax position subsequent to the acquisition.

Assuming Simplura had been acquired as of January 1, 2020, and the results of Simplura had been included in operations beginning on January 1, 2019, the following tables provide estimated unaudited pro forma results of operations for the three months ended March 31, 2021 and 2020 (in thousands except earnings per share). The estimated pro forma net income adjusts for the effect of fair value adjustments related to the acquisition, transaction costs and other non-recurring costs directly attributable to the transaction and the impact of the additional debt to finance the acquisition.

	Three months ended March 31,			
	2021		2020	
	Actual		Proforma	
Revenue	$	453,610	$	486,701
Income from continuing operations, net		18,879		19,048
Diluted earnings per share	$	1.31	$	1.46

Estimated unaudited pro forma information is not necessarily indicative of the results that actually would have occurred had the acquisition been completed on the date indicated or the future operating results. The supplemental proforma earnings were adjusted to exclude the impact of Simplura's historical interest expense of $7.0 million for the three months ended March 31, 2020.

NMT

On May 6, 2020, ModivCare Solutions, LLC, entered into an equity purchase agreement with the Seller and NMT, acquiring all of the outstanding capital stock. NMT was acquired for total consideration of $80.0 million less certain adjustments, in an all cash transaction.

The transaction was accounted for as an asset acquisition in accordance with ASC 805, *Business Combinations*. The Company incurred transaction costs for the acquisition of $0.8 million during the year ended December 31, 2020. These costs were capitalized as a component of the purchase price.

The consideration paid for the acquisition is as follows (in thousands):

		Value
Consideration paid	$	80,000
Transaction costs		774
Restricted cash received		(3,109)
Net consideration	$	77,665

Restricted cash acquired was related to a security reserve for a contract and is presented in other current assets in our condensed consolidated balance sheet as of March 31, 2021. No liabilities were assumed.

The fair value allocation of the net consideration is as follows (in thousands, except useful lives):

	Type	Useful Life		Value
Payor relationships	Amortizable	6 years	$	75,514
Trade names and trademarks	Amortizable	3 years		2,151
			$	77,665

4. Segments

On November 18, 2020, the Company acquired Simplura, which operates as a home personal care service provider. As a result, at March 31, 2021, the Company's chief operating decision maker reviews financial performance and allocates resources based on three segments as follows:

- NEMT - which operates primarily under the brands ModivCare Solutions, LLC, and Circulation, is the largest manager of NEMT programs for state governments and managed care organizations ("MCOs") in the U.S and includes the Company's activities for executive, accounting, finance, internal audit, tax, legal, certain strategic and development functions and the Company's insurance captive.
- Personal Care - which consists of Simplura, and provides personal care to Medicaid patient populations, including seniors and disabled adults, in need of care monitoring and assistance performing activities of daily living.
- Matrix Investment - which consists of a minority investment in Matrix, provides a broad array of assessment and care management services that improve health outcomes for individuals and financial performance for health plans. Matrix's national network of community-based clinicians delivers in-home services while its fleet of mobile health clinics provides community-based care with advance diagnostic capabilities.

The following tables set forth certain financial information from continuing operations attributable to the Company's business segments (in thousands):

	Three months ended March 31, 2021			
	NEMT	Personal Care	Matrix Investment	Total
Service revenue, net	$ 343,416	$ 110,194	$ —	$ 453,610
Grant income [1]	—	2,648	—	2,648
Service expense	272,416	87,917	—	360,333
General and administrative expense	39,967	14,904	—	54,871
Depreciation and amortization	7,312	4,927	—	12,239
Operating income	$ 23,721	$ 2,446	$ —	$ 28,815
Equity in net income of investee	$ —	$ —	$ (4,503)	$ (4,503)
Equity investment	$ —	$ —	$ 141,220	$ 141,220
Goodwill	$ 135,216	$ 309,711	$ —	$ 444,927
Total assets (continuing operations)	$ 691,570	$ 698,985	$ 141,220	$ 1,531,775

[1] Grant income for the Personal Care segment includes $2.6 million of provider relief funds received under the CARES Act. These funds are intended to support healthcare providers by reimbursing them for expenses incurred as a result of the COVID-19 pandemic. See Note 2 *Significant Accounting Policies and Recent Accounting Pronouncements.*

	Three months ended March 31, 2020		
	NEMT	Matrix Investment	Total
Service revenue, net	$ 367,291	$ —	$ 367,291
Service expense	332,661	—	332,661
General and administrative expense	20,795	—	20,795
Depreciation and amortization	3,790	—	3,790
Operating income	$ 10,045	$ —	$ 10,045
Equity in net loss of investee	$ —	$ 2,550	$ 2,550
Equity investment	$ —	$ 128,098	$ 128,098
Goodwill	$ 135,216	$ —	$ 135,216
Total assets (continuing operations)	$ 668,984	$ 128,098	$ 797,082

5. Revenue Recognition

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

Capitation structure

Under capitated contracts, payors pay a fixed amount per eligible member. We assume the responsibility of meeting the covered healthcare related transportation requirements based on per-member per-month fees for the number of eligible members in the customer's program. Revenue is recognized based on the population served during the period. Under certain capitated contracts known as reconciliation contracts, partial payment is received as a prepayment during the month service is provided. These prepayments are periodically reconciled based on actual trip volume and costs and may result in refunds to the customer, or additional payments due from the customer. Other capitated contracts known as risk corridor or profit rebate contacts, allow for profit within a certain corridor and once we reach certain profit level thresholds or maximums, we discontinue recognizing revenue and instead record a liability within the Accrued Contract Payable account. This liability is reduced through future increases in trip volume and periodic settlements with the customer. Capitation rates are generally based on expected costs and volume of services. Because Medicare pays capitation using a “risk adjustment model,” which compensates providers based on the health status (acuity) of each individual enrollee, providers with higher acuity enrollees receive more, and those with lower acuity enrollees receive less of the capitation that can be allocated to service providers. Under the risk adjustment model, capitation is paid on an interim basis based on enrollee data submitted for the preceding year and is adjusted in subsequent periods after the final data is compiled.

Fee-for-service structure

Fee-for-service ("FFS") revenue represents revenue earned under contracts in which we bill and collect a specified amount for each service that we provide. FFS revenue is recognized in the period in which the services are rendered and is reduced by the estimated impact of contractual allowances and policy discounts in the case of third-party payors.

Customer Information

Of the NEMT segment’s revenue, 8.8% and 11.9% was derived from one U.S. state Medicaid program for the three months ended March 31, 2021 and 2020, respectively. Of the Personal Care segment's revenue, 28.5% was derived from one U.S. state Medicaid program for the three months ended March 31, 2021. In addition, substantially all of the Company’s revenues are generated from domestic governmental agencies or entities that contract with governmental agencies.

Disaggregation of Revenue

The following table summarizes disaggregated revenue from contracts with customers by contract type (in thousands):

	Three months ended March 31, 2021	Three months ended March 31, 2020
State Medicaid agency and Medicare contracts	$ 203,320	$ 180,731
Managed care organization contracts	250,290	186,560
Total Service revenue, net	$ 453,610	$ 367,291
Capitated contracts	$ 296,235	$ 300,724
Non-capitated contracts	157,375	66,567
Total Service revenue, net	$ 453,610	$ 367,291

The table above includes $110.2 million of revenue for the three months ended March 31, 2021 related to the Personal Care Segment through the acquisition of Simplura. Simplura's revenue is non-capitated and approximately 40% is generated from state Medicaid and Medicare agency contracts, while the other 60% is generated from MCO and other private pay contracts.

During the three months ended March 31, 2021 and 2020, the Company recognized a $3.3 million reduction to and a $0.6 million increase in service revenue respectively, from adjustments relating to performance obligations satisfied in previous periods to which the customer agreed.

Related Balance Sheet Accounts

The following table provides information about accounts receivable, net (in thousands):

	March 31, 2021	December 31, 2020
Accounts receivable	$ 180,500	$ 164,622
Reconciliation contracts receivable [1]	33,216	35,724
Allowance for doubtful accounts	(2,376)	(2,403)
Accounts receivable, net	$ 211,340	$ 197,943

[1] Reconciliation contract receivables, primarily represent underpayments and receivables on certain risk corridor, profit rebate and reconciliation contracts.

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

	March 31, 2021		December 31, 2020	
Accrued contract payables [1]	$	245,386	$	101,705
Long-term contract payables [2]	$	—	$	72,183
Deferred revenue, current	$	2,820	$	2,923
Deferred revenue, long-term, included in “other long-term liabilities”	$	509	$	566

[1] Accrued contract payables primarily represent overpayments and liability reserves on certain risk corridor and reconciliation contracts due to lower activity as a result of COVID-19.

[2] Long-term contract payables primarily represent liability reserves on certain risk corridor, profit rebate and reconciliation contracts due to lower activity as a result of COVID-19 that may be repaid in greater than 12 months.

6. Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets to the amounts shown in the condensed consolidated statements of cash flows (in thousands):

	March 31,			
	2021		2020	
Cash and cash equivalents	$	299,559	$	254,371
Restricted cash, current		48		73
Cash, cash equivalents and restricted cash	$	299,607	$	254,444

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

7. Equity Investment

As of March 31, 2021 and December 31, 2020, the Company owned a 43.6% non-controlling interest in Matrix. Pursuant to a Shareholder’s Agreement, affiliates of Frazier Healthcare Partners hold rights necessary to control the fundamental operations of Matrix. The Company accounts for this investment in Matrix under the equity method of accounting and the Company’s share of Matrix’s income or losses are recorded as “Equity in net loss (income) of investee” in the accompanying consolidated statements of operations.

The carrying amount of the assets included in the Company’s condensed consolidated balance sheets and the maximum loss exposure related to the Company’s interest in Matrix as of March 31, 2021 and December 31, 2020 totaled $141.2 million and $137.5 million, respectively.

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

	March 31, 2021		December 31, 2020	
Current assets	$	153,525	$	143,110
Long-term assets	$	613,249	$	619,642
Current liabilities	$	78,771	$	81,920
Long-term liabilities	$	349,608	$	351,036

	Three months ended March 31,			
	2021		2020	
Revenue	$	124,042	$	61,304
Operating income (loss)	$	16,092	$	(1,673)
Net income (loss)	$	8,613	$	(6,357)

8. Prepaid Expenses and Other Current Assets

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

	March 31, 2021		December 31, 2020	
Prepaid income taxes	$	—	$	14,633
Prepaid insurance		5,010		7,577
Prepaid rent		1,107		1,196
Other prepaid expenses		7,810		8,479
Total prepaid expenses and other current assets	$	13,927	$	31,885

9. Accrued Expenses and Other Current Liabilities

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

	March 31, 2021		December 31, 2020	
Accrued compensation and related liabilities [1]	$	48,838	$	57,201
Accrued cash settled stock-based compensation		20,895		19,376
Accrued interest		12,640		4,927
Union pension obligations		7,748		6,632
Accrued legal fees		6,750		3,228
Deferred acquisition payments		3,978		4,046
Accrued income taxes		2,637		2,042
Other		15,840		19,558
Total accrued expenses and other current liabilities	$	119,326	$	117,010

(1) Accrued compensation and related liabilities includes deferred payroll taxes, which are deferred as a result of the CARES Act. The CARES Act provides for certain federal income and other tax changes, including the deferral of the employer portion of Social Security payroll taxes. The Company has received a cumulative cash benefit of approximately $20.7 million related to the deferral of employer payroll taxes as of March 31, 2021 under the CARES Act. Of this amount, approximately 50% is due in December of 2021 and 50% is due in December of 2022. Therefore, $10.3 million is recorded in accrued expenses, and $10.4 million is recorded in other long-term liabilities.

10. Debt

Senior Unsecured Notes

On November 4, 2020, the Company issued $500.0 million in aggregate principal amount of 5.875% senior unsecured notes due on November 15, 2025 (the “Notes”). The Notes were issued pursuant to an indenture, dated November 4, 2020 (the “Indenture”), between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

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

The Indenture contains covenants that, among other things, restrict the Company's ability and the ability of its restricted subsidiaries to, among other things: incur additional indebtedness or issue disqualified capital stock; make certain investments; create or incur certain liens; enter into certain transactions with affiliates; merge, consolidate, amalgamate or transfer substantially all of its assets; agree to dividend or other payment restrictions affecting its restricted subsidiaries; and transfer or sell assets, including capital stock of its restricted subsidiaries. These covenants, however, are subject to a number of important exceptions and qualifications, and certain covenants may be suspended in the event the Notes are assigned an investment grade rating from two of three ratings agencies.

The Indenture provides that the Notes may become subject to redemption under certain circumstances, including if certain escrowed property has not been released from the escrow account in connection with the consummation of the acquisition of the Simplura Group. The Company may also redeem the Notes, in whole or in part, at any time prior to November 15, 2022, at a price equal to 100% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption plus a "make-whole" premium set forth in the Indenture. In addition, the Company may redeem up to 40% of the Notes prior to November 15, 2022, at a redemption price of 105.875% of the principal amount, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption, with the proceeds of certain equity offerings, subject to certain conditions as specified in the Indenture Agreement. At any time prior to November 15, 2022, during each calendar year, the Company may redeem up to 10% of the aggregate principal amount of the Notes at a purchase price equal to 103% of the aggregate principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption.

On or after November 15, 2022, the Company may redeem all or a part of the Notes upon not less than ten days' nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest, if any, on the Notes redeemed, to, but excluding, the applicable redemption date, if redeemed during the 12-month period beginning on November 15 of the years indicated below:

Year	Percentage
2022	102.938%
2023	101.469%
2024 and thereafter	100.000%

The Company will pay interest on the Notes at 5.875% per annum until maturity. Interest is payable semi-annually in arrears on May 15 and November 15 of each year, with the first interest payment date being May 15, 2021. Principal payments are not required until the maturity date on November 15, 2025 when 100% of the outstanding principal will be required to be repaid. As a part of the bond issuance process, we incurred a $9.0 million bridge commitment fee that provided a potential funding backstop in the event that the Notes did not meet the desired subscription level to be used to acquire Simplura. That commitment expired unused upon closing of the Notes and the fee was expensed in Q4 2020.

Debt issuance costs of $14.5 million were incurred in relation to the Notes issuance and these costs were deferred and are amortized to interest cost over the term of the Notes. As of March 31, 2021, approximately $13.3 million of unamortized deferred issuance costs was netted against the long-term debt balance on the condensed consolidated balance sheet.

Credit Facility

The Company is a party to the amended and restated credit and guaranty agreement, dated as of August 2, 2013 (as amended, the "Credit Agreement"), with Bank of America, N.A., as administrative agent, swing line lender and letter of credit issuer, and the other lenders party thereto. On May 6, 2020, the Company entered into the Seventh Amendment to the Amended and Restated Credit and Guaranty Agreement (the "Seventh Amendment") which, among other things, extended the maturity date to August 1, 2021, expanded the amount available under the revolving credit facility (the "Credit Facility") from $200.0 million to $225.0 million, and increased the sub-facility for letters of credits from $25.0 million to $40.0 million. Interest on the loans is payable quarterly in arrears. In addition, the Company is obligated to pay a quarterly commitment fee based on a percentage of the unused portion of each lender's commitment under the Credit Facility and quarterly letter of credit fees based on a percentage of the maximum amount available to be drawn under each outstanding letter of credit.

On October 16, 2020, the Company entered into the Eighth Amendment to the Amended and Restated Credit and Guaranty Agreement (the "Eighth Amendment"), which among other things, amended the Credit Facility to permit the incurrence of additional debt to finance the acquisition of Simplura (the "Simplura Acquisition"), permit borrowing under the Credit Facility to partially fund the Simplura Acquisition with limited conditions to such borrowing, increase the top interest rate margin that may apply to loans thereunder, and revise our permitted ratio of EBITDA to indebtedness. In addition, the Eighth Amendment extended the maturity date to August 2, 2023. See Note 3, *Acquisitions*, for further information on the acquisition.

Effective as of the Eighth Amendment, interest on the outstanding principal amount of loans under the Credit Facility accrues, at the Company's election, at a per annum rate equal to the greater of either LIBOR or 1.00%, plus an applicable margin, or the base rate as defined in the agreement plus an applicable margin. The applicable margin ranges from 2.25% to 3.50% in the case of LIBOR loans and 1.25% to 2.50% in the case of the base rate loans, in each case, based on the Company's consolidated leverage ratio as defined in the credit agreement that governs our Credit Facility. The commitment fee and letter of credit fee range from 0.35% to 0.50% and 2.25% to 3.50%, respectively, in each case based on the Company's consolidated leverage ratio as defined in the credit agreement that governs our Credit Facility.

As of March 31, 2021, the Company had no borrowings outstanding on the Credit Facility; however, there were letters of credit outstanding in the amount of $17.2 million. The Company's available credit under the Credit Facility was $207.8 million. Under the Credit Agreement, the Company has an option to request an increase in the amount of the revolving credit facility from time to time (on substantially the same terms as apply to the existing facilities) in an aggregate amount of up to $75.0 million with either additional commitments from lenders under the Credit Agreement at such time or new commitments from financial institutions acceptable to the administrative agent in its reasonable discretion, so long as no default or event of default exists at the time of any such increase. The Company may not be able to access additional funds under this increase option as no lender is obligated to participate in any such increase under the Credit Facility.

11. Stock-Based Compensation and Similar Arrangements

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

The following table reflects the amount of stock-based compensation, for share settled awards, recorded in each financial statement line item for the three months ended March 31, 2021 and 2020 (in thousands):

	Three months ended March 31,	
	2021	2020
Service expense	$ —	$ 65
General and administrative expense	1,187	980
Total stock-based compensation	$ 1,187	$ 1,045

At March 31, 2021, the Company had 283,636 stock options outstanding with a weighted-average exercise price of $79.71. The Company also had 24,172 unvested restricted stock awards ("RSAs") and 54,439 unvested restricted stock units ("RSUs") outstanding at March 31, 2021 with a weighted-average grant date fair value of $78.87 and $99.78, respectively.

12. Earnings (Loss) Per Share

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

	Three months ended March 31,	
	2021	2020
Numerator:		
Net income	$ 18,840	$ 16,098
Dividends on convertible preferred stock outstanding	—	(1,095)
Income allocated to participating securities	—	(2,005)
Net income available to common stockholders	$ 18,840	$ 12,998
Continuing operations	$ 18,879	$ 13,200
Discontinued operations	(39)	(202)
Net income available to common stockholders	$ 18,840	$ 12,998
Denominator:		
Denominator for basic earnings per share -- weighted-average shares	14,158,666	12,987,740
Effect of dilutive securities:		
Common stock options	147,227	11,231
Restricted stock	56,333	14,020
Denominator for diluted earnings per share -- adjusted weighted-average shares assumed conversion	14,362,226	13,012,991
Basic earnings (loss) per share:		
Continuing operations	$ 1.33	$ 1.02
Discontinued operations	—	(0.02)
Basic earnings per share	$ 1.33	$ 1.00
Diluted earnings (loss) per share:		
Continuing operations	$ 1.31	$ 1.02
Discontinued operations	—	(0.02)
Diluted earnings per share	$ 1.31	$ 1.00

Income allocated to participating securities is calculated by allocating a portion of net income attributable to ModivCare, less dividends on convertible stock, to the convertible preferred stockholders on a pro-rata, as converted basis; however, the convertible preferred stockholders are not allocated losses.

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

	Three months ended March 31,	
	2021	2020
Stock options to purchase common stock	24,211	648,300
Convertible preferred stock	—	798,775

Issuer Purchases of Equity Securities

On March 8, 2021, the Board of Directors authorized a new stock repurchase program under which the Company may repurchase up to $75.0 million in aggregate value of the Company's Common Stock through December 31, 2021, unless terminated earlier. Through March 31, 2021, 94,235 shares were repurchased under the program for $14.5 million.

13. Income Taxes

The Company’s effective tax rate for continuing operations for the three months ended March 31, 2021 was 24.2%. The effective tax rate for continuing operations for the three months ended March 31, 2020 was a benefit of 124.7%. For the three months ended March 31, 2021, the effective tax rate was higher than the U.S. federal statutory rate of 21.0% primarily due to state income taxes and certain non-deductible expenses. For the three months ended March 31, 2020, the effective tax rate was lower than the U.S. federal statutory rate of 21.0% primarily due to the favorable impact of the CARES Act on the Company’s 2018 U.S. net operating losses ("NOLs").

During 2019, the Company received refunds from the Internal Revenue Service (“IRS”) totaling $30.8 million resulting from the loss on the sale of our workforce development segment ("WD Services segment") in 2018. As a result of the size of the refunds received, in October 2019, the IRS commenced a Joint Committee Review of the refunds. The review is still ongoing.

The 2017 Tax Reform Act reduced the U.S. corporate income tax rate from 35% to 21% and provided that U.S. NOLs incurred after 2017 could only be carried forward to offset future taxable income. Pursuant to the CARES Act, which was enacted on March 27, 2020, the Company carried its 2018 NOL back five years. As a result, during the three months ended March 31, 2020, the Company recorded a $27.3 million receivable for the 2018 U.S. NOL carryback, and a $11.0 million tax benefit from the favorable carryback tax rate of 35% compared to a carryforward tax rate of 21%. The Company also recorded an additional income tax payable of $3.5 million for 2019 as a result of the 2018 NOL being carried back instead of carried forward.

As of March 31, 2021, the Company has received all of the $27.3 million receivable for the 2018 U.S. NOL carryback. This $27.3 million is also subject to the ongoing IRS Joint Committee Review.

14. Commitments and Contingencies

Legal proceedings

In the ordinary course of business, the Company is a party to various lawsuits. Management does not expect these lawsuits to have a material impact on the liquidity, results of operations, or financial condition of the Company.

On January 21, 2019, the United States District Court for the Southern District of Ohio unsealed a qui tam complaint, filed in December 2015, against Mobile Care Group, Inc., Mobile Care Group of Ohio, LLC, Mobile Care EMS & Transport, Inc. (collectively, the “Mobile Care Entities”) and LogistiCare Solutions, LLC, the Company’s subsidiary now known as ModivCare Solutions, LLC (“ModivCare Solutions”) by Brandee White, Laura Cunningham, and Jeffery Wisier (the “Relators”) alleging violations of the federal False Claims Act by presenting claims for payment to government healthcare programs knowing that the prerequisites for such claims to be paid had not been met. The Relators seek to recover damages, fees and costs under the federal False Claims Act including treble damages, civil penalties and attorneys’ fees. In addition, the Relators seek reinstatement to their jobs with the Mobile Care Entities. None of the Relators were employed by ModivCare Solutions. The federal government has declined to intervene against ModivCare Solutions. The Company filed a motion to dismiss the Complaint on April 22, 2019, and believes that the case will not have a material adverse effect on its business, financial condition or results of operations.

In 2017, one of our Personal Care segment subsidiaries, All Metro Home Care Services of New York, Inc. d/b/a All Metro Health Care (“All Metro”), received a class action lawsuit claiming that, among other things, it failed to properly pay live-in caregivers who stay in patients’ homes for 24 hours per day (“live-ins”). The Company currently pays live-ins for 13 hours per day as supported through a written opinion letter from the New York State Department of Labor (“NYSDOL”). A similar case involving this issue has been heard by the New York Court of Appeals (New York’s highest court), which on March 26, 2019, issued a ruling reversing earlier lower courts’ decisions that an employer must pay live-ins for 24 hours. The Court of Appeals agreed with the NYSDOL’s interpretation to pay live-ins 13 hours instead of 24 hours if certain conditions were being met. If the class action lawsuit on this matter is allowed to proceed, and is successful, the Company may be liable for back wages and litigated damages going back to November 2011. The Company intends to defend itself vigorously with respect to this matter, believes that it is and has been in compliance in all material respects with the laws and regulations covering pay for live-in caregivers, and does not believe in any event that the ultimate outcome of this matter will have a material adverse effect on its business, financial condition or results of operations.

Significant Lease Not Yet Commenced

In August 2020, the Company entered into an 11-1/2 year operating lease agreement for new corporate office space in Denver, Colorado. The lease is expected to commence when construction of the asset is completed in the second quarter of 2021. Total estimated base rent payments over the life of the lease are approximately $29.7 million.

Indemnifications

The Company has an indemnification agreement in place in relation to the Simplura Acquisition for liabilities that could become due after the closing of the acquisition in the amount of $3.9 million. The liabilities are related to acquisitions made by Simplura, prior to being acquired by ModivCare. ModivCare is indemnified against these liabilities for a period of 18 months from the date of closing, and in the event that these liabilities come due prior to that time, ModivCare will be reimbursed for funds paid from a shared escrow account that was created for this purpose.

15. Transactions with Related Parties

Cash-Settled Awards

On an annual basis, the Company grants stock equivalent unit awards (“SEUs”) to Coliseum Capital Management, LLC (“Coliseum”) as compensation for the board of directors’ service of Christopher Shackelton in lieu of the restricted share awards that are given to our other non-employee directors. These SEUs typically have a one-year vesting schedule and are paid out in cash upon vesting based upon the closing price of the Company’s common stock on the date of vesting. On February 10, 2021, the Company granted Coliseum 725 SEUs under this program.

In addition, the Company granted stock option equivalent units (“SOEUs”) to Coliseum in September 2014 that are fully vested. The SOEUs are accounted for as liability awards, with the recorded expense adjustment attributable to the Company’s change in stock price from the previous reporting period.

During the three months ended March 31, 2021, the Company recorded expense of $2.1 million for all cash-settled awards, and during the three months ended March 31, 2020, the Company recorded a benefit of $0.6 million for all cash-settled awards. The expense and benefit for cash-settled awards is included as “General and administrative expense” in the accompanying condensed consolidated statements of operations. The liability for unexercised cash-settled share-based payment awards of $20.9 million and $19.0 million at March 31, 2021 and December 31, 2020, respectively, is reflected in “Accrued expenses and other current liabilities” in the condensed consolidated balance sheets. At March 31, 2021, the Company had 1,344 SEUs and 200,000 SOEUs outstanding.

16. Subsequent Events

On April 9, 2021, the Company entered into an asset purchase agreement (the “Purchase Agreement”) with nuVizz, Inc., a Georgia corporation. Pursuant to the Purchase Agreement, the Company purchased the software developed by nuVizz for $12.0 million in cash, subject to certain adjustments, as provided in the Purchase Agreement. The Company intends to finalize the purchase accounting for this transaction in the third quarter of 2021.

nuVizz is a business solutions and services company that provides complete mobile business software solutions and supply chain consulting services. It is headquartered in Atlanta, Georgia, USA, and owns and operates a development center in Bangalore, India. nuVizz started operations at the beginning of 2011 and has introduced a portfolio of mobile apps and a comprehensive enterprise mobile toolkit, and supports these with its team of core business process and mobile solutions employees.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes for the three months ended March 31, 2021 and 2020, as well as our audited consolidated financial statements and accompanying notes and management’s discussion and analysis of financial condition and results of operations included in our Form 10-K for the year ended December 31, 2020. For purposes of “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” references to Q1 2021 and Q1 2020 mean the three months ended March 31, 2021 and the three months ended March 31, 2020, respectively.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Rule 175 promulgated thereunder, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 3b-6 promulgated thereunder, including statements related to the Company's strategies or expectations about revenues, liabilities, results of operations, cash flows, ability to fund operations, profitability, ability to meet financial covenants, contracts or market opportunities. These statements are predictive in nature and are frequently identified by the use of terms such as "may," "will," "should," "expect," "believe," "estimate," "intend," and similar words indicating possible future expectations, events or actions. In addition, statements that are not historical statements of fact should also be considered forward-looking statements. Such forward-looking statements are based on current expectations, assumptions, estimates and projections about our business and our industry, and are not guarantees of our future performance. These statements are subject to a number of known and unknown risks, uncertainties and other factors, many of which are beyond our ability to control or predict, that may cause actual events to be materially different from those expressed or implied herein. Among such risks, uncertainties and other factors are those summarized under the caption "Summary Risk Factors" in Part I, and described in further detail under the caption "Risk Factors" in Part I, Item 1A, of our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, for the fiscal year ended December 31, 2020. Hyperlinks to such sections of our Annual Report are contained in the text included within the quotation marks.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made and are expressly qualified in their entirety by the cautionary statements set forth herein and in our other filings with the SEC, which you should read in their entirety before making an investment decision with respect to our securities. We undertake no obligation to update or revise any forward- looking statements contained in this release, whether as a result of new information, future events or otherwise, except as required by applicable law.

Overview of Our Business

ModivCare Inc. is a technology-enabled healthcare services company which provides a suite of integrated supportive care solutions for public and private payors and their patients. Its value-based solutions address the SDoH, enable greater access to care, reduce costs, and improve outcomes. ModivCare is a leading provider of non-emergency medical transportation, or NEMT, personal and home care, and nutritional meal delivery. Our technology-enabled operating model includes NEMT core competencies in risk underwriting, contact center management, network credentialing, claims management and non-emergency medical transport management. The Company also partners with communities throughout the country, providing food-insecure individuals delivery of nutritional meals. Additionally, its personal and home care services include placements of non-medical personal care assistants, home health aides and skilled nurses primarily to Medicaid patient populations in need of care monitoring and assistance performing daily living activities in the home setting, including senior citizens and disabled adults.

ModivCare's solutions help health plans manage risks, close care gaps, reduce costs, and connect members to care. Through the combination of its historical NEMT business with its in-home personal care business that was previously operated by Simplura Health Group, as described further below, ModivCare has united two complementary healthcare companies that serve similar, highly vulnerable patient populations. Collectively, ModivCare is uniquely positioned to remove the barriers of health inequities and address the SDoH.

On May 6, 2020, ModivCare entered into an Equity Purchase Agreement (the "Purchase Agreement") with Specialty Benefits, LLC., a Delaware corporation (the "Seller"), National MedTrans, LLC, a New York limited liability company ("NMT") and for limited purposes therein, United Healthcare Services, Inc., a Minnesota corporation. NMT services contractual relationships to provide non-emergency medical transportation. Pursuant to the terms of the Purchase Agreement, ModivCare acquired all of the outstanding capital stock of NMT.

On November 18, 2020, ModivCare acquired all of the outstanding equity of OEP AM, Inc., a Delaware corporation doing business as Simplura Health Group, or Simplura, which formed the foundation of our personal care business and Personal Care Segment operations. See Note 3, *Acquisitions,* for further information.

ModivCare also holds a 43.6% minority interest in CCHN Group Holdings, Inc. and its subsidiaries, which operates under the Matrix Medical Network brand and which we refer to as "Matrix". Matrix maintains a national network of community-based clinicians who deliver in-home and on-site services, and a fleet of mobile health clinics that provide community-based care with advanced diagnostic capabilities and enhanced care options. Matrix's Clinical Care provides risk adjustment solutions that improve health outcomes for individuals and financial performance for health plans. Matrix's Clinical Solutions provides employee health and wellness services focused on improving employee health with worksite certification solutions that reinforce business resilience and safe return-to-work outcomes. Its Clinical Solutions offerings also provide clinical trial services which support the delivery of safe and effective clinical trial operations to patients and eligible volunteers.

Business Outlook and Trends

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

- an aging population, which is expected to increase demand for healthcare services and transportation and, accordingly, in-home personal care services;
- a movement towards value-based versus fee-for-service and cost plus, or FFS, care and budget pressure on governments, both of which may increase the use of private corporations to provide necessary and innovative services;
- increasing demand for in-home care provision, driven by cost pressures on traditional reimbursement models and technological advances enabling remote engagement, including telehealth and similar internet-based health related services;
- technological advancements, which may be utilized by us to improve services and lower costs, but may also be utilized by others, which may increase industry competitiveness;
- Medicaid, Managed Care Organizations (MCOs) and Medicare Advantage plans increasingly are covering NEMT services for a variety of reasons, including increased access to care, improved patient compliance with treatment plans, social trends, and to promote SDoH, and this trend may be accelerated or reinforced by the recent signing into law of The Consolidated Appropriations Act of 2021 ("H.R.133"), a component of which mandates that state Medicaid programs ensure that Medicaid beneficiaries have necessary transportation to and from health care providers.

Update on the Impact of the COVID-19 Pandemic

During 2020, the COVID-19 pandemic impacted the Company's business, as well as its patients, communities, and employees. The Company's priorities during the COVID-19 pandemic remain protecting the health and safety of its employees, maximizing the availability of its services and products to support the SDoH, and the operational and financial stability of its business.

Federal, state, and local authorities have taken several actions designed to assist healthcare providers in providing care to COVID-19 and other patients and to mitigate the adverse economic impact of the COVID-19 pandemic. Legislative actions taken by the federal government include the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which was signed into law on March 27, 2020. Through the CARES Act, the federal government has authorized payments to be distributed to healthcare providers through the Public Health and Social Services Emergency Fund ("Provider Relief Fund" or "PRF").

Grant Income. In the first quarter of 2021, the Company received distributions of the CARES Act PRF of approximately $2.6 million targeted to offset lost revenue and expenditures incurred in connection with the COVID-19 pandemic, which is currently recorded as grant income. The PRF payments are subject to certain restrictions and are subject to recoupment if not used for designated purposes. As a condition to receiving distributions, providers must agree to certain terms and conditions, including, among other things, that the funds are being used for lost revenues and unreimbursed COVID-19 related expenses as defined by the HHS. All recipients of PRF payments are required to comply with the reporting requirements described in the terms and conditions and as determined by HHS. The Company recognizes grant payments as grant income when there is reasonable assurance that it has complied with the conditions associated with the grant. Grant income recognized by the Company is presented in grant income in the accompanying consolidated statements of operations. HHS guidance related to PRF grant funds is still evolving and subject to change. The Company is continuing to monitor the reporting requirements as they evolve.

The CARES Act also provides for certain federal income and other tax changes, including the deferral of the employer portion of Social Security payroll taxes. The Company deferred payment of approximately $20.7 million related to the deferral of employer payroll taxes as of March 31, 2021 under the CARES Act. Of this amount, approximately 50% is due in December of 2021 and 50% is due in December of 2022, as such, $10.3 million is recorded in accrued expenses, and $10.4 million is recorded in other long-term liabilities.

As a result of the COVID-19 pandemic, our NEMT Segment has experienced a decreased number of trips beginning in March 2020. As many of our contracts are capitated, our revenues did not experience a decrease to the level of our transportation costs, resulting in a positive impact to our gross margin. However, certain of our contracts contain risk corridor or profit rebate provisions, which result in a possible refund to our payors if our gross margin exceeds certain pre-determined limits. For these contracts, we have recognized a contract payable in relation to revenues that have been received, however are unearned due to the possibility of payback. It is possible we could experience higher transportation costs in the future as we are currently seeing trip volumes increase to levels higher than those pre-pandemic in certain regions of the country. See further discussion of this at Note 5 *Revenue Recognition.*

Since March 2020 and primarily as a result of the COVID pandemic, our Personal Care Segment business has experienced and is expected to continue to experience a material reduction in the volume of service hours and visits. Volume has been reduced as patients put services on hold due to infection concerns, and/or because they had the alternative of receiving care from family members and others working remotely or furloughed from their jobs. Cases have also been lost and new case referrals slowed as referral sources faced disruption from the various restrictions and "stay at home" orders. Our personal care service volumes are not expected to recover to pre-pandemic levels until the vaccines are more universally applied in the markets where we provide our services. While these depressed volumes will continue to result in lower than expected revenue, at least in the near term, we may also be challenged with wage pressures related to minimum wage increases and a narrowing caregiver labor pool that is currently being supplemented by unemployment benefits.

Critical Accounting Estimates and Policies

There have been no significant changes to our critical accounting policies in our unaudited condensed consolidated financial statements from our Form 10-K for the year ended December 31, 2020. For further discussion of our critical accounting policies, see management's discussion and analysis of financial condition and results of operations contained in our Form 10-K for the year ended December 31, 2020.

Composition of Results of Operations

The following results of operations include the accounts of ModivCare Inc. and our subsidiaries for the three months ended March 31, 2021.

Revenues

Service revenue, net. Service revenue, net represents the revenue recognized from transportation management services through our NEMT segment and from in home care services through our Personal Care segment.

Grant Income

Grant Income. In the first quarter of 2021, the Company received distributions of the CARES Act PRF targeted to offset lost revenue and expenditures incurred in connection with the COVID-19 pandemic.

Operating Expenses

Service expense. Service expense for our NEMT segment consists primarily of transportation costs paid to third party service providers, salaries of employees within our contact centers and operation centers and facilities costs. Service expense for our Personal Care segment consists primarily of salaries for the employees providing the personal care services.

General and Administrative Expense. General and administrative expense consists principally of salaries for administrative employees that directly and indirectly support the operations, occupancy costs, marketing expenditures, insurance, and professional fees.

Depreciation and Amortization Expense. Depreciation within this caption includes infrastructure items such as computer hardware and software, office equipment and leasehold improvements. Amortization expense is generated primarily from amortization of our intangible assets, including Customer Relationships, Payor Network, Trade Names and a New York LHCSA Permit.

Other Expenses (Income)

Interest Expense, Net. Interest expense consists principally of interest payments on the Company's outstanding borrowings under the Credit Facility, Senior Unsecured Notes and amortization of deferred financing fees. Refer to the "Liquidity and Capital Resources" section below for further discussion of these outstanding borrowings.

Equity in net loss (income) of investee. Equity in earnings of equity method investee consists of our proportionate share of equity earnings or losses from our Matrix equity investment.

Income Tax Expense (Benefit). The Company is subject to federal taxation in the United States and state taxation in the various jurisdictions in which we operate.

Results of Operations

Segment reporting. Our segments reflect the manner in which our operations are organized and reviewed by management.

We operate in three reportable business segments: NEMT, Personal Care and the Matrix Investment. Prior to November 17, 2020, our primary operating segment was NEMT, which provides non-emergency medical transportation services. On November 18, 2020, we acquired Simplura, resulting in the creation of our Personal Care segment, which operates in the non-medical home care service industry. Our investment in Matrix is also a reportable segment referred to as the "Matrix Investment". Segment results are based on how our chief operating decision maker manages our business, makes operating decisions and evaluates operating performance. The operating results of our NEMT and Personal Care Segments include revenue and expenses incurred by the segment, as well as our activities related to executive, accounting, finance, internal audit, tax, legal and certain strategic and corporate development functions for each segment. See Note 4, *Segments*, in our accompanying consolidated financial statements for further information on our segments.

Discontinued operations. During prior years, we completed several transactions which resulted in the presentation of the related operations as Discontinued Operations. Activity for the current period is not significant.

Q1 2021 compared to Q1 2020

Consolidated Results. The following table sets forth results of operations and the percentage of Service revenue, net represented by items in our unaudited condensed consolidated statements of operations for Q1 2021 and Q1 2020 (in thousands):

	Three months ended March 31,			
	2021		2020	
	Amount	% of Revenue	Amount	% of Revenue
Service revenue, net	$ 453,610	100.0 %	$ 367,291	100.0 %
Grant income	2,648	0.6 %	—	— %
Operating expenses:				
Service expense	360,333	79.4 %	332,661	90.6 %
General and administrative expense	54,871	12.1 %	20,795	5.7 %
Depreciation and amortization	12,239	2.7 %	3,790	1.0 %
Total operating expenses	427,443	94.2 %	357,246	97.3 %
Operating income	28,815	6.4 %	10,045	2.7 %
Other expenses (income):				
Interest expense, net	8,423	1.9 %	241	0.1 %
Equity in net loss (income) of investee	(4,503)	(1.0) %	2,550	0.7 %
Income from continuing operations before income taxes	24,895	5.5 %	7,254	2.0 %
Provision (benefit) for income taxes	6,016	1.3 %	(9,046)	(2.5) %
Income from continuing operations, net of tax	18,879	4.2 %	16,300	4.4 %
Loss from discontinued operations, net of tax	(39)	— %	(202)	(0.1) %
Net income	$ 18,840	4.2 %	$ 16,098	4.4 %

Service revenue, net. Service revenue, net for Q1 2021 increased $86.3 million, or 24%, compared to Q1 2020. Service revenue, net increased $110.2 million due to the acquisition of Simplura in November 2020. This increase was partially offset by lower revenue in the NEMT segment of $23.9 million, primarily due to lower trip volume caused by the impact of COVID-19. While a majority of our contacts are capitated and we receive monthly payments on a per member/fixed basis in return for full or partial risk of transportation volumes, we have certain contracts that limit profit to within a certain corridor and once we reach the maximum profit level we discontinue recognizing revenue and instead build a liability to return back to the customer upon reconciliation at a later date. Other contracts that are structured as fee-for-service also experienced negative impacts to revenue due to lower volumes.

Grant Income. In the first quarter of 2021, the Company received distributions of the CARES Act PRF of approximately $2.6 million targeted to offset lost revenue and unreimbursed expenditures incurred in connection with the COVID-19 pandemic.

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

	Three months ended March 31,			
	2021		2020	
	Amount	% of Revenue	Amount	% of Revenue
Purchased services	$ 223,294	49.2 %	$ 279,678	76.1 %
Payroll and related costs	125,112	27.6 %	41,120	11.2 %
Other service expenses	11,927	2.6 %	11,863	3.2 %
Total service expense	$ 360,333	79.4 %	$ 332,661	90.6 %

Service expense for Q1 2021 increased $27.7 million, or 8%, compared to Q1 2020 primarily due to higher payroll and related costs of $86.5 million in the Personal Care segment due to the Simplura acquisition in November 2020. This increase was partially offset by lower purchased services costs in the NEMT segment of $56.4 million due to lower third-party transportation costs and associated payroll costs in our contact centers. Transportation and payroll costs decreased primarily as a result of lower trip volume across multiple contracts due to the COVID-19 pandemic as well as efficiency initiatives in our contact centers.

General and administrative expense. General and administrative expense for Q1 2021 increased $34.1 million, or 164%, compared to Q1 2020. The increase was partially attributable to an increase of $14.9 million of costs related to the addition of the Personal Care segment. General and administrative expense for the NEMT segment increased by $19.2 million, which consists primarily of a $5.7 million increase in contract and consulting costs related to activities around our Simplura integration and contact center optimization, a $3.2 million increase in legal expenses and a $2.6 million increase related to cash-settled equity awards. The remainder was due to additional investment in our employees and technology.

Depreciation and amortization. Depreciation and amortization for Q1 2021 increased $8.4 million or 223% compared to Q1 2020 primarily as a result of $4.8 million of additional amortization in the Personal Care segment associated with intangible assets purchased in the Simplura acquisition, as well as $3.3 million of additional amortization in the NEMT segment related to intangible assets purchased through the NMT acquisition. See Note 3 *Acquisitions*.

Interest expense, net. Interest expense, net, for Q1 2021 and Q1 2020 was $8.4 million and $0.2 million, respectively. Interest expense increased as a result of the activity related to the $500.0 million of Senior Unsecured Notes ("the Notes") we issued on November 4, 2020. We incurred $7.3 million of accrued interest related to the Notes in Q1 2021 as interest payments are made on a biannual basis.

Equity in net loss (income) of investee. Our equity in net income of investee for Q1 2021 of $4.5 million and net loss of $2.6 million for Q1 2020 was a result of our proportional share of the net income or loss of Matrix. Matrix's net income Q1 2021 was positively impacted by its continued success with its Clinical Solutions business, which they created in the second quarter of 2020 as a response to employers' needs for mobile health assessment resources during the pandemic. This business has continued to thrive as employers begin to transition more of their workforce back onsite. They are also beginning to see on-site visits in their risk assessment business reach pre-pandemic levels. Additionally, Matrix saw increased revenue and income related to a clinical solutions product offering following the October 2020 acquisition of Biocerna LLC, a diagnostic company that, among other tests, provides rapid COVID-19 test kits.

Provision (benefit) for income taxes. Our effective tax rate from continuing operations for Q1 2021 and Q1 2020 was a provision of 24.2% and a benefit of 124.7%, respectively. For Q1 2021, the effective tax rate was higher than the U.S. federal statutory rate of 21.0% primarily due to state income taxes and certain non-deductible expenses. For Q1 2020, the effective tax rate was lower than the U.S. federal statutory rate of 21% primarily due to the favorable impact of the CARES Act on the Company's 2018 U.S. NOLs. Pursuant to the CARES Act, the Company carried its 2018 NOL back five years. As a result, during the three months ended March 31, 2020, the Company recorded a $27.3 million receivable for the 2018 U.S. NOL carryback, and a $11.0 million tax benefit from the favorable carryback tax rate of 35% compared to a carryforward tax rate of 21%.

Loss from discontinued operations, net of tax. Loss from discontinued operations, net of tax, includes the activity related to our former WD Services segment.

Seasonality

Our NEMT segment's quarterly operating income and cash flows normally fluctuate as a result of seasonal variations in our business, principally due to lower transportation demand during the winter season and higher demand during the summer season.

Our Personal Care segment’s quarterly operating income and cash flows also normally fluctuate as a result of seasonal variations in the business, principally due to somewhat lower demand for in-home services from caregivers during the summer and periods with major holidays, as patients may spend more time with family and less time alone needing outside care during those periods.

Liquidity and capital resources

Short-term capital requirements consist primarily of recurring operating expenses, new revenue contract start-up costs and costs associated with our strategic initiatives. We expect to meet our cash requirements through available cash on hand, cash generated from operations, net of capital expenditures, and borrowing capacity under our Credit Facility (as defined below).

Cash flow from operating activities during the three months ended March 31, 2021 was $134.6 million. Our balance of cash and cash equivalents, including restricted cash, was $299.6 million and $183.4 million at March 31, 2021 and December 31, 2020, respectively. Restricted cash amounts are not included in our balance of cash and cash equivalents in the condensed consolidated balance sheets, although they are included in the cash, cash equivalents and restricted cash balance on the accompanying unaudited condensed consolidated statements of cash flows. At March 31, 2021, we had no borrowings outstanding under our Credit Facility; however, we had letters of credit outstanding of $17.2 million. At December 31, 2020, we had no amounts outstanding under the Credit Facility.

We may, from time to time, access capital markets to raise equity or debt financing for various business reasons, including acquisitions. We may also raise debt financing to fund future repurchases of our common stock. The timing, term, size, and pricing of any such financing will depend on investor interest and market conditions, and there can be no assurance that we will be able to obtain any such financing.

YTD 2021 cash flows compared to YTD 2020

Operating activities. Cash provided by operating activities was $134.6 million and $38.8 million for YTD 2021 and YTD 2020, respectively. Cash flows from operating activities increased by $95.8 million due to an increase in cash provided by changes in working capital of $103.4 million. The working capital changes were related to an increase in the change in accrued contract payables of $67.1 million primarily related to liability reserves on certain risk corridor, profit rebate and reconciliation contracts due to lower trip volumes as a result of COVID-19, an increase in the change in prepaid expenses and other current assets of $39.7 million and an increase in the change in accrued transportation costs of $10.5 million. The increase in these working capital items was offset by a decrease in the change in cash of $19.7 million associated with accounts receivable and other receivables. The remaining increase in cash flow provided by operating activities was a result of the increase in net income of $2.7 million, primarily from higher operating income, and an increase in amortization of $7.9 million due to the intangible assets brought on under the Simplura and NMT acquisitions in 2020. This was partially offset by an increase in equity income of our investee of $7.1 million.

Investing activities. Net cash used in investing activities of $5.4 million in YTD 2021 increased by $3.8 million as compared to YTD 2020 as a result of purchases of property and equipment primarily related to leasehold improvements.

Financing activities. Net cash used in financing activities of $12.9 million in YTD 2021 changed by $168.5 million as compared to net cash provided by financing activities YTD 2020 of $155.5 million. The change was primarily due to proceeds from debt in the first quarter of 2020 of $162.0 million as compared to an increase in cash paid to repurchase common stock in the first quarter of 2021 of $7.2 million. See Note 12, *Stock-Based Compensation and Similar Arrangements*, for further information on the stock buyback.

Obligations and commitments

Senior Unsecured Notes. On November 4, 2020, the Company issued $500.0 million in aggregate principal amount of its 5.875% senior unsecured notes due on November 15, 2025 (the “Notes”). The Notes were issued pursuant to an indenture, dated November 4, 2020 (the “Indenture”), between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

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

The Company will pay interest on the Notes at 5.875% per annum until maturity. Interest is payable semi-annually in arrears on May 15 and November 15 of each year, with the first interest payment date being May 15, 2021. Principal payments are not required until the maturity date on November 15, 2025 when 100% of the outstanding principal will be required to be repaid.

Credit Facility. The Company is a party to the amended and restated credit and guaranty agreement, dated as of August 2, 2013 (as amended, the “Credit Agreement”), with Bank of America, N.A., as administrative agent, swing line lender and letter of credit issuer, and the other lenders party thereto. On May 6, 2020, the Company entered into the Seventh Amendment to the Amended and Restated Credit and Guaranty Agreement (the “Seventh Amendment”) which, among other things, extended the maturity date to August 1, 2021, expanded the amount available under the revolving credit facility (the “Credit Facility”) from $200.0 million to $225.0 million, and increased the sub-facility for letters of credit from $25.0 million to $40.0 million. Interest on the loans is payable quarterly in arrears. In addition, the Company is obligated to pay a quarterly commitment fee based on a percentage of the unused portion of each lender’s commitment under the Credit Facility and quarterly letter of credit fees based on a percentage of the maximum amount available to be drawn under each outstanding letter of credit.

On October 16, 2020, the Company entered into the Eighth Amendment to the Amended and Restated Credit and Guaranty Agreement (the “Eighth Amendment”), which among other things, amended the Credit Facility to permit the incurrence of additional debt to finance the acquisition of Simplura, permit borrowing under the Credit Facility to partially fund the Simplura Acquisition with limited conditions to such borrowing, increase the top interest rate margin that may apply to loans thereunder, and revise our permitted ratio of EBITDA to indebtedness. In addition, the Eighth Amendment extended the maturity date to August 2, 2023. See Note 3, *Acquisitions*, for further information on the acquisition.

Effective as of the Eighth Amendment, interest on the outstanding principal amount of loans under the Credit Facility accrues, at the Company’s election, at a per annum rate equal to the greater of either LIBOR or 1.00%, plus an applicable margin, or the base rate as defined in the agreement plus an applicable margin. The applicable margin ranges from 2.25% to 3.50% in the case of LIBOR loans and 1.25% to 2.50% in the case of the base rate loans, in each case, based on the Company’s consolidated leverage ratio as defined in the credit agreement that governs our Credit Facility. The commitment fee and letter of credit fee ranges from 0.35% to 0.50% and 2.25% to 3.50%, respectively, in each case based on the Company’s consolidated leverage ratio as defined in the credit agreement that governs our Credit Facility.

As of March 31, 2021, the Company had no borrowings outstanding on the Credit Facility.

The Credit Agreement contains customary affirmative and negative covenants and events of default. The negative covenants include restrictions on our ability to, among other things, incur additional indebtedness, create liens, make investments, give guarantees, pay dividends, repurchase shares, sell assets, and merge and consolidate. We are subject to financial covenants, including consolidated net leverage and consolidated interest coverage covenants. As of September 30, 2020, our consolidated net leverage ratio may not be greater than 3.00:1.00 as of the end of any fiscal quarter and our consolidated interest coverage ratio may not be less than 3.00:1.00 as of the end of any fiscal quarter. Pursuant to the Eighth Amendment, and contingent upon consummation of the Simplura Acquisition, our consolidated net leverage ratio was increased to 4.50:1.00 for the four quarters following the consummation of the Simplura Acquisition and decreasing to 4.00:1.00 and 3.50:1.00 thereafter.

We were in compliance with all covenants under the credit agreement as of March 31, 2021.

Off-Balance Sheet Arrangements

There have been no material changes to the Off-Balance Sheet Arrangements discussion previously disclosed in our audited consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We have exposure to interest rate risk mainly related to our Credit Facility, which has variable interest rates that may increase. We did not have any amounts outstanding on our Credit Facility at March 31, 2021.

Item 4. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures

The Company, under the supervision and with the participation of its management (including its principal executive officer and principal financial officer), evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act as of March 31, 2021. Based upon this evaluation, the Company's principal executive and financial officers have concluded that such disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the 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 accumulated and communicated to the Company's management, including its principal executive and financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting

The principal executive and financial officers also conducted an evaluation of whether any changes in the Company's internal control over financial reporting occurred during the quarter ended March 31, 2021 that have materially affected or which are reasonably likely to materially affect such control. Such officers have concluded that no such changes have occurred.

(c) Limitations on the effectiveness of controls

Because of its inherent limitations, internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and presentation. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. The Company conducts periodic evaluations of its internal controls to enhance, where necessary, its procedures and controls.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time-to-time, we may become involved in legal proceedings arising in the ordinary course of our business. We record accruals for outstanding legal matters when it is believed to be probable that a loss will be incurred and the amount can be reasonably estimated. Management, following consultation with legal counsel, does not expect the ultimate disposition of any or a combination of any such ongoing or anticipated matters to have a material adverse effect on our business, financial condition or operating results. We cannot predict with certainty, however, the potential for or outcome of any litigation. Regardless of the outcome of any particular litigation and the merits of any particular claim, litigation can have a material adverse impact on us due to, among other reasons, any injunctive relief granted which could inhibit our ability to operate our business, amounts paid as damages or in settlement of any such matter, diversion of management resources and defense costs. Interested parties should refer to Note 14, Commitments and Contingencies, in this report for information concerning other potential contingent liabilities matters that do not rise to the level of materiality for purposes of disclosure hereunder.

Item 1A. Risk Factors.

The risks described under the caption “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020 (the “Annual Report”) could materially and adversely affect our business, financial condition, and results of operations, and could cause the trading price of our common stock to decline. The discussion of the risks included under that caption in our Annual Report remains current in all material respects, and there have been no material changes from the risk factors disclosed in the Annual Report. The risk factors that we have discussed do not identify all risks that we face; our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations. Due to risks and uncertainties, known and unknown, our past financial results may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities

On March 8, 2021, the Board of Directors authorized a new stock repurchase program under which the Company may repurchase up to $75.0 million in aggregate value of the Company’s Common Stock through December 31, 2021, unless terminated earlier. Through March 31, 2021, 94,235 shares were repurchased under the program. The following table provides information with respect to purchases made by or on behalf of us or any “affiliated purchasers” (as defined in Rule 10b-18(a)(3) of the Exchange Act) of our common stock during the three months ended March 31, 2021:

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) of Common Stock Purchased as Part of Publicly Announced Plans or Program	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (000’s)
January 1, 2021 to January 31, 2021	—	—	—	$ 75,000
February 1, 2021 to February 28, 2021	—	—	—	$ 75,000
March 1, 2021 to March 31, 2021	94,235	$ 153.35	94,235	$ 60,549
Total	94,235		94,235	$ 60,549

Item 6. Exhibits.

EXHIBIT INDEX

Exhibit Number	Description
4.1	Indenture dated as of November 4, 2020, between ModivCare Inc., f/k/a The Providence Service Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (Incorporated by reference to an exhibit to the registrant's current report on Form 8-K filed with the SEC on November 12, 2020).
10.1*	Transition and Separation Agreement dated as of March 11, 2020, among ModivCare Inc. and Kevin Dotts
31.1*	Certification pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 of the Chief Executive Officer.
31.2*	Certification pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 of the Chief Financial Officer.
32.1**	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer.
32.2**	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Financial Officer.
101.INS*	Inline XBR Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Schema Document
101.CAL*	Inline XBRL Calculation Linkbase Document
101.LAB*	Inline XBRL Label Linkbase Document
101.PRE*	Inline XBRL Presentation Linkbase Document
101.DEF*	Inline XBRL Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.
** Furnished herewith.

SIGNATURES

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

ModivCare Inc.

Date: May 7, 2021	By:	/s/ Daniel E. Greenleaf
		Daniel E. Greenleaf **Chief Executive Officer** ***(Duly Authorized Officer)***
Date: May 7, 2021	By:	/s/ L. Heath Sampson
		L. Heath Sampson **Chief Financial Officer** ***(Principal Financial Officer)***

March 11, 2021

PERSONAL & CONFIDENTIAL

Kevin Dotts
600 Bonaventure Avenue NE
Unit 9
Atlanta, GA 30306

Dear Kevin,

As we have previously discussed, your service with ModivCare Inc. ("Parent") and ModivCare Solutions, LLC ("ModivCare") and its affiliates as Chief Financial Officer ceased effective the close of business on February 26, 2021(the "Transition Date"). You will continue (subject to the terms and conditions of this letter agreement) as a full-time employee of ModivCare, in a non-officer role, until March 15, 2021 (the "Separation Date"), at which time your employment with Parent, ModivCare and its affiliates will cease. Provided that you execute this letter agreement and deliver it to me within twenty-one (21) calendar days of the date hereof, and do not revoke it with the 7-day revocation period below, ModivCare agrees to deem and describe your transition and separation from ModivCare as a termination by ModivCare without cause, subject in all respects to the terms and conditions set forth in this letter agreement.

Accordingly, this letter agreement confirms and evidences your rights and obligations in connection with and following the Separation Date.

1. Transition. Provided that you assist in the transition of your role to the successor Chief Financial Officer and provide such other services reasonably requested by the Company consistent therewith through the Separation Date, and satisfy the Payment Conditions (described below), you will remain entitled to (i) your current base salary and current benefit plan participation through the Separation Date, (ii) to receive the annual bonus earned for 2020 based on the Company's actual performance and the terms of the Company's 2020 Short-Term Incentive Plan in effect for 2020 (paid when annual bonuses are paid to executive officers generally) and (iii) continued vesting of your unvested equity awards in accordance with their existing terms through and including the Separation Date, including, for the avoidance of doubt, the vesting of the first tranche of the equity awards you were granted in September 2019.

2. Release. In consideration of the promises herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, you hereby fully and generally release, discharge and covenant not to sue or commence any legal

action or arbitration against Parent, its current and former parents, subsidiaries (including ModivCare), divisions, limited partnerships, affiliated corporations, successors and assigns and their respective past and present directors, managers, officers, stockholders, members, partners, agents, employees, insurers, attorneys, and servants each in his, her or its capacity as such, and each of them, separately and collectively (collectively, "Releasees"), from any and all existing claims, charges, complaints, liens, demands, causes of action, obligations, damages and liabilities, known or unknown, suspected or unsuspected, whether or not mature or ripe, that you ever had and now have against any Releasee, including, but not limited to, claims and causes of action arising out of or in any way related to your employment with or separation from ModivCare and its affiliates to any services performed for ModivCare or any of its affiliates, including Parent, to any status, term or condition in such employment, or to any physical or mental harm or distress from such employment or non-employment or claim to any hire, rehire or future employment of any kind by ModivCare or any of its affiliates, including Parent, all to the extent allowed by applicable law. This release of claims includes, but is not limited to, claims based on express or implied contract, compensation plans, covenants of good faith and fair dealing, wrongful discharge, claims for discrimination, harassment and retaliation, violation of public policy, tort or common law, whistleblower or retaliation claims; and claims for additional compensation or damages or attorneys' fees or claims under federal, state, and local laws, regulations and ordinances, including but not limited to Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Americans with Disabilities Act, the Georgia Fair Employment Practices Act, Georgia Equal Pay Act, the Worker Adjustment and Retraining Notification Act ("WARN"), or equivalent state WARN act, the Employee Retirement Income Security Act ("ERISA"), and the Sarbanes-Oxley Act of 2002. You understand that this release of claims includes a release of all known and unknown claims through the date hereof (the "Release Date").

You further agree, promise and covenant that, to the maximum extent permitted by law, neither you, nor any person, organization or other entity acting on your behalf has filed or will file, charge, claim, sue, or cause or permit to be filed, charged or claimed, any action for damages or other relief (including injunctive, declaratory, monetary or other relief) against any of the Releasees involving any matter occurring in the past, or involving or based upon any claims, demands, causes of action, obligations, damages or liabilities, in each case, which are involving any matter occurring in the past, or involving or based upon any claims, demands, causes of action, obligations, damages or liabilities, in each case, which are subject to this release of claims. You represent that you are not aware of any fraud, wrongdoing or failure to comply with any applicable regulations or laws by ModivCare or any of its affiliates, including Parent, and you have not been retaliated against for reporting any allegations of fraud, wrongdoing or compliance failure. All Releasees shall be deemed to be third party beneficiaries of this Agreement to the same extent as if they were signatories hereto.

Except as provided in Section 1 and Section 3 hereof and for any unpaid salary that you have earned through the Separation Date (which will be paid to you on the next regularly scheduled payroll date), you hereby represent that you have been paid all compensation owed and for all hours worked, you have received all the leave and leave benefits and protections for which you are eligible, pursuant to the federal Family and Medical Leave Act, any applicable ModivCare or Parent policy or applicable law, and you have not suffered any on-the-job injury or illness for which you have not already filed a workers' compensation claim.

Notwithstanding the foregoing, this release of claims will not prohibit you from filing a charge of discrimination with the National Labor Relations Board, the Equal Employment Opportunity Commission ("EEOC") or an equivalent state civil rights agency, but you agree and understand that you are waiving your right to monetary compensation thereby if any such agency elects to pursue a claim on your behalf. Further, nothing in this release of claims shall be construed to waive any right that is not subject to waiver by private agreement under federal, state or local employment or other laws, such as claims for workers' compensation or unemployment benefits or any claims that may arise after the Release Date. In addition, nothing in this release of claims will be construed to affect any of the following claims, all rights in respect of which are reserved and not released:

a. The payments and benefits payable under Section 1 and Section 3 of this letter agreement;
b. Reimbursement of unreimbursed business expenses properly incurred prior to the Separation Date in accordance with the policies of ModivCare;
c. Vested benefits under the general ModivCare employee benefit plans (other than severance pay or termination benefits, all rights to which are hereby waived and released) determined through the Separation Date;
d. Vested awards outstanding pursuant to the Company's 2006 Long Term Incentive Plan;
e. Any claim for unemployment compensation or workers' compensation administered by a state government to which you are presently or may become entitled; and
f. Indemnification as a former officer of ModivCare or Parent or inclusion as a beneficiary of any insurance policy related to your service in such capacity.

By executing this letter agreement, you hereby agree that you have had a reasonable period of time to review and consider the terms of this agreement. You acknowledge that you have been given the opportunity to consult with legal counsel, and you are signing this release of claims knowingly, voluntarily and with full understanding of its terms and effects, and you voluntarily accept the payments and benefits provided for in Section 1 above and Section 3 below for the purpose of making full and final settlement of all claims referred to in this letter agreement. You acknowledge that you would not be entitled to the separation benefits provided for in Section 3 below in the absence of signing and not revoking this letter agreement, that the separation benefits constitute a substantial economic benefit to you, and that they constitute good and valuable consideration for the various commitments undertaken by you in this letter agreement.

In addition, in consideration for the payments and benefits provided for in Section 1 above and Section 3 below you hereby forever give up, waive, discharge and release the Releasees from any and all claims pursuant to the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act, and the rules and regulations promulgated thereunder (the "ADEA"). In connection with this specific waiver of claims, you agree and acknowledge that you have had at least twenty-one (21) days to consider this ADEA release and if you sign this letter agreement earlier, you do so voluntarily, freely and without reservation. You further agree and acknowledge that you have seven (7) days after you sign this letter agreement to revoke your agreement to this letter agreement, in which case the agreement shall be null and void and you shall not be entitled to any payments or benefits hereunder. In order to revoke your agreement to this letter agreement, you must do so in writing delivered to ModivCare on or before 5:00 p.m. ET of the seventh (7th) day after the execution of this letter agreement. If your agreement to this letter agreement is not properly revoked within the seven (7)-day period, it shall become fully enforceable on the eighth (8th) day after you sign this letter agreement, without any affirmative act by either party. This ADEA waiver does not waive rights or claims that may arise after the date this letter agreement is executed by you.

Notwithstanding the foregoing, nothing in this letter agreement (including the release of claims): (i) prohibits you from providing truthful testimony or accurate information in connection with any investigation being conducted into the business or operations of ModivCare and its affiliates, including Parent, by any government agency or other regulator that is responsible for enforcing a law on behalf of the government or otherwise providing information to the appropriate government regulatory agency or body regarding conduct or action undertaken or omitted to be taken by any of them that you reasonably believe is illegal or in material non-compliance with any financial disclosure or other regulatory requirement applicable to them; (ii) requires you to obtain the approval of, or give prior notice to, ModivCare or any of its affiliates, or any of their employees or representatives to take any action permitted under the preceding clause; or (iii) prevents you from receiving any whistleblower award. Nothing in this letter agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b). 18 U.S.C. § 1833(b) provides that "An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that—(A) is made—(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal." Accordingly, the parties to this letter agreement have the right to disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating suspected violation of law. The parties also have the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

3. Severance. Provided that (i) you sign this letter agreement and send it back to me within the timing described above, (ii) you provide the transition services described in Section 1 hereof in good faith through the Separation Date, (iii) you sign a supplemental release of claims substantially similar to form attached as Exhibit A hereto within twenty-one (21) days of delivery of this letter agreement but not before the Separation Date, and (iv) both this letter agreement and the supplemental release become effective and irrevocable in accordance with their terms (clauses (i)-(iv), the "Payment Conditions"), ModivCare will pay you a lump sum amount equal to twelve (12) months of your current Base Salary, minus required tax and other withholdings. Further, the Company will fully-subsidize COBRA coverage for 12 months which will be paid directly by the Company to the carrier once you elect COBRA coverage. Should you decide to continue COBRA coverage after the expiration of the fully-subsidized period of time, you will need to pay the full premium plus any applicable administrative fee directly to the COBRA Administrator.

4. Following the Separation Date, you shall not be entitled to any further payments from ModivCare and its affiliates in respect of your employment, nor shall ModivCare and its affiliates have any further liability to you in respect thereof, except as expressly set forth in this Section 3 and in Section 1 above.

5. Return of Property. You hereby agree that, prior to the Separation Date, you shall return to ModivCare all property belonging to ModivCare or its affiliates, including, without limitation, all electronic devices, keys, documents, handwritten notes, notebooks, materials, records or other items in your possession or control belonging to ModivCare or its affiliates, including Parent, or that constitute confidential information provided to you or of which you became aware in your capacity as an employee of ModivCare, and that you have not retained and will not retain any copies of such items. Any and all proprietary information outlined above must be returned by your last day of employment with ModivCare.

6. Resignations. Effective as of the Transition Date, you hereby resign from all positions that you hold as an officer with ModivCare and its affiliates, including Parent; provided, however, that you will not resign your positions with Ingeus Investments Limited and Ingeus, LLC until the Separation Date. You agree to execute any additional documents necessary to effectuate such resignations.

7. Cooperation. You agree to cooperate, in a reasonable and appropriate manner, with ModivCare and its affiliates, including Parent, and their attorneys in connection with

any litigation or other proceeding arising out of or relating to matters in which you were involved prior to the Separation Date. You agree that you (a) will not communicate with anyone (other than your attorneys and tax and/or financial advisors and except to the extent you determine in good faith is necessary in the performance of your duties hereunder) with respect to the facts or subject matter of any pending or potential litigation, or regulatory or administrative proceeding involving ModivCare or any of its affiliates, including Parent, other than any litigation or other proceeding in which you are a party-in-opposition, without giving prior notice to ModivCare, and (b) in the event that any other party attempts to obtain information or documents from you (other than in connection with any litigation or other proceeding in which you are a party-in-opposition) with respect to matters you believe in good faith are related to such litigation or other proceeding, you will promptly so notify Parent's counsel.

8. Representation. You hereby acknowledge and agree that you are not aware of any issues or irregularities (including any fraud or other material misstatements) relating to ModivCare's or any of its affiliates financial accounting or reporting.

9. Confidential. Without limiting anything to the contrary herein, except as required by law and as required to effectuate the terms hereunder, you agree not to disclose the terms hereof to any person or entity, other than your attorneys, accountants, financial advisors, or members of your immediate family. Provided, further, you may respond to any third party inquiries regarding your separation that it was on "amicable terms", or words to that effect.

10. Controlling Law, etc. This letter agreement shall be governed, construed, interpreted and enforced in accordance with the substantive laws of the State of Georgia, without giving effect to any principles of conflicts of law, whether of the State of Georgia or any other jurisdiction, and where applicable, the laws of the United States, that would result in the application of the laws of any other jurisdiction. You consent and agree that any claim arising out of or relating to this letter agreement shall be brought in a state or federal court of competent jurisdiction in Georgia. You consent to the personal jurisdiction of the state and/or federal courts located in Georgia. You waive (a) any objection to jurisdiction or venue, or (b) any defense claiming lack of jurisdiction or improper venue in any action brought in such courts.

11. Entire Agreement, etc. This letter agreement represents the entire agreement between the parties as to the subject matters herein, and supersedes and replaces any prior version of this agreement or any agreement between the parties concerning your separation from Parent, ModivCare and their affiliates. This letter agreement may not be amended except by a writing signed by both parties. This letter agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, administrators, beneficiaries, representatives, executors, successors and assigns. For the avoidance of doubt, you acknowledge and agree that the term of your employment agreement, dated August 18, 2018, expired on December 31, 2020 and that

ModivCare, Parent and their affiliates have no further obligations to you pursuant to such employment agreement.

12. Section 409A. This letter agreement and any payments hereunder are intended to be exempt from, or if not so exempt, to comply with, the requirements of Section 409A of the Internal Revenue Code of 1986, as amended and the guidance issued thereunder (“Section 409A”), and this letter agreement shall be interpreted, operated and administered accordingly. To the extent that any provision of this letter agreement is ambiguous as to its compliance with Section 409A, the provision shall be read in such a manner so that all payments hereunder are either exempt from or comply with Section 409A. Each payment made under this letter agreement shall be deemed to be a separate payment for purposes of Section 409A. Once this letter agreement is executed, delivered and not subject to revocation, then the following shall apply:

    a. To the extent that any cash payment or continuing benefit to be provided hereunder is not “nonqualified deferred compensation” for purposes of Section 409A, then such payment or benefit shall commence upon the first scheduled payment date immediately following the effective date of this release of claims. The first such cash payment shall include payment of all amounts that otherwise would have been due prior to the effective date of this release of claims under the terms of this letter agreement applied as though such payments commenced immediately upon the Separation Date, and any payments made thereafter shall continue as provided herein. The delayed benefits shall in any event expire at the time such benefits would have expired had such benefits commenced immediately following the Separation Date.

    b. To the extent that any such cash payment to be provided is “nonqualified deferred compensation” for purposes of Section 409A, then such payments shall be made or commence upon the sixtieth (60th) day following the Separation Date. The first such cash payment shall include payment of all amounts that otherwise would have been due prior thereto under the terms of this letter agreement had such payments commenced immediately upon the Separation Date, and any payments made thereafter shall continue as provided herein.

13. Counterparts. This letter agreement may be executed in one or more counterparts (including via facsimile or other electronic transmission), each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

Sincerely,

/s/ Daniel Greenleaf

Daniel Greenleaf

President & Chief Executive Officer

ACCEPTED AND AGREED:

/s/ Kevin Dotts

Kevin Dotts

Exhibit A

Supplemental Release

In consideration of the promises set forth in that certain letter agreement dated March 11, 2021 between myself and ModivCare Inc. ("Parent") and ModivCare Solutions, LLC ("ModivCare") and its affiliates (the "Letter Agreement"), and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, I hereby fully and generally release, discharge and covenant not to sue or commence any legal action or arbitration against Parent, its current and former parents, subsidiaries (including ModivCare), divisions, limited partnerships, affiliated corporations, successors and assigns and their respective past and present directors, managers, officers, stockholders, partners, agents, employees, insurers, attorneys, and servants each in his, her or its capacity as such, and each of them, separately and collectively (collectively, "Releasees"), from any and all existing claims, charges, complaints, liens, demands, causes of action, obligations, damages and liabilities, known or unknown, suspected or unsuspected, whether or not mature or ripe, that I ever had and now have against any Releasee, including, but not limited to, claims and causes of action arising out of or in any way related to my employment with or separation from ModivCare and its affiliates to any services performed for ModivCare or any of its affiliates, including Parent, to any status, term or condition in such employment, or to any physical or mental harm or distress from such employment or non-employment or claim to any hire, rehire or future employment of any kind by ModivCare or any of its affiliates, including Parent, all to the extent allowed by applicable law. This release of claims includes, but is not limited to, claims based on express or implied contract, compensation plans, covenants of good faith and fair dealing, wrongful discharge, claims for discrimination, harassment and retaliation, violation of public policy, tort or common law, whistleblower or retaliation claims; and claims for additional compensation or damages or attorneys' fees or claims under federal, state, and local laws, regulations and ordinances, including but not limited to Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Americans with Disabilities Act, the Georgia Fair Employment Practices Act, Georgia Equal Pay Act, the Worker Adjustment and Retraining Notification Act ("WARN"), or equivalent state WARN act, the Employee Retirement Income Security Act ("ERISA"), and the Sarbanes-Oxley Act of 2002. You understand that this release of claims includes a release of all known and unknown claims through the date hereof (the "Release Date").

I further agree, promise and covenant that, to the maximum extent permitted by law, neither I, nor any person, organization or other entity acting on my behalf has filed or will file, charge, claim, sue, or cause or permit to be filed, charged or claimed, any action for damages or other relief (including injunctive, declaratory, monetary or other relief) against any of the Releasees involving any matter occurring in the past, or involving or based upon any claims, demands, causes of action, obligations, damages or liabilities, in each case, which are involving any matter occurring in the past, or involving or based upon any claims, demands, causes of action, obligations, damages or liabilities, in each case, which are subject to this release of claims. I represent that I am not aware of any fraud, wrongdoing or failure to comply with any applicable regulations or laws by ModivCare or any of its affiliates, including Parent, and I have not been retaliated against for reporting any allegations of fraud, wrongdoing or compliance failure. All

Releasees shall be deemed to be third party beneficiaries of this agreement to the same extent as if they were signatories hereto.

Except as provided in the Letter Agreement and for any unpaid salary that I have earned through the date hereof, I hereby represent that I have been paid all compensation owed and for all hours worked, I have received all the leave and leave benefits and protections for which I am eligible, pursuant to the federal Family and Medical Leave Act, any applicable ModivCare or Parent policy or applicable law, and I have not suffered any on-the-job injury or illness for which you have not already filed a workers' compensation claim.

Notwithstanding the foregoing, this release of claims will not prohibit me from filing a charge of discrimination with the National Labor Relations Board, the Equal Employment Opportunity Commission ("EEOC") or an equivalent state civil rights agency, but I agree and understand that I am waiving my right to monetary compensation thereby if any such agency elects to pursue a claim on my behalf. Further, nothing in this release of claims shall be construed to waive any right that is not subject to waiver by private agreement under federal, state or local employment or other laws, such as claims for workers' compensation or unemployment benefits or any claims that may arise after the Release Date. In addition, nothing in this release of claims will be construed to affect any of the following claims, all rights in respect of which are reserved and not released:

a. The payments and benefits payable under Section 1 and Section 3 of the Letter Agreement;
b. Reimbursement of unreimbursed business expenses properly incurred prior to the Separation Date in accordance with the policies of ModivCare;
c. Vested benefits under the general ModivCare employee benefit plans (other than severance pay or termination benefits, all rights to which are hereby waived and released);
d. Vested awards outstanding pursuant to the Company's 2006 Long Term Incentive Plan;
e. Any claim for unemployment compensation or workers' compensation administered by a state government to which I am presently or may become entitled; and
f. Indemnification as a former officer of ModivCare or Parent or inclusion as a beneficiary of any insurance policy related to your service in such capacity.

By executing this letter agreement, I hereby agree that I have had a reasonable period of time to review and consider the terms of this agreement. I acknowledge that I have been given the opportunity to consult with legal counsel, and I am signing this release of claims knowingly, voluntarily and with full understanding of its terms and effects, and you voluntarily accept the payments and benefits provided for in Section 1 and Section 3 of the Letter Agreement for the purpose of making full and final settlement of all claims referred to herein. I acknowledge that I would not be entitled to the separation benefits provided for in the Letter Agreement in the absence of signing and not revoking this release of claims, that the separation benefits constitute a substantial economic benefit to me, and that they constitute good and valuable consideration for the various commitments undertaken by me in this release of claims.

In addition, in consideration for the payments and benefits provided for in the Letter Agreement, I hereby forever give up, waive, discharge and release the Releasees from any and all claims pursuant to the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act, and the rules and regulations promulgated thereunder (the "ADEA"). In connection with this specific waiver of claims, I agree and acknowledge that I have had at least twenty-one (21) days to consider this ADEA release and if I sign this release of claims earlier, I do so voluntarily, freely and without reservation. I further agree and acknowledge that I have seven (7) days after I sign this release of claims to revoke my agreement to this release of claims, in which case the Letter Agreement shall be null and void and I will not be entitled to any further payments or benefits under the Letter Agreement. In order to revoke my release of claims under this paragraph, I acknowledge that I must do so in writing delivered to ModivCare on or before 5:00 p.m. ET of the seventh (7th) day after the execution of this release of claims. I acknowledge that if my agreement to this release of claims is not properly revoked within the seven (7)-day period, it shall become fully enforceable on the eighth (8th) day after I sign this release of claims, without any affirmative act by either party. This ADEA waiver does not waive rights or claims that may arise after the date this release of claims is executed.

Notwithstanding the foregoing, I acknowledge that nothing in this release of claims: (i) prohibits me from providing truthful testimony or accurate information in connection with any investigation being conducted into the business or operations of ModivCare and its affiliates, including Parent, by any government agency or other regulator that is responsible for enforcing a law on behalf of the government or otherwise providing information to the appropriate government regulatory agency or body regarding conduct or action undertaken or omitted to be taken by any of them that you reasonably believe is illegal or in material non-compliance with any financial disclosure or other regulatory requirement applicable to them; (ii) requires me to obtain the approval of, or give prior notice to, ModivCare or any of its affiliates, or any of their employees or representatives to take any action permitted under the preceding clause; or (iii) prevents me from receiving any whistleblower award. I acknowledge that nothing in this release of claims is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b). 18 U.S.C. § 1833(b) provides that "An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that—(A) is made—(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal." Accordingly, the parties to this release of claims have the right to disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating suspected violation of law.

The parties also have the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

ACCEPTED AND AGREED:

Kevin Dotts

Date: ______________________________

Exhibit 31.1

CERTIFICATIONS

I, Daniel E. Greenleaf, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ModivCare Inc.;

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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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 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 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: May 7, 2021

/s/ Daniel E. Greenleaf

Daniel E. Greenleaf
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, L. Heath Sampson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ModivCare Inc.;

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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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 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 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: May 7, 2021

/s/ L. Heath Sampson

L. Heath Sampson
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

MODIVCARE INC.

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

Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of The Providence Service Corporation (the "Company") does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the quarter ended March 31, 2021 (the "Report") that, to the best of such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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: May 7, 2021

/s/ Daniel E. Greenleaf
Daniel E. Greenleaf
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

MODIVCARE INC.

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

Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of ModivCare Inc. ("ModivCare" or the "Company") does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the quarter ended March 31, 2021 (the "Report") that, to the best of such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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: May 7, 2021

/s/ L. Heath Sampson
L. Heath Sampson
Chief Financial Officer
(Principal Financial Officer)